

PRIVATE PLACEMENT MEMORANDUM

NEW ISSUE/REFUNDING: BOOK-ENTRY ONLY

NOT RATED
(See "RATINGS" herein)

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Authority and the Institution with their representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Series B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code; the Series B Bonds are not "private activity bonds" and interest on the Series B Bonds is not treated as a preference item for purposes of calculating the federal alternative minimum tax; but in the case of corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax; interest on the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Series B Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "TAX MATTERS" herein.



\$30,330,000

**STATE OF CONNECTICUT HEALTH AND
EDUCATIONAL FACILITIES AUTHORITY**



REVENUE BONDS, DAY KIMBALL HEALTHCARE ISSUE, SERIES B

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The State of Connecticut Health and Educational Facilities Authority (the "Authority") is issuing its \$30,330,000 aggregate principal amount of Revenue Bonds, Day Kimball Healthcare Issue, Series B (the "Series B Bonds"). The Series B Bonds will be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The Series B Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Individual purchases of interests in the Series B Bonds will be made in book entry form only. Purchasers will not receive securities certificates representing their beneficial ownership interest in the Series B Bonds purchased. The Series B Bonds will bear interest (payable on January 1 and July 1 of each year, commencing July 1, 2013) at the rates and shall mature in the years and in the amounts as shown on the inside cover hereof. So long as the Series B Bonds shall be maintained under a book-entry system, payments of principal, premium, if any, and interest on the Series B Bonds will be made when due by U.S. Bank National Association (the "Trustee"), to DTC in accordance with the Indenture (defined below), and the Trustee will have no obligation to make any payments to any beneficial owner of any Series B Bonds. See "THE SERIES B BONDS – Book-Entry-Only System."

The Series B Bonds will be special obligations of the Authority secured under the provisions of the Trust Indenture (the "Indenture"), dated as of June 1, 2013, by and between the Authority and the Trustee, payable solely from the Revenues of the Authority paid to the Trustee for the account of the Authority by the members of the Obligated Group described below in accordance with the provisions of the Loan Agreement (and Security Agreement) (the "Loan Agreement"), dated as of June 1, 2013, by and between the Authority and the Obligated Group. To evidence and secure the obligations of the Obligated Group under the Loan Agreement, the Obligated Group will issue to the Trustee for the benefit of the Authority, its Series B Note, in the principal amount of the Series B Bonds (the "Series B Note"). As additional security for the Series B Note and obligations under the Loan Agreement, the Institution shall grant a mortgage to the Authority on certain property of the Institution. The Members of the Obligated Group currently are Day Kimball Healthcare, Inc., formerly known as The Day Kimball Hospital of Windham County, Inc. (the "Institution"), Day Kimball Homemakers, Inc. ("Homemakers") and Day Kimball Medical Group, Inc. (the "Medical Group"). Pursuant to the Indenture, the Authority will assign to the Trustee, for the benefit of the Bondowners, its right to the Revenues derived from the Loan Agreement, the Series B Note and the Mortgage. The Series B Note issued under the Loan Agreement will be secured by a pledge of the Gross Receipts of the Obligated Group and any future members of the Obligated Group.

The Series B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES B BONDS – Description of the Series B Bonds – Redemption Provisions" herein.

THE SERIES B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") UNDER AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN THE SECURITIES ACT. THE SERIES B BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SERIES B BONDS ARE BEING OFFERED IN A NONPUBLIC OFFERING ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS SUCH TERM IS DEFINED IN RULE 144A OF THE SECURITIES ACT) OR "ACCREDITED INVESTORS" (WITHIN THE MEANING OF RULE 501 OR REGULATION D OF THE SECURITIES ACT). THE SERIES B BONDS ARE SUBJECT TO TRANSFER RESTRICTIONS. THE SERIES B BONDS ARE NOT RATED AND ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. SEE "BOND TRANSFER RESTRICTIONS" AND "BONDOWNERS' RISKS – NO CREDIT RATING; NO CREDIT ENHANCEMENT; BOND TRANSFER RESTRICTIONS; NO SECONDARY MARKET" HEREIN.

THE SERIES B BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CONNECTICUT OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DERIVED BY THE AUTHORITY UNDER THE LOAN AGREEMENT AND THE SERIES B NOTE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CONNECTICUT OR ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES B BONDS. THE ACT DOES NOT IN ANY WAY CREATE A SO-CALLED MORAL OBLIGATION OF THE STATE OF CONNECTICUT TO PAY DEBT SERVICE ON THE SERIES B BONDS IN THE EVENT OF DEFAULT BY THE OBLIGATED GROUP OR THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Series B Bonds are offered when, as, and if issued by the Issuer, subject to the approval of legality of the Series B Bonds by Day Pitney LLP, of Hartford, Connecticut, and New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its Special Counsel, McCarter & English, LLP, of Hartford, Connecticut. Certain legal matters will be passed upon for the Obligated Group by its co-counsel, Eckert Seamans Cherin & Mellott, LLC, of Harrisburg, Pennsylvania, and its co-counsel, Bachand, Longo & Higgins, of Putnam, Connecticut, and for the Placement Agent, Piper Jaffray & Co., by its counsel, Updike, Kelly & Spellacy, P.C., of Hartford, Middletown and New Haven, Connecticut. It is expected that the Series B Bonds will be available for delivery to DTC in New York, New York, on or about June 6, 2013.

PiperJaffray.

Dated: June 6, 2013

\$30,330,000
STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS, DAY KIMBALL HEALTHCARE ISSUE, SERIES B

**MATURITIES, AMOUNTS, INTEREST RATES,
PRICES OR YIELDS AND CUSIPS**

\$11,485,000 4.625% Term Bond Due July 1, 2023, Yield 4.625%, CUSIP No. 20774YPB7*

\$18,845,000 5.875% Term Bond Due July 1, 2043, Yield 5.875%, CUSIP No. 20774YPC5*

* The CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, the Placement Agent or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the Placement Agent or the Trustee has agreed to, nor is there any duty or obligation to, update this Private Placement Memorandum to reflect any change or correction in the CUSIP numbers printed herein.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Obligated Group or the Placement Agent to give any information or to make any representation with respect to the Series B Bonds, other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Obligated Group, DTC and other sources. The Authority and the Placement Agent have relied entirely on the Obligated Group, DTC and such other sources for such information, including the information pertaining to DTC, the information included in Appendices A and B and the other information herein pertaining to the Project (as defined herein) and the Obligated Group and each Obligated Group member's financial condition. Neither the Authority nor the Placement Agent makes any representation as to the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS PRIVATE PLACEMENT MEMORANDUM

Certain statements included or incorporated by reference in this Private Placement Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "plan," "intend," "estimate," "project," "forecast," "budget," or other similar expressions. Such forward-looking statements include, among others, certain statements under the caption "BONDOWNERS' RISKS" in this Private Placement Memorandum and in Appendix A attached hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE OBLIGATED GROUP NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

IN CONNECTION WITH THE OFFERING OF BENEFICIAL INTERESTS IN THE SERIES B BONDS, THE PLACEMENT AGENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BENEFICIAL INTERESTS IN THE SERIES B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series B Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The initial placement of the Series B

Bonds is made to Qualified Institutional Buyers (as such term is defined in Rule 144A of the Securities Act) or to Accredited Investors (within the meaning of Rule 501 or Regulation D of the Securities Act) and no transfer of any bond or interest therein shall be made unless such transfer is made to a Qualified Institutional Buyer or Accredited Investor.

In connection with the purchase of the Series B Bonds, each purchaser will be required to deliver to the Authority, the Obligated Group and the Placement Agent an investor letter in form and substance acceptable to the Authority and the Placement Agent relating to the purchaser's status as a Qualified Institutional Buyer or Accredited Investor and the suitability of an investment in the Series B Bonds for the purchaser.

ANY RESALE OF THE SERIES B BONDS WILL BE SUBJECT TO CERTAIN RESTRICTIONS. SEE "BOND TRANSFER RESTRICTIONS" AND "BONDOWNERS' RISKS – NO CREDIT RATING; NO CREDIT ENHANCEMENT; BOND TRANSFER RESTRICTIONS; NO SECONDARY MARKET" HEREIN.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE OBLIGATED GROUP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective investors should not construe the contents of this Private Placement Memorandum as legal, tax or investment advice.

TABLE OF CONTENTS

	<u>Page</u>
Introduction.....	1
The Authority.....	3
The Project.....	7
Bond Transfer Restrictions	7
The Series B Bonds.....	8
Security and Sources of Payment for the Series B Bonds	13
Estimated Sources and Uses of Funds	17
Plan of Refunding	17
Estimated Debt Service Schedule	18
Tax Matters	19
Bondowners' Risks	20
Legality of the Series B Bonds for Investment and Deposit.....	42
Negotiable Instruments	42
State Not Liable on the Series B Bonds	43
Covenant by the State	43
Rating.....	43
The Placement Agent.....	43
Continuing Disclosure	43
Independent Accountants.....	44
Legal Matters	44
Litigation.....	44
Miscellaneous	45
Appendix A	Information Regarding the Obligated Group
Appendix B	Financial Statements of Day Kimball Healthcare, Inc.
Appendix C	Definitions
Appendix D	[Reserved]
Appendix E	Excerpts From and Summaries of Certain Provisions of the Indenture
Appendix F	Excerpts From and Summaries of Certain Provisions of the Loan Agreement
Appendix G	Indebtedness of the Authority
Appendix H	Proposed Form of Opinion of Bond Counsel
Appendix I	Form of Continuing Disclosure Agreement

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PRIVATE PLACEMENT MEMORANDUM

Relating to

\$30,330,000

**State of Connecticut Health and Educational Facilities Authority
Revenue Bonds, Day Kimball Healthcare Issue, Series B**

INTRODUCTION

The purpose of this Private Placement Memorandum, including the cover page and Appendices attached hereto, is to set forth certain information concerning the State of Connecticut Health and Educational Facilities Authority (the “Authority”), and its \$30,330,000 aggregate principal amount of Revenue Bonds, Day Kimball Healthcare Issue, Series B (the “Series B Bonds”), authorized by resolutions adopted by the Authority on September 19, 2012 and November 14, 2012 (together, the “Resolution”) and certain information concerning Day Kimball Healthcare, Inc. (the “Institution”), Day Kimball Homemakers, Inc. (“Homemakers”) and Day Kimball Medical Group, Inc. (the “Medical Group”). The Institution, Homemakers and the Medical Group are collectively referred to herein as the “Obligated Group,” the “Members of the Obligated Group” or the “Obligated Group Members.” The Institution is the owner and operator of Day Kimball Hospital, a 104 bed community hospital located in Putnam, Connecticut (the “Hospital”). Certain terms used in this Private Placement Memorandum have the meanings set forth in Appendix C – “Definitions.”

The Series B Bonds are being issued by the Authority pursuant to the State of Connecticut Health and Educational Facilities Authority Act, Chapter 187 of the Connecticut General Statutes, Sections 10a-176 to 10a-198, inclusive, as amended (the “Act”). The Series B Bonds will be special obligations of the Authority issued and secured under the provisions of a Trust Indenture relating to the Series B Bonds (the “Indenture”), dated as of June 1, 2013, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), payable solely from the Revenues of the Authority paid to the Trustee for the account of the Authority by the Obligated Group in accordance with the provisions of the Loan Agreement (and Security Agreement) relating to the Series B Bonds, dated as of June 1, 2013, by and among the Authority and the Members of the Obligated Group (the “Loan Agreement”). To evidence and secure the obligations of the Obligated Group under the Loan Agreement, the Obligated Group will issue its Day Kimball Healthcare, Series B Note in the principal amount of \$30,330,000 (the “Series B Note”) in favor of the Trustee under and pursuant to the Loan Agreement. The obligation of the Obligated Group to make payments pursuant to the Loan Agreement and the Series B Note is absolute and unconditional. Pursuant to the Indenture, the Authority will assign to the Trustee, for the benefit of the Bondowners, its rights to the Revenues derived from the Loan Agreement and the Series B Note.

The Series B Note will constitute a joint and several obligation of the Members of the Obligated Group and any other entities which may hereafter become members of the Obligated Group. No additional bonds may be issued pursuant to the Indenture. As additional security for the Series B Note and obligations under the Loan Agreement and in respect of the Series B Bonds, the Institution shall grant

a mortgage to the Authority on certain property of the Hospital (the “Mortgage”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B BONDS” herein.

The Obligated Group may incur additional Indebtedness as Parity Debt, secured on a parity basis by the liens, security interests and pledges set forth in the Loan Agreement. The Authority may issue other bonds, notes and other evidences of indebtedness on behalf of the Obligated Group pursuant to one or more trust indentures, other than the Indenture, which are on a parity with or subordinate to the Bonds and any other indebtedness of the Authority issued on behalf of the Obligated Group on a parity or subordinate basis therewith. See Appendix F attached hereto – “EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.”

The proceeds from the sale of the Series B Bonds will be used, together with other moneys available therefor (i) to refund (A) the Authority’s outstanding Revenue Bonds, Day Kimball Hospital Issue, Series A, dated November 1, 1995 in the principal amount of \$12,470,000 and (B) the Institution’s outstanding Construction Note in the principal amount of \$4,743,179.10, which financed the construction of a 27,500 square foot, two-story building and related surface parking area on a 4-acre site, utilized as a medical clinic with walk-in and adult primary care with nine exam rooms and as a women’s health and wellness facility with twelve exam rooms, diagnostic imaging and related services together with a community room for meetings and training as well as a sitting/reception area, in Plainfield, Connecticut (the “Plainfield Facility”); (ii) to pay a portion of the cost of the Project; (iii) to pay through October 1, 2014 the interest on the Series B Bonds used to finance the Project; (iv) to fund the Debt Service Reserve Fund established under the Indenture in accordance with the Debt Service Reserve Fund Requirement; and (v) to pay certain costs of issuance incurred in connection with the issuance of the Series B Bonds. The Project to be financed with the proceeds of the Series B Bonds consists of (a) renovation and expansion of Day Kimball Hospital’s Emergency Department that is located in the acute-care hospital building at the campus, which undertaking consists of an approximately 9,500 square foot, two-story addition, including a new covered walk-in patient entrance and separate ambulance entrance, and the renovation of approximately 11,650 square feet of the existing facility together with related improvements, furnishings and equipment that primarily will include the following: (i) reconfiguration of existing patient rooms as single-bed private rooms; (ii) an increase in the number of beds from 12 to 24 and acquisition of additional related cardiac monitoring equipment; (iii) addition of a resuscitation room (aka “trauma room”) and related equipment; (iv) creation of a dedicated and discreet treatment area for patients requiring behavioral health crisis services; (v) a non-denominational family meditation room; and (vi) certain other capital expenditures for improvements and/or equipment related to the foregoing or relating to the providing of healthcare services; and (b) site infrastructure improvements consisting of expansion of an existing chiller plant, emergency power generation capacity and related appurtenances and improvements.

The Series B Bonds initially will be delivered to Cede & Co. as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will maintain a book-entry system for recording the ownership interests of its participants (the “Direct Participants”), and the ownership interests of investors of beneficial interests in the Series B Bonds (the “Beneficial Owners”) will be recorded through book entries on the records of the Direct Participants. Beneficial Owners will not receive any certificates representing their interest in the Series B Bonds. See “THE SERIES B BONDS – Book-Entry-Only System” herein.

The Series B Bonds are special obligations of the Authority, payable solely from the Revenues and property pledged and assigned therefor by the Authority to the Trustee pursuant to the Indenture, which include: (a) the Series B Note, including the pledge of the Obligated Group’s Gross Receipts pursuant to the Loan Agreement, (b) the Authority’s rights under the Loan Agreement (excluding the right of the Authority to grant approvals, consents or waivers, to receive notices, or for indemnification or

reimbursement of costs and expenses), (c) the Mortgage and (d) moneys held by the Trustee under the Indenture (excluding the Rebate Fund). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B BONDS” herein.

In accordance with the Indenture and the Loan Agreement, there will be established and maintained under the Indenture, a Debt Service Reserve Fund which will be pledged as security for the Series B Bonds. The Debt Service Reserve Fund will be funded from proceeds of the Series B Bonds at the Debt Service Reserve Fund Requirement, which is an amount equal to the lesser of 10% of the original principal amount of the Series B Bonds or the maximum annual debt service on the Series B Bonds or 125% of the annual average debt service on the Series B Bonds.

Pursuant to and upon satisfaction of certain conditions set forth in the Loan Agreement, the Obligated Group may issue additional Indebtedness secured on a parity basis with the Series B Note and may incur other Subordinated Indebtedness, which Subordinated Indebtedness also may be secured by a pledge of the Gross Receipts. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B BONDS” herein.

The references and brief summaries in this Private Placement Memorandum and the Appendices hereto to the Act, the Indenture, the Loan Agreement, the Series B Note, the Mortgage and other documents do not purport to be complete and reference is made to the Act, the Indenture, the Loan Agreement, the Series B Note, the Mortgage and such other documents for full and complete statements of such and all provisions contained therein. The agreements of the Authority with the Bondowners are fully set forth in the Indenture, and neither any advertisement of the Series B Bonds nor this Private Placement Memorandum are to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Private Placement Memorandum involving matters of opinion or forecasts, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the office of the State of Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106-1978, Attention: Executive Director.

THE AUTHORITY

The Authority is a body politic and corporate of the State of Connecticut, (the “State”) constituting a public instrumentality organized and existing under and by virtue of the Act. The purpose of the Authority, as stated in the Act, is essentially to assist certain health care institutions, institutions of secondary or higher education, nursing homes, child care and child development facilities and other qualified nonprofit organizations in the construction and financing of eligible projects.

Authority Membership and Organization

The Act provides that the Board of Directors of the Authority shall consist of ten members, two of whom shall be the Treasurer of the State of Connecticut, *ex-officio*, and the Secretary of the Office of Policy and Management of the State of Connecticut, *ex-officio*, and eight of whom shall be residents of the State appointed by the Governor, provided not more than four of such appointed members may be members of the same political party. Three of the appointed members shall be associated with institutions of higher education, two members shall be associated with health care institutions, and one member shall be experienced in and knowledgeable of (by virtue of business or other activities) state and municipal securities. The terms of the members of the Authority, other than the State Treasurer and the Secretary of the Office of Policy and Management, are for five years, but the members continue to serve until their successors have been appointed and qualified. Each *ex-officio* member may designate a deputy or any staff member to represent the State Treasurer or the Secretary of the Office of Policy and Management, as

the case may be, as a member of the Board of Directors at meetings of the Authority with full power to act and vote on behalf of such *ex-officio* member. All Authority members serve without compensation, but are entitled to reimbursement for expenses incurred in the performance of their duties in relation to the Authority. The Governor, with the advice and consent of both houses of the General Assembly, has power to appoint the Chairperson of the Board of Directors of the Authority from among its members. The Board of Directors annually elects one of its members to serve as Vice Chairperson. There is currently one vacancy on the Authority Board of Directors.

The members of the Board of Directors of the Authority are as follows:

Barbara Rubin, Chairperson, term as member expires June 30, 2016

Ms. Rubin, a resident of Glastonbury, is Executive Vice President of iStar Financial. Ms. Rubin has over 30 years of experience in commercial real estate investments. Prior to joining iStar, Ms. Rubin was an investment professional with Phoenix Home Life Mutual Insurance Company. She is currently a member of the Board of Hartford Stage.

Patrick A. Colangelo, Vice Chairman, term as member expires February 9, 2018

Mr. Colangelo, a resident of Stamford, is the former Senior Vice President, Finance, and Treasurer of Stamford Health System, joining the executive staff in 1981 and retiring in 2002. Previously, Mr. Colangelo was the Chief Financial Officer of The Greenwich Hospital and Audit Manager with Peat Marwick Mitchell & Co. in New York City. Mr. Colangelo is past president of the Healthcare Association, Connecticut chapter, and currently is a member of the Board of Directors of St. Vincent's College.

Denise L. Nappier, *ex-officio*

Ms. Nappier, a resident of Hartford, became Treasurer of the State of Connecticut on January 6, 1999. Prior to her election as Treasurer in November 1998, for nearly ten years, Ms. Nappier was Treasurer of the City of Hartford. Previously she served as consultant in the Connecticut Office of Policy and Management, Director of Institutional Relations for the UConn Health Center, and Executive Director of Riverfront Recapture, Inc. She was a member of the Hartford Redevelopment Agency for seven years, including five as Chairwoman. She is also an *ex-officio* member of several quasi-state boards, including the Connecticut Bond Commission, the Connecticut Airport Authority, the Clean Energy Finance and Investment Authority, the Connecticut Higher Education Trust Advisory Board, the State Employees' Retirement Commission, the Connecticut's Teachers Retirement Board, Connecticut Innovations and the Connecticut Development Authority. Ms. Nappier served five terms as Treasurer of the National Association of State Treasurers and is a board member of the National Association of Corporate Directors, Connecticut Chapter.

Benjamin Barnes, *ex-officio*

Mr. Barnes, a resident of Stratford, is the Secretary of the Office of Policy and Management of the State of Connecticut. Prior to his appointment, effective January 5, 2011, Mr. Barnes was the Operating Officer for the Bridgeport Public Schools. Previously, Mr. Barnes was the Director of Operations for the City of Stamford and also served as Director of Administration and as Director of Public Safety, Health and Welfare for the City of Stamford. He has also worked as the Government Finance Director for the Connecticut Conference of Municipalities and as a planner for the Cities of Hartford, Connecticut and St. Petersburg, Florida. Mr. Barnes has served on the Boards of Directors of the Housing Development Fund and the Childcare Learning Centers.

John M. Biancamano, term as member expires June 30, 2015

Mr. Biancamano, a resident of Wethersfield, is the Chief Financial Officer of The University of Connecticut Health Center. Prior to joining The University of Connecticut Health Center in November 2008, he served as Vice President, Finance and Chief Financial Officer of Hartford Health Care Corporation and Hartford Hospital from 1990-2008, and as Vice President and Treasurer of Mount Sinai Hospital in Hartford from 1984 to 1990. Previous to 1984, Mr. Biancamano was an Audit Manager with Ernst & Whinney. Mr. Biancamano is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and Connecticut Society of Certified Public Accountants.

Barbara B. Lindsay, term as member expires June 30, 2015

Ms. Lindsay, a resident of Hamden, is an attorney in private practice who represents tax-exempt organizations. She has been a visiting lecturer at the Yale Law School since 1992 teaching on Nonprofit Organizations Law. An active member of the Connecticut Bar Association and the American Bar Association, she has participated in numerous statutory drafting task forces pertinent to nonprofit organizations. She co-chairs the Educational Organization subcommittee of the Exempt Organizations Committee of The American Bar Association's Tax Section. She also serves on the Board of Governors and as Corporate Secretary of the Episcopal Church at Yale, as well as on the Legal and Tax Panel of the Jewish Community Foundation in Hartford.

Peter W. Lisi, Ph.D., term as member expires June 30, 2015

Dr. Lisi, a resident of West Hartford, is the Director of the Office of Sponsored Programs for the University of Hartford. Prior to joining the University in November 2004, he served as the Director of External Affairs for the Connecticut Historical Society Museum and at Choate Rosemary Hall as Director of Planning and Budgeting and also as Associate Director of Development. Dr. Lisi serves as President and Board Member for Watkinson School, is President and a Board Member of the West Hartford Chamber of Commerce, a member of the Board of Deacons at Asylum Hill Congregational Church and a member of the Advisory Board of the Salvation Army.

Estela R. Lopez, Ph.D., term as member expired February 10, 2013; however, Dr. Lopez continues to serve on the Board pending her reappointment or the appointment of her successor.

Dr. Lopez, a resident of East Hartford, is the former Director of the Latino Policy Institute of the Hispanic Health Council. She is also the former Vice Chancellor of Academic Affairs of the Connecticut State University System, a position which she held from April 2002 to April 2007. Prior to her association with CSU, Dr. Lopez served as Provost and Vice President for Academic Affairs at Northeastern Illinois University, as a Senior Associate at the American Association for Higher Education, as a Senior Fellow at the American Council on Education, and as Vice President for Academic Affairs and Planning at the Inter American University of Puerto Rico. She is a board member of the Fund for Greater Hartford, United Way of Connecticut and the Latino Endowment Fund of the Hartford Foundation and the Connecticut State Board of Education.

Paul Mutone, term as member expires June 30, 2015

Mr. Mutone, a resident of West Hartford, is Vice President of Finance and Operations and Treasurer at Trinity College. Prior to joining Trinity in October 2008, he served as Vice President for Business and Financial Affairs at Marist College, as Controller and then as Associate Vice President and Controller at Vassar College, and as Supervising Senior Auditor at KPMG Peat Marwick. Mr. Mutone is

a member of NACUBO and EACUBO and is a board member and executive committee member of the Southside Institutions Neighborhood Alliance.

Jeffrey A. Asher is Executive Director of the Authority. The Executive Director is appointed by, and serves at the pleasure of, the Board of Directors. In the performance of his duties as Executive Director, Mr. Asher is responsible for the general management of the Authority's affairs. Jeanette W. Weldon is Managing Director, Paula Lacey Herman is General Counsel, and Michael F. Morris and Cynthia D. Peoples-H. are Assistant Directors of the Authority.

Day Pitney LLP, of Hartford, Connecticut and New York, New York, is serving as Bond Counsel to the Authority and will submit its approving opinion with regard to the legality of the Series B Bonds on the date of delivery of the Series B Bonds, in substantially the form attached hereto as "Appendix H - Proposed Form of Opinion of Bond Counsel."

McCarter & English, LLP, of Hartford, Connecticut, is serving as Special Counsel to the Authority and will pass on certain environmental and real estate matters.

Piper Jaffray & Co. is serving as Placement Agent with respect to this financing.

In addition to the mentioned individuals, the Act provides that the Authority may appoint, retain, hire or employ such other staff, counsel, consultants, engineers, architects, accountants, construction companies or others as the Authority deems necessary in order to implement projects or to assist in the performance of its duties.

Powers of the Authority

Under the Act, the Authority is authorized and empowered with respect to health care institutions, nursing homes, institutions of secondary or higher education, child care and child development facilities, and other qualified nonprofit organizations, among other things: to acquire real and personal property; to issue bonds, bond anticipation notes and other obligations and to refund the same; to acquire federally guaranteed securities or to make loans to acquire such securities in order to finance, refinance or refund projects; to charge and collect rentals for the use of projects or for services furnished in relation thereto; to construct, reconstruct, renovate, replace, maintain, repair, operate, lease, or regulate projects and to enter into contracts in order to provide, manage or operate such projects; to establish or cause to be established rules and regulations for the use of projects provided by the Authority; to receive, in relation to projects, loans or grants from any public agency or other source; to make loans for the cost of projects, including the refunding of obligations, mortgages or advances thereof; to finance or refinance certain items of equipment; to mortgage any project and the site thereof for the benefit of the owners of bonds issued to finance such project; to accept mortgages as security for project loans; and to do all things necessary to carry out the purposes of the Act.

Indebtedness of the Authority

The Authority as of March 31, 2013, had authorized and issued certain series of its general obligation and revenue bonds for eligible institutions under the Act in an aggregate principal amount of \$15,369,548,500 of which \$7,975,204,224 was outstanding as of March 31, 2013.

Appendix G annexed hereto contains a complete tabulation of all series of the Authority's bonds issued, retired and outstanding as of March 31, 2013. In addition, the Authority has issued Revenue Bonds: Ethel Walker School Issue, Series C in the principal amount of \$8,665,000 on April 3, 2013; University of Connecticut Foundation Issue, Series C in the principal amount of \$20,000,000 on April 24,

2013; and King Low Heywood Thomas School Issue, Series B in the principal amount of \$9,100,000 on April 30, 2013 and has Board approval to issue Revenue Bonds: Yale University Issue, Series 2013A in a principal amount not to exceed \$120,000,000.

With respect to subsequent bond or note issues, the Authority intends to enter into separate agreements with institutions of secondary or higher education, health care institutions, nursing homes, child care and child development facilities and other qualified nonprofit institutions in the State for the purpose of financing projects for such institutions, and each such series so issued will be issued pursuant to a resolution, a trust agreement or a bond indenture other than the Indenture.

The Authority has never defaulted in the payment of principal of or interest on its bonds or notes.

THE PROJECT

The proceeds from the sale of the Series B Bonds will be used, together with other moneys available therefor to provide funds (1) to reimburse the Institution for and otherwise finance or refinance all or a portion of the costs incurred by it in the following projects, all located at 320 Pomfret Street, Putnam, CT 06360 (the “Campus”) and all owned and operated by the Obligated Group (collectively, the “Project”), as follows: (a) to undertake the renovation and expansion of Day Kimball Hospital’s Emergency Department that is located in the acute-care hospital building at the Campus, which undertaking consists of an approximately 9,500 square foot, two-story addition, including a new covered walk-in patient entrance and separate ambulance entrance, and the renovation of approximately 11,650 square feet of the existing facility together with related improvements, furnishings and equipment that primarily will include the following: (i) reconfiguration of existing patient rooms as single-bed private rooms; (ii) an increase in the number of beds from 12 to 24 and acquisition of additional related cardiac monitoring equipment; (iii) addition of a resuscitation room (aka “trauma room”) and related equipment; (iv) creation of a dedicated and discreet treatment area for patients requiring behavioral health crisis services; (v) a non-denominational family meditation room; and (vi) certain other capital expenditures for improvements and/or equipment related to the foregoing or relating to providing healthcare services; and (b) to undertake site infrastructure improvements consisting of expansion of an existing chiller plant, emergency power generation capacity and related appurtenances and improvements; (2) to refund (I) the Authority’s outstanding Revenue Bonds, Day Kimball Hospital Issue, Series A, dated November 1, 1995 in the principal amount of \$12,470,000 and (II) the Institution’s outstanding Construction Note in the principal amount of \$4,743,179.10, which financed the Plainfield Facility; (3) to pay capitalized interest, if any, on the Series B Bonds; (4) to fund various reserve funds, including a debt service reserve fund; and (5) to pay other costs of issuance of the Series B Bonds.

BOND TRANSFER RESTRICTIONS

The Series B Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers (as such term is defined in Rule 144A of the Securities Act) (“Qualified Institutional Buyers”) or to Accredited Investors (within the meaning of Rule 501 or Regulation D of the Securities Act) (“Accredited Investors”). The Series B Bonds shall contain a restricted legend providing that the Series B Bonds may not be resold in the marketplace unless they are registered with the Securities and Exchange Commission or are exempt from the registration requirements. See “Risk Factors – No Credit Rating; No Credit Enhancement; Bond Transfer Restrictions; No Secondary Market.”

THE SERIES B BONDS

Description of the Series B Bonds

General

The Series B Bonds will be issued in the aggregate principal amount of \$30,330,000 and will be dated and bear interest from their date of delivery. Interest shall be payable on January 1 and July 1 of each year, commencing July 1, 2013, at the rates per annum and will mature all as set forth on the inside cover page hereof.

The Series B Bonds will be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof.

The Series B Bonds will be special obligations of the Authority payable solely from and secured by a pledge of and lien on, to the extent provided by the Indenture, the moneys received by the Trustee for the account of the Authority pursuant to the Loan Agreement and the Series B Note, whether such moneys are received as amounts paid or caused to be paid by the Obligated Group pursuant to the Loan Agreement and the Series B Note.

Neither the full faith and credit nor taxing power nor any moral obligation of the State or any political subdivision or instrumentality thereof is pledged to the payment of the principal of, premium, if any, or interest on, the Series B Bonds. The issuance of any bonds or notes, including the Series B Bonds, under the provisions of the Act, does not directly or indirectly or contingently obligate the State or any political subdivision or instrumentality thereof to levy or pledge any form of taxation whatever therefor or to make an appropriation for such payments. The Authority has no taxing power.

The principal of, and interest on, the Series B Bonds are payable from the Revenues and moneys available under the terms of the Indenture. There shall be no other recourse against the Authority or any other property now or hereafter owned by it. Except as otherwise specified in the Indenture, all the Series B Bonds are entitled to the benefits of the Indenture equally and ratably both as to principal and interest with all other Bonds issued under the Indenture, to which reference is made for a description of the rights of the owners of the Series B Bonds, the rights and obligations of the Authority, the rights, duties and obligations of the Trustee, and the provisions relating to amendments to and modifications of the Indenture. See Appendix E attached hereto – “EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST INDENTURE.”

The Series B Bonds initially shall be maintained under a book-entry system. Beneficial Owners shall have no right to receive physical possession of the Series B Bonds and payments of the principal or Redemption Price of and interest on the Series B Bonds will be made as described below under “THE SERIES B BONDS – Book-Entry-Only System.” One fully registered bond for each maturity of the Series B Bonds shall be delivered to and initially registered in the name of Cede & Co., as nominee of DTC and shall be initially issued in the amount of each separate stated maturity as set forth on the inside cover page hereof. The principal of, redemption premium, if any, and interest on the Series B Bonds will be paid by the Trustee. As long as DTC or its nominee is the registered owner of the Series B Bonds, such payments will be made directly to or upon the order of DTC or its nominee. So long as DTC or its nominee is the registered owner of the Series B Bonds, all references to Bondowners or registered owner shall mean DTC or its nominee and not the beneficial owners of the Series B Bonds. If the book-entry system is discontinued, interest on the Series B Bonds will be payable by wire or by check or draft mailed by the Trustee to the persons in whose names the Series B Bonds are registered as of the Record Date (or

such other day as shall be established by the Trustee) at the address shown on the registration books maintained by the Trustee, which is registrar and paying agent for the Series B Bonds, and the principal or Redemption Price of the Series B Bonds will be payable only upon presentation and surrender of such Bonds at the designated corporate trust office of the Trustee.

Redemption Provisions

Optional Redemption. The Series B Bonds maturing on or before July 1, 2023 are not subject to optional redemption prior to maturity. The Series B Bonds maturing after July 1, 2023 are subject to optional redemption prior to maturity commencing on July 1, 2023 as a whole or in part at any time, at the option of the Authority, at the direction of the Authorized Obligated Group Representative, and in any maturity selected by the Authority at the direction of the Authorized Obligated Group Representative or by operation of the Redemption Fund, at the Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest thereon to the date set for redemption.

Notwithstanding anything to the contrary contained in the Indenture, in the event that any Series B Bonds have been called for optional redemption pursuant to the Indenture, the Authorized Obligated Group Representative shall have the right to purchase such Series B Bonds in lieu of a redemption thereof, at a price equal to the applicable redemption price of the Series B Bonds so called for optional redemption, on the date such Series B Bonds have been so called for optional redemption, and the payment of the redemption price of the Series B Bonds so called for optional redemption shall be deemed in such event to be the payment of the purchase price of such Series B Bonds to be purchased in lieu of such optional redemption and such Series B Bonds may, at the option of the Authorized Obligated Group Representative, remain Outstanding under the Indenture or be cancelled. To exercise such right to purchase Series B Bonds in lieu of optional redemption, the Obligated Group shall give written notice of their intent to purchase Series B Bonds in lieu of redemption to the Trustee and the Authority not later than 12:00 noon, New York City time, no later than the Business Day immediately preceding the applicable redemption date, which notice shall state whether such Bonds are to remain Outstanding or be cancelled, and the Authorized Obligated Group Representative shall promptly confirm its purchase thereof in a written notice delivered to the Trustee and the Authority.

Sinking Fund Redemption. Pursuant to the Indenture, the Series B Bonds maturing on July 1, 2023 and July 1, 2043 are subject to mandatory redemption prior to maturity by operation of the Sinking Fund Account in the amounts in each year as set forth below in accordance with the Indenture at par, plus accrued interest due, on such redemption date.

For the retirement of the Series B Bonds maturing on July 1, 2023, Sinking Fund Installments shall be paid from the Sinking Fund Account on July 1, 2014, and on each July 1 thereafter, as follows:

<u>Year</u>	<u>Sinking Fund Amount</u>	<u>Year</u>	<u>Sinking Fund Amount</u>
2014	\$770,000	2019	\$1,205,000
2015	805,000	2020	1,260,000
2016	1,050,000	2021	1,315,000
2017	1,100,000	2022	1,385,000
2018	1,155,000	2023*	1,440,000

* Final maturity.

For the retirement of the Series B Bonds maturing on July 1, 2043, Sinking Fund Installments shall be paid from the Sinking Fund Account on July 1, 2024, and on each July 1 thereafter, as follows:

<u>Year</u>	<u>Sinking Fund Amount</u>	<u>Year</u>	<u>Sinking Fund Amount</u>
2024	\$1,510,000	2034	\$750,000
2025	1,600,000	2035	795,000
2026	1,695,000	2036	840,000
2027	505,000	2037	895,000
2028	535,000	2038	940,000
2029	560,000	2039	1,000,000
2030	595,000	2040	1,060,000
2031	630,000	2041	1,120,000
2032	670,000	2042	1,185,000
2033	705,000	2043*	1,255,000

* Final maturity.

Special Redemption. Pursuant to the Indenture, the Series B Bonds shall be subject to special mandatory redemption in the event that (i) insurance or condemnation proceeds of \$25,000 or more resulting from any damage, destruction, casualty loss or condemnation with respect to the Mortgaged Premises shall be on deposit in the Redemption Fund in accordance with the Loan Agreement or (ii) excess Series B Bond proceeds of \$25,000 or more and no longer needed for Costs of a Project shall be on deposit in the Redemption Fund pursuant to the Indenture, in each case the Trustee shall apply, at the written direction of the Authority, such amounts to the redemption of Series B Bonds as a whole or in part at any time at par, plus accrued interest thereon to the date set for redemption. Partial redemption of the Series B Bonds shall be in any maturity or maturities (or any Sinking Fund Installment within a maturity) selected by the Authority at the direction of the Authorized Obligated Group Representative.

Manner of Redemption. If less than all of the Series B Bonds of any maturity are to be so redeemed, the Series B Bonds (or portions thereof) to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee.

Notice of Redemption. When the Series B Bonds (or portions thereof) are to be redeemed, the Authority shall give or cause to be given notice of the redemption of the Series B Bonds to the Trustee no later than 45 days prior to the redemption date. Thereafter, the Trustee shall give or cause to be given to bondholders notice of the redemption of the Series B Bonds (or portions thereof) in the name of the Authority which notice shall specify: (i) the Series B Bonds to be redeemed in whole or in part; (ii) the redemption date; (iii) the numbers and other distinguishing marks of the Series B Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); and (iv) that such Bonds will be redeemed at the designated corporate trust office of the Trustee. Such notice shall further state that on such date there shall become due and payable upon each Bond (or a portion thereof) to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. Such notice shall be given, not more than 45 nor less than 30 days (or such shorter period established by the Indenture) prior to the redemption date, by the Trustee by mail, postage prepaid, or by Electronic Means to the Bondowners of any Bonds which are to be redeemed, at their addresses appearing on the registration books maintained by the Trustee. Any notice of optional redemption may state that it is conditional and that the redemption of such Bonds is subject to there being on deposit with the Trustee on the redemption date funds sufficient to pay the redemption price of such Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner of

the Series B Bonds, all notices of redemption will be sent only to Cede & Co. Notice having been given in accordance with the foregoing, failure to receive any such notice by any of such Bondowners or any defect therein, shall not affect the redemption or the validity of the proceedings for the redemption of the Series B Bonds. Prior to mailing such notice to Bondowners the Trustee shall submit a copy of the notice of such redemption to the Municipal Securities Rulemaking Board via its Electronic Municipal Markets Access (EMMA) System and to any securities depository in the event that the Series B Bonds are registered in the name of a securities depository or its nominee. The Trustee shall also indicate on such notices, the contact person or persons and telephone number of the person or persons handling the redemption. The Trustee shall also comply, in connection with any redemption, to the extent practicable, with the standards set forth in Securities Exchange Commission Release No. 34-23856 (issued December 3, 1986) or by the Municipal Securities Rulemaking Board, as such standards may be amended from time to time, to the extent applicable.

Book-Entry-Only System

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

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

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

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series B Bonds is discontinued.

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

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

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

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

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

DTC may discontinue its services as depository with respect to the Series B Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC'S WEBSITE AND IS PRESUMED TO BE RELIABLE, BUT NONE OF THE AUTHORITY, THE OBLIGATED GROUP, THE TRUSTEE NOR THE PLACEMENT AGENT TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

NONE OF THE AUTHORITY, THE OBLIGATED GROUP, THE TRUSTEE NOR THE PLACEMENT AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENTS BY DTC, ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES B BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS; (iv) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (v) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES B BONDS.

Additional Bonds

No Additional Bonds may be issued pursuant to the Indenture.

Additional Indebtedness

Any Member of the Obligated Group may incur additional Indebtedness to the extent permissible and subject to the limitations set forth in the Loan Agreement. See Appendix F attached hereto – "EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" under the heading "Permitted Indebtedness."

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B BONDS

Special Obligations of the Authority

The Indenture provides that the Series B Bonds shall be special obligations of the Authority, payable solely from the sources of moneys pledged therefor under and pursuant to the Indenture. Neither the faith and credit nor the taxing power nor any moral obligation of the State or any political subdivision or instrumentality thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series B Bonds. The issuance of any bonds or notes, including the Series B Bonds, under the provisions of the Act does not directly or indirectly or contingently obligate the State or any political subdivision or instrumentality thereof to levy or pledge any form of taxation whatever therefor or to make an appropriation for such payments. The Authority has no taxing power.

Revenues pledged under the Indenture as security for the payment of the Series B Bonds and premium, if any, and interest thereon will consist primarily of payments made by the Obligated Group pursuant to the Series B Note and payments made under the Loan Agreement. The joint and several obligations of the Members of the Obligated Group to make loan repayments under the Loan Agreement will be an absolute, unconditional and general obligation of the Obligated Group secured by the Series B Note, which the Obligated Group will issue to the Authority under the Loan Agreement and the Authority shall assign to the Trustee in trust as security for the Series B Bonds.

Pledge under the Indenture

Under the Indenture, the Authority pledges and assigns to the Trustee, to secure the payment of the principal of, premium, if any, and interest on the Series B Bonds, all of the Authority's right, title and interest in and to the Loan Agreement, the Series B Note, the Mortgage and the Revenues (as hereinafter defined) payable to the Authority or to the Trustee for the account of the Authority and all monies and securities on deposit and held by the Authority or Trustee in the funds and accounts created and established under the Indenture (excluding fees and expenses payable to the Authority, moneys and securities held in the Rebate Fund, the Authority's right to enforce certain covenants of the Obligated Group set forth in the Loan Agreement prior to an Event of Default under the Indenture, and the Authority's right to indemnification, to receive notices, to grant waivers and to give consents and approvals, and to otherwise take actions, under certain circumstances), and any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind conveyed, pledged, assigned or transferred as and for additional security by the Authority or the Obligated Group or by anyone on their behalf to the Trustee, including, without limitation, funds of the Obligated Group held by the Trustee and the Authority as security for the Series B Bonds. "Revenues" is defined in the Loan Agreement to include all amounts paid or payable to the Authority or to the Trustee for the account of the Authority (excluding fees and expenses payable to the Authority and the Trustee and the rights to indemnification of the Authority and the Trustee) under and pursuant to the Loan Agreement and the Series B Note and as may be further described in a Supplemental Loan Agreement or a Supplemental Indenture.

Debt Service Reserve Fund

A Debt Service Reserve Fund will be established under the Indenture and will be initially funded from proceeds of the Series B Bonds in an amount equal to the lesser of 10% of the original principal amount of the Series B Bonds or the maximum annual debt service on the Series B Bonds or 125% of the annual debt service on the Series B Bonds (the "Debt Service Reserve Fund Requirement"). The Obligated Group will be obligated to maintain the Debt Service Reserve Fund at an amount equal to the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund are required to be used whenever, and to the extent that, moneys on deposit in the Debt Service Fund are insufficient to pay the principal of, and interest on, the Series B Bonds as they become due. See "Application of Moneys in the Debt Service Reserve Fund" in the "EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" attached hereto as Appendix E.

Loan Repayments by the Obligated Group

Pursuant to the Loan Agreement, the Authority will lend a portion of the proceeds of the Series B Bonds to the Institution, and the Members of the Obligated Group will be jointly and severally obligated thereunder to repay such amounts with interest. The payments of principal and interest to be made by the Obligated Group under the Loan Agreement will be pledged by the Authority to the Trustee as security for and as the source of payment of the principal of and interest on the Series B Bonds. The joint and

several obligations of the Members of the Obligated Group to make payments under the Loan Agreement will be absolute and unconditional and will constitute a general obligation of the Obligated Group Members. The Obligated Group will be obligated to make payments sufficient to pay when due the principal, sinking fund installments, if any, and interest on the Series B Bonds.

The amounts due in total under the Loan Agreement will be sufficient to pay all of the principal and interest on the Series B Bonds.

Security for the Loan Agreement

Concurrently with the issuance and delivery of the Series B Bonds, the Obligated Group will issue the Series B Note to the Authority pursuant to the Loan Agreement to secure the obligations of the Obligated Group under the Loan Agreement, including its obligation to maintain the Debt Service Reserve Fund Requirement. The Series B Note shall be assigned to the Trustee in trust as security for the Series B Bonds. By the terms of the Loan Agreement, the Series B Note will constitute the joint and several obligation of each of the Obligated Group Members. The obligations of each Member with respect to the Series B Note will be absolute and unconditional general obligations of such Members additionally secured by a pledge to the Trustee of the Gross Receipts of such Members, subject in each case to the applicable Permitted Encumbrances, as defined in the Loan Agreement. See Appendix F attached hereto – “EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” under the heading “Permitted Encumbrances.”

Deficiencies in the Debt Service Reserve Fund will be replenished from first available moneys after required deposits to the Debt Service Fund (i) within 90 days, in three substantially equal payments every 30 days, in the event such deficiency results from a decrease in the market value of the permitted investments on deposit in the Debt Service Reserve Fund and (ii) over a 12-month period, in 12 substantially equal monthly payments on the 20th day of each month, in the event such deficiency results from a withdrawal from the Debt Service Reserve Fund.

Upon issuance of the Series B Bonds, the Institution, Homemakers and the Medical Group will be the only Members of the Obligated Group. No additional members to the Obligated Group are currently contemplated. Pursuant to the Loan Agreement, additional members may become part of the Obligated Group, and a member (other than the Institution) may withdraw from the Obligated Group, upon consent of not less than a majority of the Bondowners. See Appendix F attached hereto – “EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” under the heading “Reorganizations and Addition to and Withdrawal from the Obligated Group.”

Gross Receipts under the Loan Agreement

Gross Receipts, as defined in the Loan Agreement, means all receipts, revenues, income (including investment income) and other moneys received or receivable by or on behalf of any one or more members of the Obligated Group derived from all sources, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Premises and the Property, including, without limitation, proceeds of any license, lease or sublease permitted under the Loan Agreement or the Mortgage, disposition of assets or borrowings, fees paid or payable by or on behalf of users of the Premises and the Property or any portion thereof, and any insurance proceeds and condemnation awards and all rights to receive the same, whether in the form of accounts, accounts receivable, investments, documents, general intangibles, investment property, chattel paper, instruments (as such terms are defined in the Connecticut Uniform Commercial Code), contract rights or other rights, and the proceeds of such rights and all deposit accounts and financial assets and the proceeds thereof, and whether now owned or held or hereafter coming into existence or acquired by any one or more of the

members of the Obligated Group; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

The Institution has a line of credit agreement with The Citizens National Bank in an amount up to \$2.5 million. The line of credit expires on January 31, 2014, and bears interest at the prime rate plus one percentage point. Borrowings on the line of credit are secured by the personal property of the Institution, including Gross Receipts. Such lien on Gross Receipts is subordinate to the Series B Bonds.

Mortgage

Upon issuance of the Series B Bonds, the Institution shall deliver an Open-End Mortgage, Assignment of Leases and Rents, and Fixture Filing (Security Agreement and Financing Statement) (the "Mortgage") granting a mortgage to the Authority, for the benefit of Bondowners, on certain property of the Hospital, as described in the Mortgage, to secure the Series B Note. To the extent permitted under the Loan Agreement, the Institution may incur additional indebtedness secured on a parity basis by a mortgage lien on the Mortgaged Premises, and by a pledge of Gross Receipts.

Days Cash on Hand

Pursuant to the Loan Agreement, the Obligated Group has covenanted to not permit the number of Days Cash on Hand on a semi-annual basis, as of each test date, to be less than the number of Days Cash on Hand set forth as follows: On the test date of September 30, 2013, 40 days; on the test date of March 31, 2014, 45 days; on the test date of September 30, 2014, 50 days; on the test date of March 31, 2015, 55 days; and on the test dates of March 31, 2016 and each September 30 and March 31 thereafter, 60 days. See Appendix F attached hereto – "EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT."

Long-Term Debt Service Coverage

Pursuant to the Loan Agreement, the Obligated Group has covenanted to maintain for each Fiscal Year a Long-Term Debt Service Coverage Ratio of at least at 1.35 unless a lower level is consented to in writing by the owners of not less a majority of Bondowners. See Appendix F attached hereto – "EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" under the heading "Long Term Debt Service Coverage Ratio."

Additional Indebtedness

Any Member of the Obligated Group may incur additional Indebtedness to the extent permissible and subject to the limitations set forth in the Loan Agreement. See Appendix F attached hereto – "EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" under the heading "Permitted Indebtedness."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series B Bonds, together with other available funds, are expected to be applied as follows:

Estimated Sources of Funds:

Principal Amount of Bonds	\$30,330,000.00
Equity Contribution from Institution	723,350.00
Refunded Bonds Debt Service Reserve Fund Release	1,292,022.21
Refunded Bonds Debt Service Fund Release	796,079.07
Total	<u>\$33,141,451.28</u>

Estimated Uses of Funds:

Costs of the Project	\$10,723,350.00
Capitalized Interest Fund	1,170,295.49
Debt Service Reserve Fund	2,340,521.62
Deposit to Escrow Deposit Fund	12,830,331.01
Redemption of the Construction Note	4,743,179.10
Costs of Issuance	1,329,950.00
Additional Proceeds	3,824.06
Total	<u>\$33,141,451.28</u>

PLAN OF REFUNDING

A portion of the proceeds from the sale of the Series B Bonds will be used, together with other moneys available therefor, to refund (i) all of the Authority's outstanding Revenue Bonds, Day Kimball Hospital Issue, Series A, dated November 1, 1995 in the principal amount of \$12,470,000 (the "Refunded Bonds") and (ii) the Institution's outstanding Construction Note in the principal amount of \$4,743,179.10, which financed the Plainfield Facility (the "Construction Note"). The redemption date for the Refunded Bonds is expected to be July 8, 2013 and the redemption date for the Construction Note is expected to be the date of issuance of the Series B Bonds.

Upon the delivery of the Series B Bonds, the portion of the proceeds of the Series B Bonds used to defease the Refunded Bonds will be deposited with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Deposit Trust Agreement (the "Escrow Agreement"), to be dated as of the date of delivery of the Bonds, by and between the Escrow Agent and the Authority. Under the Escrow Agreement, the Escrow Agent will deposit in an irrevocable trust fund designated as the Escrow Deposit Fund a portion of the proceeds of the Series B Bonds and will use such proceeds to purchase direct, non-callable obligations of the United States of America, the principal of and interest on which, when due, along with any uninvested cash amounts, will provide amounts sufficient to pay the principal, interest payments and redemption price, if any, on the Refunded Bonds on their redemption date of July 8, 2013. All amounts held in the Escrow Deposit Fund and needed to pay the principal and redemption price, if any, of and interest on the outstanding Refunding Bonds will be irrevocably deposited by the Escrow Agent for payment of such bonds.

AMTEC, of Avon, Connecticut, will verify that the amount deposited in the Escrow Deposit Fund as of the date of the closing of the Series B Bonds will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, payment requirements of the outstanding Refunded Bonds.

ESTIMATED DEBT SERVICE SCHEDULE

The following table sets forth (i) the principal due on the Series B Bonds (whether at maturity or by mandatory redemption); (ii) the interest due on the Series B Bonds during such year; and (iii) the total debt service requirements of the Series B Bonds in such year.

<u>July 1</u>	Series B Bonds <u>Principal</u>	Series B Bonds <u>Interest</u>	Series B Bonds <u>Total</u>
2013	-	\$113,772.57	\$113,772.57
2014	\$770,000	1,638,325.00	2,408,325.00
2015	805,000	1,602,712.52	2,407,712.52
2016	1,050,000	1,565,481.26	2,615,481.26
2017	1,100,000	1,516,918.78	2,616,918.78
2018	1,155,000	1,466,043.76	2,621,043.76
2019	1,205,000	1,412,625.02	2,617,625.02
2020	1,260,000	1,356,893.76	2,616,893.76
2021	1,315,000	1,298,618.78	2,613,618.78
2022	1,385,000	1,237,800.00	2,622,800.00
2023	1,440,000	1,173,743.76	2,613,743.76
2024	1,510,000	1,107,143.76	2,617,143.76
2025	1,600,000	1,018,431.28	2,618,431.28
2026	1,695,000	924,431.26	2,619,431.26
2027	505,000	824,850.02	1,329,850.02
2028	535,000	795,181.26	1,330,181.26
2029	560,000	763,750.02	1,323,750.02
2030	595,000	730,850.00	1,325,850.00
2031	630,000	695,893.76	1,325,893.76
2032	670,000	658,881.26	1,328,881.26
2033	705,000	619,518.76	1,324,518.76
2034	750,000	578,100.00	1,328,100.00
2035	795,000	534,037.50	1,329,037.50
2036	840,000	487,331.26	1,327,331.26
2037	895,000	437,981.26	1,332,981.26
2038	940,000	385,400.02	1,325,400.02
2039	1,000,000	330,175.02	1,330,175.02
2040	1,060,000	271,425.02	1,331,425.02
2041	1,120,000	209,150.00	1,329,150.00
2042	1,185,000	143,350.00	1,328,350.00
2043	<u>1,255,000</u>	<u>73,731.26</u>	<u>1,328,731.26</u>
TOTALS	<u>\$30,330,000</u>	<u>\$25,972,547.93</u>	<u>\$56,302,547.93</u>

TAX MATTERS

Federal Income Tax—Exclusion of Interest

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance of the Series B Bonds in order that interest on the Series B Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. Failure to comply with these continuing requirements may cause interest on the Series B Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority and the Obligated Group have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series B Bonds from gross income under Section 103 of the Code.

In the opinion of Day Pitney LLP, Hartford, Connecticut (“Bond Counsel”), based upon and assuming continuing compliance by the Authority and the Obligated Group (and their successors) with the covenants, and the accuracy of the representations, discussed above, under existing statutes and court decisions, interest on the Series B Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not treated as a preference item for purposes of the federal alternative minimum tax; however, interest on the Series B Bonds is included in adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of calculating the federal alternative minimum tax imposed on certain corporations. In addition, in rendering its opinion, Bond Counsel has relied upon the opinion of counsel to the Obligated Group regarding among other matters, the current qualification of the Obligated Group Members as organizations described in Section 501(c)(3) of the Code.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts, and estates required to pay the federal alternative minimum tax.

Interest on the Series B Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Prospective owners of the Series B Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Series B Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Series B Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts, and estates, and may affect the net Connecticut minimum tax of such taxpayers who are also required to pay the federal alternative minimum tax.

Certain Additional Federal Tax Consequences

Prospective owners of Series B Bonds should be aware that ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as entities classified as corporations for federal income tax purposes (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is

not included in gross income for federal income tax purposes. Bond Counsel expresses no opinion with respect to such collateral federal income tax consequences.

General

The opinion of Bond Counsel is rendered as of its date based on then-existing statutes, regulations, and court decisions, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinion.

Legislation affecting state and municipal bonds is regularly under consideration by the United States Congress. For example, the President of the United States has submitted proposals to Congress that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. Such proposals, or other proposals, could affect the tax exemption of interest on, or the market price or marketability of, tax-exempt bonds, such as the Series B Bonds. No assurance can be given with respect to the impact of future legislation on the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax and financial advisers regarding such matters.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of a Series B Bond. Prospective owners of the Series B Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Series B Bonds.

BONDOWNERS' RISKS

Purchase of the Series B Bonds involves risk. In order to identify risk factors and make an informed investment decision as to whether the Series B Bonds are an appropriate investment, potential investors should be thoroughly familiar with this entire Private Placement Memorandum (including the Appendices hereto). Certain of the risks associated with the purchase of the Series B Bonds are described below. The following list of possible factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Series B Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. Prospective purchasers of the Series B Bonds should give careful consideration to the matters referred to in the following summary.

Factors Affecting the Health Care Industry

Introduction

The ability of the Obligated Group to make payments under the Series B Note and the Loan Agreement will depend largely upon the capabilities of management of the Institution, the ability of the Obligated Group Members to obtain sufficient revenue and to control expenses, the success of the strategic plans of the Obligated Group, economic conditions and trends including the demand for health care services, physicians' relationships with the Institution, the ability of the Institution to provide services required by patients, physicians' and the public's confidence in the Institution, competition from other health care facilities in the Obligated Group's service areas and adjacent areas, technological developments and demographic changes, third-party reimbursement programs including Medicare and Medicaid, maintenance of the Institution's relationships with managed care organizations ("MCOs"), malpractice claims and other litigation, changes in the rates, timing and methods of payment for the services of health care providers as well as increased costs and changes in governmental regulations, including Internal Revenue Service ("IRS") policy regarding tax exemption, and other factors. Third

party reimbursement and charge control statutes and regulations are likely to change, and unanticipated events and circumstances may occur, and these changes and variations may be material. The following factors, among others, could affect the level of revenues of the Institution, its financial condition or otherwise result in risks for owners of the Series B Bonds.

Legislative, Regulatory and Contractual Matters Affecting Revenues

The health care industry is heavily regulated by federal and state governments, with a substantial portion of revenues coming from governmental sources. In the past there have been frequent and significant changes in the methods and standards used by government agencies to reimburse and to regulate the operations of hospitals. There is no reason to believe that substantial additional changes will not occur in the future. Legislation is periodically introduced in Congress and in the Connecticut legislature that could result in limitations on hospital third-party reimbursements and costs or charges, and that could require an increase in the quantity of indigent care required to maintain the Institution's tax-exempt status or could eliminate such status altogether regardless of the level of indigent care. Future actions by the federal and state government are expected to continue the trend toward more restrictive Medicare reimbursement for hospital services and Medicaid reimbursement for hospital services. The Obligated Group cannot assess or predict the ultimate effect of any such legislation or regulations, if enacted or adopted, on its operations. It is impossible to predict the content or impact of this or any future legislation, regulations or government policies on the Obligated Group.

Government revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to hospitals. There is no assurance that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all operating and fixed costs.

The members of the Obligated Group are subject to regulatory and administrative actions by those governmental and private agencies that administer or regulate the Medicare and Medicaid programs and by the State of Connecticut Department of Public Health and Department of Social Services, the U.S. Department of Health and Human Services, the National Labor Relations Board, The Joint Commission, and other federal, state and local governmental agencies and private bodies.

Patient Protection and Affordable Care Act and Healthcare Reform Initiatives

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act and on March 30, 2010, the President signed the Health Care and Education Reconciliation Act of 2010, which included amendments to the earlier law (collectively, the laws are referred to as the "PPAC Act" or "Health Care Reform"). The PPAC Act is intended to address disparities in access, cost, quality and the delivery of healthcare to United States residents.

The changes to various aspects of the healthcare system in the PPAC Act are far-reaching and include substantial adjustments to Medicare reimbursement, establishment of individual and employer mandates for health insurance coverage, extension of Medicaid coverage to certain populations, provision of incentives for employer-provided healthcare insurance, restrictions on physician-owned hospitals, and increased efficiency and oversight provisions. The implementation of the various provisions of the PPAC Act may be subject to delay, either pursuant to the terms of the provisions themselves, or court challenges from opponents to the PPAC Act.

Some of the provisions of the PPAC Act have taken effect, while others will be phased in over time, ranging from one year to ten years from passage. Most of the significant healthcare coverage

reforms begin in 2014. The PPAC Act also requires the promulgation of substantial regulations with significant effects on the healthcare industry.

The PPAC Act reforms the sources and methods by which consumers will pay for healthcare for themselves and their families. The PPAC Act also places new requirements on employers related to the provision of health insurance to their employees and dependents. These reforms are expected to expand the base of consumers of healthcare services. One of the primary goals of the PPAC Act is to provide or make available, or subsidize the premium costs of, healthcare insurance for consumers who are currently uninsured (or underinsured) and who fall below certain income levels. The PPAC Act proposes to accomplish that objective through various provisions, including:

- creating state organized insurance markets (referred to as exchanges) in which individuals and small employers can purchase healthcare insurance for themselves and their families or their employees and dependents,
- providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels,
- mandating that individual consumers obtain and certain employers provide a minimum level of healthcare insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates,
- establishing insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and
- expanding existing public programs, including Medicaid for individuals and families.

To the extent all or any of those provisions produce the intended result, an increase in utilization of healthcare services by those who are currently avoiding or rationing their healthcare can be expected and bad debt expenses may be reduced.

Some of the specific provisions of the PPAC Act that may affect hospital operations, financial performance or financial conditions are described below. This listing is not comprehensive. The PPAC Act is complex and comprehensive, and includes myriad new programs and initiatives and changes to existing programs, policies, practices and laws.

- With varying effective dates, the annual Medicare market basket updates for many providers, including inpatient and outpatient hospital services, will be adjusted based on a ten-year average of national productivity and will be reduced by specified percentages each year.
- Commencing in federal fiscal year 2014, Medicare disproportionate share hospital (“DSH”) payments (*i.e.*, payments a provider receives from the federal government to help defray the cost of treating the uninsured) will be reduced initially by 75%, and thereafter will be determined by a formula that takes into account the national number of consumers who do not have healthcare insurance and the amount of uncompensated care provided by a hospital. Commencing in 2014, the Medicaid DSH payments also will be reduced.
- Medicaid programs will be expanded to a broader population, with incomes up to 133% of federal poverty levels.

- Beginning with hospital discharges after October 1, 2012, Medicare will reduce payments to hospitals found to have an excess readmissions ratio for certain conditions and this information will be made available to the public.
- Commencing in federal fiscal year 2015, Medicare payments to certain hospitals to cover conditions acquired during hospitalization will be reduced by 1%. Commencing in federal fiscal year 2011, federal payments to states for Medicaid services related to hospital-acquired conditions are prohibited.
- Beginning in 2013, a value-based purchasing program will be established under the Medicare program. This program will provide incentive payments to hospitals based on their performance on certain quality and efficiency measures. In order to fund the incentive payments awarded to hospitals under this program, Centers for Medicare and Medicaid Services (“CMS”), an agency of the U.S. Department of Health and Human Services (“DHHS”), will phase in reductions to Medicare inpatient payments.
- To reduce waste, fraud, and abuse in public programs, the PPAC Act provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs. It also requires Medicare and Medicaid program providers and suppliers to establish compliance programs. The PPAC Act requires the development of a database to capture and share healthcare provider data across federal healthcare programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- The PPAC Act imposes substantial new data reporting obligations on hospital initiatives to improve the quality of care, reduce errors and improve health outcomes.

Broadly speaking, the provisions of the PPAC Act that encourage or mandate healthcare coverage for individuals can be expected to increase demand for health care and reduce the amount of uncompensated care that the Obligated Group provides. However, revisions to the Medicare reimbursement program could reduce revenue. Therefore, the impact of the PPAC Act on the operations of the Obligated Group cannot be currently ascertained, and it may have a material impact, either positive or negative, on operations.

Legal challenges to the PPAC Act, specifically related to the constitutionality of the Health Care Reform mandate requiring individuals to purchase insurance or be subject to tax penalties, were heard by the United States Supreme Court this year. The Supreme Court ruled that the PPAC Act’s mandated purchase of insurance is constitutional under Congress’ taxing power. The Supreme Court further held that the federal government cannot withdraw existing Medicaid funds from a state for failure to comply with the PPAC Act’s expanded coverage requirements.

The Institution is analyzing the PPAC Act and will continue to do so in order to assess its effects on current and projected operations, financial performance and financial condition. However, management of the Institution cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

Connecticut Health Insurance Exchange

Connecticut has established a Health Insurance Exchange (the “Exchange”) to satisfy requirements of the health reform legislation. The goals of the Exchange include reducing the number of

residents without health insurance in Connecticut and helping individuals and small employers obtain health insurance by, among other things, offering easily comparable and understandable information about health insurance options. Pursuant to the health reform legislation, the Exchange must make qualified health plans (plans meeting certain coverage and cost requirements) available to qualified individuals and employers by January 1, 2014. Currently, the Exchange is working towards fulfilling its statutory mandate, and there is no certainty regarding the quantity or types of the health plans that will be offered through the Exchange or the effect the Exchange will have on the Obligated Group.

Increased Competition

It is possible that the Institution will face increased competition in the future from other hospitals and assisted living facilities serving its service area, from health maintenance organizations (“HMOs”) and from other health care providers that offer health care services to the population that the Institution currently serves. Managed care programs may also account for an increasing percentage of the Institution’s admissions with contracts requiring discounts from charges or payment at negotiated rates. Moreover, other forms of competition may affect the Obligated Group’s ability to maintain or improve its market share, including increasing competition (i) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, rehabilitation and therapy centers, and other non-hospital providers of many services for which patients generally rely on hospitals currently; (ii) to a lesser extent, from non-physician practitioners such as nurse midwives, nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals; and (iii) from other health agencies.

There has been an increase in affiliation and merger activity recently and that trend is expected to continue. Recent examples include Central Connecticut Health Alliance’s affiliation with Hartford HealthCare, the acquisition of the Hospital of St. Raphael by Yale-New Haven Hospital, the pending affiliation of the William W. Backus Hospital with Hartford HealthCare, the pending merger of Saint Francis Care, Inc., owner of St. Francis Hospital and Medical Center, with Ascension Health Care Network, an affiliate of Ascension Health Alliance, a private equity-backed effort to launch a for-profit Catholic health system, and the pending purchase of Westerly (R.I.) Hospital by Lawrence & Memorial Hospital. No member of the Obligated Group is engaged in any formal affiliation discussions at this time, but will continually assess strategic options and evaluate opportunities as they arise.

Certificate of Need Restrictions

Connecticut has implemented a Certificate of Need (“CON”) program pursuant to which health care facilities, including acute care hospitals, are required to obtain approval from Connecticut’s Department of Public Health Office of Health Care Access (“OHCA”) before establishing a new health care facility, certain transfers of ownership, establishing a free-standing emergency department, outpatient surgical facility or cardiac service, increasing the licensed bed capacity of a health care facility, increasing the number of operating rooms under certain circumstances, terminating an emergency department or other hospital service, and acquiring computed tomography (CT) scanners, magnetic resonance imaging (MRI) scanners, positron emission tomography (PET) scanners, nonhospital based linear accelerators, or other new technology not previously used in Connecticut.

The existence of the CON program has two different implications for providers such as the Institution. First, the program may limit a provider’s ability to respond on a timely basis to competitive programs offered by other providers. Second, while the existence of the CON program may limit a provider’s ability to expand or add services needed to compete, the program has also, in certain instances, served as a barrier to entry that prevents would-be competitors from entering or expanding operations in a particular field of service.

Anti-Dumping

In response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient's inability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act in 1986 ("EMTALA"), the so-called "anti-dumping" statute. This law imposes certain requirements to provide a medical screening examination and stabilization before transferring a patient to another facility. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of the Institution to meet its responsibilities under the law could adversely affect its financial condition.

Deficit Reduction Act of 2005

Under Section 5001 of the Deficit Reduction Act ("DRA"), hospitals are required to report certain quality-related data. Beginning in 2007, failure to comply with the reporting requirement may result in a 2% reduction in federal payments for inpatient services for the fiscal year involved.

Limitations on Certain Arrangements Imposed by Federal Physician Self-Referral Law

The federal Physician Self-Referral Law (the "Stark Law") generally prohibits a physician who has a financial relationship with a provider such as a hospital from making referrals to that entity for certain defined "designated health services" if payment may be made under the Medicare or Medicaid program. If such a financial relationship exists, referrals are prohibited unless a statutory or regulatory exception is available. Violations of the Stark Law can result in denial of payment, substantial civil money penalties and exclusion from the Medicare and Medicaid programs. "Designated health services" include clinical laboratory services, inpatient and outpatient hospital services, physical and occupational therapy services, speech-language pathology services, radiology and certain other imaging services, radiation therapy services and supplies, durable medical equipment and supplies, parenteral and enteral nutrients equipment and supplies, prosthetics, orthotics and prosthetic devices and supplies, home health services and outpatient prescription drugs.

Exceptions exist for certain arrangements. However, the failure of arrangements between the Institution and a physician to fall within one or more of these exceptions could have a materially adverse effect on the Institution. To the extent that any financial relationship between the Institution and any physicians is found not to comply with the Stark Law, the consequences could materially and adversely affect the Institution's financial condition.

Limitations on Certain Arrangements Imposed by Fraud and Abuse Statutes

The federal government has broad enforcement powers with respect to Medicare and Medicaid program compliance. The statutory framework is designed to prevent fraud and abuse, and there is an expanding and complex body of laws, regulations and policies relating to federal and state health care programs all of which carry potentially significant penalties for noncompliance, particularly under the Medicare & Medicaid Patient Protection Act of 1987 (the "anti-kickback statute") and False Claims Act. Under the anti-kickback statute, it is illegal for any individual or entity to knowingly and willfully solicit, receive, offer or pay any remuneration directly or indirectly, in cash or in kind, for either referring an individual or furnishing or arranging for a good or service to be provided for which payment may be made under the Medicare or Medicaid programs. The statute holds both parties to an impermissible kickback transaction liable and has been interpreted to cover any arrangement where one purpose of the remuneration is to obtain something of value for the referral of services or to induce further referrals. The broad wording of the anti-kickback statute often makes it difficult for providers to know with exact certainty whether particular business relationships and/or transactions with suppliers or referral relationships with other providers may violate the statute. While limited and narrow "Safe Harbor"

exceptions to the anti-kickback statute have been promulgated describing each of the elements of activities that are considered legal under the statute, most provider business activities do not fit neatly within the Safe Harbors' specifically delineated requirements. Although falling outside of a Safe Harbor does not in itself mean the activity is violative of the anti-kickback statute, the uncertainty in not knowing whether certain provider payments are illegal sometimes limits the provider's ability to be competitive and avail itself of opportunities in the marketplace. All individual and institutional Medicare and Medicaid providers are subject to the anti-kickback statute and False Claims Act statutory prohibitions. Potential problem areas for hospitals, in particular, may include joint business activities, practice purchases, physician recruiting and retention programs, various forms of hospital assistance to individual physicians and medical practices or the physician contracting entities, physician referral services, hospital-physician service or management contracts, and space or equipment rentals between hospitals and physicians.

Penalties for violating the anti-kickback statute are significant, including criminal penalties, which include a felony conviction punishable by imprisonment for up to five years and a fine of up to \$25,000 or both for each violation, possible exclusion from the Medicare and Medicaid programs, and the imposition of civil monetary penalties of up to \$50,000 for each violation and damages of up to three times the amount of the illegal kickback. Further, the Internal Revenue Service (the "IRS") has stated that violations of the anti-kickback statute are inconsistent with the charitable purpose commitments of Section 501(c)(3) hospitals, so that in the event that a provider violates the anti-kickback statute, the provider's federal tax exemption may be at risk. If such a sanction were applied to the Institution, the federal tax-exempt status of the Series B Bonds might be jeopardized. See "BONDOWNERS' RISKS – Revocation of Tax Exemption; Private Inurement".

There are three False Claims Statutes, two criminal and one civil, which the federal government also uses to ensure a hospital provider's compliance with the Medicare and Medicaid programs. The Criminal False Claims Act prohibits a person from presenting a false claim against the United States or any agency or department thereof, which claim the person knows is false, fictitious or fraudulent. Courts are divided as to whether "knowing" presentation of a false claim requires a person's knowledge of a claim's falsity, or simply a reckless disregard or conscious avoidance of the truth. Violation of the Criminal False Claims Act could result in imprisonment of not more than five years and significant monetary penalties.

In addition to the general Criminal False Claims Act, there is also a criminal statute specifically related to false statements involving federal health care programs such as Medicare and Medicaid. The statute prohibits a person from knowingly and willfully making or causing to be made any false statements or representations of a material fact in any application for benefits or payments under a federal health care program. Violations of this statute may result in fines of up to \$25,000, up to five years imprisonment or both.

Similarly, the Civil False Claims Act prohibits a person from knowingly presenting a false or fraudulent claim or making or using a false or fraudulent record or statement to obtain payment. However, under the Civil False Claims Act, no proof of specific intent to defraud is required. A person may violate this Act by submitting a claim with (1) actual knowledge that it is false; (2) deliberate ignorance of the truth or falsity of the information; or (3) a reckless disregard of its truth or falsity of the information. These lesser standards of intent that relate to the imposition of civil penalties make a health care provider more vulnerable to violation of this Act. The government asserts that health care providers submitting claims for reimbursement have an affirmative obligation to know that the information in the claim is accurate and complies with all relevant statutes, regulations and instructions. Thus, if claims are false and submitted inattentively, without actual knowledge that they are false or ignoring relevant statutes and regulations, such submissions may violate the lesser civil penalty standards. Moreover, in

certain circumstances, private individuals may bring suit under the qui tam provision of the Civil False Claims Act and may be eligible for incentive payments for providing information that leads to recoveries or sanctions. Penalties for violation of the Civil False Claims Act include \$5,500 to \$11,000 fines for each claim submitted, as well as three times the amount of damages sustained by the United States. Accordingly, business activities that violate the anti-kickback statute or either the Criminal or Civil False Claims Act could significantly adversely affect the operations and the financial condition of the Institution.

Payments to Hospitals for Uncompensated Care Services

Connecticut hospitals have traditionally provided services to patients who require medical care but do not have insurance or financial resources to pay for that care. A variety of state and federal laws, including EMTALA, require hospitals to provide such “charity care.” In 1991, Connecticut developed an Uncompensated Care (“UC”) program to offset hospitals’ financial burdens of providing uncompensated care. The State distributes the funds to each facility through disproportionate share hospital (“State DSH”) payments based upon the ratio of each hospital’s cost of uncompensated services as a percentage of all Connecticut hospitals.

Effective July 1, 2002, the State implemented an additional charity care pool for hospitals servicing a large number of Medicaid patients. This was designated as the “Urban Pool.” Hospitals are allocated their portion of the Urban Pool based upon the number of Medicaid discharges at each facility. The State has announced that it will not make the State DSH payments for the 4th quarter of 2012 due to the fiscal budget deficit.

Each hospital is required to file certain data annually with OHCA, including the price for each item of service in the hospital’s “pricemaster” or list of applicable prices. Failure to comply with such requirements creates a risk that, if the annual price lists for medical service items are not timely filed with OHCA, civil money penalties could be imposed on the hospital by OHCA. Further, the Office of Policy and Management must certify that a hospital has made reasonable efforts to provide uncompensated care before the hospital can receive any uncompensated care payments.

Since future State DSH payments are dependent upon continued inclusion of such amounts in the State’s budget, there is no guarantee that such funding will continue each budget year. Decreases in such funding could have a material adverse effect on the financial condition of the Institution.

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

As a tax-exempt organization, the Institution is limited with respect to its use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians and otherwise conducting its affairs. The IRS has recently intensified its scrutiny of a broad variety of contractual relationships commonly entered into by hospitals and has issued detailed hospital audit guidelines suggesting that IRS field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to the limitations on, or the revocation of, their tax-exempt status, the imposition of the excise tax on excess benefit transactions or assessment of additional tax. The IRS also has commenced intensive audits of selected health care providers and has sent questionnaires to many hospitals to determine whether the activities of these providers are consistent with their continued tax-exempt status. Any suspension, limitation or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a materially adverse effect on the financial condition of the Institution. The IRS has also indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a hospital’s tax-exempt status. Like many health care providers, the Institution has

entered into arrangements, directly or through affiliates, with physicians that are of the kind that the IRS has indicated it will examine in connection with audits of health care related tax-exempt organizations.

Revocation of Tax Exemption; Private Inurement

Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondowners to federal income tax retroactively to the date of issuance of the Series B Bonds. Section 501(c)(3) of the Code specifically conditions the continuing exemption of all organizations described in such section upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its status as tax-exempt under Section 501(c)(3). The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law, regulations or public advisory rulings that addresses many common arrangements between exempt hospitals and non-exempt individuals or entities.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an “excess benefit transaction” with a “disqualified person.” Such penalty excise taxes may be imposed in lieu of revocation of exemption, or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it to involve “excess benefit.” “Excess benefit transactions” include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair value or is determined in whole or in part by the revenues of one or more activities of such organization. “Disqualified persons” include “insiders” such as board members and officers, senior management, certain members of the medical staff and various others, as well as entities under the control of any such individuals.

The imposition of a penalty excise tax in lieu of tax-exempt status revocation, based upon a finding that the Institution engaged in an excess benefit transaction, would likely result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of the Institution.

Not-for-Profit Status

From time to time, legislation affecting the tax-exempt status of not-for-profit organizations has been introduced into Congress. Taxing authorities in certain jurisdictions have sought to impose or increase taxes related to the property and operations of such organizations, particularly where such authorities have been dissatisfied with the amount of service provided to indigents. Any legislation affecting the tax-exempt status of the Obligated Group or the imposition or increase in taxes related to its property and operations, could have a material adverse effect on its operations.

As non-profit tax-exempt organizations, the Obligated Group are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. At the same time, the Obligated Group conduct large-scale complex business transactions and are a significant employer in their geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including states attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include, among others, congressional hearings, IRS examination of compensation practices, litigation relating to billing and collection practice and challenges to real property tax exemptions.

Congressional Hearings

Senate and House committees have conducted several nationwide investigations of hospital billing and collection practices and prices charged to uninsured patients and have considered reforms to the nonprofit sector, including proposed reform in the area of tax-exempt health care organizations, as part of health care reform generally. See “IRS Examination of Compensation Practices and Community Benefit” below.

Bond Examinations

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In addition, in 2007 the IRS sent approximately two hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the nonprofit corporation’s (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. In September 2008, the IRS issued an interim report analyzing the responses from the completed questionnaires. The report indicates that there are significant gaps in the implementation by nonprofit corporations of post-issuance and record retention procedures for tax-exempt bonds. IRS representatives indicate that after analyzing responses from the first set of questionnaires, thousands more will be sent.

Revision of IRS Form 990 for Nonprofit Corporations

The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including the Obligated Group) to submit information required by the federal government for tax exemption. The revised Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The revised form also requires the disclosure of a significantly greater amount of both hard data and anecdotal information on community benefit information on Schedule H to the Form and establishes uniform standards for reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities and compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make a wealth of detailed information on compliance risk areas available to the IRS and other enforcement agencies. At this time it is difficult to predict the additional burden that completion of the revised Form 990 may place on the Obligated Group and their respective operations.

IRS Examination of Compensation Practices and Community Benefit

In 2004, the IRS began a new compliance program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) that examined tax-exempt hospitals’ practices and procedures with regard to compensation and benefits paid to their officers and other defined “insiders.” The IRS Final Report indicates that the IRS (1) will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations; and (2) in certain circumstances, may conduct further investigations or impose fines on such organizations.

The IRS has also undertaken a community benefit initiative directed at hospitals. In a 2007 IRS report on this initiative, it was determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of community benefit, made it difficult for the IRS to assess whether any particular hospital is in compliance with current law and recommended developing a separate Form 990 schedule for hospitals as a way to address the lack of uniformity in definitions and reporting. The current Form 990 includes a Schedule H, which hospitals must use to report their community benefit activities, including the cost of providing charity care and other tax-exemption related information. Proposals have also been made, from time to time, within Congressional committees to codify the requirements for hospitals’ tax-exempt status, including requirements to conduct a regular community needs analysis and to provide minimum levels of charity care.

The PPAC Act imposes four new requirements on non-profit hospitals in order to maintain their tax-exempt status. First, each hospital must conduct a community health needs assessment at least once every three taxable years and adopt an implementation strategy to meet the needs identified, or be subject to an excise tax penalty of \$50,000. Hospitals must complete the first community health needs assessment by the end of the taxable year beginning after March 23, 2012, and disclose a summary of the assessment and implementation strategy and audited consolidated financial statements on the IRS Form 990. The Secretary of the Treasury must review the community benefit activities of each tax-exempt hospital at least once every three years. Second, each hospital must adopt, implement and publicize a financial assistance policy. Third, hospitals must limit the charges for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy to not more than the amounts generally billed to individuals who have insurance that covers such care. Finally, a hospital may not engage in extraordinary collection actions before making reasonable efforts to determine whether an individual is eligible for assistance under the organization’s financial assistance policy.

Litigation Relating to Billing and Collection Practices

Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Many of these cases have since been dismissed by the courts but a number of cases are still pending in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have entered into substantial settlements.

Connecticut Attorney General

Connecticut charitable corporations, including the Institution, are subject at all times to examination by the Connecticut Attorney General (the “AG”) to ensure that the purposes of charitable corporations are being carried out. The AG has ongoing oversight of all charitable corporations in Connecticut; therefore, it is possible that the Institution may receive requests from the AG in the future.

Challenges to Real Property Tax Exemptions

Recently, the real property tax exemptions afforded to certain non-profit health care providers by state and local taxing authorities have been challenged in other states on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. The highest court in Illinois recently upheld the revocation of real property tax exemption for a large non-profit hospital.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common as the federal government seeks to address issues of cost, quality and accessibility of health care through enhanced competition in the healthcare market. Antitrust liability may arise in a wide variety of circumstances including medical staff privilege disputes, payer contracting, joint purchasing arrangements, physician relations, joint ventures for specialty care services or for the purchase of high technology or expensive medical equipment, mergers among hospitals, participation in multi-provider networks, affiliation and acquisition activities, certain pricing and salary setting activities, and sharing competitively sensitive information among competing providers. The application of the federal and state antitrust laws to health care providers is still evolving, and enforcement activity by federal and state agencies appears to be increasing. Violation of the antitrust laws could subject health care providers to criminal and civil enforcement by federal and state agencies, as well as by private litigants, some of which could subject the provider to treble damages. Common areas of potential liability include joint action among providers with respect to payer contracting and medical staff credentialing. The degree to which payer contracting, credentialing, network affiliation, joint venture and other activities of the Obligated Group may expose it to antitrust risk from governmental or private sources is dependent on a myriad of factual matters, which may change from time to time and are difficult to predict precisely. If any activities of the Obligated Group are determined to violate the antitrust laws, this could materially and adversely affect the Obligated Group’s financial condition.

If any medical group or other provider with which the Obligated Group becomes affiliated is determined to have violated the antitrust laws, the Obligated Group also may be subject to liability as a joint actor, or the value of any investment in such group or provider may be affected.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. The Obligated Group could become subject to potentially material liability for costs of investigating and remedying releases of certain substances. Such liability could involve substances that are either located on its properties, that have migrated from its properties or that have been improperly disposed of off site.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act (“HIPAA”) was enacted by the U.S. Congress in 1996. The Administrative Simplification provisions of HIPAA were meant to standardize the format, use and security of electronically stored and transmitted health care information and introduced new standards for the privacy of health care information. HIPAA’s Transaction and Code Set Standards require the use of uniform electronic data transmission standards for certain health care claims and payment transactions submitted or received electronically. HIPAA’s Privacy Standards regulate the use and disclosure of individually identifiable health information, whether communicated electronically, on paper or orally and provide patients with new rights with respect to their health information. The Security Standards under HIPAA require covered health care providers to implement certain practices to protect the security of health information that the provider maintains or transmits electronically. The costs of compliance with HIPAA may be substantial and may have a materially adverse financial effect on the Obligated Group. Furthermore, failure to comply with HIPAA may result in civil and criminal penalties.

The American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”)

The Stimulus Act includes several provisions that are intended to provide financial relief to the health care sector, including \$86.6 billion in federal payments to states to fund the Medicaid program and \$24.7 billion to provide a 65% subsidy to the recently unemployed for health insurance premium costs. The Stimulus Act also includes: \$19 billion to establish a framework for the implementation of a nationally-based health information technology (“HIT”) program, including incentive payments to hospitals commencing in FY 2011; \$10 billion for health research and construction of National Institutes of Health facilities; and \$1 billion for prevention and wellness programs. As a component of the federal objective of implementing electronic health records (“EHRs”) for all Americans by 2014, the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”) included in the Stimulus Act requires the development of regulations to establish HIT standards to which hospital physicians and acute care hospitals will be subject. Certain physicians and acute care hospitals that are also “meaningful users” of EHRs became eligible for Medicare and Medicaid incentive payments generally beginning in FY 2011. In order to be eligible for Medicaid payments, hospitals (except children’s hospitals) must have at least 10% Medicaid patient volume. Thereafter, incentive payments for hospital EHR adoption and reporting of quality data will decrease on an annual basis and hospitals that do not comply will face Medicare penalties beginning in FY 2015. The effect of the Stimulus Act and any future regulatory actions on the Obligated Group cannot be determined at this time.

Medicare

In its fiscal year ended September 30, 2012, approximately 28% of the Institution’s net patient revenue was derived from Medicare payments. CMS administers the Medicare program and delegates to the states the process for certifying those organizations to which CMS will make payment. The DHHS’s rule-making authority is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by DHHS.

Medicare claims are processed by non-government organizations or agencies that contract to serve as the fiscal agent between providers and the federal government to locally process Medicare’s institutional and provider claims. These claims processors are known as “intermediaries” and “carriers”. They apply the Medicare coverage rules to determine the appropriateness of claims. CMS selects organizations (generally insurance companies) to act as intermediaries and carriers in various states or regions, and enters into a “prime contract” with each. Hospitals that participate in the Medicare program must agree to be bound by the terms and conditions of the program, such as meeting the quality standards

for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices.

Medicare Part A pays hospitals for most inpatient services under a payment system known as the “Prospective Payment System” or “PPS.” Under inpatient PPS, the amounts payable for services are prospectively established for each inpatient stay based upon a diagnostic group related classification system (“DRGs”). Payments for the various DRGs are derived from historical Medicare cost and charge data. Medicare also implemented an outpatient prospective payment system (“OPPS”) in 2000 which replaced the earlier cost-based reimbursement methodology for outpatient services. This payment system establishes prospective payment rates for covered outpatient hospital services using Ambulatory Payment Classification (“APC”) groups. The OPPS covers essentially all hospital outpatient services except those covered by a separate fee schedule or payment system, or those services excluded from OPPS. For both inpatient and outpatient services, the Institution must manage its resources to attempt to provide the reimbursed item or services within the payment system provided. Additional payments are made for teaching, outliers, and physician services, if applicable.

The amounts paid for each DRG category or APC group is established prospectively and may not be directly related to a hospital’s actual costs. There is no assurance that any of these payments will cover the actual costs incurred by the Institution. DRG and APC rates are generally adjusted annually as part of the federal budget process and, thus, are affected by other federal spending initiatives.

In addition, facilities are reviewed by a federally-designated “professional review organization,” which has the authority, subject to appeal by a hospital, to deny reimbursement under federal programs for services found unnecessary or performed in a substandard manner.

Components of the 2010 Federal Health Care Reform and the PPAC Act provide for certain negative (actual and potential) Medicare payment adjustments, including:

1. Overall Reduction in Hospital Payments. Beginning in fiscal 2013, Medicare inpatient payments to hospitals will be reduced by 1%, progressing to 2% by fiscal 2017. This reduction may be offset in part by new Medicare inpatient incentive payments commencing in fiscal 2013 for hospitals that meet or exceed standards related to Medicare’s new “value-based purchasing” program, based on performance standards established by CMS for treatment of certain conditions. The estimated impact on the Institution is estimated to be approximately \$36,000.

2. Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a “market basket” of estimated cost increases. In recent years, “market basket” adjustments for inpatient hospital care have averaged approximately 2-4% annually. The PPAC Act required automatic 0.25 percentage point reductions in the market basket for fiscal 2010 and 2011, and calls for reductions in the annual “market basket” update amount ranging from 0.1 percentage points to 0.75 percentage points each year through 2019, depending on the type of hospital.

3. Market Productivity Adjustments. Beginning in fiscal 2012 and thereafter, the PPAC Act provides for adjustments to the Medicare “market basket” update based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is currently anticipated to result in an approximately 1 percentage point additional reduction to the annual market basket update.

4. Physician Payments. Medicare requires CMS to adjust the Medicare Physician Fee Schedule payment rates annually; that fee schedule covers payments for more than 7,000 types of services in physician offices, hospitals, and other settings based on a formula. In each of the past several years, the annual adjustment formula (known as the sustainable growth rate) has yielded a reduction in physician payments but Congress has taken legislative action each year to prevent such reductions from taking effect. On December 15, 2010, President Obama signed the Medicare and Medicaid Extenders Act of 2010, which prevented the scheduled physician fee cut from taking place but left the annual physician fee update at 0%. This law maintained current funding levels through December 31, 2011. Additional provisions of the PPAC Act that may impact physicians include:

- Beginning January 1, 2011 through December 31, 2015, the PPAC Act provides for a 10% Medicare bonus payment for all primary care services provided by primary care practitioners and to certain surgeons for all major surgical procedures.
- Effective January 1, 2013, the PPAC Act increases Medicaid payments for primary care physicians as Medicaid programs and providers prepare to cover more patients in 2014. The PPAC Act requires states to pay primary care physicians no less than 100 percent of Medicare payment rates in 2013 and 2014 for primary care services. The increase is fully funded by the federal government. This is expected to generate a positive financial benefit for the Obligated Group.
- The PPAC Act extends Medicare payment incentives to physicians reporting under the physician quality reporting initiative (“PQRI”) through 2014 and introduces penalties for not reporting the measures beginning in 2015.
- Beginning in 2015, the PPAC Act requires the establishment of a value-based payment process for Medicare physician payments. This payment process provides for differential payment to a physician or a group of physicians based upon the quality of care furnished compared to cost during a performance period. This new methodology could have positive or negative impacts on physician payments under the Medicare program.

See also “Patient Protection and Affordable Care Act and Healthcare Reform Initiatives” above.

Medicare Managed Care

The Medicare Program has developed managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is voluntary at this time. The federal Medicare program pays the HMO a pre-established monthly premium for each Medicare beneficiary who voluntarily enrolls in a HMO product. As with commercial HMOs, there is a financial incentive for Medicare HMOs to control utilization, thereby providing administrative burdens and reduced revenue to providers.

Medicaid

The Connecticut Medicaid program is an important payor source to many hospitals. This program often pays hospitals at levels that are substantially below the actual cost of care. As Medicaid programs are partially funded by the State, the financial condition of the State is likely to result in lower funding levels and/or payment delays, which could have a material adverse impact.

The Connecticut Department of Social Services (“DSS”) administers the Medicaid program in Connecticut. In October 1995, DSS began implementation of a Medicaid managed care program to control costs and improve access to care. The DSS managed care program was implemented pursuant to a waiver from CMS whereby DSS could require Medicaid enrollees to enroll in a managed care plan. Under the program, the State contracted with managed care plans which were generally at risk through a capitated payment system for the costs of most health services provided to their enrollees.

The State has disbanded the managed care organization structure and transitioned to a consolidated administrative service organization model effective January 1, 2012. Currently, all services are coordinated by the Department of Social Services’ single, statewide administrative services organization (“ASO”). Community Health Network of Connecticut is the designated ASO for the HUSKY Health and Charter Oak Health Plan.

During its fiscal year ended September 30, 2012, approximately 17% of the Institution’s net patient revenue was derived from Medicaid payments.

The Connecticut state government faces significant financial challenges. Budget deficits are expected to exceed \$3 billion annually from fiscal 2012 through 2014, and, to date, have resulted in spending cuts, including health care spending.

Because there were disparities and higher negotiated rates with the managed care organizations in comparison to the fee schedules of the DSS, the State agreed to develop a blended rate calculation based upon volumes and rates in FY2011 to pay providers at a blended rate that would keep them whole. The blended inpatient rate was put into effect in April 2012 and will only affect inpatient claims. This resulted in a retroactive inpatient settlement to the Institution of approximately \$800,000 which was received in July.

The Institution went through an extensive reconciliation process to address the outpatient claims and the State confirmed that \$1.5 million was owed to the Institution. This amount should have been paid by the end of December 2012. However, as part of the State’s budget deficit mitigation, effective as of December 19, 2012, the State announced that it will not make the payment. Because the \$1.5 million anticipated payment was booked as revenue for 2012, this will result in a write-down in 2013.

Health Maintenance Organizations/Preferred Provider Organizations

Payments to hospitals on behalf of subscribers of HMOs and preferred provider organizations (“PPOs”) are generally based on contracts negotiated between the hospital and the HMO or PPO. These contracts usually provide for a discount from approved charges or for payment based on a negotiated per diem or per case amount. In the Obligated Group’s experience, these payment arrangements are typically reviewed by the HMO/PPO and the hospital provider on an annual basis.

Commercial Insurance

Commercial insurers that do not contract directly with hospitals generally reimburse healthcare providers on the basis of the lesser of actual costs or established charges for covered services. Patients carrying such coverage are responsible to hospitals for any deficiency between the amounts paid by the insurer and the charges for services rendered, subject to various charity care policies that allow for discounts from published charges based upon various financial thresholds including income levels and financial assets.

Provision for Liabilities to Third-Party Payers

The Institution's agreements with the United States government under the Medicare program and the State under the Medicaid program, as described herein, provide for reimbursement to the Institution for services rendered to patients covered by these programs on the basis of predetermined amounts or allowable costs as defined in applicable reimbursement regulations. These agreements require the Institution to prepare and file cost reports annually. Where final settlements or year-end adjustments are required, provisions have been made in the financial statements for prior and current years' estimated final settlements, although no assurance can be given as to the adequacy of such provisions.

Charity Care, Underinsured and Uninsured Patients

Recently, focus has increased on the provision of charity care by not for profit health care institutions and their pricing policies and billing and collection practices involving the underinsured and uninsured. This increased focus has resulted in congressional hearings, governmental inquiries and private, purported class action litigation against more than 100 not for profit health care institutions nationwide, generally alleging the overcharging of underinsured and uninsured patients. Management cannot predict the impact that these or related developments may have on the Obligated Group or the health care industry generally.

Medical Malpractice Insurance

Professional malpractice litigation and insurance assessments and premiums paid by the Obligated Group and physicians and other health care professionals have risen faster than inflation due in part to the increasing size of malpractice awards and could cause certain physicians to retire from the Medical Staff or reduce the scope of their medical practice. See subheading in Appendix A hereto entitled "Insurance Coverage – Fiscal Year 2012."

Potential Nursing and Other Staffing Shortages

In recent years, the health care industry has suffered from a scarcity of nursing and other qualified health care technicians and personnel. Factors underlying this trend include a decrease in the number of persons entering the nursing profession and an increase in the number of nurses specializing in home health care. Any of these factors may be expected to intensify in the future, aggravating the shortage of nursing personnel or other qualified health care technicians and personnel. This trend could force the Institution to pay higher salaries to nursing or other qualified health care technicians and personnel as competition for such employees intensifies. The extent to which additional salary increases will be needed in the future, the effect of those additional increases on the financial condition of the Institution, and whether sufficient qualified candidates will be available to the Institution cannot be predicted.

Reduction in Hospital Utilization

In addition to competition from other facilities, a number of other factors have been reducing hospitalization trends. Physicians' practice patterns indicate a trend to fewer inpatient admissions and shorter lengths of stay for those who are admitted. In addition, third-party payers such as Medicare, Medicaid and commercial insurers have exerted efforts to contain their costs by reviewing and questioning the need for certain inpatient admissions and the length of hospital stays.

Licensure/Certification

The Institution is subject to periodic inspection by governmental authorities to assure compliance with the standards for continued licensure and for certification under the Medicare and Medicaid

programs. Failure to comply with applicable licensure and certification requirements could result in denial of reimbursement, imposition of fines, temporary suspension of admission of new patients, denial of Medicare payment for new admissions and in extreme circumstances, loss of license or suspension from the Medicare/Medicaid programs.

Other Risk Factors

In the future, the following additional factors, among others, may adversely affect the operations of health care providers or of tax exempt non-profit entities, including the Institution, to an extent that cannot be determined at this time:

- Employee strikes and other adverse labor actions by unionized labor or by other employees, which could result in a substantial reduction in revenues without corresponding decreases in costs from current levels.
- Increased unemployment or other adverse economic conditions in the Institution's service area, which might increase the proportion of patients without health insurance benefits or who otherwise are unable to pay fully for the costs of their care.
- Reduced need for hospitalization, nursing services or other services arising from future medical and scientific advances.
- Reduced demand for the services of the Obligated Group, which might result from decreases, if any, in the population of the Obligated Group's service area.
- An increase in the quantity of uncompensated care required in order for the Obligated Group to maintain its tax-exempt status.
- Imposition of wage and price controls for the health care industry.
- Adoption of legislation that would establish a national health insurance program.
- Rising costs and reduced availability of energy.
- Developments affecting the federal or state tax-exempt status of non-profit organizations or the reduction or elimination of the real estate tax exemption available to charitable organizations. Both Congress and the IRS recently have increased scrutiny of the activities of tax-exempt entities.
- The occurrence of natural disasters, including floods and earthquakes, which may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation of the Obligated Group and the generation of revenues from the facilities.
- Acts of terrorism or other cataclysmic events for which the Obligated Group must provide care to large numbers of persons that may be without the ability to pay or covered by insurance.
- Loss of approved status for or failure by the Institution to maintain residency programs and teaching affiliations.
- Reduced utilization of Institution facilities as a result of other factors, including trends in physician practices toward fewer inpatient admissions, shorter lengths of stay for admitted patients and increased outpatient surgery at ambulatory care facilities.

- The ability of the Institution to attract a sufficient number of qualified physicians, nurses and other health care professionals.
- The effect of Connecticut's budget and State priorities on future decreases or increases in Medicaid Payments.

General Considerations

Limitations on Effectiveness of Pledge of Gross Receipts under the Loan Agreement

The effectiveness of the security interest in Gross Receipts granted pursuant to the Loan Agreement may be limited by a number of factors, including: (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables due under contracts with third-party payors, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) certain judicial decisions which cast doubt upon the right of the Trustee, in the event of the bankruptcy of a Member of the Obligated Group, to collect and retain accounts receivable due such Member from Medicare, Medicaid and other governmental programs; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; and (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Connecticut Uniform Commercial Code as from time to time in effect.

In addition, the effectiveness of the security interest granted in the Gross Receipts of each Member of the Obligated Group may be limited if the proceeds thereof are commingled with other moneys of such Member not subject to such security interest and if the Trustee does not take possession of any cash (or other items as to which possession is required for perfection of a security interest) constituting Gross Receipts or the proceeds thereof.

In the event of the bankruptcy of any Member of the Obligated Group, pursuant to the federal Bankruptcy Code, any receivables coming into existence and any Gross Receipts received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of proceedings in the bankruptcy court may no longer be subject to the lien granted to secure the Series B Note and, with respect to the Gross Receipts, the interest of the Trustee holding the Series B Note for the benefit of the Bondowners would be shared with general creditors of such Member of the Obligated Group. Under certain circumstances, a bankruptcy court or a court of equity may have the power to direct the use of Gross Receipts to meet expenses of the bankrupt entity before paying debt service on the Series B Note. With respect to Gross Receipts not subject to the lien, the Authority and the Trustee, and, in turn, the Bondowners, would occupy the position of an unsecured creditor.

Enforceability of Lien on Gross Receipts in the Event of Bankruptcy

The Loan Agreement provides that the Obligated Group shall make payments to the Authority sufficient to pay the Series B Bonds and the interest thereon as the same become due. The obligation of the Obligated Group to make such payments are secured in part by a lien on the Gross Receipts of the Obligated Group. To the extent that Gross Receipts of the Obligated Group are derived from direct payments under the Medicare or Medicaid programs, enforcement of any right to receive direct payments under such programs may be subject to provisions of the Assignment of Claims Act of 1940 with respect to which the Obligated Group and the Trustee may be required to comply. In addition, the assignment of the rights to receive direct payments from the Medicare and Medicaid programs may be prohibited under

the Medicare Act and Medicaid Act, respectively. In the event of bankruptcy of any of the Obligated Group Members, pursuant to the Federal Bankruptcy Code, any receivables coming into existence and any Gross Receipts received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court might not be subject to the lien of the Trustee and under certain circumstances a bankruptcy court may have power to direct the use of Gross Receipts to meet expenses of the Obligated Group before paying debt service on the Series B Note. With respect to Gross Receipts not subject to the lien, because of the bankruptcy protection laws, the Trustee would occupy the position of an unsecured creditor.

Covenant to Maintain Tax-Exempt Status of the Series B Bonds

The tax-exempt status of the Series B Bonds is based on the continued compliance by the Authority and the Obligated Group Members with certain covenants contained in the Loan Agreement, the Indenture and the Tax Certificate (as defined in Appendix C). These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Series B Bonds, the use of proceeds of the Series B Bonds and maintenance of each Obligated Group Member's tax-exempt status. Failure to comply with any of these covenants may cause interest on the Series B Bonds to be includable in gross income retroactive to their date of issuance. See "TAX MATTERS" herein.

Realization of Value on Mortgaged Premises

In order to secure the prompt payment of the principal of, premium, if any, and interest on, the Series B Note issued under the Loan Agreement, the Institution has granted a mortgage to the Authority on the Mortgaged Premises. The facilities located on the Mortgaged Premises are not general purpose buildings and would not generally be suitable for industrial or other commercial use. Thus, upon any default, it may not be possible to realize the amount of the Outstanding Bonds from a sale or lease of the Mortgaged Premises.

Retirement Plans

The Obligated Group established a defined benefit pension plan (the "Defined Benefit Plan") covering all employees who worked at least 1,000 hours during the year. However, effective January 1, 2006, the Defined Benefit Plan was amended to exclude all new hires after December 31, 2005, and a defined contribution benefit plan (the "Defined Contribution Plan") was established. The Defined Benefit Plan was frozen effective as of September 30, 2008, and the participants are no longer accruing benefits. The benefits under the Defined Benefit Plan were based on years of service and the employee's compensation. The Obligated Group's funding policy with respect to the Defined Benefit Plan is to contribute amounts sufficient to cover benefits to be paid as required by Employee Retirement Income Security Act funding standards.

The Defined Contribution Plan became effective January 1, 2006. Substantially all full-time employees are eligible to participate. Employees may contribute up to 50% of their compensation into the Defined Contribution Plan, subject to Internal Revenue Code limitations, and the Obligated Group contributes 3% of each eligible participant's gross earnings. In addition, the Obligated Group will contribute an additional 3% until October 2, 2013 for participants that are fifty-five years of age or fifty years of age with 10 years of vesting service. Employees become vested in the employer's contributions over three years. The portion of the employer contributions unvested upon termination of an employee are forfeited and used to reduce future contributions made by the Obligated Group on a dollar-for-dollar basis.

The Obligated Group also has established a 403(b) plan covering all full time and part time employees of the Obligated Group. Participants may elect to contribute a specific percentage of their compensation in pre-tax deferrals subject to established Internal Revenue Code limitations. Currently, the Obligated Group does not contribute to this plan.

Economic Factors Beyond the Obligated Group's Control

Apart from competition and other business risks facing the Obligated Group, the financial performance of the Obligated Group will depend to some degree upon factors beyond the control of the Obligated Group including general, national and local economic conditions (e.g., inflation, unemployment, population growth and distribution trends) and federal, state and local taxation and laws and regulations affecting the Obligated Group.

The current economic turmoil has had and will continue to have negative repercussions upon the United States and global economies. Within the past year, this turmoil has particularly affected the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures, and increased consumer and business bankruptcies.

Hospitals are required to provide emergency care without regard to a patient's ability to pay. Poor economic conditions and increased unemployment can enlarge the population that does not have health care coverage and thus cannot pay for care out-of-pocket, which in turn can increase the uncompensated care that the Institution provides. Tax-exempt hospitals, in particular, often treat large numbers of indigent patients who are unable to pay in full for their medical care. In addition, poor economic conditions and increased unemployment can lead patients to postpone or forego elective procedures, thereby reducing volume and revenue.

If the current economic turmoil continues and the economy further weakens, health care providers could be materially and adversely affected in a number of ways, including reduced investment income, reduced access to the credit markets, difficulties in obtaining new liquidity facilities or extensions of existing liquidity facilities, significant draws on internal liquidity due to difficulties with remarketing existing variable rate bonds and commercial paper, increase in bad debt expense and charity care write-offs, and increased borrowing costs, any of which may negatively affect the operations or financial condition of a provider.

Enforceability of Remedies Generally

The remedies granted to the Trustee or Bondowners upon an Event of Default under the Indenture and the Loan Agreement may be dependent upon judicial actions, which are often subject to discretion and delay. Under existing law, the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series B Bonds will be qualified as to the enforceability of the provisions of the Indenture and the Loan Agreement by limitations imposed by state and federal laws, rulings and decisions affecting equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity and by bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally.

Budget Control Act of 2011

On August 2, 2011, President Obama signed into law the Budget Control Act of 2011 (the “Budget Control Act”). The Budget Control Act, scheduled by its terms to take effect on January 2, 2013, limits the federal government’s discretionary spending caps at levels necessary to reduce expenditures by \$917 billion from the current federal budget baseline over the course of ten years, from federal fiscal years 2012 through 2021.

On January 1, 2013, Congress passed the American Taxpayer Relief Act of 2012 (the “Taxpayer Relief Act”), which delayed the effective date of the Budget Control Act by sixty (60) days, until March 1, 2013. Provisions of the Budget Control Act, as postponed by the Taxpayer Relief Act, will result in an automatic two percent (2%) reduction of Medicare program payments for all healthcare providers, known as “sequestration”, upon executive order of the President in March 2013. Such sequestration will take effect on March 27, 2013, upon expiration of the Fiscal Year 2013 Continuing Resolution, H.J. Res. 117, unless Congress and President Obama agree on a budget deficit reduction plan before such date. Such a plan may include more spending decreases, including those aimed at the health care industry. If implemented, either sequestration or any spending reductions resulting from a budget deficient reduction plan, may result in a net decrease in operating revenues of the Obligated Group.

On April 1, 2013, the Budget Control Act’s automatic reductions became effective. Further, with no long-term resolution in place for federal deficit reduction, hospital and physician reimbursements may be targets for reductions with respect to any interim or long-term federal deficit reduction efforts that may be proposed by Congress. It is impossible to predict whether such automatic reductions or spending cuts will occur, which may have a material adverse effect upon the financial condition of the Obligated Group.

Change in Tax Treatment of the Series B Bonds

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, the President of the United States has submitted proposals to Congress that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. Such proposals, or other proposals, could affect the tax exemption of interest on, or the market price or marketability of tax-exempt bonds, such as the Series B Bonds. No assurance can be given that federal legislation enacted or proposed after the date of issuance of the Series B Bonds will not have an adverse effect on the tax-exempt status or market value of the Series B Bonds or will not change the effect of other federal tax law consequences of owning and disposing of the Series B Bonds. No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Series B Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates.

Changes in State Tax Law

From time to time, proposals are introduced or enacted into State law. For example, in May 2011, the State enacted Public Act No. 11-6, “An Act Concerning the Budget for the Biennium Ending June 30, 2013 and Other Provisions Relating to Revenue,” which made changes to the State DSH payments and imposed a 4.60% tax on “net patient revenue” of hospitals, effective for the State’s fiscal year beginning July 1, 2011, that affect all Connecticut hospitals. For purposes of Public Act No. 11-6, “net patient revenue” means the amount of a hospital’s gross revenue, including the amount received by the hospital from the federal government for Medicare patients. If the Commissioner of Revenue Services notifies DSS that a hospital is delinquent in the payment of such tax, DSS is directed to deduct and withhold such delinquent amount from any amounts otherwise payable by DSS to the hospital.

No Credit Rating; No Credit Enhancement; Bond Transfer Restrictions; No Secondary Market

The Series B Bonds will not be rated and will be unenhanced.

The Series B Bonds have been issued in Authorized Denominations, being denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof and are subject to substantial transfer restrictions. The Series B Bonds may only be sold to Qualified Institutional Buyers or to Accredited Investors. See “BOND TRANSFER RESTRICTIONS” herein.

There is no public market for the Series B Bonds and none is expected to develop in the future. The absence of such a market for the Series B Bonds could result in investors not being able to resell the Series B Bonds should they need to or wish to do so. Therefore, investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time. Further, to the extent a secondary market for the Series B Bonds develops, the secondary market price of the Series B Bonds may be affected as a result of the transfer restrictions on the Series B Bonds.

LEGALITY OF THE SERIES B BONDS FOR INVESTMENT AND DEPOSIT

Under the Act, the Series B Bonds are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, State bank and trust companies, national banking associations, savings banks, savings and loan associations, investment companies, executors, administrators, trustees and other fiduciaries in the State may properly and legally invest funds, including capital in their control or belonging to them.

The Series B Bonds, under the Act, may be deposited with and received by the State or any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State may be authorized by law.

NEGOTIABLE INSTRUMENTS

Under the Act, the Series B Bonds are, and are deemed to be for all purposes, negotiable instruments, subject only to the provisions for registration and transfer contained in the Indenture and in the Series B Bonds.

STATE NOT LIABLE ON THE SERIES B BONDS

The Series B Bonds are special obligations of the Authority payable solely from the sources therefor as set forth in the Indenture, and neither the faith and credit nor the taxing power of the State or any political subdivision or instrumentality thereof, is pledged to the payment of the principal of or interest on the Series B Bonds. The Act does not in any way create a so-called moral obligation of the State to pay debt service in the event of default by the Obligated Group or the Authority. The Authority has no taxing power.

COVENANT BY THE STATE

Under the Act, the Authority has included in the Indenture the State's pledge and agreement for the benefit of the owners of the Series B Bonds that the State will not limit or alter the rights vested in the Authority until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the owners of such obligations.

RATING

THE SERIES B BONDS ARE NOT RATED. THE AUTHORITY HAS NOT APPLIED TO ANY RATING AGENCY FOR A RATING OF THE SERIES B BONDS.

THE PLACEMENT AGENT

The placement of the Series B Bonds is an exempt transaction under the Securities Act of 1933 (the "Securities Act"), and the offer, sale and delivery of the Series B Bonds do not require registration under the Securities Act or qualification of the Indenture under the Trust Indenture Act of 1939. Piper Jaffray & Co., the Placement Agent, has agreed to place the Series B Bonds with Qualified Institutional Buyers or Accredited Investors on behalf of the Institution. See "BOND TRANSFER RESTRICTIONS" herein. The Placement Agent will be compensated by the Institution pursuant to the terms of an agreement between the Institution and the Placement Agent.

In connection with the purchase of the Series B Bonds, each purchaser will be required to deliver to the Authority, the Obligated Group and the Placement Agent an investor letter in form and substance acceptable to the Authority and the Placement Agent relating to the purchaser's status as a Qualified Institutional Buyer or Accredited Investor and the suitability of an investment in the Series B Bonds for the purchaser.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series B Bonds and the Authority will not provide any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure for the benefit of the Beneficial Owners and prospective purchasers of the Series B Bonds as described below, and the Authority shall have no liability to the Beneficial Owners of the Series B Bonds or any other person with respect to such disclosures.

In connection with the issuance of the Series B Bonds, the Obligated Group will enter into a Continuing Disclosure Agreement with respect to the Series B Bonds for the benefit of the Beneficial Owners and prospective purchasers of the Series B Bonds, substantially in the form attached as Appendix I to this Private Placement Memorandum (the "Continuing Disclosure Agreement"), to provide

or cause to be provided certain information to meet the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934.

The Continuing Disclosure Agreement will provide that at the option of the Obligated Group, any financial reports or information required to be provided under the Continuing Disclosure Agreement may be provided as combined, combining, consolidated or consolidating, in the aggregate or individually.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Institution as of September 30, 2012 for the year then ended, which are included in Appendix B to this Private Placement Memorandum, have been audited by Saslow, Lufkin & Buggy, LLP, independent accountants, as stated in their report appearing herein. No auditor's consent has been requested and the auditor has not been requested to perform, and has not performed, any service in connection with, and therefore is not associated with, the offering of the Series B Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series B Bonds by the Authority are subject to the approval of Day Pitney LLP, of Hartford, Connecticut, and New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series B Bonds. Certain legal matters will be passed upon for the Authority by McCarter & English, LLP, of Hartford, Connecticut. Certain legal matters will be passed upon for the Obligated Group by its co-counsel, Eckert Seamans Cherin & Mellott, LLC of Boston, Massachusetts and its co-counsel, Bachand, Longo & Higgins, of Putnam, Connecticut. Certain legal matters will be passed upon for the Placement Agent by its counsel, Updike, Kelly & Spellacy, P.C. of Hartford, Middletown and New Haven, Connecticut.

LITIGATION

The Authority

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

The Obligated Group

There is no litigation pending, and the Obligated Group is not aware of any litigation threatened, wherein an unfavorable decision would adversely affect the ability of the Obligated Group to enter into the Loan Agreement or to execute the Series B Note, and to carry out each Obligated Group Member's obligations thereunder or have a material adverse effect on such Obligated Group Member's financial condition or results of operations.

MISCELLANEOUS

The references in this Private Placement Memorandum and the Appendices hereto to the Act, the Indenture, the Loan Agreement and the Series B Note are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act and such documents for full and complete statements of each and all provisions contained therein. The agreements of the Authority with the Bondowners are fully set forth in the Indenture, and neither any advertisement of the Series B Bonds nor this Private Placement Memorandum are to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Private Placement Memorandum involving matters of opinion or forecasts, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the office of the Authority.

Attached hereto as Appendix A is a letter from the Obligated Group to the Authority which contains selected information relating to the Obligated Group, prepared by it for inclusion in this Private Placement Memorandum. Attached hereto as Appendix B are the financial statements of Day Kimball Healthcare, Inc. With respect to Appendices A and B and any other information herein pertaining to the Obligated Group or its financial condition or results of operations, the Authority makes no representations or warranties whatsoever with respect to the information contained herein or therein.

Appendix C – Definitions, Appendix E – Excerpts From and Summaries of Certain Provisions of the Indenture, Appendix F – Excerpts From and Summaries of Certain Provisions of the Loan Agreement, and Appendix G – Indebtedness of the Authority, have been prepared by, or on behalf of, the Authority and are incorporated herein as an integral part of this Private Placement Memorandum. Appendix H – Proposed Form of Opinion of Bond Counsel has been provided by Bond Counsel and is incorporated herein as an integral part of this Private Placement Memorandum.

The Authority has authorized the execution and delivery of this Private Placement Memorandum by one of its Authorized Officers.

**STATE OF CONNECTICUT HEALTH AND
EDUCATIONAL FACILITIES AUTHORITY**

By /s/ Jeffrey A. Asher
Jeffrey A. Asher
Executive Director

Appendix A

Information Regarding the Obligated Group

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June 6, 2013

State of Connecticut Health and Educational
Facilities Authority
10 Columbus Boulevard, 7th Floor
Hartford, CT 06106-1976

Dear Members of the Board of Directors of the Authority:

We are pleased to submit the following information with respect to Day Kimball Healthcare, Inc. ("DKH") and its subsidiaries, Day Kimball HomeMakers, Inc. ("Homemakers") and Day Kimball Medical Group, Inc. (the "Medical Group," together with DKH and Homemakers, collectively the "Obligated Group" or "Obligated Group Members"). This letter and the information contained herein are submitted to the State of Connecticut Health and Educational Facilities Authority for inclusion in its Private Placement Memorandum relating to its Revenue Bonds, Series B (the "Series B Bonds"). As used herein, all financial and utilization data refers to the fiscal year ended September 30, 2012 unless otherwise indicated by context. All town, city and county names reference towns in the State of Connecticut, unless otherwise indicated.

DKH provides healthcare services primarily in Windham County which is situated in the northeast corner of the State. Windham County borders Massachusetts on the north and Rhode Island on the east.

STRATEGIC VISION

DKH seeks to be the premier, integrated medical services network in Northeast Connecticut by (1) developing, recruiting, and expanding a team of skilled providers who offer diverse experience and various areas of specialty, (2) operating clean, safe facilities and creating a warm, welcoming environment, (3) addressing healthcare challenges with the goal of creating a comprehensive medical services network driven by quality of care, positive outcomes, and efficiency, (4) providing the best possible technology for diagnostics, surgery, and treatment protocols, and (5) remaining responsive, attentive, and helpful to its patients and their family members.

DKH's primary care providers work as advocates for the health of their patients, establishing a "patient-centered medical home" for each of them. All of DKH's medical care and health service providers work together and communicate closely to proactively help patients access the care they need.

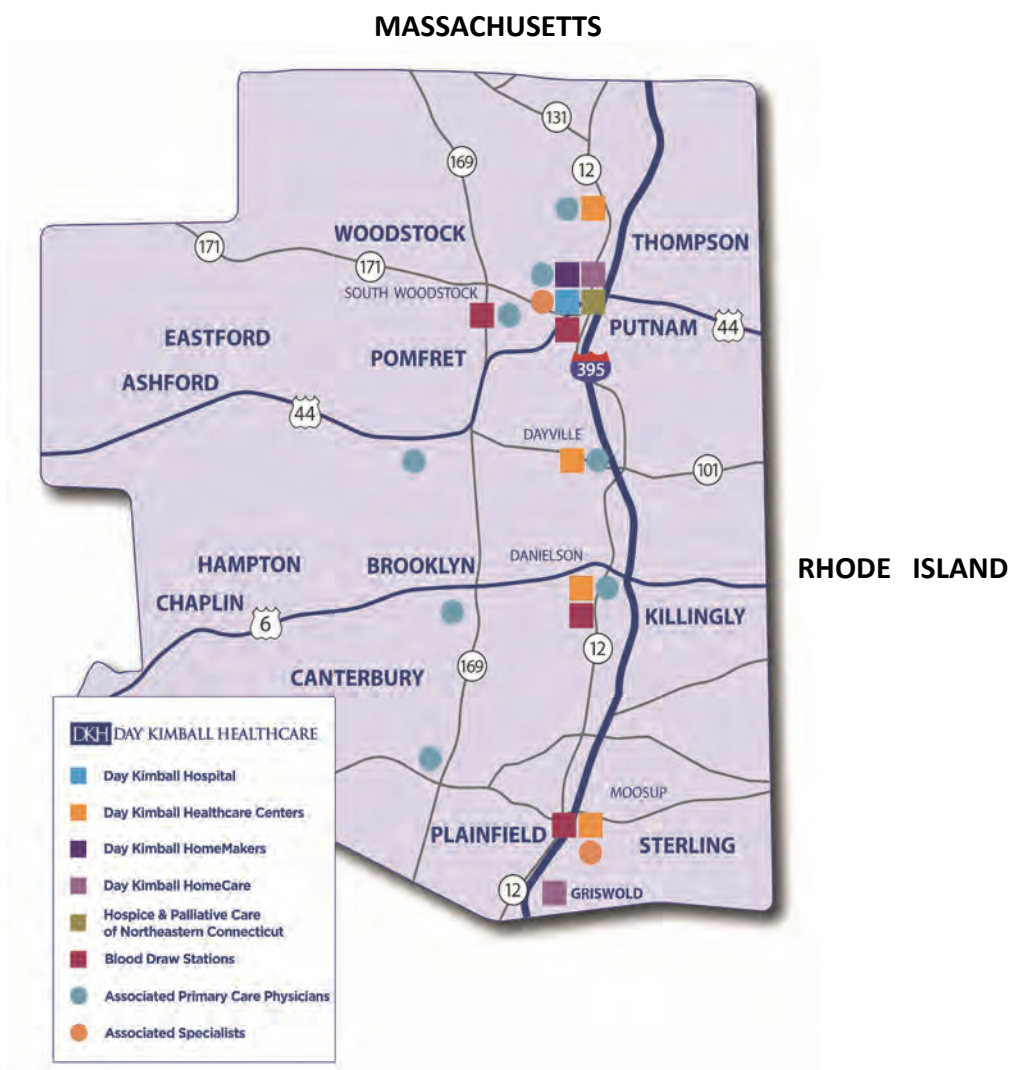
DKH offers comprehensive services, including primary and specialty care, care management, diagnostics, and more, available at multiple locations. Its nearly 300 medical care providers represent more than 40 disciplines. DKH provides inpatient, outpatient, and in-home care services with a hospital, five healthcare centers, fourteen physician offices, and a medical supplies retail unit. In addition, partnerships bring specialized cardiac care, cancer treatment, orthopedics, and radiology closer to the communities which it serves.



DKH was founded more than 119 years ago by community members who knew that quality care is important to a good quality of life. DKH understands the unique needs of its service area and is dedicated to the health and well-being of over 91,000 residents in the towns it serves. DKH employs more than 1,400 dedicated individuals working to improve the health of Northeast Connecticut and generates millions of dollars in economic impact every year. DKH continues to be a community based health system led by a board of directors comprised of leaders from the business and professional community.

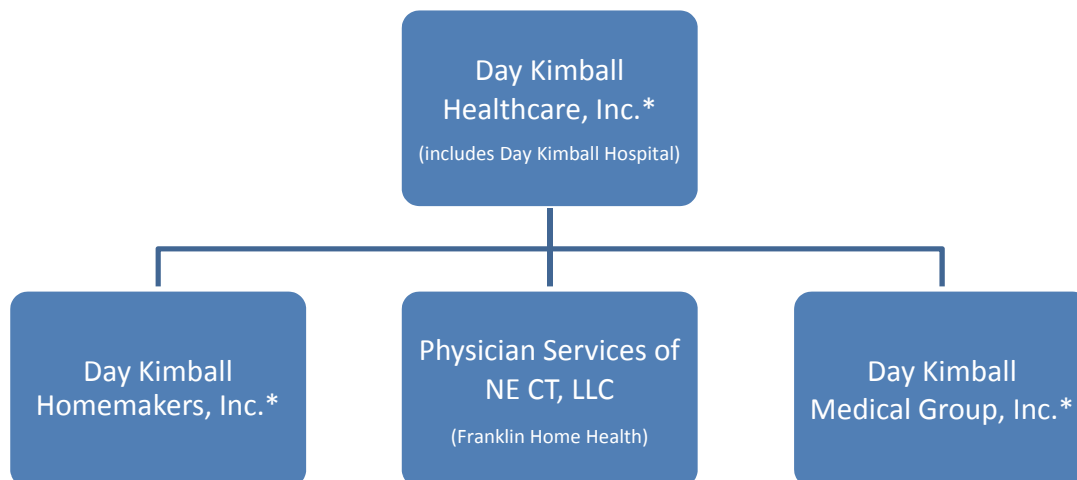
DAY KIMBALL NETWORK

DKH is a network of health care service providers and facilities that includes several hundred participating physicians, with over fifty directly employed by its subsidiary, Day Kimball Medical Group, Inc., all as more specifically described herein.





ORGANIZATIONAL CHART



*Members of the Obligated Group

ORGANIZATIONAL STRUCTURE

Day Kimball Healthcare, Inc. (“DKH”) is a not-for-profit 501(c)(3) corporation and the sole shareholder of each of the other two Obligated Group Members. In addition to services provided by the other Obligated Group Members as described below, DKH operates the Day Kimball Hospital and five Day Kimball Healthcare Centers (Danielson, Dayville, Plainfield, Putnam and Thompson). Also, in coordination with the other Obligated Group Members, DKH provides patient and family support programs through its various divisions: Hospice and Palliative Care of Northeastern Connecticut (providing care for terminally ill patients, their families and caregivers in the patient’s home or area nursing home) and Day Kimball HomeCare (Medicare certified home care agency providing skilled care in patient homes). DKH serves the healthcare needs of over 91,000 residents in northeastern Connecticut and nearby Massachusetts and Rhode Island. It was the first healthcare network in the State of Connecticut to provide inpatient, primary care, home health, homemaker and hospice within one, coordinated system.

Day Kimball HomeMakers, Inc. (“Homemakers”), a not-for-profit 501(c)(3) corporation, formerly known as Northeast HomeMakers, Inc., is a subsidiary of DKH that has been providing professional, in-home support services in northeastern Connecticut since 1985. Homemakers’ non-medical homemaker, chore, companion and respite services are services that enable elderly or disabled clients to live safely in the familiar and comfortable surroundings of their own homes. Homemakers’ companion and respite services are provided for individuals recovering from an illness, or for those suffering from Alzheimer’s disease or similar form of dementia who cannot be safely left alone. Services include socialization, meal preparation and clean up, medication supervision, shopping and other errands. A companion from Homemakers also can provide invaluable respite for a family member or other caregiver while they work, shop or are on vacation, ensuring security and socialization for their loved one or friend. Companion and respite services are available hourly, for half or full days, and on an overnight basis.

Services provided by Homemakers include homemaker, companion, traveling companion and respite services for clients in Brooklyn, Canterbury, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam,



Thompson and Woodstock. Personal Care Assistants complete the continuum of support provided by Homemakers. They respect one's dignity, while helping to maintain independence in the home.

Day Kimball Medical Group, Inc. (the “Medical Group”) is a not-for-profit 501(c)(3) corporation and subsidiary of DKH. Its predecessor was a for profit subsidiary of DKH known as Physician Services of Northeast Connecticut, LLC (the “LLC”). Both entities were formed to support the area’s primary care physicians and align their practices with DKH. The Medical Group is currently comprised of Danielson Medical Associates, Brooklyn Family Medical Associates, Pomfret Street Family Medical Associates, Woodstock Medical Associates, Putnam Surgical Associates, Canterbury/Thompson Family Medical Center, Medical Center of Northeast Connecticut, St. Luke’s Family Practice, OB/GYN Associates, Maternal Fetal Medicine, Sports Medicine Associates, Northeast Connecticut Dermatology, Walk-in Center, Pediatric Centers, and Occupational Health. The LLC offers Franklin Home Health (durable medical equipment business).

Based on DKH’s strategic vision, all practices were moved into the newly formed Day Kimball Medical Group with the exception of Franklin Home Health, which remains a service provided by the LLC.

The Medical Group’s mission is to connect individuals and families with primary care and related specialty services through their “medical home” provider. Practices and over fifty physicians offer an array of services including, but not limited to, preventive care for all ages, GYN services, chronic disease management, acute care visits, vaccinations, echo and carotid ultrasounds, non-operative medical treatment of musculoskeletal sports conditions, occupational health services for local businesses including pre-employment physicals, drug testing, and breath/alcohol testing.

DKH is actively merging the management of the physicians and the Hospital around a common strategic goal grounded in financial reality and long-term sustainability. The first step, currently in process, is a third party review of physician productivity and compensation models, the revenue cycle, and EMR/office management.

DAY KIMBALL HISTORY

The Hospital opened on September 1, 1894. It was the inspiration of two sisters, Miss Elizabeth and Gertrude Vinton, who had a vision for the “Windham County Infirmary.” Mrs. M. Day Kimball donated \$5,000 for the construction of the infirmary building in memory of her recently deceased son, Moses Day Kimball, with the condition that the institution be named after him. Other Kimball family members pledged an additional \$4,000, and with the \$9,000 total donations, Day Kimball Hospital, was born.

Day Kimball Hospital grew along with the community. A brief timeline of its growth is set forth below.

1901	Southerly Wing was opened, doubling patient capacity.
1907	Three-story West Wing was added.
1910	Bradley Wing was opened providing additional patient rooms and nurses’ quarters.
1921	East Wing was added.
1922	The Seldom Burden Overlock, MD Wing was added.



1931	Completed a residence for Hospital nurses, a three story building, which today serves as DKH's Community Services Building.
1942	The front of the original building was added with an operating room on the third floor.
1951	North Wing expanded to increase the number of beds at the Hospital from 76 to 90 and provides new X-ray and delivery rooms as well as a new coffee shop.
1952	A three floor wing in the shape of a Y was constructed, adding an operating suite, central supply, kitchen, laundry, cafeteria, and additional patient rooms.
1964	An addition was made to the Surgical Suite and renovation of the Recovery Room.
1966	Second floor of the Seldom B. Overlock Wing was completed and opened.
1967	A new, four-bed Intensive Coronary Care Unit was opened, two more beds added soon after.
1969	A new power plant was constructed.
1971	Community Wing was opened. This project was financed completely by the citizens of Northeastern Connecticut. This is "R" building and houses the Emergency Department, Diagnostic Imaging, Med/Surg, ICU and the inpatient Psychiatric Unit.
1972	Pediatric Center opens in Putnam.
1973	The Professional Building was constructed to provide office space for doctors on Hospital grounds.
1979	Opened an Intensive Care Unit.
1981	Ambulatory Care opens.
1982	The Hospital and Community Health and Homecare formed the Day Kimball Foundation, beginning a comprehensive healthcare network. Hospice of Northeastern Connecticut and Northeastern Homemakers also eventually become part of the Foundation.
1986	Danielson Healthcare Center on Green Hollow Road was constructed to house Physical Medicine, Diagnostic Imaging and Laboratory.
1988	Plainfield Healthcare Center on Dow Road was constructed to house Physical Medicine, a Pediatric Center, Cardio Pulmonary Rehab, Diagnostic Imaging and Laboratory.
1995	Opened the Medical Office Building to house the Pediatric Center and private physician offices.
1997	Hale Medical Pavilion, the Burdick Birthing Center and Surgical Suites was completed.
1998	Day Kimball HomeCare and Hospice of Northeastern CT officially become departments of the Hospital.
2004	Healthcare Center housing a Pediatric Center satellite was opened in Thompson, CT.
2008	Establishment of the Physician Services of Northeast Connecticut, LLC.
2009	Re-brand all Day Kimball brands to Day Kimball Healthcare – creation of service division structure and new branding to reflect growth and service delivery model from hospital to network of medical services.
2010	Plainfield Healthcare Center, a 27,500 sq. foot medical services building located at 12 Lathrop Road, Plainfield, CT, was opened.



2011	Putnam Healthcare Center; Physical Therapy and Franklin Home Health relocation; expanded DKH's primary care capacity in Plainfield, Dayville and Thompson.
2012	Plans substantially completed for the redesign and expansion of the Emergency Room; first phase of interior renovation initiated.
2013	Converted physician LLC into a non-profit foundation of 19 physician offices (Day Kimball Medical Group). Anticipate construction of the expanded Emergency Room and expansion of existing chiller plant, emergency power generation capacity and related improvements.

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GENERAL INFORMATION

Day Kimball Hospital

Table 1: Staffed Bed Complement as of September 30, 2012 and March 31, 2013

Beds	Number of Licensed Beds	No. of Occupied Beds as of September 30, 2012	No. of Occupied Beds as of March 31, 2013
Acute Care	66	29.1	29.6
Cribs & Bassinets	18	4.2	3.7
ICU	6	1.6	1.9
Maternity	16	4.3	3.5
Psychiatric	15	11.0	11.5
Swing Beds: Psychiatric	1	Included in Psychiatric	Included in Psychiatric
Total (w/o cribs & bassinets)	104	46.0	46.5
Total (with cribs & bassinets)	122	50.2	50.2

Figure 1: Aerial View of Main Hospital Campus, 320 Pomfret St., Putnam, CT



Table 2: Day Kimball Healthcare Services Provided

Service	Danielson	Dayville	Plainfield	Putnam	Thompson
Primary Care & Specialties					
• Pediatrics			X	X	X
• Family Practice	X			X	X
• Internal Medicine		X	X	X	
• Walk-in Services			X		
• Dermatology	X				
• OB/GYN			X	X	
• Maternal Fetal Medicine			X	X	
• Oncology				X	
• Sports Medicine	X		X		
• Surgery				X	
• Behavioral Health			X	X	
• Medical Specialties	X	X		X	
Diagnostic Imaging					
• Nuclear Medicine				X	
• PET CT				X	
• Mammography	X		X	X	
• CT Scan				X	
• MRI			X	X	
• X-ray	X		X	X	
• Ultrasound			X	X	
• Bone Density			X	X	
Other Services					
• Cardiac Rehab			X	X	
• Homecare			X	X	
• Homemakers			X	X	
• Hospice			X	X	
• Blood Draw	X		X	X	
• Physical Therapy	X		X	X	
• Occupational Therapy	X		X	X	
• Speech Therapy	X		X	X	
• Durable Medical				X	
• Occupational Health			X	X	



ACCREDITATION, MEMBERSHIPS & AWARD RECOGNITIONS

DKH is licensed by the Connecticut State Department of Public Health. In addition, it is accredited, licensed or a member of the following:

- Joint Commission on Accreditation of Healthcare Organizations – Accreditation with full standards compliance on June 10, 2011 (Hospital, Homecare and Hospice).
- April 27, 2012 received Level 3 certification from National Committee for Quality Assurance (“NCQA”). This is a Patient Centered Medical Home Recognition. Level 3 is the highest level for this certification.
- American Association of Cardiovascular and Pulmonary Rehabilitation – Certified Cardiac Rehabilitation Program
- American Academy of Sleep Medicine
- American College of Radiology Accreditation
 - CT Scanning Services
 - C.Cam Cardiac Nuclear Medicine Camera System
 - MRI Imaging Services
 - PET/CT
 - Ultrasound Imaging
- College of American Pathologists
- Connecticut DPH & Medicare Licensed
 - Hospital
 - Homecare
 - Certified Mammography Facility
- Intersocietal Commission for the Accreditation of Echocardiography Laboratories
 - Echocardiograms
 - Stress Echocardiograms
- United States Department of Health & Human Resources
- United States Nuclear Regulatory Commission
 - Approved Nuclear Medicine Facility
- Public Health Services – Food and Drug Administration
- Community Health Accreditation Program for Physician Services of Northeast CT, LLC doing business as Franklin Home Health.

Awards and Recognition

2012

In March of 2012, the Hospital was designated as a Primary Stroke Center (“PSC”) by the State of Connecticut Department of Public Health (“DPH”). This designation is voluntary and is awarded by the DPH to those hospitals meeting the State’s minimum requirements for a PSC.

In March of 2012, Joint Commission Disease-Specific certification was given to the Hospital for its Total Hip and Total Knee Replacement Programs.

In 2012, DKH was presented with the Life Share Silver Level Award from the American Red Cross Blood Services program. Recognition is based on participation rate during blood drives. Successful blood drives are a true partnership among the organization, donors and the American Red Cross.



FACILITIES AND SERVICES

Set forth below is a summary of the facilities owned and operated and the services provided by the Obligated Group Members:

Day Kimball Hospital is a not-for-profit, 104 bed community hospital located in Putnam, Connecticut. Providing for the healthcare needs of northeastern Connecticut and nearby Massachusetts and Rhode Island since 1894, the Hospital is served by over 1,400 employees and more than 300 physicians, dentists and psychologists.

In coordination with its healthcare centers in Danielson, Dayville, Plainfield, Putnam, and Thompson, the Hospital offers acute and general medical/surgical care, a 24-hour emergency department, obstetrics, gynecology, pediatrics, cardiopulmonary and psychiatric programs.

Day Kimball Healthcare Centers are located in Danielson, Dayville, Plainfield, Putnam and Thompson and offer an array of primary and specialty services including, but not limited to, adult primary care, cardiac pulmonary rehabilitation, dermatology, diagnostic imaging, durable medical equipment and supplies, geriatric care, laboratory, ob/gyn, pediatric care, physical medicine, and sports medicine.

Day Kimball HomeCare is an important component of the continuum of care provided by the DKH family of services. When a patient is discharged from the Hospital and is recuperating from surgery, for example, or is living with chronic illness, the specialized services he or she needs often can be performed in the home by healthcare professionals, allowing the patient the comfort of familiar surroundings.

Hospice and Palliative Care of Northeastern Connecticut ("Hospice") is a service division of DKH committed to bringing dignity and comfort through a team of support to those who may be experiencing a serious and potentially life-threatening illness or those facing the final months of life. Its mission is to enhance the lives of the patient and family through an individualized plan of care, meeting the physical, psychosocial, spiritual and emotional needs through the end of the patient's life, and to provide bereavement care to the family.

Franklin Home Health ("Franklin"), a service provided by Physician Services of Northeast Connecticut, LLC, offers a wide variety of durable medical equipment and home health supplies. Franklin's staff works with the patient and the caregiver and evaluates the home environment to provide the most appropriate equipment, as directed by the physician. Patients are referred from physicians, home healthcare and hospice agencies, hospitals, long-term care facilities and other healthcare agencies. Franklin's goal is to provide high quality products with exceptional customer service to all DKH's patients throughout Northeast Connecticut.

GOVERNANCE

DKH's Boards of Directors

DKH's Board of Directors is comprised of fifteen medical, community, business and administrative members. They volunteer numerous hours to ensure fiduciary, strategic and management oversight.



Table 3: DKH's Boards of Directors

Name	Term Commenced (January)	Term Completed (December)*	Occupation/ Place of Employment
Dr. Michael Baum, Assistant Secretary/Assistant Treasurer	2005	2013	Physician, Day Kimball Medical Group, Putnam, CT
Dr. John Graham, Secretary	2006	2014	Physician, Windham Urology Group, Putnam, CT
Rochelle Alix, Treasurer	2007	2015	AVP, Business Development Officer & Danielson Branch Manager, Putnam Bank, Putnam, CT
Dr. Garfield Danenhowe	2008	2016	Day Kimball Hospital (Retired), Pediatrician, Pomfret, CT
John E. Burke, Chairman	2009	2017	Managing Partner, J&B Transportation, LLC, Dayville, CT
Dr. Joseph Botta	2009	2017	Physician, Self employed, Putnam, CT
Dr. Joseph Alessandro	2009	2017	Physician, Self employed, Putnam, CT
William St. Onge, Esq.	2009	2017	Lawyer, St. Onge & Brouillard, Woodstock, CT
Karen Cole	2011	2019	Office Manager, Imperial PFS, Worcester, MA
Janice Thurlow	2012	2020	Finance Director, Canterbury Board of Education, Canterbury, CT
Hadi Bozorgmanesh	2012	2020	Professor, University of Connecticut, Storrs, CT
Joseph Adiletta	2013	2021	President (Retired), Pallflex Company, East Woodstock, CT
Shawn McNerney	2013	2021	Executive Vice President/Chief Lending Officer, The Citizens National Bank, Putnam, CT
Dr. William Johnson, President Medical Staff	July-2012	N/A**	Physician, Day Kimball Medical Group, Putnam, CT
Robert Smanik, CEO	Nov-2006	N/A**	President & CEO, Day Kimball Healthcare, Putnam, CT

*Bylaws allow for three consecutive 3-year terms

**Board member by virtue of position

Executive Management

The President and Chief Executive Officer, the Chief Operating Officer, the Vice President of Finance/CFO, the Vice President for Medical Affairs and Quality, the Vice President of Physician Practices and the Vice President of Marketing and Communications manage the daily operations of the organization.

Biographies of DKH's executive management follow:

Robert E. Smanik, FACHE, is the **President and CEO** of DKH. Prior to joining DKH in 2006, Mr. Smanik was the President and Chief Executive Officer of Ellis Hospital in Schenectady, NY, and a member of the Ellis Hospital Board of Trustees. Mr. Smanik has more than 25 years of community hospital senior management experience. He earned a master's degree in Health Services Administration from Ohio State University in Columbus, OH, and his bachelor's degree from Heidelberg College in Tiffin, OH. He is a Fellow of the American College of Health Care Executives (FACHE). (Age: 58).



Donald R. St. Onge, RN, MS, CMPE is the **Senior Vice President, COO, CNO of Patient Care Services**. He joined DKH in October 2012. Prior to his current position, Mr. St. Onge was the CEO / Administrator for Orthopedic Associates of Windham County LLP in Putnam, CT. He holds a Bachelor of Science from Salve Regina University and a Master of Science from the University of Connecticut. Mr. St. Onge has over 30 years of experience in healthcare leadership positions both in hospitals and in the homecare industry and most recently in the private sector providing leadership for orthopedic and physical medicine practices. Mr. St. Onge began his career as a corpsman in the US Navy for four years followed by staff nurse positions in critical care. He has held managerial positions in medical surgical nursing, rehab services, quality and risk management as well as case management. (Age: 60).

Julie Drouin, MBA, Chief Financial Officer, joined the Hospital in 2009. Prior to her current position, Ms. Drouin was the Corporate Controller for Connecticut Children's Medical Center in Hartford, Connecticut and has over 17 years of healthcare financial management experience. She holds a Master of Business Administration from Nichols College in Dudley, MA, and her bachelor's degree from Central Connecticut State University in New Britain, CT. She is a member of the American College of Healthcare Executives, the Healthcare Financial Management Association and the Connecticut Women's Council . (Age: 40).

Douglas Waite, MD is the **Vice President for Medical Affairs & Quality and Chief Medical Officer**. He joined the DKH medical staff in 1997. He earned his medical degree from New Jersey Medical School in Newark, NJ. He completed his internship and residency in internal medicine and his fellowship in infectious diseases at the University of Massachusetts Medical Center in Worcester, MA. In addition to being the CMO, Dr. Waite is also the Director of Infectious Diseases and the Hospital Epidemiologist. He is a member of the American Board of Internal Medicine, subspecialty of Infectious Diseases, and an Assistant Professor of Medicine at the University of Massachusetts Medical School. He has been awarded the Maxwell Finland Young Investigator Award and the Edward H. Kass Award for Clinical Excellence by the Massachusetts Infectious Disease Society. He currently serves as the President of the Connecticut Infectious Disease Society. (Age: 51).

Sara Brandon, Vice President of Marketing and Communications, joined DKH in 2012. Prior to her current position, Ms. Brandon was the Vice President of Account Services at RDW Group in Providence, RI where she specialized in strategy, branding and internal and external communication for healthcare organizations. She has over 20 years of marketing, communications and graphic design experience. She earned her bachelor's degree in graphic design from Western Connecticut State University in Danbury, CT. (Age: 50).

Medical Staff Leadership

William R.K. Johnson, MD, President of the Medical Staff, was appointed to the Day Kimball Healthcare Medical Staff in 1981 and specializes in internal medicine and geriatrics. Dr. Johnson is a graduate of Colby College and University of Vermont Medical School. His internship was at Montifiore Hospital in Pittsburgh, PA and he completed his residency and fellowship at the University of Minnesota Hospital in Minneapolis, MN. He was elected President of the Medical Staff in July 2012. He is certified by the American Board of Internal Medicine, American Board of Geriatrics and is a member of the American College of Physicians. (Age: 63).



Physician Development

DKH has established within the Hospital organization the position of Vice President for Medical Affairs and Quality to work with and mentor the medical staff leadership in order to evaluate and address the short, medium, and long term medical staff needs of the community. The VPMA identifies and works to fill the physician manpower needs of the Hospital and its community based on available data regarding the area population and supply of physicians in this area.

In the past few years, DKH has recruited and assisted practices to recruit specialists in family practice, internal medicine, pediatrics, gynecology, obstetrics, general surgery, orthopedics, ENT, neurology, infectious diseases, rheumatology, diabetes, endocrinology, pulmonary, critical care, dermatology, sports medicine, and oncology. A number of the primary care physicians have been recruited directly from residency programs throughout the region.

Physician Integration Strategy

Over the past three years, DKH has worked to build an integrated healthcare delivery system. Currently, DKH has engaged the services of Southwind, a physician performance consultant arm of The Advisory Board Company (a global research, technology, and consulting firm partnering with 150,000 leaders in 3,700+ organizations across health care and higher education). DKH is working with Southwind with a targeted focus on two areas: practice performance and physician compensation. Southwind has completed their assessment and has presented recommendations to achieve financial sustainability through increasing office performance, increasing reimbursement through alternate payment models with commercial payers, and physician engagement.

Key highlights and key recommendations in Southwind's report are as follows:

Positive Group Attributes

- Strong sense of community in the quiet corner of Connecticut
- DKH has stabilized primary care provider base through employment
- The Medical Group has implemented best in class technology through Athena and Athena Clinicals
- Athena Clinicals has the highest awards for meaningful use and PQR reporting
- Financials are captured and reported consistently
- Hospital administration has continued to be physician friendly
- Operating expenses are well managed
- Eight Patient-Centered Medical Home locations recognized as NCQA certified level III sites

Key Recommendations

- Add Resource management/leadership positions including
 - Dedicated Finance Director reporting directly to DKH CFO
 - Practice manage/medical director co-management
 - EMR Project Manager
- Standardized revenue cycle, practice operations and EMR
 - Optimize software capabilities and charge capture
 - Negotiate commercial payer rates
 - Realign physician compensation/production



Table 4: Estimated Financial Impact of Implementing Southwind Recommendations Over First 36 Months

Recommendations	0-12 Months	13-24 Months	25-36 Months	TOTAL
Revenue Cycle Improvements	\$ 800,000	\$ 800,000	\$ 800,000	\$ 2,400,000
Optimize EMR/Charge Capture	\$ 164,540	\$ 329,079	\$ 329,079	\$ 822,699
Commercial Payer Contracts	\$ 262,574	\$ 525,147	\$ 1,038,974	\$ 1,826,695
Employee Benefits Expense Reduction				\$ -
Physician Compensation/Production Alignment	\$ 277,914	\$ 416,871	\$ 833,742	\$ 1,528,527
TOTAL FINANCIAL IMPACT	\$ 1,505,027	\$ 2,071,098	\$ 3,001,795	\$ 6,577,920
Revenue Cycle/IT Infrastructure	\$ (144,900)	\$ (149,247)	\$ (153,724)	\$ (447,871)
Finance Infrastructure	\$ (117,300)	\$ (120,819)	\$ (124,444)	\$ (362,563)
Enterprise CMO Dyad from .25 to .5 FTE	\$ (64,350)	\$ (66,281)	\$ (68,269)	\$ (198,899)
TOTAL INCREMENTAL RESOURCE NEEDS	\$ (326,550)	\$ (336,347)	\$ (346,437)	\$ (1,009,333)
NET FINANCIAL IMPACT	\$ 1,178,477	\$ 1,734,751	\$ 2,655,358	\$ 5,568,587
<i>Per MD Net Financial Impact</i>	<i>\$ 27,502</i>	<i>\$ 40,484</i>	<i>\$ 61,969</i>	<i>\$ 129,955</i>

The recommendations are currently being implemented with measurement tools adopted in March 2013.

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Table 5: DKH Active Staff

Specialty	Average Age	Active Staff	% Board Certified	% Board Eligible
Anesthesia	52	8	88%	88%
Diagnostic Imaging	49	99	100%	100%
Emergency	55	9	89%	100%
Cardiology	54	7	100%	100%
Critical Care	64	1	100%	100%
Dermatology	49	1	100%	100%
Endocrinology	49	2	100%	100%
Family Practice	51	31	97%	100%
Gastroenterology	50	13	100%	100%
Hospitalist	37	8	100%	100%
Infectious Disease	46	3	100%	100%
Internal Medicine	54	13	92%	100%
Nephrology	45	7	100%	100%
Neurology	46	8	100%	100%
Oncology	54	7	100%	100%
Physiatry	61	1	100%	100%
Pulmonology	56	2	100%	100%
Rheumatology	44	3	100%	100%
OB/GYN	51	11	91%	100%
Pathology	48	13	100%	100%
Pediatrics	49	13	92%	100%
Psychiatry	50	10	30%	40%
Ear/Nose/Throat Surgery	62	4	100%	100%
General Surgery	55	3	66%	66%
Ophthalmology Surgery	56	5	100%	100%
Oral Surgery	48	2	100%	100%
Orthopedics Surgery	55	5	100%	100%
Plastic Surgery	50	2	100%	100%
Podiatry Surgery	50	5	80%	80%
Urology Surgery	54	2	100%	100%
Total # of Active Staff	51	294	95%	96%



Table 6: DKH Top 20 Admitting Physicians by Age, Board-Certification Status, and Contribution to Overall Hospital Total Admissions, Fiscal Year 2012

Specialty	Age	Board Certified	Fiscal Year 2012 Admissions	% of Total Admissions
Family Practice	41	Y	379	8.11%
Family Practice	45	Y	113	2.42%
Family Practice	45	Y	96	2.05%
Family Practice	57	Y	95	2.03%
Family Practice	51	Y	125	2.67%
Internal Medicine	48	Y	280	5.99%
Internal Medicine	58	Y	214	4.58%
Internal Medicine	56	Y	144	3.08%
Internal Medicine	55	Y	75	1.60%
Orthopedics Surgery	46	Y	149	3.19%
Orthopedics Surgery	46	Y	87	1.86%
Hospitalist	46	Y	185	3.96%
OB/GYN	51	Y	203	4.34%
OB/GYN	42	Y	169	3.62%
OB/GYN	64	Y	88	1.88%
Pediatrics	49	Y	82	1.75%
Pediatrics	43	Y	75	1.60%
Psychiatry	38	Y	187	4.00%
Psychiatry	65	Y	158	3.38%
Psychiatry	34	Y	124	2.65%
Average Age	49	Total	3,028	64.76%

EMPLOYEES

As of September 30, 2012, DKH employed 842.37 full-time equivalent employees (Hospital: 754.87, Homecare: 66.25, Hospice: 14.25, Homemakers: 7). Approximately 71.8% of the Hospital's current operating costs are attributable to salaries, professional fees and benefits.

DKH maintains a competitive compensation and benefit program. DKH's compensation program is a pay-for-performance system. To support the performance driven system, DKH uses a weighted performance criteria evaluation system which documents the employee's levels of performance within the job specific criteria, and identifies those areas where the employee needs development. It has been designed to work in conjunction with departmental competency checklists, direct observation, tests,



self/peer assessments, performance goals/objectives, and other objective measures of employee competence.

SERVICE AREA

DKH's primary service area is Windham County that includes thirteen towns situated in the upper Northeast corner of the State.

DKH's secondary service area extends south of Canterbury, Plainfield and Sterling into the northeast portion of New London County which includes Jewett City, Griswold, Hopeville, Pauchaug, Lisbon, Glasgow and Voluntown. The service area also includes adjoining portions of Massachusetts and Rhode Island.

The below picture depicts DKH's primary service area. Windham County's characteristics can be seen in **Table 7**.

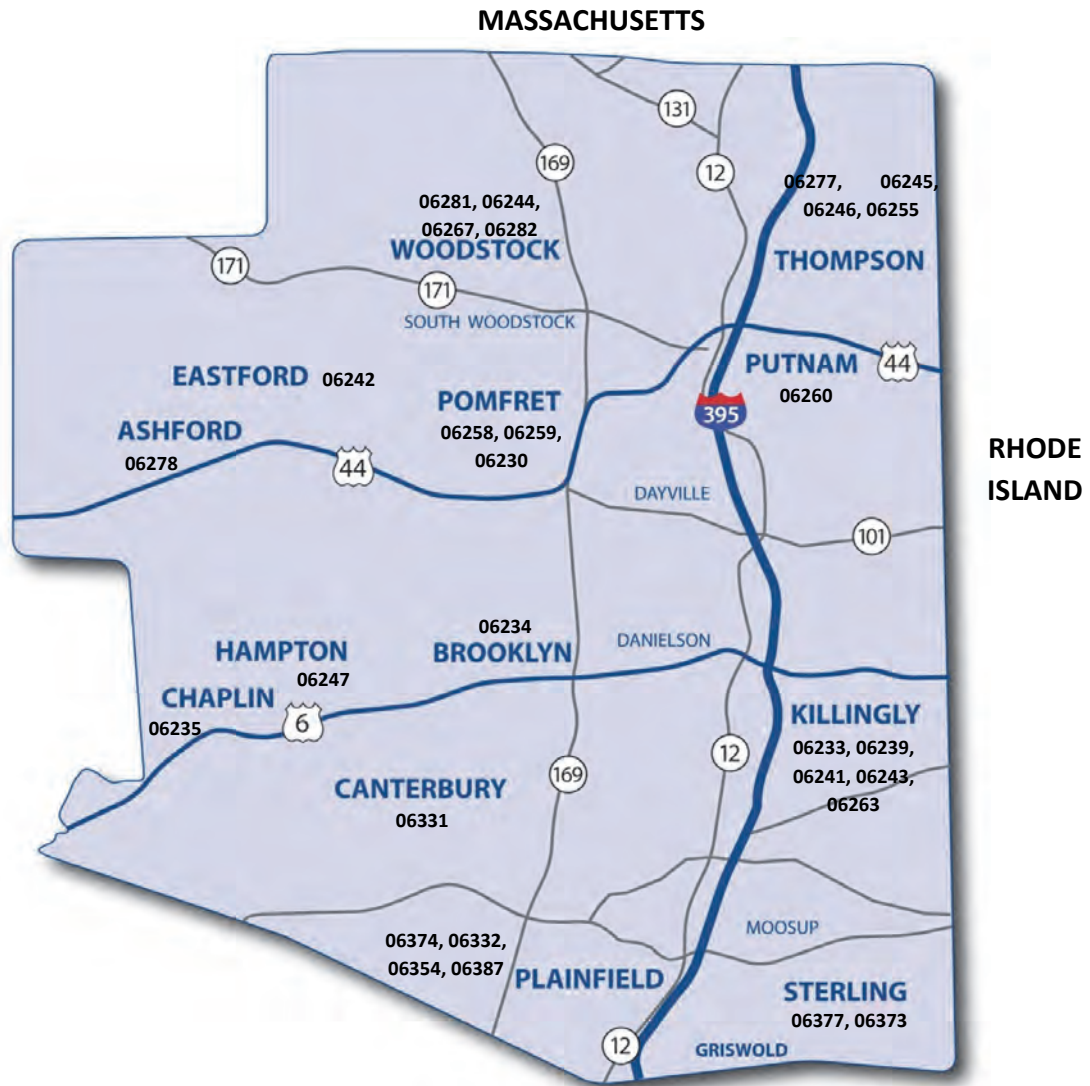




Table 7: Windham County Characteristics¹

People	Windham County
Population	117,599
Households	44,366
Persons under 5 years	5.3%
Persons under 18 years	21.8%
Persons 65 years and over	13.2%
Labor Force	66,926
Job Growth (2000-2011)	9.8%
Unemployment Rate	10.1%
Median Age	37.6
Labor Force Quality	
Bachelor's Degree or higher (% of persons age 25+)	22.0%
High School Degree or higher (% of persons age 25+)	85.5%
White Collar Workers	63%
Blue Collar Workers	36%
Mean travel time to work (minutes), workers age 16+	25.8
Budgets	
Median Home Value	\$227,000
Median Household Income	\$60,063
Persons below poverty level	10.9%
Geography	
Land area in square miles	512.91
Persons per square mile	230.9

¹ Sources: U.S. Census Bureau: State and County QuickFacts, Based on Estimates Last Revised 03/11/2013; ZoomProspector (www.zoomprospector.com); Data Sources: Applied Geographic Solutions; 2011, Bureau of Labor Statistics, July 2011.



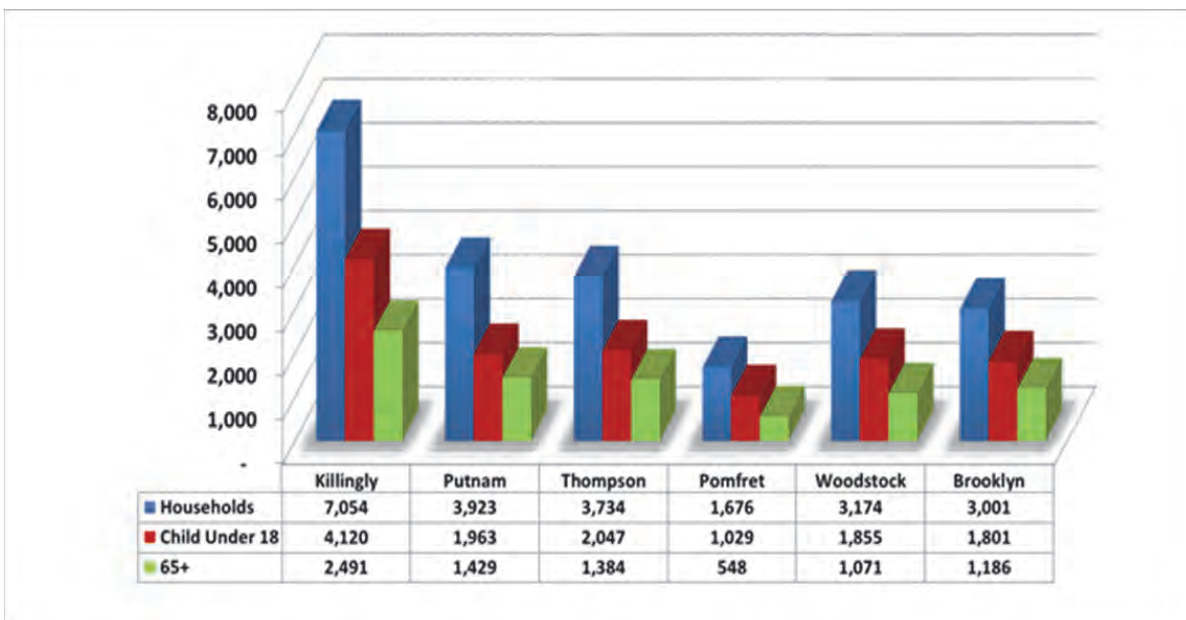
Competition

The nearest competing hospitals are Windham Hospital in Windham, Connecticut, a 130-bed hospital, and Backus Hospital in Norwich, Connecticut, a 213-bed hospital. From towns in the central part of Windham County (e.g., Putnam), drive time to other facilities may exceed 45 minutes.

Table 8: Inpatient Market Share in Windham County for 2012 – Day Kimball Hospital and Competitor Hospitals²

Hospital	Miles from DKH	Total Discharges	Total Patient Days	Windham County Discharges	Market Share in Windham County
Day Kimball Hospital	N/A	4,134	15,674	3,946	39.8%
Windham Hospital	27	3,718	16,145	2,168	21.9%
The William W. Backus Hospital	35	10,055	43,390	1,525	15.4%
Hartford Hospital	46	34,695	204,879	781	7.9%
St. Francis Hospital	47	26,854	136,376	417	4.2%
Total		79,456	416,464	8,837	89.1%

Graph 1: DKH Primary Service Area - Central³

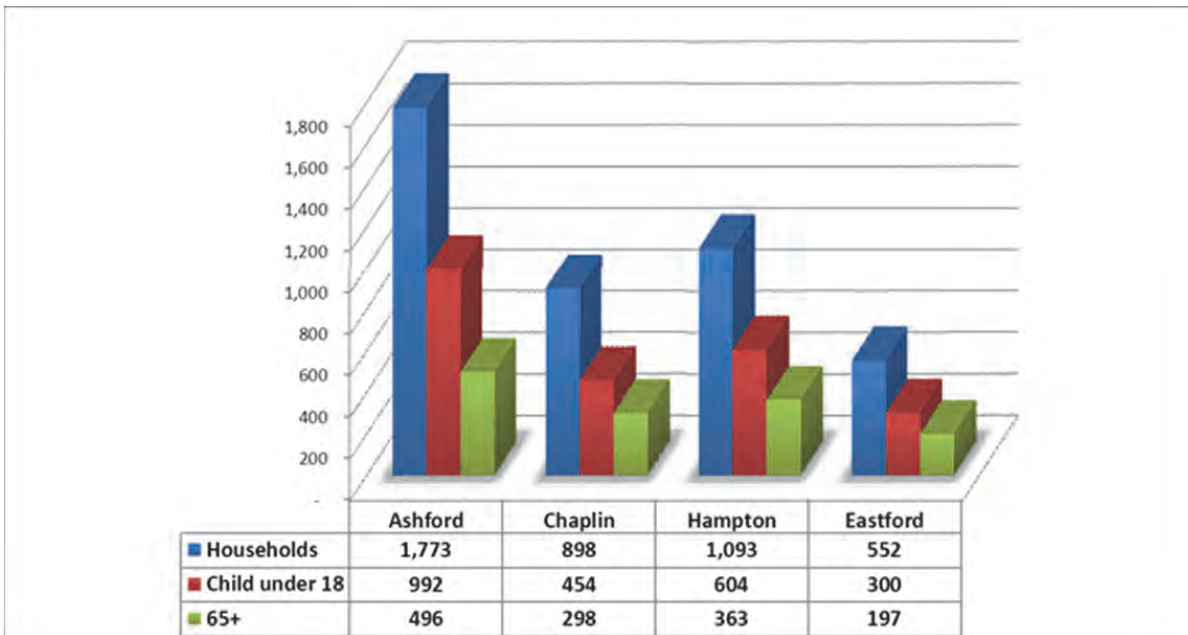


² Total discharges, Windham County discharges, and Patient Days from 2012 CHIME data (pulled from CHA Decision Support tool – October 2011-August 2012), mileage calculated through MapQuest.

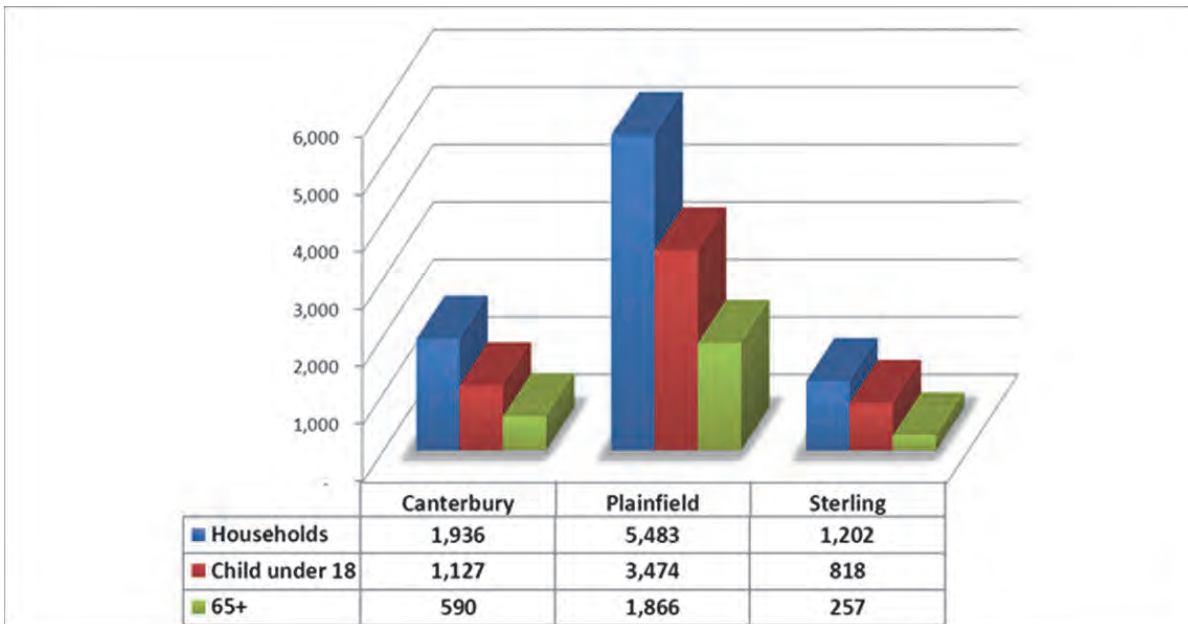
³ U.S. Census Bureau, 2010 Census; Zip-Codes.com; zip codes: 06233, 06239, 06241, 06243, 06263, 06260, 06277, 06246, 06255, 06262, 06259, 06258, 06281, 06282, 06244, 06267, 06234



Graph 2: DKH Primary Service Area - Western⁴



Graph 3: DKH Primary Service Area – Southern⁵

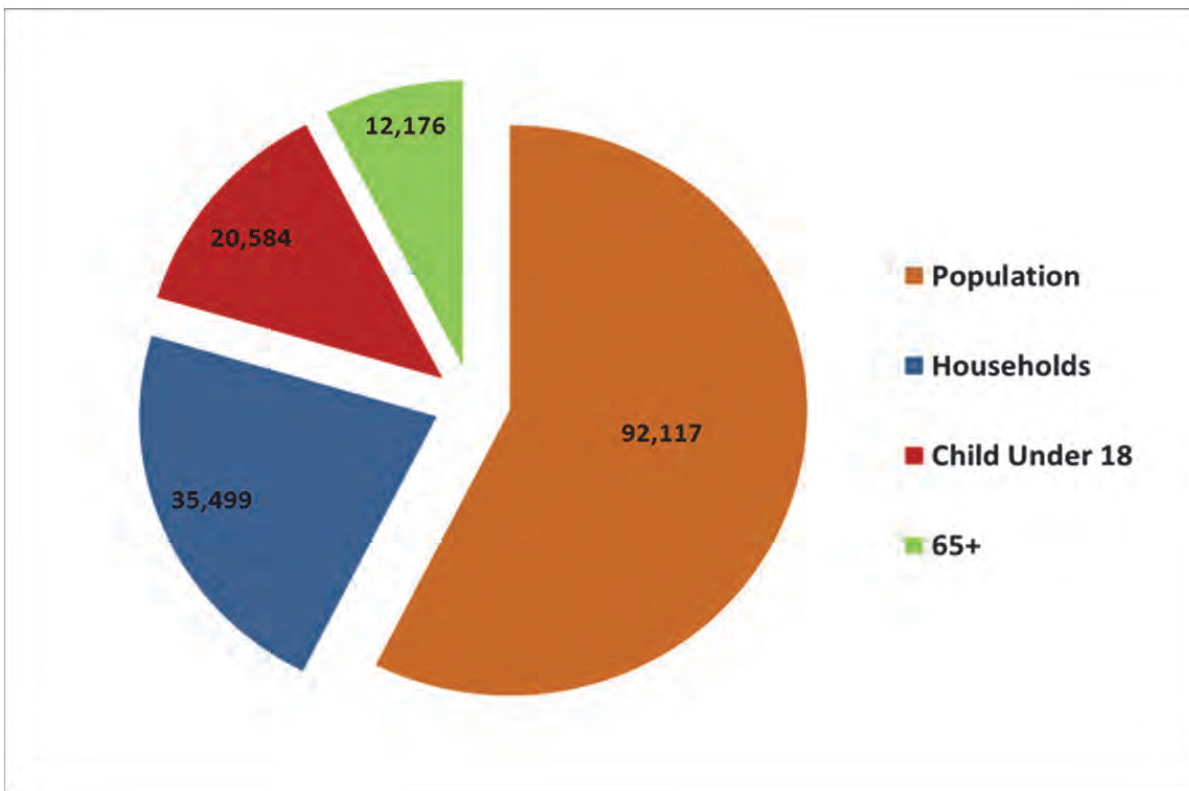


⁴ U.S. Census Bureau, 2010 Census; Zip-Codes.com; zip codes: 06278, 06235, 06247, 06242

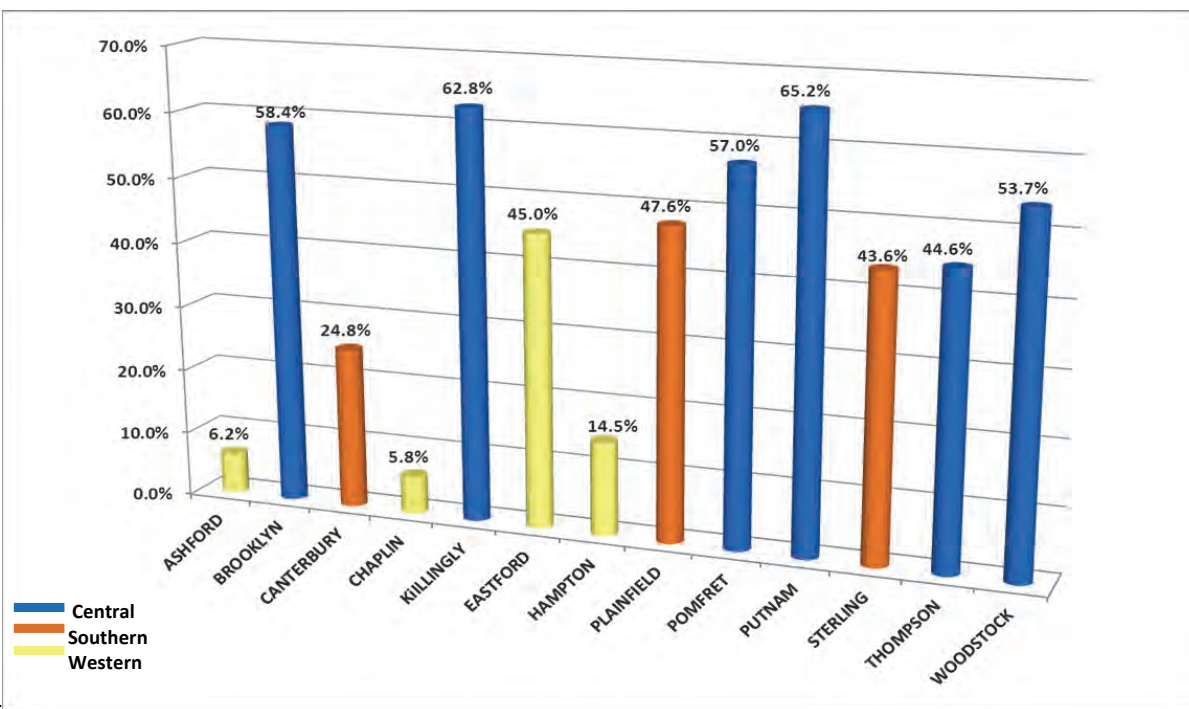
⁵ U.S. Census Bureau, 2010 Census; Zip-Codes.com; zip codes: 06331, 06374, 06354, 06387, 06332, 06377



Graph 4: DKH 13-Town Service Area Demographics⁶



Graph 5: 2012 Percentage of Market Share in Primary Service Area⁷



⁶ U.S. Census Bureau, 2010 Census; Zip-Codes.com

⁷ Day Kimball's Medifinance claim history 2012



MANAGED CARE

The patient community of DKH represents a primary service area of more than 90,000 residents within Windham County, Connecticut. More than 45,000 patients sought care at DKH in fiscal year 2012.

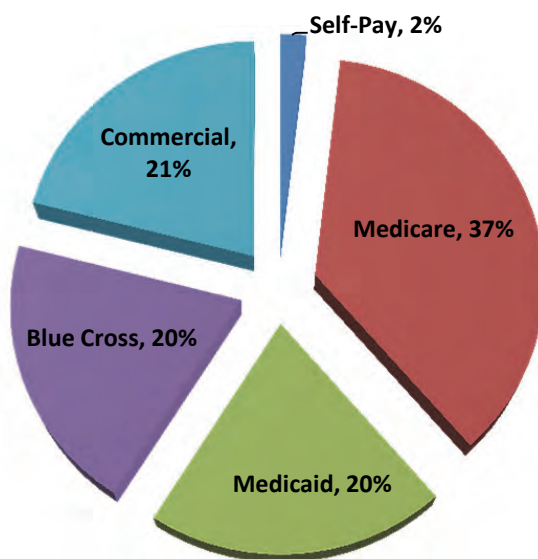
The most widely represented commercial health insurance carriers among the Day Kimball Healthcare population include Anthem Blue Cross Blue Shield, United Healthcare, Oxford, Cigna, Aetna and ConnectiCare. These six major carriers along with all other commercial, indemnity, HMO, PPO, managed, liability and self-insured products generated approximately 52.05% of DKH's net revenue.

Managed Medicare business represented 19.48% of the Hospital's net patient revenue in fiscal year 2012. Among the Managed Medicaid population, the Hospital realized 3.26% in net patient revenue.

Table 9: Payer Mix Fiscal Years 2009 - 2012

Financial Class	Fiscal Year			
	2009	2010	2011	2012
Self-Pay	2%	2%	2%	2%
Medicare	40%	39%	39%	37%
Medicaid	17%	18%	19%	20%
Blue Cross	21%	20%	20%	20%
Commercial	20%	21%	21%	21%

Graph 6: Payer Mix Fiscal Year 2012



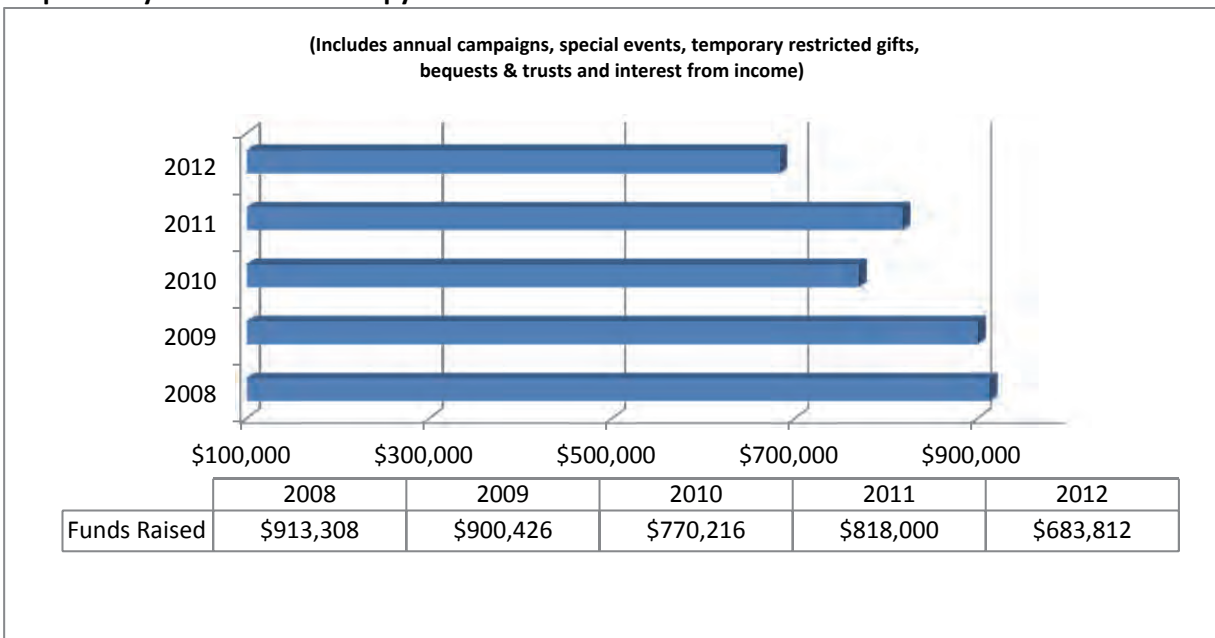


FUND RAISING

Annual Campaigns & Events

In calendar year 2012, DKH raised over \$683,000 through its annual campaigns and fundraising events exceeding its expected 2012 fundraising goal of \$593,000 by 15% or \$90,000. The two major fundraisers for the organization in 2012 were the annual Golf Tournament which netted \$66,800 and the Deary Memorial Road Race, Walk and Ride which netted over \$67,000.

Graph 7: Day Kimball Philanthropy Dollars Raised 2008-2012



2012 Emergency Department Expansion Capital Campaign

In 2012, DKH launched the *Care in a Heartbeat* Capital Campaign (the “Capital Campaign”) for the Day Kimball Hospital Emergency Department expansion. DKH has raised more than \$3 million to provide funds toward the Emergency Department expansion. The Capital Campaign has benefitted from individual contributors with the capacity to make substantial monetary donations, ranging from \$5,000 to \$500,000, over a 3- to 5-year pledge period.

HOSPITAL EMERGENCY DEPARTMENT EXPANSION

In 2012, the Hospital received 27,998 visits to the Emergency Department (“ED”)—a facility originally built to handle 18,000. It is expected that increases in the over-65 population will continue to spur this precipitous utilization, further taxing an already strained local healthcare system. The current Emergency Department is too small based on present day volume and architectural standards, lacks privacy, and inhibits physician and staff recruitment.

DKH believes that creating a new Emergency Department capable of meeting the current and future needs of the community is its most important capital initiative. The Capital Campaign to fund the ED



project is currently underway and DKH has successfully raised over \$3 million; \$1,469,864 of which has been received.

As of March 31, 2013, the following Capital Campaign related pledges are due to DKH:

Within one year	\$	722,559
Within five years		<u>917,149</u>
		1,639,708

The new Emergency Department includes a patient-centered design. From private rooms, to easier access to the emergency specialists, such a facility ensures that a patient’s needs are met and exceeded by:

- Meeting expectations of patients and families for a compassionate, excellent emergency experience;
- Providing the necessary space for patients, families, physicians, nurses, and staff;
- Ensuring privacy – from treatment rooms and triage rooms to confidential medical and family consultation areas;
- Decreasing waiting and patient treatment times;
- Reducing throughput and admission times;
- Enhance collaboration with other Hospital departments; and
- Meeting new bio-terrorism, Homeland Security, and emergency preparedness guidelines.

DKH has recognized the need to make significant improvements and key upgrades to the existing Emergency Department. These are intended to address very specific consumer requests and demands, improve safety, enhance the patient experience, and address space shortages as a result of regulatory changes since the existing ED was first constructed. The main focus of the project is to provide superior care and to make improvements to the physical environment.

The expansion project has been thoroughly researched and considered, and the following priorities have been identified:

A New Entrance with Covered Canopy

The proposed new entrance will provide a comfortable and spacious waiting area. Accommodations include access to new handicapped-accessible toilets, vending areas, children’s play areas, and internet access. The covered canopy will allow patients to be dropped off or picked up under cover and protected from inclement weather.

Waiting Room Renovation

Providing a safe, comfortable, and calm environment for patients awaiting ED care is an important step in relieving stress and creating a healing environment for effective treatment. It also increases productivity and reduces the time patients wait for service by allowing patient intake to happen in an orderly fashion.

Bedside Registration

During peak periods, patients will be brought directly into a treatment room and registration will occur at the bedside. This reduces the time before patients see a physician, shortens the total duration of a visit to the Emergency Department and makes the entire process more efficient.



Doubling the Number of Patient Rooms

To meet growing demand, the size of the ED will be doubled. Doubling the number of patient rooms will serve the existing level of patients more efficiently and allow for an increase in patient visits.

All Private Treatment Rooms

Presently, most patients are in rooms with two or more beds separated by a curtain. The creation of private treatment rooms will address consumer demands and enhance the patient experience by providing privacy and dignity for individuals as they undergo examinations. It also will reduce significantly the noise level and the chaotic environment inherent in an Emergency Department.

Additional Cardiac Monitoring Equipment

The goal for the enhanced ED is to provide each room with monitoring equipment. This ensures that cardiac care is available to all patients.

State-of-the-Art Resuscitation Room

Often referred to as the “Trauma Room,” this is where the most critically ill ED patients receive priority care for immediate stabilization and treatment. The Trauma Room will include overhead x-ray, an adult code cart, a pediatric code cart, and an Omnicell Medication Cabinet, and will accommodate ED staff, specialists, and the additional equipment.

Specialty Equipment

To fully meet the demands of patients, the ED needs to accommodate patients with a wide range of needs and physical challenges. In order to provide the highest quality of care for all, specialty equipment is required. This equipment includes special beds, bariatric equipment, and other items.

Dedicated and Discreet Psychiatric Treatment Rooms

As many agencies and government programs reduce resources for the mentally ill, Emergency Departments often are the first place these patients are brought during a crisis. If these patients require medical care in addition to treatment for their psychiatric condition, it disrupts the healthcare environment and poses a risk to themselves, other patients, and staff. Four new treatment areas will be designed in a segregated area of the Emergency Department to provide appropriate treatment for patients requiring Behavioral Health Crisis Services. The rooms will provide patient comfort and care under constant observation and will be equipped with safety features to reduce risk to all involved. They will be equipped and ready to serve ED patients when not being used for Behavioral Health Services patients.

New PromptCare Improvements

A new and expanded PromptCare Suite with private treatment rooms will be constructed directly adjacent to the main waiting area to allow prompt access to treatment for patients with minor injuries and illnesses.

Family/Meditation Room

This space will provide a private, comfortable area for families of critically ill patients. The Hospital has always provided a place to meet the spiritual needs of patients and families as it realized that meditation and prayer can be an important factor in the healing process. This non-denominational space will continue that tradition.

Staff Support Areas

This part of the project will provide appropriate work areas for staff, and space to store equipment and supplies. Coupled with private rooms, these improvements will result in a more calm and soothing



environment for patients and their families while providing staff the space that they need to perform their related tasks.

Separate and Covered Ambulance Entrance

The ambulance entry will be moved away from the main Emergency Department entrance which will be reserved for walk-in patients. It also will have a canopy that protects patients arriving by ambulance. This area will be equipped to easily convert to a hazardous decontamination zone or to receive mass casualties.

In addition to the ED renovation and expansion, proceeds from this bond issue will be used to outfit the ED with state of the art medical equipment, including a new CT Scanner, as well as build out a second floor addition for a future mechanical room and future expansion of DKH's dietary department.

Figure 2: The New Day Kimball Hospital Emergency Department Interior Layout





FINANCIAL INFORMATION

Table 10: DKH Consolidated Revenues & Expenses*

Operating Revenues:	2008	2009	2010	2011	2012
Net revenues from service to patients	\$ 90,296,406	\$ 99,560,103	\$ 107,034,385	\$ 115,157,319	\$ 128,976,157
Other operating revenues	\$ 2,187,903	\$ 1,878,233	\$ 2,193,993	\$ 3,223,578	\$ 6,169,416
Grant income	\$ 762,432	\$ 933,549	\$ 985,539	\$ 949,866	\$ 943,485
Assets released from restrictions for operations	\$ 130,366	\$ 200,965	\$ 313,275	\$ 320,636	\$ 314,624
Total operating revenues	\$ 93,377,107	\$ 102,572,850	\$ 110,527,192	\$ 119,651,399	\$ 136,403,682
Operating Expenses:					
Nursing services	\$ 22,372,793	\$ 27,695,510	\$ 22,317,333	\$ 23,567,308	\$ 23,633,378
Other professional services	\$ 23,705,702	\$ 22,011,176	\$ 28,136,046	\$ 30,547,101	\$ 33,239,866
Other operating expenses	\$ 17,019,073	\$ 19,454,572	\$ 25,062,486	\$ 30,915,284	\$ 40,409,339
General services	\$ 6,636,258	\$ 7,713,373	\$ 8,066,842	\$ 7,468,087	\$ 7,633,625
Homecare	\$ 4,605,018	\$ 6,763,719	\$ 7,128,089	\$ 5,196,012	\$ 5,983,745
Fiscal services	\$ 8,980,456	\$ 4,043,985	\$ 4,952,112	\$ 8,772,638	\$ 9,310,889
Administrative services	\$ 4,902,811	\$ 4,780,044	\$ 5,047,930	\$ 5,568,498	\$ 6,186,195
Bad debts	\$ 3,963,022	\$ 4,425,527	\$ 4,454,960	\$ 3,528,349	\$ 3,709,565
Depreciation	\$ 4,319,724	\$ 3,599,872	\$ 3,380,034	\$ 4,608,128	\$ 4,810,041
Interest and amortization	\$ 808,754	\$ 792,499	\$ 849,815	\$ 995,291	\$ 1,106,339
Total operating expenses	\$ 97,313,611	\$ 101,280,277	\$ 109,395,647	\$ 121,166,696	\$ 136,022,982
(Loss) gain from operations	\$ (3,936,504)	\$ 1,292,573	\$ 1,131,545	\$ (1,515,297)	\$ 380,700
Pension curtailment expense	\$ (270,279)	\$ -	\$ -	\$ -	
Non-operating income	\$ 1,271,930	\$ (687,680)	\$ 607,272	\$ 1,333,404	\$ 486,938
Excess of revenues (under) over expenses	\$ (2,934,853)	\$ 604,893	\$ 1,738,817	\$ (181,893)	\$ 867,638

*The data contained in Table 10 is derived from Audited Financial Statements for the fiscal years ending in 2008 through 2012.

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Table 11: DKH Consolidated Revenues & Expenses*

DAY KIMBALL HEALTHCARE, INC. CONSOLIDATED STATEMENT OF OPERATIONS MARCH 31, 2013							
			FISCAL YEAR 2013	FISCAL YEAR 2013		FISCAL YEAR 2012	
			ANNUAL BUDGET	6 MONTHS YTD ACTUAL	6 MONTHS YTD BUDGET	6 MONTH YTD VARIANCE	6 MONTH YTD ACTUAL
Operating Revenues:							
Net revenues from services to patients			\$ 136,387,628	\$ 66,444,232	\$ 66,779,181	\$ (334,949)	\$ 61,880,295
Other Operating Revenues/Interest Income			\$ 8,329,440	\$ 3,311,016	\$ 3,076,344	\$ 234,672	\$ 1,645,274
Grant Income			\$ 838,969	\$ 424,784	\$ 419,485	\$ 5,300	\$ 500,958
Assets released from restrictions for operations			\$ 249,996	\$ 250,289	\$ 124,998	\$ 125,291	\$ 91,630
Total Operating Revenues			\$ 145,806,033	\$ 70,430,321	\$ 70,400,007	\$ 30,314	\$ 64,118,157
Operating Expenses:							
SALARY EXPENSE			\$ 70,946,567	\$ 34,854,491	\$ 34,746,971	\$ 107,520	\$ 31,044,652
BENEFITS EXPENSE ¹			\$ 20,187,207	\$ 10,795,773	\$ 10,378,005	\$ 417,768	\$ 9,861,459
FEES EXPENSE			\$ 13,034,032	\$ 6,834,191	\$ 6,501,276	\$ 332,915	\$ 5,720,278
DRUGS			\$ 6,738,247	\$ 3,813,064	\$ 3,195,946	\$ 617,118	\$ 2,709,680
SUPPLIES			\$ 9,753,004	\$ 5,103,103	\$ 4,830,235	\$ 272,868	\$ 4,627,300
REPAIRS & MAINTENANCE			\$ 3,513,927	\$ 1,650,477	\$ 1,864,755	\$ (214,278)	\$ 1,539,682
OTHER NON SALARY			\$ 10,345,753	\$ 4,663,077	\$ 5,189,085	\$ (526,008)	\$ 4,350,260
DEPRECIATION			\$ 4,404,432	\$ 2,255,616	\$ 2,202,216	\$ 53,400	\$ 2,407,186
INSURANCE			\$ 2,080,446	\$ 994,609	\$ 1,040,223	\$ (45,614)	\$ 961,728
INTEREST & AMORTIZATION			\$ 1,063,164	\$ 511,262	\$ 531,582	\$ (20,320)	\$ 565,515
BAD DEBT EXPENSE			\$ 3,463,936	\$ 1,681,481	\$ 1,731,968	\$ (50,487)	\$ 1,743,145
Total Operating Expenses			\$ 145,530,715	\$ 73,157,144	\$ 72,212,262	\$ 944,882	\$ 65,530,885
Income (Loss) from Operations			275,318 0.2%	(2,726,823) -3.9%	(1,812,255) -2.6%	(914,568) -1.3%	(1,412,728) -2.2%
Trust Income			\$ 125,004	\$ 53,188	\$ 62,502	\$ (9,314)	\$ 56,248
Other non-operating Income/Endowment Activity			\$ 351,504	\$ 237,347	\$ 175,752	\$ 61,595	\$ 32,801
Excess (deficit) of revenues over expenses			\$ 751,826	\$ (2,436,288)	\$ (1,574,001)	\$ (862,287)	\$ (1,323,679)
¹ BENEFITS EXPENSE One time ETO expense to bring up liability to new policy			\$ -	\$ 433,412	\$ -	\$ 433,412	\$ -

*The data contained in Table 11 is derived from DKH's proposed Fiscal Year 2013 Budget and the internally prepared statements of DKH.

Financial Performance

Fiscal Year 2013

Overall net revenue for fiscal year 2013 is expected to increase 7% as compared to fiscal year 2012, which increase is related to:

- Volume increases particularly in the areas of Oncology, Diagnostic Imaging, Physical Therapy, Homecare, Hospice and Mental Health
- Anthem contracted increase based on current service mix and negotiations
- Reimbursement strategy inclusive of filing Medicare Cost Report to maximize DSH (disproportionate share income due to Medicaid population)
- Strategic charge-master review and maximization of charge increases
- Medicare reimbursement changes:
 - Value Based Purchasing (VBP)
 - Readmission Penalty
 - Homecare Rate Reduction



Expenses are expected to keep pace with the anticipated 7% revenue growth. Key assumptions include:

- Staffing and related benefit expense to accommodate planned volume growth
- Pension expense increasing 50% based on 9/30 valuation
- Wage increases planned at 2%, 1% of salary based reserve for market adjustments
- Supply expense increasing proportionally with volume – particularly oncology drug expense
- Depreciation expense is planned to decrease as the number of capital investments will be limited as resources will be focused on meaningful use initiatives and the first phase of the Emergency Department and a limited number of other approved projects

Growth in both revenues and expenses is based on volume assumptions as well as the growth of the Medical Group.

Six Months 2013 (October 1, 2012 – March 31, 2013)

For the six-month period commencing October 1, 2012 through March 31, 2013, DKH experienced an operating loss of \$2,726,823. This is an unfavorable variance of \$914,568 to budget for this period. Included in these numbers is a onetime increase to Earned Time Off of \$433,412 that was booked in January 2013 to update the liability to correspond with a new policy adopted by DKH to remove sick time from employees and add up to a week of vacation. The intent of the new policy is to enable DKH to coordinate staff time-off based on the needs of each department as well as to closely mirror Connecticut state law. Normalizing the financial operating performance for this one-time event brings January YTD in line with budget.

In December 2012, Connecticut Governor Malloy announced a plan to balance the State's budget which results in a reduction of funds in the amount of \$3.84 million to DKH. The State's cuts are comprised of the following components: the elimination of disproportionate share hospital payments (payments made to offset the cost of uncompensated care provided), a reduction in the amount of the redistribution of the state hospital tax, and the elimination of the planned Medicaid Outpatient Supplemental ASO Transition Payment relating to fiscal year 2012 and fiscal year 2013.

DSH 5% Rescission	\$ 118,524
DSH Balance due to DKH for 4 th Quarter 2012	474,096
Redistribution of the Hospital Tax	150,098
Medicaid Outpatient Supplemental ASO Transition Payment	3,100,000
Total	\$3,842,718

DKH management has developed a plan to mitigate this negative financial impact. The mitigation plan is focused on three key areas: core operations, revenue enhancement and legislative engagement.

Core Operations – DKH management has completed the first round of a detailed expense review of all Hospital operations. All open job postings are on hold with the exception of mission critical and revenue producing positions. Funds reserved for market adjustments have been suspended, but are reviewed monthly to ensure no job class is at risk of shortage. Capital projects that do not relate to meaningful use, patient service, or the Emergency Department also have been placed on hold. Staffing models in



homecare and physical therapy will be revised to reflect a more cost effective skill mix. In all, the identified department budget reductions amount to \$650,000.

Additionally, DKH management is working with its largest vendors on re-pricing existing supply and service contracts, especially Laboratory.

Management continues to implement the Southwind recommendations with a rollout of the productivity tool scheduled for mid-March. Practice standardization and billing consolidation has been finalized and has been implemented.

DKH management and its Board of Directors have contracted with the Advisory Board Company to extend the current Southwind engagement to include a full review of DKH as a healthcare system, an evaluation of current operations, and a three year financial forecast to reduce costs of the system so as to operate on Medicare margins.

Revenue Enhancements - There is \$700,000 in enhanced Medicare payments that will be realized as additional revenue in fiscal year 2013 that has not been included in the fiscal year 2013 budget. Legislation authorizing the Medicare payments was approved after the fiscal year 2013 budget had been approved. In addition to the Medicare payments, management also has completed an extensive coding and documentation review that will result in an additional \$200,000 in revenue during fiscal year 2013.

Legislative Engagement – DKH management has fully engaged Northeast Connecticut’s legislative representatives and has been working with Senator Donald Williams on a Medicaid proposal to positively impact rural hospitals. U.S. Senator Christopher Murphy visited DKH on February 22. DKH management has been actively working with Senator Murphy on enhancing federal revenue streams to DKH.

DKH’s mitigation plan has resulted in the identification of \$2.9 million net resulting from revenue improvements and expense reductions to date to be realized throughout the remainder of this fiscal year. Management has implemented cost containment measures that should enable DKH to breakeven operationally in fiscal year 2013.

Fiscal Year 2012

DKH experienced a consolidated net profit in 2012 of \$868,000 as compared to a net loss of \$182,000 in 2011. The components of the consolidated net income for 2012 were: Hospital - \$5.2 million net income, Homemakers - \$162,000 net income, and Medical Group - \$4.5 million net loss. Cash and unrestricted investments of \$17.4 million increased \$91,000 from the prior year’s amount of \$17.3 million. Accounts receivable increased \$1.8 million over the prior year. The current ratio increased to 1.68 to 1 in 2012 from 1.67 to 1 in 2011. Net assets of \$16.7 million decreased \$1.6 million from \$18.3 million in 2011. The unfunded pension liability was \$38.6 million. The Hospital was in compliance with all debt covenants for 2012.

Fiscal Year 2011

In fiscal year 2011, DKH continued to invest in creating an integrated network of medical services. DKH saw significant growth in its physician practices, hiring 13 physicians and mid-level practitioners to the Day Kimball team and taking over management of 3 offices. DKH expanded its facilities with the construction of healthcare centers in Plainfield and Putnam. Additionally, DKH expanded its service lines by integrating and enhancing primary care, behavioral health, oncology and hematology, and diagnostic



imaging. While these investments resulted in a negative operating bottom line, they strengthened DKH's organization and its ability to deliver premier services to Northeast Connecticut.

In 2011, DKH experienced a consolidated net loss of \$182,000 as compared to a net profit of \$1.7 million in 2010. The components of the consolidated net income for 2011 were: Hospital - \$3.3 million net income, Homemakers - \$60,000 net income, and LLC - \$3.5 million net loss. Cash and unrestricted investments of \$17.6 million decreased \$5.2 million from the prior year's amount of \$22.8 million. Accounts receivable increased \$2.1 million over the prior year. The current ratio decreased to 1.7 to 1 in 2011 from 2.0 to 1 in 2010. Net assets of \$18.3 million decreased \$886,000 from \$19.2 million in 2010. The unfunded pension liability was \$33.2 million. The Hospital was in compliance with all debt covenants for 2011.

Fiscal Year 2010

In fiscal year 2010, DKH experienced a consolidated net profit of \$1.7 million as compared to a net profit of \$605,000 in 2009. The components of the consolidated net income for 2010 were: Hospital - \$1.4 million net income, Homemakers - \$18,000 net income, LLC - \$2.4 million net loss. The Hospital's cash and unrestricted investments of \$22.8 million decreased \$6.2 million from the prior year's amount of \$29.0 million. This decrease was primarily attributed to the funds used in the construction of the Plainfield medical office building. The Hospital's account receivable and bad debt reserves remained relatively consistent for 2010 at \$10.7 million and \$4.1 million, respectively. The current ratio decreased from 2.3 to 1 in 2009 to 2.0 to 1 in 2010. Net assets of \$19.2 million decreased \$3.5 million from \$22.7 in 2009. This decrease was attributed to the change in the unfunded pension liability in 2010. No impairment loss was recognized in 2010. The Hospital was in compliance with all debt covenants for 2010.

Fiscal Year 2009

In fiscal year 2009, DKH experienced a consolidated net profit of \$605,000 as compared to a net loss of \$2.9 million in 2008. The components of the consolidated net income for 2009 were: Hospital - \$1.6 million net income, Homemakers - \$46,000 net income and LLC - \$1.0 million net loss. The Hospital's cash and unrestricted investments of \$29.0 million decreased \$300,000 from the prior year's amount of \$29.3 million. The Hospital experienced a \$1.0 million increase in its patient accounts receivable. The Hospital's unbilled receivables increased \$1.2 million and its bad debt reserve remained consistent at \$4.1 million. The Hospital's current ratio decreased from 2.6 to 1 in 2008 to 2.2 to 1 in 2009. Net assets of \$22.7 million decreased \$23.5 million from \$46.2 million in 2008. The decrease was attributed to the large unfunded pension liability in 2009. No impairment loss was recognized in 2009.

Fiscal Year 2008

In fiscal year 2008, DKH experienced a consolidated net loss of \$2.9 million as compared to a net gain of \$795,000 in 2007. The Hospital's cash and unrestricted investments of \$30.1 million decreased \$7.5 million from the prior year's amount of \$37.6 million. DKH experienced increases in its patient accounts receivable and a deterioration of the aging profile. The Hospital increased its bad debt reserve by \$1.5 million in 2008. DKH's current ratio remained consistent at 2.6 to 1 in 2008, as compared to 2.5 to 1 in 2007. An impairment loss of \$484,000 was recorded in 2008.

During 2008, the Hospital adopted the recognition provisions of the Statement of Financial Accounting Standards (SFAS) 158, Employer's Accounting for Defined Benefit Pension and Other Post-retirement Plans, which required the Hospital to change the valuation date for its pension liability from June 30,



2008 to September 30, 2008. This resulted in an overall decrease in the Hospital's pension liability of \$5.0 million. Included within the adoption of SFAS 158, was the curtailment accounting related to the Plan amendment to reflect that the Plan was frozen as of September 30, 2008 and the participants were no longer accruing additional benefits. This Plan amendment reduced the Hospital's plan obligations by \$7.5 million as of September 30, 2008.

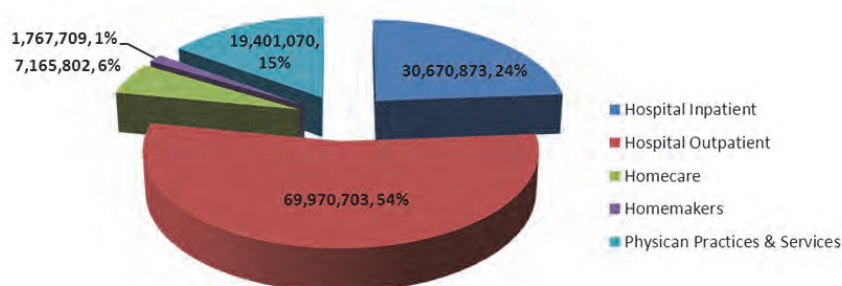
Physician Services of Northeast Connecticut, LLC began operations on July 13, 2008.

Table 12: Day Kimball Healthcare Service Report

Day Kimball Healthcare Service Report					
	2013 (6 Months)	2012	2011	2010	2009
DAY KIMBALL HOSPITAL					
Discharges (without observation)	2,137	4,784	4,944	5,187	5,552
Observation Discharges	563	880	703	511	149
Emergency Department Visits	12,203	27,998	28,884	30,282	28,565
Walk-In Visits	5,253	10,553	4,480	-	-
Births	260	610	547	534	559
Operating Room Cases	1,813	3,730	3,768	3,784	3,857
In-Patient Operating Room Cases	379	722	711	788	853
Out-Patient Operating Room Cases	1,434	3,008	3,057	2,996	3,004
Average Length of Stay	3.67	3.40	3.40	3.60	3.60
Case Mix Index	1.28	1.16	1.16	1.14	1.17
DAY KIMBALL PHYSICIANS' PRACTICES AND SERVICES					
Physician Office Visits	73,018	153,038	120,421	105,798	82,364
HEALTHCARE CENTERS OUTPATIENT SERVICES					
Diagnostic Services	33,394	70,784	69,538	72,544	71,861
Laboratory Exams	262,446	520,307	509,276	528,448	529,951
Physical Medicine Services Exams	44,762	90,085	89,494	73,154	72,211
Cardiopulmonary Rehabilitation Visits	1,624	3,762	3,495	3,587	3,786
Oncology Center Visits	3,326	3,719	2,692	2,984	3,130
DAY KIMBALL HOMECARE					
Patient Visits	24,648	64,373	60,698	61,588	62,754
Medicare Episodes	575	1,224	677	713	963
HOSPICE & PALLIATIVE CARE OF NORTHEASTERN CONNECTICUT					
Patients	134	198	267	214	183
Hospice Visits	3,071	6,321	2,273	1,925	2,035
DAY KIMBALL HOME MAKERS					
Clients	378	500	520	467	410
Live-In Service Clients (new service in 2011)	11	21	4	-	-
Hours Served	70,848	94,029	86,926	84,556	82,000



Graph 8: Fiscal Year 2012 Consolidated Net Revenue Breakdown



Cash Management

DKH management has identified several opportunities to increase cash flow and cash balances:

Cost Reports

There are several Medicare cost report years which have been settled but have not been paid. The percentage by which Medicare calculates disproportionate share income has been finalized and published. This allows Medicare to release previously settled cost report settlements. The adjacent chart represents the cash that is expected from final settlements. Medicare has confirmed it will begin releasing these settlements over the next two years beginning with fiscal year 2006 settlements. DKH is working with an intermediary to collect its settlements as quickly as possible. Fiscal year 2007 settlements were paid in October 2012. Such settlements are reflected on the balance sheet as receivables.

2007	\$ 610,000
2008	\$ 369,477
2009	\$ 114,653
2010	\$ 180,380
2011	\$ 600,000
Total	\$ 1,874,510

The fiscal year 2012 Medicare Cost Report was filed February 28, 2013 and resulted in a favorable settlement of \$1 million. Two thirds of this amount is to be received by June 2013 and the remainder is to be settled upon audit.

Accounts Receivable Management

Management has put in place a targeted plan to reduce the age of DKH's receivables as well as the overall days in accounts receivable. Through the implementation of an enhanced outpatient scheduling system, resources have been redeployed to bring collections in-house. This action accomplishes the reduction in outsourcing fees and increased cash collection. In addition, DKH Management is working directly with the large insurers to expedite payments and improve cash flow.

The transition from Physician Services of Northeast Connecticut, LLC to the Medical Group resulted in decreased cash flow due to timing of billings to insurance companies. As a result, the accounts receivable for the first calendar quarter of 2013 are inflated. It is expected that approximately \$750,000 will be recognized in the third calendar quarter.

Investments

Over the past several months, and through an RFP process, the management of DKH's endowment assets and defined benefit pension assets have been transitioned to Weiss & Hale and Fiduciary



Investment Advisors, respectively. Through this process DKH was able to realize savings through fees and retiree pension payment processing.

In addition, DKH management has renegotiated certain fees, leveraging DKH's employee growth, with Charles Schwab, manager of DKH's 401(k).

System Leverage

The CEO and CFO of DKH are actively working with the large payers on alternative payment models that focus on quality as opposed to quantity (fee for service). DKH management has built a system that provides the service delivery shifts for the cost reductions healthcare reform is demanding. DKH has invested in physician employment, technology for integration and cultural changes. DKH has been recognized as a patient centered medical home, achieving NCQA, level 3 recognition in numerous practices. There is system wide care management in place, and a focus on expanding homecare and homemakers to get patients discharged sooner to their home instead of a skilled nursing facility.

DKH has been successful with one payer and is currently receiving per member per month incentive payments to fund portions of our care management. These payments are made quarterly and outside of the regular reimbursements.

Fiscal Year 2013 Capital Plan

The Hospital's fiscal year 2013 plan for capital expenditures has been scaled back to include only those projects that relate to meaningful use, patient service, improved efficiency/productivity and the Emergency Department. Highlights are as follows:

Technology: \$1,500,000. These dollars are primarily allocated for American Recovery and Reinvestment Act projects that result in significant meaningful use dollars that will flow back to the organization. The anticipated fiscal year 2013 Meaningful Use receivable is \$1.2 million and will essentially fund the fiscal year 2013 planned investment. DKH has successfully attested for the current year's Meaningful Use requirements and \$1.5 million of Medicare Meaningful Use dollars are expected to be received by the end of the calendar year. In addition there is a planned phone upgrade and implementation of a time and attendance system.

Medical: \$1,300,000. These dollars have been allocated for the purchase of a necessary CT scanner and mammography and ultrasound services. These three areas of patient service are mission critical, poised for volume growth, and the upgraded equipment allows for service expansion related to stereotactic and vascular procedures.

Facility: \$2,000,000. These dollars have been allocated for facility upgrades and renovations, including several energy conservation projects to generate future savings.

Administrative: \$45,000. These dollars have been allocated for necessary replacement equipment and the purchase of two steamers for Nutritional Services that are required for sterilization.

Pension Plan

DKH has a defined benefit pension plan (the Plan) covering all employees who have worked at least 1,000 hours during the year. Effective January 1, 2006, DKH amended the Plan to exclude all new hires after December 31, 2005. Effective September 30, 2008, the participants are no longer accruing benefits under the Plan. The benefits were based on years of service and the employee's compensation. DKH's



funding policy is to contribute amounts sufficient to cover benefits to be paid as required by Employee Retirement Income Security Act funding standards.

DKH management, with oversight from the Investment Committee, has selected Fiduciary Investment Advisors (FIA) to manage the pension assets through a liability driven investment policy.

Currently, the Plan's broad asset allocation of approximately 65% equity and 35% in fixed income is in-line with expectations for a plan that, despite the fact that benefits are no long accruing, still requires a meaningful allocation to growth assets to meet return and funding objectives.

As the Plan's benefits are not currently accruing, management believes that now is an appropriate time to consider incorporating more of a dynamic asset allocation strategy, gradually introducing liability-driven investments into the investment plan, in conjunction with any improvements to the funded status.

According to DKH's actuarial advisors, Hooker & Holcombe, the duration of the Plan's liability is approximately 13.0 years. Over time and as the Plan becomes better funded, a liability driven investment (LDI) strategy would shift the duration profile of the portfolio's assets to be more in-line with the duration of the Plan's liabilities.

In addition, DKH has elected to take advantage of the Moving Ahead for Progress in the 21st Century (MAP-21) Act which significantly reduces cash contributions over the next two years. This election satisfies required quarterly contributions, and minimizes the impact on days cash on hand.

Table 13: DKH Pension Plan disclosures as of September 30, 2008-2012

	2012	2011	2010	2009	2008
Change in benefit obligations:					
Benefit obligations at beginning of year	\$ 90,105,934	\$ 91,457,387	\$ 83,418,300	\$ 61,816,102	\$ 72,982,495
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 2,890,476
Interest cost	\$ 4,632,429	\$ 4,487,775	\$ 4,544,665	\$ 4,573,185	\$ 4,598,091
Curtailment and plan amendments	\$ -	\$ -	\$ -	\$ -	\$ (7,481,832)
Actuarial (gain) loss	\$ 14,842,121	\$ (2,194,210)	\$ 6,823,095	\$ 19,966,480	\$ (8,653,938)
Benefits paid	\$ (3,860,004)	\$ (3,645,018)	\$ (3,328,673)	\$ (2,937,467)	\$ (3,186,388)
Impact of measurement date adoption	\$ -	\$ -	\$ -	\$ -	\$ 667,198
Benefit obligations at end of year	\$ 105,720,480	\$ 90,105,934	\$ 91,457,387	\$ 83,418,300	\$ 61,816,102
Change in plan assets:					
Fair value of plan assets at beginning of year	\$ 56,944,106	\$ 59,270,600	\$ 57,154,218	\$ 58,236,871	\$ 56,410,736
Actual return on plan assets	\$ 11,040,517	\$ (781,274)	\$ 4,445,055	\$ 104,814	\$ (7,562,452)
Employer contributions	\$ 3,002,028	\$ 2,099,798	\$ 1,000,000	\$ 1,750,000	\$ 12,574,975
Benefits paid	\$ (3,860,004)	\$ (3,645,018)	\$ (3,328,673)	\$ (2,937,467)	\$ (3,186,388)
Fair value of plan assets at end of year	\$ 67,126,647	\$ 56,944,106	\$ 59,270,600	\$ 57,154,218	\$ 58,236,871
Accrued pension liability:					
Unfunded status	\$ (38,593,833)	\$ (33,161,828)	\$ (32,186,787)	\$ (26,264,082)	\$ (3,579,231)
Employer contribution after measurement date	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued pension liability	\$ (38,593,833)	\$ (33,161,828)	\$ (32,186,787)	\$ (26,264,082)	\$ (3,579,231)



Long Term Debt

The State of Connecticut Health and Educational Facilities Authority (the “Authority”) previously issued a series of revenue bonds known generally as Revenue Bonds, Day Kimball Hospital Issue, Series A, dated November 1, 1995, in the initial aggregate principal amount of \$19,150,000 (the “Series A Bonds”) for the benefit of The Day Kimball Hospital of Windham County, Inc., now known as DKH. The Series A Bonds bear interest at the fixed rate of 5.375% and are insured. The outstanding Series A Bonds either mature or are subject to annual mandatory redemption on July 1st of each year to and including July 1, 2026. Currently, the outstanding principal amount of the Series A Bonds is \$12,470,000 and subject to optional redemption at par.

Proceeds of the Series A Bonds were loaned to DKH by the Authority under the provisions of a Loan Agreement, dated November 1, 1995 (the “1995 Loan Agreement”). Pursuant to the 1995 Loan Agreement, DKH has agreed to make payments in amounts sufficient to pay the principal of and interest on the Series A Bonds. The payment obligations of DKH under the 1995 Loan Agreement are secured by the pledge of gross receipts of DKH.

DKH applied the proceeds of the Series A Bonds to finance an expansion and renovation of the Hospital to house an obstetrics department, a surgical and operating suite, expanded supply and materials management areas, an upgrade of the electrical generation system, expansion of parking area and related improvements.

The Series A Bonds will be refunded by the Series B Bonds.

On August 26, 2010, DKH entered into a Construction Mortgage Note (the “Note”) with a local bank to finance the construction of a medical services building in Plainfield, CT. Under the terms of the Note, DKH was authorized to borrow up to \$5.0 million during the construction period. The project was placed in service in January 2011, and principal payments on the Note began on September 1, 2011, based on a 20-year amortization period with a final installment of the remaining balance due on August 1, 2021. The Note bears interest at 3.50% above the weekly average yield of United States Treasury Securities (0.17% and 0.10% at September 30, 2012 and 2011 respectively). The outstanding balance on the Note, as of September 30, 2012 was \$4,814,874 and is subject to prepayment at any time without premium or penalty.

The Note will be refunded by the Series B Bonds.

DKH has a line of credit agreement with The Citizens National Bank in a principal amount up to \$2.5 million. The line expires on January 31, 2014, and bears interest at the prime rate plus one percentage point (4.25% as of April 17, 2013). Borrowings on the line are secured under a Commercial Security Agreement that covers inventory, accounts, equipment and general intangibles, including gross receipts.

The line of credit will remain outstanding to provide liquidity and be secured on a subordinated basis to the security interest of the Series B Bondholders.

Total interest paid during fiscal year 2012 and 2011 amounted to \$1,009,623 and \$947,693, respectively.



Table 14: Maturities of long-term debt for the five years subsequent to September 30, 2012 and thereafter

	CHEFA	BANK NOTE	TOTAL
2013	\$ 620,000	\$ 147,324	\$ 767,324
2014	\$ 655,000	\$ 155,828	\$ 810,828
2015	\$ 690,000	\$ 164,823	\$ 854,823
2016	\$ 725,000	\$ 174,337	\$ 899,337
2017	\$ 765,000	\$ 184,401	\$ 949,401
Thereafter	\$ 9,015,000	\$3,988,161	\$13,003,161
Total	\$12,470,000	\$4,814,874	\$17,284,874

INSURANCE COVERAGE – FISCAL YEAR 2013

DKH contracts with Arthur J. Gallagher & Company of New York, Inc. (“AJG”) to provide risk management and insurance related services. With the assistance of AJG risk management services, DKH has been able to reduce worker’s compensation claims and total incurred cost. DKH requires that its insurance carriers have an A.M. Best’s Rating of A or better.

Table 15: Schedule of Insurance for Fiscal Year 2013

GENERAL & PROFESSIONAL LIABILITY - Lexington Insurance Co.
--

Limits of Liability:

Healthcare General Liability:

\$3,000,000	Aggregate Limit
\$1,000,000	Products/Completed Operations Limit
\$1,000,000	Each Occurrence Limit
\$1,000,000	Personal/Advertising Injury Limit
\$100,000	Fire Damage Limit
\$ 5,000	Medical Expense Limit

Employee Benefits Liability:

\$1,000,000	Healthcare General Liability Wrongful Act Limit - Claims Made
10/01/1986	Retro Date

Healthcare Professional Liability:

\$3,000,000	Aggregate Limit
\$1,000,000	Each Medical Incident
10/01/1986	Retro Date



AUTOMOBILE LIABILITY - Zurich American Insurance Company

Limits of Liability:

\$1,000,000	Liability
Statutory	Personal Injury Protection
\$5,000	Medical Payments Coverage
\$40,000	Hired Car Physical Damage
\$1,000,000	Uninsured Motorist
\$1,000,000	Underinsured Motorist
\$40 per day/30 days	Rental Reimbursement
\$50	Towing & Labor - Each Disablement

Deductible:

\$1,000	Comprehensive
\$1,000	Collision

WORKERS COMPENSATION - MEMIC

Workers Compensation: Statutory

Employers Liability:

\$500,000	Bodily Injury by Accident – Each Accident
\$500,000	Bodily Injury by Disease – Policy Limit
\$500,000	Bodily Injury by Disease – Each Employee

Deductible:

\$100,000	Deductible Plan
\$500,000	Subject to Aggregate

ALAE is inside and erodes the deductible

PROPERTY - American Guarantee & Liability Insurance Company

Limits of Liability:

\$245,000,000	Policy Limit
\$245,000,000	Property Damage and Time Element – Combined at the locations of 320 & 330 Pomfret Street
\$10,000,000	Property Damage and Time Element – Combined at all other locations
\$5,000,000	Accounts Receivable
\$1,000,000	Ammonia Contamination
\$2,500,000	Civil and Military Authority, not to exceed 1 mile or 90 days
\$100,000	Computer Systems Damage – Annual Aggregate
\$2,500,000	Contingent Time Element
\$5,000,000	Debris Removal



\$500,000	Decontamination Costs (include Communicable Disease due to Physical Damage)
\$500,000	Deferred Payments
\$1,000,000	Errors & Omissions
\$10,000,000	Extra Expense
\$1,000,000	Expediting Costs
365 Days	Extended Period of Liability
\$500,000	Fine Arts – Not to exceed \$100,000 limit per item
\$250,000	Fire Department Service Charge
\$5,000,000	Increased Cost of Construction
\$2,500,000	Ingress/Egress, not to exceed 1 mile or 90 days
NCP	International Interdependency
\$100,000	Interruption by Communicable Disease, not to exceed 30 days
\$250,000	Home Healthcare Medical Equipment
\$50,000	Land and Water Containment Cleanup, Removal and Disposal – Annual Aggregate
\$250,000	Land Improvements
\$250,000	Leasehold Interest
\$5,000,000	Miscellaneous Unnamed Location
\$5,000,000	Miscellaneous Personal Property
\$250,000	Mobile Medical Equipment
\$5,000,000	Newly Acquired Location, not to exceed \$5,000,000 per location or 120 days
\$5,000,000	Off Premises Service Interruption
\$250,000	Professional Fees – Plus 50% of the amount recoverable under this coverage in excess of \$250,000 up to \$2,500,000
\$500,000	Protection and Preservation of Property, 48 hours for Gross Earnings
\$250,000	Protection of Patients in excess of \$25,000 – No physical damage
\$500,000	Radioactive Contamination
\$500,000	Research and Development
\$500,000	Research Animals – Excess of \$25,000
\$100,000	Restoration of Emergency Generators, not to exceed 30 days
\$1,000,000	Spoilage
\$100,000	Tenants Prohibited Access
\$500,000	Transit
\$5,000,000	Valuable Papers and Records
\$2,500,000	New Construction and Additions
\$500,000	Off Premises Storage for Property Under Construction
\$150,000,000	Breakdown of Equipment
\$50,000,000	Earth Movement – Annual Aggregate
\$50,000,000	Flood* – Annual Aggregate
\$15,000,000	Flood in Moderate Flood Zones- Annual Aggregate
Included	Named Storm



Deductibles:

\$25,000	Policy Limit, combined
\$25,000	Contingent Time Element for Direct Dependent Location, Indirect Dependent Location, and Attraction Property; if loss results from Earth Movement, Named Storm or Flood, those individual deductibles apply
\$50,000	Earth Movement, combined
\$50,000	Flood, combined
\$250,000	Flood in Moderate Flood Zones, combined
\$100,000	Water or Liquid Damage

Qualifying Periods:

24 Hours	Off Premises Service Interruption Property Damage and Time Element
8 Hours	Computer Systems Damage
48 Hours	Tenants Prohibited Access
30 Days	New Construction and Additions Delay in Completion
24 Hours	Interruption by Communicable Disease

*Storm Surge is included in Flood

CYBER - Illinois Union Insurance Company
--

Limits of Liability:

\$2,000,000 Occ. / \$2,000,000 Agg.	Privacy Liability
\$300,000 Occ. / \$500,000 Agg.	Data Breach Expenses – Tier 1 (subsections H1,H2, H4 & H5)
\$500,000 Occ / \$500,000 Agg.	Data Breach Expenses – Tier 2 (subsections H3, H6, H7 & H8)
\$2,000,000 Occ. / \$2,000,000 Agg.	Network Liability
\$2,000,000 Occ. / \$2,000,000 Agg.	Internet Media Liability
\$2,000,000 Occ. / \$2,000,000 Agg.	Cyber Extortion
\$2,000,000	Maximum Policy Aggregate
\$300,000	Regulatory Proceeding Sub-Limit of Liability

Deductibles:

\$50,000	Privacy Liability
Nil	Data Breach Expenses – Tier 1 (subsections H1,H2, H4 & H5)
Nil	Data Breach Expenses – Tier 2 (subsections H3, H6, H7 & H8)
\$50,000	Network Liability
\$50,000	Internet Media Liability
\$50,000	Cyber Extortion



Retro Dates:

First \$1MM – 09/12/2008 \$1MM xs \$1MM – 10/01/2011	Privacy Liability
09/12/2008 Data Breach Expenses – Tier 1 (subsections H1,H2, H4 & H5)	
09/12/2008 Data Breach Expenses – Tier 2 (subsections H3, H6, H7 & H8)	
First \$1MM – 09/12/2008 \$1MM xs \$1MM – 10/01/2011	Network Liability
First \$1MM – 09/12/2008 \$1MM xs \$1MM – 10/01/2011	Internet Media Liability
First \$1MM – 09/12/2008 \$1MM xs \$1MM – 10/01/2011	Cyber Extortion

DIRECTORS & OFFICERS - Darwin National Assurance Company
--

Limits of Liability:

\$10,000,000	Per Claim Limit – Inclusive of Defense Costs
\$10,000,000	Aggregate Limit – Inclusive of Defense Costs

Deductible: \$50,000 Insuring Agreement

Retro Date: 10/01/1997

Extended Reporting Period: 12 Months at 100%

FIDUCIARY & CRIME - Federal Insurance Company

Limits of Liability:

\$3,000,000	Each Fiduciary Claim
\$100,000	All Defense Costs and Settlement Fees on account of All Settlement Program Notices
\$3,000,000	Each Policy Period

Retention:

\$2,000	Insuring Clause 1 – Fiduciary Liability Coverage
\$0	Insuring Clause 2 – Voluntary Settlement Program Coverage

Extended Reporting Period:

1 Year	Additional Period
150% Annualized Premium	Additional Premium

Pending or Prior Date:

10/11/1997	Insuring Clause 1
10/11/1997	Insuring Clause 2



KIDNAP & RANSOM U.S. Specialty Insurance Company

Limits of Liability:

\$1,000,000	Limit
\$250,000 / \$1,250,000	AD&D
\$100,000	Per day for 20 consecutive days with a waiting period of 6 hours
\$250,000 per loss / \$250,000 agg.	Emergency Repatriation and Relocation Extension
\$50,000	Threat Response
\$50,000	Disappearance / Investigation Extension
\$1,000,000	Infant Abduction

Deductible: Nil

AVIATION - American Alternative Insurance Corporation

Limits of Liability:

\$5,000,000	Each Occurrence
\$25,000	Damage to Premises Rented to You
\$3,000	Medical Expense – Any One Person
\$250,000	Hangarkeepers – Each Accident
\$250,000	Hangarkeepers – Each Aircraft
\$5,000,000	Contractual Each Occurrence
\$5,000,000	Non Owned Aircraft – Max Seats 25
\$5,000,000	War Risk Liability – Aggregate
Deductible:	\$1,000 Per Accident

UMBRELLA - Darwin Select Insurance Company

Limits of Liability:

\$10,000,000	Specific Loss Limit
\$10,000,000	Aggregate Limit

Retention: \$10,000

Retro Date: 10/01/2002

EXCESS - Steadfast Insurance Company

Limits of Liability:

\$5,000,000	Each Occurrence or Medical Incident
\$5,000,000	Each Occurrence Aggregate
\$5,000,000	Each Medical Incident Aggregate

Retroactive Date: 10/01/2002



CORPORATE COMPLIANCE EFFORTS

DKH has a Corporate Compliance Program (“Compliance Program”) in place. As outlined in the Office of Inspector General's Compliance Program Guidance for Hospitals, compliance efforts are designed to facilitate the prevention, detection, and resolution of instances of conduct that do not conform to federal and state law and federal, state and private payer healthcare requirements, as well as the Hospital's ethical and business policies. The components of the Hospital's Compliance Program include oversight, development of policies and procedures, education and training, communication and enforcement, auditing and monitoring, and a communication hotline.

The Hospital is committed to maintaining compliance with state and federal laws and regulations that govern its operations. The Hospital fosters an organizational culture that promotes and enables the achievement of compliance with these legal requirements. In order to further its commitment to compliance, the Hospital has developed a formal program to ensure its compliance with applicable laws and regulatory requirements.

The Hospital has developed and implemented a Compliance Program which contains education and training; contains an internal reporting mechanism for employees to communicate questions and concerns, designed to protect the anonymity of callers; establishes written standards of conduct; contains policies addressing specific areas of potential fraud and abuse; uses audits and other monitoring techniques for compliance; provides a procedure for the investigation and ensures commitment and participation in the Compliance Program.

A Compliance Officer oversees the Compliance Program and reports to the Board of Directors on a regular basis.

LITIGATION

To the best of the knowledge of the management of DKH, Homemakers and the Medical Group, there is no litigation pending or threatened wherein an unfavorable decision would adversely affect the ability of the Obligated Group Members to enter into the Loan Agreement relating to the Series B Bonds and to carry out their respective obligations thereunder. To the best of the knowledge of management of DKH, Homemakers and the Medical Group, there is no litigation pending or threatened that is not covered by insurance wherein any unfavorable decision would materially, adversely affect the financial condition of the Obligated Group Members, their respective operations or their respective ability to provide adequate and proper healthcare to the Hospital's and Medical Group's patients, or the operations of Homemakers and DKH.

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This letter and the information contained herein are submitted to the State of Connecticut Health and Educational Facilities Authority for inclusion in its Private Placement Memorandum relating to the Series B Bonds. The use of this letter by the Authority in connection with the placement of the Series B Bonds and the execution and deliver thereof by the undersigned officers of DKH, Homemakers and the Medical Group have been duly authorized by the Board of Directors of DKH.

DAY KIMBALL HEALTHCARE, INC.

/s/ Julie M. Drouin

Julie M. Drouin

VP of Finance/CFO

DAY KIMBALL HOMEMAKERS, INC.

/s/ Robert E. Smanik

Robert E. Smanik, FACHE

President and CEO

DAY KIMBALL MEDICAL GROUP, INC.

/s/ Robert E. Smanik

Robert E. Smanik, FACHE

President

Appendix B

Financial Statements of Day Kimball Healthcare, Inc.

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Day Kimball Healthcare, Inc.

Independent Auditors' Report,
Consolidated Financial Statements and
Supplemental Information

As of and for the Years Ended
September 30, 2012 and 2011



Saslow Lufkin & Buggy, LLP
Certified Public Accountants and Consultants

Day Kimball Healthcare, Inc.
Independent Auditors' Report, Consolidated Financial
Statements and Supplemental Information
As of and for the Years Ended September 30, 2012 and 2011

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6
Supplemental Information:	
Consolidating Balance Sheet - 2012	26
Consolidating Statement of Operations - 2012	27
Consolidating Balance Sheet - 2011	28
Consolidating Statement of Operations - 2011	29



Independent Auditors' Report

To the Board of Directors of
Day Kimball Healthcare, Inc.:

We have audited the accompanying consolidated balance sheets of Day Kimball Healthcare, Inc. (the Hospital) a Connecticut not-for-profit, non-stock corporation, as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Day Kimball Healthcare, Inc. as of September 30, 2012 and 2011, and the results of its consolidated operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information listed within the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Saslow Lufkin & Buggy, LLP

November 19, 2012

Day Kimball Healthcare, Inc.
Consolidated Balance Sheets
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,277,302	\$ 2,768,481
Short-term investments	6,363,563	8,230,664
Accounts receivable (less allowance for doubtful accounts of \$3,371,361 in 2012 and \$3,482,663 in 2011)	14,676,491	12,857,684
Accounts receivable, other	1,026,189	1,146,921
Pledges receivable, current portion	508,459	252,099
Inventories and prepaid expenses	2,577,897	2,457,926
Due from third-party payers	2,645,109	-
Assets whose use is limited:		
Funds held under bond indenture agreement	324,188	431,679
Total current assets	<u>31,399,198</u>	<u>28,145,454</u>
Assets whose use is limited:		
Funds held under bond indenture agreement	1,292,108	1,292,238
Funds held under bond reserve fund	454,101	454,055
Pledges receivable, net of current portion	1,158,108	863,114
Funds held in trust by others	4,310,243	3,774,294
Donor restricted investments	4,544,868	3,600,068
Board restricted investments	7,795,145	6,346,080
	<u>19,554,573</u>	<u>16,329,849</u>
Investments in real estate	250,092	263,828
Deferred financing costs, net	541,087	618,684
Property, plant and equipment, net	37,039,270	36,609,993
Total assets	<u>\$ 88,784,220</u>	<u>\$ 81,967,808</u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 580,000	\$ 340,000
Accounts payable	7,634,538	5,143,344
Salaries and wages payable	1,754,581	1,435,733
Employee benefits payable	4,084,544	3,156,267
Due to third-party payers	-	165,119
Other liabilities	2,186,813	2,225,915
Current portion of accrued pension obligation	1,725,174	3,662,028
Current portion of long-term debt	767,324	752,175
Total current liabilities	<u>18,732,974</u>	<u>16,880,581</u>
Long-term debt, less current portion	16,517,550	17,263,764
Accrued pension obligation, less current portion	36,868,659	29,499,800
Total liabilities	<u>72,119,183</u>	<u>63,644,145</u>
Net assets:		
Unrestricted	6,143,359	9,834,088
Temporarily restricted	6,314,783	4,589,323
Permanently restricted	4,206,895	3,900,252
Total net assets	<u>16,665,037</u>	<u>18,323,663</u>
Total liabilities and net assets	<u>\$ 88,784,220</u>	<u>\$ 81,967,808</u>

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Net revenues from services to patients	\$ 128,976,157	\$ 115,157,319
Other operating revenues	6,169,416	3,147,622
Grant income	943,485	1,025,822
Assets released from restrictions for operations	314,624	320,636
Total operating revenues	<u>136,403,682</u>	<u>119,651,399</u>
Operating expenses:		
Ancillary and physician services	51,260,164	41,658,850
Nursing services	23,633,378	23,567,308
Employee benefits and insurance	22,389,041	19,803,535
Fiscal services	9,310,889	8,772,638
General services	7,633,625	7,468,087
Administrative services	6,186,195	5,568,498
Homecare	5,983,745	5,196,012
Depreciation	4,810,041	4,608,128
Bad debts	3,709,565	3,528,349
Interest and amortization	1,106,339	995,291
Total operating expenses	<u>136,022,982</u>	<u>121,166,696</u>
Gain (loss) from operations	380,700	(1,515,297)
Non-operating gains	<u>486,938</u>	<u>1,333,404</u>
Excess (deficiency) of revenues over expenses	<u>\$ 867,638</u>	<u>\$ (181,893)</u>

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Operations and Changes in Net Assets (continued)
For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	\$ 867,638	\$ (181,893)
Pension related changes other than net periodic pension cost	(6,069,620)	(1,124,839)
Change in unrealized gains (losses) on investments	1,361,794	(1,309,695)
Assets released from restrictions for property, plant and equipment	<u>149,459</u>	<u>209,203</u>
Change in unrestricted net assets	(3,690,729)	(2,407,224)
Temporarily restricted net assets:		
Contributions	1,960,237	1,877,119
Change in funds held in trust by others	229,306	(8,657)
Assets released from restrictions	<u>(464,083)</u>	<u>(529,839)</u>
Change in temporarily restricted net assets	1,725,460	1,338,623
Permanently restricted net assets:		
Contributions	-	305,000
Change in funds held in trust by others	<u>306,643</u>	<u>(122,073)</u>
Change in permanently restricted net assets	<u>306,643</u>	<u>182,927</u>
Change in net assets	(1,658,626)	(885,674)
Net assets at beginning of year	<u>18,323,663</u>	<u>19,209,337</u>
Net assets at end of year	<u><u>\$ 16,665,037</u></u>	<u><u>\$ 18,323,663</u></u>

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating activities and non-operating gains:		
Change in net assets	\$ (1,658,626)	\$ (885,674)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and non-operating gains:		
Depreciation and amortization	4,901,374	4,699,464
Provision for bad debts	3,709,565	3,528,349
Realized gains from sales of investments	(227,998)	(996,759)
Change in funds held in trust by others	(535,949)	130,730
Pension related changes other than net periodic pension cost	6,069,620	1,124,839
Restricted contributions	(1,960,237)	(1,877,119)
Changes in operating assets and liabilities:		
Accounts receivable	(5,528,372)	(5,666,797)
Accounts receivable, other	120,732	(484,669)
Pledges receivable	(551,354)	(1,115,213)
Inventories and prepaid expenses	(119,971)	(354,480)
Accounts payable	2,491,194	1,808,051
Salaries and wages payable	318,848	419,417
Employee benefits payable	928,277	(314,025)
Due to third-party payers	(2,810,228)	(1,143,003)
Accrued pension obligation	(637,615)	(149,798)
Other liabilities	(39,102)	(246,100)
Net cash provided by (used in) operating activities and non-operating gains	4,470,158	(1,522,787)
Investing activities:		
Additions to property, plant and equipment	(5,239,318)	(9,220,652)
(Purchases) sales of investments, net	(298,766)	721,518
Change in funds held under bond agreements	107,575	(198,750)
Net cash used in investing activities	(5,430,509)	(8,697,884)
Financing activities:		
Proceeds from restricted contributions	1,960,237	1,877,119
Borrowings on construction loan	-	3,324,832
Borrowings on line of credit	240,000	340,000
Principal payments on long-term debt	(731,065)	(560,000)
Net cash provided by financing activities	1,469,172	4,981,951
Change in cash and cash equivalents	508,821	(5,238,720)
Cash and cash equivalents at beginning of year	2,768,481	8,007,201
Cash and cash equivalents at end of year	<u>\$ 3,277,302</u>	<u>\$ 2,768,481</u>

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

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 1 - General

Organization - Day Kimball Healthcare, Inc., (d/b/a Day Kimball Hospital) (the Hospital) is a voluntary, tax-exempt association incorporated under the General Statutes of the State of Connecticut. The Hospital has three subsidiaries, Day Kimball Homemakers, Inc. (Homemakers), Physician Services of Northeast Connecticut, LLC (Physician Services) and Day Kimball Medical Group, Inc. (DKMG).

The Hospital provides inpatient, outpatient and emergency care services for residents of northeastern Connecticut. Homemakers provides homemaker and chore companion services to residents of northeastern Connecticut. Physician Services provides primary care and surgical services in northeastern Connecticut. DKMG was established during 2012 and has no business activity to date to report.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The consolidated financial statements include the accounts of the Hospital and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Reclassifications - Certain 2011 amounts have been reclassified to conform with the 2012 consolidated financial statement presentation. Such reclassifications did not have a material effect on the consolidated financial statements.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related footnotes. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments with maturities of three months or less when purchased. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per depositor, per bank. The FDIC also provides separate unlimited coverage for deposit accounts that meet the definition of non-interest bearing accounts. It is the Hospital's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Hospital maintains cash balances in excess of the FDIC insurance limit.

Money market funds are not insured by the FDIC and are not a risk-free investment. Money market funds invest in a variety of instruments including mortgage-backed and asset-backed securities. Although a money market fund seeks to preserve its one dollar per share value, it is possible that a money market fund's value can decrease below one dollar per share.

Inventories - Inventories, used in general operations of the Hospital, are stated using the first-in first-out method.

Deferred Financing Costs - Deferred financing costs have been recorded as an asset and are being amortized using the effective interest method over the term of the related financing agreement. Amortization expense on deferred financing costs was \$77,598 for the years ended September 30, 2012 and 2011.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment - Property, plant and equipment is recorded on the basis of cost or, if received as a donation or bequest, at the fair market value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of the assets over their estimated useful lives.

Investments - The Hospital's investment portfolio is classified as available for sale, with unrealized gains and losses excluded from excess (deficiency) of revenues over expenses, unless the losses are deemed to be other than temporary. Investments in equity securities with readily determinable fair values and all investments in debt securities and mutual funds are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess (deficiency) of revenues over expenses, unless the income or loss is restricted by donor or law. The investment return is comprised of operating interest, dividends and realized gains and losses on unrestricted investments, which are included within other operating revenues and non-operating gains on the consolidated statements of operations and changes in net assets. Investment income generated by funds held in trust by others is included within non-operating gains in the consolidated statements of operations and changes in net assets.

Certificate of Deposit - The Hospital holds non-negotiable certificates of deposit with maturities of greater than three months, which are included within short-term investments on the accompanying balance sheets. The certificates of deposit are carried at amortized cost, which approximates their fair value. The certificates of deposit are subject to early withdrawal penalties.

Other Than Temporary Impairments on Investments - The Hospital accounts for other than temporary impairments in accordance with certain provisions of FASB ASC 320 "*Investments - Debt and Equity Securities*" and continually reviews its securities for impairment conditions, which could indicate that an other than temporary decline in market value has occurred. In conducting this review, numerous factors are considered, which include specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. There were no impairments recorded in 2012 or 2011.

Professional and General Liability Insurance - The Hospital maintains claims-made medical malpractice and general liability policies. Effective October 1, 2011 and for all periods presented, the Hospital adopted provisions of Accounting Standards Update (ASU) No. 2010-24, "*Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*", which further clarifies that health care entities should not net insurance recoveries against the related claim liabilities. In connection with the Hospital's adoption of ASU 2010-24, the Hospital recorded increases under the captions "Accounts receivable, other" and "Other liabilities" in the accompanying consolidated balance sheets by \$732,300 and \$586,800 as of September 30, 2012 and 2011, respectively. The increases represent the Hospital's estimate of liabilities and recoveries for certain workers' compensation and professional and general liability claims. The adoption of ASU 2010-24 had no impact on the Hospital's consolidated results of operations or cash flows.

In addition, the Hospital has recorded a reserve for estimated medical malpractice claims incurred but not reported. The Hospital had initially utilized the services of an independent consulting actuary to estimate the reserve for estimated incurred but not reported medical malpractice claims; however, has subsequently estimated this liability based on internal reporting.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose and are included within assets whose use is limited. Temporarily restricted net assets are available primarily for health care services, including cancer and pediatric programs and capital replacement.

Permanently restricted net assets consist of the Hospital's permanently restricted endowments, which are included in donor restricted investments and in funds held in trusts by others. Permanently restricted endowments are investments to be held in perpetuity, the income from which is expendable to support health care services. The income from permanently restricted funds held in trust by others is expendable to support health care services.

Donor Restricted Gifts - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets, as net assets released from restrictions.

Excess (Deficiency) of Revenues Over Expenses - The consolidated statements of operations and changes in net assets includes excess (deficiency) of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments for other than trading securities, assets released from restrictions for the purchase of property, plant and equipment and certain changes in pension liabilities.

Non-Operating Gains - Activities other than in connection with providing health care services are considered to be non-operating. Non-operating gains consist primarily of income on board restricted investment funds and income from funds held in trust by others.

Charity Care - The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of traditional charity care provided, determined on the basis of cost, was approximately \$332,593 and \$237,696 for the years ended September 30, 2012 and 2011, respectively. Previously, the Hospital reported its estimates of services provided under its charity care programs based on gross charges. In connection with the Hospital's adoption of ASU 2010-23, "*Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*," amounts previously reported for care provided under its charity care programs have been restated to reflect the Hospital's estimates of its direct and indirect cost of providing these services. This change had no impact on the Hospital's consolidated results of operations.

Income Taxes - The Hospital, Homemakers and DKMG are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. Physician Services is a limited liability company and the effect of its tax activities accrue to its sole member, which is the Hospital.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

The Hospital accounts for uncertain tax positions with provisions of FASB ASC 740, “Income Taxes” which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their consolidated financial statements. The Hospital may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Hospital does not have any uncertain tax positions as September 30, 2012 and 2011. As of September 30, 2012 and 2011, the Hospital did not record any penalties or interest associated with uncertain tax positions. The Hospital’s prior three tax years are open and subject to examination by the Internal Revenue Service.

Accounting Pronouncements Adopted - In August 2010, the FASB issued ASU No. 2010-23, “*Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*”. ASU No. 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU No. 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct or indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU is effective for fiscal years beginning after December 15, 2010, with retrospective application required. The Hospital’s adoption of ASU 2010-23 did not have a material impact on its overall consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-24, “*Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*”. ASU No. 2010-24 clarifies that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU is effective for fiscal years beginning after December 15, 2010. The Hospital’s adoption of ASU 2010-24 did not have an impact on its overall consolidated financial statements.

Pending Accounting Pronouncements - In May 2011, the FASB issued ASU No. 2011-04, “*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRs*”. ASU No. 2011-04 amends certain guidance in ASC 820, “*Fair Value Measurement*”. ASU 2011-04 expands ASC 820’s existing disclosure requirements for fair value measurements and makes other amendments. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011 and will be applied on a prospective basis. The Hospital is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Hospital’s consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, “*Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*”. ASU 2011-07 requires a health care entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenues from an operating expense to a deduction from patient service revenues (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity’s policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. ASU 2011-07 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2012. The Hospital does not believe adoption of ASU 2011-07 will have a material impact on its overall consolidated financial statements.

Subsequent Events - Subsequent events have been evaluated through November 19, 2012, the date through which procedures were performed to prepare the consolidated financial statements for issuance. Management believes there are no subsequent events having a material impact on the consolidated financial statements.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 3 - Revenues from Services to Patients and Charity Care

The following summarizes net patient service revenues for the year ended September 30, 2012:

	<u>Day Kimball Hospital</u>	<u>Homemakers</u>	<u>Physician Services</u>	<u>Total</u>
Gross revenues from services to patients	\$ 212,323,722	\$ 1,767,709	\$ 23,952,494	\$ 238,043,925
Deductions:				
Allowances	98,574,532	-	10,149,381	108,723,913
Connecticut uncompensated care pool	(366,243)	-	-	(366,243)
Charity care	710,098	-	-	710,098
	<u>98,918,387</u>	<u>-</u>	<u>10,149,381</u>	<u>109,067,768</u>
Net revenues from services to patients	<u>\$ 113,405,335</u>	<u>\$ 1,767,709</u>	<u>\$ 13,803,113</u>	<u>\$ 128,976,157</u>

The following summarizes net patient service revenues for the year ended September 30, 2011:

	<u>Day Kimball Hospital</u>	<u>Homemakers</u>	<u>Physician Services</u>	<u>Total</u>
Gross revenues from services to patients	\$ 183,998,961	\$ 1,446,272	\$ 10,852,495	\$ 196,297,728
Deductions:				
Allowances	77,571,223	-	3,541,717	81,112,940
Connecticut uncompensated care pool	(419,050)	-	-	(419,050)
Charity care	446,519	-	-	446,519
	<u>77,598,692</u>	<u>-</u>	<u>3,541,717</u>	<u>81,140,409</u>
Net revenues from services to patients	<u>\$ 106,400,269</u>	<u>\$ 1,446,272</u>	<u>\$ 7,310,778</u>	<u>\$ 115,157,319</u>

In addition to the net revenues from services to patients above, during 2012 and 2011 the Hospital recognized revenue for certain incentive payments from Medicare and Medicaid related to the adoption of electronic medical records. The revenue recognized for these incentive payments amounted to \$1,837,958 and \$553,478 for the years ending September 30, 2012 and 2011, respectively and is recorded within other operating revenues on the accompanying consolidated statements of operations and changes in net assets.

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most third-party payers are different from established billing rates of the Hospital and these differences are accounted for as contractual allowances.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 3 - Revenues from Services to Patients and Charity Care (continued)

Net revenues from services to patients are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments from cost reports with third-party payers. Cost report 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. During 2012, approximately 28% of net revenues from services to patients were received under the Medicare program, 17% under the Medicaid and town programs and 22% from Blue Cross. During 2011, approximately 30% of net revenues from services to patients were received under the Medicare program, 14% under the Medicaid and town programs and 22% from Blue Cross.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital 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. While no such regulatory inquiries are outstanding, 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.

The Hospital has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service and contractual payments to the Hospital for certain covered services based upon discounted fee schedules.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized poverty income levels, but also includes certain cases where incurred charges are significant when compared to incomes. These charges are not included in net revenues from services to patients for financial reporting purposes.

Note 4 - Investments

The Hospital has investments whose use is limited, which are carried on the consolidated balance sheets within funds held in trust by others, funds held under bond indenture agreements, funds held under bond reserve fund, donor restricted investments and board restricted investments. The composition of these assets consists primarily of cash, fixed income and equity investments. The funds held in trust by others were \$4,310,243 and \$3,774,294 as of September 30, 2012 and 2011, respectively.

The funds held under bond reserve fund as of September 30, 2012 and 2011 were \$454,101 and \$454,055, respectively. This fund was established as a result of the Hospital not meeting certain 2008 debt covenants of the bond insurer. The funds held under bond indenture agreements whose use is limited are \$1,616,296 and \$1,723,917 as of September 30, 2012 and 2011, respectively.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 4 - Investments (continued)

Short-term investments, donor restricted investments and board restricted investments, as of September 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 5,955,576	\$ 4,335,943
Certificates of deposit	434,682	431,617
Equities	6,555,151	5,329,862
Mutual funds - fixed income	5,535,523	3,655,328
Mutual funds - equities	222,644	987,710
Government securities	-	3,436,352
	<u>18,703,576</u>	<u>18,176,812</u>
Less: donor restricted investments	4,544,868	3,600,068
Less: board restricted investments	<u>7,795,145</u>	<u>6,346,080</u>
Short-term investments	<u><u>\$ 6,363,563</u></u>	<u><u>\$ 8,230,664</u></u>

Investment income, which is included within other operating revenues and non-operating gains, is comprised of the following, for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Income:		
Realized gains on sales of investments	\$ 227,998	\$ 996,759
Interest income	176,295	206,926
Non-operating interest and dividend income	<u>258,061</u>	<u>297,561</u>
Total investment return	<u><u>\$ 662,354</u></u>	<u><u>\$ 1,501,246</u></u>
Other changes in net assets:		
Unrealized gains (losses) on investments	<u><u>\$ 1,361,794</u></u>	<u><u>\$ (1,309,695)</u></u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 4 - Investments (continued)

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2012:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	\$ 578,352	\$ (28,803)	\$ -	\$ -	\$ 578,352	\$ (28,803)
Mutual funds	594,094	(22,042)	569,604	(21,550)	1,163,698	(43,592)
Other securities	15,156	(3,855)	-	-	15,156	(3,855)
Total	<u>\$ 1,187,602</u>	<u>\$ (54,700)</u>	<u>\$ 569,604</u>	<u>\$ (21,550)</u>	<u>\$ 1,757,206</u>	<u>\$ (76,250)</u>

In 2012, none of the investments that were in an unrealized loss position were considered to be other than temporarily impaired.

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2011:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	\$ 3,900,495	\$ (624,115)	\$ 1,022,140	\$(259,894)	\$ 4,922,635	\$ (884,009)
Mutual funds	2,890,430	(168,724)	154,718	(98,577)	3,045,148	(267,301)
Government securities	198,760	(2,109)	67,175	(1,063)	265,935	(3,172)
Total	<u>\$ 6,989,685</u>	<u>\$ (794,948)</u>	<u>\$ 1,244,033</u>	<u>\$(359,534)</u>	<u>\$ 8,233,718</u>	<u>\$ (1,154,482)</u>

In 2011, none of the investments that were in an unrealized loss position were considered to be other than temporarily impaired.

Note 5 - Fair Value Measurements

FASB ASC 820-10, "Fair Value Measurements and Disclosures", provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 5 - Fair Value Measurements (continued)

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) terms, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of September 30, 2012 and 2011 by the valuation hierarchy:

2012	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 5,955,576	\$ -	\$ -	\$ 5,955,576
Equities:				
Small cap	745,447	-	-	745,447
Mid cap	649,933	-	-	649,933
Large cap	2,533,707	-	-	2,533,707
Exchange traded funds	1,719,383	-	-	1,719,383
Mutual funds - fixed income	5,535,523	-	-	5,535,523
Mutual funds - equities	1,129,325	-	-	1,129,325
	<u>18,268,894</u>	<u>-</u>	<u>-</u>	<u>18,268,894</u>
Funds held under bond agreements	2,070,397	-	-	2,070,397
Funds held in trust by others	<u>-</u>	<u>-</u>	<u>4,310,243</u>	<u>4,310,243</u>
Total	<u>\$ 20,339,291</u>	<u>\$ -</u>	<u>\$ 4,310,243</u>	<u>\$ 24,649,534</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 5 - Fair Value Measurements (continued)

2011	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 4,335,943	\$ -	\$ -	\$ 4,335,943
Equities:				
Small cap	1,011,209	-	-	1,011,209
Mid cap	881,643	-	-	881,643
Large cap	3,437,010	-	-	3,437,010
Mutual funds - fixed income	3,655,328	-	-	3,655,328
Mutual funds - equities	987,710	-	-	987,710
Government securities	-	3,436,352	-	3,436,352
	<u>14,308,843</u>	<u>3,436,352</u>	<u>-</u>	<u>17,745,195</u>
Funds held under bond agreements	2,177,972	-	-	2,177,972
Funds held in trust by others	<u>-</u>	<u>-</u>	<u>3,774,294</u>	<u>3,774,294</u>
Total	<u>\$ 16,486,815</u>	<u>\$ 3,436,352</u>	<u>\$ 3,774,294</u>	<u>\$ 23,697,461</u>

A rollforward of the amounts classified as Level 3 investments within the fair value hierarchy, as of September 30, 2012 and 2011 is as follows:

2012	Funds Held in Trust by Others
Balance as of October 1, 2011	\$ 3,774,294
Net change in market value	641,120
Distributions	<u>(105,171)</u>
Balance as of September 30, 2012	<u>\$ 4,310,243</u>
2011	Funds Held in Trust by Others
Balance as of October 1, 2010	\$ 3,905,024
Net change in market value	(29,858)
Distributions	<u>(100,872)</u>
Balance as of September 30, 2011	<u>\$ 3,774,294</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 5 - Fair Value Measurements (continued)

The Hospital's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below:

Where applicable, the Hospital uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology applies to exchange traded funds, equities, money market funds and mutual funds.

If quoted prices in active markets for identical assets and liabilities are not available, then quoted prices for similar assets and liabilities, quoted prices for identical assets or liabilities in inactive markets or inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, will be used to determine fair value (Level 2 inputs). Securities typically priced using Level 2 inputs include government securities.

Assets and liabilities that are valued using significant unobservable inputs, such as extrapolated data, proprietary models, or indicative quotes that cannot be corroborated with market data are classified in Level 3 within the fair value hierarchy. The Hospital's funds held in trust by others are classified within the Level 3 classification. The value of the Hospital's assets is based on total fund values and the Hospital's corresponding beneficiary percentage.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the year ended September 30, 2012 and 2011, there were no significant transfers in or out of levels 1, 2, or 3.

As of September 30, 2012 and 2011, the Hospital's other financial instruments included certificates of deposit, accounts receivable, accounts payable and accrued expenses, estimated third-party payer settlements and long-term debt. The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair value.

Note 6 - Net Assets

Net assets that are temporarily restricted, as of September 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Beneficial trusts	\$ 1,592,696	\$ 1,363,390
Pledges restricted for capital improvements	1,666,567	1,115,213
Funds restricted for capital improvements	1,057,849	322,949
Funds restricted for health care services	<u>1,997,671</u>	<u>1,787,771</u>
Total	<u>\$ 6,314,783</u>	<u>\$ 4,589,323</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 6 - Net Assets (continued)

Net assets that are permanently restricted, as of September 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Beneficial trusts	\$ 2,717,547	\$ 2,410,904
Endowments held in perpetuity with income restricted for operations	<u>1,489,348</u>	<u>1,489,348</u>
Total	<u>\$ 4,206,895</u>	<u>\$ 3,900,252</u>

The Hospital's endowment and other donor restricted funds consist of multiple funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Hospital has interpreted the relevant laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital during its annual budgeting process.

The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment policies of the Hospital.

Changes in endowment net assets and other donor restricted assets for the year ended September 30, 2012, are as follows:

<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at October 1, 2011	\$ 6,346,080	\$ 3,225,933	\$ 1,489,348	\$ 11,061,361
Investment return:				
Investment income	258,061	-	-	258,061
Net change in market value	1,279,474	-	-	1,279,474
Investment fees	(88,470)	-	-	(88,470)
Contributions	-	1,960,237	-	1,960,237
Expenditures	-	(464,083)	-	(464,083)
Balance at September 30, 2012	<u>\$ 7,795,145</u>	<u>\$ 4,722,087</u>	<u>\$ 1,489,348</u>	<u>\$ 14,006,580</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 6 - Net Assets (continued)

Changes in endowment net assets and other donor restricted assets for the year ended September 30, 2011, are as follows:

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2010	\$ 6,533,539	\$ 1,878,653	\$ 1,184,348	\$ 9,596,540
Investment return:				
Investment income	297,561	-	-	297,561
Net change in market value	(409,088)	-	-	(409,088)
Investment fees	(75,932)	-	-	(75,932)
Contributions	-	1,877,119	305,000	2,182,119
Expenditures	-	(529,839)	-	(529,839)
Balance at September 30, 2011	<u>\$ 6,346,080</u>	<u>\$ 3,225,933</u>	<u>\$ 1,489,348</u>	<u>\$ 11,061,361</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2012 and 2011, there were no funds that were below the level required by donor or law.

Return Objectives and Risk Parameters - The Hospital's investment and spending policies for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy - During its annual budgeting process, the Hospital appropriates donor restricted endowment funds for expenditure in accordance with donor purpose and time restrictions. The Hospital's board restricted endowment funds are being held for long-term growth and to maintain capital reserves for the Hospital.

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

Note 7 - Long-Term Debt and Line of Credit

The Hospital has entered into a financing arrangement with the State of Connecticut Health and Educational Facilities Authority (the Authority) under a Trust Indenture for the financing of a facility renovation project. The Authority sold \$19,150,000 of Series A, fixed rate, insured revenue bonds, maturing serially from 1996 through 2026 with an average annual interest rate of approximately 5.2%. The balance of this debt as of September 30, 2012 and 2011 was \$12,470,000 and \$13,060,000, respectively. Under the terms of the financing arrangement, the proceeds of the Series A revenue bonds were loaned to the Hospital by the Authority.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 7 - Long-Term Debt and Line of Credit (continued)

Pursuant to the loan agreements, the Hospital is required to provide amounts sufficient to enable the Authority to pay the principal and interest on the bonds. The borrowings under the Series A revenue bonds are secured by the pledge of gross receipts of the Hospital, as defined.

The debt is insured by a municipal bond insurance policy. Included within the debt agreements are financial covenants for the benefit of the bond insurer. These covenants include a minimum operating margin requirement of 1.0% and a minimum debt service coverage ratio of 2.0 to 1.0 for the obligated group, which does not include Physician Services. For the years ended September 30, 2012 and 2011, the Hospital was in compliance with these requirements. For the year ended September 30, 2008, the Hospital was not in compliance with these requirements. This violation required the Hospital to deposit funds into a special reserve fund in accordance with the calculation included within the master trust indenture agreement. The funds will be released to the Hospital in three equal annual installments after the Hospital has satisfied the covenants for a period of three consecutive years. The special reserve fund of \$454,101 and \$454,055, as of September 30, 2012 and 2011, respectively, has been included within the assets whose use is limited on the accompanying consolidated balance sheets. The Hospital has other covenants related to the Authority loan and trust indenture documents, including limitations on new indebtedness and a minimum debt service coverage ratio requirement of 1.35 to 1.0. The Hospital was in compliance with these covenants for 2012 and 2011.

On August 26, 2010, the Hospital entered into a Construction Mortgage Note (the Note) with a local bank to finance the construction of a medical office building in Plainfield, Connecticut. Under the terms of the Note, the Hospital can borrow up to \$5.0 million during the construction period. Principal payments on the Note began on September 1, 2011, based on a 20-year amortization period, with a final installment of the remaining balance due on August 1, 2021. The Note bears interest at 3.50% above the weekly average yield of United States Treasury Securities (0.17% and 0.10% at September 30, 2012 and 2011, respectively). The balance on the Note, as of September 30, 2012 and 2011, amounted to \$4,814,874 and \$4,955,939, respectively.

The Hospital has a line of credit agreement with Citizens National Bank for \$2.5 million. The line matures on January 31, 2013, and bears interest at the prime rate minus one half a percentage point (2.75% as of September 30, 2012 and 2011). Borrowings on the line are secured by certain Hospital equipment. There were \$580,000 and \$340,000 of borrowings against the line as of September 30, 2012 and 2011, respectively.

Interest paid during fiscal year 2012 and 2011 amounted to \$1,009,623 and \$947,693, respectively.

Maturities of long-term debt for the five years subsequent to September 30, 2012 and thereafter are as follows:

	<u>CHEFA</u>	<u>Bank Note</u>	<u>Total</u>
2013	\$ 620,000	\$ 147,324	\$ 767,324
2014	655,000	155,828	810,828
2015	690,000	164,823	854,823
2016	725,000	174,337	899,337
2017	765,000	184,401	949,401
Thereafter	<u>9,015,000</u>	<u>3,988,161</u>	<u>13,003,161</u>
Total	<u>\$ 12,470,000</u>	<u>\$ 4,814,874</u>	<u>\$ 17,284,874</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 8 - Pension Plan

The Hospital has a defined benefit pension plan (the Plan) covering all employees who have worked at least 1,000 hours during the year. Effective January 1, 2006, the Hospital amended the Plan to exclude all new hires after December 31, 2005. Effective September 30, 2008, the Plan was frozen and the participants are no longer accruing benefits. The benefits were based on years of service and the employee's compensation. The Hospital's funding policy is to contribute amounts sufficient to cover benefits to be paid as required by Employee Retirement Income Security Act funding standards. Significant disclosures relating to the Plan as of September 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Change in benefit obligations:		
Benefit obligations at beginning of year	\$ 90,105,934	\$ 91,457,387
Interest cost	4,632,429	4,487,775
Actuarial loss (gain)	14,842,121	(2,194,210)
Benefits paid	(3,860,004)	(3,645,018)
Benefit obligations at end of year	<u>\$ 105,720,480</u>	<u>\$ 90,105,934</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 56,944,106	\$ 59,270,600
Actual return on plan assets	11,040,517	(781,274)
Employer contributions	3,002,028	2,099,798
Benefits paid	(3,860,004)	(3,645,018)
Fair value of plan assets at end of year	<u>\$ 67,126,647</u>	<u>\$ 56,944,106</u>
Accrued pension liability:		
Unfunded status	<u>\$ (38,593,833)</u>	<u>\$ (33,161,828)</u>
Components of net periodic benefit cost:		
Interest cost	\$ 4,632,429	\$ 4,487,775
Expected return on plan assets	(5,099,081)	(5,100,648)
Recognized net loss	2,831,065	2,543,850
Net periodic benefit cost	<u>\$ 2,364,413</u>	<u>\$ 1,930,977</u>
Assumptions:		
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.08%	5.25%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost (income):		
Discount rate	5.25%	5.00%
Expected long-term return on plan assets	8.00%	8.00%

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 8 - Pension Plan (continued)

Amounts recorded in unrestricted net assets as of September 30, 2012 and 2011, not yet amortized as components of net periodic benefit costs, are as follows:

	<u>2012</u>	<u>2011</u>
Unamortized actuarial loss	<u>\$ 47,097,084</u>	<u>\$ 41,027,464</u>
Amount recognized as a reduction in unrestricted net assets	<u>\$ 47,097,084</u>	<u>\$ 41,027,464</u>

The amortization of the above items expected to be recognized in net periodic benefit costs for the years ended September 30, 2012 and 2011 are approximately \$4.2 million and \$2.8 million, respectively.

Plan assets are invested in an insurance contract along with other investments. The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and the correlation between the returns of various asset classes.

The asset mix was determined by evaluating the expected return against the Plan's long-term objectives. Performance is monitored on a monthly basis and the portfolio is rebalanced back to target levels to ensure the targets are within range. The investment policy describes which securities are allowed in the portfolios and the financial objectives of the Plan with which the Investment Committee of the Board of Directors oversees. The Investment Committee monitors the investment performance quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy.

The fair values of the Hospital's pension plan assets by asset category, are as follows, for the years ending September 30, 2012 and 2011:

<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market securities	\$ 2,402,329	\$ -	\$ -	\$ 2,402,329
Government securities	-	4,241,213	-	4,241,213
Corporate bonds	-	2,808,301	-	2,808,301
Equity securities:				
Small cap	138,289	-	-	138,289
Mid cap	6,540,944	-	-	6,540,944
Large cap	37,461,595	-	-	37,461,595
Guaranteed investment contract	-	-	13,533,976	13,533,976
Total	<u>\$ 46,543,157</u>	<u>\$ 7,049,514</u>	<u>\$ 13,533,976</u>	<u>\$ 67,126,647</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 8 - Pension Plan (continued)

2011	Level 1	Level 2	Level 3	Total
Money market securities	\$ 1,577,585	\$ -	\$ -	\$ 1,577,585
Government securities	-	4,571,515	-	4,571,515
Corporate bonds	-	2,130,051	-	2,130,051
Equity securities:				
Small cap	109,826	-	-	109,826
Mid cap	5,194,670	-	-	5,194,670
Large cap	29,751,154	-	-	29,751,154
Guaranteed investment contract	-	-	13,609,305	13,609,305
Total	<u>\$ 36,633,235</u>	<u>\$ 6,701,566</u>	<u>\$ 13,609,305</u>	<u>\$ 56,944,106</u>

During the year ending September 30, 2012, the value of the guaranteed investment contract decreased for disbursements of \$3,924,893 and increased for income and Hospital contributions of \$3,849,564. During the year ending September 30, 2011, the value decreased for disbursements of \$3,708,819 and increased for income and Hospital contributions of \$4,173,396.

Contributions - The Hospital expects to contribute \$1,725,174 to its pension plan during the fiscal year beginning October 1, 2012.

Estimated future benefit payments - The following benefit payments are expected to be paid as follows:

2013	\$ 4,174,000
2014	\$ 4,450,000
2015	\$ 4,695,000
2016	\$ 4,943,000
2017	\$ 5,197,000
Years 2017-2022	\$ 29,866,000

The Hospital also has established a defined contribution benefit plan, which became effective January 1, 2006. Substantially all full-time employees are eligible to participate in the new plan. Employees may contribute up to 50% of their compensation into the defined contribution plan subject to Internal Revenue Code limitations and the Hospital contributes 3% of each eligible participant's gross earnings. In addition, the Hospital will contribute an additional 3% for participants that are fifty-five years of age or fifty years of age with 10 years of vesting service. The Hospital made employer contributions to the defined contribution plan totaling \$1,827,875 and \$1,748,524 in 2012 and 2011, respectively. Employees become vested in the Hospital's contributions over three years. The portion of the employer contributions unvested upon termination of an employee are forfeited and used to reduce future contributions made by the Hospital on a dollar-for-dollar basis.

The Hospital also has established a 403(b) plan covering all full time and part time employees of the Hospital. Participants may elect to contribute a specific percentage of their compensation in pre-tax deferrals subject to established Internal Revenue Code limitations. Currently, the Hospital does not contribute to this plan.

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 9 - Operating Leases

The Hospital is party to various operating lease agreements and subleases space to various tenants. Future minimum lease payments by fiscal year as of September 30, 2012, are as follows:

2013	\$ 584,714
2014	424,527
2015	278,844
2016	100,664
2017	<u>29,437</u>
Total	<u><u>\$ 1,418,186</u></u>

Note 10 - Property, Plant and Equipment

Property, plant and equipment consist of the following as of September 30, 2012:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Land and land improvements	\$ 3,516,235	\$ -	\$ -	\$ 3,516,235
Buildings and improvements	64,447,808	-	-	64,447,808
Fixed equipment	812,679	-	-	812,679
Movable equipment	32,045,166	89,112	454,601	32,588,879
Construction in progress (estimated cost to complete - \$1,846,734)	<u>3,849,846</u>	<u>-</u>	<u>-</u>	<u>3,849,846</u>
	104,671,734	89,112	454,601	105,215,447
Less: accumulated depreciation	<u>(67,985,808)</u>	<u>(73,929)</u>	<u>(116,440)</u>	<u>(68,176,177)</u>
Total	<u><u>\$ 36,685,926</u></u>	<u><u>\$ 15,183</u></u>	<u><u>\$ 338,161</u></u>	<u><u>\$ 37,039,270</u></u>

Property, plant and equipment consist of the following as of September 30, 2011:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Land and land improvements	\$ 3,526,800	\$ -	\$ -	\$ 3,526,800
Buildings and improvements	63,964,917	-	-	63,964,917
Fixed equipment	812,679	-	-	812,679
Movable equipment	30,053,467	86,760	219,163	30,359,390
Construction in progress (estimated cost to complete - \$1,605,204)	<u>2,510,153</u>	<u>-</u>	<u>-</u>	<u>2,510,153</u>
	100,868,016	86,760	219,163	101,173,939
Less: accumulated depreciation	<u>(64,431,275)</u>	<u>(65,729)</u>	<u>(66,942)</u>	<u>(64,563,946)</u>
Total	<u><u>\$ 36,436,741</u></u>	<u><u>\$ 21,031</u></u>	<u><u>\$ 152,221</u></u>	<u><u>\$ 36,609,993</u></u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 11 - Medical Malpractice

The Hospital maintains claims made professional and general liability insurance to cover malpractice and general liability exposures. The current insurance coverage does not have a deductible amount. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital believes that it has the ability and intent to continue purchasing such claims-made insurance policies. As discussed in Note 2, in connection with the Hospital's adoption of ASU 2010-24, the Hospital recorded increases under the captions "Other assets" and "Other long-term liabilities" in the accompanying consolidated balance sheets by \$732,300 and \$586,800 as of September 30, 2012 and 2011, respectively. In addition, the Hospital has estimated and recorded the ultimate costs, if any, of the settlement of all incurred but not reported claims.

Note 12 - Risks and Uncertainties

The Hospital is a party to various claims and lawsuits incidental to its business. Management believes that these matters will not have a material adverse effect on its consolidated financial position of the Hospital.

The Hospital and the Hospital's defined benefit pension plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Note 13 - Functional Expenses

The Hospital, Homemakers and Physician Services provide general health care services to residents within their geographic location. General and administrative expenses were approximately 19% of total expenses in 2012 and 2011.

Note 14 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of September 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	35%	32%
Medicaid	16%	19%
Blue Cross	14%	15%
Self pay	15%	15%
HMO and commercial	17%	18%
Other	3%	1%
	<u>100%</u>	<u>100%</u>
Total	<u>100%</u>	<u>100%</u>

Day Kimball Healthcare, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2012 and 2011

Note 15 - Pledges Receivable

Pledges receivable represent unconditional promises to give for an ongoing capital campaign for an expansion of the emergency department. The following pledges are due to the Hospital as of September 30, 2012:

Due within one year	\$ 535,220
Due in one to five years	<u>1,219,061</u>
	1,754,281
Less: allowance for uncollectible pledges	<u>(87,714)</u>
Total	<u><u>\$ 1,666,567</u></u>

The pledges have been discounted by \$51,258 to arrive at the present value in the above table.

Note 16 - Related Party Transactions

As of September 30, 2012 and 2011, the Hospital has recorded an investment in Physician Services of \$7,382,143 and \$5,049,538, respectively, which represents the cumulative amount of capital that the Hospital has invested in Physician Services. During the years ended September 30, 2012 and 2011, the Hospital charged Physician Services \$2,707,577 and \$1,791,475 for costs associated with the management, accounting and oversight of the entity. In addition, as of September 30, 2012 and 2011, Physician Services owes the Hospital \$5,361,396 and \$2,653,820, respectively, for these costs.

As of September 30, 2012 and 2011, Homemakers owed the Hospital \$6,959 and \$2,691, respectively.

Day Kimball Healthcare, Inc.
Consolidating Balance Sheet
September 30, 2012

Assets	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Current assets:					
Cash and cash equivalents	\$ 2,156,339	\$ 527,511	\$ 593,452	\$ -	\$ 3,277,302
Short-term investments	6,363,563	-	-	-	6,363,563
Accounts receivable (less allowance for doubtful accounts of \$3,371,361)	12,743,539	261,269	1,671,683	-	14,676,491
Due from affiliates	5,368,355	-	-	(5,368,355)	-
Accounts receivable, other	1,026,189	-	-	-	1,026,189
Pledges receivable, current portion	508,459	-	-	-	508,459
Inventories and prepaid expenses	2,281,910	10,380	285,607	-	2,577,897
Due from third-party payers	2,645,109	-	-	-	2,645,109
Assets whose use is limited:					
Funds held under bond indenture agreement	324,188	-	-	-	324,188
Total current assets	33,417,651	799,160	2,550,742	(5,368,355)	31,399,198
Assets whose use is limited:					
Funds held under bond indenture agreement	1,292,108	-	-	-	1,292,108
Funds held under bond reserve fund	454,101	-	-	-	454,101
Pledges receivable, net of current portion	1,158,108	-	-	-	1,158,108
Funds held in trust by others	4,310,243	-	-	-	4,310,243
Donor restricted investments	4,537,882	6,986	-	-	4,544,868
Board restricted investments	7,706,000	89,145	-	-	7,795,145
	19,458,442	96,131	-	-	19,554,573
Investments in real estate	250,092	-	-	-	250,092
Investment in Physician Services of Northeast Connecticut, LLC	7,382,143	-	-	(7,382,143)	-
Deferred financing costs, net	541,087	-	-	-	541,087
Property, plant and equipment, net	36,685,926	15,183	338,161	-	37,039,270
Total assets	<u>\$ 97,735,341</u>	<u>\$ 910,474</u>	<u>\$ 2,888,903</u>	<u>\$ (12,750,498)</u>	<u>\$ 88,784,220</u>
Liabilities and Net Assets					
Current liabilities:					
Line of credit	\$ 580,000	\$ -	\$ -	\$ -	\$ 580,000
Accounts payable	6,961,922	37,913	634,703	-	7,634,538
Salaries and wages payable	1,268,378	-	486,203	-	1,754,581
Employee benefits payable	3,443,571	-	640,973	-	4,084,544
Due to third-party payers	-	-	-	-	-
Other liabilities	2,186,813	-	-	-	2,186,813
Due to affiliates	-	6,959	5,361,396	(5,368,355)	-
Current portion of accrued pension obligation	1,725,174	-	-	-	1,725,174
Current portion of long-term debt	767,324	-	-	-	767,324
Total current liabilities	16,933,182	44,872	7,123,275	(5,368,355)	18,732,974
Long-term debt, less current portion	16,517,550	-	-	-	16,517,550
Accrued pension obligation, less current portion	36,868,659	-	-	-	36,868,659
Total liabilities	70,319,391	44,872	7,123,275	(5,368,355)	72,119,183
Net assets:					
Unrestricted	16,901,258	858,616	(4,234,372)	(7,382,143)	6,143,359
Temporarily restricted	6,307,797	6,986	-	-	6,314,783
Permanently restricted	4,206,895	-	-	-	4,206,895
Total net assets	27,415,950	865,602	(4,234,372)	(7,382,143)	16,665,037
Total liabilities and net assets	<u>\$ 97,735,341</u>	<u>\$ 910,474</u>	<u>\$ 2,888,903</u>	<u>\$ (12,750,498)</u>	<u>\$ 88,784,220</u>

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Statement of Operations
For the Year Ended September 30, 2012

	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Operating revenues:					
Net revenues from					
services to patients	\$ 113,405,335	\$ 1,767,709	\$ 13,803,113	\$ -	\$ 128,976,157
Other operating revenues	5,447,532	1,270	720,614	-	6,169,416
Grant income	776,902	166,583	-	-	943,485
Assets released from restrictions					
for operations	314,624	-	-	-	314,624
Total operating revenues	<u>119,944,393</u>	<u>1,935,562</u>	<u>14,523,727</u>	<u>-</u>	<u>136,403,682</u>
Operating expenses:					
Ancillary and physician services	33,239,866	1,625,787	16,394,511	-	51,260,164
Nursing services	23,633,378	-	-	-	23,633,378
Employee benefits and insurance	19,856,567	138,849	2,393,625	-	22,389,041
Fiscal services	9,310,889	-	-	-	9,310,889
General services	7,633,625	-	-	-	7,633,625
Administrative services	6,186,195	-	-	-	6,186,195
Homecare	5,983,745	-	-	-	5,983,745
Depreciation	4,752,691	7,851	49,499	-	4,810,041
Bad debts	3,538,134	4,070	167,361	-	3,709,565
Interest and amortization	1,106,339	-	-	-	1,106,339
Total operating expenses	<u>115,241,429</u>	<u>1,776,557</u>	<u>19,004,996</u>	<u>-</u>	<u>136,022,982</u>
Gain (loss) from operations	4,702,964	159,005	(4,481,269)	-	380,700
Non-operating gains	<u>483,967</u>	<u>2,971</u>	<u>-</u>	<u>-</u>	<u>486,938</u>
Excess (deficiency) of revenues over expenses	<u>\$ 5,186,931</u>	<u>\$ 161,976</u>	<u>\$ (4,481,269)</u>	<u>\$ -</u>	<u>\$ 867,638</u>

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Balance Sheet
September 30, 2011

Assets	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Current assets:					
Cash and cash equivalents	\$ 2,168,500	\$ 427,364	\$ 172,617	\$ -	\$ 2,768,481
Short-term investments	8,230,664	-	-	-	8,230,664
Accounts receivable (less allowance for doubtful accounts of \$3,482,663)	11,823,463	187,048	847,173	-	12,857,684
Due from affiliates	2,656,511	-	-	(2,656,511)	-
Accounts receivable, other	1,146,921	-	-	-	1,146,921
Pledges received, current portion	252,099	-	-	-	252,099
Inventories and prepaid expenses	2,339,159	8,807	109,960	-	2,457,926
Assets whose use is limited:					
Funds held under bond indenture agreement	431,679	-	-	-	431,679
Total current assets	29,048,996	623,219	1,129,750	(2,656,511)	28,145,454
Assets whose use is limited:					
Funds held under bond indenture agreement	1,292,238	-	-	-	1,292,238
Funds held under bond reserve fund	454,055	-	-	-	454,055
Funds held in trust by others	3,774,294	-	-	-	3,774,294
Pledges receivable, net of current portion	863,114	-	-	-	863,114
Donor restricted investments	3,596,333	3,735	-	-	3,600,068
Board restricted investments	6,257,014	89,066	-	-	6,346,080
	16,237,048	92,801	-	-	16,329,849
Investments in real estate	263,828	-	-	-	263,828
Investment in Physician Services of Northeast Connecticut, LLC	5,049,538	-	-	(5,049,538)	-
Deferred financing costs, net	618,684	-	-	-	618,684
Property, plant and equipment, net	36,436,741	21,031	152,221	-	36,609,993
Total assets	\$ 87,654,835	\$ 737,051	\$ 1,281,971	\$ (7,706,049)	\$ 81,967,808
Liabilities and Net Assets					
Current liabilities:					
Line of credit	\$ 340,000	\$ -	\$ -	\$ -	\$ 340,000
Accounts payable	4,934,781	33,985	174,578	-	5,143,344
Salaries and wages payable	1,154,981	-	280,752	-	1,435,733
Employee benefits payable	2,897,738	-	258,529	-	3,156,267
Due to third-party payers	165,119	-	-	-	165,119
Other liabilities	2,225,915	-	-	-	2,225,915
Due to affiliates	-	2,691	2,653,820	(2,656,511)	-
Current portion of accrued pension obligation	3,662,028	-	-	-	3,662,028
Current portion of long-term debt	752,175	-	-	-	752,175
Total current liabilities	16,132,737	36,676	3,367,679	(2,656,511)	16,880,581
Long-term debt, less current portion	17,263,764	-	-	-	17,263,764
Accrued pension obligation, less current portion	29,499,800	-	-	-	29,499,800
Total liabilities	62,896,301	36,676	3,367,679	(2,656,511)	63,644,145
Net assets:					
Unrestricted	16,272,694	696,640	(2,085,708)	(5,049,538)	9,834,088
Temporarily restricted	4,585,588	3,735	-	-	4,589,323
Permanently restricted	3,900,252	-	-	-	3,900,252
Total net assets	24,758,534	700,375	(2,085,708)	(5,049,538)	18,323,663
Total liabilities and net assets	\$ 87,654,835	\$ 737,051	\$ 1,281,971	\$ (7,706,049)	\$ 81,967,808

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Statement of Operations
For the Year Ended September 30, 2011

	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Operating revenues:					
Net revenues from					
services to patients	\$ 106,400,269	\$ 1,446,272	\$ 7,310,778	\$ -	\$ 115,157,319
Other operating revenues	2,831,630	1,266	314,726	-	3,147,622
Grant income	842,008	183,814	-	-	1,025,822
Assets released from restrictions for operations	320,636	-	-	-	320,636
Total operating revenues	<u>110,394,543</u>	<u>1,631,352</u>	<u>7,625,504</u>	<u>-</u>	<u>119,651,399</u>
Operating expenses:					
Ancillary and physician services	30,547,101	1,416,826	9,694,923	-	41,658,850
Nursing services	23,567,308	-	-	-	23,567,308
Employee benefits and insurance	18,336,341	134,142	1,333,052	-	19,803,535
Fiscal services	8,772,638	-	-	-	8,772,638
General services	7,468,087	-	-	-	7,468,087
Homecare	5,196,012	-	-	-	5,196,012
Administrative services	5,568,498	-	-	-	5,568,498
Depreciation	4,550,361	10,936	46,831	-	4,608,128
Bad debts	3,435,180	9,250	83,919	-	3,528,349
Interest and amortization	995,291	-	-	-	995,291
Total operating expenses	<u>108,436,817</u>	<u>1,571,154</u>	<u>11,158,725</u>	<u>-</u>	<u>121,166,696</u>
Gain (loss) from operations	1,957,726	60,198	(3,533,221)	-	(1,515,297)
Non-operating losses	<u>1,333,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,333,404</u>
Excess (deficiency) of revenues over expenses	<u>\$ 3,291,130</u>	<u>\$ 60,198</u>	<u>\$ (3,533,221)</u>	<u>\$ -</u>	<u>\$ (181,893)</u>

See accompanying Independent Auditors' Report.

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Appendix C

Definitions

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DEFINITIONS

“Account” or **“Accounts”** means, as the case may be, each or all of the accounts established in Section 5.1 of the Indenture.

“Act” means the State of Connecticut Health and Educational Facilities Authority Act, being Chapter 187 of the General Statutes of Connecticut, Revision of 1958, Sections 10a 176 to 10a 198, inclusive, as amended from time to time.

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Authority in the amount of ten (10) basis points, paid semiannually in arrears on the Outstanding principal amount of Bonds on each June 20 and December 20 while the Bonds are Outstanding.

“Annual Debt Service” means the Long-Term Debt Service Requirement for the Fiscal Year in question.

“Assignment of Contract Documents and Consents” means one or more assignments of contracts (including assignments of construction contracts and warranties; developer’s contracts; permits, licenses, approvals and contracts; leases and rents; and construction management agreements) executed and delivered by an Obligated Group Member to the Authority for assignment to the Trustee as security for the Bonds, together with a consent to such assignment executed by the Person(s) with whom any Obligated Group Member has contracted.

“Assignment of Note” means the Assignment of Mortgage and Note, dated as of June 6, 2013, from the Authority to the Trustee, assigning the Note securing the Bonds.

“Authority” means the State of Connecticut Health and Educational Facilities Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality created by the Act.

“Authorized Denomination” means \$100,000 or any integral multiple of \$5,000 in excess thereof.

“Authorized Obligated Group Representative” means any Person at the time designated to act on behalf of the Obligated Group by written certificate furnished to the Authority and the Trustee containing the specimen signature of such Person (if such Person is an individual) and signed by an Authorized Officer of each Obligated Group Member, or if no such Person is so designated by the Obligated Group, an Authorized Officer of the Institution.

“Authorized Officer” means: (i) in the case of the Authority, the Chairman, Vice Chairman, Executive Director, General Counsel, any Managing Director, any Assistant Director, or any other duly authorized officer of the Authority, and when used with reference to any act or document also means any other person authorized by Resolution of the Authority to perform such act or execute such document; (ii) in the case of the Institution, or any Member of the

Obligated Group, the chairman, vice chairman, president, vice president for finance, chief executive officer, chief financial officer, or chief operating officer of the Institution or any Member of the Obligated Group and any other person or persons authorized by resolution of the Institution or any Member of the Obligated Group to perform any act or execute any document; and (iii) in the case of the Trustee, means any officer in its corporate trust administration department, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the governing body of the Trustee.

“Balloon Indebtedness” means (i) Long-Term Indebtedness, or Short-Term Indebtedness which is intended to be refinanced upon or prior to its maturity by Long-Term Indebtedness so that such Short-Term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in an Officer’s Certificate, twenty five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve-month period, if such twenty five percent (25%) or more is not to be amortized to below twenty five percent (25%) by mandatory redemption prior to such twelve month period; or (ii) any portion of an issue of Long-Term Indebtedness which, if treated as a separate issue of Indebtedness, would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Bond Counsel” means an attorney or firm of attorneys designated by the Authority and having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Index” means (i) for tax-exempt Indebtedness, the 30 year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index determined by the Authority if such Revenue Bond Index is not so published; or (ii) for taxable Indebtedness, the interest rate or interest index as may be certified to the Authority and the Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

“Bondowner”, “Owner” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Bond.

“Bonds” means the Authority’s Revenue Bonds, Day Kimball Healthcare Issue, Series B authorized, issued and secured pursuant to the Indenture.

“Bond Year” means a period of twelve (12) consecutive months, beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

“Business Day” means any day other than (i) a Saturday or a Sunday; (ii) a day on which the New York Stock Exchange is closed; or (iii) a day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Connecticut or such other state where the applicable corporate trust office of the Trustee is located.

“Capitalized Interest Account” means the account for the Bonds so designated, created and established in the Construction Fund pursuant to Section 5.1 of the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Completion Indebtedness” means any Indebtedness incurred by the Obligated Group for the purpose of financing the completion of constructing or equipping facilities for the construction or equipping of which some Indebtedness has theretofore been incurred in accordance with the provisions of the Loan Agreement, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Indebtedness was originally incurred, including funding debt reserves.

“Construction Account” means the account for the Bonds so designated, created and established in the Construction Fund pursuant to Section 5.1 of the Indenture.

“Construction Fund” means the fund for the Bonds so designated, created and established pursuant to Section 5.1 of the Indenture.

“Consultant” means a Person selected by the Obligated Group which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Obligated Group Member, and which is a nationally recognized professional management consultant or accountant (which may be the Obligated Group’s external auditing firm) in the area of hospital finance acceptable to the Authority and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions hereof in which such requirement appears.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Members of the Obligated Group and the Trustee, as dissemination agent, dated as of June 1, 2013, relating to the Bonds, pertaining to disclosure of future material events and annual financial information in accordance with Rule 15c2-12 of the Securities Exchange Commission.

“Cost” or **“Costs”** means, as applied to the Project or any portion thereof financed with the proceeds of bonds issued under the provisions of the Act, as approved by the Authority, all or any part of the cost of construction and acquisition of all lands, structures, real or personal property, rights, rights of way, franchises, easements and interests acquired or used for the Project, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment, financing charges, interest prior to, during and for a period after completion of such construction, cost of architectural and engineering plans, specifications, studies, surveys, and estimates of cost and of revenues, expenses necessary or incident to determining the feasibility or practicability of constructing the Project and such other expenses as may be necessary or incident to the construction and acquisition of the Project, but

shall not include such items which are customarily deemed to result in a current operating charge.

“Cost of Issuance” means all costs and expenses of the Authority incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees and expenses, financial advisory fees, Placement Agent fees and expenses, the Trustee’s acceptance fees and expenses under the Indenture and initial (including first annual) fees, paying agent fees, fiscal or escrow agent fees, printing fees and travel expenses.

“Cost of Issuance Account” means the account for the Bonds so designated, created and established pursuant to Section 5.1 of the Indenture.

“Days Cash on Hand” means the product obtained by multiplying 365 by the quotient determined by dividing the sum of the Obligated Group’s cash, investments and board designated funds minus Short-Term Indebtedness by the Obligated Group’s Operating Expenses as of the most recently completed Fiscal Year (minus depreciation and amortization).

“Debt Service Fund” means the fund for the Bonds so designated, created and established pursuant to Section 5.1 of the Indenture.

“Debt Service Reserve Fund” means the fund for the Bonds so designated, created and established pursuant to Section 5.1 of the Indenture.

“Debt Service Reserve Fund Requirement” means, as of any particular date of computation, for the then current or any future Bond Year, an amount (such amount may take the form of cash, securities, or a combination thereof) equal to the lesser of (i) ten percent (10%) of the original principal amount of the Bonds; (ii) the greatest amount required to be paid in any such Bond Year with respect to the payment of principal, Sinking Fund Installment, or interest on the Outstanding Bonds during such Bond Year (interest projections for Bonds representing Variable Rate Indebtedness shall be based upon an assumed interest rate derived from the Bond Index); or (iii) 125% of the average annual debt service on the Outstanding Bonds (interest projections for Bonds representing Variable Rate Indebtedness shall be based upon an assumed interest rate derived from the Bond Index).

“Defeasance Obligations” means: (i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America; and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the

bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii) as appropriate, and (d) which are rated “AAA” by Standard & Poor’s or “Aaa” by Moody’s.

“Discount Indebtedness” means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

“DTC” means The Depository Trust Company, New York, New York, a New York State limited purpose trust company, subject to regulation by the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and the New York State Banking Department, or its successors appointed under the Indenture.

“Electronic Means” means telecopy, telegraph, facsimile transmission, email, or other similar electronic means of communication, including a telephonic communication confirmed in writing or written transmission.

“Equal Employment Opportunity Laws” means Executive Order No. 11246, dated September 28, 1965, as supplemented from time to time, and all of the regulations, rules and orders promulgated thereunder, and Chapter 814c of the Connecticut General Statutes, the Human Rights and Opportunities Law, as amended from time to time, and all of the regulations, rules and orders promulgated thereunder.

“Event of Default” means, with respect to the Loan Agreement, any of the events of default set forth in Section 8.1 of the Loan Agreement, and, with respect to the Indenture, any of the events of default set forth in Section 8.1 of the Indenture.

“Fiscal Year” means the fiscal year of the Institution or any Obligated Group Member, as the context requires, currently from October 1 to September 30.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Fixed Assets” means the aggregate amount of the Obligated Group’s land, buildings, improvements, equipment and construction in progress (prior to any deduction for accumulated depreciation), as identified in or derived from the Obligated Group’s most recent audited financial statements.

“Fund” or “Funds” means, as the case may be, each or all of the funds established in Section 5.1 of the Indenture.

“Future Test Period” means the two full Fiscal Years of the Obligated Group immediately following the computation then being made, or, if such computation is then being made in connection with the incurrence of Indebtedness for capital improvements or expenditures, the two full Fiscal Years immediately following completion of the capital improvements or expenditures then being financed.

“Gross Receipts” means all receipts, revenues, income (including investment income) and other moneys received or receivable by or on behalf of any one or more members of the Obligated Group derived from all sources, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Premises and the Property, including, without limitation, proceeds of any license, lease or sublease permitted under the Loan Agreement or the Mortgage, disposition of assets or borrowings, fees paid or payable by or on behalf of users of the Premises and the Property or any portion thereof, and any insurance proceeds and condemnation awards and all rights to receive the same, whether in the form of accounts, accounts receivable, investments, documents, general intangibles, investment property, chattel paper, instruments (as such terms are defined in the Connecticut Uniform Commercial Code), contract rights or other rights, and the proceeds of such rights and all deposit accounts and financial assets and the proceeds thereof, and whether now owned or held or hereafter coming into existence or acquired by any one or more of the members of the Obligated Group; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

“Guarantees” means Guarantees by the Obligated Group permitted by Section 5.17 of the Loan Agreement.

“Guaranty” means all obligations of the Obligated Group guaranteeing in any manner, whether directly or indirectly, any obligation of any other Person which would, if such other Person were an Obligated Group Member, constitute Indebtedness under the Loan Agreement.

“Hazardous Substance Agreement” means the Hazardous Substance Certificate and Indemnification Agreement, dated as of June 1, 2013, by and among the Authority, the Trustee, Silvercrest Asset Management Group LLC, as the initial purchaser of the Bonds, and each Member of the Obligated Group, relating to the Bonds.

“Historic Test Period” means the most recent full Fiscal Year of the Obligated Group.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any period of time, the excess of revenue over expenses before depreciation, amortization and interest; provided, that no determination thereof shall take into account (i) any revenue or expense of any Person which is not the Institution or another member of the Obligated Group; (ii) any gain or loss resulting from the extinguishment of Indebtedness or any termination payments made or received on derivatives, interest rate swaps or other hedging obligations, whether or not related to or integrated with any Indebtedness being extinguished, the establishment of a reserve for Indebtedness, any discontinued operations, adjustments to the

value of the assets or liabilities resulting from changes in generally accepted accounting principles, or the sale, exchange or other disposition, write-down, reappraisal or revaluation of capital assets, facilities or good-will not in the ordinary course of business; (iii) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (iv) any non-recurring gain or loss or any extraordinary gain or loss; (v) any unrealized gains or losses on investments, and any write-down, reappraisal or revaluation of investment assets resulting from other than temporary impairments or declines in value; (vi) any unrealized gains or losses, or any actual termination payments made or received (whether or not in connection with the refunding or extinguishment of Indebtedness) on derivatives, interest rate swaps or other hedging obligations; or (vii) any non-cash items of any nature whatsoever, including provisions for bad debt or charity care.

“Indebtedness” means (i) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services; (ii) obligations as lessee under leases which are, should be, or should have been reported as capital leases in accordance with generally accepted accounting principles; provided that operating leases on the books of the Obligated Group on the date of the issuance of the Bonds that may be deemed capital leases, under changes to generally accepted accounting principles effective after the date of issuance of the Bonds would be excluded from this definition but all operating leases entered into after the date of issuance of the Bonds and subject to the changes to generally accepted accounting principles would be included in such definition; (iii) current liabilities in respect of unfunded vested benefits under any defined benefit plans of any Obligated Group Member; (iv) all obligations arising under acceptance facilities; (v) all Guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment of, to supply funds to invest in any entity or the Indebtedness of any entity or otherwise to assure a creditor against loss; (vi) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; and (vii) all other items or obligations which would be included in determining total liabilities on the balance sheet of an entity; provided, however, that “Indebtedness” shall not include trade payables, current salaries, current pension contributions, insurance premiums and similar obligations incurred.

“Indenture” means the Trust Indenture between the Authority and the Trustee, dated as of June 1, 2013, as the same may from time to time be amended or supplemented by a Supplemental Indenture or Indentures.

“Independent Insurance Consultant” means a person or firm who is not a director, trustee, employee or officer of any Obligated Group Member or a director, trustee, employee or member of the Authority, appointed by an Authorized Officer of the Institution and satisfactory to the Authority, qualified to survey risks and to recommend insurance coverage for hospital facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the Obligated Group transacts business.

“Institution” means Day Kimball Healthcare, Inc., formerly known as The Day Kimball Hospital of Windham County, Inc., a non-profit corporation duly organized and existing under

the laws of the State and the principal place of business of which is presently located in Putnam, Connecticut.

“Interest Account” means the account for the Bonds so designated, created and established in the Debt Service Fund pursuant to Section 5.1 of the Indenture.

“Interest Payment Date” means January 1 and July 1 of each year, commencing July 1, 2013.

“Investment Agreement” means an agreement for the investment of moneys held by the Trustee or the Authority pursuant to the Indenture with a Qualified Financial Institution (which may include the entity acting as Trustee).

“Letter of Representation and Indemnification” means the Letter of Representation and Indemnification of the Obligated Group to the Authority and the initial underwriters of the Bonds, dated the date of the sale of the Bonds.

“Lien” means any mortgage, pledge, leasehold interest, security interest, choate or inchoate lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the Obligated Group which secures any Indebtedness or any other obligation of the Obligated Group.

“Loan Agreement” means the Loan Agreement among the Authority and the Obligated Group, dated as of June 1, 2013, as it may be amended, modified, supplemented, or amended and restated.

“Long-Term Debt Service Coverage Ratio” means the ratio for the period in question of Income Available for Debt Service to Maximum Annual Debt Service. Notwithstanding anything in the Loan Agreement to the contrary requiring a Consultant’s opinion, report or certificate, projections of the Long-Term Debt Service Coverage Ratio may be made by an Officer’s Certificate if (i) the Long-Term Debt Service Coverage Ratio for the Historic Test Period as shown by an Officer’s Certificate exceeded 1.35; and (ii) the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected by an Officer’s Certificate to exceed 1.50, unless the Authority, in its sole discretion, requires that such Long-Term Debt Service Coverage Ratio calculations be made or confirmed by a Consultant’s opinion, report or certificate.

“Long-Term Debt Service Requirement” means, for any period of time, the aggregate of the scheduled payments to be made (other than from amounts irrevocably deposited with the Trustee or a lender for purposes of such payments, including but not limited to, amounts on deposit in the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, and the Debt Service Reserve Fund, which amounts shall be deducted from the Long-Term Debt Service Requirement for any period in which such amounts will actually be applied to pay such debt service) in respect of principal and interest on outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account (i) with respect to Balloon Indebtedness, the provisions of Section 5.19 of the Loan Agreement; (ii) with respect to Variable Rate Indebtedness, the provisions of Section 5.20 of the Loan Agreement; (iii) with respect to Discount Indebtedness, the provisions of Section 5.21 of the

Loan Agreement; and (iv) with respect to Indebtedness represented by a Guaranty, the provisions of Section 5.16 of the Loan Agreement.

“Long-Term Indebtedness” means all Indebtedness for any of the following:

- (i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of longer than one year;
- (ii) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and
- (iii) Payments under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” means, at the time of computation, the greatest Long-Term Debt Service Requirement for the then current or any future Fiscal Year.

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

“Mortgage” means the Open-End Mortgage and Security Agreement, dated as of June 1, 2013, from the Institution to the Authority, given to secure the Institution’s obligations under the Loan Agreement and the Note, as amended from time to time.

“Mortgaged Premises” means the Property mortgaged pursuant to the Mortgage.

“Net Proceeds” means the original principal amount of the Bonds less original issue discount and underwriters’ discount plus accrued interest to the date of original delivery (upon the issuance) of the Bonds.

“Non-Recourse Indebtedness” means any Indebtedness secured by a Permitted Encumbrance, which Indebtedness is not a general obligation of any Member of the Obligated Group, and the liability for which Indebtedness is effectively limited to the Property subject to such Permitted Encumbrance with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

“Nonoperating Revenues” means, for any Fiscal year, all nonoperating revenues of any one or more Obligated Group Members for such period or, as the context requires, of the entire Obligated Group, except for gifts, grants, bequests, donations, other similar contributions and other amounts constituting nonoperating revenues under generally accepted accounting principles, and the income from the foregoing, to the extent that such gifts, grants, bequests, donations, other similar contributions and other amounts constituting nonoperating revenues

under generally accepted accounting principles, and the income from the foregoing, are unavailable for the payment of debt service requirements on any Indebtedness as a result of restrictions imposed by the donor or maker at the time of their making or applicable laws and regulations in effect from time to time.

“Note” and “Series B Note” means the Series B Note of the Obligated Group, dated as of June 1, 2013, given to the Authority and assigned by the Authority to the Trustee pursuant to the Loan Agreement with respect to the Bonds, in a principal amount equal to the principal amount of the Bonds, to evidence the loan to the Institution from the Authority of the proceeds of the Bonds, in substantially the form attached as Schedule A to the Loan Agreement.

“Obligated Group”, “Member of the Obligated Group” or “Obligated Group Member” means, as applicable, each of or collectively, the Institution, Day Kimball Homemakers, Inc., Day Kimball Medical Group, Inc., and any other Person which has become a member of the Obligated Group under and pursuant to the provisions of the Loan Agreement.

“Obligated Group Documents” means, collectively, the Loan Agreement, the Mortgage, the Continuing Disclosure Agreement, the Hazardous Substance Agreement, the Letter of Representation and Indemnification, the Mortgage, the Note, and the Tax Regulatory Agreement.

“Officer’s Certificate” means a certificate signed by an Authorized Officer of the Institution or any Obligated Group Member.

“Operating Expenses” means the total operating expenses of any one or more Obligated Group Members, as determined in accordance with generally accepted accounting principles consistently applied.

“Operating Revenues” means the total operating revenues of any one or more Obligated Group Members or, as the context requires, of the entire Obligated Group less applicable deductions from operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“Opinion of Bond Counsel” means an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” means an opinion in writing signed by legal counsel acceptable to the Authority and who may be an employee of or counsel to any Obligated Group Member.

“Outstanding” when used in reference to Bonds, means as of a particular date, all Bonds authenticated and delivered under the Indenture except: (i) any Bond canceled by the Trustee at or before such date; (ii) any Bond or portion thereof paid or deemed paid in accordance with Section 12.1 of the Indenture; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture; and (iv) any unsurrendered Bond deemed to have been purchased as provided in the Indenture.

“Outstanding Parity Debt” means the Obligated Group’s obligations to the Authority in connection with revenue bonds issued by the Authority the proceeds of which have been loaned to the Institution.

“Parity Debt” means any Indebtedness of an Obligated Group Member designated by the Obligated Group Member as parity debt and incurred in accordance with the provisions set forth in Section 5.16 of the Loan Agreement, which may be secured on a parity basis with the Bonds as to (i) the pledge, lien and security interests in the Premises created pursuant to the Mortgage; (ii) the pledge of and security interest in Gross Receipts granted pursuant to the Loan Agreement; and (iii) the general obligations of the Institution.

“Permitted Dispositions” means dispositions of Property permitted by Section 5.14(b) of the Loan Agreement.

“Permitted Encumbrances” means encumbrances on Property permitted by Section 5.13(b) of the Loan Agreement.

“Permitted Indebtedness” means Indebtedness of the Obligated Group permitted by Section 5.16(b) of the Loan Agreement.

“Permitted Releases” means releases of Property or portions thereof from the Mortgage, or from any security interests, liens, pledges or negative pledges of such Property securing the Bonds permitted by Section 5.15(b) of the Loan Agreement.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, any unincorporated organization, a limited liability company, a governmental body or a political subdivision, a municipality, a municipal authority or any other group or organization of individuals.

“Placement Agent” means Piper Jaffray & Co.

“Preliminary Private Placement Memorandum” means the Preliminary Private Placement Memorandum relating to the Bonds, containing information, data and statistics concerning the Authority, the Institution and other information, and the appendices thereto, including a letter from the Institution, but without pricing, yield or maturity information on the Bonds.

“Premises” means the Premises of the Institution described in the Premises Schedule attached to the Loan Agreement and as defined in the Hazardous Substance Agreement and as defined as the “Mortgaged Premises” in Schedule A (Part I) to the Mortgage.

“Principal Account” means the account for the Bonds so designated, created and established in the Debt Service Fund pursuant to Section 5.1 of the Indenture.

“Private Placement Memorandum” means the Private Placement Memorandum containing information, data and statistics concerning the Authority, the Institution, the Bonds and other information, and the appendices thereto, including a letter from the Institution, relating to the Bonds.

“Project” means the hospital facilities to be or that have been acquired, constructed, renovated, equipped, installed or provided for the Institution, including necessary attendant facilities, equipment, site work and utilities thereof, financed or refinanced with proceeds of the

Bonds as set forth on the Project Description attached to the Loan Agreement, and as further described in the Project Plans.

“Project Budget” means the projected cost of the Project as set forth in the Project Budget attached to the Loan Agreement.

“Project Plans” means the plans and specifications for construction of the Project as set forth in the Project Plans attached to the Loan Agreement.

“Project Schedule” means the projected schedule for construction of the Project as set forth on the Project Schedule attached to the Loan Agreement.

“Property” means any and all assets of the Obligated Group, any land, leasehold interests, buildings, machinery, equipment, hardware, and inventory of the Obligated Group wherever located and whether now owned or hereafter acquired, any and all rights, titles and interests in and to any and all fixtures and property whether real or personal, tangible or intangible and wherever situated and whether now owned or hereafter acquired and shall include all current assets, funds, endowments, revenues, receipts or other moneys, or right to receive any of the same, including, without limitation, Gross Receipts, accounts, accounts receivable, the Premises, the Project, contract rights and general intangibles, and all proceeds of all of the foregoing.

“Purchase Money Mortgage” means a mortgage or security interest created to secure all or part of the purchase price of Property or to secure Indebtedness incurred to pay all of a part of the purchase price or cost of construction of any Property or improvement thereon, provided that such mortgage or security interest shall extend solely to the item or items of such Property (or improvement thereon) so acquired or constructed.

“Qualified Financial Institution” means a financial institution that is a domestic corporation, a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a foreign bank acting through a domestic branch or agency which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; provided that for each such entity its unsecured or uncollateralized Long-Term debt obligations, or obligations secured or supported by a letter of credit, contract, guarantee, agreement or surety bond issued by any such organization, directly or by virtue of a guarantee of a corporate parent thereof, have been assigned a long-term credit rating by any two national ratings services which is not lower than the two highest ratings (with respect to a foreign bank, the highest rating category) then assigned (i.e., at the time an Investment Agreement or Repurchase Agreement is entered into) by such rating service without qualification by symbols “+” or “-” or a numerical notation.

“Qualified Investments” means the obligations described below:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself; mortgage pass-through securities, mortgage-backed securities pools (MBS), collateralized mortgage obligations (CMO) and all mortgage derivative securities trusts shall not constitute Qualified Investments);
 - 1) Direct obligations of or fully guaranteed certificates of beneficial ownership of the Export Import Bank of the United States,
 - 2) Federal Financing Bank,
 - 3) Participation certificates of the General Services Administration,
 - 4) Guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association, and
 - 5) Project Notes, Local Housing Authority Bonds, New Communities Debentures and U.S. public housing notes and bonds fully guaranteed by the U.S. Department of Housing and Urban Development.
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies provided such agency is rated “AAA” at the time of purchase by at least two of the Nationally Recognized Statistical Rating Organizations (“NRSROs”) (stripped securities are only permitted if they have been stripped by the agency itself):
 - 1) Federal Home Loan Bank System senior debt obligations,
 - 2) Participation Certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation,
 - 3) Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association,

- 4) Consolidated system wide bonds and notes of the Farm Credit System Corporation.
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating of “AAAm” or equivalent by at least two of the NRSROs.
- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Trustee or the Authority has a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC.
- G. Unsecured Investment Agreements (subject to approval of the Authority) of any Investment Agreement with a term in excess of thirty (30) days); any Investment Agreement with a term greater than three (3) years must be with an issuer rated “AA” by at least two of the NRSROs unless a lower rating is consented to by the Authority and the Institution.

In the event the counterparty is downgraded below either “AA-“ or “Aa3” by Standard & Poor’s or Moody’s, respectively, or equivalent by an NRSRO:

- i. The agreement will be transferred to an acceptable institution that meets the ratings requirement described above, or
 - ii. Collateral consisting of securities outlined in (A) or (B) above shall be posted that has a value equal to at least 104% of the principal plus accrued interest, or collateral consisting of securities outlined in (C) above shall be posted that has a value equal to at least 105% of the principal plus accrued interest, or
 - iii. The agreement must be converted into a Repurchase Agreement (See clause (L) below), or
 - iv. The agreement shall terminate at par plus accrued interest within ten (10) business days should (i), (ii) or (iii) above not be accomplished.
- H. Collateralized Investment Agreements with providers rated at least “A-” and “A3” by Standard & Poor’s and Moody’s, respectively, or equivalent by at least two NRSROs, provided that (i) the same collateral requirements as outlined in (G)(ii) are followed and (ii) if the provider is downgraded below “A-” and “A3”, or equivalent by at least two NRSROs, the agreement shall terminate at par plus accrued interest.

- I. Commercial paper rated “Prime-1” by Moody’s and “A-1+” by Standard & Poor’s, or equivalent by at least two NRSROs, and which matures no more than 270 days from the date of purchase and subject to the following limitations:
 - a. Only United States issuers of corporate (issued to provide working capital funding) commercial paper including U.S. issuers with a foreign parent; and
 - b. Limited-purpose trusts, structured investment vehicles (SIVs), asset-back commercial paper conduits, and any other type of specialty finance company, whose purpose is generally limited to acquiring and funding a defined pool of assets that are used to repay obligations, shall not constitute Qualified Investments.
- J. Bonds or notes issued by any state or municipality which are rated by any two NRSROs in one of the two highest long-term rating categories assigned by such agencies (without qualification by symbols “+” or “-” or a numerical notation).
- K. Federal funds or bankers’ acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” by Moody’s and “A-1” by Standard & Poor’s, or equivalent by at least two NRSROs.
- L. Repurchase Agreements.
- M. Forward delivery agreements with providers rated at least “AA” and “Aa2” by Standard & Poor’s and Moody’s, respectively, or equivalent by at least two NRSROs, provided that (i) permitted deliverables are limited to securities described in (A), (B) and (C) above and (ii) if the provider is downgraded below “AA” or “Aa2”, or equivalent by an NRSRO, the agreement shall terminate.
- N. Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest, rated “AAA” or equivalent by one of the NRSROs.

“Rating Agency” means Standard & Poor’s, Moody’s, Fitch or any other nationally recognized securities rating agency acceptable to the Authority and maintaining a credit rating with respect to the Bonds. Except as otherwise provided herein, if more than one Rating Agency maintains a credit rating with respect to the Bonds, then any action, approval or consent by or notice to a Rating Agency shall be effective only if such action, approval, consent or notice is given by or to all such Rating Agencies.

“Rebate Fund” means the fund so designated, created and established pursuant to Section 5.1 of the Indenture.

“Rebate Requirement” means the amount of moneys required to be rebated to the United States Department of the Treasury, the method of calculation of which is described in the Tax Regulatory Agreement.

“Record Date” means the fifteenth day of each June and December and to the extent interest is to be paid with respect to any Bonds on other than the regularly scheduled date therefor, the “Special Record Date” provisions of the Municipal Securities Rulemaking Board or the successor thereto shall apply.

“Redemption Fund” means the fund for the Bonds so designated, created and established pursuant to Section 5.1 of the Indenture.

“Redemption Price”, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture or any Supplemental Indenture.

“Refunded Bonds” means the Authority’s Revenue Bonds, Day Kimball Hospital Issue, Series A, dated November 1, 1995, and the outstanding construction loan from The Citizens National Bank to the Institution pursuant to a construction loan agreement, dated August 26, 2010 which are to be refinanced and refunded with proceeds of the Bonds.

“Refunding Escrow Deposit Agent” means U.S. Bank National Association, holding such office under the Refunding Escrow Deposit Agreement, as trustee for the Series A Bonds.

“Refunding Escrow Deposit Agreement” means the Refunding Escrow Deposit Agreement, dated as of June 1, 2013, by and between the Authority and the Refunding Escrow Deposit Agent and relating to the Series A Bonds.

“Refunding Escrow Deposit Fund” means the Refunding Escrow Deposit Fund established pursuant to the Refunding Escrow Deposit Agreement.

“Reorganizations” means any consolidation, merger or reorganization of any Obligated Group Member or a transfer of all or substantially all Property of any Obligated Group Member permitted pursuant to Section 5.18 of the Loan Agreement.

“Repurchase Agreement” means, unless otherwise consented to by the Authority, a written repurchase agreement entered into with a Qualified Financial Institution, a bank acting as a securities dealer or a securities dealer approved by the Authority which is listed by the Federal Reserve Bank of New York as a “Primary Dealer” and rated “AA” or “Aa2” or better by at least two of the NRSROs (unless a lower rating is consented to by the Authority) (a “Primary Dealer”), under which securities are transferred from a dealer bank or securities firm for cash with an agreement that the dealer bank or securities firm will repay the cash plus a yield in exchange for the securities on a specified date and under which (i) the Authority is the real party in interest and has the right to proceed against the obligor on the underlying obligations which must be obligations of, or guaranteed by, the United States of America; (ii) the term of which shall not exceed one hundred eighty (180) days, unless the Authority shall consent to a longer period; (iii) the collateral must be delivered to the Authority, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is

supplying the collateral) prior to or simultaneous with investment of moneys therein; (iv) such collateral is held free and clear of any lien by the Trustee or an independent third party acceptable by the Authority, acting solely as agent for the Trustee; and (v) the collateral shall be valued weekly, marked to market at current market prices plus accrued interest; provided that at all times the value of the collateral must at least equal the required percentage of the amount invested in the Repurchase Agreement. If the value of such collateral is less than the amount specified, the Qualified Financial Institution or Primary Dealer must invest additional cash or securities such that the collateral value of the amount invested thereafter at least equals as follows: (a) if collateralized by securities described in clause (A) or (B) of the definition of Qualified Investments, at least 104%, or (b) if collateralized by securities described in clause (C) of the definition of Qualified Investments, at least 105%.

“Resolution of the Authority” means a resolution duly adopted by the Authority.

“Revenues” means all amounts paid or payable to the Authority or to the Trustee for the account of the Authority (excluding fees and expenses payable to the Authority and the Trustee and the rights to indemnification of the Authority and the Trustee) under and pursuant to the Loan Agreement and the Note and as may be further described in a Supplemental Loan Agreement or a Supplemental Indenture.

“Rule 144A” means Regulation 230.144A of the Securities Act of 1933, as amended.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Series A Bonds” means the Authority’s Revenue Bonds, Day Kimball Healthcare Issue, Series A, dated November 1, 1995.

“Series A Note” means the Series A Note of the Obligated Group, dated as of November 1, 1995, given to the Authority and assigned by the Authority to the Trustee in connection with the Authority’s Revenue Bonds, Day Kimball Hospital Issue, Series A, in a principal amount equal to the principal amount of such bonds, to evidence the loan to the Institution from the Authority of the proceeds of such bonds.

“Series B Bonds” means the Authority’s Revenue Bonds, Day Kimball Healthcare Issue, Series B, authorized, issued and secured pursuant to the Indenture.

“Short-Term Indebtedness” means all Indebtedness for any of the following:

- (i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

- (iii) Payments under installment purchase contracts having an original term of one year or less.

“Sinking Fund Account” means the account for the Bonds so designated, created and established in the Debt Service Fund pursuant to Section 5.1 of the Indenture.

“Sinking Fund Installment” means the amount of money sufficient to redeem Bonds at the principal amount thereof in the amounts, at the times and in the manner set forth in the Indenture.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“State” means the State of Connecticut.

“Subordinated Indebtedness” means all obligations incurred or assumed by any Obligated Group Member, the payment of which is by its terms specifically subordinated to all payments due under the Loan Agreement and to payments on the Note, or the principal of and interest on which would not be paid (whether by the terms of such obligation or by agreement of the obligee) when any payments due under the Loan Agreement or the Note are in default or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented.

“Supplemental Indenture” means any indenture of the Authority modifying, altering, amending, supplementing or confirming the Indenture for any purpose, in accordance with the terms thereof.

“Supplemental Loan Agreement” means any agreement between the Authority and the Obligated Group amending or supplementing the Loan Agreement in accordance with the terms of the Indenture.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement, by and among the Authority, the Obligated Group and the Trustee, including all appendices, certificates and attachments thereto, executed on the date of issuance and delivery of the Bonds, as it may be amended from time to time.

“Total Operating Revenues and Nonoperating Revenues” means the sum of Operating Revenues and Nonoperating Revenues for the most recent Fiscal year, calculated in accordance with generally accepted accounting principles as then in effect.

“Transaction Test” means the Authority and the Trustee shall have received any one of the following:

- (i) An Officer's certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.35;
- (ii) a Consultant's opinion, report or certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period, assuming that the proposed transaction occurred at the beginning of the Historic Test Period and as such the proposed Long-Term Indebtedness, if any, is added to the then current aggregate outstanding principal amount of all Long-Term Indebtedness, is projected to be not less than 1.35; or
- (iii) (a) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period is not less than 1.35; and (b) a Consultant's opinion, report or certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.25.

Notwithstanding anything in the Loan Agreement to the contrary requiring a Consultant's opinion, report or certificate, projections of the Long-Term Debt Service Coverage Ratio may be made by an Officer's Certificate if (i) the Long-Term Debt Service Coverage Ratio for the Historic Test Period as shown by an Officer's Certificate exceeded 1.50; and (ii) the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected by an Officer's Certificate to exceed 1.50, unless the Authority, in its sole discretion, requires that such Long-Term Debt Service Coverage Ratio calculations be made or confirmed by a Consultant's opinion, report or certificate.

"Trustee" means U.S. Bank National Association and its successor or successors and any other entity which may at any time be substituted in its place pursuant to the Indenture.

"Upfront Fee" means the fee of \$5,000 payable by the Obligated Group to the Authority, upon the application for the issuance of the Bonds.

"Variable Rate Indebtedness" means Indebtedness that bears interest at a variable, adjustable, convertible or floating rate.

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Appendix D

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Appendix E

Excerpts From and Summaries of Certain Provisions of the Indenture

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**EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS
OF THE TRUST INDENTURE**

The following excerpts from and (where indicated by “Summary.”) brief summaries of certain provisions of the Trust Indenture do not purport to be complete and reference is made to the Trust Indenture for full and complete statements of such and all terms and provisions.

Granting Clauses [Summary.] Under the granting clauses of the Indenture, the Authority pledges to the Trustee, as security for the payment of the Bonds, the following trust estate:

(i) All right, title and interest of the Authority in and to the Loan Agreement, the Note and the Revenues (as defined herein) payable to the Authority or to the Trustee for the account of the Authority and to the moneys and securities deposited and held from time to time by the Authority or by the Trustee in the Funds and Accounts created hereunder (excluding fees and expenses payable to the Authority, moneys and securities held in the Rebate Fund, the Authority’s right to exercise the consent rights retained by the Authority pursuant to Section 10.8 of the Loan Agreement and the Authority’s rights as set forth in the Loan Agreement to indemnification and to receive notices subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture; and

(ii) Any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the Authority or the Obligated Group or by anyone on their behalf to the Trustee, including without limitation funds of the Obligated Group held by the Trustee and the Authority as security for the Bonds.

SECTION 1.2. INDENTURE, ANY SUPPLEMENTAL INDENTURE AND BONDS CONSTITUTE A CONTRACT. In consideration of the purchase and acceptance of any and all of the Bonds secured and issued under this Indenture: (i) this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of such Bonds; (ii) the pledge made herein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Owners from time to time of any and all Bonds all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof except as expressly provided in or permitted hereby or by the applicable Supplemental Indenture, if any; (iii) the Authority does hereby pledge and assign to the Trustee, for the benefit of the Owners of the Bonds, the trust estate, the Revenues and all moneys and securities from time to time held by the Trustee and the Authority in any of the funds and accounts established under the terms of this Indenture (other than the Rebate Fund), and all income and receipts earned thereon, subject to

the terms and provisions of this Indenture; (iv) the pledge made hereby shall be valid and binding from the time when the pledge is made and the Revenues and all income and receipts earned on funds held by the Trustee and the Authority hereunder (other than the Rebate Fund) and any further pledge of property under the applicable Supplemental Indenture, if any, shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof; and (v) the Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of Revenues and certain moneys and funds as provided hereby and by the applicable Supplemental Indenture, if any.

SECTION 2.3. DATE, MATURITIES AND INTEREST RATES OF BONDS.

The Bonds shall be dated as set forth in this Section 2.3, shall bear interest (computed on the basis of a 360 day year consisting of twelve 30 day months) from their date at the rates set forth below, payable semiannually on January 1 and July 1, (or if such date is not a Business Day, the next succeeding Business Day) commencing July 1, 2013.

SECTION 2.5. OPTIONAL REDEMPTION OF BONDS. The Bonds maturing on or before July 1, 2023 are not subject to optional redemption prior to maturity. The Bonds maturing after July 1, 2023 are subject to optional redemption prior to maturity commencing July 1, 2023 as a whole or in part at any time, at the option of the Authority, at the direction of the Authorized Obligated Group Representative, and in any maturity selected by the Authority at the direction of the Authorized Obligated Group Representative or by operation of the Redemption Fund, at a Redemption Price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date set for redemption.

If less than all of the Bonds of any maturity are to be so redeemed, the Bonds (or portions thereof) to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee. Redemption of any of the Bonds, in addition to the provisions set forth hereinabove, shall be effected in accordance with Article IV of this Indenture.

Notwithstanding anything to the contrary contained herein, in the event that any Bonds have been called for optional redemption pursuant to this Section, the Authorized Obligated Group Representative shall have the right to purchase such Bonds in lieu of a redemption thereof, at a price equal to the applicable redemption price of the Bonds so called for optional redemption, on the date such Bonds have been so called for optional redemption, and the payment of the redemption price of the Bonds so called for optional redemption shall be deemed in such event to be the payment of the purchase price of such Bonds to be purchased in lieu of such optional redemption and such Bonds may, at the option of the Authorized Obligated Group Representative, remain Outstanding under this Indenture or be cancelled. To exercise such right to purchase Bonds in lieu of optional redemption, the Authorized Obligated Group Representative shall give written notice of its intent to purchase Bonds pursuant to this Section to the Trustee and the Authority not later than 12:00 noon, New York City time, no later than the Business Day immediately preceding the applicable redemption date, which notice shall state whether such Bonds are to remain Outstanding or be cancelled, and the Authorized Obligated

Group Representative shall promptly confirm its purchase thereof in a written notice delivered to the Trustee and the Authority.

SECTION 2.7. SPECIAL REDEMPTION OF BONDS. (a) The Bonds shall be subject to special mandatory redemption in the event that (i) insurance or condemnation proceeds of \$25,000 or more resulting from any damage, destruction, casualty loss or condemnation with respect to the Mortgaged Premises shall be on deposit in the Redemption Fund pursuant to Section 4.2 of the Loan Agreement or (ii) excess Bond proceeds of \$25,000 or more and no longer needed for Costs of a Project shall be on deposit in the Redemption Fund pursuant to Section 5.3 hereof, in each case the Trustee shall apply, at the written direction of the Authority, such amounts to the redemption of Bonds as a whole or in part at any time at par, plus accrued interest thereon to the date set for redemption. Partial redemption of the Bonds shall be in any maturity or maturities (or any Sinking Fund Installment within a maturity) selected by the Authority at the direction of the Authorized Obligated Group Representative.

(b) If less than all of the Bonds of any maturity are to be so redeemed, the Bonds (or portions thereof) to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee. Redemption of any of the Bonds, in addition to the provisions set forth hereinabove, shall be effected in accordance with Article IV of this Indenture.

SECTION 3.1. SUBORDINATED BONDS. The Authority may also issue revenue bonds for any purpose permitted under the Act secured by a charge and lien on, and payable from, the Revenues which is junior, inferior and subordinate in all respects to the lien of the Revenues which secures the Bonds. Subordinated bonds may be issued pursuant to and in accordance with the provisions of a resolution of the Authority authorizing such bonds or otherwise as determined by the Authority and shall be issued pursuant to an instrument other than this Indenture.

SECTION 3.2. MEDIUM OF PAYMENT OF BONDS. The Bonds shall be payable as to principal and premium, if any, and interest thereon in lawful money of the United States of America. Payment of the interest on the Bonds shall be made to the person appearing on the registration books of the Authority provided for herein as the Bondowner thereof on the Record Date, by wire or by check or draft mailed by the Trustee to the Bondowner at his address as shown on such registration books of the Authority, kept by the Trustee unless an alternate method of payment is agreed to by the Trustee and the Bondowner, subject to the approval of the Authority, which approval shall not be unreasonably withheld. The principal or Redemption Price of Bonds shall be paid to the Bondowner upon presentation and surrender of the Bonds at the designated corporate trust office of the Trustee or in the manner provided in any Supplemental Indenture.

SECTION 3.3. LEGENDS. The Bonds may contain, or have endorsed thereon, such provisions, specifications and descriptive words not inconsistent with the provisions authorizing the issuance thereof, as may be necessary or desirable and as may be determined by the Authority prior to their authentication and delivery.

SECTION 3.4. EXECUTION AND AUTHENTICATION. The Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of an Authorized Officer of the Authority and sealed with its corporate seal (or a facsimile thereof), attested by the manual or facsimile signature of another Authorized Officer of the Authority who did not execute the Bonds. In case any officer whose signature appears on such Bonds shall cease to be such officer before delivery of such Bonds, such signature shall, nevertheless, be valid and sufficient for all purposes as if he had remained in office until such delivery. The Bonds when so executed shall be delivered to the Trustee for manual authentication by it, and the Trustee shall, upon written order of the Authority, signed by an Authorized Officer thereof, authenticate and deliver such Bonds as herein provided and not otherwise.

No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in Attachment A, duly executed by the Trustee, and such certificate of the Trustee, upon any Bond executed on behalf of the Authority, shall be conclusive evidence and the only evidence required that the Bonds so authenticated have been duly issued hereunder and that the owner thereof is entitled to the benefit of this Indenture. The certificate of the Trustee may be executed by any Authorized Officer of the Trustee.

SECTION 5.1. ESTABLISHMENT OF FUNDS AND ACCOUNTS. The following funds and separate accounts within funds are hereby established, held and maintained by the Trustee pursuant to the Indenture except for the Construction Fund which shall be held by the Authority:

- Construction Fund
 - Construction Account
 - Cost of Issuance Account
 - Capitalized Interest Account

- Debt Service Fund
 - Interest Account
 - Principal Account
 - Sinking Fund Account

- Debt Service Reserve Fund
- Redemption Fund
- Rebate Fund

Each Supplemental Indenture may contain provisions with respect to Funds and Accounts, and with respect to the Revenues and the application thereof, which are in addition to or in lieu of the provisions of this Article.

For accounting purposes only, the Funds and Accounts above may be further divided into subaccounts to facilitate, among other items, the disposition of Revenues.

SECTION 5.2. APPLICATION OF BOND PROCEEDS AND ALLOCATION THEREOF. (a) All moneys received by the Authority from the sale of the Bonds shall be

simultaneously disbursed in such amounts and in such manner as directed in writing by an Authorized Officer of the Authority as follows:

FIRST: Accrued interest, if any, derived from the sale of the Bonds shall be deposited in the Interest Account, and used for the purpose of paying interest on the Bonds as the same becomes due and payable;

SECOND: The amount which, when added to the amount, if any, on deposit in the Debt Service Reserve Fund, shall cause the amount on deposit therein to be equal to the Debt Service Reserve Fund Requirement, shall be deposited in the Debt Service Reserve Fund;

THIRD: The amount necessary to pay principal, interest and premium, if any, to the respective redemption dates of the Refunded Bonds shall be delivered to the Refunding Escrow Deposit Agent, and Citizens National Bank, as applicable; and

FOURTH: The balance of the proceeds shall be transferred or deposited in the amounts and to the Accounts in such of the Funds established by Section 5.1 above as directed in writing by an Authorized Officer of the Authority.

The proceeds of the sale of the Bonds shall be and constitute trust funds for the purposes hereinabove provided and there is hereby created a lien upon such moneys, until so applied, in favor of the Trustee for the benefit of the Owners of the Bonds. The Authority, at the direction of the Institution and subject to the limitations set forth in the Tax Regulatory Agreement, may transfer funds between the Cost of Issuance Account and the Construction Account.

(b) The Trustee may for administrative purposes establish a fund hereunder to receive funds to be simultaneously transferred in accordance with this Section 5.2.

SECTION 5.3. APPLICATION OF MONEYS IN THE CONSTRUCTION FUND. (a) As soon as practicable after the delivery of the Bonds, the Authority shall pay from the Cost of Issuance Account to the firms, corporations or persons entitled thereto the Cost of Issuance of the Authority relating to the issuance of such Bonds solely from moneys (which shall include, with respect to the payment of Cost of Issuance for the Bonds, moneys paid to the Authority by the Obligated Group) deposited in the Cost of Issuance Account with the Authority. Amounts on deposit in the Cost of Issuance Account shall also be applied, as soon as practicable following delivery of the Bonds, to the payment to the Authority of the Upfront Fee. Any moneys remaining on hand in the Cost of Issuance Account upon payment of all Costs of Issuance shall be (i) paid to the Authorized Obligated Group Representative (or applied at the direction of the Authorized Obligated Group Representative) to the extent such moneys represent amounts contributed by the Obligated Group (and not proceeds of the Bonds) to the payment of Costs of Issuance, and (ii) otherwise transferred to the Construction Account if the Project is not completed, and if not so needed in the Construction Account, shall be transferred to the Trustee for deposit into the Interest Account, Principal Account and/or the Sinking Fund Account of the Debt Service Fund as directed in writing by an Authorized Officer of the Authority.

(b) Except as otherwise provided in this Article V or in any Supplemental Indenture, any moneys deposited in an Account within the Construction Fund shall be used only to pay the Costs of or relating to the Project to which this Indenture, or a project defined in such Supplemental Indenture, relates, including reimbursement to the Obligated Group for such Costs paid by the Obligated Group in connection with the Project and approved by the Authority; provided, however, that to the extent an Event of Default described in clause (a) or (b) of Section 8.1 hereof shall have occurred and be continuing and no other moneys are available under this Indenture to cure such Event of Default, moneys on deposit in the Construction Fund shall be applied in accordance with Section 8.4 hereof; provided further, however, that to the extent an Event of Default described in clause (c), (d) or (e) of Section 8.1 hereof shall have occurred and be continuing and no other moneys are available under this Indenture to cure such Event of Default, unless the owners of not less than a majority in principal amount of the Outstanding Bonds shall have consented in writing otherwise, moneys on deposit in the Construction Fund shall be applied in accordance with Section 8.4 hereof.

(c) Payments pursuant to paragraph (a) of this Section shall be made in accordance with a requisition submitted to the Authority by the Obligated Group signed by the Authorized Obligated Group Representative stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Payments pursuant to paragraph (b) of this Section shall be made in accordance with a requisition submitted to the Authority by the Obligated Group signed by the Authorized Obligated Group Representative, substantiated by a certificate filed with the Authority describing in reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the Cost of such Project to which such certificate relates, such substantiating certificate to be signed by: (i) the architect for the Project, in the case of payments for constructing the Project; or (ii) the Authorized Obligated Group Representative in the case of the acquisition or refinancing of, or equipping the Project and other expenses and reimbursements; or (iii) the Authorized Obligated Group Representative if for payment of interest on the Bonds. The Authority shall be entitled to review and approve any such requisition submitted by the Authorized Obligated Group Representative.

(d) Upon completion of the Project as evidenced in accordance with the next succeeding paragraph, or if the Project is deemed complete, and upon payment in full of all Project costs and receipt of satisfactory lien waivers from all contractors, subcontractors, suppliers, and others having the right to file a mechanic's lien and satisfaction of all requirements for disbursement from the Construction Fund set forth in Section 3.3 of the Loan Agreement, the Authority shall transfer the balance in the Construction Fund to the Trustee. The Trustee shall deposit the amounts so received first, to make up any deficiency in the Debt Service Reserve Fund and second, to the Principal Account of the Debt Service Fund, to the Interest Account of the Debt Service Fund, to the Sinking Fund Account of the Debt Service Fund or to the Redemption Fund, as the Authority shall direct in writing. Such payment if deposited in the Debt Service Fund shall be applied as a credit against the next due payment of the principal or interest portion of debt service from the Institution or, if deposited in the Redemption Fund, shall be applied either to the purchase or redemption of Bonds as provided in Section 5.7 hereof.

Completion of the Project shall be determined by certificates signed by the architect for the Project and the Authorized Obligated Group Representative and delivered after the date of

completion to the Trustee, the Authority and the Authorized Obligated Group Representative. Such certificate signed by the architect for the Project shall state that the Project has been completed in accordance with the Project Plans and applicable laws, codes, and regulations, describe it in terms sufficient for identification, and specify the date of completion. In the case of the acquisition of the Project or any part thereof, completion of such acquisition shall be evidenced by a certificate signed by the Authorized Obligated Group Representative and delivered within ten (10) days after the date of completion of such acquisition to the Authority and to the Trustee.

(e) The Authority shall transfer to the Trustee from moneys, if any, on deposit in the Capitalized Interest Account for deposit by the Trustee to the Interest Account of the Debt Service Fund, on the second Business Day next preceding each Interest Payment Date the amounts therein which are to be applied to the payment of interest on the Bonds on such date in accordance with a schedule therefor set forth in a certificate of an Authorized Officer of the Authority delivered at or prior to the issuance of the Bonds.

(f) The Authority, in its discretion if and when requested by the Authorized Obligated Group Representative, may also transfer, from moneys on deposit in the Capitalized Interest Account for deposit to the Construction Account of the Construction Fund or to the Trustee to deposit to the Interest Account of the Debt Service Fund, and in such case a revised schedule for payments of interest from the Capitalized Interest Account shall be provided, or caused to be provided, to the Trustee by the Authority.

SECTION 5.4. DEPOSIT OF REVENUES AND ALLOCATION THEREOF.

The Revenues received pursuant to the Loan Agreement or the Note and any other moneys required by any of the provisions of this Indenture to be paid or transferred to the Trustee shall be promptly paid or transferred to the Trustee.

Notwithstanding any other provisions of this Indenture, moneys received by the Trustee as an optional prepayment pursuant to Section 2.4 of the Loan Agreement shall be applied in the following order: first, if a deficiency then exists in the Debt Service Reserve Fund as determined pursuant to Section 5.10 hereof, such moneys shall be deposited in the Debt Service Reserve Fund up to the amount of any such deficiency; second, after any of the above deposits are made, then deposited in the Redemption Fund if the Bonds are then subject to redemption, or otherwise in the Debt Service Fund for payment of the next due principal of or interest on the Bonds.

Subject to the prior paragraph of this Section, moneys paid or transferred to the Trustee shall on or before the next Business Day after receipt thereof be applied as follows and in the following order of priority:

FIRST: To the Interest Account, the amount equal to one-sixth (1/6) of the interest becoming due on the Outstanding Bonds on the next Interest Payment Date of the Bonds (after taking into account available funds, if any, on deposit in the Capitalized Interest Account of the Construction Fund which are scheduled to be transferred to the Trustee pursuant to Section 5.3(e) hereof prior to such Interest Payment Date);

SECOND: To the Principal Account, the amount equal to one-twelfth (1/12) of the principal amount becoming due on the Bonds on the next succeeding principal payment date, after taking into account any amounts on deposit therein available for the payment thereof;

THIRD: To the Sinking Fund Account, the amount equal to one-twelfth (1/12) of the next succeeding Sinking Fund Installment applicable to the Bonds, after taking into account any amounts on deposit therein available for the payment thereof;

FOURTH: To the Rebate Fund to the extent required, amounts necessary in any year so as to meet the Rebate Requirement of the Rebate Fund, as directed in writing by the Authority to the Trustee;

FIFTH: To the Debt Service Reserve Fund, the amount, if any, required by the Loan Agreement to be paid by the Obligated Group to replenish any "deficiency" in the Debt Service Reserve Fund, as is necessary to make the total of the amounts on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement; and

SIXTH: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditure of the Authority for insurance, fees and expenses of auditing, and fees and expenses of the Trustee, all as required by this Indenture and not otherwise paid or caused to be paid or provided for by the Obligated Group; (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the loan to the Institution and the issuance of the Bonds, including penalties for late payments and all expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement in accordance with the terms thereof; (iii) the Annual Administrative Fee; and (iv) any other amounts due and payable by the Obligated Group to the Authority pursuant to the Loan Agreement - but only upon receipt by the Trustee from the Authority of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph SIXTH.

After making the payments required by paragraphs FIRST, SECOND, THIRD, FOURTH, FIFTH and SIXTH above, any balance remaining shall be paid, as the Authority may direct, to the Debt Service Fund and credited against the next due payment of debt service from the Institution (provided the amount in the Debt Service Fund may not exceed the amount of debt service due on the Bonds during the next twelve months) or to the Redemption Fund and applied by the Trustee to the purchase or redemption of Bonds.

In lieu of redeeming Bonds through Sinking Fund Installments as provided in clause THIRD of the third paragraph of this Section 5.4 and Section 2.6 hereof, the Authority may elect to do either of the following:

(A) The Authority may direct the Trustee in writing or by Electronic Means to apply moneys from time to time on deposit in the Sinking Fund Account to the purchase of an equal principal amount of Bonds (of the maturity and in amounts then subject to redemption through Sinking Fund Installments) at prices not higher than the principal amount to be redeemed plus

accrued interest, provided that firm commitments to sell Bonds are received at least five (5) Business Days before the notice of redemption would otherwise be required to be given; provided further, that in the event of purchases at purchase prices less than the principal amount to be redeemed plus accrued interest, the difference between the amount in the Sinking Fund Account representing the principal amount of the Bonds purchased and the purchase price (exclusive of accrued interest) shall be deposited in the Debt Service Fund for application pursuant to the paragraphs SECOND or THIRD above as directed by the Authority; provided further, that prior to any such purchase, the Authority shall give written directions to the Trustee to purchase such Bonds; or

(B) The Authority (upon request therefor from the Authorized Obligated Group Representative or as the Authority shall so determine) may deliver to the Trustee for cancellation Bonds of the maturity then subject to redemption by Sinking Fund Installments at least five (5) Business Days before the notice of redemption would otherwise be required to be given, in which event to the extent of the principal amount of Bonds so surrendered (i) no deposit from the Authority into the Sinking Fund Account need be made and (ii) no such redemption from Sinking Fund Installments shall occur.

So long as beneficial ownership interests in the Bonds are held through the book-entry-system, any purchase or delivery of such Bonds as set forth in such clauses (A) and (B) above shall be deemed to have occurred upon the purchase or delivery of beneficial ownership interests in such Bonds made pursuant to the provisions hereof.

SECTION 5.5. APPLICATION OF MONEYS IN THE DEBT SERVICE FUND. The Trustee shall transfer moneys out of the Interest Account on each Interest Payment Date for the payment of interest then due on the Bonds. The Trustee shall pay out of such Interest Account any amounts required for the payment of accrued interest upon any redemption or purchase of the Bonds.

The Trustee shall transfer moneys out of the Principal Account or the Sinking Fund Account on each principal maturity date or Sinking Fund Installment date for the payment of the principal amount of the Bonds or Sinking Fund Installment then due. The Trustee shall pay out of the Sinking Fund Account any amounts directed by the Authority for the purchase of Bonds pursuant to Section 5.4 hereof.

SECTION 5.6. APPLICATION OF MONEYS IN THE DEBT SERVICE RESERVE FUND. If on any Interest Payment Date the amount in the Interest Account shall be less than the amount of interest due on the Bonds or if on any July 1 the amount in the Principal Account or Sinking Fund Account, as the case may be, shall be less than the amount of principal or Sinking Fund Installment, as the case may be, then due on the Bonds, the Trustee forthwith shall transfer moneys from the Debt Service Reserve Fund, first, to the Interest Account, and second, to the Principal Account or Sinking Fund Account, as the case may be, to the extent necessary to make good the deficiency or deficiencies.

At the time of any withdrawal from the Debt Service Reserve Fund, the Trustee shall promptly notify the Authority and the Institution of the amount of any such withdrawal.

Notwithstanding Section 5.4 of this Indenture and Section 2.2 of the Loan Agreement, in the event that any moneys shall be withdrawn from the Debt Service Reserve Fund for payments into the Interest Account, Principal Account or Sinking Fund Account and a “deficiency” as defined in Section 5.10 hereof exists therein, such withdrawals shall be subsequently restored by the Obligated Group as provided in Section 2.2(d) of the Loan Agreement and otherwise from the first Revenues or funds available after all required payments have been made into the Interest Account, Principal Account, Sinking Fund Account and Rebate Fund, including any deficiencies for prior payments.

SECTION 5.7. APPLICATION OF MONEYS IN THE REDEMPTION FUND. (a) If the Trustee at any time shall determine by computation that a “deficiency,” as that term is used in Section 5.10 hereof, exists in the Debt Service Reserve Fund, the Trustee shall transfer from moneys in the Redemption Fund (other than moneys required to pay the Redemption Price of any Bonds theretofore called for redemption and moneys required for the purchase of any Bonds theretofore contracted to be purchased), to the Debt Service Reserve Fund the amount, to the extent available, necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement.

(b) Moneys in the Redemption Fund derived from optional prepayment of the loan pursuant to Section 2.4 of the Loan Agreement shall, at the written direction of the Authority, at the direction of the Institution, be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, thereon to the date set for redemption, in accordance with Section 2.5 hereof.

(c) Moneys in the Redemption Fund derived from insurance or condemnation proceeds pursuant to Section 4.2 of the Loan Agreement or from transfers from the Construction Fund pursuant to Section 5.3 hereof shall be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, on the date set for redemption, in accordance with Section 2.7 hereof.

(d) Subject to the provisions of paragraphs (a), (b) and (c) hereof, moneys in the Redemption Fund may be applied to the purchase of Bonds at purchase prices not exceeding the Redemption Price applicable to the Bonds to be purchased plus accrued interest due, in such manner as the Authority may direct. Bonds so purchased shall be cancelled by the Trustee.

(e) Moneys in the Redemption Fund may be applied to the purchase of Bonds in lieu of redemption in accordance with Section 2.7 hereof.

(f) Any excess moneys on deposit in the Redemption Fund and not needed to pay the Redemption Price of Bonds called for redemption shall be applied as the Authority shall direct in writing, and shall be either (i) with the written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, paid to the Institution, (ii) deposited to the Principal Account of the Debt Service Fund, the Interest Account of the Debt Service Fund, or the Sinking Fund Account of the Debt Service Fund, or (iii) applied to the optional redemption of Bonds in accordance with Section 2.5 hereof.

SECTION 5.8. APPLICATION OF MONEYS IN THE REBATE FUND. All amounts to be deposited into the Rebate Fund and all amounts on deposit in the Rebate Fund shall be paid, as necessary, to the United States Department of the Treasury at the times and in the amounts required by the Tax Regulatory Agreement as shall be directed in writing or by Electronic Means by the Authority. Upon the Final Computation Date, if the Rebate Amount (as such terms are defined in the Tax Regulatory Agreement), as certified to the Trustee by the Authority, is less than the amount on deposit in the Rebate Fund, the Trustee shall withdraw from the Rebate Fund and transfer to the Institution an amount, as directed by the Authority, not to exceed the amount in the Rebate Fund in excess of the Rebate Amount.

SECTION 5.9. INVESTMENT OF MONEYS. Any moneys held in any of the funds or accounts established hereunder shall be invested by the Trustee, as directed by the Authority in a written order signed by an Authorized Officer thereof, or by the Authority, but only as follows:

(a) Moneys in the Debt Service Fund only in Qualified Investments, except those listed in items C, I, K, M and N of the definition thereof, maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such Fund;

(b) Moneys in the Redemption Fund only in Qualified Investments, except those listed in items C, I, K, M and N of the definition thereof, maturing or redeemable at the option of the owner not later than the next succeeding date on which the Bonds are subject to redemption;

(c) Moneys in the Debt Service Reserve Fund only in obligations maturing or redeemable at the option of the owner not later than five years after their deposit into the Debt Service Reserve Fund, and in any event not later than the last maturity date of the Bonds, which are Qualified Investments, except those listed in items C, I, K and N of the definition thereof;

(d) Notwithstanding anything to the contrary in this Indenture, moneys in the Rebate Fund only in Qualified Investments listed in items A, D, E, F and L of the definition thereof maturing or redeemable at the option of the owner not later than the date the next payment of rebate is due and only in accordance with the Tax Regulatory Agreement; and

(e) Subject to the provisions of the Act, any moneys held by the Authority in the Construction Fund may be invested by an Authorized Officer of the Authority only in Qualified Investments.

Notwithstanding any other provisions of this Indenture concerning the requirement that all investment instructions shall be given to the Trustee or any depository by the Authority, in the event that the Trustee has not received instructions from the Authority to invest any moneys remaining in any Fund or Account hereunder, the Trustee or any such depository shall daily deposit such moneys in Qualified Investments listed in item D of the definition thereof, to the extent such investment is reasonably available.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Any securities or investments held by the Trustee shall be transferred by the Trustee, if requested in writing by an Authorized Officer of the Authority, from any of the funds or accounts mentioned in this Section to any other of the funds or accounts mentioned in this Section at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such transfer or transfers the investments in each such fund or account shall be in accordance with the provisions as stated in this Section.

Unless otherwise directed by the Authority, interest earned, profits realized and losses suffered by reason of any investment shall be credited or charged, as the case may be, to the Fund or Account for which such investment shall have been made, except that, prior to the earlier of completion of the Project or two (2) years after the date of issuance of the Bonds, investment income on amounts, if any, on deposit in the Debt Service Reserve Fund shall be transferred to the Construction Account of the Construction Fund. After such date, investment income from the Debt Service Reserve Fund shall be transferred to the Interest Account of the Debt Service Fund.

Notwithstanding the foregoing, the Authority reserves the right to direct the transfer of arbitrage interest earned on Bond proceeds to the Rebate Fund, which amounts shall be applied in accordance with Section 5.8 hereof.

The Trustee and the Authority may sell or redeem any obligations in which moneys shall have been invested, to the extent necessary to provide cash in the respective funds or accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys, securities or investments between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of this Article.

In computing the value of the assets in any fund or account hereunder, the Trustee and the Authority, if required hereunder to value any fund or account under its control, shall value such assets at the current market value thereof. In computing such value, accrued interest on any investment shall be deemed a part thereof.

Neither the Trustee nor the Authority shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts shall be invested, as aforesaid, or for any loss arising from any investment permitted hereunder.

SECTION 5.10. DEFICIENCIES AND SURPLUSES IN DEBT SERVICE RESERVE FUND. For the purposes of this Section: (i) a “deficiency” shall mean in the case of the Debt Service Reserve Fund, that the amount on deposit therein is less than the Debt Service Reserve Fund Requirement, and (ii) a “surplus” shall mean in the case of the Debt Service Reserve Fund, that the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement.

At the time of any withdrawal from the Debt Service Reserve Fund the Trustee shall promptly compute, in the manner set forth in Section 5.9, the value of the remaining assets thereof, and the Trustee shall promptly notify the Authority and the Authorized Obligated Group Representative of the amount of any deficiency.

The Trustee, as of the close of business on each June 30 and December 31, shall compute, in the manner set forth in Section 5.9, the value of the assets of the Debt Service Reserve Fund. The Trustee shall as promptly as practicable after such June 30 and December 31, but in any case not later than the third Business Day subsequent to such valuation, notify the Authority, the Bondowners, and the Authorized Obligated Group Representative in writing as to the result of such computation and the amount of any surplus or deficiency as of June 30 and December 31 in the Debt Service Reserve Fund. The Trustee shall as promptly as practicable, but only after direction from the Authority and with the written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, transfer the amount directed by the Authority up to the amount of any surplus, which as the result of such computation may be shown to exist in such Fund as of such June 30 and December 31, from the Debt Service Reserve Fund for application as Revenues as provided for in Section 5.4 hereof. The Authority shall have complete discretion as to whether or not it directs that any such surplus be so transferred.

The Authority covenants that the amount of any deficiency existing as of June 30 and December 31 and following any withdrawal, as mentioned in the two preceding paragraphs, shall be included as a part of the payments due to the Trustee for the account of the Authority for the portion of the Bond Year immediately succeeding such valuation date or withdrawal payable in accordance with the Loan Agreement.

Deficiencies in the amount on deposit in the Debt Service Reserve Fund shall be restored by the Institution as provided in Section 2.2(d) of the Loan Agreement.

SECTION 5.11. APPLICATION OF MONEYS IN CERTAIN FUNDS FOR RETIREMENT OF BONDS. Notwithstanding any other provisions of this Indenture and any Supplemental Indenture, if at any time the amounts held in the Debt Service Fund, the Debt Service Reserve Fund and the Redemption Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accruing on such Bonds to the next date when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Authorized Obligated Group Representative. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by this Indenture and any Supplemental Indenture, and in such event all provisions of Section 12.1 hereof shall be operative.

SECTION 6.1. PAYMENT OF PRINCIPAL AND INTEREST. The Authority shall pay or cause to be paid the principal or Redemption Price of and interest on every Bond on the date and at the places and in the manner mentioned in such Bonds according to the true intent and meaning thereof solely from the sources provided herein, and to the extent moneys are available from Revenues.

SECTION 6.2. REVENUES. The Authority covenants that the Loan Agreement shall provide that the Obligated Group shall pay amounts sufficient to provide Revenues sufficient at all times: (i) to pay the principal of and interest on the Bonds as the same respectively become due and payable by redemption or otherwise; (ii) to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement to the extent required

herein; and (iii) to pay the expenditures of the Authority and the Trustee incurred in relation to this Indenture.

SECTION 6.3. ACCOUNTS. The Authority shall keep proper books of records and accounts in which complete and correct entries shall be made of its transactions relating to the Institution's facilities and this Indenture, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Trustee, the Obligated Group or of any owner of a Bond or of the owner's representative duly authorized in writing.

SECTION 6.4. INDEBTEDNESS AND LIENS. (a) The Authority, so long as any Bonds shall be Outstanding, shall not issue any bonds, notes or other evidence of indebtedness, other than Bonds issued in accordance with the provisions of Article III hereof, secured on a parity with the Bonds by any pledge of or other lien or charge on the Revenues or other moneys, securities or funds paid or to be paid to or held or set aside or to be held or set aside by the Authority or the Trustee under this Indenture and any Supplemental Indenture. The Authority shall not create or cause to be created any lien or charge on the Revenues or such moneys or securities or funds, other than the lien and pledge on the Revenues or such moneys, securities or funds created or permitted by this Indenture and any Supplemental Indenture. Notwithstanding the foregoing and subject to compliance by the Obligated Group with the provisions of the Loan Agreement relating to the incurrence of Indebtedness, the Authority may issue other bonds, notes and other evidences of indebtedness on behalf of the Obligated Group pursuant to one or more trust indentures, other than this Indenture, which are on a parity with or subordinate to the Bonds and any other indebtedness of the Authority issued on behalf of the Obligated Group on a parity or subordinate basis therewith.

SECTION 6.5. THE LOAN AGREEMENT AND THE MORTGAGE; AMENDMENT AND EXECUTION. The Loan Agreement and the Mortgage and any supplements or modifications thereto shall be executed in at least three counterparts. An executed counterpart shall be filed in the office of the Authority and in the office of the Trustee, and an executed counterpart delivered to the Authorized Obligated Group Representative. The Loan Agreement and the Mortgage may be amended or supplemented without Bondowner consent, provided such amendment or supplement does not cause the Authority to violate any of its covenants and agreements under this Indenture. The Authority agrees not to enter into any amendment or supplement to the Loan Agreement or consent to any amendment or supplement to the Mortgage, which amendment or supplement would materially prejudice the rights and interests of the Owners of the Bonds, without the consent of the Owners, obtained as provided in Section 11.2 hereof, of at least a majority in aggregate principal amount of all Outstanding Bonds affected thereby; provided, however, that no such amendment or supplement which would change the amount or time as to which loan payments are required to be paid under the Loan Agreement shall be entered into without the consent of the Owners of all of the then Outstanding Bonds who would be affected by such amendment. Notwithstanding the foregoing, the Authority reserves the right to waive any provision of the Loan Agreement provided such waiver does not cause the Authority to violate any of its covenants or agreements under this Indenture. The Authority covenants not to enter into any amendment or modification of the Loan Agreement without filing an executed copy thereof with the Trustee. The Authority

covenants for the benefit of the Bondowners not to void the Loan Agreement or any other Obligated Group Document pursuant to the provisions of Connecticut Public Act No. 07-1.

SECTION 6.6. TAX COVENANTS. (a) The Authority covenants to comply with the Tax Regulatory Agreement.

(b) The Authority covenants that it shall not knowingly make nor direct the Trustee to make any investment or other use of the proceeds of the Bonds issued hereunder that would cause such Bonds to be “arbitrage bonds” as that term is defined in Section 148(a) of the Code. The Trustee covenants that in those instances after the occurrence of an Event of Default where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with the foregoing covenants.

(c) The Authority covenants that it (i) will take, or use its best efforts to require to be taken, all actions that may be required of the Authority for the interest on the Bonds to be and remain not included in gross income for federal income tax purposes and (ii) will not take or authorize to be taken any actions within its control that would adversely affect such status under the provisions of the Code.

SECTION 7.3. RESPONSIBILITIES OF TRUSTEE. (a) The recitals contained in this Indenture, any Supplemental Indenture and in the Bonds shall be taken as the statements of the Authority and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture, any Supplemental Indenture or of the Bonds or in respect of the security afforded by this Indenture or any Supplemental Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee; or (iv) the recording or rerecording, registration or reregistration, filing or refiling of this Indenture or any security documents contemplated thereby, provided, however, the Trustee shall be responsible for the filing of Uniform Commercial Code continuation statements; or (v) the validity of the execution by the Authority of this Indenture; or (vi) compliance by the Authority with the terms of this Indenture. The Trustee may require of the Authority full information and advice regarding the performance of the covenants, conditions and agreements contained in this Indenture. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct, or failure to comply with the provisions of this Indenture.

(b) Except as otherwise provided in this Indenture, the Trustee shall not be bound to recognize any person as a holder of any Bond or to take action at such person’s request, unless such person shall be the Bondowner of such Bond. Any action duly taken by the Trustee pursuant to this Indenture upon the request, authority or consent of any person who at the time of making such request or giving such authority or consent is the Bondowner of any Bond secured hereby shall be conclusive and binding upon all future Bondowners of such Bond.

(c) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. In the case of an event of default specified in Article VIII hereof, which event of default has not been cured or waived and of which the Trustee is deemed to have knowledge, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) The Trustee shall not be charged with knowledge of any event hereunder unless an officer or administrator in the Trustee's corporate trust department has actual knowledge of such event.

(e) The Trustee, upon receipt of documents furnished to it by or on behalf of the Authority or the Institution pursuant to this Indenture, shall examine the same to determine whether or not such documents conform to the requirements of this Indenture.

(f) Except as otherwise expressly provided by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to the Bondowner of any Bond and the Trustee shall not incur any liability for its failure or refusal to give or furnish the same unless obligated or required to do so by an express provision hereof. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. The Trustee shall incur no liability in respect of any action taken or omitted by it in good faith without negligence in accordance with the direction of the Bondowners of the percentage of the Bonds specified herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(g) Subject to Section 8.6 hereof, in the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Bondowners, each representing less than a majority of the aggregate principal amount of the Bonds then Outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(h) The Trustee shall not be liable for interest on any funds deposited with it hereunder, except as provided herein or as the Trustee may otherwise specifically agree in writing.

(i) In acting or in omitting to act pursuant to the provisions of the Loan Agreement, the Trustee shall be entitled to the rights and immunities accorded by the terms of this Indenture.

SECTION 7.4. PROPERTY HELD IN TRUST. All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be and hereby are assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

SECTION 7.5. EVIDENCE ON WHICH TRUSTEE MAY ACT. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate,

report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, acceptable to Trustee, who may or may not be counsel to the Authority, and may rely on an opinion of such counsel. Any such opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered, or any action not taken, by it in good faith and in accordance therewith, and the Trustee shall not be liable for any action taken or omitted in good faith in reliance on such opinion of counsel. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or not taking any action under this Indenture, such matter (unless other evidence in respect thereof be hereby specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Authority or, if applicable, the Authorized Obligated Group Representative. Such certificate shall be full warrant for any action taken or suffered, or any action not taken, in good faith under the provisions hereof, but the Trustee may (but shall not be required to) in addition thereto or in lieu thereof require or accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Trustee shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

SECTION 7.6. COMPENSATION AND INDEMNIFICATION. Unless otherwise provided by contract with the Trustee, the Authority shall pay or cause to be paid to the Trustee after reasonable notice to the Authority in light of the compensation sought to be received, reasonable compensation for all services rendered by it hereunder, including, if applicable, its services as registrar, paying agent and transfer agent, and also all its reasonable expenses, charges, counsel fees, expenses and other disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Authority shall indemnify and save the Trustee harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence, misconduct or failure to comply with the provisions of this Indenture. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Authority under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Trustee shall survive the satisfaction and discharge of this Indenture, provided that the Authority shall only be required to pay obligations pursuant to this Section from monies received from the Obligated Group. If the monies from the Obligated Group are not adequate to pay such obligations, the Trustee may, upon written notice to the Authority, reimburse itself from any moneys in its possession under the provisions of this Indenture (other than monies on deposit in the Rebate Fund, or any money on deposit in any irrevocable trust or escrow fund established with respect to any defeased Bonds) and shall be entitled to a preference therefor over any of the Bonds Outstanding hereunder.

SECTION 7.7. PERMITTED ACTS. The Trustee may become the owner of or may deal in Bonds or may deal with the Authority or with the Obligated Group as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository for, and permit

any of its officers or directors to act as a member of, or in any other capacity with respect to, the Authority or any committee formed to protect the rights of Bondowners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the Owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

SECTION 7.8. RESIGNATION OF TRUSTEE. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days' written notice to the Authority, the Institution and the Bondowners, specifying the date when such resignation shall take effect, provided such resignation shall not take effect until a successor shall have been appointed by the Authority or a court of competent jurisdiction as provided in Section 7.10 and shall have accepted such appointment.

SECTION 7.9. REMOVAL OF TRUSTEE. If no Event of Default under this Indenture shall have occurred and be continuing, the Trustee, or any successor thereof, may be removed with or without cause at any time by the owners of a majority in principal amount of Outstanding Bonds, upon notice to and with the written consent of the Authority, which consent shall not be unreasonably withheld. In the event the Authority shall fail to communicate the withholding of its consent within seven (7) Business Days of its receipt of such notice, the Authority shall be deemed to have consented to such removal. Upon an Event of Default under this Indenture, the Trustee, or any successor thereof, may be removed with or without cause by the owners of a majority in principal amount of Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys in fact duly authorized and delivered to the Authority, provided that such removal shall not take effect until a successor is appointed. Such removal shall take effect upon the date a successor shall have been appointed by the owners of a majority in principal amount of Outstanding Bonds or a court of competent jurisdiction as provided in Section 7.10 and shall have accepted such appointment. Copies of each instrument providing for any such removal shall be delivered by the Authority or the Bondowners, respectively, to the Institution and the Trustee and any successor thereof.

SECTION 7.10. SUCCESSOR TRUSTEE. In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge of control of the Trustee, or of its property or affairs, the owners of a majority in principal amount of Outstanding Bonds, upon notice to and with the written consent of the Authority, which consent shall not be unreasonably withheld, shall forthwith appoint a Trustee to act. In the event the Authority shall fail to communicate the withholding of its consent within seven (7) Business Days of its receipt of such notice, the Authority shall be deemed to have consented to the appointment of such successor. Notice of any such appointment shall be delivered by the Authority to the Trustee so appointed, the predecessor Trustee and the Institution. If in such case the Bondowners do not act to appoint a successor within thirty (30) days of the occurrence of such event or condition, the Authority, shall forthwith appoint a Trustee to act. The Authority shall give or cause to be given written notice of any such appointment to the Bondowners.

If in a proper case no appointment of a successor shall be made within forty five (45) days after the giving of written notice in accordance with Section 7.11 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor.

Any successor appointed under the provisions of this Section shall be a bank or trust company or national banking association which is able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by this Indenture, which is approved by the Authority (unless an event of default under Section 8.1 exists in which case a successor shall be appointed by the owners of a majority in principal amount of Outstanding Bonds or by a court pursuant to the above paragraph, or unless a successor is appointed by a court pursuant to the above paragraph) and which has a combined capital and surplus aggregating at least \$50,000,000 (or such other financial resources acceptable to the Authority in its sole discretion), if there be such a bank or trust company or national banking association willing to serve as Trustee hereunder.

SECTION 8.1. EVENTS OF DEFAULT. Each of the following events is hereby declared an “Event of Default” hereunder (herein called an “Event of Default”):

(a) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bonds shall not be made when the same shall become due and payable; or

(c) Any proceeding shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty five percent (25%) in principal amount of the Outstanding Bonds; or

(e) An Event of Default shall have occurred under the Loan Agreement or under any other Obligated Group Document (other than the Continuing Disclosure Agreement); or

SECTION 8.2. ACCELERATION OF MATURITY. Upon the happening of any Event of Default specified in Section 8.1, the Trustee may, and shall, upon the written request of the owners of not less than a majority in principal amount of the Outstanding Bonds,

declare an acceleration of the payment of principal on the Bonds. All such declarations shall be by a notice in writing to the Authority and the Institution, declaring the principal of all of the Outstanding Bonds to be due and payable immediately. Upon the giving of notice of such declaration of acceleration such principal shall become and be immediately due and payable, and if principal of the Bonds is so paid in full upon acceleration, all interest on the Bonds shall cease to accrue, anything in the Bonds or in this Indenture to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee, may, with the written consent of the owners of not less than a majority in principal amount of the Bonds not then scheduled to be due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of principal and interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date and the principal of such Bonds then due only because of a declaration under this Section); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Indenture (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee or waived pursuant to Section 8.10. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 8.3. ENFORCEMENT OF REMEDIES. Upon the happening and continuance of any Event of Default specified in Section 8.1, then and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Outstanding Bonds shall proceed (subject to the provisions of Sections 7.2 and 8.6), to protect and enforce its rights and the rights of the owners of the Bonds under the laws of the State of Connecticut or under this Indenture, the Bonds, the Loan Agreement, the Mortgage, or the Note by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power herein granted, or for the enforcement of the Loan Agreement, or the Note, or the Mortgage, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of this Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce any judgment or decree against the Authority but solely as provided herein

and in such Bonds, for any portion of such amounts remaining unpaid, with interest, cost and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 8.4. PRIORITY OF PAYMENTS AFTER DEFAULT. If at any time the moneys held by the Trustee under this Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of Section 8.2), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in this Article or otherwise, shall be applied (after payment of all amounts owing to the Trustee from moneys under this Indenture other than from moneys in the Rebate Fund or any irrevocable trust or escrow fund established with respect to any defeased Bonds) as follows:

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

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

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of this Indenture) with interest upon such Bonds from the respective dates upon which they shall have become due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular due date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To the payment of the interest on and the principal of the Bonds as the same become due and payable.

(b) If the principal of all the Bonds shall have become due and payable, either by their terms or by a declaration of acceleration, all such moneys shall 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 preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys

available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondowner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the owner of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

SECTION 8.5. EFFECT OF DISCONTINUANCE OF PROCEEDINGS. In case any proceedings taken by the Trustee on account of any default in respect of Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

SECTION 8.6. CONTROL OF PROCEEDINGS. Anything in this Indenture to the contrary notwithstanding, the owners of a majority in principal amount of the Outstanding Bonds, shall have the right, subject to the provisions of Section 7.2, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture, provided such direction shall not be otherwise than in accordance with law and the provisions of this Indenture.

SECTION 8.7. RESTRICTIONS UPON ACTION BY INDIVIDUAL BONDOWNERS. No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless such Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than a majority in principal amount of all Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by this Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee security and indemnity as required by Section 7.2 hereof against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or for any other remedy hereunder. It is understood and intended that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner

herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of the Outstanding Bonds.

SECTION 8.9. REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 8.10. WAIVER AND NON WAIVER. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by this Article to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority of the principal amount of the Outstanding Bonds shall, waive any default with respect to the Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

SECTION 8.11. NOTICE OF DEFAULT. The Trustee shall mail or cause to be mailed to all Bondowners written notice of the occurrence of any Event of Default set forth in clause (a) or (b) of Section 8.1 promptly after any such Event of Default shall have occurred of which the Trustee has actual knowledge. If in any Bond Year the total amount of deposits to the credit of the Debt Service Fund or the Debt Service Reserve Fund shall be less than the amounts required so to have been deposited under the provisions of this Indenture and any Supplemental Indenture, the Trustee, on or before the thirtieth (30th) day of the next succeeding Bond Year, shall mail to all Bondowners a written notice of the failure to make such deposits. The Trustee shall not, however, be subject to any liability to any such Bondowner by reason of its failure to mail or cause to be mailed any notice required by this Section.

SECTION 10.1. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF BONDOWNERS. Notwithstanding any other provisions of Article IX or this Article X, the Authority and the Trustee may at any time or from time to time enter into a Supplemental Indenture supplementing this Indenture or any Supplemental Indenture so as to modify or amend such indentures, for one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority contained in this Indenture or any Supplemental Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, reconstruction, renovation, equipment, operation, maintenance, development or administration of any project under the Act or relative to the application, custody, use and disposition of the proceeds of the Bonds; or

(b) To confirm, as further assurance, any pledge under and the subjection to any lien on or pledge of the Revenues created or to be created by this Indenture or a Supplemental Indenture; or

(c) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or

(d) To grant to or confer on the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority, or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect.

SECTION 10.2. SUPPLEMENTAL INDENTURES WITH CONSENT OF BONDOWNERS. (a) At any time or from time to time but subject to the conditions or restrictions contained in this Indenture and each Supplemental Indenture, a Supplemental Indenture may be entered into by the Authority and the Trustee amending or supplementing this Indenture, any Supplemental Indenture or any of the Bonds or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained. However, no such Supplemental Indenture shall be effective unless such Supplemental Indenture is approved or consented to by the Owners, obtained as provided in Section 11.2, of at least a majority in aggregate principal amount of all Outstanding Bonds affected thereby. In computing any such required percentage there shall be excluded from such consent, and from such Outstanding Bonds, any such Outstanding Bonds owned or held by or for the account of the Authority or any members of the Obligated Group.

(b) Notwithstanding the provisions of paragraph (a) of this Section, except as provided in Section 10.3, no such modification changing any terms of redemption of Bonds, due date of principal of or interest on Bonds or making any reduction in principal or Redemption Price of and interest on any Bonds shall be made without the consent of the affected Bondowner.

(c) Notwithstanding any other provisions of this Section, no Supplemental Indenture shall be entered into by the Authority and the Trustee, except as provided in Section 10.3, reducing the percentage of consent of Bondowners required for any modification of this Indenture or any Supplemental Indenture or diminishing the pledge of the Revenues securing the Bonds.

(d) The provisions of paragraph (a) of this Section shall not be applicable to Supplemental Indentures adopted in accordance with the provisions of Section 10.1.

SECTION 10.3. SUPPLEMENTAL INDENTURES BY UNANIMOUS ACTION. Notwithstanding anything contained in the foregoing provisions of this Article, the rights and obligations of the Authority and of the owners of the Bonds and the terms and provisions of this Indenture, any Supplemental Indenture or the Bonds may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the Authority with the consent of the owners of all the Outstanding Bonds affected by such modification or amendment, such consent to be given as provided in Section 11.2, except that no notice to Bondowners by mailing shall be required; provided, however, that no such modification or amendment shall

change or modify any of the rights or obligations of the Trustee without its written consent thereto in addition to the consent of the Bondowners so affected.

SECTION 12.1. DEFEASANCE. (a) If the Authority shall pay or cause to be paid, or there shall be otherwise paid, to the owners of all or any of the Bonds then Outstanding, the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein and in this Indenture and any Supplemental Indenture, and all fees and expenses of the Trustee and the Authority, then the pledge of any Revenues or other moneys and securities hereby pledged to such Bonds and all other rights granted hereby to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee or other fiduciary shall pay or deliver to the Authority all moneys or securities held by it pursuant to this Indenture and any Supplemental Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to be used by the Authority in any lawful manner including distribution to the Obligated Group.

(b) Any Bonds for which moneys shall then be held by a trustee, which may be the Trustee (through deposit by the Authority or the Obligated Group of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in this Section. Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subparagraph (a) of this Section if: (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give notice of redemption on such date of such Bonds; (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be; (iii) there shall have been filed with the Trustee and the Authority (x) a report of a firm of certified public accountants, acceptable to the Authority, confirming the arithmetical accuracy of the computations showing the cash or Defeasance Obligations, the principal of and interest on which, together with cash, if any, deposited at the same time will be sufficient to pay when due, the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds, on and prior to the redemption date or maturity date thereof, as the case may be and (y) an Opinion of Bond Counsel, acceptable to the Authority, to the effect that upon provision for the payment of the principal or Redemption Price, if applicable, of, and interest due or to become due on such Bonds, the pledge of Revenues and other moneys and securities hereunder and the grant of all rights to the Owners of such Bonds hereunder shall be discharged and satisfied; (iv) unless such requirement is waived in writing by the owners of not less than a majority in principal amount of the Outstanding Bonds, the Trustee shall have received from a Rating Agency a written confirmation of a rating of “AAA” or “Aaa”, as appropriate, on the deposit of moneys and Defeasance Obligations described in (ii) above; and (v) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail,

as soon as practicable, a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section 12.1 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Bonds. Neither Defeasance Obligations deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than the payment of the principal or Redemption Price, if applicable, and interest on such Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority to be used by it in any lawful manner including a distribution to the Obligated Group provided all amounts owing to the Authority and the Trustee have been satisfied, free and clear of any trust, lien or pledge. Nothing in this paragraph (b) shall be, or be deemed to be, a restriction on the Authority's ability to provide for Defeasance Obligation substitutions or restructuring provided that the Defeasance Obligations shall at all times be in compliance with clause (ii) above; as evidenced by a report of a firm of certified public accountants in compliance with clause (iii)(x) above; and if the interest on Bonds which have been defeased pursuant to this paragraph (b) is excludable from gross income for federal income tax purposes, the Authority shall provide an Opinion of Bond Counsel that the substitution or restructuring will not adversely affect such exclusion. Notwithstanding any provision of this Indenture, the Trustee shall have no right of set off against any moneys and securities deposited under this subsection (b).

(c) Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when all of the Bonds have become due and payable either at their stated maturity dates or by a call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after such date when all of the Bonds become due and payable, shall, at the written request of the Authority be repaid by the Trustee to the Authority as its absolute property and free from trust (to the extent permitted by law) to be used by the Authority in any lawful manner including a distribution to the Obligated Group, and the Authority and the Trustee shall thereupon be released and discharged of its obligations with respect to the Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee shall mail to the Bondowners a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Authority to be used by the Authority in any lawful manner including a distribution to the Obligated Group.

SECTION 13.9. NO RECOURSE ON THE BONDS. No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or for any claims based thereon or on this Indenture against any member or other officer of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Bondowner by the acceptance of the Bond. The Bonds are payable solely from the

Revenues and neither the faith and credit nor the taxing power of the State of Connecticut or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

The Authority shall be conclusively deemed to have complied with all of its covenants and other obligations hereunder, upon requiring the Obligated Group in the Loan Agreement to agree to perform such Authority covenants and other obligations (excepting only any approvals or consents permitted or required to be given the Authority hereunder, and any exceptions to the performance by the Obligated Group of the Authority's covenants and other obligations hereunder, as may be contained in the Loan Agreement). However, nothing contained in the Loan Agreement shall prevent the Authority from time to time, in its discretion, from performing any such covenants or other obligations. The Authority shall have no liability for any failure to fulfill, or breach by the Obligated Group of, the Obligated Group's obligations relating to or under, as the case may be, the Bonds, this Indenture, the Loan Agreement or otherwise, including without limitation the Institution's obligation to fulfill the Authority's covenants and other obligations under this Indenture.

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Appendix F

Excerpts From and Summaries of Certain Provisions of the Loan Agreement

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**EXCERPTS FROM AND SUMMARIES OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT**

The following excerpts from and (where indicated by “Summary.”) brief summaries of certain provisions of the Loan Agreement do not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all terms and provisions.

2.1. The Loan; Issuance of Bonds and Application of Proceeds. The Authority hereby agrees, upon the delivery of the Bonds and the execution and recording of the Mortgage, to loan to the Institution the amount of \$30,330,000 to provide funds to finance the Project, including to refund the Refunded Bonds, and to pay costs related to the issuance of the Bonds, upon the terms and conditions set forth or referred to in this Loan Agreement. The Institution agrees to borrow and, to induce the Authority to make said loan to the Institution, the Members of the Obligated Group jointly and severally agree to repay the amount of \$30,330,000 upon the terms and conditions set forth or referred to in this Loan Agreement. This Loan Agreement shall constitute a joint and several general obligation of each Member of the Obligated Group. To provide funds to finance the loan to the Institution, the Authority agrees to use its best efforts to issue the Bonds in accordance with the Indenture. Each Member of the Obligated Group agrees that the proceeds of the Bonds to be made available to finance the loan to the Institution shall be deposited with the Trustee, the Refunding Escrow Deposit Agent, if applicable, and the Authority and applied as provided in the Indenture and the Refunding Escrow Deposit Agreement, if applicable. Each Member of the Obligated Group acknowledges and agrees that it shall have no interest in the proceeds of the Bonds equal to or greater than that of the Bondowners who shall have a first and prior beneficial interest in such money until it is applied in accordance herewith and with the Indenture and the Refunding Escrow Deposit Agreement, if applicable.

2.2. Payment Obligations. (a) General. Notwithstanding any provision of this Loan Agreement or any other Obligated Group Documents, as and for repayment of the loan made to the Institution by the Authority pursuant to Sections 2.1 hereof, each Member of the Obligated Group jointly and severally agrees that it shall pay to the Trustee for the account of the Authority the amounts, including without limitation the amounts described in subsections (b) and (c) below, required at all times for the payment of the principal of, and premium if any, and interest on the Bonds when due, whether at maturity, upon redemption, by acceleration or otherwise; provided, however, that the obligation of each Member of the Obligated Group to make any such payment hereunder shall be reduced by any amount held by the Trustee in the Debt Service Fund for such payment of the Bonds pursuant to the terms of the Indenture. All amounts received by the Trustee pursuant to subsections (a), (b) or (c) of this Section shall be deposited into the Debt Service Fund.

(b) Principal Payments. The Obligated Group shall repay the principal of the loan in consecutive monthly installments on the twentieth (20th) day of each month of each Bond Year (or if such date is not a Business Day, the next succeeding Business Day),

commencing July 20, 2013, in an amount equal to one-twelfth (1/12) of the principal or Sinking Fund Installment, as the case may be, of the Bonds becoming due on the July 1 immediately succeeding the expiration of such Bond Year (provided, however, in all events, the payment made on June 20 of each Bond Year shall provide for sufficient funds necessary to make payment in full of the principal or Sinking Fund Installment becoming due on the July 1 immediately succeeding the expiration of such Bond Year) after crediting to such amount becoming due any amount in the Principal Account or the Sinking Fund Account, as the case may be, prior to such July 1 available for the payment of such principal or Sinking Fund Installment.

(c) **Interest Payments.** The Obligated Group shall pay the interest on the loan in monthly installments on the twentieth (20th) day of each month of each Bond Year (or if such date is not a Business Day, the next succeeding Business Day), commencing June 20, 2013, in an amount equal to (after taking into account any available amounts on deposit in the Capitalized Interest Account of the Construction Fund) one-sixth (1/6) of the interest coming due on the Bonds on the next succeeding Interest Payment Date (provided, however, that the monthly installment due on June 20, 2013 shall be in an amount equal to (after taking into account any available amounts on deposit in the Capitalized Interest Account of the Construction Fund) the interest coming due on the Bonds on the next succeeding Interest Payment Date), after crediting to such amount becoming due any amount in the Interest Account available for the payment of such interest (provided, however, in all events, the payment due immediately prior to each Interest Payment Date shall provide for sufficient funds necessary to make payment in full of the interest becoming due on the Bonds on such next succeeding Interest Payment Date).

(d) **Debt Service Reserve Fund.** If required to be funded in accordance with Section 2.7 hereof, the Obligated Group agrees that it shall deposit or cause to be deposited in the Debt Service Reserve Fund an amount in cash or in such other manner acceptable and agreed to in writing by the Authority which in the aggregate shall be equal to the Debt Service Reserve Fund Requirement. The Obligated Group agrees that it shall replenish any “deficiency” (as defined in Section 5.10 of the Indenture) in the Debt Service Reserve Fund from first available moneys after required deposits to the Debt Service Fund (i) within ninety (90) days, in three (3) substantially equal payments every thirty (30) days, in the event such deficiency results from a decrease in the market value of the permitted investments on deposit in the Debt Service Reserve Fund and (ii) over a twelve (12) month period, in twelve (12) substantially equal monthly payments on the twentieth (20th) day of each month, in the event such deficiency results from a withdrawal from the Debt Service Reserve Fund.

(e) **Reimbursement of Authority.** Each Member of the Obligated Group jointly and severally agrees to pay to the Authority an amount equal to the sum of the following three (3) items: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, all as required by the Indenture and not otherwise paid or provided for by the Obligated Group; (ii) all other expenditures reasonably and necessarily incurred by the Authority with respect to the loan to the Institution and the issuance of the Bonds, including Cost of Issuance to the extent amounts on deposit in the Cost of Issuance Account are insufficient for the payment thereof and also including interest on overdue payments at the rate or rates of interest specified in the Bonds, penalties for late payments and all expenses incurred by the Authority to compel full and punctual performance of all the provisions of this Loan Agreement,

any other Obligated Group Document, and each other document executed by the Obligated Group in connection with the Authority's loan to the Institution or the issuance of the Bonds, in accordance with the terms hereof and thereof; and (iii) the Annual Administrative Fee. Any expenditures of the Authority made pursuant to items (i) and (ii) of this paragraph shall be billed by the Authority to the Obligated Group in writing as soon as practicable and shall be paid or caused to be paid by the Obligated Group within five (5) Business Days of each request for payment. The Obligated Group shall pay one-half of the Annual Administrative Fee for each Bond Year on or before June 20 and December 20 of each calendar year commencing December 20, 2013; provided, however, that on December 20, 2013, the Obligated Group shall pay the Annual Administrative Fee prorated for the period beginning with the delivery of the Bonds and ending on December 31, 2013.

(f) **Rebate Fund.** Each Member of the Obligated Group jointly and severally agrees to provide amounts that shall be sufficient to meet the Rebate Requirement of the Rebate Fund. Each Member of the Obligated Group jointly and severally agrees that this obligation of the Obligated Group shall survive the payment in full of the Bonds or the refunding and defeasance of the Bonds pursuant to the provisions of Section 12.1 of the Indenture.

(g) **Manner of Payment.** Each Member of the Obligated Group jointly and severally agrees to pay to the Authority or to such party as the Authority shall direct in writing the payments required by this Loan Agreement from its general funds or any other moneys legally available to the Obligated Group in the manner and at the times provided by this Loan Agreement.

(h) **Survival.** The payment obligations of the Obligated Group pursuant to Subsections (a), (b), (c), (e), (i) and (ii), and (f), except to the extent paid from any defeasance escrow for the Bonds, shall survive the expiration of this Loan Agreement.

2.4. Optional Prepayment. The Authority and each Member of the Obligated Group agree that the Obligated Group shall have the right to make voluntary payments to the Trustee for the account of the Authority, if the Bonds are then subject to redemption, which voluntary payments shall be deposited in the Redemption Fund. If the Obligated Group is not in default under this Loan Agreement, upon notification by the Authorized Obligated Group Representative to the Authority of any such voluntary payment which is deposited in the Redemption Fund, the Authority agrees that it shall direct the Trustee to purchase or redeem Bonds in accordance with Section 2.5 and Section 5.7 of the Indenture.

2.5. Defeasance of Bonds. The Authority and the Institution agree that, upon sixty (60) days' written notice to the Authority, with a copy to the Trustee, the Institution shall have the right to satisfy its loan repayment obligations under this Loan Agreement by paying to the Trustee for the account of the Authority an amount which shall effectuate a defeasance, in accordance with Section 12.1 of the Indenture, of the Bonds issued to make a loan to the Institution under this Loan Agreement and by paying all costs of the Authority and the Trustee in connection with such defeasance and by otherwise satisfying all other conditions to effect a defeasance of the Bonds in accordance with Section 12.1 of the Indenture.

The Authority agrees that, when the above provisions have been implemented and when the Bonds have been defeased in accordance with the provisions of Section 12.1 of the Indenture, the Authority shall, and shall cause the Trustee to, cancel this Loan Agreement (except for obligations which survive under Section 2.2(h)), cancel the Note, cancel or release the Mortgage and security interest in assets pledged by the Obligated Group and cancel or release all other Obligated Group Documents, as the case may be, whereupon the Lien created by the Mortgage shall cease and all right, title and interest of the Authority and the Trustee in and to the Premises with any and all additions thereto, shall revert to and become the absolute property of the Institution. The Authority further agrees that, after payment to it by the Trustee of all moneys or securities held by the Trustee pursuant to the Indenture, other than moneys or securities set aside to pay or defease all of the Bonds, and other than funds set aside in the Rebate Fund to pay the estimated Rebate Requirement, the Authority shall pay the same to the Institution after first deducting any moneys due to the Authority for the Authority's expenses incurred or accruing relating to the Bonds, the Obligated Group Documents, the Premises, and any Rebate Requirement. All payment obligations of the Institution to the Authority under this Loan Agreement shall continue, except to the extent paid from any defeasance escrow for the Bonds, to the extent provided herein or in Section 2.2(h).

2.6. Security for Bonds. (a) Assignment and Pledge. Each Obligated Group Member agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Indenture and the right, title and interest of the Authority in and to this Loan Agreement, the Mortgage and the Note shall be assigned to the Trustee, subject to certain conditions and reservations, and certain payments received by or for the account of the Authority from the Obligated Group with respect thereto shall be assigned and pledged by the Authority to the Trustee to secure the payment of the Bonds. Each Obligated Group Member agrees that all of the rights accruing to or vested in the Authority with respect to this Loan Agreement, the Mortgage and the Note may be exercised, protected and enforced by the Trustee for or on behalf of the Bondowners in accordance with the provisions hereof, thereof, and of the Indenture.

(1) **Pledge of Gross Receipts.** In order to secure the prompt payment of the principal of, premium, if any, and interest on the Bonds and the performance by each Obligated Group Member of its obligations under this Loan Agreement, the Mortgage and the Note, each Obligated Group Member hereby pledges and assigns to the Authority, and grants to the Authority a security interest in, for the equal and ratable benefit of the Holders from time to time of the Bonds, all of its Gross Receipts, but the existence of such pledge, assignment and security interest shall not prevent the expenditure, deposit or commingling of Gross Receipts by any Obligated Group Member so long as no Event of Default has occurred and is continuing under Section 8.1(a) or (b) hereof. Each Obligated Group Member agrees and acknowledges that such security interest of the Authority in Gross Receipts shall be further assigned by the Authority to the Trustee. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Gross Receipts whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter owned or acquired by any Obligated Group Member. Each Obligated Group Member hereby represents that as of the date of the delivery hereof, except as set forth in Schedule B hereto, it has granted no security interest in Gross Receipts

prior or equal to the security interest granted by this Section. This pledge shall be on a parity with the pledge of Gross Receipts securing the Parity Debt of any Obligated Group Member. This Loan Agreement is intended to be a security agreement pursuant to the Connecticut Uniform Commercial Code. Each Obligated Group Member agrees to deliver and/or authorize the filing of such financing statements covering the Gross Receipts from time to time and in such form as may be required to perfect and continue a security interest in the Gross Receipts. The Obligated Group shall pay all costs of filing such financing or continuation statements and any continuations, amendments or renewals thereof and shall pay all reasonable costs and expenses of any record searches for financing statements that may be required. Upon the occurrence of an Event of Default under this Loan Agreement or the Note, the Trustee will have the remedies of a secured party under the Connecticut Uniform Commercial Code and, at its option, may also pursue the remedies permitted under applicable law as to such Gross Receipts. Each Obligated Group Member hereby further covenants and agrees that it will not pledge, suffer to exist, or grant a security interest in the Gross Receipts except for Liens permitted under Section 5.13(a) or (b) hereof. Each Obligated Group Member hereby further covenants that if an Event of Default of the type described in Section 8.1(a), (b), (d) or (f) hereof shall occur and be continuing, any Gross Receipts then received and any Gross Receipts thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred (giving recognition to any other Indebtedness secured on a parity by a pledge of Gross Receipts and to any amounts deposited with the Trustee or another party with respect to any Parity Debt) by each Obligated Group Member on a daily basis to the Trustee for deposit in a Gross Receipts Fund to be established by the Authority and the Trustee under the Indenture. Such daily deposits shall continue until such Event of Default described in the preceding sentence has been fully cured. All amounts deposited into the Gross Receipts Fund shall be applied by the Trustee for application pro rata, based upon the outstanding principal amount of the Bonds and any Parity Debt, with respect to Gross Receipts deposited with the Trustee or another party as security for any Parity Debt, as if such deposited amounts were aggregated and without regard to the amount held by the Trustee or any such other party, (i) with the written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, to the payment of the reasonable and necessary cost of operations of the facilities of each Obligated Group Member, including the Premises, all in accordance with budgeted amounts proposed by each Obligated Group Member and approved by the Authority, (ii) to the payment of the principal of, Redemption Price of, and interest on the Bonds and any other Parity Debt in accordance with their respective terms, and (iii) to such other purposes as may be required by the Loan Agreement, the Mortgage or the Indenture and approved by the Authority. Each Obligated Group Member shall give prompt written notice to the Authority, each Bondowner and the Trustee if it grants a lien on Gross Receipts to another party to secure any Parity Debt, which notice shall identify (i) the Parity Debt; (ii) the initial principal amount of such Parity Debt; (iii) the scheduled amortization of such Parity Debt; (iv) the incurrence date and maturity date of such Parity Debt; (v) the corporate or proper name of the party secured by such parity pledge of Gross Receipts; and (vi) the name and address of any party designated to hold Gross Receipts as security for any such Parity Debt.

The following shall apply to the pledge of Gross Receipts created by this Loan Agreement:

- (1) Creation: This Loan Agreement creates a valid and binding pledge of, assignment of, lien on and security interest in the Gross Receipts in favor of the

Authority, for assignment to the Trustee, as security for payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(2) **Perfection**: Under the laws of the State of Connecticut, such pledge, assignment, lien and security interest, and each pledge, assignment, lien, or other security interest made to secure any prior obligations of each Obligated Group Member which, by the terms hereof, ranks on a parity with or prior to the pledge, assignment, lien and security interest granted hereby, is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Institution on a simple contract. By the date of issuance of the Bonds each Obligated Group Member will have filed or caused to be filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Bond is outstanding under the Indenture each Obligated Group Member will cause the Trustee to file, continue, and amend all such financing statements and transfer such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which such Obligated Group Member is organized or such collateral may be located or that may otherwise be applicable pursuant to Uniform Commercial Code §§9.301--9.306 of such jurisdiction.

(3) **Priority**: No Obligated Group Member has heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the pledge, assignment, lien and security interest granted hereby. No Obligated Group Member has described such collateral in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued, except in connection with the pledge, assignment, lien and/or security interest securing the following obligations of the Institution (which by the terms thereof are subordinate to the pledge, assignment, lien and/or security interest in Gross Receipts granted hereby): Citizens National Bank. No Obligated Group Member shall hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge, assignment, lien and security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under this Loan Agreement.

(c) **Bondowners**. This Loan Agreement is executed in part to induce the purchase by others of the Bonds, and, accordingly, all covenants and agreements on the part of the Obligated Group and the Authority, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the owners from time to time of the Bonds.

(d) **Compliance**. Each Member of the Obligated Group agrees to do all things within its power in order to comply with, and to enable the Authority to comply with, all requirements, and to fulfill and to enable the Authority to fulfill all covenants of, the Resolution of the Authority, the Tax Regulatory Agreement and the Indenture.

(e) **Mortgage**. The Institution agrees that it shall mortgage to the Authority, for assignment to the Trustee for the benefit of the owners of the Bonds, the Premises in the manner set forth in the Mortgage, subject only to those encumbrances set forth in Schedule A to

the Mortgage. The Mortgage and the Mortgaged Premises shall serve to secure the Note issued under this Loan Agreement as security for the Bonds and any Parity Debt of the Obligated Group. So long as no Event of Default under this Loan Agreement or any other Obligated Group Documents has occurred and is continuing, the Authority and the Trustee may, but only with the consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, release any portion of the Mortgaged Premises from the Lien of the Mortgage pursuant to Section 5.15(a) or (b) hereof.

(f) **Title Insurance.** The Obligated Group agrees to deliver to the Authority and the Trustee a policy or policies of title insurance or endorsements to such policies insuring the Mortgage as a first mortgage lien on the real property as described in Schedule A to the Mortgage in such form and with such exception for title as shall be approved by the Authority and the owners of not less than a majority in principal amount of the Outstanding Bonds, including any Liens set forth in Schedule A to the Mortgage.

(g) **Assignment of Contract Documents and Consents.** The Obligated Group agrees to deliver to the Trustee on behalf of the Authority as security for its obligations under the Loan Agreement, the Mortgage and the Note, the Assignment of Contract Documents and Consents.

2.7. Funding of Debt Service Reserve Fund. The Authority agrees that, from the proceeds of the Bonds and other available funds, it shall deposit in the Debt Service Reserve Fund an amount, if any, which when added to the amount of money or securities deposited by the Institution in the Debt Service Reserve Fund on or before the date of delivery of the Bonds (including Reserve Fund Letter of Credit, if any, as provided in the Indenture), shall be equal to the Debt Service Reserve Fund Requirement giving effect to the issuance of the Bonds. It is further agreed that the aforementioned sum to be deposited in the Debt Service Reserve Fund from the proceeds of the Bonds shall be deemed to be part of the loan by the Authority to the Institution.

3.1. Construction Contracts; Control of the Project. The Institution covenants to carry out the Project in accordance with the Project Plans, Project Budget, and Project Schedule (subject to changes permitted herein) and that all actions taken by the Institution to carry out the Project, including the making of contracts for such Project and all actions, recommendations or requests of any Authorized Officer of the Institution have been and will be in full compliance with the Indenture, this Loan Agreement and all other Obligated Group Documents as well as the laws of the State of Connecticut. The Institution represents to the Authority that applicable laws, codes, and regulations permit the construction of the Project in accordance with the Project Plans, and that all licenses, permits, and approvals have been obtained to construct and use the Project (other than such licenses, permits, or approvals that will be issued in due course and without unreasonable delay). The Institution acknowledges that any review of any such actions heretofore or hereafter taken by the Authority's staff or counsel has been or will be solely for the protection of the Authority. Neither such review nor any action taken by the Authority to carry out the Project shall stop the Authority from enforcing the foregoing covenant. The Authority makes no representations whatsoever in connection with the condition of the Project, or the improvements, fixtures or equipment thereof, and the Authority shall not be liable for latent or patent defects therein. Subject to the rights of the Authority

hereunder, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) such Project; (ii) the operation of such Project and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Project.

Notwithstanding anything to the contrary contained in this Article 3, it shall be a condition to the disbursement of any funds from the Construction Fund in respect of the 9,500 square foot, two story addition referenced in the Project description and Plans and Specifications (the "Addition") that the Authority shall have received evidence satisfactory to the Authority from the owners of not less than a majority in principal amount of the Outstanding Bonds that such owners are satisfied that the Premises complies with all applicable zoning and land use laws and that construction of the Addition is permitted under applicable zoning laws and land use laws and will not cause the Premises to violate zoning and land use laws (for example, because parking is insufficient). If such evidence is not received by December 31, 2013, then the portion of the Construction Fund allocable to the cost of constructing the Addition (approximately \$7,829,185.00) shall be applied to refund outstanding Bonds in such amount.

3.2. Amendment or Modification of Project. (a) The Project, pending its completion, may be amended or modified by the Institution, but only, with the prior written consent of an Authorized Officer of the Authority to decrease, increase or otherwise amend or modify the scope of the Project during the acquisition, construction and equipping of the Project. Each Bondowner shall be notified by the Institution of any such amendment or modification, and any such amendment or modification may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. The Institution shall provide funds to pay for any amendments or modifications to the Project, or change orders with respect thereto, which increase the cost of the Project, and each Bondowner shall be notified by the Institution of such provision of additional funds.

(b) The Institution shall promptly notify the Authority in writing of all proposed change orders, changes in plans and specifications and changes in contracts, whether or not such changes involve additional expenditures or increase in Costs, which would change the use of such part of the Project or of such Project, would materially alter the Project description from that set forth in the Project Plans, which would delay completion of the Project beyond the date contemplated by the Project Schedule, or which would cause the aggregate cost of the Project to exceed the total Project Budget. The Institution represents that the Project Budget previously filed with the Authority accurately and completely sets forth the costs of the Project, and all construction shall be substantially in accordance with such Project Budget, the Project Plans, and the Project Schedule, as each of the same may be amended with the Authority's prior written consent. All requests for (i) change orders or changes in plans and specifications for any part of the Project during the acquisition, construction and equipping of the Project which would change the use of such part of the Project or of such Project, would materially alter the Project description from that set forth in the Project Plans, or which would cause a delay in Project completion beyond the completion date set forth in the Project Schedule and (ii) changes in any contracts made by the Institution to carry out any part of the Project during the acquisition, construction and equipping of the Project which would involve any additional expenditure in excess of the guaranteed maximum price contingency budget shall be in writing and shall be

subject to approval by the Authority. Such approval shall not be unreasonably withheld by the Authority but may be subject to such conditions and qualifications as the Authority in its sole discretion may prescribe. Without limitation, if the change would result in the aggregate cost of the Project exceeding the Project Budget, then the Authority's approval may be conditioned on the Institution's depositing such shortfall into the Construction Fund. Further, the Authority may withhold consent to proposed changes to the Project if the Authority is not satisfied that such changes would comply with applicable laws and codes. Further, it is understood that the Authority at all times has the right to require compliance with the original Project Plans; provided, however, the Authority shall consent to changes required by governmental entities having jurisdiction over the Project to conform the Project to life safety codes and land use permits and approvals for the Project or to the requirements of any applicable governmental entities having jurisdiction over the provision of health care facilities in the State of Connecticut, provided that if such changes would result in the aggregate cost of the Project exceeding the Project Budget, then Borrower shall deposit any shortfall in the Construction Fund.

3.3. Conditions for Advances. (a) The obligation of the Authority to make any disbursement of moneys held in the Construction Fund with respect to a particular component of the Project for the acquisition, construction, renovation, installation or equipment of the Project shall be subject to the provisions of Section 5.3 of the Indenture relating to the disbursement of moneys held in the Construction Account and shall be further subject to the satisfaction of the following conditions, as well as any others herein set forth:

(i) An Event of Default, or an event which with the passage of time or the giving of notice would constitute an Event of Default, shall not have occurred and be continuing and all terms of this Loan Agreement and the other Obligated Group Documents, and other undertakings and obligations of the Institution in connection with such Project shall have been fully complied with in all material respects;

(ii) Unless the written consent of the Authority is obtained, there shall be no lien or encumbrance other than Permitted Encumbrances upon, nor any deed, transfer or conveyance of, the Project or the Premises;

(iii) The acquisition, construction, renovation, installation or equipping of the Project shall have progressed with due diligence to the reasonable satisfaction of the Authority to allow for completion in accordance with the Project Schedule, as it may be modified with the Authority's consent;

(iv) The Institution shall have delivered to the Authority evidence reasonably satisfactory to the Authority that all permits, licenses, approvals, and variances required for construction and operation of the Project have been obtained or will be obtained in due course without unreasonable delay; and

(v) A disbursement endorsement to the policy of title insurance in favor of the Authority and Trustee, confirming that there are no title exceptions for mechanic's liens or other new matters since the date of the original policy and increasing the amount of the policy to the total amounts disbursed to date pursuant to this Loan Agreement.

(b) Prior to the Authority making any disbursement for Costs of the Project from the Construction Account (other than with respect to interest on the Bonds), the Institution shall deliver to the Authority the following:

(i) copies of all invoices, paid or unpaid, if any, relating to such disbursement;

(ii) a requisition submitted to the Authority by the Institution, in accordance with Section 5.3 of the Indenture, signed by an Authorized Officer of the Institution, substantiated by a certificate filed with the Authority describing in reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the Cost of such Project to which such certificate relates, such substantiating certificate to be signed by: (A) the architect for the Project, in the case of payments for constructing the Project, which certificate shall include a statement that the architect has inspected the work for which reimbursement is sought and has confirmed that such work has been performed in accordance with the Project Plans and applicable laws, codes, and regulations; or (B) an Authorized Officer of the Institution in the case of the acquisition or refinancing of, or equipping the Project and other expenses and reimbursements;

(iii) a certificate of an Authorized Officer of the Institution certifying that the amount of money for which payment is requisitioned has been incurred or expended for Costs of the Project (including proof of payment thereof) and has not been the subject of a previous requisition and is in full compliance with the Tax Regulatory Agreement and the most recent certificate of need for such Project filed with the Connecticut Office of Health Care Access and certifying and containing such other information as may be required by the Indenture;

(iv) a certificate of an Authorized Officer of the Institution certifying that amounts then on deposit in the Construction Fund (together with funds of the Institution, if any, that are to be applied to Costs of the Project, it being agreed that pursuant to Section 3.5 hereof the Institution may be required to expend such funds before making disbursements from the Construction Fund) are sufficient to complete all parts of the Project with respect to which the Institution has entered into contracts; and

(v) waivers or releases of mechanic's lien rights in form prescribed by Connecticut law, from all contractors, subcontractors, suppliers, design professionals and others having lien rights with respect to labor, materials, or services provided with respect to the Project through the date of the Authority's requisition and with respect to all amounts for which the Authority is seeking reimbursement in such requisition; and

(vi) any other certificates or documents reasonably requested by the Authority.

(c) Notwithstanding the above, the Authority and the Institution, with the written consent of the other, may direct that funds on deposit in the Construction Account be applied to the payment of interest due on the Bonds.

(d) It shall be a condition to the disbursement of the last five percent (5%) deposited in the Construction Account of the Construction Fund that, in addition to satisfying the other disbursement requirements provided in this Section 3.3, the Institution shall have delivered the following to the Authority: (i) final lien waivers or releases in the form prescribed by Connecticut law from all contractors, subcontractors, suppliers, design professionals and others having lien rights with respect to labor, materials, or services provided with respect to the Project, together with a certificate from the Institution confirming that all Project costs have been finally paid for, (ii) as-built plans signed by the Project architect and showing all improvements constructed as part of the Project, and (iii) copies of all permits, licenses, or certificates required for occupancy of and use of the Project.

(e) If the Institution abandons the Project or otherwise ceases to diligently continue with the construction thereof to allow completion by the time set forth in the Project Schedule, or fails to meet in all material respects the conditions precedent to the full disbursement by the Authority of monies held in the Construction Fund with respect to the Project, at the Authority's option, an Event of Default under Section 8.1(k) hereof shall exist, in which case the obligation of the Authority to make or approve further disbursements in connection with such Project shall cease. In such event the Authority may elect, at its sole discretion, (i) to apply moneys remaining on deposit in the Construction Fund in accordance with Section 5.3(d) of the Indenture, and (ii) to declare an amount equal to the sum of all such disbursements previously made from the Construction Fund to be immediately due from and payable by the Obligated Group, in accordance with the rights reserved in the Mortgage, provided, however, the Authority, at its sole discretion, may waive any of the foregoing requirements in writing.

(f) The Institution agrees that the Authority may, at its option, employ such consultants as the Authority may reasonably desire to review the progress of Project construction, to review and advise on proposed changes to the Project Plans, Project Budget, or Project Schedule, and to review and advise on the Institution's requests for disbursements from the Construction Fund. If the Authority employs any such consultants, then the Institution shall reimburse the Authority for the costs thereof from time to time within fifteen (15) days after invoice therefor.

3.4. Construction. The Institution agrees that it shall require any general contractor and construction manager, if applicable, engaged in the construction of any component of the Project which involves payment directly from the Construction Account to any contractor or supplier of any contract of \$50,000 or more to provide, or cause to be provided, a letter of credit or dual obligee payment and performance bond in an aggregate amount equal to the contract price, as security for the faithful performance of its contract and payment of all obligations arising under its contract. The Institution shall provide the Authority with copies of all such letters of credit and payment and performance bonds as in effect on the date of delivery of the Bonds and shall provide additional payment and performance bonds to the Authority as soon as available and prior to requesting payment for, or reimbursement for payment of, costs incurred under such contracts. The Institution shall require each general contractor and each construction manager engaged in the construction of any component of the Project to employ construction techniques which will tend to minimize detrimental environmental impact, and shall require that the contract with each such general contractor and each such construction manager

and the contract with each architect or licensed professional engineer for the Project, be assignable to the Authority, and shall collaterally assign its rights under such contracts to the Authority as a condition to receiving the loan from the Authority under Section 2.1 hereof. Such contracts shall be based on a guaranteed maximum price basis, or, in the alternative, a fixed price contract acceptable to the Authority. The Authority, at its sole discretion, may waive the requirements of this Section 3.4.

3.5. Institution to Provide Moneys to Complete Project. The Institution agrees that in the event moneys on deposit in the Construction Fund are insufficient to pay all Costs of the Project, the Institution will (i) notify each Bondowner of the insufficiency and (ii) apply sufficient moneys of its own to complete the Project. The Authority may suspend disbursements from the Construction Fund if the remaining funds therein plus other available funds of the Obligated Group are insufficient to complete the Project. The Institution further agrees that, at the request of the Authority, the Institution will apply moneys of its own to pay Costs of the Project until such time as moneys on deposit in the Construction Fund are sufficient to pay all Costs of the Project.

4.1. Insurance. [Summary] The Obligated Group and each Member of the Obligated Group shall maintain a program of insurance for general liability, automobile liability, workers' compensation, umbrella or excess liability, directors' and officers' liability, builders' risk, all risk property, business interruption and professional liability, subject to the approval of the Authority. The insurance program may include deductibles and self insurance and the Authority may waive or amend any insurance requirement.

4.2. Application of Property Insurance and Condemnation Proceeds. In case the whole or any part of the Project or the Premises is taken by eminent domain or damaged or destroyed or is otherwise rendered incapable of being used to its fullest extent for the purposes of the Obligated Group or to meet the Obligated Group's obligations under this Loan Agreement and the other Obligated Group Documents by any cause whatsoever, then and in such event:

- A. Except as provided in paragraph B, the Obligated Group shall proceed to replace or restore or cause to be replaced or restored such part of the Project or the Premises, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible or with such changes and modifications as would not have an adverse effect on the operations of the Obligated Group. The moneys required for such replacement or restoration shall be paid from the proceeds of insurance or any award or payment in connection with the condemnation of the Project or the Premises received by reason of such occurrence and to the extent such proceeds are not sufficient, from funds to be provided by the Obligated Group.
- B. If no decision for the restoration or replacement of all or such part of the Project or the Premises shall be reached by the Obligated Group within 120 days after such damage or taking, or if the Obligated Group fails to proceed with due diligence to restore or replace such part of the Project or the Premises, all respective insurance or condemnation proceeds (after

giving appropriate recognition to any similar requirements with respect to any Indebtedness ranking on a parity with the Bonds) shall be paid to the Trustee for deposit in the Redemption Fund for application to the purchase or redemption of Bonds in accordance with the Indenture or used as otherwise agreed to by the Authority and the Obligated Group.

Notwithstanding any such taking, or other injury to, or decrease in the value of the Project or the Premises, the Member of the Obligated Group shall continue to pay interest on the principal payable hereunder and under the other Obligated Group Documents as provided herein and therein, and to make any and all other payments required by this Loan Agreement and by the other Obligated Group Documents. Any reduction in the principal payable under this Loan Agreement and under the other Obligated Group Documents resulting from the application by the Authority of such award or payment to the redemption of Bonds shall be deemed to take effect only on the date of such application.

If the costs of restoration following a casualty or condemnation exceed \$500,000, then the proceeds of any insurance or condemnation award shall be deposited in escrow with Authority and shall be (i) disbursed for costs of restoration from time to time upon the Institution's delivery of requisition therefor and delivery of such architect's certificates, lien waivers, and other information and certificates as the Authority may require, substantially in accordance with the process for disbursements from the Construction Fund in accordance with Article 3 hereof, or (ii) if applicable, paid to the Trustee for deposit in the Redemption Fund in accordance with Section 4.2(B) hereof.

5.1. Cooperation with Authority. Each Obligated Group Member agrees to do all things within its power in order to enable the Authority to comply with all requirements and to fulfill all covenants of the Indenture.

5.2. Obligation Absolute. The joint and several obligation of each Obligated Group Member to make payments to the Authority or on its order to the Trustee under this Loan Agreement and the Note is absolute and unconditional and shall not be subject to setoff, recoupment or counterclaim. Each Obligated Group Member jointly and severally agrees that payments required by this Loan Agreement and the Note shall be paid when due by such Obligated Group Member to the Trustee for deposit in the Debt Service Fund whether or not any patient, occupant or user of the facilities of the Obligated Group is delinquent in the payment of his or her fees, room charges, rentals or other charges owed to the Obligated Group, whether or not any patient, user or occupant receives either partial or total reimbursement as a credit against such payment, and whether or not the Obligated Group receives either partial or total reimbursement as a credit against such payment.

The agreements, covenants, representations and indemnifications of each Obligated Group Member in this Loan Agreement and the other Obligated Group Documents executed and delivered in connection herewith shall be a full faith and credit obligation of such Obligated Group Member.

5.3. Covenant as to Rates and Charges. The Obligated Group agrees, to the extent permitted by law, to collectively charge rates, fees, rentals and charges which, together with its general funds and any other moneys legally available to it, shall provide moneys sufficient at all times to make all payments under this Loan Agreement and the other Obligated Group Documents and to pay all other obligations of the Obligated Group as the same become due and payable. The Obligated Group covenants to maintain its rates, fees, rentals and charges to provide Operating Revenues which, together with its general funds and other moneys legally available to the Obligated Group, shall be sufficient for the payment of (i) Operating Expenses; (ii) debt service when due on the Bonds and all other Indebtedness; and (iii) all other amounts due under this Loan Agreement, including but not limited to amounts required to be deposited into the Debt Service Reserve Fund.

5.4. Contracts and Agreements. Except as permitted by this Loan Agreement and the other Obligated Group Documents, each Obligated Group Member agrees that it shall not enter into any contracts or agreements, perform any acts or request the Authority to enter into any contracts or agreements or perform any acts which may adversely affect any of the assurances or rights of the Authority.

5.5. Operation of Facilities. (a) Each Obligated Group Member agrees that it shall use its best efforts to operate its respective facilities in a prudent and efficient manner. The Institution further agrees that it shall employ, at all times, administrative personnel experienced and well qualified in the field of hospital administration.

(b) Each Obligated Group Member agrees to operate its facilities properly and in a sound and economical manner. Each Obligated Group Member agrees to maintain, preserve and keep its facilities, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and to make all necessary and proper repairs, replacements and renewals so that at all times the operation of such Obligated Group Member and its facilities may be properly and advantageously conducted.

(c) Each Obligated Group Member agrees that it will procure and maintain all necessary licenses and permits and maintain accreditation of its hospital facilities (other than those of a type for which accreditation is not then available) by The Joint Commission and the status of its hospital facilities (other than those not currently having such status) as a provider of health care services eligible for reimbursement under any appropriate third-party payor programs and comparable programs, including future governmental programs as long as, in the opinion of such Obligated Group Member, such accreditation is in the best interests of such Obligated Group Member; provided, that if such Obligated Group Member shall determine that such accreditation is not in its best interests, it shall cause an independent consultant to deliver a report to the Authority indicating the likely operational and economic effect on the Institution of discontinuance of such accreditation and that such discontinuance will not have a materially adverse operational and economic effect on the Institution.

(d) The Institution covenants that it shall correct all deficiencies found by each governmental authority with jurisdiction over the operation of the Project and the Premises, including any inspection in connection with the implementation of the Project and the Premises

by the Institution in accordance with the requirements of the appropriate governmental or accrediting entity.

(e) The Institution covenants that it will comply in all material respects with the terms and conditions set forth in any certificate of need applicable to the Project, and any duly approved amendments to such terms and conditions.

5.6. Payment of Obligations, Taxes, Assessments and Charges. Each Obligated Group Member agrees to pay promptly all charges, judgments and other obligations incurred or imposed on such Obligated Group Member. Each Obligated Group Member shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of each Obligated Group Member's facilities, or upon any part thereof or upon the Revenues, when the same shall become due, and shall duly comply with all valid requirements of any municipal or governmental authority relative to any part of such Obligated Group Member's facilities. Each Obligated Group Member shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge, within sixty (60) days after the same shall become due and payable, all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the facilities of such Obligated Group Member, the Premises, or the Revenues; provided, however, that, subject to the other requirements of Section 8.1(j) hereof and of Section 12 of the Mortgage, nothing in this Section shall require any Obligated Group Member to pay or cause to be paid or cause to be discharged, any such tax, assessment, valid requirement, claim, demand, lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings by such Obligated Group Member.

5.7. Tax Covenant. (a) Each Obligated Group Member covenants that it and each person related to it within the meaning of Section 147(a)(2) of the Code will comply with each requirement of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(b) In furtherance of the covenant contained in the preceding sentence, each Obligated Group Member agrees to comply with the provisions of the Tax Regulatory Agreement.

(c) Each Obligated Group Member covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause such Bonds to be "arbitrage bonds," within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

(d) Each Obligated Group Member covenants that: (i) it shall not perform any acts nor enter into any agreements which shall cause any revocation or adverse modification of its status as an organization exempt from Federal income taxes pursuant to Section 501(a) of the Code; and (ii) it shall not carry on or permit to be carried on any trade or business the conduct of which is not substantially related to the exercise or performance by such Obligated Group Member of the purposes or functions constituting the basis for its exemption under Section 501 of the Code if such use would result in the loss of such Obligated Group Member's

exempt status under Section 501 of the Code or would cause the interest on the Bonds to be included in gross income and subject to Federal income taxation.

(e) Each Obligated Group Member agrees that neither such Obligated Group Member, nor any person related to such Obligated Group Member within the meaning of Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, shall purchase the Bonds upon their initial issuance in an amount related to the amount of the Bonds secured by this Loan Agreement.

(f) Notwithstanding any other provision of the Indenture or this Loan Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the covenants contained in this Section shall survive the discharge and satisfaction of the Bonds (in accordance with Section 12.1 of the Indenture) and the termination of this Loan Agreement.

5.8. Premises. The Institution and each other Obligated Group Member covenants that, except as set forth in the Hazardous Substance Agreement, the Premises of the Institution and the property of such other Obligated Group Member will comply in all material respects with, all applicable restrictive covenants, applicable zoning and subdivision ordinances and building codes, all applicable health and environmental laws and regulations and all other applicable laws, rules and regulations.

5.9. Securities Law Compliance. Each Obligated Group Member covenants that it shall not perform any act or enter into any agreement which shall change the status of such Obligated Group Member's representations set forth in Section 7.2 of this Loan Agreement.

5.10. General Compliance with Law. Each Obligated Group Member covenants that it will comply in all material respects with all federal, state and local laws, regulations and ordinances relating to its business, the Project, the Premises, and its facilities, including, but not limited to, the Employee Retirement Income Security Act of 1974, as amended, and all applicable laws and regulations relating to nondiscrimination in employment and employment opportunities, and all applicable Equal Employment and Opportunity Laws.

5.11. Payment of Expenses. The Obligated Group agrees that it will pay all expenses, including attorneys' fees and expenses, incurred by the Authority or the Trustee in connection with (i) any amendment, modification or waiver of the provisions of the Obligated Group Documents or the Indenture, (ii) any merger, consolidation or transfer of assets by the Obligated Group, or any person related to it within the meaning of section 147(a)(2) of the Code, or (iii) in connection with the enforcement by the Authority or the Trustee of the rights of the Authority or the Trustee under any of the Obligated Group Documents or the Indenture.

5.12. Long-Term Debt Service Coverage Ratio. Commencing with the Fiscal Year commencing October 1, 2014, the Obligated Group shall maintain for each Fiscal Year a Long-Term Debt Service Coverage Ratio of the Obligated Group at least at 1.35 unless a lower level is consented to in writing by the owners of not less than a majority in principal amount of the Outstanding Bonds. If such Long-Term Debt Service Coverage Ratio of the Obligated Group, as calculated at the end of any Fiscal Year, is below the required level, the Obligated

Group Members jointly and severally covenant to retain a Consultant, within thirty (30) days after the end of such Fiscal Year and in compliance with Section 5.23 hereof, to make recommendations to increase such Long-Term Debt Service Coverage Ratio for subsequent Fiscal Years of the Obligated Group at least to the required level, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level, and to provide a copy of the report of such Consultant to the Authority and to each Bondowner. Each Obligated Group Member agrees that it will follow the recommendations of the Consultant. So long as the Obligated Group shall retain a Consultant and each Obligated Group Member shall follow such Consultant's recommendations, this Section shall be deemed to have been complied with; provided, however, that an Event of Default shall be deemed to have occurred under this Loan Agreement if any calculation of the Long-Term Debt Service Coverage Ratio for any Fiscal Year, including any Fiscal Year commencing prior to October 1, 2014, indicates that such Long-Term Debt Service Coverage Ratio of the Obligated Group is less than 1.00, unless the owners of not less than a majority in principal amount of the Outstanding Bonds shall have agreed in writing that the failure to comply with the provisions of this section shall not be deemed an Event of Default.

5.13. Permitted Encumbrances and Pledged Accounts. (a) Each Obligated Group Member covenants that, except for Permitted Encumbrances described in paragraph (b) of this Section 5.13, it shall not, without the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, create, permit to be created, or suffer to be created, any Lien upon any of its Property now owned or hereafter acquired. Notwithstanding anything to the contrary contained in this Section 5.13, with respect to the Mortgaged Premises, unless consented to in writing by the owners of not less than a majority in principal amount of the Outstanding Bonds, no Lien shall be superior to the Mortgage (even if it is a Permitted Encumbrance) other than those Liens appearing as exceptions in the title policy issued in connection with the Mortgage.

(b) Permitted Encumbrances shall include only the following:

(1) any Lien (i) for taxes, assessments or governmental charges or levies not yet delinquent; (ii) constituting an inchoate lien imposed by law but not yet having attached to any real property or leasehold, such as materialmen's, mechanics', carriers', worker's, employees' and repairmen's liens and other similar liens arising in the ordinary course of such Obligated Group Member's business and securing obligations that have not remained unpaid for more than thirty (30) days from the date the same shall have become due, (iii) constituting a pledge of deposits to secure obligations under worker's compensation laws or similar legislation or to secure public or statutory obligations of such Obligated Group Member; (iv) in favor of the Authority or the Trustee created pursuant to the Indenture, the Obligated Group Documents, or any related documents; and (v) constituting utility, access and other easements and rights of way, mineral rights, grants existing as of the date hereof, encroachments and other exceptions existing as of the date hereof, which will not interfere with or impair the present or future operation of such Obligated Group Member, and minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similarly used for hospital purposes which do not materially impair the use of the properties affected thereby;

(2) the Lien represented by the security interest to the Authority created upon the Gross Receipts by this Loan Agreement and the Mortgage and the Lien represented by the mortgage, liens, pledges and security interests to the Authority created upon the Mortgaged Premises and the equipment and fixtures located thereon by the Mortgage;

(3) any Lien listed on Schedule A hereto;

(4) any Lien arising by reason of good faith deposits with such Obligated Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by such Obligated Group Member to secure public or statutory obligations, or to secure, or given in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(5) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable such Obligated Group Member to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(6) any Lien in the form of (A) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) a lien on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which liens have not been perfected; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; and (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof;

(7) any Lien on Property described on Schedule A to this Loan Agreement which is existing on the date of the execution and delivery of this Loan Agreement, including renewals or refinancings thereof, provided that no such Lien may be extended or modified to apply to any Property of such Obligated Group Member not subject to such Lien on such date, unless such Lien as so extended or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(8) any Lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(9) any Lien on Property received by such Obligated Group Member through gifts, grants or bequests, such Liens being due to restrictions imposed by the donor on such gifts, grants or bequests of Property or the income thereon;

(10) any Lien on moneys deposited by patients or others with such Obligated Group Member as security for or as prepayment for the cost of patient care;

(11) any Lien due to rights of third-party payors for recoupment of amounts paid to such Obligated Group Member; and

(12) any Lien representing statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. §291 et seq. and similar rights under other federal and state statutes.

(c) The Institution (i) represents and warrants that it (A) maintains certain deposit accounts, as such term is defined in the Uniform Commercial Code of the state of Connecticut (the "UCC"), at various depository banks, which current deposit accounts are described in Schedule A-2 attached hereto (the "Accounts"), and (B) has caused deposit account control agreements in form and substance satisfactory to the initial purchaser of the Bonds to be executed with respect thereto in order to perfect a security interest in the Accounts to the extent provided under the UCC, and (ii) covenants that (A) it shall maintain said deposit account control agreements in form and substance satisfactory to the holders of a majority in principal amount of the Bonds, and (B) will not move the Accounts or open new deposit accounts without first having entered into deposit account control agreements with respect thereto in form and substance which is acceptable to the holders of a majority in principal amount of the Bonds.

5.14. Permitted Dispositions. (a) Each Obligated Group Member covenants that, except for Permitted Dispositions described in paragraph (b) of this Section 5.14, such Obligated Group Member shall not, without the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, sell, lease (as lessor), remove, transfer, convey or otherwise dispose of any of such Obligated Group Member's Property.

(b) Permitted Dispositions shall include only the following:

(1) the disposition of Property in the case of any proposed or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof; provided that the proceeds of any such condemnation or taking shall be applied in the manner set forth in Section 4.2 of this Loan Agreement;

(2) the disposition of Property if such Property is replaced promptly by other Property of comparable utility or worth; and

(3) the disposition of Property to another Obligated Group Member.

5.15. Permitted Releases. (a) The Authority and each Obligated Group Member covenant that, except for Permitted Releases described in paragraph (b) of this Section 5.15, the Authority shall not without the written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds release (i) any of the Premises from the mortgage

lien created by the Mortgage, (ii) any of the Gross Receipts or any of the Equipment from the security interest created by this Loan Agreement and the Mortgage, or (iii) any of the Property from the covenants against Liens set forth in Section 5.13 hereof.

(1) Permitted Releases shall include only a release made with respect to that portion of the Premises that is to be disposed of in conjunction with a Permitted Disposition of the Mortgaged Premises.

(c) The Trustee is authorized to cooperate with the Authority and the Obligated Group Members to implement any such Permitted Release.

5.16. Permitted Indebtedness. (a) Each Obligated Group Member covenants that, except for Permitted Indebtedness described in paragraph (b) of this Section 5.16, it shall not, without the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, incur any Indebtedness, directly, indirectly or contingently.

(b) Permitted Indebtedness shall include only the following:

(1) Guarantees permitted under Section 5.17 hereof;

(2) any Indebtedness (or obligations not for borrowed money), which Indebtedness or obligation is not generally treated as indebtedness, such as obligations for employee benefit plans and unemployment insurance liabilities; and

(3) Indebtedness in connection with any Lien existing on the date of this Loan Agreement and reflected on Schedule A or Schedule A-1 hereto.

5.17. Guarantees. Each Obligated Group Member covenants that it shall not, without the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, guarantee the payment of Indebtedness of third parties.

5.18. Reorganizations and Addition to and Withdrawal from the Obligated Group. (a) Each Obligated Group Member covenants that it shall not, without the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, merge, consolidate or reorganize with any other corporation, have its members or sole member replaced, replace its members or sole member, or otherwise change or transfer or allow the change or transfer of control of such Obligated Group Member, or transfer all or substantially all of its Property to any other corporation or entity.

(b) With the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, any Person may become an Obligated Group Member upon the execution and delivery by such new Obligated Group Member to the Trustee of an instrument, containing the agreement of such new Obligated Group Member (i) to become an Obligated Group Member and thereby subject to compliance with all provisions of this Loan Agreement, the Mortgage and each of the Obligated Group Documents pertaining to an Obligated Group Member, (ii) agreeing with the Authority and the Trustee and each other Member of the Obligated Group that it shall be jointly and severally obligated to pay all Indebtedness evidenced by the Notes theretofore or thereafter issued and at any time Outstanding

under the Indenture in accordance with the terms thereof, when due, and (iii) agreeing to execute and deliver to the Authority and the Trustee all amendments to and supplements of Loan Agreement, the Mortgage and each of the Obligated Group Documents as the Authority and the Trustee may require an Obligated Group Member to deliver from time to time.

(c) Each instrument executed and delivered to the Authority and the Trustee in accordance with Section 5.18(b) hereof shall be accompanied by an Opinion of Counsel (i) to the effect that each such instrument has been duly authorized, executed and delivered by the Obligated Group and such new Obligated Group Member and constitutes a valid and binding obligation enforceable in accordance with its terms with such qualifications as to enforceability as described in the opinion of counsel to the initial Obligated Group Members, upon their execution of this Loan Agreement, and (ii) as to such matters incidental to the transactions contemplated by Section 5.18(b) of this Loan Agreement as either of the Authority or the Trustee deems reasonably necessary.

(d) With the prior written consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, any Obligated Group Member (other than the Institution) may, upon thirty (30) days' prior written notice to the Authority and the Trustee, withdraw from the Obligated Group, and the Trustee, if so requested by such Obligated Group Member and at such Obligated Group Member's expense, shall execute and deliver an appropriate instrument releasing such Obligated Group Member from any liability or obligation under the provisions of this Loan Agreement, the Mortgage and each of the Obligated Group Documents, provided that the Obligated Group and such Obligated Group Member shall execute and deliver to the Authority and the Trustee an instrument, containing the agreement of the Obligated Group that such Obligated Group Member may withdraw from the Obligated Group and thereby no longer be subject to compliance with all provisions of this Loan Agreement, the Mortgage and each of the Obligated Group Documents pertaining to an Obligated Group Member.

5.19. Debt Service on Balloon Indebtedness. For purposes of the computation of the Long-Term Debt Service Requirement or Annual Debt Service, whether historic or projected, Balloon Indebtedness shall be deemed to be Indebtedness which, at the later of the date of its original incurrence or the date of calculation, amortized, on a level debt service basis, over twenty (20) years, with level annual debt service, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer's Certificate.

5.20. Debt Service on Variable Rate Indebtedness. For purposes of the computation of the projected (but not historic) Long-Term Debt Service Requirement or Annual Debt Service, Variable Rate Indebtedness shall be deemed Indebtedness which bears interest at a rate derived from the Bond Index, all as determined by an Officer's Certificate.

5.21. Debt Service on Discount Indebtedness. For purposes of the computation of the Long Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the amount of principal represented by Discount Indebtedness shall, at the election of the Obligated Group, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

5.22. Days Cash on Hand. The Obligated Group shall not permit the number of Days Cash on Hand on a semi-annual basis, as of each test date below, to be less than the number of Days Cash on Hand set forth opposite such test date.

<u>Semi-annual Test Date</u>	<u>Minimum Days Cash on Hand</u>
September 30, 2013	40
March 31, 2014	45
September 30, 2014	50
March 31, 2015	55
March 31, 2016 and each September 30 and March 31 thereafter	60

If such Days Cash on Hand is below the required level, the Obligated Group covenants to retain a Consultant, within thirty (30) days after the end of such March 31 or September 30 and in compliance with the provisions of Section 5.23 hereof, to make recommendations to increase such Days Cash on Hand for the subsequent period at least to the required level. The Obligated Group agrees that it will follow the recommendations of the Consultant unless so doing would be in violation of law or cause a breach of contract. Anything in the foregoing to the contrary notwithstanding, unless waived in writing by the owners of not less than a majority in principal amount of the Outstanding Bonds, an Event of Default shall be deemed to have occurred under this Loan Agreement if (i) any calculation of the Days Cash on Hand for any two consecutive periods indicates that such Days Cash on Hand is less than the required level for each such period or (ii) any calculation of the Days Cash on hand for any March 31 or September 30 falls below thirty (30) days.

6.3. Continuing Disclosure. (a) The Obligated Group shall furnish, in a timely manner, to the Authority, each Bondowner, the Trustee and the Municipal Securities Rulemaking Board (“MSRB”) as provided in the Continuing Disclosure Agreement (1) notice of any of the events, described in subsection (b)(5)(i)(C) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”), as such Rule may be amended from time to time, and (2) notice of the failure of the Institution to provide the annual financial information in the manner and as described in the next subsection of this Loan Agreement.

(b) The Obligated Group shall furnish, and shall cause each “obligated person” as defined in the Rule to furnish to the Authority, the Trustee, the MSRB, and upon request, the owners of the Bonds and such other parties as the Authority may designate, at the times required by the Continuing Disclosure Agreement, financial information (including operating data) of the Obligated Group, of the type included in the Private Placement Memorandum, including but not limited to audited financial statements of the individual Members of the Obligated Group for the most recent prior Fiscal Year prepared in accordance

with generally accepted accounting principles (or describing any exceptions therefrom) including Management's Discussion and Analysis, comparisons to prior year and budget, utilization, market share, construction updates and payer mix schedules, quarterly unaudited consolidated financial statements and operating data of the Obligated Group, and the other information set forth in the Continuing Disclosure Agreement. The Obligated Group shall take all actions and furnish any other information necessary to comply with the Rule and the Continuing Disclosure Agreement.

8.1. Events of Default. As used herein an "Event of Default" exists if any of the following occurs and is continuing:

(a) **Principal, Interest, Premium, etc.** Failure by the Obligated Group Members to make when due any payment required under subsection (a), (b) or (c) of Section 2.2 hereof or failure by the Obligated Group Members to pay in full any payment of principal or interest on the Note when due; or

(b) **Other Payments.** Failure by the Obligated Group Members to pay when due any amount required to be paid under this Loan Agreement or the Mortgage (other than any amount referred to in subsection (a), (b) or (c) of Section 2.2 hereof or any amount of principal or interest due on the Note), which failure continues for a period of ten (10) days; or

(c) **Covenants, Representations, etc.** Failure by any Obligated Group Member to observe and perform any covenant, condition or agreement in the Obligated Group Documents (other than in the Continuing Disclosure Agreement or under Section 6.3 hereof) on its part to be observed or performed, or failure of any representation made by any Obligated Group Member in the Obligated Group Documents (other than in the Continuing Disclosure Agreement or under Section 6.3 hereof) to be correct in all material respects, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to such Obligated Group Member by the Trustee or to such Obligated Group Member and the Trustee by the Authority; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, in the sole judgment of the Authority, such Obligated Group Member shall in good faith commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or

(d) **Bankruptcy, Insolvency, etc.** Any Obligated Group Member shall make an assignment for the benefit of creditors or be generally unable to pay its debts as they become due; or a decree or order appointing a receiver, custodian or trustee for any Obligated Group Member, for the Premises, or for substantially all of any Obligated Group Member's properties shall be entered and, if entered without its consent, remain in effect for more than sixty (60) days; or any Obligated Group Member shall commence a voluntary case under any law relating to bankruptcy, insolvency, reorganization or other relief of debtors or any such case of an involuntary nature is filed against it and is consented to by it or, if not consented to, is not dismissed within sixty (60) days; or

(e) **Undischarged Final Judgment.** Final judgment for the payment of money in an aggregate amount of \$500,000 or greater, shall be rendered against any one or more Obligated Group Members and at any time after thirty (30) days from the entry thereof, (a) such judgment shall not have been discharged, or (b) such Obligated Group Members shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(f) **Liquidation, etc.** Except to the extent permitted by Section 5.18 hereof, any Obligated Group Member shall liquidate or dissolve its affairs, or dispose of or transfer all or substantially all of its assets; or

(g) **Default Under Other Agreements.** An event of default shall have occurred under any other agreement or lease (after the expiration of any applicable grace periods) to which the Authority and any Obligated Group Member are parties; or

(h) **Indenture Event of Default.** An Event of Default (as defined in the Indenture) shall have occurred under the Indenture; or

(i) **Default With Respect to Other Indebtedness.** Any Obligated Group Member shall default in the payment of any other Indebtedness (other than the Note), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which default in payment or event of default shall be in respect of (a) any Parity Debt or (b) any Indebtedness in an aggregate principal amount of at least two percent (2%) of the Obligated Group's Operating Revenues at the end of the most recent Fiscal Year, where the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof (or a trustee on behalf of such holders) to cause such Indebtedness to become due prior to its stated maturity; provided, however that such default shall not constitute an Event of Default within the meaning of this Section if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of such Indebtedness under the laws of Connecticut or other laws governing such proceeding (i) such Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, (ii) sufficient moneys are escrowed with a bank or trust corporation for the payment of such Indebtedness, and (iii) such Obligated Group Member delivers an Officer's Certificate to the Authority and the Trustee certifying that such Obligated Group Member has complied with clauses (i) and (ii); or

(j) **Liens, etc.** Except as consented to by the Authority in writing, any lien, encumbrance or other charge (other than a Permitted Encumbrance) is created, granted or suffered by any Obligated Group Member against the Property of such Obligated Group Member, including statutory and other liens of mechanics, workers, contractors, subcontractors, suppliers, or taxing authorities; provided, however, that tax or other liens shall not constitute an Event of Default hereunder (a) if such Obligated Group Member is contesting the imposition of such tax or lien in good faith and in accordance with law and if such Obligated Group Member

takes measures reasonably necessary to protect the Authority's Lien on the Premises created by the Mortgage and such Obligated Group Member delivers an Officer's Certificate to the Authority and the Trustee so certifying; or (b) if the amounts secured by any such lien for taxes or special assessments, is not then delinquent; or

(k) **Delay or Discontinuance.** The acquisition, construction, improvement, equipping, renovation or repair of the Project is abandoned or discontinued or delayed for a length of time or in a manner which the Authority believes threatens the ability of the Obligated Group to repay the loan made hereunder or threatens the exclusion from gross income of the interest on the Bonds.

8.2. Remedies. (a) Upon the occurrence and continuance of any Event of Default hereunder and further upon the condition that, in accordance with the terms of the Indenture, the Bonds shall have been declared to be immediately due and payable pursuant to any provision of the Indenture, the loan payments required by subsections (a), (b), (c) and (d) of Section 2.2 hereof and the payments required by the Note shall, without further action, become and be immediately due and payable.

(b) Upon the occurrence and continuance of any Event of Default hereunder, the owners of not less than a majority in principal amount of the Outstanding Bonds may and the Trustee shall at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, subject to the terms of the Indenture, take any action at law or in equity to collect any payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Obligated Group Members hereunder or to protect the interests securing the same, and the Trustee shall at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, without limiting the generality of the foregoing, exercise any or all rights and remedies given hereby or available hereunder and may take any action at law or in equity to collect any payments then due or thereafter to become due, or to enforce performance of any obligation, agreement or covenant of any Member of the Obligated Group hereunder or under the Note or the Mortgage.

(c) Any amounts collected from the Obligated Group pursuant to this Section 8.2 shall be applied in accordance with the Indenture.

(d) The Obligated Group Members agree that, upon the occurrence of an Event of Default, the Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, shall have the right of foreclosure under the Mortgage, and in addition the Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, is authorized to and may enter the Premises without being liable for any prosecution or damages therefor, and may let the Premises, and receive the rent therefor, upon such terms as shall be satisfactory to the owners of not less than a majority in principal amount of the Outstanding Bonds, and all rights of the Institution to repossess the Premises shall be forfeited. Such entry by the Trustee shall not operate to release any Member of the Obligated Group from any payments or covenants to be performed under this Loan Agreement or under the Mortgage during the full term of the Mortgage. For the purpose of letting, the Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, shall be authorized to make such repairs or alterations in or to the

Premises as may be necessary to place the same in good order and condition. Upon entering the Premises, the Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, may inspect the Premises and check all fixtures, furniture, equipment and effects on the Premises and the Authority may, in its sole discretion, expend such monies as may be necessary to restore or repair the Premises. The Obligated Group Members shall pay to the Trustee, upon receipt of vouchers therefor, all sums owing to the Trustee by the Obligated Group Members for any repairs, replacements or renovations made to the Premises to protect the lien and security interest under this Loan Agreement or under the Mortgage. The Obligated Group Members shall be liable to the Trustee for the cost of such repairs or alterations and all expenses of such letting subject to any limitation with respect thereto as set forth in the Connecticut General Statutes. If the sum realized or to be realized from the letting is insufficient to satisfy the payments required by this Loan Agreement, the Mortgage and the Note, the Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, may require the Institution to pay such deficiency month by month, or may hold the Obligated Group liable in advance for the entire deficiency arising during the term of the letting of the Premises. Notwithstanding such entry by the Trustee, the Obligated Group Members agrees that: (i) all rights-of-way, easements or other rights in land provided in accordance with this Loan Agreement shall be continued in full force and effect; and (ii) any utility services furnished to the Premises prior to such entry shall continue to be furnished by the Institution to the Premises at the expense of the Obligated Group Members. The Trustee, at the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, also may pursue such other remedies as are available to it hereunder and under Connecticut law.

(e) Upon the occurrence and continuance of any Event of Default hereunder, any and all amounts due hereunder may be declared by the Trustee, upon the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, to be immediately due and payable whether or not the Bonds shall have been declared to be due and payable; provided that if the Bonds have been declared to be due and payable in accordance with the terms of the Indenture, the amounts due hereunder under subsections (a), (b), (c) and (d) of Section 2.2 hereof shall, as provided in Section 8.2(a) above, without further action, become and be immediately due and payable.

8.3. Remedies Not Exclusive. All rights and remedies herein given or granted to the Authority, the Bondowners, and the Trustee are cumulative, non exclusive and in addition to any and all rights and remedies that the Authority, the Bondowners, and the Trustee may have or be given by reason of any law, statute, ordinance or otherwise.

9.1. Indemnification. [Summary.] Each Obligated Group Member agrees to indemnify and hold harmless the Authority, the Trustee and their members, directors, officers, officials, employees, counsel, consultants and agents for certain untrue or misleading statements of material fact in portions of the Official Statement or omissions of certain material facts from portions of the Official Statement and from other information required to be provided by the Obligated Group under the Loan Agreement.

10.2. Amendment. (a) Subject to Section 4.1(h), the Authority hereby reserves the right, together with the Members of the Obligated Group, with the consent of the owners of not less than a majority in principal amount of the Outstanding Bonds, and the consent of the

Trustee (given at the direction of the Authority, but the Trustee need not consent if the Trustee's duties, obligations or liabilities are affected thereby) and to the extent permitted by Section 6.5 of the Indenture: (i) to amend or modify the terms of this Loan Agreement and the Note in any respect consistent with the Act, (ii) to extend the term of the Loan Agreement or the Note or the time for making any payment hereunder or thereunder, or (iii) to continue to make construction advances after the initial completion date for the Project. The Obligated Group Members covenant and agree to send a copy of each amendment or modification of this Loan Agreement and the Note to the Trustee.

10.4. Term of Loan Agreement. This Loan Agreement shall remain in full force and effect from the effective date of this Loan Agreement, which shall be the date of delivery of the Bonds authorized under the Indenture, until the date on which the principal of and redemption premium, if any, and interest on the Bonds and any other costs of the Authority and the Trustee with respect to the Bonds shall have been fully paid or provision for the payment thereof shall have been made as provided by the Indenture, at which time the Authority shall release and cancel this Loan Agreement and the Note. The foregoing shall not affect the validity and continuing effectiveness of any of the provisions hereof which by their terms survive the expiration of this Loan Agreement.

10.8. Waivers and Consents by Authority. Notwithstanding the Authority's grant, in the Indenture, of its rights under this Loan Agreement to the Trustee, no provision of this Loan Agreement may be waived nor any consent given with respect thereto without the prior written consent of both the Authority and the Trustee; provided that (i) the Authority shall not approve any such consent or waiver that would cause the Authority to violate any of its covenants or agreements under the Indenture; and (ii) no provision of Section 9.3 of this Loan Agreement shall be waived without the prior written consent of the Trustee. Notwithstanding the foregoing, the owners of not less than a majority in principal amount of the Bonds Outstanding shall have the exclusive right to grant waivers or consents with respect to Sections 5.12 through 5.23 hereof, inclusive, and shall have the exclusive right to exercise all rights and remedies with respect to Article 8 hereof. For the avoidance of doubt, the Authority shall have no right to grant waivers or consents with respect to Sections 5.12 through 5.23 hereof or to direct the exercise of rights and remedies under Article 8 hereof, but the owners of not less than a majority in principal amount of the Bonds Outstanding shall have those rights exclusively. Any waiver, consent, notice or request given by the Authority with respect to this Loan Agreement shall be given by an Authorized Officer of the Authority in writing.

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Appendix G

Indebtedness of the Authority

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**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
University of Hartford Issue, Series A dated July 1, 1966	\$4,100,000	\$4,100,000	\$0
Middlesex Memorial Hospital Issue, Series A dated July 1, 1967	9,300,000	9,300,000	0
Danbury Hospital Issue, Series A dated July 1, 1968	8,500,000	8,500,000	0
Mount Sinai Hospital Issue, Series A dated July 1, 1968	11,450,000	11,450,000	0
New Britain General Hospital Issue, Series A dated July 1, 1968	5,540,000	5,540,000	0
New Haven College Issue, Series A dated July 1, 1968	2,950,000	2,950,000	0
Rockville General Hospital Issue, Series A dated July 1, 1968	3,400,000	3,400,000	0
Lawrence and Memorial Hospitals Issue, Series A dated July 1, 1969	5,380,000	5,380,000	0
University of Hartford Issue, Series B dated July 1, 1969	6,680,000	6,680,000	0
Danbury Hospital Issue, Series B dated July 1, 1970	1,500,000	1,500,000	0
Waterbury Hospital Issue, Series A dated July 1, 1970	10,950,000	10,950,000	0
Windham Hospital Issue, Series A dated July 1, 1970	3,860,000	3,860,000	0
Yale University Issue, Series A dated July 1, 1970	2,440,000	2,440,000	0
Yale University Issue, Series B dated July 1, 1970	12,300,000	12,300,000	0
Charlotte Hungerford Hospital Issue, Series A dated July 1, 1971	2,400,000	2,400,000	0
St. Francis Hospital Issue, Series A dated July 1, 1971	16,700,000	16,700,000	0
University of Bridgeport Issue, Series A dated July 1, 1971	7,500,000	7,500,000	0
Yale-New Haven Hospital Issue, Series A dated July 1, 1971	9,250,000	9,250,000	0
Wesleyan University Issue, Series A dated July 1, 1972	30,550,000	30,550,000	0
Yale University Issue, Series C dated July 1, 1972	2,780,000	2,780,000	0
St. Vincent's Hospital Issue, Series A dated July 1, 1973	23,450,000	23,450,000	0
Middlesex Memorial Hospital Issue, Series B dated July 1, 1974	8,220,000	8,220,000	0
Norwalk Hospital Issue, Series A dated March 1, 1976	13,800,000	13,800,000	0
Danbury Hospital Issue, Series C-1976 dated July 1, 1976	19,750,000	19,750,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Yale University Issue, Series D dated July 1, 1976	16,400,000	16,400,000	0
Fairfield University Issue, Series A dated July 1, 1977	4,150,000	4,150,000	0
Trinity College Issue, Series A dated July 1, 1977	6,000,000	6,000,000	0
Yale-New Haven Hospital Issue, Series B-1979 dated July 1, 1979	59,500,000	59,500,000	0
Hartford Hospital Issue, Series A dated September 12, 1979	1,800,000	1,800,000	0
St. Mary's Hospital Issue, Series A dated January 1, 1980	25,985,000	25,985,000	0
Fairfield University Issue, Series B dated July 1, 1980	4,680,000	4,680,000	0
Connecticut Hospice Issue, Series A dated July 16, 1980	1,450,000	1,450,000	0
Quinnipiac College Issue, Series A dated October 22, 1980	1,900,000	1,900,000	0
University of New Haven Issue, Series B dated April 15, 1981	5,210,000	5,210,000	0
Manchester Memorial Hospital Issue, Series A dated June 1, 1981	14,800,000	14,800,000	0
Meriden-Wallingford Hospital Issue, Series A dated July 1, 1981	24,200,000	24,200,000	0
Fairfield University Issue, Series C dated November 12, 1981	3,500,000	3,500,000	0
Yale-New Haven Hospital Issue, Series C-1981 dated March 1, 1982	6,500,000	6,500,000	0
Community Health Care Center Plan Issue, Series A dated December 22, 1982	2,500,000	2,500,000	0
Yale University Issue, Series E dated February 9, 1983	28,500,000	28,500,000	0
Yale University Issue, Series F dated March 1, 1983	30,250,000	30,250,000	0
Wesleyan University Issue, Series B dated March 15, 1983	16,175,000	16,175,000	0
Danbury Hospital Issue, Series D dated April 15, 1983	49,995,000	49,995,000	0
William W. Backus Hospital Issue, Series A dated November 22, 1983	3,060,000	3,060,000	0
Connecticut College Issue, Series A dated January 1, 1984	4,250,000	4,250,000	0
Stamford Hospital Issue, Series A dated May 1, 1984	19,410,000	19,410,000	0
Hospital of St. Raphael Issue, Series A dated October 1, 1984	45,030,000	45,030,000	0
Fairfield University Issue, Series D dated November 20, 1984	2,300,000	2,300,000	0
Hospital Equipment Issue, Series A dated March 1, 1985	14,530,000	14,530,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
University of New Haven Issue, Series C dated June 27, 1985	2,275,000	2,275,000	0
Yale-New Haven Hospital Issue, Series D dated July 1, 1985	45,900,000	45,900,000	0
Yale University Issue, Series G,H,I and J dated October 15, 1985	90,400,000	90,400,000	0
Yale-New Haven Hospital Issue, Series E dated November 1, 1985	15,000,000	15,000,000	0
William W. Backus Hospital Issue, Series B dated November 15, 1985	4,860,000	4,860,000	0
Hartford Graduate Center Issue, Series A dated November 20, 1985	5,700,000	5,700,000	0
Trinity College Issue, Series B dated December 30, 1985	10,700,000	10,700,000	0
Center for Continuing Care Center of Greater Stamford Issue, Series A dated May 1, 1986	8,015,000	8,015,000	0
Manchester Memorial Hospital Issue, Series B dated November 15, 1986	15,325,000	15,325,000	0
Hebrew Home and Hospital Issue, Series A dated January 1, 1987	21,760,000	21,760,000	0
Yale University Issue, Series K dated March 1, 1987	34,290,000	34,290,000	0
Fairfield University Issue, Series E dated July 1, 1987	15,575,000	15,575,000	0
Capital Asset Pool Issue, Series A dated February 1, 1988	10,930,000	10,930,000	0
University of Hartford Issue, Series C dated April 1, 1988	61,915,000	61,915,000	0
Yale University Issue, Series L,M,N,O dated July 28, 1988	90,000,000	90,000,000	0
St. Mary's Hospital Issue, Series B dated August 15, 1988	33,645,000	33,645,000	0
Wesleyan University Issue, Series C dated September 22, 1988	38,300,000	38,300,000	0
Bradley Health Care Issue, Series A dated December 1, 1988	7,385,000	7,385,000	0
Hospital of Saint Raphael Issue, Series B & C dated December 1, 1988	72,440,000	72,440,000	0
Kingswood-Oxford School Issue, Series A dated April 15, 1989	2,800,000	2,800,000	0
Lutheran General Health Care System dated April 15, 1989	10,650,000	10,650,000	0
Stamford Hospital Issue, Series B dated June 1, 1989	10,450,000	10,450,000	0
Yale University Issue, Series P dated September 27, 1989	6,350,000	6,350,000	0
Fairfield University Issue, Series F dated October 1, 1989	11,700,000	11,700,000	0
Capital Asset Pool Issue, Series B dated November 1, 1989	23,275,000	23,275,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Quinnipiac College Issue, Series B dated November 15, 1989	11,340,000	11,340,000	0
Manchester Memorial Hospital Issue, Series C dated January 15, 1990	5,005,000	5,005,000	0
Lawrence and Memorial Hospital Issue, Series B dated February 1, 1990	9,295,000	9,295,000	0
Bristol Hospital Issue, Series A dated March 1, 1990	18,250,000	18,250,000	0
Taft School Issue, Series A dated April 15, 1990	11,870,000	11,870,000	0
Windham Hospital Issue, Series B dated June 13, 1990	20,600,000	20,600,000	0
Loomis Chaffee School Issue, Series A dated June 28, 1990	7,000,000	7,000,000	0
St. Mary's Hospital Issue, Series C dated August 1, 1990	18,980,000	18,980,000	0
Charlotte Hungerford Hospital Issue, Series B dated September 20, 1990	10,900,000	10,900,000	0
Quinnipiac College Issue, Series C dated November 1, 1990	4,000,000	4,000,000	0
Waterbury Hospital Issue, Series B dated November 1, 1990	20,130,000	20,130,000	0
Yale-New Haven Hospital Issue, Series F dated November 1, 1990	124,395,000	124,395,000	0
Kent School Issue, Series A dated December 1, 1990	26,000,000	26,000,000	0
Capital Asset Issue, Series C dated December 1, 1990	13,180,000	13,180,000	0
Hospital of Saint Raphael Issue, Series D & E dated April 1, 1991	20,280,000	20,280,000	0
Stamford Hospital Issue, Series C, D & E dated May 1, 1991	22,240,000	22,240,000	0
Connecticut College Issue, Series B dated August 31, 1991	5,800,000	5,800,000	0
Danbury Hospital Issue, Series E dated September 1, 1991	37,620,000	37,620,000	0
Sharon Health Care, Inc. Issue, Series A dated November 1, 1991	7,290,000	7,290,000	0
New Britain Memorial Hospital Issue, Series A dated December 1, 1991	44,805,000	44,805,000	0
Tolland County Health Care, Inc. Issue, Series A dated December 1, 1991	8,900,000	8,900,000	0
Johnson Evergreen Corporation Issue, Series A dated January 1, 1992	8,590,000	8,590,000	0
Saint Francis Hospital Issue, Series B dated January 1, 1992	27,845,000	27,845,000	0
Hospital of Saint Raphael Issue, Series F & G dated January 1, 1992	28,025,000	28,025,000	0
Middlesex Hospital Issue, Series C,D,E,F & G dated March 1, 1992	38,940,000	38,940,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Bridgeport Hospital Issue, Series A dated March 1, 1992	25,890,000	25,890,000	0
Yale-New Haven Hospital Issue, Series G dated April 1, 1992	34,315,000	34,315,000	0
Lawrence and Memorial Hospital, Series C dated April 1, 1992	51,950,000	51,950,000	0
Norwalk Health Care Issue, Series A dated May 1, 1992	13,060,000	13,060,000	0
Norwalk Hospital Issue, Series B, C & D dated May 15, 1992	23,100,000	23,100,000	0
Trinity College Issue, Series C dated July 1, 1992	20,370,000	20,370,000	0
Yale University Issue, Series Q & R dated August 3, 1992	87,600,000	87,600,000	0
William W. Backus Hospital Issue, Series C dated September 1, 1992	14,700,000	14,700,000	0
University of Hartford Issue, Series D dated October 1, 1992	76,720,000	76,720,000	0
Sacred Heart University Issue, Series A dated November 1, 1992	6,160,000	6,160,000	0
Manchester Memorial Hospital Issue, Series D dated February 1, 1993	8,430,000	8,430,000	0
Griffin Hospital Issue, Series A dated March 1, 1993	30,285,000	30,285,000	0
The Taft School Issue, Series B dated July 1, 1993	13,425,000	13,425,000	0
Quinnipiac College Issue, Series D dated August 1, 1993	50,700,000	50,700,000	0
Fairfield University Issue, Series G dated September 15, 1993	25,255,000	25,255,000	0
Sacred Heart University Issue, Series B dated October 1, 1993	12,500,000	12,500,000	0
Saint Francis Hospital Issue, Series C dated October 1, 1993	110,505,000	108,315,000	2,190,000
Forman School Issue, Series A dated November 12, 1993	4,000,000	4,000,000	0
Hospital of Saint Raphael Issue, Series H & I dated November 1, 1993	73,575,000	73,575,000	0
Lawrence and Memorial Hospital Issue, Series D dated December 1, 1993	58,165,000	58,165,000	0
New Britain General Hospital Issue, Series B dated April 1, 1994	48,870,000	48,870,000	0
Trinity College Issue, Series D dated April 1, 1994	17,000,000	17,000,000	0
Newington Children's Hospital Issue, Series A dated August 15, 1994	53,750,000	53,750,000	0
Choate Rosemary Hall Issue, Series A dated November 15, 1994	25,070,000	25,070,000	0
Pomfret School Issue, Series A dated January 25, 1995	7,785,000	7,785,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
The Loomis Chaffee School Issue, Series B dated January 1, 1995	10,260,000	10,260,000	0
Bridgeport Hospital Issue, Series B dated April 12, 1995	31,500,000	31,500,000	0
Kent School Issue, Series B dated July 1, 1995	26,915,000	26,915,000	0
Day Kimball Hospital Issue, Series A dated November 1, 1995	19,150,000	6,680,000	12,470,000
Bridgeport Hospital Issue, Series C dated December 1, 1995	54,805,000	54,805,000	0
Danbury Hospital Issue, Series F dated January 1, 1996	20,000,000	20,000,000	0
Greenwich Academy Issue, Series A dated March 1, 1996	16,000,000	16,000,000	0
Greenwich Hospital Issue, Series A dated March 1, 1996	62,905,000	62,905,000	0
Sacred Heart University Issue, Series C dated April 1, 1996	35,395,000	35,395,000	0
Westminster School Issue, Series A dated May 1, 1996	10,195,000	10,195,000	0
University of New Haven Issue, Series D dated May 1, 1996	24,400,000	24,400,000	0
Taft School Issue, Series C dated June 1, 1996	16,730,000	16,730,000	0
Trinity College Issue, Series E dated July 1, 1996	35,000,000	35,000,000	0
Yale-New Haven Hospital Issue, Series H dated July 1, 1996	120,240,000	120,240,000	0
Veterans Memorial Medical Center, Series A dated August 1, 1996	69,785,000	69,785,000	0
The Loomis Chaffee School Issue, Series C dated August 1, 1996	11,435,000	11,435,000	0
Stamford Hospital Issue, Series F dated October 15, 1996	23,645,000	23,645,000	0
Windham Hospital Issue, Series C dated December 1, 1996	20,200,000	20,200,000	0
Connecticut College Issue, Series C dated January 1, 1997	33,620,000	33,620,000	0
Yale University Issue, Series S dated April 3, 1997	135,865,000	0	135,865,000
Sacred Heart University Issue, Series D dated April 1, 1997	6,185,000	6,185,000	0
William W. Backus Hospital Issue, Series D dated April 1, 1997	17,240,000	17,240,000	0
St. Mary's Hospital Issue, Series D & E dated May 1, 1997	47,150,000	23,925,000	23,225,000
Choate Rosemary Hall Issue, Series B dated June 15, 1997	33,075,000	33,075,000	0
Edgehill Issue, Series A & B dated July 1, 1997(Ser. A) July 23, 1997(Ser. B)	84,370,000	84,370,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Suffield Academy Issue, Series A dated September 1, 1997	8,070,000	8,070,000	0
Sharon Hospital Issue, Series A dated September 30, 1997	7,610,000	7,610,000	0
Middlesex Hospital Issue, Series H & I dated September 1, 1997	55,440,000	55,440,000	0
Yale University Issue, Series T dated November 5, 1997	250,000,000	0	250,000,000
Hospital for Special Care Issue, Series B dated December 1, 1997	69,795,000	69,795,000	0
Masonicare Issue, Series A dated December 1, 1997	53,045,000	53,045,000	0
Bradley Health Care Issue, Series B Jerome Home Issue, Series C dated December 22, 1997	23,410,000	23,410,000	0
Hospital of St. Raphael Issue, Series J & K dated January 8, 1998	28,800,000	28,800,000	0
Trinity College Issue, Series F dated April 1, 1998	41,570,000	31,765,000	9,805,000
Masonicare Issue, Series B dated May 1, 1998	11,085,000	11,085,000	0
Taft School Issue, Series D dated May 1, 1998	17,060,000	16,290,000	770,000
New Opportunities for Waterbury Issue, Series A & B dated April 15, 1998	5,795,000	5,795,000	0
Hopkins School Issue, Series A dated June 1, 1998	10,000,000	10,000,000	0
Canterbury School Issue, Series A dated August 1, 1998	10,230,000	10,230,000	0
Charlotte Hungerford Hospital Issue, Series C dated August 14, 1998	14,340,000	13,140,000	1,200,000
William W. Backus Hospital Issue, Series E dated August 1, 1998	13,655,000	6,140,000	7,515,000
Fairfield University Issue, Series H dated July 15, 1998	28,000,000	28,000,000	0
Salisbury School Issue, Series A dated October 1, 1998	16,135,000	16,135,000	0
Sacred Heart University Issue, Series E dated December 1, 1998	76,020,000	76,020,000	0
Quinnipiac College Issue, Series E dated December 1, 1998	59,660,000	59,660,000	0
Hebrew Home and Hospital Issue, Series B dated January 1, 1999	19,215,000	19,215,000	0
(Charity Obligated Group) St. Vincent's Medical Center/Hall-Brooke Issue, Series 1999B dated February 4, 1999	45,000,000	45,000,000	0
Stamford Hospital Issue, Series G & H dated March 1, 1999(Ser G) March 24, 1999(Ser	97,440,000	97,440,000	0
Norwalk Hospital Issue, Series E & F dated April 1, 1999	31,480,000	31,480,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Westminster School Issue, Series B dated April 1, 1999	7,960,000	7,960,000	0
Yale University Issue, Series U dated April 29, 1999	250,000,000	0	250,000,000
Saint Joseph College Issue, Series A dated May 1, 1999	11,400,000	11,400,000	0
Brunswick School Issue, Series A dated May 1, 1999	44,635,000	44,635,000	0
The University of Connecticut Foundation Issue, Series A, dated August 1, 1999	8,000,000	8,000,000	0
Miss Porter's School Issue, Series A dated August 15, 1999	10,000,000	10,000,000	0
Fairfield University Issue, Series I dated August 1, 1999	70,000,000	70,000,000	0
The Horace Bushnell Memorial Hall Issue, Issue, Series A, dated September 1, 1999	15,000,000	15,000,000	0
Danbury Hospital Issue, Series G dated September 1, 1999	43,240,000	43,240,000	0
Catholic Health East Issue, Series 1999F dated September 15, 1999	18,610,000	18,610,000	0
Ascension Health Issue, Series A dated November 1, 1999	44,500,000	15,215,000	29,285,000
Covenant Retirement Communities Issue, Series A dated December 2, 1999	10,040,000	10,040,000	0
Waterbury Hospital Issue, Series C dated December 1, 1999	27,140,000	27,140,000	0
Summerwood at University Park Issue, Series A dated February 3, 2000	11,200,000	11,200,000	0
Gaylord Hospital Issue, Series A dated February 22, 2000	12,920,000	12,920,000	0
Eastern Connecticut Health Network Issue, Series A dated February 1, 2000	58,170,000	48,230,000	9,940,000
The Ethel Walker School Issue, Series A dated March 1, 2000	8,500,000	8,500,000	0
Community Renewal Team Issue, Series A dated March 16, 2000	4,325,000	2,465,000	1,860,000
Taft School Issue, Series E dated April 27, 2000	12,000,000	0	12,000,000
Lauralton School Issue, Series A dated June 14, 2000	3,400,000	3,400,000	0
Connecticut College Issue, Series D dated June 1, 2000	12,000,000	12,000,000	0
The Marvelwood School Issue, Series A dated June 29, 2000	5,535,000	5,535,000	0
The Hotchkiss School Issue, Series A dated August 3, 2000	35,000,000	0	35,000,000
Hartford Hospital Issue, Series B dated August 3, 2000	31,175,000	31,175,000	0
The Rectory School Issue, Series A dated November 9, 2000	7,100,000	7,100,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Westover School Issue, Series A dated November 1, 2000	10,000,000	10,000,000	0
Edgehill Issue, Series C dated December 13, 2000	22,000,000	22,000,000	0
Kent School Issue, Series C dated February 15, 2001	10,500,000	10,500,000	0
Trinity College Issue, Series G dated March 1, 2001	50,000,000	50,000,000	0
Loomis Chaffee School Issue, Series D dated May 1, 2001	27,625,000	27,625,000	0
The Gunnery School Issue, Series A dated May 1, 2001	11,455,000	11,455,000	0
Greenwich Academy Issue, Series B dated May 1, 2001	32,920,000	32,920,000	0
United Methodist Home of Sharon Issue, Series A, dated June 1, 2001	7,740,000	7,740,000	0
Wesleyan University Issue, Series D dated June 7, 2001	93,000,000	93,000,000	0
Yale University Issue, Series V dated July 12, 2001	200,000,000	0	200,000,000
Middlesex Hospital Issue, Series J dated July 25, 2001	11,895,000	11,895,000	0
The Whitby School Issue, Series A dated August 3, 2001	6,000,000	6,000,000	0
Fairfield University Issue, Series J dated August 1, 2001	18,000,000	18,000,000	0
Taft School Issue, Series F dated August 15, 2001	11,480,000	11,480,000	0
The Williams School Issue, Series A dated October 18, 2001	5,500,000	1,230,000	4,270,000
Loomis Chaffee School Issue, Series E dated October 1, 2001	11,155,000	11,155,000	0
Quinnipiac University Issue, Series F dated October 31, 2001	60,000,000	60,000,000	0
Washington Montessori School Issue, Series A, dated November 30, 2001	7,990,000	7,990,000	0
Bristol Hospital Issue, Series B dated January 31, 2002	38,000,000	9,290,000	28,710,000
Westminster School Issue, Series C dated February 20, 2002	8,250,000	900,000	7,350,000
Greater Hartford YMCA Issue, Series A dated March 28, 2002	16,180,000	16,180,000	0
University of Hartford Issue, Series E dated April 1, 2002	75,000,000	75,000,000	0
Yale University Issue, Series W dated May 1, 2002	89,520,000	89,520,000	0
Health Care Capital Asset Program Issue, Series A-1, dated May 16, 2002	36,110,000	36,110,000	0
Saint Francis Hospital Issue, Series D dated May 1, 2002	25,250,000	12,650,000	12,600,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Kingswood-Oxford School Issue, Series B dated June 5, 2002	12,000,000	1,940,000	10,060,000
Connecticut College Issue, Series E dated July 1, 2002	17,785,000	17,785,000	0
The Village for Families and Children Issue, Series A & B, dated November 1, 2002	14,000,000	2,615,000	11,385,000
Middlesex Hospital Issue, Series K dated November 15, 2002	15,500,000	15,500,000	0
Klingberg Family Centers Issue, Series A dated December 4, 2002	6,750,000	6,750,000	0
Yale University Issue, Series X-1, X-2 & X-3 dated January 8, 2003	350,000,000	0	350,000,000
Brunswick School Issue, Series B dated April 1, 2003	17,500,000	17,500,000	0
Boys & Girls Club of Greenwich Issue, Series A dated May 29, 2003	14,800,000	14,800,000	0
Wesleyan University Issue, Series E dated July 17, 2003	62,000,000	62,000,000	0
King & Low-Heywood Thomas School Issue, Series A, dated August 27, 2003	11,005,000	2,030,000	8,975,000
Central Connecticut Coast YMCA Issue, Series A, dated September 11, 2003	4,500,000	1,170,000	3,330,000
Quinnipiac University Issue, Series G dated November 18, 2003	16,340,000	16,340,000	0
Sacred Heart University Issue, Series F dated December 11, 2003	21,700,000	2,655,000	19,045,000
Salisbury School Issue, Series B dated February 19, 2004	5,510,000	5,510,000	0
Fairfield University Issue, Series K dated April 14, 2004	38,075,000	38,075,000	0
University of Hartford Issue, Series F dated May 6, 2004	25,000,000	25,000,000	0
Connecticut Children's Medical Center Issue, Series B & C, dated May 13, 2004	44,985,000	44,985,000	0
Lawrence and Memorial Hospital Issue, Series E dated June 24, 2004	22,990,000	0	22,990,000
Greenwich Academy Issue, Series C dated June 25, 2004	11,770,000	11,770,000	0
Norwich Free Academy Issue, Series A dated June 1, 2004	18,740,000	18,740,000	0
Trinity College Issue, Series H dated July 8, 2004	33,370,000	8,410,000	24,960,000
Eastern Connecticut Health Network Issue, Series B, dated July 21, 2004	20,000,000	20,000,000	0
Greenwich Academy Issue, Series D dated September 1, 2004	15,490,000	4,415,000	11,075,000
Kent School Issue, Series D dated October 6, 2004	21,725,000	6,745,000	14,980,000
Trinity College Issue, Series I dated December 9, 2004	15,000,000	15,000,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Hospital of Saint Raphael Issue, Series L&M dated December 16, 2004	59,945,000	59,945,000	0
Griffin Hospital Issue, Series B dated February 1, 2005	24,800,000	7,600,000	17,200,000
Eagle Hill School Issue, Series A dated May 11, 2005	5,990,000	850,000	5,140,000
Avon Old Farms School Issue, Series A dated May 12, 2005	21,670,000	2,845,000	18,825,000
Westminster School Issue, Series D dated June 1, 2005	9,260,000	2,285,000	6,975,000
Ridgefield Academy Issue, Series A dated June 17, 2005	12,000,000	1,510,000	10,490,000
Greenwich Family YMCA Issue, Series A dated August 4, 2005	20,165,000	1,990,000	18,175,000
William W. Backus Hospital Issue, Series F&G dated August 10, 2005	58,135,000	6,385,000	51,750,000
University of New Haven Issue, Series E&F dated August 17, 2005	32,350,000	9,545,000	22,805,000
Wesleyan University Issue, Series F dated September 1, 2005	48,000,000	48,000,000	0
Yale University Issue, Series Y dated October 5, 2005	300,000,000	0	300,000,000
The Loomis Chaffee School Issue, Series F dated October 27, 2005	34,135,000	2,700,000	31,435,000
Fairfield University Issue, Series L1&2 dated November 3, 2005	106,575,000	106,575,000	0
Eastern Connecticut Health Network Issue, Series C, dated November 9, 2005	37,065,000	2,930,000	34,135,000
Mansfield Center for Nursing and Rehabilitation Issue, Series B, dated December 15, 2005	7,095,000	7,095,000	0
Fairfield University Issue, Series L-1(2nd Tranche) dated December 15, 2005	10,000,000	10,000,000	0
Avon Old Farms School Issue, Series B dated March 9, 2006	7,000,000	865,000	6,135,000
Danbury Hospital Issue, Series H&I dated March 16, 2006	81,560,000	40,000,000	41,560,000
Greenwich Hospital Issue, Series B dated April 6, 2006	56,600,000	56,600,000	0
Yale-New Haven Hospital Issue, Series I dated April 7, 2006	111,800,000	111,800,000	0
Miss Porter's School Issue, Series B dated June 16, 2006	18,130,000	785,000	17,345,000
University of Hartford Issue, Series G dated June 22, 2006	50,000,000	4,440,000	45,560,000
Greenwich Adult Day Care Issue, Series A dated June 29, 2006	4,030,000	935,000	3,095,000
The Children's School Issue, Series A dated July 24, 2006	6,835,000	660,000	6,175,000
Canterbury School Issue, Series B dated July 27, 2006	11,805,000	385,000	11,420,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
University of New Haven Issue, Series G dated August 29, 2006	15,890,000	2,595,000	13,295,000
Yale-New Haven Hospital Issue, Series J dated September 26, 2006	280,855,000	121,745,000	159,110,000
Middlesex Hospital Issue, Series L&M dated December 7, 2006	39,380,000	5,535,000	33,845,000
Quinnipiac University Issue, Series H dated December 13, 2006	67,495,000	0	67,495,000
The UConn Foundation Issue, Series B dated January 23, 2007	7,290,000	1,260,000	6,030,000
Trinity College Issue, Series J&K dated March 7, 2007	74,805,000	2,275,000	72,530,000
Greenwich Academy Issue, Series E dated March 22, 2007	26,435,000	0	26,435,000
Jerome Home Issue, Series D Mulberry Gardens Issue, Series E dated March 29, 2007	16,050,000	5,175,000	10,875,000
Connecticut College Issue, Series F&G dated April 4, 2007	40,855,000	0	40,855,000
The Stanwich School Issue, Series A dated May 3, 2007	15,500,000	315,000	15,185,000
Griffin Hospital Issue, Series C&D dated May 15, 2007	34,050,000	1,400,000	32,650,000
Chase Collegiate School Issue, Series A dated June 7, 2007	11,060,000	825,000	10,235,000
Choate Rosemary School Issue, Series C dated June 21, 2007	42,000,000	42,000,000	0
Hospital for Special Care Issue, Series C&D dated June 28, 2007	61,635,000	18,930,000	42,705,000
Gaylord Hospital Issue, Series B dated July 3, 2007	21,530,000	3,065,000	18,465,000
Westover School Issue, Series B dated July 11, 2007	9,180,000	1,275,000	7,905,000
University of Bridgeport Issue, Series B dated August 10, 2007	21,175,000	21,175,000	0
Renbrook School Issue, Series A dated September 13, 2007	8,000,000	8,000,000	0
Yale University Issue, Series Z dated October 4, 2007	600,000,000	0	600,000,000
Masonicare Issue, Series C&D dated October 31, 2007	116,065,000	42,385,000	73,680,000
Hoffman SummerWood Issue, Series B dated November 7, 2007	17,055,000	655,000	16,400,000
Suffield Academy Issue, Series B dated November 8, 2007	12,640,000	4,060,000	8,580,000
Westminster School Issue, Series E dated November 9, 2007	19,230,000	165,000	19,065,000
Windham Hospital Issue, Series D dated November 15, 2007	19,745,000	19,745,000	0
Quinnipiac College Issue, Series I-K dated December 20, 2007	416,465,000	19,040,000	397,425,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Pierce Memorial Baptist Home Issue, Series A dated January 17, 2008	8,575,000	8,575,000	0
Choate Rosemary Hall Issue, Series D dated April 2, 2008	42,415,000	4,320,000	38,095,000
Saint Joseph College Issue, Series B dated April 3, 2008	15,000,000	1,805,000	13,195,000
Fairfield University Issue, Series M dated April 10, 2008	39,440,000	7,055,000	32,385,000
Greenwich Hospital Issue, Series C dated May 7, 2008	53,630,000	10,985,000	42,645,000
Yale-New Haven Hospital Issue, Series K&L dated May 14, 2008	216,565,000	14,150,000	202,415,000
Salisbury School Issue, Series C dated May 22, 2008	48,160,000	0	48,160,000
Saint Francis Hospital Issue, Series E dated May 29, 2008	39,745,000	0	39,745,000
Healthcare Capital Asset Program Issue, Series B-1, dated June 18, 2008	30,000,000	30,000,000	0
Hopkins School Issue, Series B dated June 26, 2008	9,240,000	525,000	8,715,000
Danbury Hospital Issue, Series J dated June 27, 2008	35,580,000	35,580,000	0
Saint Francis Hospital Issue, Series F dated June 30, 2008	175,000,000	0	175,000,000
University of New Haven Issue, Series H dated July 2, 2008	46,000,000	1,795,000	44,205,000
Loomis Chaffee School Issue, Series G dated July 22, 2008	25,745,000	800,000	24,945,000
Hamden Hall Country Day School Issue, Series A, dated July 31, 2008	18,235,000	785,000	17,450,000
Trinity College Issue, Series L dated August 5, 2008	15,345,000	1,860,000	13,485,000
Hospital of Central Connecticut, Series A dated August 8, 2008	33,690,000	33,690,000	0
Taft School Issue, Series G dated August 13, 2008	16,905,000	6,695,000	10,210,000
Fairfield University Issue, Series N dated August 21, 2008	108,210,000	9,765,000	98,445,000
Greater Hartford YMCA Issue, Series B dated December 1, 2008	26,580,000	26,580,000	0
Kent School Issue, Series E dated December 17, 2008	10,155,000	10,155,000	0
Taft School Issue, Series H dated December 23, 2008	8,500,000	8,500,000	0
Eastern Connecticut Health Network, Series D dated May 14, 2009	15,250,000	1,059,000	14,191,000
Ethel Walker School Issue, Series B dated October 5, 2009	8,220,000	200,000	8,020,000
Hopkins School Issue, Series C dated December 10, 2009	7,930,000	835,000	7,095,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Yale University Issue, Series 2010-A dated February 24, 2010	529,975,000	0	529,975,000
Fairfield University Issue, Series O&P dated March 17, 2010	84,915,000	920,000	83,995,000
Ascension Health Issue, Series 2010 dated March 25, 2010	93,265,000	0	93,265,000
Catholic Health East Issue, Series 2010 dated April 7, 2010	19,560,000	250,000	19,310,000
Westminster School Issue, Series F dated April 14, 2010	6,350,000	505,000	5,845,000
Wesleyan University Issue, Series G&H dated May 18, 2010	206,580,000	0	206,580,000
Stamford Hospital Issue, Series I dated May 27, 2010	132,990,000	8,605,000	124,385,000
Trinity College Issue, Series M dated June 29, 2010	22,230,000	1,545,000	20,685,000
Hospital for Special Care Issue, Series E dated July 15, 2010	20,185,000	9,635,000	10,550,000
St. Francis Hospital Issue, Series G dated September 30, 2010	29,870,000	925,000	28,945,000
Mitchell College Issue, Series A dated November 2, 2010	14,300,000	637,186	13,662,814
University of Bridgeport Issue, Series C dated December 9, 2010	30,000,000	984,255	29,015,745
Norwalk Hospital Issue, Series G, H & I dated December 9, 2010	46,840,000	6,140,000	40,700,000
Eastern Connecticut Health Network Issue, Series E, dated 12/21/10	20,145,000	2,075,000	18,070,000
Yale-New Haven Hospital Issue, Series M dated December 22, 2010	104,390,000	4,215,000	100,175,000
Waterbury Hospital Issue, Series D dated December 22, 2010	25,918,000	933,276	24,984,724
Seabury Retirement Community Issue, Series A dated December 23, 2010	21,000,000	4,240,000	16,760,000
CIL Community Resources Issue, Series A dated June 9, 2011	12,020,000	410,000	11,610,000
Western Connecticut Health Network Issue, Series K, dated June 15, 2011	33,035,000	4,198,834	28,836,166
Sacred Heart University Issue, Series G dated June 29, 2011	43,905,000	915,000	42,990,000
Connecticut College Issue, Series H dated June 30, 2011	16,095,000	125,000	15,970,000
Connecticut Children's Medical Center Issue, Series D, dated June 30, 2011	41,580,000	1,655,000	39,925,000
Western Connecticut Health Network Issue, Series L, dated July 13, 2011	96,000,000	0	96,000,000
Western Connecticut Health Network Issue, Series M, dated July 13, 2011	46,030,000	0	46,030,000
Middlesex Hospital Issue, Series N dated July 26, 2011	37,360,000	2,180,000	35,180,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Loomis Chaffee School, Series H dated August 23, 2011	7,740,000	450,000	7,290,000
Lawrence and Memorial Hospital Issue Series F, dated September 15, 2011	58,940,000	2,885,000	56,055,000
Hartford HealthCare Issue, Series A&B dated September 29, 2011	325,815,000	0	325,815,000
Western Connecticut Health Network Issue, Series N, dated November 22, 2011	39,880,000	0	39,880,000
Rectory School Issue, Series B dated January 5, 2012	7,500,000	161,520	7,338,480
Sacred Heart University Issue, Series H dated February 14, 2012	47,740,000	2,115,000	45,625,000
The Horace Bushnell Memorial Hall Issue, Series B, dated March 15, 2012	12,800,000	242,000	12,558,000
Brunswick School Issue, Series C dated March 29, 2012	38,470,000	295,000	38,175,000
Connecticut College Issue, Series I dated April 4, 2012	12,240,000	580,000	11,660,000
Winston Preparatory School Issue, Series A dated April 13, 2012	11,377,500	0	11,377,500
University of Hartford Issue, Series H & I dated April 26, 2012	58,600,000	753,499	57,846,501
Greater Hartford YMCA Issue, Series C dated April 27, 2012	26,660,000	725,000	25,935,000
Bridgeport Hospital Issue, Series D dated May 31, 2012	36,415,000	0	36,415,000
Pomfret School Issue, Series B dated June 14, 2012	17,750,000	0	17,750,000
Stamford Hospital Issue, Series J dated June 20, 2012	250,000,000	0	250,000,000
Westminster School Issue, Series G dated June 29, 2012	6,125,000	65,000	6,060,000
Renbrook School Issue, Series B dated August 22, 2012	8,600,000	153,000	8,447,000
Masonicare Issue, Series E dated September 5, 2012	33,000,000	432,000	32,568,000
The Gunnery School Issue, Series B dated September 28, 2012	8,855,000	60,000	8,795,000
University of Bridgeport Issue, Series D dated November 1, 2012	12,000,000	0	12,000,000
Taft School Issue, Series I dated November 7, 2012	18,060,000	0	18,060,000
Norwalk Hospital Issue, Series J dated December 7, 2012	82,000,000	0	82,000,000
Canterbury School Issue, Series C dated December 28, 2012	7,160,000	0	7,160,000
Washington Montessori School Issue, Series B dated January 25, 2013	6,339,000	14,706	6,324,294
Yale-New Haven Hospital Issue, Series N & O dated February 14, 2013	94,815,000	0	94,815,000

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Norwich Free Academy Issue, Series B dated March 1, 2013	14,640,000	0	14,640,000
Pierce Memorial Baptist Home Issue, Series B dated March 13, 2013	11,454,000	0	11,454,000
Kent School Issue, Series F dated March 28, 2013	17,490,000	0	17,490,000
Forman School Issue, Series B dated March 28, 2013	4,700,000	0	4,700,000
Special Capital Reserve Fund Program			
Cherry Brook Nursing Center Project dated January 15, 1993	9,380,000	4,205,000	5,175,000
Mansfield Center for Nursing and Rehabilitation Project, dated January 15, 1993	10,045,000	10,045,000	0
Noble Horizons Project dated January 15, 1993	6,435,000	6,435,000	0
St. Joseph's Living Center Project dated January 15, 1994	13,385,000	7,865,000	5,520,000
Sharon Health Care Project dated April 1, 1994	8,975,000	8,975,000	0
Maefair Health Care Center Project dated June 15, 1994	12,705,000	12,705,000	0
Saint Joseph's Manor Project dated July 1, 1994	12,805,000	12,805,000	0
The Pope John Paul II Center for Health Care Project, dated July 1, 1994	9,450,000	9,450,000	0
St. Camillus Health Care Center Project dated July 1, 1994	14,020,000	14,020,000	0
The Jewish Home for the Elderly of Fairfield County Project, dated August 15, 1994	7,750,000	7,750,000	0
Shady Knoll Health Center, Inc. Project dated September 1, 1994	10,460,000	10,460,000	0
Wadsworth Glen Health Care Center Project dated October 13, 1994	7,445,000	7,445,000	0
Highland View Manor, Inc. Project dated October 13, 1994	10,010,000	10,010,000	0
AHF/Hartford, Inc. Project dated November 15, 1994	45,495,000	45,495,000	0
AHF/Windsor, Inc. Project dated November 15, 1994	16,020,000	16,020,000	0
New Horizons Village Project dated November 15, 1994	10,050,000	6,970,000	3,080,000
Laurelwood Rehabilitation and Skilled Nursing Center Project dated November 15, 1994	13,800,000	13,800,000	0
Sheriden Woods Health Care Center, Inc. Project dated March 15, 1995	9,915,000	9,915,000	0
Abbott Terrace Health Center Project dated April 15, 1996	13,430,000	13,430,000	0
3030 Park Fairfield Health Center Project dated May 1, 1996	18,825,000	18,825,000	0
Connecticut State University System Issue, Series A, dated November 1, 1995	44,580,000	44,580,000	0

**INDEBTEDNESS OF THE AUTHORITY
SERIES OF BONDS ISSUED, RETIRED, AND OUTSTANDING
AS OF MARCH 31, 2013**

<u>SERIES</u>	<u>AMOUNT ISSUED</u>	<u>AMOUNT RETIRED</u>	<u>AMOUNT OUTSTANDING</u>
Connecticut State University System Issue, Series B, dated March 15, 1997	38,995,000	38,995,000	0
Connecticut State University System Issue, Series C, dated November 15, 1999	23,000,000	23,000,000	0
Connecticut State University System Issue, Series D, dated March 15, 2002	76,150,000	76,150,000	0
Connecticut State University System Issue, Series E, dated May 15, 2003	142,090,000	142,090,000	0
Connecticut State University System Issue, Series F, dated February 18, 2004	49,475,000	33,515,000	15,960,000
Connecticut State University System Issue, Series G&H, dated June 17, 2005	99,110,000	20,385,000	78,725,000
Connecticut State University System Issue, Series I, dated April 18, 2007	62,760,000	425,000	62,335,000
Connecticut State University System Issue, Series J&K, dated June 22, 2011	41,045,000	1,030,000	40,015,000
Connecticut State University System Issue, Series L, dated April 4, 2012	49,040,000	1,780,000	47,260,000
Connecticut State University System Issue, Series M, dated January 10, 2013	34,060,000	0	34,060,000
Child Care Facilities Program			
Series A & B dated November 1, 1998	10,520,000	10,520,000	0
Series C dated September 1, 1999	18,690,000	18,690,000	0
Series D dated August 1, 2000	3,940,000	3,940,000	0
Series E dated April 1, 2001	3,865,000	3,865,000	0
Series F dated December 20, 2006	19,165,000	1,485,000	17,680,000
Series G dated October 23, 2008	16,875,000	770,000	16,105,000
Series 2011 dated August 19, 2011	28,840,000	1,470,000	27,370,000
	<u>\$15,369,548,500</u>	<u>\$7,394,344,276</u>	<u>\$7,975,204,224</u>

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Appendix H

Proposed Form of Opinion of Bond Counsel

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APPENDIX H

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

[Date of Closing]

State of Connecticut Health and
Educational Facilities Authority
10 Columbus Boulevard, 7th Floor
Hartford, Connecticut 06106-1976

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of \$30,330,000 aggregate principal amount of Revenue Bonds, Day Kimball Healthcare Issue, Series B (the “Series B Bonds”) of the State of Connecticut Health and Educational Facilities Authority (the “Authority”), a body politic and corporate constituting a public instrumentality of the State of Connecticut created and established pursuant to the State of Connecticut Health and Educational Facilities Authority Act, being Chapter 187 of the General Statutes of the State of Connecticut, Revision of 1958, as amended (the “Act”).

The 2013 Series B Bonds are issued under and pursuant to the Act, bond resolutions of the Authority adopted on September 19, 2012 and November 14, 2012, and the Trust Indenture dated as of June 1, 2013 (the “Trust Indenture”), by and between the Authority and U.S. Bank National Association (the “Bond Trustee”).

We have examined a record of proceedings relating to the issuance and sale of the Series B Bonds, and we have examined one of the Series B Bonds as executed.

We also have examined: a certified copy of each of the resolutions adopted by the Authority relating to the Series B Bonds, an executed copy of the Loan Agreement dated as of June 1, 2013 (the “Loan Agreement”), by and among the Authority, Day Kimball Healthcare, Inc., formerly known as The Day Kimball Hospital of Windham County, Inc. (the “Institution”), Day Kimball Homemakers, Inc. (“Homemakers”) and Day Kimball Medical Group, Inc. (the “Medical Group,” collectively with the Institution and Homemakers, the “Obligated Group” or “Obligated Group Members”); an executed copy of the Trust Indenture; an executed copy of the Series B Note from the Obligated Group dated the date hereof (the “Note”), issued pursuant to and under the Loan Agreement; and an Assignment of the Mortgage and the Series B Note dated as of June 6, 2013 (the “Assignment”) from the Authority to the Bond Trustee. We have also examined an executed copy of the Tax Regulatory Agreement between the Authority and the Obligated Group dated the date hereof, including the appendices, certificates and attachments thereto (the “Tax Regulatory Agreement”).

We have also examined the opinions of McCarter & English, LLP as to matters concerning the Authority, of Eckert Seamans Cherin & Mellott, LLC as to certain matters concerning the Institution and the other Obligated Group Members, and of Shipman and Goodwin LLP as to certain matters concerning the Bond Trustee.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Obligated Group contained in the Trust Indenture, the Loan Agreement, the Tax Regulatory Agreement, the record of proceedings and other certifications furnished to us, and certifications by officers of the Authority, the Institution, the other Obligated Group Members and the Bond Trustee without undertaking to verify the same by independent investigations.

In rendering the opinions set forth below with respect to the Trust Indenture and the Assignment (but only with respect to the provisions of the Trust Indenture and the Assignment providing for the appointment of the Bond Trustee), we have assumed no present or future violation of Connecticut Public Act No. 07-1 (“Conn. P.A. 07-1”) by the Bond Trustee or any “principal” of the Bond Trustee. In rendering the opinions set forth below with respect to the Loan Agreement, we have assumed no present or future violation of Conn. P.A. 07-1 by any Member of the Obligated Group or any “principal” of any Member of the Obligated Group. We note that in Section 6.15 of the Trust Indenture the Authority has covenanted for the benefit of the Bondowners not to void the Loan Agreement or any other Obligated Group Document pursuant to the provisions of Conn. P.A. 07-1. As used in this paragraph, “principal” means a “principal of a state contractor or prospective state contractor” as defined in Conn. P.A. 07-1.

Capitalized terms used but not defined herein, shall have the meaning ascribed to such terms set forth in the Trust Indenture.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Series B Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series B Bonds. Pursuant to the Trust Indenture, the Loan Agreement and the Tax Regulatory Agreement, the Authority and the Obligated Group Members have made certain representations and covenants relating to compliance with such requirements of the Code to ensure the exclusion of interest on the Series B Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Authority is a validly existing body politic and corporate constituting a public instrumentality of the State of Connecticut and has good right and lawful authority to issue the Series B Bonds and loan the proceeds thereof to the Institution and to receive and pledge the repayments of such loan and other amounts therefrom in accordance with the terms of the Loan Agreement and as provided in the Trust Indenture.

2. The Authority has the right and power pursuant to the Act to enter into the Loan Agreement, the Trust Indenture and the Assignment. The Loan Agreement, the Trust Indenture and the Assignment have each been duly authorized, executed and delivered, are in full force and effect, and constitute valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights generally or application of principles of equity.

3. The Series B Bonds have been duly authorized and issued by the Authority in accordance with law and the terms of the Trust Indenture and are valid and binding special obligations of the Authority payable solely out of the revenues and other receipts, funds or moneys of the Authority pledged therefor pursuant to the Trust Indenture, and from any amounts otherwise available under the Trust

Indenture for the payment thereof. The Series B Bonds are enforceable in accordance with their terms and the terms of the Trust Indenture and are entitled to the benefit of the Act and the Trust Indenture, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or application of principles of equity.

4. The Trust Indenture creates the valid pledge and assignment which it purports to create of all of the Authority's right, title and interest in the Revenues under and pursuant to the Loan Agreement and the Note (except the rights specifically reserved thereunder) and all moneys and securities held by the Trustee under the Trust Indenture (except for moneys and securities held in the Rebate Fund created thereunder), subject only to the provisions of the Trust Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein.

5. Assuming the accuracy of the representations and compliance with the aforementioned tax covenants in the Loan Agreement, Trust Indenture and Tax Regulatory Agreement, under existing statutes and court decisions, (a) interest on the Series B Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code, and (b) the interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing such federal alternative minimum tax.

6. Under existing statutes, interest on the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences with respect to the Series B Bonds or the interest thereon. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series B Bonds or the interest thereon, if any action is taken with respect to the Series B Bonds, or any changes are made in the requirements or procedures contained or referred to in the Trust Indenture, the Tax Regulatory Agreement and other relevant documents upon the advice or with the approving opinion of other bond counsel. Certain requirements and procedures contained or referred to in the Trust Indenture and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. In rendering this opinion, we have assumed the power to enter into and perform, and the due authorization, execution and delivery, by all parties, other than the Authority, to the agreements to which the Authority is a party.

Respectfully submitted,

DAY PITNEY LLP

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Appendix I

Form of Continuing Disclosure Agreement

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is dated as of June 1, 2013 and is executed and delivered by Day Kimball Healthcare, Inc. (the “Institution”), Day Kimball Homemakers, Inc. and Day Kimball Medical Group, Inc. (together, the “Subsidiaries” and together with the Institution, the “Obligated Group” or individually an “Obligated Group Member”), and U.S. Bank National Association (the “Dissemination Agent”) in connection with the issuance of \$30,330,000 State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Day Kimball Healthcare Issue, Series B (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 2013 (the “Indenture”), between the State of Connecticut Health and Educational Facilities Authority (the “Authority”) and U.S. Bank National Association, as Trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to a Loan Agreement, dated as of June 1, 2013, between the Authority and the Obligated Group (the “Loan Agreement”). For valuable consideration, the receipt of which is acknowledged, the Dissemination Agent and the Obligated Group covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Group and the Dissemination Agent for the benefit of the Bondholders (defined below) and the beneficial owners of the Bonds. The Obligated Group and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures. The Members of the Obligated Group and the Dissemination Agent further acknowledge that the Members of the Obligated Group in performing their obligations hereunder shall be acting as “obligated issuers” within the meaning of the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture and in the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the first paragraph of this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” or the term “Holder”, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Bond and any beneficial owner thereof.

“Disclosure Representative” shall mean the Chief Financial Officer of the Authorized Obligated Group Representative or his or her designee, or such other person as the Obligated Group shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the initial Dissemination Agent hereunder, which is U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Obligated Group and acceptable to the Authority and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report provided by the Obligated Group pursuant to and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) The Obligated Group, commencing in 2013, shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the Obligated Group’s fiscal year (which is September 30 as of the date hereof), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. On or prior to said date (except that in the event the Obligated Group elects to have the Dissemination Agent file such report, five (5) Business Days prior to such date) such Annual Report shall be provided by the Obligated Group to the Dissemination Agent together with either (i) a letter authorizing the Dissemination Agent to file the Annual Report with the MSRB, or (ii) a certificate stating that the Obligated Group has provided the Annual Report to the MSRB and the date on which such Annual Report was provided. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Obligated Group may be submitted separately from the balance of the Annual Report; and provided further that audited financial statements of the Obligated Group shall be submitted as soon as practicable after the audited financial statements become available. The Obligated Group shall promptly notify the Dissemination Agent of any change in the Obligated Group’s fiscal year.

(b) If by 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authorized Obligated Group Representative to request a report regarding compliance with the provisions governing the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a reminder notice to the Authorized Obligated Group Representative and the Authority and shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall file a report with the Authorized Obligated Group Representative, the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Obligated Group has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Disclosure Agreement, and stating the date it was provided (if such report was provided).

(e) The Obligated Group shall, or shall cause the Dissemination Agent to, not later than 60 days after the end of each of the Obligated Group’s first three fiscal quarters of each fiscal year, commencing with the fiscal quarter ending June 30, 2013 provide to the MSRB a Quarterly Report. On or prior to said filing date (except that in the event the Obligated Group elects to have the Dissemination Agent file such Quarterly Report, five (5) Business Days prior to such date) such Quarterly Report shall be provided by the Obligated Group to the Dissemination Agent together with either (i) a letter authorizing the Dissemination Agent to file the Quarterly Report with the MSRB, or (ii) a certificate stating that the Obligated Group has provided the Quarterly Report to the MSRB and the date on which such Quarterly Report was provided. In each case, the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The Obligated Group shall not be required to provide a Quarterly Report for the fourth fiscal quarter of any fiscal year.

SECTION 4. Content of Annual Reports and Quarterly Reports.

(a) The Obligated Group's Annual Report shall contain or incorporate by reference the following:

audited financial statements (including footnotes) of the Obligated Group, which financial statements may be individual, combined or consolidated, prepared in accordance with generally accepted accounting/auditing principles as in effect from time to time, consistently applied unless otherwise explained in footnotes to the financial statements provided, consisting of:

- (i) balance sheet as of the close of the most recent fiscal year of the Obligated Group (with comparative totals for the immediately preceding fiscal year);
- (ii) statement of revenues and expenses and changes in net assets (statement of activity) for the most recent fiscal year of the Obligated Group (with comparative totals for the immediately preceding fiscal year); and
- (iii) statement of cash flows for the most recent fiscal year of the Obligated Group (with comparative totals for the immediately preceding fiscal year); and

(b) operating data of the Obligated Group for such preceding fiscal year, prepared from the records of the Obligated Group, regarding, without limitation, financial and operating data of the type included in the final Private Placement Memorandum for the Bonds concerning the Obligated Group, which shall include annual or year end information for the Obligated Group as described in "Appendix A" of such final Private Placement Memorandum including but not limited to the following:

- (i) utilization statistics of the type set forth under the headings "GENERAL INFORMATION, Day Kimball Hospital, Table 1: Staffed Bed Complement", "GENERAL INFORMATION, Day Kimball Hospital, Graph 5: Percentage of Market Share in Primary Service Area" and "FINANCIAL INFORMATION, Table 13: Day Kimball Healthcare Service Report"; and
- (ii) revenue, expense and fund data of the type set forth under the headings, "MANAGED CARE, Table 9: Payer Mix", "FINANCIAL INFORMATION, Table 10: DKH Consolidated Revenue & Expenses Fiscal Years Ended", "FINANCIAL INFORMATION, Table 11: DKH Consolidated Revenue & Expenses Nine Months Fiscal Years Ended", "FINANCIAL INFORMATION, Table 12: Consolidated Statement of Operations", "FINANCIAL INFORMATION, Financial Performance, Fiscal Year (prior Fiscal Year)" and "FINANCIAL INFORMATION, Table 14: DKH Pension Plan Disclosures".

together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Obligated Group and the financial and operating condition of the Obligated Group; provided, however, that the references above to specific section headings of Appendix A of the final Private Placement Memorandum used in connection with the Bonds as a means of identification shall not prevent the Obligated Group from reorganizing such material in subsequent private placement memoranda or official statements.

(c) The Obligated Group's Quarterly Report shall contain quarterly unaudited financial statements of the Obligated Group (including balance sheet, statement of revenues and expenses and changes in net assets and statements of changes in restricted net assets), and quarterly operating data of the Obligated Group of the type described in Appendix A to the Private Placement Memorandum under the headings "GENERAL INFORMATION, Day Kimball Hospital, Table 1: Staffed Bed Complement", "FINANCIAL INFORMATION, Table 11: DKH Consolidated Revenue & Expenses Nine Months Fiscal Years Ended", "FINANCIAL

INFORMATION, Financial Performance, Nine Months”, “FINANCIAL INFORMATION, Table 12: Consolidated Statement of Operations” and “FINANCIAL INFORMATION, Table 13: Day Kimball Healthcare Service Report”.

(d) Any or all of the items listed above may be incorporated by reference from other documents, including financial statements provided under (a) above, the original Private Placement Memorandum for the Bonds, or other official statements of debt issues with respect to which the Obligated Group is an “obligated person” (as defined by the Rule), which have been (i) made available to the public on the MSRB’s Electronic Municipal Markets Access (EMMA) System, the current internet web address of which is www.emma.msrb.org, or (ii) filed with the Securities and Exchange Commission. If the document incorporated by reference is a final private placement memorandum, it must be available from the MSRB. The Obligated Group shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events.

(a) The Obligated Group shall, or shall cause the Dissemination Agent to, give notice of the occurrence of any of the following Listed Events relating to the Bonds to the MSRB in a timely manner not later than ten (10) Business Days after the occurrence of any such Listed Event;

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Obligated Group;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Group;

- (13) the consummation of a merger, consolidation, or acquisition involving the Obligated Group or the sale of all or substantially all of the assets of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of the name of the trustee, if material.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence or possible occurrence of any of the Listed Events set forth in subsection (a) above, contact the Disclosure Representative and inform such person of the event. “Actual knowledge” for purposes of this subsection (b) shall mean actual knowledge of an officer of the Corporate Trust Administration of the Dissemination Agent.

(c) Whenever any Obligated Group Member obtains knowledge of the occurrence of a Listed Event set forth in clauses (2), (7), (8) (relating to Bond calls only), (10), (13) or (14) of subsection (a) above, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, such Obligated Group Member shall as soon as possible determine if such event would constitute material information for Bondholders, and if such event is determined by such Obligated Group Member to be material, such Obligated Group Member shall, or shall cause the Dissemination Agent to, give notice of such event to the MSRB not later than ten (10) Business Days after the occurrence of such event.

(d) If any Obligated Group Member elects to have the Dissemination Agent file notice of any Listed Event, such Obligated Group Member will provide the notice to the Dissemination Agent within 5 Business Days after the occurrence of the Listed Event, along with an instruction to file the notice with the MSRB.

SECTION 6. Termination of Reporting Obligation.

(a) The Obligated Group’s and the Dissemination Agent’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Obligated Group’s obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Obligated Group. The original Obligated Group shall have no further responsibility hereunder only to the extent that the Obligated Group ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

(b) In addition, the Obligated Group’s obligations under the provisions of this Disclosure Agreement shall terminate (in whole or in part, as the case may be) in the event that (1) the Obligated Group delivers to the Dissemination Agent, the Trustee, and the Authority an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Dissemination Agent, the Trustee and the Authority, to the effect that those portions of the Rule which require the provisions of this Disclosure Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion (but such termination of the Obligated Group’s obligations shall be effective only to the extent specifically addressed by such opinion), and (2) the Dissemination Agent delivers copies of such opinion to (i) the MSRB, (ii) the Authority, and (iii) the Trustee (if other than the Dissemination Agent). The Dissemination Agent shall so deliver such opinion promptly.

SECTION 7. Dissemination Agent.

(a) The Obligated Group may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such

Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

(b) The Dissemination Agent, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Authority, the Obligated Group and the registered owners of the Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the date a successor shall have been appointed by the Obligated Group or by a court upon the application of the Dissemination Agent.

(c) In case the Dissemination Agent, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Dissemination Agent or of its property shall be appointed, or if any public officer shall take charge of control of the Dissemination Agent, or of its property or affairs, the Obligated Group shall forthwith appoint a Dissemination Agent to act. The Obligated Group shall give or cause to be given written notice of any such appointment to the Owners (as such term is defined in the Loan Agreement), the Trustee (if the Trustee is not the Dissemination Agent), and the Authority.

(d) Any company into which the Dissemination Agent may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Dissemination Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Dissemination Agent, without any further act or deed.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased) and any provision of this Disclosure Agreement may be waived, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Obligated Group or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Obligated Group shall have delivered an opinion of counsel, addressed to the Authority, the Obligated Group, the Dissemination Agent and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Obligated Group shall have delivered to the Authority, the Trustee and the Dissemination Agent an opinion of counsel, or a determination by a person, in each case unaffiliated with the Obligated Group (such as bond counsel) and acceptable to the Obligated Group, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds or (ii) the Holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of the Holders of the Bonds pursuant to the Indenture as in effect on the date of this Disclosure Agreement, and (5) the Obligated Group shall have delivered copies of such opinion(s) and amendment to the MSRB. The Dissemination Agent may rely and act upon such opinions.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event. Nothing in this Disclosure Agreement shall be deemed to prevent U.S. Bank National Association from providing a notice or disclosure as it may deem appropriate pursuant to any other capacity it may be acting in related to the Bonds.

SECTION 10. Default. In the event of a failure of the Obligated Group or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any of the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds who have provided security and indemnity deemed acceptable to the Dissemination Agent, shall), or any party who can establish beneficial ownership of any of the Bonds, or any Bondholder may, after providing fifteen (15) days written notice to the Obligated Group to give the Obligated Group opportunity to comply within such fifteen-day period, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Obligated Group to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or under the Loan Agreement, and the sole remedy available to the Dissemination Agent, any beneficial owners of the Bonds or the Bondholders under this Disclosure Agreement in the event of any failure of the Obligated Group or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent that the Dissemination Agent is required under the terms of this Disclosure Agreement to report any information, it is only required to report information that it receives from the Obligated Group in the form in which it is received, and the Dissemination Agent shall be under no responsibility or duty with respect to the accuracy and content of the information which it receives from the Obligated Group. The Obligated Group agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or misconduct. The obligations of the Obligated Group under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) Unless otherwise provided by contract with the Dissemination Agent, the Obligated Group shall pay or cause to be paid to the Dissemination Agent after reasonable notice to the Obligated Group in light of the reimbursement sought to be received, reasonable reimbursement for its reasonable expenses, charges, counsel fees and expenses and other disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Obligated Group shall indemnify and save the Dissemination Agent harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or default. None of the provisions contained in this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Obligated Group under this Section to compensate the Dissemination Agent, to pay or reimburse the Dissemination Agent for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Dissemination Agent shall survive the termination of this Disclosure Agreement.

(c) In no event shall the Dissemination Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to, lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 12. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current internet web address of which is www.emma.msrb.org.

(a) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Obligated Group, the Trustee, the Dissemination Agent, parties who can establish beneficial ownership of the Bonds and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Notices. The parties hereto may be given notices required hereunder at the addresses set forth for them in the Loan Agreement or the Indenture.

SECTION 16. Applicable Law. This Disclosure Agreement shall be governed by the laws of the State of Connecticut, and by applicable federal laws.

Dated as of June 1, 2013

OBLIGATED GROUP:

DAY KIMBALL HEALTHCARE, INC.

By: _____
Name: Robert E. Smanik
Title: President and Chief Executive Officer

DAY KIMBALL HOMEMAKERS, INC.

By: _____
Name: Robert E. Smanik
Title: Authorized Signatory

DAY KIMBALL MEDICAL GROUP, INC.

By: _____
Name: Robert E. Smanik
Title: President

DISSEMINATION AGENT:

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

EXHIBIT A
To Continuing Disclosure Agreement

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Authority: State of Connecticut Health and Educational Facilities Authority (the "Authority").

Name of Bond Issue: \$30,330,000 State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Day Kimball Healthcare Issue, Series B.

Name of Obligated Group Members: Day Kimball Healthcare, Inc., Day Kimball Homemakers, Inc. and Day Kimball Medical Group, Inc.

Date of Issuance: June 6, 2013.

NOTICE IS HEREBY GIVEN that the Obligated Group has not yet provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by and between Day Kimball Healthcare, Inc., Day Kimball Homemakers, Inc. and Day Kimball Medical Group, Inc. (the "Obligated Group") and U.S. Bank National Association (the "Dissemination Agent") dated as of June 1, 2013. The Obligated Group has informed the Dissemination Agent that the Annual Report will be filed with the Dissemination Agent by [_____].

Dated: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: _____
Title: _____

cc: Obligated Group
Authority

