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Ratings: *As Shown on Succeeding Pages*

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CONSUMER PROTECTION DIVISION

ASCENSION HEALTH

$1,535,800,000 Series 2003 Revenue Bonds

Dated: Date of Delivery **Due: November 15, as shown herein.**

The Series 2003 Bonds consist of twenty-three separate Series, twenty-two of which will be issued as Auction Rate Securities or ARS, and one as Fixed Rate Bonds. Each Series will be issued in the aggregate principal amount and with the Maturity Dates shown on the succeeding pages. The Series 2003 Bonds are special and limited obligations of the respective Issuers described on the succeeding pages, and are payable solely from and secured exclusively by payments, revenues and other amounts pledged under the related Bond Indenture, including payments to be made by Ascension Health under the related Loan Agreement, and payments to be made by the Obligated Group Members on the related Obligation to be issued by Ascension Health, as Credit Group Representative, under the Master Trust Indenture.

The Series 2003A Bonds (Florida) are being issued as fixed rate bonds (referred to as the Fixed Rate Bonds), bearing interest at the rates shown on the succeeding pages. The other Series of the Series 2003 Bonds will initially bear interest at Auction Rates and are referred to as the Auction Rate Securities. However, each Series of the Auction Rate Securities will bear interest during their respective initial periods described on the succeeding pages at the applicable rate for that Series established by the underwriter prior to the date of delivery. Thereafter, these Series will bear interest at the Auction Rates for their respective Auction Periods each as described on the succeeding pages. Thereafter, at the election of Ascension Health, a Series of the Auction Rate Securities may continue to bear interest during successive Auction Periods at Auction Rates determined through the implementation of the Auction Procedures described herein, or the interest rates on any Series of the Auction Rate Securities may be converted to Long-Term Interest Rates, Bond Interest Term Rates or Weekly Interest Rates.

Payment of the principal of and interest on certain Series of the Series 2003 Bonds identified on the succeeding pages when due will be insured by financial guaranty insurance policies to be issued by **MBIA Insurance Corporation** simultaneously with the delivery of such Series of Series 2003 Bonds. Payment of the principal of and interest on certain other Series of the Series 2003 Bonds identified on the succeeding pages when due will be insured by a financial guaranty insurance policy to be issued by **Ambac Assurance Corporation** simultaneously with the delivery of such Series of Series 2003 Bonds. The identification of those Series of the Series 2003 Bonds to be so insured and the related insurer is provided on the succeeding pages. Payment of the principal of and interest on the remaining Series of the Series 2003 Bonds when due is not insured.

The Series 2003 Bonds are subject to optional, extraordinary and mandatory redemption prior to maturity. The Auction Rate Securities are subject to mandatory tender on the dates and under the circumstances described in this Official Statement. If a Series of the Auction Rate Securities is adjusted to bear interest for an alternate Interest Rate Period, that Series will be subject to optional and mandatory tender under the circumstances and conditions described in this Official Statement.

The Series 2003 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company or DTC, New York, New York. Individual purchases of the Series 2003 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Series 2003 Bonds will be payable by the Bond Trustee for each Series of the Series 2003 Bonds to the registered owners, which will be Cede & Co., as long as DTC is the Securities Depository. Subsequent disbursements of principal, premium and interest will be made to the Beneficial Owners of the Series 2003 Bonds.

The Fixed Rate Bonds will be issued in the denomination of $5,000 or any integral multiple thereof. The Auction Rate Securities will be issued in the denomination of $25,000 or any integral multiple thereof. If any Series of the Auction Rate Securities is adjusted to bear interest for an alternate Interest Rate Period, the Minimum Authorized Denominations will be as described in this Official Statement.

Interest on the Fixed Rate Bonds will be payable on May 15 and November 15, commencing May 15, 2003. Interest on the Auction Rate Securities is payable on each ARS Interest Payment Date. If interest on a Series of Auction Rate Securities is adjusted to bear interest for alternate Interest Rate Periods, that interest will be payable on the dates described in this Official Statement. Principal and the Purchase Price of and premium, if any, and interest on the Series 2003 Bonds will be payable in the manner described in this Official Statement.

The Auction Rate Securities of each Series will be subject to mandatory tender for purchase at the principal amount thereof plus accrued interest, if any, upon adjustment to an alternate Interest Rate Period. The purchase of Auction Rate Securities upon mandatory tender for purchase shall be made (i) with the proceeds of the remarketing of Auction Rate Securities by the Remarketing Agent, then (ii) to the extent remarketing proceeds are insufficient, with funds provided by the Obligated Group. **The obligation to purchase Auction Rate Securities upon mandatory tender is not initially supported by a liquidity facility or a covenant of Ascension Health or any other Ascension Health Credit Group Member to maintain levels of liquid assets. The Loan Agreements for each Series of the Auction Rate Securities provide that the Credit Group Representative may deliver a liquidity facility for that Series to the Tender Agent at any time.**

THE SERIES 2003 BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF ANY ISSUER, THE STATES OF FLORIDA, MICHIGAN, MISSOURI, IDAHO OR INDIANA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THESE STATES OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUERS, THESE STATES OR ANY POLITICAL SUBDIVISION THEREOF. THE HOLDERS OF THE SERIES 2003 BONDS ARE NOT GRANTED ANY RIGHT TO HAVE THE ISSUERS, THESE STATES OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE SERIES 2003 BONDS. THE ISSUERS HAVE NO TAXING POWER.

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2003 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds. See the heading "TAX MATTERS" herein for a more detailed discussion of some of the federal income tax consequences of owning the Series 2003 Bonds and for the opinion of Bond Counsel relating to the status of interest on the Series 2003 Bonds under the laws of the States of Florida, Michigan, Missouri, Idaho and Indiana.

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES
(See succeeding pages)

Each Series of the Series 2003 Bonds is offered when, as and if issued by the respective Issuer and received by the Underwriters, subject to prior sale and to the approval of legality by the counsel described herein under the caption "**APPROVAL OF LEGALITY**." It is expected that Series 2003 Bonds in definitive forms will be available for delivery to DTC in New York, New York, on or about March 13, 2003.

The allocation of each Series of the Series 2003 Bonds between the Underwriters is described on the succeeding pages.

SALOMON SMITH BARNEY **MORGAN STANLEY**

March 5, 2003

This Official Statement does not constitute an offer to sell the Series 2003 Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003 Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make an offer, solicitation or sale in that state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering of the Series 2003 Bonds and, if given or made, that information or representation must not be relied upon.

The information set forth under the caption, "**THE ISSUERS**" has been furnished by the respective Issuers. The information under the caption, "**BOND INSURANCE – MBIA and the MBIA Bond Insurance Policies**" and in **APPENDIX I** has been furnished by MBIA. The information under the caption "**BOND INSURANCE – Ambac and the Ambac Bond Insurance Policy**" and in **APPENDIX H** has been furnished by Ambac. The information set forth in **APPENDIX G** has been furnished by DTC. All other information in this Official Statement has been obtained from Ascension Health and other sources that are believed to be reliable, but is not to be construed as a representation of the Underwriters. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Issuers, DTC, the Bond Insurers, Ascension Health or the other Ascension Health Credit Group Members since the date of this Official Statement.

The Issuers have not prepared or assisted in the preparation of this Official Statement, including any financial information included or attached and, except for the information contained under the caption "**THE ISSUERS**," the Issuers are not responsible for any statements made in this Official Statement. Accordingly, the Issuers disclaim responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2003 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of this information.

The CUSIP numbers are included in this Official Statement for the convenience of the Holders and potential Holders of the Series 2003 Bonds. No assurance can be given that the CUSIP numbers for a particular Series or maturity of Series 2003 Bonds will remain the same after the date of issuance and delivery of the Series 2003 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2003 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. These forward-looking statements include, among others, the information under the captions, **"CHANGES TO THE COMPOSITION OF THE ASCENSION HEALTH CREDIT GROUP – St. Vincent's Health System (Jacksonville, Florida)," "CHANGES TO THE COMPOSITION OF THE ASCENSION HEALTH CREDIT GROUP – Proposed Additions to the Ascension Health Credit Group," "FINANCIAL AND OPERATING INFORMATION - Indebtedness and Certain Liabilities," " - Liquidity; Investment Policies and Income," " - Pension Plans," " - Sale of Non-Core Assets" and " - Physician Practices"** in **APPENDIX A** to this Official Statement; and the statements under the caption, "**BONDHOLDERS' RISKS**" in the forepart of this Official Statement.

The achievement of certain results or other expectations contained in these forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Neither Ascension Health nor the other Ascension Health Credit Group Members plan to issue any updates or revisions to those forward-looking statements if or when changes in their expectations, or events, conditions or circumstances on which these statements are based occur.

Ascension Health Credit Group
Series 2003 Revenue Bonds
$1,535,800,000

Ratings:

Uninsured Series 2003 Bonds:
Fitch: AA
Standard & Poor's: AA
Moody's: Aa2

Ambac Insured Bonds[1]:
Fitch: AAA
Standard & Poor's: AAA
Moody's: Aaa

MBIA Insured Bonds[1]:
Fitch: AAA
Standard & Poor's: AAA
Moody's: Aaa

See "RATINGS" herein

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$191,850,000
Escambia County Health Facilities Authority (Florida)
Revenue Bonds
(Ascension Health Credit Group)
Series 2003A

$191,850,000 Serial Bonds

Maturity (November 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number
2003	$ 7,440,000	2.500%	1.111%	296117AJ3
2004	7,390,000	2.500	1.350	296117AK0
2005	7,605,000	2.500	1.780	296117AL8
2006	7,815,000	5.000	2.150	296117AM6
2007	8,220,000	5.000	2.570	296117AN4
2008	4,000,000	3.000	100.000	296117AP9
2008	4,565,000	5.000	3.000	296117AQ7
2009	8,970,000	5.000	3.360	296117AR5
2010	10,445,000	5.000	3.680	296117AS3
2011	10,985,000	5.250	3.900	296117AT1
2012	11,535,000	5.250	4.040	296117AU8
2013	50,180,000	5.250	4.150	296117AV6
2014	2,785,000	4.125	4.250	296117AW4
2014	49,915,000	5.250	4.250	296117AX2

Salomon Smith Barney and **Morgan Stanley & Co. Incorporated** are the Underwriters for the Series 2003A Bonds (Florida).

The Series 2003A Bonds (Florida) are not insured.

[1] The Insured Series 2003 Bonds are identified on these cover pages by a "†" following the Series designation. The identification of the related Bond Insurer for each Series of the Insured Series 2003 Bonds is set forth below the Series designation for those Insured Series 2003 Bonds.

$525,400,000
Michigan State Hospital Finance Authority
Revenue Refunding Bonds
(Ascension Health Credit Group)
Series 2003B

Series Designation	CUSIP Number	Principal Amount	Maturity	Initial Auction Date	Length of Initial Period	Initial Interest Payment Date
2003B-1*	59465E4M2	$68,850,000	November 15, 2026	April 7, 2003	26 days	April 8, 2003
2003B-2*	59465E4N0	66,000,000	November 15, 2026	April 7, 2003	26 days	April 8, 2003
2003B-3*	59465E4P5	70,000,000	November 15, 2026	April 14, 2003	33 days	April 15, 2003
2003B-4*	59465E4Q3	66,000,000	November 15, 2026	April 14, 2003	33 days	April 15, 2003
2003B-5*	59465E4R1	70,000,000	November 15, 2026	April 21, 2003	40 days	April 22, 2003
2003B-6*	59465E4S9	66,000,000	November 15, 2026	April 21, 2003	40 days	April 22, 2003
2003B-7*	59465E4T7	70,000,000	November 15, 2026	April 28, 2003	47 days	April 29, 2003
2003B-8*	59465E4U4	48,550,000	November 15, 2026	April 28, 2003	47 days	April 29, 2003

Auction Date Generally for all Series of Series 2003B Bonds (Michigan): Each 5th Monday
Interest Payment Date Generally for all Series of Series 2003B Bonds (Michigan): Each 5th Tuesday

Salomon Smith Barney is the Underwriter and the initial Broker-Dealer for the Series 2003B-1, 2003B-3, 2003B-5 and 2003B-7 Series of the Series 2003B Bonds (Michigan).

Morgan Stanley & Co. Incorporated is the Underwriter and the initial Broker-Dealer for the Series 2003B-2, 2003B-4, 2003B-6 and 2003B-8 Series of the Series 2003B Bonds (Michigan).

* ***Each Series of the Series 2003B Bonds (Michigan) is insured by MBIA.***

$295,375,000
Health and Educational Facilities Authority of the State of Missouri
Revenue Bonds
(Ascension Health Credit Group)
Series 2003C

Series Designation	CUSIP Number	Principal Amount	Maturity	Initial Auction Date	Length of Initial Period	Initial Interest Payment Date
2003C-1	60635HWY1	$48,075,000	November 15, 2039	April 1, 2003	20 days	April 2, 2003
2003C-2	60635HWZ8	72,500,000	November 15, 2039	April 1, 2003	20 days	April 2, 2003
2003C-3	60635HXA2	72,750,000	November 15, 2039	April 15, 2003	34 days	April 16, 2003
2003C-4*	60635HXB0	50,950,000	November 15, 2026	April 29, 2003	48 days	April 30, 2003
2003C-5*	60635HXC8	51,100,000	November 15, 2026	April 29, 2003	48 days	April 30, 2003

Auction Date Generally for all Series of Series 2003C Bonds (Missouri): Each 5th Tuesday
Interest Payment Date Generally for all Series of Series 2003C Bonds (Missouri): Each 5th Wednesday

Salomon Smith Barney is the Underwriter and the initial Broker-Dealer for the Series 2003C-1 and 2003C-5 of the Series 2003C Bonds (Missouri).

Morgan Stanley & Co. Incorporated is the Underwriter and the initial Broker-Dealer for the Series 2003C-2, 2003C-3 and 2003C-4 of the Series 2003C Bonds (Missouri).

* ***Series 2003C-4 and 2003C-5 of the Series 2003C Bonds (Missouri) are insured by MBIA.***

Series 2003C-1, 2003C-2 and 2003C-3 of the Series 2003C Bonds (Missouri) are not insured.

$24,700,000
Idaho Health Facilities Authority
Revenue Bonds
(Ascension Health Credit Group)
Series 2003D

Series Designation	CUSIP Number	Principal Amount	Maturity	Initial Auction Date	Length of Initial Period	Initial Interest Payment Date
2003D†	451295RC5	$24,700,000	November 15, 2026	April 9, 2003	28 days	April 10, 2003

Auction Date Generally for the Series 2003D Bonds (Idaho): Each 5th Wednesday
Interest Payment Date Generally for the Series 2003D Bonds (Idaho): Each 5th Thursday

Salomon Smith Barney is the Underwriter and the initial Broker-Dealer for the Series 2003D Bonds (Idaho).

† ***The Series 2003D Bonds (Idaho) are insured by MBIA.***

$498,475,000
Indiana Health Facility Financing Authority
Revenue Bonds
(Ascension Health Credit Group)
Series 2003E

Series Designation	CUSIP Number	Principal Amount	Maturity	Initial Auction Date	Length of Initial Period	Initial Interest Payment Date
2003E-1†	454798MW6	$57,150,000	November 15, 2026	April 3, 2003	22 days	April 4, 2003
2003E-2†	454798MX4	60,000,000	November 15, 2036	April 3, 2003	22 days	April 4, 2003
2003E-3†	454798MY2	60,000,000	November 15, 2036	April 10, 2003	29 days	April 11, 2003
2003E-4†	454798MZ9	60,000,000	November 15, 2036	April 10, 2003	29 days	April 11, 2003
2003E-5†	454798NA3	61,625,000	November 15, 2036	April 17, 2003	39 days	April 21, 2003
2003E-6	454798NB1	97,150,000	November 15, 2039	April 17, 2003	39 days	April 21, 2003
2003E-7†	454798NC9	50,450,000	November 15, 2036	April 24, 2003	43 days	April 25, 2003
2003E-8†	454798ND7	52,100,000	November 15, 2036	April 24, 2003	43 days	April 25, 2003

Auction Date Generally for all Series of Series 2003E Bonds (Indiana): Each 5th Thursday
Interest Payment Date Generally for all Series of Series 2003E Bonds (Indiana): Each 5th Friday

Morgan Stanley & Co. Incorporated is the Underwriter and the initial Broker-Dealer for the Series 2003E-1, 2003E-3, 2003E-5 and 2003E-7 of the Series 2003E Bonds (Indiana).

Salomon Smith Barney is the Underwriter and the initial Broker-Dealer for the Series 2003E-2, 2003E-4, 2003E-6 and 2003E-8 of the Series 2003E Bonds (Indiana).

† ***Series 2003E-1 of the Series 2003E Bonds (Indiana) is insured by MBIA. Series 2003E-2, 2003 E-3, 20003E-4, 2003E-5, 2003 E-7 and 2003E-8 of the Series 2003E Bonds (Indiana) are insured by Ambac Assurance Corporation.***

Series 2003E-6 of the Series 2003E Bonds (Indiana) are not insured.

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APPENDIX I — Specimen MBIA Bond Insurance Policy

OFFICIAL STATEMENT

$1,535,800,000
Ascension Health Credit Group
Series 2003 Revenue Bonds

INTRODUCTION

General

This Official Statement, including the cover page, the pages immediately succeeding the cover page and Appendices hereto, is provided to furnish information with respect to the sale and delivery by the Issuers of the following Series 2003 Bonds:

- $191,850,000 Escambia County Health Facilities Authority (Florida) Revenue Bonds (Ascension Health Credit Group) Series 2003A
- $525,400,000 Michigan State Hospital Finance Authority Revenue Refunding Bonds (Ascension Health Credit Group) Series 2003B
- $295,375,000 Health and Educational Facilities Authority of the State of Missouri Revenue Bonds (Ascension Health Credit Group) Series 2003C
- $24,700,000 Idaho Health Facilities Authority Revenue Bonds (Ascension Health Credit Group) Series 2003D
- $498,475,000 Indiana Health Facility Financing Authority Revenue Bonds (Ascension Health Credit Group) Series 2003E

The Series 2003 Bonds of the Michigan Issuer, the Missouri Issuer and the Indiana Issuer are being issued in multiple Series as set forth on the pages immediately succeeding the cover page. The Series 2003 Bonds of the Florida Issuer are referred to in this Official Statement as the Fixed Rate Bonds. The Series 2003 Bonds of the Michigan Issuer, the Missouri Issuer, the Idaho Issuer and the Indiana Issuer are referred to in this Official Statement as Auction Rate Securities, or ARS. Under certain circumstances described in this Official Statement, the interest rate on any Series of the Auction Rate Securities may be converted to bear interest for an alternate Interest Rate Period. Auction Rate Securities of any Series that have been so converted are referred to in this Official Statement as Converted Series 2003 Bonds.

The Series 2003B Bonds (Michigan), the Series 2003C-4 Bonds and Series 2003C-5 Bonds of the Series 2003C Bonds (Missouri), the Series 2003D Bonds (Idaho) and the Series 2003E-1 Bonds of the Series 2003E Bonds (Indiana) are referred to collectively herein as the MBIA Insured Bonds.

The Series 2003E-2 Bonds, Series 2003E-3 Bonds, Series 2003E-4 Bonds, Series 2003E-5 Bonds, Series 2003E-7 Bonds and Series 2003E-8 Bonds of the Series 2003E Bonds (Indiana) are referred to collectively herein as the Ambac Insured Bonds.

The MBIA Insured Bonds and the Ambac Insured Bonds are referred to collectively herein as the Series 2003 Insured Bonds.

The Series 2003A Bonds (Florida), the Series 2003C-1 Bonds, Series 2003C-2 Bonds and Series 2003C-3 Bonds of the Series 2003C Bonds (Missouri) and the Series 2003E-6 Bonds of the Series 2003E Bonds (Indiana) are referred to collectively herein as the Series 2003 Uninsured Bonds.

Ascension Health, a Missouri nonprofit corporation, was formed in August 1999. Ascension Health is the parent organization of a national health system consisting primarily of the not-for-profit corporations that formerly comprised the Daughters of Charity National Health System, the Sisters of St. Joseph Health System and Carondelet Health System, Inc. Facilities owned and operated by these not-for-profit corporations include over 16,000 available beds that span the United States of America.

The Series 2003 Bonds will be issued pursuant to separate Bond Indentures, each dated as of March 1, 2003, between the Issuer of that Series (or, in certain cases, those several Series) and the Bond Trustee. The Bond Trustee for the Series 2003E Bonds (Indiana) is Wells Fargo Bank Indiana, National Association. The Bond Trustee for the remaining Series of the Series 2003 Bonds is Wells Fargo Bank, National Association. The proceeds of the sale of each Series of the Series 2003 Bonds will be loaned by the Issuer of that Series to Ascension Health pursuant to a separate Loan Agreement for that Series (or, in certain cases, those several Series) between the Issuer and Ascension Health, each dated as of March 1, 2003.

The proceeds of the sale of the Series 2003 Bonds will be used (i) to finance or reimburse Ascension Health for capital expenditures made or to be made by members of the Ascension Health Credit Group in the States of Florida, Missouri, Georgia, Arizona, Idaho, Texas and Indiana, (ii) to pay at maturity a portion of commercial paper notes issued by Ascension Health to finance a portion of the costs of the acquisition of certain assets of Carondelet Health System, Inc. and certain of its affiliates on December 5, 2002, (iii) to refund indebtedness described under the caption "**Plan of Finance**" herein and (iv) to pay the premiums for the Bond Insurance Policies.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings included in **APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Definitions of Certain Terms"** or **APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES."**

Security; The Master Indenture

Each Series of the Series 2003 Bonds is secured under the Bond Indenture under which the Series is issued, and will be payable from payments required to be made by Ascension Health under the Loan Agreement for that Series. Each Series of the Series 2003 Bonds will also be secured by a Series 2003 Obligation to be issued by Ascension Health, as Credit Group Representative, under a Master Trust Indenture dated as of November 1, 1999, as amended and supplemented among Ascension Health, other corporations that are Obligated Group Members thereunder from time to time and U.S. Bank National Association, as Master Trustee.

The Master Indenture provides for the creation of a Credit Group, which is comprised of the Obligated Group Members, Designated Affiliates and Limited Designated Affiliates. The Obligated Group Members are jointly and severally obligated to make payments on each Series 2003 Obligation and other Obligations issued and outstanding under the Master Indenture, according to the terms thereof when due. The Designated Affiliates and Limited Designated Affiliates are not obligated to make any debt service payments on any Obligations. However, they may be required to transfer funds to Obligated Group Members in amounts necessary to enable the Obligated Group Members to make payments due on Obligations. The Obligated Group Members and Designated Affiliates are identified in **APPENDIX A** to this Official Statement. There are no Limited Designated Affiliates on the date of this Official Statement.

Ascension Health is currently the Credit Group Representative under the Master Indenture.

No reserve funds have been established under any Bond Indenture. Neither the facilities nor revenues of Ascension Health or the other Credit Group Members are pledged as security for the Series 2003 Bonds or for the payment of the Series 2003 Obligations.

A further description of the Master Indenture and the Credit Group is included under the caption, "**SECURITY FOR THE SERIES 2003 BONDS – The Master Indenture**."

Bond Insurance

Payment of the principal of and interest on the MBIA Insured Bonds when due will be insured by financial guaranty insurance policies, referred to collectively as the MBIA Bond Insurance Policies, to be issued by MBIA Insurance Corporation, or MBIA, simultaneously with the issuance of the MBIA Insured Bonds. MBIA will issue four separate Bond Insurance Policies. Each MBIA Bond Insurance Policy will insure those Series of MBIA Insured Bonds issued by a particular Issuer. The MBIA Bond Insurance Policies do not insure the payment of the MBIA Insured Bonds upon optional or extraordinary optional redemption or any payments to be made on the MBIA Insured Bonds on an accelerated basis or the payment of any Purchase Price of any MBIA Insured Bonds. The MBIA Bond Insurance Policies do not insure the payment of the Ambac Insured Bonds or the Uninsured Series 2003 Bonds. Ascension Health and MBIA will enter into separate Reimbursement Agreements with respect to each MBIA Insurance Policy. Each Reimbursement Agreement will be secured by an Obligation to be issued by Ascension Health, as Credit Group Representative, under the Master Indenture.

Payment of the principal of and interest on the Ambac Insured Bonds when due will be insured by a financial guaranty insurance policy, referred to as the Ambac Bond Insurance Policy, to be issued by Ambac Assurance Corporation, or Ambac, simultaneously with the issuance of the Ambac Insured Bonds. The Ambac Bond Insurance Policy does not insure the payment of the Ambac Insured Bonds upon optional or extraordinary optional redemption or any payments to be made on the Ambac Insured Bonds on an accelerated basis or the payment of any Purchase Price of any Ambac Insured Bonds. The Ambac Bond Insurance Policy does not insure the payment of the MBIA Insured Bonds or the Uninsured Series 2003 Bonds.

See the information under the caption, "**BOND INSURANCE**."

THE ISSUERS

The Issuers have not participated in the preparation of this Official Statement. Except for information describing a particular Issuer under this caption, that Issuer has not provided any of the information contained in this Official Statement, including information about the other Issuers. Each Issuer has provided information only with respect to itself.

Escambia County Health Facilities Authority

The Escambia County Health Facilities Authority, or the Florida Issuer, is a public body corporate and politic established and created under Part III, Chapter 154, Florida Statutes, pursuant to a resolution adopted by the Board of County Commissioners of Escambia County, Florida on March 6, 1975, as supplemented on May 29, 1980. Escambia County is located in northwest Florida, and its principal city is Pensacola. The Authority maintains its office in Pensacola, Florida. The Florida Issuer, as a "local agency" under the Florida Industrial Development Financing Act, constituting Part II of Chapter 159, Florida Statutes, or the Financing Act, is authorized to issue revenue bonds and to lend proceeds thereof to non-profit health care facilities (as defined in the Financing Act) for the purpose of providing funds to pay all or any part of the cost of a project defined in the Financing Act, and to issue revenue refunding bonds. The Florida Issuer is authorized to finance projects for health care facilities located within Escambia County, and where there will be a benefit or cost savings to a health care facility located within the County, the Florida Issuer may finance projects for the health care facility, or another non profit corporation under common control with such health facility, to be located in other Florida counties or other states. The Florida Issuer has no taxing power.

The Florida Issuer is comprised of five members appointed by the Board of County Commissioners of Escambia County, Florida. All members are residents of Escambia County. The members serve staggered four year terms and continue to serve until their successors are appointed.

EXCEPT FOR INFORMATION CONCERNING THE FLORIDA ISSUER UNDER THIS CAPTION NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE FLORIDA ISSUER, AND THE FLORIDA ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Michigan State Hospital Finance Authority

The Michigan State Hospital Finance Authority, or the Michigan Issuer, was created in 1969 by the Michigan Legislature by Act No. 38, Public Acts of Michigan, 1969, as amended, referred to as the Michigan Act, to provide a method to enable nonprofit nonpublic hospitals (defined in the Michigan Act) to provide facilities and services for health care and, to accomplish this purpose, the Michigan Issuer is authorized to issue bonds and notes. The Michigan Issuer membership includes a Chairperson and four members who are appointed by the Governor for four-year terms, and the State Treasurer and the Director of the Michigan Department of Community Health (as successor to the Director of the Department of Public Health pursuant to the Governor's Executive Order No. 1996-1), who serve by virtue of their respective offices. The Michigan Issuer's powers are established by statute. The Michigan Act allows the Michigan Issuer to hire or employ sufficient consultants and staff to carry out the purposes of the Michigan Act. The Michigan Issuer is established organizationally as an agency within the Michigan Department of Treasury, but exercises its statutory functions independently of the State Treasurer (except for the State Treasurer's appointment of administrative staff and exercise of certain administrative functions related to staff, pursuant to the Governor's Executive Order No 2002-12). As of December 31, 2002, the Michigan Issuer had delivered bond issues in the approximate aggregate principal amount of $10.1 billion. None of the Michigan Issuer's bond issues is a general obligation of the Michigan Issuer, and each is payable solely from loan repayments made by the hospital(s) to which the proceeds of the bonds were loaned and from any security pledged by such hospital(s). The Michigan Issuer has no taxing power.

Health and Educational Facilities Authority of the State of Missouri

The Health and Educational Facilities Authority of the State of Missouri, or the Missouri Issuer, is a body politic and corporate and a public instrumentality duly organized and existing under the laws of the State of Missouri, including particularly the Missouri Health and Educational Facilities Authority Act, Chapter 360 of the Revised Statutes of Missouri, as amended (the "Missouri Act"). The Missouri Issuer is empowered by the Missouri Act to make loans to any participating health or educational institutions, as defined in the Missouri Act, to finance the cost of health or educational facilities within or outside the State of Missouri, to refinance outstanding obligations, mortgages or advances issued, made or given for the cost of such facilities, and to refund bonds issued for such purposes. The Missouri Issuer may issue its bonds, notes or other obligations for any of its corporate purposes. Missouri law requires that the State of Missouri shall not be liable in any event for the payment of the principal of or interest on any bonds of the Missouri Issuer or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Missouri Issuer and no breach of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State of Missouri or any charge upon the general credit or taxing power of the State of Missouri.

The Missouri Act provides that the Missouri Issuer shall consist of seven members who are to be appointed by the governor of the State of Missouri with the advice and consent of the Missouri State Senate. Each member must be a resident of the State of Missouri and not more than four members of the Missouri Issuer may be of the same political party. Initial members were appointed to staggered terms of office, and successor members are appointed for terms of five years. Members continue to serve after expiration of their terms until a successor is appointed and qualified or they are reappointed.

The Issuer has previously sold and delivered numerous series of bonds and notes for health or educational institutions other than Ascension Health and the other Credit Group Members which are secured by instruments separate and apart from the Bond Indentures and the Loan Agreements. The owners of such bonds and notes have no claim on the assets, funds or revenues of the Missouri Issuer securing the Series 2003C Bonds (Missouri), and the owners of the Series 2003C Bonds (Missouri) will have no claim on assets, funds or revenues of the Missouri Issuer securing such other bonds and notes. With respect to additional indebtedness of the Missouri Issuer, the Missouri Issuer intends to enter into separate agreements with participating health or educational institutions other than Ascension Health for the purpose of providing financing for eligible projects and programs. Issues that may be sold by the Missouri Issuer in the future for participating health or educational institutions other than Ascension Health will be created under separate and distinct indentures or resolutions and will be secured by instruments, properties and revenues separate from those securing the Series 2003C Bonds (Missouri).

EXCEPT FOR INFORMATION CONCERNING THE MISSOURI ISSUER UNDER THIS CAPTION, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE MISSOURI ISSUER, AND THE MISSOURI ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Idaho Health Facilities Authority

The Idaho Health Facilities Authority, or the Idaho Issuer, organized in 1972, is an independent public body politic and corporate constituting a public instrumentality of the state of Idaho. The Idaho Issuer was created by the Idaho Health Facilities Authority Act, constituting Sections 39-1441 et seq. of the Idaho Code, as amended (the "Idaho Act"). The purpose of the Idaho Act is to provide a measure of assistance and alternative methods to enable health institutions in Idaho to (a) finance and refinance outstanding indebtedness for health facilities and (b) provide additional facilities for the development and maintenance of public health, health care, hospitals and related facilities.

The Idaho Act provides that the Idaho Issuer shall consist of seven members appointed to staggered five-year terms by the Governor of the state of Idaho. Members must be Idaho residents, and not more than four members may be of the same political party. Each year the members elect from their number a chairman and a vice chairman.

The mailing address of the Idaho Issuer and the office of the Executive Director is 1607 West Jefferson Street, Boise, Idaho 83702, and the Idaho Issuer's telephone number is (208) 342-8772.

Under the Idaho Act, the Idaho Issuer has the powers, among others, (a) to borrow money and to issue bonds, notes, bond anticipation notes or other obligations for any of its corporate purposes and to refund the same, (b) to acquire, construct, reconstruct, renovate, improve, replace, maintain, repair, operate, lease as lessee or lessor and regulate any facility to be financed under the Idaho Act, to enter into contracts for any and all such purposes and for the management and operation of a facility, or designate a participating health institution as its agent to perform such acts, (c) to lease to a participating health institution any or all of the facilities upon such terms and conditions as the Idaho Issuer shall deem proper, (d) to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and services furnished or to be furnished by facilities, (e) to mortgage all or any portion of the facilities and the site or sites thereof for the benefit of the holders of bonds issued to finance such facilities or any portion thereof, (f) to make loans to any participating health institution for the cost of the facilities in accordance with an agreement between the Idaho Issuer and such participating health institution, (g) to make mortgage loans or other secured or unsecured loans to a participating health institution, to refund outstanding obligations, mortgages or advances issued, made or given by such institution for the cost of its facilities including the function to issue bonds and make loans to a participating health institution and to refinance outstanding obligations and indebtedness incurred for facilities undertaken and completed prior to or after the enactment of the Idaho Act, subject to certain conditions set forth in the Idaho Act, (h) to do all things necessary and convenient to carry out the purposes of the Idaho Act and (i) to charge to and equitably apportion among participating health institutions the administrative costs and expenses of the Idaho Issuer. The Idaho Issuer does not have the power to operate facilities as a business other than as a lessee or lessor.

The Idaho Issuer may impose upon any health institution applying to the Idaho Issuer for financial assistance an initial planning service fee and an annual planning service fee in amounts to be determined by the Idaho Issuer. These fees may be used to pay various expenses of the Idaho Issuer, including administrative expenses, and to provide reserves for unanticipated future expenses.

The Idaho Issuer has offered and plans to offer other obligations from time to time to finance other health care facilities in Idaho. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Bond Indenture for the Series 2003D Bonds (Idaho) and properties producing revenues that secure the Series 2003D Bonds (Idaho).

Indiana Health Facility Financing Authority

The Indiana Health Facility Financing Authority, or the Indiana Issuer, was created in 1983 pursuant to the provisions of IC 5-1-16, or the Indiana Authority Act, and is organized and existing under and by virtue of the Indiana Authority Act as a public body politic and corporate, not an agency of the State of Indiana, authorized to make loans to "participating providers," as defined in the Indiana Authority Act, in order to provide funds to finance, refinance and provide reimbursements for all or a portion of any and all "costs", as defined in the Indiana Authority Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing or installation of "health facility property" as defined in the Indiana Authority Act. The Indiana Issuer may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Indiana Issuer, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate) in a financing for a health facility outside Indiana must also operate a substantial health facility, as determined by the Indiana Issuer, in Indiana. The Indiana Issuer has no taxing power.

THE SERIES 2003 BONDS

The following is a summary of certain provisions of the Series 2003 Bonds. Reference is made to the Series 2003 Bonds for the complete text thereof and to the Bond Indentures for a more detailed description of these provisions. The discussion herein is qualified by such reference.

General

Each Series of Series 2003 Bonds will be issued in the aggregate principal amount and will mature on the Maturity Dates shown on the pages immediately succeeding the cover page of this Official Statement. The Series 2003 Bonds will be dated the date of original delivery, and will bear interest from that date. The Series 2003 Bonds shall bear interest on the unpaid principal amount thereof as described below.

At no time shall any Auction Rate Securities or Converted Series 2003 Bonds bear interest at a rate in excess of the Maximum Interest Rate.

The Depository Trust Company, or DTC, will act as the initial securities depository for each Series of the Series 2003 Bonds, which will be issued initially pursuant to a book-entry only system. See the information under the caption, "**BOOK-ENTRY ONLY SYSTEM.**" Under each Bond Indenture, the Issuer may appoint a successor securities depository to DTC for its Series of the Series 2003 Bonds. The Holders of the Series 2003 Bonds have no right to a book-entry only system for the Series 2003 Bonds. The information under the caption, "**THE SERIES 2003 BONDS**" is subject in its entirety to the provisions described below under the caption, "**BOOK-ENTRY ONLY SYSTEM**" while the Series 2003 Bonds are in the book-entry only system.

Fixed Rate Bonds

The Fixed Rate Bonds will be issued in the authorized denominations of $5,000 or any integral multiple thereof.

The Fixed Rate Bonds will bear interest at the rates described on the pages immediately succeeding the cover page of this Official Statement. Interest on the Fixed Rate Bonds shall be payable on May 15 and November 15 of each year, commencing May 15, 2003.

Auction Rate Securities

The Auction Rate Securities will be issued in the denomination of $25,000 or any integral multiple thereof.

Deutsche Bank Trust Company Americas will act as Auction Agent for the Auction Rate Securities.

Salomon Smith Barney will act as the initial Broker-Dealer for the Series 2003B-1 Bonds, 2003B-3 Bonds, 2003B-5 Bonds and 2003B-7 Bonds of the Series 2003B Bonds (Michigan), the Series 2003C-1 Bonds and 2003C-5 Bonds of the Series 2003C Bonds (Missouri), the Series 2003D Bonds (Idaho) and the Series 2003E-2 Bonds, 2003E-4 Bonds, 2003E-6 Bonds and 2003E-8 Bonds of the Series 2003E Bonds (Indiana).

Morgan Stanley & Co. Incorporated will act as the initial Broker-Dealer for the Series 2003B-2 Bonds, 2003B-4 Bonds, 2003B-6 Bonds and 2003B-8 Bonds of the Series 2003B Bonds (Michigan), the Series 2003C-2 Bonds, 2003C-3 Bonds and 2003C-4 Bonds of the Series 2003C Bonds (Missouri) and the Series 2003E-1 Bonds, 2003E-3 Bonds, 2003E-5 Bonds and 2003E-7 Bonds of the Series 2003E Bonds (Indiana).

Each Series of Auction Rate Securities will initially bear interest at the initial interest rates determined by the applicable Underwriter on or before the date of delivery for that Series for the initial periods set forth on the pages immediately succeeding the cover page. Thereafter, each Series of Auction Rate Securities will bear interest during successive Auction Periods at Auction Rates determined through the implementation of the Auction Procedures, until converted to bear interest at alternate rates. Interest on the Auction Rate Securities during an ARS Interest Rate Period shall be payable on each ARS Interest Payment Date. Interest on the Auction Rate Securities during an ARS Interest Rate Period shall be computed on the basis of a 360-day year for the actual number of days elapsed during the applicable ARS Interest Rate Period. The Auction Rate for the Series 2003 Bonds during an ARS Interest Rate Period will be determined for successive Auction Periods of either 35 days or 7 days through the implementation of the Auction Procedures summarized in **APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES."**

An ARS Interest Period means the period commencing on and including an ARS Interest Payment Date and ending on the day immediately preceding the next succeeding ARS Interest Payment Date. The Applicable ARS Rate will not exceed the ARS Maximum Rate. In certain circumstances, the Auction Procedures for a Series of the Auction Rate Securities may be canceled or suspended. If the Auction Agent fails to receive a Notice of Percentage Change or an opinion of Bond Counsel authorizing an adjustment in the percentages used to determine certain rates relevant to, among others, the Applicable ARS Rate, is not delivered when required, the Auction Agent will cancel the succeeding Auction for that Series and determine the applicable ARS Maximum Rate in accordance with the Auction Agent Agreement. The Auction Agent will also suspend the Auction Procedures for a Series of the Auction Rate Securities upon occurrence of any default in the payment of the principal of or premium, if any, and interest on that Series (provided, however, that with respect to any Series of Insured Bonds, the Auction Procedures shall be suspended only if the related Bond Insurer is in default). The Applicable ARS Rate for each ARS Interest Period for that Series commencing on or immediately after the occurrence of a default, unless the default is cured or waived at least two business days prior to the commencement of the ARS Interest Period, will be the interest rate per annum equal to the lesser of (i) 300% of the Index on that date, as that percentage may be adjusted pursuant to the applicable Bond Indenture, or (ii) 15% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate. The Auction Agent Agreement also requires that no further Auctions will be held if the ownership of the applicable Auction Rate Securities is no longer maintained in a book-entry only system. See **APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES."**

Converted Series 2003 Bonds

Interest on a Series of Converted Series 2003 Bonds bearing interest at a Long-Term Interest Rate shall be payable on each May 15 and November 15 during that Long-Term Interest Rate Period (provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least 90 days from the first day of the Long-Term Interest Rate Period). Interest on a Series during any Long-Term Interest Rate Period shall be calculated based on a year of 360 days and twelve 30-day months. The Bonds of that Series shall be issued (or remarketed) in Minimum Authorized Denominations of $5,000 or any integral multiple thereof.

Interest on a Series of Converted Series 2003 Bonds bearing interest at a Bond Interest Term Rate, or BIT Rate, shall be payable on the day next succeeding the last day of the Bond Interest Term and shall be calculated on the basis of a 365- or 366-day year, as appropriate, and the actual number of days elapsed. The Bonds of that Series

shall be issued (or remarketed) in Minimum Authorized Denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000.

Interest on a Series of Converted Series 2003 Bonds bearing interest at Weekly Interest Rates shall be payable on the first Wednesday of each month (or the next succeeding Business Day if the first Wednesday is not a Business Day) and on the day next succeeding the last day of a Weekly Interest Rate Period. Interest on a Series will be computed on the basis of a 365- or 366-day year, as appropriate, and the actual number of days elapsed. Converted Series 2003 Bonds in a Weekly Interest Rate Period shall be issued (or remarketed) in Minimum Authorized Denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000.

Payment of Principal and Interest

The Series 2003 Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases of interests in the Series 2003 Bonds will be made in book-entry form only, in authorized denominations for the Fixed Rate Bonds of $5,000 or any integral multiple thereof and in Minimum Authorized Denominations for Auction Rate Securities or Converted Series 2003 Bonds. Purchasers of interests will not receive certificates representing their interests in the Series 2003 Bonds. For a description of the method of payment of principal, premium, if any, and interest on the Series 2003 Bonds and matters pertaining to transfers and exchanges while in the book-entry only system, see the information under the caption, "**BOOK-ENTRY ONLY SYSTEM**."

So long as Cede & Co. is the registered owner of a Series of the Series 2003 Bonds, the Bond Trustee for that Series will pay principal of and premium, if any, and interest on the Series 2003 Bonds of that Series to DTC, which will remit principal, premium, if any, and interest payments to the Beneficial Owners of that Series of the Series 2003 Bonds, as described under the caption, "**BOOK-ENTRY ONLY SYSTEM**."

The principal, Purchase Price or Redemption Price of the Series 2003 Bonds and interest thereon shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Bond Trustee.

Fixed Rate Bonds

Payment of the interest on any Fixed Rate Bond shall be made to the person whose name appears on the bond registration books of the Bond Trustee as the registered owner thereof (which is Cede & Co., as long as the book-entry system is in effect) as of the close of business on the Record Date, which, for the Fixed Rate Bonds, is the first day of the month in which that interest payment date falls. Interest will be paid by check mailed on each interest payment date to the registered owner at the address shown on the registration books; provided, however, that if the book-entry system is not in effect, at the option of any Holder of at least $1,000,000 in aggregate principal amount of a Series of the Fixed Rate Bonds, interest shall be paid by wire transfer to the address of the Holder as may have been filed with the Bond Trustee for that purpose.

Auction Rate Securities

While the Auction Rate Securities are book-entry bonds, payment of the principal and Purchase Price of, premium, if any, and interest on any Auction Rate Securities will be made by check mailed by the Bond Trustee to DTC, to the account of Cede & Co. Interest on a Series of the Auction Rate Securities will be payable on each ARS Interest Payment Date, which is the Business Day immediately following each Auction Period for that Series. In the event a Series of the Auction Rate Securities is no longer in a book-entry system, principal and Purchase Price of and premium, if any, on that Series will be payable at the Principal Corporate Trust Office of the Bond Trustee, and interest payments on that Series will be made by check mailed by the Bond Trustee to the registered owners of those Auction Rate Securities as of the ARS Record Date; provided, however, that if a holder of $1,000,000 or more aggregate outstanding principal amount of the Auction Rate Securities gives the Bond Trustee written notice received by the Bond Trustee prior to the ARS Record Date preceding the ARS Interest Payment Date, the payment of principal and Purchase Price of, premium, if any, and interest on the Auction Rate Securities (other than the final payment of principal thereof) will be payable by wire transfer of immediately available funds. The ARS Record

Date with respect to the Auction Rate Securities will be the second business day next preceding each ARS Interest Payment Date.

Converted Series 2003 Bonds

Payments of interest on each Series of Converted Series 2003 Bonds shall be payable by the Bond Trustee during any Long-Term Interest Rate Period or Weekly Interest Rate Period by check mailed on the date on which interest is due to the Holders at their addresses appearing on the bond register maintained by the Bond Trustee at the close of business on the Record Date. For any Series of Converted Series 2003 Bonds bearing interest at either a Bond Interest Term Rate or a Weekly Interest Rate, the Record Date will be the Business Day immediately preceding the related Interest Payment Date. For any Series of Converted Series 2003 Bonds bearing interest at a Long-Term Interest Rate, the Record Date will be the first day of the month in which the Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, the first day of that period. Additionally, with respect to any Series of Converted Series 2003 Bonds, the Purchase Date is the Record Date.

In the case of (i) the Holder of a Series of Converted 2003 Bonds bearing interest at a Bond Interest Term Rate or (ii) any Holder of a Series of Converted 2003 Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $1,000,000 as shown on the Bond Register maintained by the Bond Trustee who, prior to the Record Date for that Series next preceding any Interest Payment Date, shall have provided the Bond Trustee with wire transfer instructions, interest payable on that Series shall be paid in accordance with the wire transfer instructions provided by that Holder; provided, however, that during any Commercial Paper Interest Rate Period for any Series, except for a Series registered in the name of DTC, interest is payable only upon presentation of the Converted 2003 Bonds of that Series to the Bond Trustee at its Principal Corporate Trust Office.

Interest Accrual and Payment Dates

Each Series of Series 2003 Bonds will be dated the date of original delivery and shall bear interest from that date.

For any ARS Interest Rate Period, interest shall accrue from and include, as applicable, the Date of Issuance, the Conversion Date or the most recent ARS Interest Payment Date to which interest has been paid or duly provided for, and interest shall be payable on the Business Day immediately following each Auction Period for that Series.

Interest shall accrue on a Converted Series 2003 Bond from the first day of any Long-Term Interest Rate Period, and shall be payable on May 15 and November 15 of each year, provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least 90 days from the first day of that period. Interest shall accrue on a Converted Series 2003 Bond during any Bond Interest Term within a Commercial Paper Interest Rate Period from the first day of a Bond Interest Term to and including the last day of a Bond Interest Term, and shall be payable on the day next succeeding the last day of a Bond Interest Term. Interest shall accrue on a Converted Series 2003 Bond during a Weekly Interest Rate Period from the first day thereof and thereafter from the first Wednesday of each calendar month, to and including the Tuesday prior to the first Wednesday of the next succeeding calendar month and shall be payable on the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day.

Redemption

Optional Redemption

Fixed Rate Bonds. The Fixed Rate Bonds are not subject to optional redemption prior to their respective Maturity Dates.

Auction Rate Securities. The Auction Rate Securities are subject to redemption prior to their stated maturity, at the option of the Issuer of such Series (which option shall be exercised upon Request of the Credit

Group Representative given to the Bond Trustee and the Issuer of such Series), in whole or in part, in amounts as may be specified by the Credit Group Representative, on any ARS Interest Payment Date at a Redemption Price equal to the principal amount of Auction Rate Securities called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Converted Series 2003 Bonds in a Long-Term Interest Rate Period. While any Long-Term Interest Rate Period is in effect with respect to a Series of Converted Series 2003 Bonds, the Converted Series 2003 Bonds of the Series are subject to redemption prior to their stated Maturity Date, at the option of the Issuer of such Series (which option shall be exercised upon Request of the Credit Group Representative given to the Bond Trustee and the Issuer of such Series), in whole or in part, in amounts as may be specified by the Credit Group Representative. These Converted Series 2003 Bonds may be redeemed on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to the amount of Converted Series 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium. Thereafter, these Converted Series 2003 Bonds may be redeemed during the periods specified below (or if approved by Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the Credit Group Representative to the Bond Trustee) in whole or in part on any date, at the Redemption Prices (expressed as a percentage of principal amount) indicated below or specified in the notice of the Credit Group Representative to the Bond Trustee, plus accrued interest, to the date fixed for redemption.

Length of Long-Term Interest Rate Period (expressed in years)	Redemption Price
Greater than 20	After 10 years at 102% declining by 1% every year to 100%
Less than or equal to 20 and greater than 15	After 7 years at 102% declining by 1% every year to 100%
Less than or equal to 15 and greater than 10	After 5 years at 102% declining by 1% every year to 100%
Less than or equal to 10 and greater than 7	After 3 years at 102% declining by 1% every year to 100%
Less than or equal to 7 and greater than 4	After 1 year at 101% declining by 1% every year to 100%
Less than or equal to 4	Par

The foregoing notwithstanding, if the Credit Group Representative delivers to the Bond Trustee, the Remarketing Agent, the Bond Insurer (if any) and the Issuer prior to any Conversion Date to the Long Term Interest Rate a notice containing an alternative redemption schedule setting forth different dates on which, or different redemption prices at which, the Converted Series 2003 Bonds of that Series may be redeemed while the Long Term Interest Rate is in effect and a Favorable Opinion of Bond Counsel, then during such Long-Term Interest Rate Period such alternative redemption schedule shall apply to the redemption of the Converted Series 2003 Bonds of that Series.

Converted Series 2003 Bonds in a Bond Interest Term. While any Bond Interest Term Rate is in effect with respect to a Series of Converted Series 2003 Bonds, the Converted Series 2003 Bonds of that Series are subject to redemption prior to their stated Maturity Date, at the option of the Issuer (which option shall be exercised upon Request of the Credit Group Representative given to the Bond Trustee and the Issuer of such Series), in whole or in part, in amounts as may be specified by the Credit Group Representative, on any Interest Payment Date at a Redemption Price equal to the amount of Converted Series 2003 Bonds called for redemption, plus accrued interest to the date for redemption, without premium.

Converted Series 2003 Bonds in a Weekly Interest Rate Period. While any Weekly Interest Rate is in effect with respect to a Series of Converted Series 2003 Bonds, the Converted Series 2003 Bonds of that Series are subject to redemption prior to their stated Maturity Date, at the option of the Issuer (which option shall be exercised upon Request of the Credit Group Representative given to the Bond Trustee and the Issuer of such Series), in whole or in part, in amounts as may be specified by the Credit Group Representative, on any date at a Redemption Price equal to the amount of Converted Series 2003 Bonds called for redemption, plus accrued interest to the date for redemption, without premium.

Mandatory Redemption

Series 2003B Bonds (Michigan). Each Series of the Series 2003B Bonds (Michigan) maturing on November 15, 2026 are subject to redemption prior to their respective stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments			
	Series 2003B-1	Series 2003B-2	Series 2003B-3	Series 2003B-4
2015	$5,175,000	$4,950,000	$5,250,000	$4,950,000
2016	5,600,000	5,375,000	5,700,000	5,375,000
2017	5,850,000	5,600,000	5,950,000	5,600,000
2018	6,100,000	5,850,000	6,200,000	5,850,000
2019	6,350,000	6,125,000	6,475,000	6,100,000
2020	5,550,000	5,300,000	5,625,000	5,325,000
2021	5,775,000	5,525,000	5,875,000	5,525,000
2022	6,000,000	5,750,000	6,100,000	5,750,000
2023	6,250,000	6,000,000	6,350,000	6,000,000
2024	6,500,000	6,225,000	6,600,000	6,225,000
2025	6,775,000	6,500,000	6,900,000	6,500,000
2026*	2,925,000	2,800,000	2,975,000	2,800,000

*Maturity

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments			
	Series 2003B-5	Series 2003B-6	Series 2003B-7	Series 2003B-8
2015	$5,250,000	$4,950,000	$5,250,000	$3,675,000
2016	5,700,000	5,375,000	5,700,000	4,000,000
2017	5,950,000	5,600,000	5,950,000	4,175,000
2018	6,200,000	5,850,000	6,200,000	4,300,000
2019	6,475,000	6,100,000	6,475,000	4,450,000
2020	5,625,000	5,325,000	5,625,000	3,900,000
2021	5,875,000	5,525,000	5,875,000	4,050,000
2022	6,100,000	5,750,000	6,100,000	4,300,000
2023	6,350,000	6,000,000	6,350,000	4,375,000
2024	6,600,000	6,225,000	6,600,000	4,625,000
2025	6,900,000	6,500,000	6,900,000	4,750,000
2026*	2,975,000	2,800,000	2,975,000	1,950,000

*Maturity

Series 2003C Bonds (Missouri). The Series 2003C-1 Bonds, Series 2003C-2 Bonds and Series 2003C-3 Bonds of the Series 2003C Bonds (Missouri) maturing on November 15, 2039 are subject to redemption prior to their respective stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments		
	Series 2003C-1	Series 2003C-2	Series 2003C-3
2037	$15,550,000	$23,475,000	$23,550,000
2038	16,000,000	24,100,000	24,200,000
2039*	16,525,000	24,925,000	25,000,000

*Maturity

The Series 2003C-4 Bonds and Series 2003C-5 Bonds of the Series 2003C Bonds (Missouri) maturing on November 15, 2026 are subject to redemption prior to their respective stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments	
	Series 2003C-4	Series 2003C-5
2015	$3,825,000	$3,825,000
2016	4,150,000	4,175,000
2017	4,325,000	4,350,000
2018	4,525,000	4,525,000
2019	4,700,000	4,725,000
2020	4,100,000	4,100,000
2021	4,275,000	4,275,000
2022	4,450,000	4,450,000
2023	4,625,000	4,625,000
2024	4,800,000	4,825,000
2025	5,025,000	5,050,000
2026*	2,150,000	2,175,000

*Maturity

Series 2003D Bonds (Idaho). The Series 2003D Bonds (Idaho) maturing on November 15, 2026 are subject to redemption prior to their stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments
2015	$1,850,000
2016	2,025,000
2017	2,100,000
2018	2,200,000
2019	2,275,000
2020	2,000,000
2021	2,075,000
2022	2,150,000
2023	2,250,000
2024	2,325,000
2025	2,425,000
2026*	1,025,000

*Maturity

Series 2003E Bonds (Indiana). The Series 2003E-1 Bonds of the Series 2003E Bonds (Indiana) maturing on November 15, 2026 are subject to redemption prior to their stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments
2015	$4,300,000
2016	4,650,000
2017	4,875,000
2018	5,050,000
2019	5,300,000
2020	4,600,000
2021	4,775,000
2022	5,000,000
2023	5,200,000
2024	5,400,000
2025	5,600,000
2026*	2,400,000

*Maturity

The Series 2003E-2 Bonds, Series 2003E-3 Bonds, Series 2003E-4 Bonds, Series 2003E-5 Bonds, Series 2003E-7 Bonds and Series 2003E-8 Bonds of the Series 2003E Bonds (Indiana) maturing on November 15, 2036 are subject to redemption prior to their respective stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments		
	Series 2003E-2	Series 2003E-3	Series 2003E-4
2026	$ 825,000	$ 825,000	$ 825,000
2027	2,200,000	2,200,000	2,200,000
2028	13,550,000	13,550,000	13,550,000
2029	14,250,000	14,250,000	14,250,000
2030	15,550,000	15,550,000	15,550,000
2031	8,075,000	8,075,000	8,075,000
2032	-	-	-
2033	1,300,000	1,300,000	1,300,000
2034	1,350,000	1,350,000	1,350,000
2035	1,400,000	1,400,000	1,400,000
2036*	1,500,000	1,500,000	1,500,000

*Maturity

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments		
	Series 2003E-5	Series 2003E-7	Series 2003E-8
2026	$ 850,000	$ 700,000	$ 775,000
2027	2,275,000	1,850,000	1,925,000
2028	13,900,000	11,375,000	11,750,000
2029	14,650,000	11,975,000	12,400,000
2030	15,975,000	13,075,000	13,475,000
2031	8,300,000	6,800,000	7,050,000
2032	-	-	-
2033	1,325,000	1,100,000	1,125,000
2034	1,400,000	1,150,000	1,175,000
2035	1,450,000	1,175,000	1,275,000
2036*	1,500,000	1,250,000	1,150,000

*Maturity

The Series 2003E-6 Bonds of the Series 2003E Bonds (Indiana) maturing on November 15, 2039 are subject to redemption prior to their stated Maturity Date, in part, by lot, from Sinking Fund Installments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments
2037	$31,400,000
2038	32,325,000
2039*	33,425,000

*Maturity

Mandatory Sinking Account Payment Dates while Series 2003 Bonds are Auction Rate Securities

Notwithstanding the foregoing, when any Series 2003 Bond to be redeemed pursuant to the mandatory redemption provisions described above is an Auction Rate Security, including Converted Series 2003 Bonds bearing interest at Auction Rates, if November 15 is not an ARS Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARS Interest Payment Date immediately preceding November 15.

Purchase of Series 2003 Bonds in lieu of Mandatory Sinking Fund Redemption

If during the twelve-month period immediately preceding a Sinking Fund Installment payment date, Series 2003 Bonds of a Series for which Sinking Fund Installments have been established have been purchased or redeemed from amounts on deposit under the Bond Indenture for that Series, or if the Series 2003 Bonds of a particular Series have been deposited by the Credit Group Representative with the Bond Trustee, then Series 2003 Bonds shall be allocated first to the next succeeding Sinking Fund Installment for a Series of the Series 2003 Bonds, and then as a credit against future Sinking Fund Installments for a Series of the Series 2003 Bonds as Ascension Health may specify in writing.

Mandatory Prepayment or Defeasance of Series 2003D Bonds (Idaho)

Pursuant to the Idaho Loan Agreement, Ascension Health has agreed, at the request of the Idaho Issuer, to prepay the related Series 2003 Obligation in such amount as is necessary to redeem all of the Series 2003D Bonds (Idaho) then outstanding in the event that, for whatever reason, all or substantially all of the operations of the hospital facilities of St. Joseph Regional Medical Center (Lewiston, Idaho) are discontinued. In such event, Ascension Health will direct the Idaho Issuer to redeem all of the Series 2003D Bonds (Idaho) in accordance with the optional redemption provisions described above under the caption, "**The Series 2003 Bonds – Redemption – Optional Redemption**" on the next available redemption date for which notice may be given in accordance with the Idaho Indenture at the applicable redemption price; provided, however, that if the Series 2003D Bonds (Idaho) are not subject to optional redemption as described under such caption within six months after the occurrence of such event, Ascension Health shall take such actions and make such deposits as are required under the Idaho Indenture to provide for the payment in full of the principal of, premium, if any, and interest on the Series 2003D Bonds (Idaho) on the first available optional redemption date so that the Series 2003D Bonds (Idaho) will be deemed to have been paid and the lien of the Idaho Indenture discharged on a date not more than six months after the occurrence of any such event.

Extraordinary Redemption

The Series 2003 Bonds of each Series are subject to redemption prior to their respective Maturity Dates at the option of the Issuer of the Series (which option shall be exercised upon Request of the Credit Group Representative), in whole or in part (in amounts as may be specified by the Credit Group Representative), on any date, from certain moneys derived from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Credit Group Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount of the Series 2003 Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2003 Bonds of any Series are also subject to redemption prior to their respective Maturity Dates, upon Request of the Credit Group Representative, as a whole (but not in part) on any date, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, if (i) a Credit Group Member, by reason of final judicial, legislative or administrative action, either is legally required by reason of being party to a Loan Agreement or the Master Indenture or a Credit Group Member or as a condition of continued eligibility for reimbursement under a federal or state program, to operate in any manner that the Credit Group Member in good faith believes to be contrary to the Ethical and Religious Directives (as defined in the Bond Indentures) or the principles and beliefs of the Roman Catholic Church, (ii) a Credit Group Member in good faith believes that there is a substantial threat of its being required to operate contrary to the Ethical and Religious Directives or the principles and beliefs of the Roman Catholic Church, or (iii) as a result of any changes in the Constitution of the United States of America or any state, or legislative or administrative action or inaction by the United States or any state, or any agency or political subdivision thereof, or by reason of any judicial decisions there is a good faith determination by any Credit Group Member that (a) the Master Indenture has become void or unenforceable or impossible to perform or (b) unreasonable burdens or excessive liabilities have been imposed on the Credit Group Member, including without limitation, federal, state or other ad valorem property, income or other taxes not being imposed on the Date of Issuance of the Series 2003 Bonds.

Selection of Series 2003 Bonds for Redemption

Whenever provision is made in the Bond Indenture for any Series of Series 2003 Bonds for the redemption of less than all of the Series 2003 Bonds of that Series of any maturity or any given portion thereof, the Bond Trustee shall select the Series 2003 Bonds to be redeemed from all Series 2003 Bonds of that Series subject to redemption or a given portion thereof not previously called for redemption, by lot, in any manner which the Bond Trustee in its sole discretion shall deem appropriate and fair.

Whenever provision is made in the Bond Indenture for the redemption of less than all of the Series 2003 Bonds of any Series of any maturity or any given portion thereof, the Bond Trustee shall first select Series 2003 Bonds of that Series purchased with moneys obtained under a Liquidity Facility, if any, then shall select from all

Series 2003 Bonds of that Series subject to redemption or that given portion thereof not previously called for redemption, by lot, in any manner which the Bond Trustee in its sole discretion shall deem appropriate and fair.

Notice and Effect of Redemption

Notice of redemption shall be mailed by the Bond Trustee on behalf of the Issuer, but failure by the Bond Trustee to mail any notice to any one or more of the Holders shall not affect the sufficiency of the proceedings for the redemption of Series 2003 Bonds with respect to the Holders to whom notice was mailed. Each notice of redemption shall state (i) the date of the notice, (ii) the date of issue of the Series 2003 Bonds, (iii) the redemption date, (iv) the Redemption Price, (v) the place or places of redemption, including the name and address of the Bond Trustee, (vi) the maturity, (vii) the CUSIP numbers, if any, and (viii) in the case of Series 2003 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Any redemption notice may be rescinded by written notice given to the Bond Trustee no later than five (5) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of rescission as soon thereafter as practicable in the same manner, to the same persons, as notice of redemption was given.

As long as the book-entry only system is in effect with respect to any Series of Series 2003 Bonds, any redemption notice shall be given to DTC, as Holder of the Series 2003 Bonds.

Notice of redemption shall be mailed by the Bond Trustee, not less than thirty (30) days nor more than sixty (60) days (except in the case of redemption of Converted Series 2003 Bonds bearing interest at a Weekly Interest Rate or the Bond Interest Term Rates, in which case not less than ten (10) days and except in the case of Auction Rate Securities or Converted Series 2003 Bonds bearing interest at an ARS Interest Rate, in which case not less than twenty-five (25) days) prior to the redemption date, to the Holders of Series 2003 Bonds called for redemption. Such notice shall be given to the Holders of Series 2003 Bonds designated for redemption at their addresses appearing on the bond registration books maintained by the Bond Trustee as of the close of business on the day before notice is given. Notice shall also be given to each of the securities depositories and securities information services designated by the Credit Group Representative.

Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2003 Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in the notice, the Series 2003 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in the notice together with interest accrued thereon to the redemption date. Interest on the Series 2003 Bonds so called for redemption shall cease to accrue on and after the redemption date, the Series 2003 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of that Series 2003 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for payment. All Series 2003 Bonds which have been redeemed shall be canceled upon surrender thereof.

Converted Series 2003 Bonds Interest Rates and Rate Periods

General. The term of a Series of the Auction Rate Securities and the Converted Series 2003 Bonds shall be divided into consecutive Interest Rate Periods selected by Ascension Health in the manner provided in the Bond Indenture for that Series, during which that Series of the Auction Rate Securities and the Converted Series 2003 Bonds shall bear interest at interest rates determined in the manner described below. At any time, the Interest Rate Periods may differ for each Series of Auction Rate Securities or the Converted Series 2003 Bonds. Each Series of the Auction Rate Securities or the Converted Series 2003 Bonds shall bear interest at either a Long-Term Interest Rate, Bond Interest Term Rates, Weekly Interest Rate or ARS Interest Rate.

The initial Interest Rate Periods for the Auction Rate Securities shall commence on the Date of Issuance of the Series 2003 Bonds and the Auction Rate Securities will initially be in ARS Interest Rate Periods. The Credit Group Representative may elect after the initial Interest Rate Period that the Auction Rate Securities of any Series will be adjusted to an alternate Interest Rate Period, subject to the satisfaction of certain conditions specified in the

Bond Indenture for that Series, including, in most cases, delivery of a Favorable Opinion of Bond Counsel in connection with an adjustment to any alternate Interest Rate Period and, with respect to the Insured Bonds, the consent of the related Bond Insurer.

Adjustment to an Alternate Interest Rate Period. Ascension Health may elect to adjust the Auction Rate Securities or the Converted Series 2003 Bonds of any Series to an alternate Interest Rate Period. The adjustment to an alternate Interest Rate Period for any Series of Insured Bonds shall be permitted only with the consent of the related Bond Insurer. Upon this election and satisfaction of certain conditions, all of the Auction Rate Securities or Converted Series 2003 Bonds of this Series will be subject to the alternate Interest Rate Period. The written election must specify (i) the proposed effective date of the adjustment to any alternate Interest Rate Period and (ii) the date of delivery for these Auction Rate Securities or Converted Series 2003 Bonds to be purchased on the effective date of the interest rate adjustment. With respect to any adjustment to a Long-Term Interest Rate Period, the direction of Ascension Health (i) shall specify the proposed effective date of the Long-Term Interest Rate Period, and (ii) may specify Redemption Prices different than and in effect for periods different than those described under the caption, "**THE SERIES 2003 BONDS – Redemption – Optional Redemption - *Converted Series 2003 Bonds in a Long-Term Interest Rate Period*,**" if approved by Bond Counsel. With respect to any adjustment to an ARS Interest Period, the direction of Ascension Health shall also specify the initial Auction Period. In addition, the direction of the Credit Group Representative shall be accompanied by a letter of Bond Counsel stating that it expects to deliver a Favorable Opinion of Bond Counsel on the effective date of the adjustment to an alternate Interest Rate Period. A change to any alternate Interest Rate Period may not take place unless a Favorable Opinion of Bond Counsel is delivered on the effective date of the alternate Interest Rate Period, among other things.

The Bond Trustee is required to give notice of adjustment to any new Interest Rate Period for the Auction Rate Securities or the Converted Series 2003 Bonds of the applicable Series not less than 30 days prior to the proposed effective date of the new Interest Rate Period. **While that Series of the Series 2003 Bonds are registered in the name of Cede & Co., notice shall be given only to DTC, and not to any Beneficial Owner of the Series 2003 Bonds.** Such notice will state (i) that the interest rate on the Auction Rate Securities or the Converted Series 2003 Bonds of the applicable Series will be adjusted to a Long-Term Interest Rate, Bond Interest Term Rates, a Weekly Interest Rate, or an ARS Interest Rate, as appropriate, or, if the Interest Rate Period for the Converted Series 2003 Bonds of the applicable Series is then a Long-Term Interest Rate, continue to be a Long-Term Interest Rate, unless Bond Counsel fails to deliver to the Bond Trustee, Ascension Health, the Credit Group Representative and the Remarketing Agent or Broker-Dealer (in the event the Series being converted are Auction Rate Securities or otherwise bears interest at an ARS Rate), a Favorable Opinion of Bond Counsel on the proposed effective date of the adjustment or any other condition precedent to the adjustment has not been satisfied; (ii) the proposed effective date of the alternate Interest Rate Period; and (iii) that the Auction Rate Securities or the Converted Series 2003 Bonds of that Series are subject to mandatory tender for purchase on the proposed effective date of the new Interest Rate Period and the applicable Purchase Price on that date.

If notice of adjustment has been mailed to the Holders of the Auction Rate Securities or the Converted Series 2003 Bonds of the applicable Series and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein described (if the opinion is required under the terms of the Bond Indenture) or if other conditions precedent to the adjustment have not been satisfied, the Converted Series 2003 Bonds of that Series (except Auction Rate Securities, including Converted Series 2003 Bonds that are ARS, which shall not be subject to mandatory tender) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the adjustment. In that event, the Interest Rate Period shall not be converted and the Converted Series 2003 Bonds shall continue to bear interest at the Weekly Interest Rate, Long-Term Interest Rate or Bond Interest Term Rate, as the case may be, as in effect immediately prior to the proposed conversion (provided that the period of any continuing Long-Term Interest Rate Period shall be one year). If a Series were Auction Rate Securities or Converted Series 2003 Bonds bearing interest at an ARS Interest Rate, then the Auction Rate Securities or Converted Series 2003 Bonds of that Series shall bear interest at the ARS Maximum Rate until the next succeeding Auction Period that commences at least two Business Days following the proposed Conversion Date, then at the Applicable ARS Rate.

Long-Term Interest Rate Period. The Converted Series 2003 Bonds of any Series during a Long-Term Interest Rate Period shall bear interest at the Long-Term Interest Rate which shall be determined by the Remarketing Agent on a Business Day no later than the effective date of the Long-Term Interest Rate Period. Each Long-Term Interest Rate Period shall be a period of at least 181 days or to the Maturity Date of the Converted Series 2003 Bonds of the applicable Series.

If the Credit Group Representative has not made a timely election prior to the end of any Long-Term Interest Rate Period that, during the next succeeding Interest Rate Period, the Converted Series 2003 Bonds of the applicable Series shall bear interest at a Weekly Interest Rate, a Long-Term Interest Rate, an ARS Interest Rate, or at Bond Interest Term Rates, the next succeeding Interest Rate Period for the Series 2003 Bonds of that Series shall be a Weekly Interest Rate Period until properly adjusted otherwise.

Except as described in the next sentence, the Long-Term Interest Rate for a Series of Converted Series 2003 Bonds shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Converted Series 2003 Bonds of the applicable Series, would enable the Remarketing Agent to sell the Converted Series 2003 Bonds of that Series at a price equal to the principal amount thereof. The foregoing notwithstanding, the Long-Term Interest Rate for a Series of Converted Series 2003 Bonds shall be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the Converted Series 2003 Bonds of the applicable Series, would enable the Remarketing Agent to sell the Converted Series 2003 Bonds of that Series at a price which will result in the lowest net interest cost for the Converted Series 2003 Bonds of that Series, after taking into account any premium or discount at which the Converted Series 2003 Bonds of that Series are sold by the Remarketing Agent, provided that (i) the Remarketing Agent certifies to the Bond Trustee, the Tender Agent, Ascension Health and the Credit Group Representative that the sale of the Converted Series 2003 Bonds of that Series at the interest rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for such Converted Series 2003 Bonds on the Long-Term Conversion Date; (ii) Ascension Health and the Credit Group Representative consent in writing to the sale of the Converted Series 2003 Bonds of such Series by the Remarketing Agent at such premium or discount; (iii) in the case of Converted Series 2003 Bonds to be sold at a discount, either (a) a Liquidity Facility is in effect with respect to such Series of Converted Series 2003 Bonds and provides for the purchase of such Bonds at such discount or (b) Ascension Health or the Credit Group Representative agrees to transfer to the Tender Agent on the Long-Term Conversion Date, in immediately available funds, for deposit in the Ascension Health Purchase Account, an amount equal to such discount; (iv) on or before the date of the determination of the Long-Term Interest Rate, Ascension Health delivers to the Bond Trustee and the Remarketing Agent a letter of Bond Counsel to the effect that Bond Counsel expects to be able to give a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date; and (v) on or before the Long-Term Conversion Date, a Favorable Opinion of Bond Counsel shall have been received by the Bond Trustee and confirmed to Ascension Health, the Credit Group Representative and the Remarketing Agent.

Except as described in the last paragraph herein under the caption, "**THE SERIES 2003 BONDS – Converted Series 2003 Bonds Interest Rates and Rate Periods – Adjustment to an Alternate Interest Rate Period**," if for any reason the Remarketing Agent does not determine a Long-Term Interest Rate on or prior to the first day of the Long-Term Interest Rate Period, then the Converted Series 2003 Bonds of the applicable Series shall bear interest at a Weekly Interest Rate, and the Converted Series 2003 Bonds of that Series shall continue to bear interest at a Weekly Interest Rate until properly adjusted otherwise.

Commercial Paper Interest Rate Period. The Converted Series 2003 Bonds of any Series during a Commercial Paper Interest Rate Period shall bear interest at the Bond Interest Term Rates determined for the Bond Interest Terms by the Remarketing Agent, no later than the first day of each Bond Interest Term. Each Bond Interest Term shall be a period not exceeding 180 days, as determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Outstanding Converted Series 2003 Bonds of the applicable Series, will result in the lowest overall interest expense on the Converted Series 2003 Bonds of that Series over the next succeeding 180 days. Each Bond Interest Term shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date for the Converted Series 2003 Bonds.

The Remarketing Agent shall announce, by no later than 9:30 a.m., New York City time, on the first day of each Bond Interest Term, a list of ranges of possible Bond Interest Terms and related Bond Interest Term Rates. The Bond Interest Term and the Bond Interest Term Rate for each Converted Series 2003 Bond of a Series need not be the same for any two Converted Series 2003 Bonds of that Series, even if determined on the same date. In determining the number of days in each Bond Interest Term, the Remarketing Agent shall take into account the following factors: (i) existing short-term, tax-exempt market rates and indices of short-term rates; (ii) the existing market supply and demand for short-term tax-exempt securities; (iii) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Converted Series 2003 Bonds of that Series; (iv) general economic conditions; (v) industry economic and financial conditions that may affect or be relevant to the Converted Series 2003 Bonds of that Series; (vi) the Bond Interest Terms of other Converted Series 2003 Bonds; and (vii) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

The Bond Interest Term Rate for each Bond Interest Term for the Converted Series 2003 Bonds in a Commercial Paper Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by those Converted Series 2003 Bonds for that Bond Interest Term, would enable the Remarketing Agent to sell those Converted Series 2003 Bonds on the effective date of that rate at a price equal to the principal amount thereof.

Except as described in the last paragraph herein under the caption, "**THE SERIES 2003 BONDS – Converted Series 2003 Bonds Interest Rates and Rate Periods – Adjustment to an Alternate Interest Rate Period**," if for any reason the Remarketing Agent cannot, or does not, determine the required Bond Interest Term and associated Bond Interest Term Rate or if a Bond Interest Term and/or associated Bond Interest Term Rate shall be held by a court of law to be invalid or unenforceable, the Bond Interest Term shall be 30 days, provided that if the last day so determined shall not be a day immediately preceding a Business Day, the Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding that last day, or if that last day would be after the day immediately preceding the Maturity Date, the Bond Interest Term shall end on the day immediately preceding the Maturity Date, and the Bond Interest Term Rate shall be a rate per annum equal to the Bond Market Association Index (the BMA Index) on the first day of the Bond Interest Term.

Weekly Interest Rate Period. The Weekly Interest Rate shall be determined by the Remarketing Agent by no later than 5:00 p.m., New York City time, on Tuesday of each week during a Weekly Interest Rate Period or the next succeeding Business Day if that Tuesday is not a Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of a Weekly Interest Rate Period and shall apply to the period commencing on the first day of a Weekly Interest Rate Period and ending on the next succeeding Tuesday (whether or not a Business Day). Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday (whether or not a Business Day) and ending on the next succeeding Tuesday (whether or not a Business Day), unless a Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate shall apply to the period commencing on Wednesday (whether or not a Business Day) preceding the last day of a Weekly Interest Rate Period and ending on the last day of a Weekly Interest Rate Period.

The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Converted Series 2003 Bonds of the applicable Series, would enable the Remarketing Agent to sell the Converted Series 2003 Bonds of a Series on the effective date of the rate at a price (without regarding accrued interest) equal to the principal amount thereof.

Except as described in the last paragraph herein under the caption, "**THE SERIES 2003 BONDS – Converted Series 2003 Bonds Interest Rates and Rate Periods – Adjustment to an Alternate Interest Rate Period**," if the Remarketing Agent fails to establish a Weekly Interest Rate for any Series of Converted Series 2003 Bonds for any week, then the Weekly Interest Rate for that week shall be the same as the Weekly Interest Rate for the immediately preceding week, if the Weekly Interest Rate for the preceding week was determined by the Remarketing Agent. If for any reason the Remarketing Agent did not determine the Weekly Interest Rate for the immediately preceding week, or if a Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for that week shall be equal to the BMA Index on

the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent as provided in the applicable Bond Indenture.

ARS Interest Period. For information describing Converted Series 2003 Bonds bearing interest at an Auction Rate, see the caption, "**THE SERIES 2003 BONDS – General – Auction Rate Securities**." The Auction Rate for the Converted Series 2003 Bonds during an ARS Interest Rate Period will be determined for successive Auction Periods of generally either 35 days or 7 days through the implementation of the Auction Procedures summarized in **APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES**." Upon any Conversion of the interest rate on a Series of the Converted Series 2003 Bonds to an Auction Rate, the first ARS Interest Period shall commence on and include the Conversion Date.

Purchase of Auction Rate Securities Upon Conversion; Converted Series 2003 Bonds

Tenders of Auction Rate Securities and Converted Series 2003 Bonds Are Subject to DTC Procedures. As long as the book-entry only system is in effect with respect to any Series of Auction Rate Securities and Converted Series 2003 Bonds, all tenders for purchase and deliveries of Auction Rate Securities upon Conversion and Converted Series 2003 Bonds tendered for purchase or subject to mandatory tender under the provisions of the applicable Bond Indenture shall be made pursuant to DTC's procedures as in effect from time to time, and neither the Issuer of the Series, the Bond Trustee, Ascension Health, any Broker Dealer nor the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of these procedures. For a description of the tender procedures through DTC, see "**BOOK-ENTRY ONLY SYSTEM – General**."

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period for a Series of Converted Series 2003 Bonds, any Converted Series 2003 Bond of the applicable Series shall be purchased from the Holder thereof at the option of that Holder on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, upon delivery by that Holder to the Tender Agent at its Principal Office for delivery of notices of an irrevocable written notice which states the name and Series designation of the Converted Series 2003 Bond, the principal amount and the date on which the Converted Series 2003 Bond is to be purchased, which date shall be a Business Day at least seven days after the date of the delivery of notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received by the Tender Agent on the next succeeding Business Day. For payment of the Purchase Price on the date specified in the notice, the Converted Series 2003 Bond must be delivered at or prior to 10:00 a.m., New York City time, on the date specified in the notice to the Tender Agent at its Principal Corporate Trust Office for delivery of Converted Series 2003 Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or the Holder's duly-authorized attorney, with the signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the day next succeeding the last day of each Bond Interest Term with respect to a Converted Series 2003 Bond (unless that day is the first day of a new Interest Rate Period in which case the Converted Series 2003 Bond will be subject to mandatory tender for purchase as described in the next paragraph), the Converted Series 2003 Bond shall be purchased from the Holder thereof at a Purchase Price equal to the applicable principal amount thereof payable in immediately available funds, if the Converted Series 2003 Bond is delivered to the Tender Agent on or prior to 10:00 a.m., New York City time, on that day, or if delivered after 10:00 a.m., New York City time, on the next succeeding Business Day, provided, however, that in any event, the Converted Series 2003 Bond will not bear interest after the last day of each Bond Interest Term.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. Auction Rate Securities to be converted or Converted Series 2003 Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event which resulted in the interest rate on the Auction Rate Securities or Converted Series 2003 Bonds not being adjusted, except Auction Rate Securities or Converted Series 2003 Bonds that are ARS, which are not subject to mandatory tender upon a failed conversion), at a Purchase Price equal to the principal

amount thereof, or, in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of the preceding Long-Term Interest Rate Period, at a Purchase Price equal to the optional redemption price set forth under the caption, "**THE SERIES 2003 BONDS – Redemption – Optional Redemption - *Converted Series 2003 Bonds in a Long-Term Interest Rate Period*,**" which would have been applicable to the Converted Series 2003 Bonds if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest, if any, subject to mandatory tender. Payment of the Purchase Price of any Auction Rate Security to be converted or Converted Series 2003 Bond to be purchased as provided in this paragraph shall be made in immediately available funds on the Purchase Date upon surrender of the Auction Rate Security or Converted Series 2003 Bond to the Tender Agent at its Principal Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney with the signature of the Holder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York City time, on the date specified for delivery in the notice described in the Bond Indenture for the Series.

Mandatory Tender Upon Termination or Expiration of Liquidity Facility (if Liquidity Facility Provided). As described herein, neither Ascension Health nor any other Obligated Group Member is required under the Loan Agreements to provide a Liquidity Facility for the Converted Series 2003 Bonds. If a Liquidity Facility for a Series of the Converted Series 2003 Bonds is delivered to the Tender Agent in the sole discretion of the Credit Group Representative, in accordance with the provisions of the Loan Agreement for the Series, the Series 2003 Bonds of the Series will be subject to mandatory tender for purchase prior to the Noticed Termination Date or the Expiration Date for the Liquidity Facility at a Purchase Price, payable in immediately available funds, equal to the principal amount thereof, plus accrued interest, if any, unless the Bond Trustee receives written confirmation from each Rating Agency then rating the Converted Series 2003 Bonds of the Series to the effect that immediately following the Noticed Termination Date or Expiration Date there will be no withdrawal or reduction of the long-term and short-term ratings then in effect with respect to the Converted Series 2003 Bonds of the Series. The Purchase Price of any Converted Series 2003 Bond so purchased as described in this paragraph shall be payable only upon surrender of the Converted Series 2003 Bond to the Tender Agent at its Principal Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder or by the Holder's duly authorized attorney, with the signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York City time, on the date specified for delivery in a notice provided to the Holder by the Bond Trustee. If a Liquidity Facility were delivered to the Tender Agent, it is expected to provide that it would immediately terminate upon the occurrence of certain events of default specified therein without notice or mandatory tender.

Effect of Election to Tender or Mandatory Tender for Purchase. The giving of notice by a Holder of a Converted Series 2003 Bond of its election to have its Converted Series 2003 Bond purchased during a Weekly Interest Rate Period shall constitute the irrevocable tender for purchase of the Converted Series 2003 Bond regardless of whether the Converted Series 2003 Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date. If funds in the amount of the Purchase Price of the Converted Series 2003 Bond tendered for purchase or any Auction Rate Security to be converted or other Converted Series 2003 Bond subject to mandatory tender for purchase and which has not been delivered to the Tender Agent are available for payment to the Holder on the date and at the time specified, from and after the date and time of that required delivery, (i) that Auction Rate Security or Converted Series 2003 Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under its Bond Indenture, (ii) interest shall no longer accrue on that Auction Rate Security or Converted Series 2003 Bond; and (iii) funds in the amount of the Purchase Price of that Auction Rate Security or Converted Series 2003 Bond will be held by the Tender Agent for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of that Auction Rate Security or Converted Series 2003 Bond to the Tender Agent at its Principal Corporate Trust Office for delivery of Auction Rate Securities or Converted Series 2003 Bonds. The Tender Agent may refuse to accept delivery of any Auction Rate Security or Converted Series 2003 Bond for which a proper instrument of transfer has not been provided, but this refusal will not affect the validity of the purchase of that Auction Rate Security or Converted Series 2003 Bond.

Liquidity for Payment of the Purchase Price

Funds for the purchase of Converted Series 2003 Bonds that have been tendered for purchase, whether at the option of the Holders or pursuant to the mandatory tender requirements described herein, will be provided, first, from the proceeds of the remarketing of Converted Series 2003 Bonds and then, to the extent remarketing proceeds are insufficient to provide all funds required to purchase Converted Series 2003 Bonds, from funds provided by Ascension Health. **The obligation to purchase Auction Rate Securities upon conversion or Converted Series 2003 Bonds upon optional or mandatory tender is not initially supported by a Liquidity Facility or by a covenant of Ascension Health to maintain liquid assets, although the applicable Loan Agreements provide that Ascension Health may deliver a liquidity facility for that Series to the Tender Agent at any time.**

The Bond Trustee is required by each Bond Indenture to give notice to the Holders of the Series 2003 Bonds of that Series of (i) the provision, extension or substitution of any Liquidity Facility at least thirty (30) days prior to provision, extension or substitution and (ii) the Expiration Date of the Liquidity Facility no less than fourteen (14) days prior to the Expiration Date.

BOOK-ENTRY ONLY SYSTEM

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 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 each Series of the Series 2003 Bonds set forth on the pages immediately succeeding the cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see **APPENDIX G** hereto.

Limitations

For so long as the Series 2003 Bonds of a Series are registered in the name of DTC or its nominee, Cede & Co., the Issuer of a Series and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of Series 2003 Bonds of that Series for all purposes, including payments, notices and voting.

Because DTC is treated as the registered owner of the Series 2003 Bonds for substantially all purposes under the Bond Indentures, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Issuers, to DTC or to the Bond Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2003 Bonds that may be transmitted by or through DTC.

Under each Bond Indenture, payments made by the Bond Trustee to DTC or its nominee shall satisfy the Issuer's obligations under the Bond Indenture, Ascension Health's obligations under the Loan Agreement and the Credit Group Members' obligations under the applicable Series 2003 Obligation to the extent of the payments so made.

Neither the Issuers, Ascension Health, the other Credit Group Members nor the Bond Trustee shall have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2003 Bonds;

(ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any Series 2003 Bond including, without limitation, any notice of redemption or mandatory tender with respect to any Series 2003 Bond;

(iii) the payment to any DTC Participant or Indirect Participant or any other Person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, interest on, or Redemption Price or Purchase Price of, any Series 2003 Bond; and

(iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2003 Bonds.

Prior to any discontinuation of the book-entry only system with respect to a Series of the Series 2003 Bonds as hereinabove described, the Issuer of that Series and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2003 Bonds of that Series for all purposes whatsoever, including, without limitation:

(i) the payment of principal, premium, if any, and interest on that Series of Series 2003 Bonds or the Redemption Price or Purchase Price of a Series 2003 Bond;

(ii) giving notices of redemption and other matters with respect to that Series of the Series 2003 Bonds;

(iii) registering transfers of the Series 2003 Bonds of that Series;

(iv) the selection of Series 2003 Bonds for redemption; and

(v) giving notices of mandatory tender of Series 2003 Bonds.

SECURITY FOR THE SERIES 2003 BONDS

General

Each Series of the Series 2003 Bonds are special limited obligations of the Issuer of that Series, payable solely from the Revenues pledged under the Bond Indenture for that Series for payment, and are secured by a pledge and assignment of amounts held in the funds and accounts (other than the Bond Purchase Fund (if any) and the Rebate Fund) established pursuant to the applicable Bond Indenture. Revenues consist primarily of Loan Repayments required to be made by Ascension Health pursuant to each Loan Agreement in amounts sufficient in the aggregate to pay the principal of and premium, if any, and interest on the related Series of the Series 2003 Bonds when such become due and amounts payable under the Loan Agreement for the purchase of the Series 2003 Bonds upon optional or mandatory tender thereof (if applicable) and payments by the Obligated Group Members pursuant to the related Series 2003 Obligation. Each Issuer will assign its right, title and interest in its Loan Agreement (except for any deposits to the Bond Purchase Fund and the Rebate Fund, the right to receive any administrative fees and expenses to the extent payable to the Issuer, the right to receive certain notices and give certain consents, and the right of the Issuer to be indemnified pursuant thereto) and its Series 2003 Obligation to the Bond Trustee.

Neither the facilities of Ascension Health or the Credit Group Members nor their gross revenues are pledged as security for the Series 2003 Bonds or for the payment of the Series 2003 Obligations.

The obligation to purchase Auction Rate Securities upon conversion to another Interest Rate or Converted Series 2003 Bonds upon optional or mandatory tender is not initially supported by a Liquidity Facility or by a covenant of Ascension Health or any other Obligated Group Member to maintain levels of liquid assets, although the Loan Agreement for each Series of Auction Rate Securities or Converted Series

2003 Bonds provides that the Credit Group Representative may deliver a liquidity facility to the Tender Agent for that Series of the Series 2003 Bonds at any time.

The Series 2003 Bonds do not represent or constitute a debt of the Issuers, the States of Florida, Michigan, Missouri, Idaho or Indiana or any political subdivision thereof within the meaning of the provisions of the Constitution or statutes of these states or a pledge of the faith and credit of the Issuers, these states or any political subdivision thereof, nor are Holders of the Series 2003 Bonds granted any right to have the Issuers, these states or any political subdivision thereof levy any taxes or appropriate any funds for the payment of the principal thereof or the interest or any premium on the Series 2003 Bonds. The Issuers have no taxing powers.

Bond Insurance

The Bond Insurers have committed to issue the Bond Insurance Policies for each Series of Insured Series 2003 Bonds which unconditionally guaranty the regularly scheduled payment when due of principal of and interest on the Insured Series 2003 Bonds, including upon mandatory sinking fund redemption. The Bond Insurance Policies do not insure the payment of the principal of and interest on the Insured Series 2003 Bonds upon any optional or extraordinary optional redemption or any payment of principal of and interest on the Insured Series 2003 Bonds to be made on an accelerated basis. Additionally, the Bond Insurance Policies do not insure the payment of the Purchase Price of any Converted Series 20003 Bonds tendered for purchase as described herein. The Bond Insurance Policies do not insure the payment of the principal of and interest on the Uninsured Series 2003 Bonds. See "**BOND INSURANCE**" herein.

The Master Indenture

The Credit Group created under the Master Indenture is comprised of the Obligated Group Members, the Designated Affiliates and the Limited Designated Affiliates. The Obligated Group Members and the Designated Affiliates are identified in **APPENDIX A** to this Official Statement. Under the Master Indenture, the Credit Group Representative is authorized to issue, for itself and on behalf of the other Obligated Group Members, Obligations to evidence or secure Indebtedness. The Series 2003 Obligations are Obligations issued under the Master Indenture. The Series 2003 Obligations are issued on a parity with other Obligations issued and outstanding under the Master Indenture.

All Obligated Group Members are jointly and severally liable for the payment of the Obligations, including the Series 2003 Obligations. Neither the Designated Affiliates nor the Limited Designated Affiliates are obligated to make payments on the Obligations.

The Master Indenture permits the Credit Group Representative to designate a Person as a Designated Affiliate and an Obligated Group Member as the "Controlling Member" of that Designated Affiliate for purposes of the Master Indenture. A Controlling Member may, but is not required to, maintain corporate control over the Designated Affiliate. If the Controlling Member does not maintain sufficient corporate control over the Designated Affiliate, the Controlling Member must have in effect contracts or other agreements which the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause the Designated Affiliate to comply with the terms of the Master Indenture. Ascension Health is the Controlling Member for each of the Designated Affiliates identified in **APPENDIX A**.

The Designated Affiliates are not obligated to make any debt service payments on any Obligation. The Controlling Member has agreed in the Master Indenture to cause each Designated Affiliate to pay, loan or otherwise transfer to the Credit Group Representative amounts necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the provisions for payments on Obligations.

The Master Indenture further provides that certain Designated Affiliates may be designated by the Credit Group Representative as "Limited Designated Affiliates." A Limited Designated Affiliate's liability to transfer moneys or other assets to the Obligated Group will be limited to a specified amount set forth in an Officer's Certificate delivered to the Master Trustee upon the designation of the Designated Affiliate as a Limited Designated Affiliate.

Notwithstanding the foregoing, a Controlling Member may not cause a Designated Affiliate to transfer any property to the Credit Group Representative if the transfer would be inconsistent with state law or would cause the Designated Affiliate to breach the terms of any existing contractual obligations or other commitments, including joint operating agreements and joint ventures. See "**BONDHOLDERS' RISKS – Security and Enforceability – Enforceability of Obligations Under the Master Indenture**."

The Master Indenture requires the Credit Group to maintain an Annual Required Debt Service Coverage Ratio of 1.10:1.0, and limits the ability of Ascension Health and the other Credit Group Members to encumber Property. In determining whether the Credit Group has complied with the various tests in the Master Indenture, the income and assets of all Credit Group Members are included, even though only the Obligated Group Members are obligated on the Obligations.

Entities (including Obligated Group Members) may be added to and withdrawn from the Credit Group from time to time. The Master Indenture imposes minimal conditions on the right of any Obligated Group Member or other Credit Group Member to withdraw from the Obligated Group and the Credit Group, respectively, at any time, or to change the status of an Obligated Group Member to that of a Designated Affiliate.

For a more detailed discussion of covenants of the Obligated Group and the Credit Group under the Master Indenture, see **APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture – Covenants of Each Obligated Group Member**." All capitalized terms used and not defined in this section have the meanings listed in **APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Definitions of Certain Terms**."

Additional Master Indenture Obligations

Ascension Health anticipates that various issuers will issue revenue bonds in the future for the benefit of Credit Group Members or other Persons whose obligation thereon may be guaranteed by the Obligated Group. Ascension Health anticipates that it will issue additional Master Indenture Obligations to evidence and secure the obligations of the Obligated Group to repay loans to be made to Ascension Health, other Credit Group Members or to such other Persons from the proceeds of the sale of future revenue bonds. The Series 2003 Obligations will be secured on a parity with Outstanding Obligations and any additional Master Indenture Obligations.

No Restriction on Incurrence of Additional Indebtedness

The Master Indenture does not contain any limitations on the issuance of additional Master Indenture Obligations and the incurrence of additional Indebtedness, including the amount and terms of additional Indebtedness. Additionally, the Master Indenture permits Ascension Health and the other Credit Group Members to provide security for additional Indebtedness, which need not be extended to any other Indebtedness, including Indebtedness secured by the Series 2003 Obligations.

Covenants Against Liens on Property; Permitted Senior Indebtedness

Pursuant to the Master Indenture, each of Ascension Health and the other Obligated Group Members agrees that it will not, and each Controlling Member covenants that it will not permit any of its Designated Affiliates to, create, assume or suffer to exist any Lien upon the Property of the Credit Group to secure Indebtedness, except for Permitted Liens. Permitted Liens include, among other things, Liens on Property existing as of the effective date of the Master Indenture and, with respect to new Obligated Group Members or Designated Affiliates, on the date an entity becomes a Credit Group Member, and any other Liens on Property securing Indebtedness, provided that the aggregate Value of Property subject to Liens securing Indebtedness shall not exceed ten percent (10%) of the total net assets of the Credit Group (as shown on the financial statements of the Credit Group for the most recent fiscal year for which financial statements are available immediately preceding the date that the Lien is created).

No Restriction on Transfer of Assets

The Master Indenture does not contain any limitations on the sale, lease, transfer or disposition of a Credit Group Member's assets, other than certain limited covenants regarding the disposition of substantially all of an Obligated Group Member's assets.

No Requirement of Reserved Powers or Contractual Rights

Each Controlling Member has covenanted in the Master Indenture to cause each Designated Affiliate (other than Limited Designated Affiliates) to pay, loan or otherwise transfer to the Credit Group Representative amounts necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the provisions for payments on Obligations. **This agreement is subject to legal limitations which may render a Controlling Member unable to cause a Designated Affiliate to make such payments or transfer such amounts.** See "**BONDHOLDERS' RISKS – Security and Enforceability – Enforceability of Obligations Under the Master Indenture.**"

The Master Indenture does not contain any specific requirements for the type of powers a Controlling Member must have over the Designated Affiliates or the type of contractual rights or form of contract the Controlling Member must have with the Designated Affiliates. **Accordingly, no assurance can be given that the Controlling Member will be able to exercise these powers over the Designated Affiliates.**

Possible Replacement of the Series 2003 Obligations

At the option of the Credit Group Representative, the Series 2003 Obligations may be replaced with an obligation or obligations issued by a separate group of corporations under a separate master trust indenture, provided that (i) the applicable provisions of the Bond Indentures are satisfied, including the provisions concerning the replacement of the related Series 2003 Obligation, (ii) the Bond Trustee shall receive written confirmation from each rating agency then rating the Series 2003 Bonds that the replacement of the Series 2003 Obligations will not by itself result in a reduction in the then-current ratings on the Series 2003 Bonds and (iii) the applicable Bond Insurer (if any) shall have given its consent. See **APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture**" and " **– Bond Indentures,**" for a summary of the applicable provisions of the Master Indenture and the Bond Indentures. If any replacement occurs, all references in the Loan Agreements and the Bond Indentures to a Series 2003 Obligation shall refer to the replacement obligation issued under the separate master trust indenture, all references to the related Supplement shall refer to the supplements to the separate master trust indenture pursuant to which the replacement obligation was issued, and all related references to the Master Indenture shall refer to the separate master trust indenture.

Amendments of Bond Indentures and Master Indenture

Each Bond Indenture provides for the modification or amendment of the Bond Indenture from time to time, in certain circumstances without the consent of the Holders of the Series of the Series 2003 Bonds issued and Outstanding under that Bond Indenture and in other circumstances with the consent of the holders of a majority of the principal amount of that Series of the Series 2003 Bonds. Such amendments could be substantial and result in the modification, waiver or removal of any existing covenant or restriction contained in the Bond Indenture or the Master Indenture. Such amendments could adversely affect the security of the Bondholders. See **APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture – Supplements and Amendments**" and " **– Bond Indentures – Amendment of Indenture.**"

BOND INSURANCE

The following information bas been furnished by the Bond Insurers for use in this Official Statement. On the Date of Issuance of the Insured Bonds, each Bond Insurer will deliver its respective Bond Insurance Policies. See **APPENDIX H** for a specimen Ambac Bond Insurance Policy. See **APPENDIX I** for a specimen MBIA Bond Insurance Policy.

Ambac and the Ambac Bond Insurance Policy

The information relating to Ambac and the Ambac Bond Insurance Policy contained under this caption has been furnished by Ambac. Additional financial information with respect to Ambac is on file with the State of New York Insurance Department. Prospective purchasers of the Ambac Insured Bonds may contact such Insurance Department to obtain such information. Reference is made to ***APPENDIX H*** *for a specimen of the Ambac Bond Insurance Policies.*

Payment Pursuant to the Ambac Bond Insurance Policy

Ambac has made a commitment to issue the Ambac Bond Insurance Policy relating to the Ambac Insured Bonds effective as of January 23, 2003. Under the terms of the Ambac Bond Insurance Policy, Ambac will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Ambac Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Ambac Bond Insurance Policy). Ambac will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac shall have received notice of Nonpayment from the Bond Trustee. The insurance will extend for the term of the Ambac Insured Bonds and, once issued, cannot be canceled by Ambac.

The Ambac Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Ambac Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Ambac Insured Bonds, Ambac will remain obligated to pay principal of and interest on outstanding Ambac Insured Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Ambac Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Bond Trustee has notice that any payment of principal of or interest on an Ambac Insured Bond which has become Due for Payment and which is made to a holder by or on behalf of the obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

The Ambac Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Ambac Bond Insurance Policies. Specifically, the Ambac Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; or

3. nonpayment of principal or interest caused by the insolvency or negligence of the Bond Trustee.

If it becomes necessary to call upon the Ambac Bond Insurance Policy, payment of principal requires surrender of an Ambac Insured Bond to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bond to be registered in the name of Ambac to the extent of the payment under the Ambac Bond Insurance Policy. Payment of interest pursuant to the Ambac Bond Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac.

Upon payment of the insurance benefits, Ambac will become the owner of the Ambac Insured Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering holder's rights to payment.

The Ambac Bond Insurance Policy does not insure against loss relating to payments made in connection with the sale of the Ambac Insured Bonds at auctions or losses suffered as a result of a holder's inability to sell such Bonds.

The Ambac Bond Insurance Policy does not insure against loss relating to payments of the Purchase Price of the Ambac Insured Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the Purchase Price of the Ambac Insured Bonds upon tender by a registered owner thereof.

Ambac Assurance Corporation

General

Ambac is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $6,115,000,000 (unaudited) and statutory capital of approximately $3,703,000,000 (unaudited) as of December 31, 2002. Statutory capital consists of Ambac's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac.

Ambac has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a bond by Ambac will not affect the treatment for federal income tax purposes of interest on such bond and that insurance proceeds representing maturing interest paid by Ambac under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the obligor of the bonds.

Ambac makes no representation regarding the Ambac Insured Bonds or the advisability of investing in the Ambac Insured Bonds and makes no representations regarding, nor has it participated in the preparation of, this Official Statement, other than the information supplied by Ambac and presented under the caption "**BOND INSURANCE – Ambac and the Ambac Bond Insurance Policy**."

Available Information

The parent company of Ambac, Ambac Financial Group, Inc. ("Ambac Financial"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including Ambac Financial. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac's financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by Ambac Financial with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. Ambac Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;
2. Ambac Financial's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
3. Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
4. Ambac Financial's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
5. Ambac Financial's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002;
6. Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002;
7. Ambac Financial's Current Report on Form 8-K dated October 16, 2002 and filed on October 17, 2002;
8. Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2002 and filed on November 14, 2002;
9. Ambac Financial's Current Report on Form 8-K dated November 18, 2002 and filed on November 20, 2002;
10. Ambac Financial's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
11. Ambac Financial's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003; and
12. Ambac Financial's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003.

All documents subsequently filed by Ambac Financial pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described in the subcaption "Available Information" immediately above.

MBIA and the MBIA Bond Insurance Policies

MBIA Bond Insurance Policies

The MBIA Bond Insurance Policies unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the related Issuer to the Bond Trustee for a Series of MBIA Insured Bonds or its successor of an amount equal to: (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the MBIA Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The MBIA Bond Insurance Policies do not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA Bond Insurance Policies do not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the Purchase Price of the MBIA Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The MBIA Bond Insurance Policies also do not insure against nonpayment of principal of or interest on the MBIA Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Bond Trustee or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Bond Trustee or any owner of an MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such Owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such Owners or the Bond Trustee payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the Bond Trustee for payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the MBIA Insurance Policies and MBIA set forth under the caption "**BOND INSURANCE – MBIA and MBIA Bond Insurance Policies.**" Additionally, MBIA makes no representations regarding the MBIA Insured Bonds or the advisability of investing in the MBIA Insured Bonds.

The MBIA Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Financial Information

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the MBIA Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in this document incorporated or deemed incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superceded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supercedes such statement. Any such statement so

modified or superseded shall not be deemed, except as modified or superceded, to constitute a part of this Official Statement.

MBIA Inc. files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001), and (2) MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at MBIA Inc.'s web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited) and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited) and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investor's Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of the McGraw Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the MBIA Insured Bonds. MBIA does not guaranty the market price of the MBIA Insured Bonds nor does it guaranty the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

THE CREDIT GROUP

Upon the issuance of the Series 2003 Bonds, the Credit Group will consist of 68 nonprofit corporations, as more fully described in **APPENDIX A – "LIST OF MEMBERS OF THE ASCENSION HEALTH CREDIT GROUP."** There will be no Limited Designated Affiliates on the Date of Issuance of the Series 2003 Bonds.

PLAN OF FINANCE

General

As of February 15, 2003, the total amount of Ascension Health Credit Group debt outstanding that is secured by Obligations issued under the Master Indenture was $3,453,988,289, including $3,309,374,357 of tax-exempt indebtedness of the Ascension Health Credit Group members, $140,740,000 in guarantees of debt of non-Ascension Health Credit Group members and a $3,873,932 Tax Retention Operating Lease. Upon the issuance of the Series 2003 Bonds and the application of the proceeds thereof, approximately S3,659,013,650 in aggregate principal amount of such Obligations are expected to be outstanding.

The Plan of Finance includes, generally, the following elements, which are described in greater detail below:

- The advance refunding of revenue bonds secured by Obligations that are outstanding in the aggregate principal amount of $1,067,925,000, using a portion of the proceeds of the Series 2003 Bonds and other available funds.

- The payment at maturity of certain commercial paper notes issued by Ascension Health to finance a portion of the costs of the acquisition of Carondelet Health System (as further described in **APPENDIX A**). The proceeds of these commercial paper notes were used to defease or pay or redeem existing indebtedness of Credit Group Members previously affiliated with the Carondelet Health System.

- Financing or reimbursing Ascension Health for the costs of constructing, improving and equipping facilities of certain Credit Group Members located in the States of Florida, Missouri, Georgia, Arizona, Idaho, Texas and Indiana.

- The execution by Ascension Health of separate interest rate swap transactions with Citibank, N.A., New York and Morgan Stanley Capital Services Inc. with an aggregate notional amount of $1,343,950,000.

See "**ESTIMATED SOURCES AND USES OF FUNDS**."

Advance Refundings

Ascension Health will provide for the refunding of the outstanding revenue bonds described below (or the portion of those revenue bonds described below) and referred to herein as the Existing Bonds using a portion of the proceeds of the Series 2003 Bonds and other available funds. Pursuant to separate escrow agreements for each series of the Existing Bonds, a portion of the Series 2003 Bond proceeds, together with funds on deposit with the related Bond Trustee, will be deposited in separate escrow funds created pursuant to separate escrow agreements, and will be used to purchase escrow securities that are permitted for the defeasance of the related Existing Bonds by the terms of the applicable bond indenture.

Those escrow securities will be held by the trustee of the applicable Existing Bonds and will pay interest and mature at the times and in amounts sufficient to pay debt service on such Existing Bonds when due on and prior to November 15, 2009, and to pay on November 15, 2009 a redemption price equal to 101% of the outstanding principal amount of such Existing Bonds maturing after November 15, 2009.

The escrow agreements will permit the related trustee to dispose of the escrow securities upon receipt of new escrow securities if such new escrow securities would have been permitted under the related bond indenture and upon satisfaction of any requirements of the related escrow agreement.

Existing Bonds	Principal Amount
Florida	
Escambia County Health Facilities Authority Revenue Bonds (Ascension Health Credit Group) Series 1999A-1	$95,300,000
Escambia County Health Facilities Authority Revenue Bonds (Ascension Health Credit Group) Series 1999A-2	$61,200,000

Existing Bonds	Principal Amount
Indiana	
Indiana Health Facility Financing Authority Hospital Revenue Bonds (Charity Obligated Group), Series 1999D – Bonds maturing November 15, 2013 through November 15, 2024	$80,830,000
Michigan	
Michigan State Hospital Finance Authority Revenue Bonds (Ascension Health Credit Group) Series 1999A – Bonds maturing November 15, 2013 through November 15, 2026	$439,655,000
Pennsylvania	
City of Pottsville Hospital Authority Hospital Revenue Bonds (Ascension Health Credit Group) Series 1999A – Bonds due November 15, 2019	$8,365,000
Tennessee	
The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee Revenue Bonds (Ascension Health Credit Group), Series 1999A	$172,025,000
Texas	
Waco Health Facilities Development Corporation Revenue Bonds (Ascension Health Credit Group) Series 1999A – Bonds maturing November 15, 2013 through November 15, 2024	$14,880,000
Travis County Health Facilities Development Corporation Revenue Bonds (Ascension Health Credit Group) Series 1999A – Bonds maturing November 15, 2013 through November 15, 2024	$195,670,000

Payment at Maturity of Commercial Paper Notes

On December 5, 2002, Carondelet Health System became an affiliate of Ascension Health, and the nonprofit affiliates of Carondelet Health System that own and operate healthcare facilities became members of the Ascension Health system. In connection with that transaction, Ascension Health issued approximately $265 million of its taxable commercial paper notes, the proceeds of which, together with other available funds, were used by Carondelet Health System to defease or pay or redeem approximately $272 million in aggregate principal amount of then-existing indebtedness of the affiliates of the former Carondelet Health System.

On March 12, 2003, Ascension Health will provide for the payment of the maturing principal of a portion of these taxable commercial paper notes (approximately $100 million) with its own funds. On March 13, 2003, Ascension Health will apply approximately $164 million of the proceeds of the Series 2003 Bonds to the payment of the remaining taxable commercial paper notes.

The Projects

Portions of the proceeds of certain Series of the Series 2003 Bonds will be used for the payment, or reimbursement to Ascension Health for the payment by it or certain Credit Group Members, of the costs of constructing, improving and equipping facilities of the following Credit Group Members:

- The Series 2003A Bonds (Florida) will finance capital expenditures at Sacred Heart Hospital of Pensacola or its affiliates located in Pensacola, Florida and Walton County, Florida.

- The Series 2003C Bonds (Missouri) will finance capital expenditures at St. Mary's Hospital of Blue Springs, located in Blue Springs, Missouri, St. Joseph Health Center, located in Kansas City, Missouri, St. Joseph Hospital, located in Augusta, Georgia, Holy Cross Hospital, located in Nogales, Arizona, St. Mary's Hospital, located in Tucson, Arizona, St. Joseph Hospital, located in Tucson, Arizona and Providence Health Center, located in Waco, Texas.

- The Series 2003D Bonds (Idaho) will finance capital expenditures at St. Joseph Regional Medical Center, located in Lewiston, Idaho.

- The Series 2003E Bonds (Indiana) will finance capital expenditures at St. Vincent Hospital and Health Care Center, located in Indianapolis, Indiana, St. John's Hospital, located in Anderson, Indiana and Seton Medical Center, located in Austin, Texas.

The Idaho Issuer and Ascension Health have agreed to a number of provisions in the Idaho Loan Agreement and the Idaho Bond Indenture that relate to the Idaho Issuer's policies with respect to Ascension Health and the Idaho project. The Idaho Issuer has implemented certain provisions to ensure that the proceeds of the Series 2003D Bonds (Idaho) are utilized in connection with the hospital facilities of St. Joseph Regional Medical Center, located in Lewiston, Idaho and will benefit consumers of health care in Idaho. As described above under the caption "**THE SERIES 2003 BONDS – Redemption – Mandatory Prepayment or Defeasance of Series 2003D Bonds (Idaho)**," the Idaho Issuer has required that the Series 2003D Bonds (Idaho) be redeemed or defeased if all or substantially all of the operations of the hospital facilities of St. Joseph Regional Medical Center (Lewiston, Idaho) are discontinued. The Idaho Loan Agreement also contains substantial restrictions on the removal and replacement of equipment financed with the proceeds of the Series 2003D Bonds (Idaho) and a number of requirements regarding consent and approval of the Idaho Issuer.

The Swaps

On January 13, 2003, Ascension Health executed 22 separate interest rate swap transactions, referred to herein as Fixed Rate Swaps, with Citibank, N.A., New York and Morgan Stanley Capital Services Inc. The aggregate notional amount of the Fixed Rate Swaps is $1,343,950,000. $290,475,000 of the Fixed Rate Swaps have termination dates in 2009, $709,300,000 of the Fixed Rate Swaps have termination dates in 2026 and $344,175,000 of the Fixed Rate Swaps have termination dates in 2036. The aggregate notional amount and amortization of the Fixed Rate Swaps is approximately equal to the aggregate principal amount of the Auction Rate Securities and their amortization. Under the Fixed Rate Swaps, Ascension Health will pay a fixed amount and will receive a variable amount based upon an index. Ascension Health's obligations under the Fixed Rate Swaps are secured by Obligations issued under the Master Indenture on a parity with all other Obligations outstanding under the Master Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds related to the transactions described above under the caption, "**PLAN OF FINANCE.**"

Sources:	**Series 2003A Bonds (Florida)**	**Series 2003B Bonds (Michigan)**	**Series 2003C Bonds (Missouri)**	**Series 2003D Bonds (Idaho)**	**Series 2003E Bonds (Indiana)**	**Equity**	**Total**
Principal amount of Bonds	$191,850,000	$525,400,000	$295,375,000	$24,700,000	$498,475,000	-	$1,535,800,000
Plus (net) original issue premium	15,693,149	-	-	-	-	-	15,693,149
Equity Contribution	-	-	-	-	-	$117,036,180	117,036,180
Total Sources	$207,543,149	$525,400,000	$295,375,000	$24,700,000	$498,475,000	$117,036,180	$1,668,529,329
Uses:							
Payment of Commercial Paper	-	-	$136,869,845	$18,578,822	-	$108,155,971	$ 263,604,638
Refunding escrows	$182,040,811	$517,324,729	122,926,842	-	$427,914,375	155,000	1,250,361,757
Reimbursement for Project costs	25,502,338	-	34,013,257	5,742,470	63,179,113	-	128,437,178
Bond Insurance Policy Premiums	-	8,057,259	1,565,056	378,708	7,381,512	-	17,382,535
Costs of Issuance	-	18,012	-	-	-	8,725,209	8,743,221
Total Uses	$207,543,149	$525,400,000	$295,375,000	$24,700,000	$498,475,000	$117,036,180	$1,668,529,329

CONTINUING DISCLOSURE

The Credit Group Representative, on behalf of itself and the other Credit Group Members, has undertaken all responsibilities for any continuing disclosure to Holders of the Series 2003 Bonds as described below, and the Issuers shall have no liability to the Holders of the Series 2003 Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2-12.

The Credit Group Representative on behalf of itself and the other Credit Group Members, has covenanted for the benefit of Holders and Beneficial Owners of the Series 2003 Bonds to provide, in an Annual Report, certain financial information and operating data relating to the Credit Group no later than 180 days following the end of the Credit Group's fiscal year, commencing with the report for the 2003 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Credit Group Representative has also covenanted to provide, in a Quarterly Report, quarterly unaudited financial information for the first three quarters of each fiscal year relating to the Credit Group no later than 60 days following the end of each of the first three quarters of the Credit Group's fiscal year. Ascension Health has voluntarily been making such quarterly financial information available on its website at www.ascensionhealth.org. No information found on Ascension Health's website and no information accessed from Ascension Health's website is a part of this Official Statement. No assurances can be given that Ascension Health will continue to make such information available on its website. The Annual Report and the Quarterly Report will be filed by the Bond Trustee (or the Credit Group Representative or a dissemination agent appointed by the Credit Group Representative) on behalf of the Credit Group Representative with each Nationally Recognized Municipal Securities Information Repository, or NRMSIR, and with the relevant state repository, or SID, if any. The notices of material events will be filed by the Bond Trustee (or the Credit Group Representative or other dissemination agent) on behalf of the Obligated Group with the NRMSIRs and SIDs. The specific nature of the information to be contained in the Annual Report and the notices of material events is described in **APPENDIX D – "Form of Continuing Disclosure Agreement."**

BONDHOLDERS' RISKS

General

Except as noted herein, the Series 2003 Bonds of each Series are payable solely from the money and investments in funds held under its Bond Indenture to be funded primarily from moneys to be received by the Bond Trustee, as assignee of the Issuer of the Series, from Loan Repayments made under related Loan Agreement and from payments to be made on the related Series 2003 Obligation by Ascension Health and any other Obligated Group Members. No representation or assurance can be made that revenues will be realized by Ascension Health or the Credit Group Members in amounts sufficient to pay maturing principal and interest due on the Series 2003 Obligations and the Series 2003 Bonds or to make the other payments required by the Loan Agreements, including the payment of the Redemption Price of the Series 2003 Bonds or the Purchase Price of Auction Rate Securities to be converted or Converted Series 2003 Bonds upon their tender for purchase. Future economic and other conditions, including inflation, demand for health care services, the ability of the Credit Group Members to provide the services required or requested by patients, physicians' confidence in the Credit Group Members, economic developments in their respective service areas, employee relations and unionization, competition, the level of rates or charges, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement and changes in governmental regulation may adversely affect revenues and expenses and, consequently, payment of amounts due on or with respect to the Series 2003 Bonds.

The practical realization of any rights upon any default under the Loan Agreements and the Master Indenture will depend upon the exercise of various remedies specified in these instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Bond Trustee and the Holders of the Series 2003 Bonds to enforce their claim to liens granted by the Bond Indentures.

The operations of the health care industry and the ownership and organization of individual participants therein, including Ascension Health and the Credit Group Members, have been subject to increasing scrutiny by federal, state and local governmental agencies. In response to perceived abuses and actual violations of the terms of existing federal, state and local health care payment programs, these agencies have increased their audit and

enforcement activities, and federal and state legislation has been considered or enacted providing for or expanding existing civil and criminal penalties against certain activities. In addition, federal, state and local agencies have increased their scrutiny of transactions involving not-for-profit, tax-exempt organizations and are focusing in particular upon limitations on the use of charitable assets and revenues.

The Master Indenture contains few limitations or conditions upon transactions involving Credit Group Members. A governmental agency may determine that a transaction may have violated applicable laws and may proceed to enjoin the transaction or impose civil or criminal penalties, notwithstanding the fact that the transaction may have been permitted by the Master Indenture. Violations of these laws may have a material adverse effect on the operations and financial condition of the Credit Group.

Certain of the factors that could affect the Series 2003 Bonds and the future financial condition of the Credit Group are described below. This discussion of risk factors is not, and is not intended to be, exhaustive.

Security and Enforceability

Enforceability of Obligations Under the Master Indenture

In determining whether various covenants and tests contained in the Master Indenture are met, the accounts of the Credit Group Members will be combined, notwithstanding that Designated Affiliates are not obligated on the Obligations and that uncertainties exist as to the enforceability of certain obligations of the Credit Group Members contained in the Master Indenture which bear on the availability of the revenues of the Credit Group Members for payment of amounts due on the Obligations, including the Series 2003 Obligations issued as security for the Series 2003 Bonds.

The joint and several obligation described herein of each Obligated Group Member to make payments of debt service on an Obligation, the proceeds of which Obligation were not loaned or otherwise made available to that Obligated Group Member, or the obligation of a Designated Affiliate to transfer funds to the Credit Group Representative for purposes of making payments on Obligations, may not be enforceable to the extent that the payments (i) will be made on an Obligation issued for a purpose that is not consistent with the charitable purposes of the entity from which the payment or transfer is requested or is subject to the application of charitable trust principles or state laws, regulations, policies or procedures which may vary from jurisdiction to jurisdiction; (ii) will be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of the property for payments; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the entity from which payment or transfer is requested; or (iv) will be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the property of any Obligated Group Member or Designated Affiliate may be applied or transferred as described above cannot be determined and could be substantial.

A Credit Group Member, including an Obligated Group Member, may not be required to make payments on an Obligation or transfers for the purpose of making payment on an Obligation to the extent issued by or for the benefit of another Credit Group Member to the extent that any payment or transfer would render the paying or transferring Credit Group Member insolvent or would conflict with, not be permitted by or would be subject to recovery for the benefit of other creditors of the Credit Group Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments by any Obligated Group Member on an Obligation or transfers by Designated Affiliates of funds for the purpose of making payments on an Obligation issued by or for the benefit of another Credit Group Member or other person may be avoided by a trustee in bankruptcy in the event of a bankruptcy of the Obligated Group Member or Designated Affiliate or by third party creditors in an action brought pursuant to fraudulent conveyances statutes of the states in which the Obligated Group Member or Designated Affiliate is incorporated or doing business. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under fraudulent conveyances statutes of the states in which the Credit Group Members are incorporated or doing business, a creditor of a guarantor may avoid any obligation incurred by a guarantor, if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty,

and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or fraudulent conveyances statutes of the applicable states, or the guarantor is undercapitalized.

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

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out its purposes. Such court action may arise on the court's own motion or pursuant to a petition of the Attorney General of a particular state or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Unsecured Creditors; Facilities

Neither Ascension Health nor the Credit Group Members have pledged their facilities or revenues as security for the Series 2003 Bonds or the Series 2003 Obligations. Therefore, in the event of a default and acceleration of the Series 2003 Bonds, the Bond Trustee or Master Trustee, as applicable, would be an unsecured creditor with no rights to any revenues or facilities of Ascension Health or the Credit Group Members. In addition, a substantial portion of these facilities do not comprise general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for these facilities, and, upon a default, the Bond Trustee or the Master Trustee may not obtain an amount equal to the aggregate liabilities of the Credit Group (including liabilities in respect of the defaulted Series 2003 Bonds then outstanding) from the sale or lease of these facilities, whether pursuant to a judgment against any Obligated Group Member or otherwise.

Amendments to Master Indenture, Bond Indentures and Loan Agreements

Certain amendments to the Master Indenture may be made with the consent of the holders of not less than a majority of the principal amount of outstanding Obligations. These amendments may adversely affect the security of the Holders of the Series 2003 Bonds, and a majority may be composed wholly or partially of the holders of Obligations other than the Series 2003 Obligations. Certain amendments to each Bond Indenture and each Loan Agreement may be made with the consent of the Holders of not less than a majority of the outstanding principal amount of the Series of the Series 2003 Bonds outstanding under the Bond Indenture. Such amendments may adversely affect the security of the Holders of the Series of the Series 2003 Bonds.

Availability of Remedies

The remedies available to the Bond Trustee, the Master Trustee, the Issuer and the Holders of the Series 2003 Bonds upon an event of default under the Bond Indentures, the Master Indenture, the Loan Agreements and the Series 2003 Obligations are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Bond Indentures, the Master Indenture, the Loan Agreements and the Series 2003 Obligations may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2003 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

Bankruptcy

In the event of bankruptcy of an Obligated Group Member, the rights and remedies of the Holders of the Series 2003 Bonds are subject to various provisions of the United States Bankruptcy Code. If an Obligated Group Member were to commence a proceeding in bankruptcy, payments made by that Obligated Group Member during the 90-day (or, in some circumstances, one-year) period immediately preceding the commencement may be avoided as preferential transfers to the extent payments allow the recipients thereof to receive more than they would have received in the event of the Obligated Group Member's liquidation and the other requirements set forth in Section 547(b) of the United States Bankruptcy Code have been met. Security interests and other liens granted to or perfected by a Bond Trustee or the Master Trustee during the preference period may also be avoided as preferential transfers to the extent the security interest or other lien secures obligations that arose prior to the date of the grant or perfection. Such a bankruptcy filing would result in the imposition of an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group Member and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of a Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the Obligated Group Member could be used for the reorganization of the Obligated Group Member despite any security interest of the Bond Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective interests and other liens could be delayed or altered during the pendency of the reorganization.

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

In addition, the bankruptcy of a health plan or physician group that is a party to a significant managed care arrangement with one or more of the Credit Group Members could have material adverse effects on the Credit Group Member or Credit Group Members.

In the event of bankruptcy or insolvency of an Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indentures, the Loan Agreements or Master Indenture and certain other documents would survive. Accordingly, a debtor or bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Series 2003 Bonds from gross income of the Bondholders for federal income tax purposes.

The bankruptcy of a Designated Affiliate would not trigger an event of default under the Master Indenture, the Bond Indentures or the Loan Agreements, but the bankruptcy of a Designated Affiliate could have a material adverse effect on the Credit Group. If a Designated Affiliate were to file for bankruptcy and had no contractual obligation to make payments to the Credit Group Representative, neither Ascension Health, the Controlling Member of the Designated Affiliate nor the Master Trustee would be able to file a claim in a bankruptcy proceeding involving the Designated Affiliate for the payment of any amounts due on the Obligations. In addition, in the event a Designated Affiliate's Controlling Member were to become a debtor in a bankruptcy case, Ascension Health or the other Controlling Member, as debtor-in-possession, or a trustee in bankruptcy, may not be able to cause the Designated Affiliate to transfer funds to the Credit Group Representative or the trustee in bankruptcy.

Patient Service Revenues

Net patient revenues realized by the Credit Group are derived from a variety of sources and will vary among the individual facilities owned and operated by the Credit Group Members and also among the various

market areas and regions in which the facilities are located. Certain facilities and regions may realize substantially more revenues from private payment programs, such as managed care organizations, than do others.

A substantial portion of the net patient service revenues of the Credit Group is derived from third-party payors which pay for the services provided to patients covered by third parties for services. These third-party payors include the federal Medicare program, state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to Members of the Credit Group in amounts that may not reflect the direct and indirect costs of the Members of providing services to patients.

The financial performance of the Credit Group has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to their patients.

Medicare and Medicaid Programs

Approximately 36% and 5% of the net patient service revenue of Ascension Health and approximately 30% and 6% of the net patient service revenue of the Carondelet Affiliates for the fiscal year ended June 30, 2002 were derived from the Medicare program and Medicaid programs, respectively. See the information in **APPENDIX A** under the caption, "**FINANCIAL AND OPERATING INFORMATION – Sources of Revenue.**" Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program, and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers physician services and some supplies. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states.

Medicare

Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or the Joint Commission for Accreditation of Healthcare Organizations, or JCAHO.

The Credit Group has a significant dependence on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material effect on the Credit Group. For example, Medicare program changes resulting from the Balanced Budget Act of 1997, as subsequently amended and modified, have limited increases in Medicare payments that were otherwise provided by law, and/or reduced Medicare payment or reimbursement for certain health care services provided to Medicare beneficiaries. The Balanced Budget Act of 1997 has had and will continue to have a significant negative effect on acute care hospitals and other Medicare providers. Future reductions in Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on the Credit Group.

A substantial portion of the Medicare revenues of the Credit Group is derived from payments made for services rendered to Medicare beneficiaries under a prospective payment system, or PPS. Under a prospective payment system, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, inpatient and outpatient services, skilled nursing care, and home health care are paid on the basis of a prospective payment system. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group, or DRG. DRGs classify treatments for illnesses according to the estimated intensity of hospital

resources necessary to furnish care for each principal diagnosis. All services paid under the PPS for hospital outpatient services are classified into groups called ambulatory payment classifications, or APCs. Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. The capital component of care is paid on a fully prospective basis.

PPS-exempt hospitals and units (inpatient psychiatric, rehabilitation and long-term hospital services) are currently reimbursed for their reasonable costs, subject to a cost per discharge target. These limits are updated annually by an index generally based upon inflationary increases in costs of providing health care services. The phasing of a prospective payment system for rehabilitation services commenced October 1, 2001. The phasing of a prospective payment system for psychiatric services commenced October 1, 2002.

From time to time, the factors used in calculating the prospective payments for units of service are modified by CMS, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended the Medicare law to reduce increases in payments that are otherwise scheduled to occur, or to provide for reductions in payments for particular services. These actions have adversely affected the revenues of the Credit Group.

Additional payments may be made to individual providers. Hospitals that treat a disproportionately large number of low-income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) currently receive additional payments in the form of disproportionate share payments. Additional payments are made to hospitals that treat patients who are costlier to treat than the average patient; these additional payments are referred to as "outlier payments." Hospitals are paid for a portion of their direct and indirect medical education costs. These additional payments are also subject to reductions and modifications in otherwise scheduled increases as a result of amendments to relevant statutory provisions.

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period.

Medicaid

Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

Private Health Plans and Managed Care

Managed care plans generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Payments to the Credit Group from managed care plans typically are lower than those received from traditional indemnity/commercial insurers. Defined broadly, for the fiscal year ended June 30, 2002, managed care payments constituted approximately 32% of the net patient service revenues of the Credit Group. There is no assurance that the members of the Credit Group will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of a member of the Credit Group and the Credit Group's net patient services revenues. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to the Credit Group if the members are unable to adequately contain their costs.

Many preferred provider organizations, or PPOs, and health maintenance organizations, or HMOs, currently pay providers on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. The discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a hospital may vary significantly from projections, and/or changes in the utilization of certain services offered by the provider may be dramatic and unexpected, thus further jeopardizing the provider's ability to contain costs.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. In a capitation payment system, the hospital assumes a financial risk for the cost and scope of care given to the HMO's enrollees. In some cases, the capitated payment covers total hospital patient care provided. However, if payment under an HMO or PPO contract is insufficient to meet the hospital's costs of care or if utilization by enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

As a consequence of the above factors, the effect of managed care on the Credit Group's financial condition is difficult to predict and may be different in the future than the financial statements for the current periods reflect.

Regulatory Environment

Licensing, Surveys, Investigations and Audits

Health facilities, including those of the Credit Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of JCAHO. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by a member of the Credit Group.

Ascension Health management currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations, nor does management anticipate a reduction in third-party payments from events that would materially adversely affect the operations or financial condition of the Credit Group. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of a member of the Credit Group to operate all or a portion of its health care facilities, and consequently, could have a material and adverse effect on the Credit Group.

Civil and Criminal Fraud and Abuse Laws and Enforcement

Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate healthcare fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid programs, fines, civil monetary penalties, and suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation.

Laws governing fraud and abuse apply to all individuals and healthcare enterprises with which a hospital does business, including other hospitals, home health agencies, long term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third party

administrators, physicians, physician groups, and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on a provider and potentially a material adverse impact on the financial condition of other entities in the healthcare delivery system of which that entity is a part.

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under civil or criminal False Claims Acts, statutes prohibiting referrals for compensation or fee-splitting, or the "Stark law," which prohibits certain referrals by a physician to certain organizations in which the physician has a financial relationship. The civil and criminal monetary assessments and penalties may be substantial. Additionally, the provider may be denied participation in the Medicare and/or Medicaid programs. If and to the extent any member of the Credit Group engaged in a prohibited activity and judicial or administrative proceedings concluded adversely to the member, the outcome could materially affect the Credit Group.

The members of the Credit Group have internal policies and procedures and have developed and implemented a compliance program that management believes will effectively reduce exposure for violations of these laws. However, because the government's enforcement efforts presently are widespread within the industry and may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the Credit Group to civil or criminal sanctions or adverse administrative determinations.

Review of Outlier Payments

CMS has recently announced that it intends to review health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General. Management of Ascension Health does not believe that any potential review of the Credit Group Members would materially adversely affect the Credit Group's results of operations.

Patient Records and Patient Confidentiality

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes upon providers certain privacy restrictions and standards for electronic transactions of patient information. During the two-year phase-in period (concluding October 2003) for the electronic transaction standards, providers will be required to make significant changes in hardware and software. The cost of the changes is expected to be significant, but it is also expected that providers will recognize certain cost savings after making these modifications to their hardware and software systems. Rules implementing the privacy portion of HIPAA became effective in April 2002. The members of the Credit Group will have until April 2003 to prepare for and comply with the privacy rules. Penalties for noncompliance with these patient privacy rules include substantial civil monetary penalties and imprisonment and substantial criminal penalties for wrongful disclosure with the intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm.

Management is evaluating the impact of the HIPAA requirements and has initiated a plan designed to allow the Credit Group to comply with the HIPAA regulations. At this time, management anticipates that the Credit Group will be able to fully comply with the HIPAA requirements. Since the HIPAA regulations are relatively new, however, management cannot at this time estimate the cost of compliance. Based on its current knowledge, management believes that the cost of its compliance will not have a material adverse effect on the business, financial condition or results of operation of the Credit Group.

Patient Transfers

A federal "anti-dumping" statute imposes certain requirements that must be met 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 any member of the Credit Group to meet its responsibilities under the law could adversely affect the financial conditions of that Member.

Environmental Laws and Regulations

The Credit Group's health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The Credit Group's operations, as well as the Credit Group's purchases and sales of facilities, also are subject to compliance with various other environmental laws, rules and regulations. The Credit Group anticipates that compliance will not materially affect the Credit Group's business, financial condition or results of operations.

Management is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues or any instance of contamination that, if determined adversely to a member of the Credit Group, would have material adverse consequences to the Credit Group.

Certain Business Transactions

Physician Relations

The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have membership or privileges curtailed, denied or revoked often file legal actions against hospitals. Such action may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of the medical staff may result in hospital liability to third parties. All hospitals, including those owned and operated by the members of the Credit Group, are subject to such risk.

Physician Contracting

The members of the Credit Group may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the physician organizations.

The success of the Credit Group will be partially dependent upon its ability to attract physicians to join the physician organizations and to participate in their networks, and upon the ability of the physicians, including the employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the members of the Credit Group will be able to attract and retain the requisite number of physicians, or that physicians will deliver high quality health care services. Without paneling a sufficient number and type of providers, the Credit Group could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Credit Group.

Affiliations, Merger, Acquisition and Divestiture

The members of the Credit Group evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Credit Group reviews the use, compatibility and business viability of many of the operations of the members, and from time to time the members may pursue changes in the use of, or disposition of, their facilities. Likewise, members of the Credit Group occasionally receive offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or Affiliates of members of the Credit Group in the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the members. Discussion with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the members, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to

potential affiliation with a member of the Credit Group. As a result, it is possible that the current organization and assets of the members may change from time to time.

In addition to relationships with other hospitals and physicians, the members of the Credit Group may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the members of the Credit Group. In addition, the members of the Credit Group may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if there is a perceived strategic or operational benefit for the Credit Group. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the members of the Credit Group may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Credit Group.

Antitrust

Enforcement of antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. While the application of federal and state antitrust laws to health care is still evolving, enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies, as well as by private litigants.

Tax Matters

Tax Exemption for Not-For-Profit Corporations

Loss of tax-exempt status by a Credit Group Member could result in loss of tax exemption of the Series 2003 Bonds and of other tax-exempt debt issued for the benefit of Ascension Health or the Credit Group Members, and defaults in covenants regarding the Series 2003 Bonds and other related tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Credit Group. Management of Ascension Health is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of any Credit Group Member.

The maintenance by each Credit Group Member of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. The Internal Revenue Service has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities, and in particular has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the Internal Revenue Service in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service. Because the Credit Group Members conduct large-scale and diverse operations involving private parties, there can be no assurances that certain of their transactions would not be challenged by the Internal Revenue Service.

The Internal Revenue Service has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See the information herein under the caption, "**BONDHOLDERS' RISKS – Regulatory Environment – Civil and Criminal Fraud and Abuse Laws and Enforcement**." As a result, tax-exempt hospitals, such as those of the Credit Group Members, which have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the Internal Revenue Service.

The Taxpayers Bill of Rights 2, referred to for purposes of this Official Statement as the Intermediate Sanctions Law, allows the Internal Revenue Service to impose "intermediate sanctions" against certain individuals in circumstances involving the violation by tax-exempt organizations of the prohibition against private inurement. Prior to the enactment of the Intermediate Sanctions Law, the only sanction available to the Internal Revenue Service was revocation of an organization's tax-exempt status. Intermediate sanctions may be imposed in situations in which a "disqualified person" (such as an "insider") (i) engages in a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receives unreasonable compensation from a tax-exempt organization or (iii) receives payment in an arrangement that violates the prohibition against private inurement. These transactions are referred to as "excess benefit transactions." A disqualified person who benefits from an excess benefit transaction will be subject to an excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in the excess benefit transaction knowing it to be improper are subject to an excise tax equal to 10% of the amount of the excess benefit, subject to a maximum penalty of $10,000. A second penalty, in the amount of 200% of the excess benefit, may be imposed on the disqualified person (but not upon the organizational manager) if the excess benefit is not corrected within a specified period of time.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations are typically imposed on the tax-exempt hospital pursuant to a "closing agreement" with respect to the hospital's alleged violation of Section 501(c)(3) exemption requirements. Given the size of the Credit Group, the wide range of complex transactions entered into by the Credit Group Members and Ascension Health, and uncertainty regarding how tax-exemption requirements may be applied by the IRS, Members are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this "closing agreement" or similar process. Like certain of the other business and legal risks described herein which apply to large multi-hospital systems, these liabilities are probable from time to time and could be substantial, in some cases involving millions of dollars, and in extreme cases could be materially adverse.

Bills have been introduced in Congress that would require a tax-exempt hospital to provide a certain amount of charity care and care to Medicare and Medicaid patients in order to maintain its tax-exempt status and avoid the imposition of an excise tax. Other legislation would have conditioned a hospital's tax-exempt status on the delivery of adequate levels of charity care. Congress has not enacted such bills. However, there can be no assurance that similar legislative proposals or judicial actions will not be adopted in the future.

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income. Ascension Health and the Credit Group Members participate in activities that may generate unrelated business taxable income. Management of Ascension Health believes it and the Credit Group Members have properly accounted for and reported unrelated business taxable income; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported unrelated business taxable income and in some cases could ultimately affect the tax-exempt status of a Credit Group Member as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2003 Bonds and other tax-exempt debt of Ascension Health and the Credit Group Members. In addition, legislation, if any, which may be adopted at the federal, state and local levels with respect to unrelated business income cannot be predicted. Any legislation could have the effect of subjecting a portion of the income of Ascension Health or the Credit Group Members to federal or state income taxes.

In 1990, the Employee Plans and Exempt Organizations Division of the IRS expanded the Coordinated Examination Program ("*CEP*") of the IRS to tax-exempt health care organizations. CEP audits are conducted by teams of revenue agents. The CEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income.

Credit Group Members have been, are being and most likely will be audited regularly by the IRS. Management believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of

the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of a Credit Group Member as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the Series 2003 Bonds and other tax-exempt debt of the Credit Members.

In addition to the foregoing proposals with respect to income by not-for-profit corporations, various state and local governmental bodies have challenged the tax-exempt status of not-for-profit institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various not-for-profit institutions on the grounds that a portion of its property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

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

Bond Audits

Internal Revenue Service officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2003 Bonds may be, from time to time, subject to audits by the IRS. Ascension Health believes that the Series 2003 Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2003 Bonds, as described under the caption, "**TAX MATTERS**." No ruling with respect to the tax-exempt status of the Series 2003 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an audit of the Series 2003 Bonds will not adversely affect the Series 2003 Bonds.

IRS Bond Examination

On May 9, 2000, the Michigan Issuer received notice from the Internal Revenue Service that, as part of its expanded compliance program, the IRS had selected the Michigan State Hospital Finance Authority Revenue Bonds (Ascension Health Credit Group) Series 1999A for examination. That examination was one of several targeted examinations focusing on bonds issued in connection with certain hospital acquisition transactions. On December 9, 2002, Ascension Health entered into a closing agreement with the Internal Revenue Service regarding this examination, and paid $2.7 million to the United States Treasury in connection with the closing agreement.

Other Risks

Bond Ratings

There is no assurance that the ratings assigned to the Series 2003 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2003 Bonds. The obligation to purchase Auction Rate Securities to be converted or Converted Series 2003 Bonds upon optional or mandatory tender is not initially supported by a Liquidity Facility or by a covenant of Ascension Health (as Credit Group Representative), Ascension Health or any other Credit Group Member to maintain levels of liquid assets, although the Loan Agreement for each Series provides that the Credit Group Representative may deliver a liquidity facility for that Series to the Tender Agent at any time. As a result, the ratings on the Auction Rate Securities of the Converted Series 2003 Bonds and all other variable rate bonds of the Credit Group which are not supported by a liquidity facility or a covenant to maintain liquid assets could be adversely affected if there was a change in the liquid asset levels of the Credit Group or the rating agencies position on levels of liquid assets required to maintain a particular rating changes in the future. See the information herein under the caption, "**RATINGS**."

Bond Insurance

There can be no assurance that the Bond Insurers will be financially able to meet their respective contractual obligations under the Bond Insurance Policies.

So long as a Bond Insurer performs its obligations under its Bond Insurance Policies, the Insured Series 2003 Bonds insured by such Bond Insurance Policies cannot be accelerated without the prior written consent of such Bond Insurer. Furthermore, so long as a Bond Insurer performs its obligations under its Bond Insurance Policies, such Bond Insurer may direct the Bond Trustee how to vote the Series 2003 Obligation (or the portion related to the Insured Series 2003 Bonds insured by such Bond Insurance Policy) securing the Insured Series 2003 Bonds insured by such Bond Insurance Policy under the Master Indenture and to pursue any remedies that the Bond Trustee exercises under the related Bond Indenture.

In the event that a Bond Insurer is unable to make payments of principal of or interest on a Series of the Insured Series 2003 Bonds as such payments become due, the Insured Series 2003 Bonds of such Series are payable solely from moneys received by the Bond Trustee as set forth in the related Bond Indenture.

In the event that a Bond Insurer is required to pay principal of or interest on the Insured Series 2003 Bonds of a Series, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of such Series of Insured Series 2003 Bonds.

Owners of the Insured Series 2003 Bonds should note that, while the Bond Insurance Policies will insure payment of the principal amount (but not any premium) paid to any Owner in connection with the optional or extraordinary optional redemption of any such Insured Series 2003 Bonds which is recovered from such Owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Bond Insurer to such Owner only at such times and in such amounts as would have applied in the absence of such redemption.

Secondary Market for Auction Rate Securities

Auction Rate Securities and Converted Series 2003 Bonds bearing interest at an Auction Rate may be sold, transferred or disposed of by an Owner only pursuant to a Bid or Sell Order in accordance with the auction procedures or through a Broker-Dealer. See **APPENDIX F – SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES.**" The ability to sell Auction Rate Securities or Converted Series 2003 Bonds bearing interest at an Auction Rate may be adversely affected if there are not sufficient buyers willing to purchase those Series 2003 Bonds at a rate equal to or less than the ARS Maximum Rate. Subject to prevailing market conditions, the Broker-Dealers have advised the Issuers of the Auction Rate Securities and any Converted Series 2003 Bonds bearing interest at an Auction Rate that they intend to make a market in the Auction Rate Securities between Auctions. However, the Broker-Dealers are not obligated to do so, and no assurance can be given that there will be a secondary market for the Auction Rate Securities. Consequently, investors may not be able to resell the Auction Rate Securities purchased should they need or wish to do so for emergency or other purposes.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Credit Group members or the market value of the Series 2003 Bonds, to an extent that cannot be determined at this time:

1. Hospitals are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, Ascension Health and the Credit Group Members bear a wide variety of risks in connection with their employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships

between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. Ascension Health and the Credit Group Members are subject to all of the risks listed above, and such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of Ascension Health and the Credit Group.

2. Competition from other hospitals and other competitive facilities now or hereafter located in the respective service areas of the facilities operated by Ascension Health and the Credit Group Members may adversely affect revenues of Ascension Health and the Credit Group. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by Ascension Health and the Credit Group Members.

3. Cost and availability of any insurance, including self-insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other health care facilities of similar size and type as Ascension Health and the Credit Group Members generally carry may adversely affect revenues. The costs of such insurance have increased significantly in the past few years, and such increases are likely to continue in the near future.

4. The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities or otherwise impair the operation of some or all of the facilities operated by Ascension Health and the Credit Group Members or the generation of revenues from some or all of the facilities.

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

6. Reduced demand for the services of Ascension Health and the Credit Group Members that might result from decreases in population in their respective service areas.

7. Increased unemployment or other adverse economic conditions in the service areas of Ascension Health and the Credit Group Members which would increase the proportion of patients who are unable to pay fully for the cost of their care.

8. Any increase in the quantity of indigent care provided which is mandated by law or required due to increase needs of the community in order to maintain the charitable status of Ascension Health or the Credit Group Members.

9. Regulatory actions which might limit the ability of Ascension Health or the Credit Group Members to undertake capital improvements to their respective facilities or to develop new institutional health services.

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

FINANCIAL STATEMENTS

The consolidated financial statements of Ascension Health as of June 30, 2002 and 2001 and for the years then ended included in **APPENDIX B** to this Official Statement have been audited by Ernst & Young LLP, independent auditors, as indicated in their report therein.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of (i) the adequacy of the maturing principal of and interest earned on the escrow securities, together with other available funds held in the escrow funds, to provide for the payment of the Existing Bonds; and (ii) the "yield" on the escrow securities and on the Existing Bonds, prepared by the Underwriters, will be verified by McGladrey & Pullen, LLP, a firm of independent certified public accountants.

These computations will be based upon information and assumptions supplied by the Underwriters on respective governmental issuers of the Existing Bonds. McGladrey & Pullen, LLP has restricted its procedures to recalculating the computations provided by the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature, to the knowledge of its officers, now pending or threatened against Ascension Health or any other Credit Group Member restraining or enjoining the issuance, sale, execution or delivery of the Series 2003 Bonds, or in any way contesting or affecting the validity of the Series 2003 Bonds.

As with most hospitals, Credit Group Members and Ascension Health are subject to certain legal actions which, in whole or in part, are not or may not be covered by insurance or self-insurance because of the type of action or damages requested (such as punitive damages), because of a reservation of rights by an insurance carrier or self-insurance program, or because the action has not proceeded to a stage which permits full evaluation. Since these actions either claim punitive damages which could become a liability of the Credit Group Members or Ascension Health and/or state or threaten causes of action which may not be covered by insurance or self-insurance, insurers for the Credit Group Members or Ascension Health and the self-insurance program have not provided assurance of coverage, and to the extent any cases have not been served, counsel has not been retained to evaluate them. For a discussion of certain recently filed litigation with respect to Ascension Health and certain Credit Group Members, see the information in **APPENDIX A** under the caption "**FINANCIAL AND OPERATING INFORMATION – Indebtedness and Certain Liabilities – *Recently Filed Litigation*.**"

Except as set forth in this Official Statement, in the opinion of Hall, Render, Killian, Heath & Lyman, P.S.C., special counsel to Ascension Health and the other Credit Group Members, no litigation is now served upon or, to the knowledge of counsel, otherwise pending or threatened against Ascension Health, or any Credit Group Member which in the aggregate would have a material adverse effect on the Credit Group's operations or condition, financial or otherwise.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to all Series of the Series 2003 Bonds, and in the opinion of Miller, Canfield, Paddock & Stone, P.L.C., Co-Bond Counsel with respect to the Series 2003A Bonds (Florida) and the opinion of Sherman & Howard L.L.C., Co-Bond Counsel with respect to the Series 2003D Bonds (Idaho), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under the Code. Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. and Sherman & Howard L.L.C. are of the further opinion that interest on the

Series 2003 Bonds that are the subject of their respective opinions is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. and Sherman & Howard L.L.C. observe that interest on such Series 2003 Bonds is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A copy of the forms of opinion of Orrick, Herrington & Sutcliffe LLP, Miller, Canfield, Paddock & Stone, P.L.C. and Sherman & Howard L.L.C. is included in **APPENDIX E** hereto.

Series 2003 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2003 Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

To the extent the issue price of any maturity of the Series 2003 Bonds is less than the amount to be paid at maturity of such Series 2003 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2003 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Holder thereof, is treated as interest on the Series 2003 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2003 Bonds is the first price at which a substantial amount of such maturity of the Series 2003 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2003 Bonds accrues daily over the term to maturity of such Series 2003 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2003 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2003 Bonds. Beneficial Owners of the Series 2003 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2003 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2003 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2003 Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2003 Bonds. Each Issuer and Ascension Health have covenanted to comply with certain restrictions designed to insure that interest on the Series 2003 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2003 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2003 Bonds. The opinions of Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. and Sherman & Howard L.L.C. assume compliance with these covenants. Neither Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. nor Sherman & Howard L.L.C. has undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the Date of Issuance of the Series 2003 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2003 Bonds. Further, neither Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. nor Sherman & Howard L.L.C. give any assurance that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series 2003 Bonds. Beneficial Owners are encouraged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

In addition, each of Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. and Sherman & Howard L.L.C. have relied on the opinion of Hall, Render, Killian, Heath & Lyman, P.S.C., special counsel to Ascension Health and the other Credit Group Members, regarding the current qualification of Ascension Health and certain of the Credit Group Members as organizations described in Section 501(c)(3) of the Code and other matters. Neither Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C., Sherman & Howard L.L.C. nor special counsel to Ascension Health and the Credit Group Members can give or has given any

opinion or assurance about the future activities of Ascension Health or the Credit Group Members or about the effect of future changes in the Code or the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure of Ascension Health or certain Credit Group Members to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code may result in interest payable with respect to the Series 2003 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2003 Bonds.

The interest rate mode and certain agreements, requirements and procedures contained or referred to in the Bond Indentures, the Loan Agreements, the Tax Certificates and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2003 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to any Series 2003 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP. Miller, Canfield, Paddock & Stone, P.L.C. expresses no opinion as to any Series 2003 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Miller, Canfield, Paddock & Stone, P.L.C. Sherman & Howard L.L.C. expresses no opinion as to any Series 2003 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Sherman & Howard L.L.C.

Orrick, Herrington & Sutcliffe LLP, is also of the opinion as to the following state tax consequences of each Series of the Series 2003 Bonds (and, with respect to the Series 2003A Bonds (Florida), the opinion of Miller, Canfield, Paddock & Stone, P.L.C. and, with respect to the Series 2003D Bonds (Idaho), the opinion of Sherman & Howard L.L.C.):

Series 2003A Bonds (Florida). Interest on the Series 2003A Bonds (Florida) is exempt from all present taxes imposed by the State of Florida except taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220.

Series 2003B Bonds (Michigan). Interest on the Series 2003B Bonds (Michigan) is exempt from all state, city, county or other taxation provided by the laws of the State of Michigan, except for estate, inheritance and gift taxes and taxes on transfers.

Series 2003C Bonds (Missouri). Interest on the Series 2003C Bonds (Missouri) presently is exempt from all income taxes imposed by the State of Missouri.

Series 2003D Bonds (Idaho). Interest on the Series 2003D Bonds (Idaho) is exempt from all State of Idaho income taxes under present Idaho income tax laws.

Series 2003E Bonds (Indiana). Interest on the Series 2003E Bonds (Indiana) is exempt from personal income taxation by the State of Indiana.

Although Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. (with respect to the Series 2003A Bonds (Florida) only) and Sherman & Howard L.L.C. (with respect to the Series 2003D Bonds (Idaho) only) is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and exempt from certain state taxes as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Neither Orrick, Herrington & Sutcliffe, LLP, Miller, Canfield, Paddock & Stone, P.L.C. nor Sherman & Howard L.L.C. express any opinion regarding any other tax consequences.

Subsequent Events

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2003 Bonds to be subject, directly or indirectly, to federal or state income taxation, or otherwise prevent the Holders from realizing the full current benefit of the tax status of the interest thereon. Further, no assurance can be given that any future legislation, or any actions of the IRS, including, but not limited to, selection of the Series 2003 Bonds for audit examination, or the course or result of any examination of the Series 2003 Bonds, or other bonds which present similar tax issues, will not affect the market price for the Series 2003 Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Series 2003 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel for all Series of Series 2003 Bonds. Legal matters incident to the issuance of the Series 2003A Bonds (Florida) are subject to the approving opinion of Miller, Canfield, Paddock & Stone, P.L.C., Co-Bond Counsel for the Series 2003A Bonds (Florida). Legal matters incident to the issuance of the Series 2003D Bonds (Idaho) are subject to the approving opinion of Sherman & Howard L.L.C., Co-Bond Counsel for the Series 2003D Bonds (Idaho). Neither Bond Counsel nor either Co-Bond Counsel undertake any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon with respect to the Florida Issuer by its counsel, Paula G. Drummond, P.A., Pensacola, Florida; for the Michigan Issuer by its counsel, the Michigan Attorney General, Lansing, Michigan; for the Missouri Issuer by Thompson Coburn, LLP, St. Louis, Missouri; for the Idaho Issuer by its counsel, Hawley Troxell Ennis & Hawley, LLP, Boise, Idaho; and for the Indiana Issuer by its counsel, Stewart & Irwin, P.C., Indianapolis, Indiana. Certain legal matters will be passed upon for Ascension Health and the other Credit Group Members by their special counsel, Hall, Render, Killian, Heath & Lyman, P.S.C., Indianapolis, Indiana, for MBIA by its counsel, Kutak Rock LLP, Omaha, Nebraska and for the Underwriters by their counsel, Foley & Lardner, Chicago, Illinois.

RATINGS

Fitch, Inc., Moody's Investors Service and Standard & Poor's Ratings Services (a division of The McGraw-Hill Companies, Inc.) have assigned the Insured Series 2003 Bonds the municipal bond ratings of AAA, Aaa and AAA, respectively, with the understanding that, upon the delivery of each Series of the Insured Series 2003 Bonds, the related Bond Insurance Policy will be issued by the related Bond Insurer.

Fitch, Inc., Moody's Investors Service and Standard & Poor's Ratings Services (a division of The McGraw-Hill Companies, Inc.) have assigned their municipal bond ratings of "AA," "Aa2" and "AA," respectively, to the Uninsured Series 2003 Bonds.

Any explanation of the significance of ratings may only be obtained from the rating agencies.

Ascension Health and the other Credit Group Members have furnished to the rating agencies certain information and material concerning the Series 2003 Bonds and themselves. Generally, rating agencies base their ratings on this information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Any downward change in or withdrawal of any ratings might have an adverse effect on the market price or marketability of the Series 2003 Bonds.

UNDERWRITING

Salomon Smith Barney, as Representative of the Underwriters, has agreed to purchase the Fixed Rate Bonds pursuant to a Bond Purchase Contract with the Florida Issuer, at an aggregate purchase price of $207,543,148.80. The difference between the par amount of the Fixed Rate Bonds and the purchase price is comprised of a net original issue premium of $15,693,148.80 for the Fixed Rate Bonds. Salomon Smith Barney has agreed to purchase those Series 2003 Bonds identified on the pages immediately succeeding the cover page

pursuant to separate Bond Purchase Contracts with each related Issuer of those Series of Series 2003 Bonds. Morgan Stanley & Co. Incorporated has agreed to purchase those Series 2003 Bonds identified on the pages immediately succeeding the cover page pursuant to separate Bond Purchase Contracts with each related Issuer of those Series of Series 2003 Bonds. The aggregate purchase price of the Auction Rate Securities is $1,343,950,000. The Underwriters will receive a fee from Ascension Health in the amount of $5,725,208.75 in connection with the issuance of the Series 2003 Bonds. Each Bond Purchase Contract for the related Series of the Series 2003 Bonds provides that the Underwriter will purchase all of the Series of the applicable Series 2003 Bonds, if any are purchased, and contains the agreements of Ascension Health on behalf of the Credit Group to indemnify the Underwriters and the Issuer against certain liabilities.

FINANCIAL ADVISORS

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

Stern Brothers & Co., St. Louis, Missouri, serves as financial advisor to the Missouri Issuer in connection with the issuance of the Series 2003B Bonds (Missouri).

Ponder & Co., Chicago, Illinois, serves as financial advisor to the Idaho Issuer in connection with the issuance of the Series 2003D Bonds (Idaho).

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida Administrative Code Rule 3E-400.003(1), adopted under and pursuant to the authority of Section 517.051(1), Florida Statutes, requires the Issuers to disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Issuers after December 31, 1975. Fla. Admin. Code Rule 3E-400.003(2) provides, however, that if the Issuers, in good faith, believe that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

Pursuant to Florida Administrative Code Rule 3E-400.003(2), therefore, the Issuers in good faith believe that disclosure concerning defaults with regard to any of its other bonds would not be considered material by a reasonable investor in the Series 2003 Bonds since the Issuers acted solely as conduit issuers and are in no way obligated to make payments on any of their respective bonds in default. Accordingly, defaults with respect to their other bonds in no way affect the Series 2003 Bonds or the security, if any, pledged to the Series 2003 Bonds. For that reason, the Issuers have omitted specific disclosures regarding bonds that are or have been in default.

CERTAIN RELATIONSHIPS

The law firm of Thompson Coburn LLP, St. Louis, Missouri, serves as General Counsel to the Missouri Issuer and has represented the Missouri Issuer in connection with the issuance of the Series 2003C (Missouri) Bonds. Thompson Coburn LLP also represents the Master Trustee and Ascension Health from time to time but has not done so in connection with the issuance of the Series 2003C (Missouri) Bonds. Thompson Coburn LLP also represented Carondelet Health System, Inc. prior to its acquisition by Ascension Health. Nadia T. Cavner, a member of the Missouri Issuer, is employed by an affiliate of the Master Trustee. Ms. Cavner has not taken part in any deliberation, action or vote by the Missouri Issuer approving the issuance of the Series 2003C (Missouri) Bonds.

Douglas C. Johnson, a member of the Idaho Issuer, is the Associate Administrator and Chief Financial Officer of St. Joseph Regional Medical Center, an Obligated Group Member. Mr. Johnson has not taken part in any deliberation, action or vote by the Idaho Issuer approving the issuance of the Series 2003D (Idaho) Bonds.

MISCELLANEOUS

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

The foregoing and subsequent summaries or description of provisions of the Series 2003 Bonds, the Bond Indentures, the Loan Agreements, the Master Indenture and the Series 2003 Obligations and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Indentures, the Loan Agreements, the Master Indenture and the Series 2003 Obligations may be obtained during the offering period upon request directed to Salomon Smith Barney, 390 Greenwich Street, New York, New York 10013 or to Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, Floor 30, New York, New York 10020.

This Official Statement has been issued by the respective Issuers and approved by Ascension Health on behalf of the Credit Group Members. It is the policy of the Missouri Issuer not to execute the Official Statement. This Official Statement is not to be considered as a contract or agreement between the Issuers, Ascension Health or any other Credit Group Member and the purchasers or Holders of any of the Series 2003 Bonds.

ESCAMBIA COUNTY HEALTH FACILITIES AUTHORITY

By: /s/ H. Christopher Brooks, Sr.
Chairman

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

By: /s/ Thomas J. Letavis
Executive Director

IDAHO HEALTH FACILITIES AUTHORITY

By: /s/ Neil P. Moss
Executive Director

INDIANA HEALTH FACILITY FINANCING AUTHORITY

By: /s/ Deborah A. Sturges
Chair

Approved:
ASCENSION HEALTH, as Credit Group Representative

By: /s/ Anthony J. Speranzo
Senior Vice President and
Chief Financial Officer

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Appendix A

Information Concerning the Ascension Health Credit Group

**The information contained in this Appendix A
has been obtained from
Ascension Health.**

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INTRODUCTION

Ascension Health is a Missouri nonprofit corporation formed in August 1999. Ascension Health is the parent organization of a national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries. The Health Ministries that are part of the Ascension Health system were formerly members of the Daughters of Charity National Health System, the Sisters of St. Joseph Health System or the Carondelet Health System.

Ascension Health is currently sponsored by the Northeast, Southeast, East Central and West Central Provinces of the Daughters of Charity of St. Vincent dePaul, the Congregation of the Sisters of St. Joseph of Nazareth and the Congregation of the Sisters of St. Joseph of Carondelet. The Daughters of Charity commenced their health care ministry in the United States in 1828, the Sisters of St. Joseph of Nazareth commenced their health care ministry in the United States in 1889, and the Sisters of St. Joseph of Carondelet commenced their health care ministry in the United States in 1836.

Ascension Health, directly or through local "parent" organizations, is the sole corporate member of over 68 nonprofit corporations that own and operate acute care hospitals and other health care facilities and service providers with more than 16,000 available beds. As of December 31, 2002, these corporations owned and operated 67 general acute care hospitals, 2 long-term acute care hospitals, 4 psychiatric hospitals, 4 rehabilitation hospitals, 37 long-term care facilities, 12 adult residential facilities, 85 health centers and 40 home health providers, with more than 100,000 employees. Ascension Health is the largest nonprofit Catholic health care system in the United States.

Of the 68 nonprofit corporations presently in the Ascension Health Credit Group, the four corporations in New York are Designated Affiliates. All others are Obligated Group Members. Currently, there are no Limited Designated Affiliates in the Ascension Health Credit Group. Refer to "List of the Ascension Health Credit Group Members" in this Appendix A for a listing of the Obligated Group Members and the Designated Affiliates which comprise the Ascension Health Credit Group.

CHANGES TO THE COMPOSITION OF THE ASCENSION HEALTH CREDIT GROUP

The corporate structure of Ascension Health is designed to accommodate the addition of new religious sponsors and affiliations with other health care providers and health care systems. Additional entities may become members of the Ascension Health Credit Group. Ascension Health has adopted strategies encouraging the members of the Ascension Health Credit Group to explore regional integrated delivery networks with other healthcare providers in their respective service areas. Such activities could lead to the addition of other nonprofit corporations to the Ascension Health Credit Group, the withdrawal of current members from the Ascension Health Credit Group, or the purchase or divestiture of certain assets. The ongoing nature of these activities is such that management is unable to conclude whether they will result in any form of affiliation or divestiture or the addition of members to or the withdrawal of members from the Ascension Health Credit Group, other than those described herein. See "**FINANCIAL AND OPERATING INFORMATION – Management's Discussion of Financial Performance – Ascension Health – Fiscal Years Ended June 30, 2001 and 2002 – Individual Health Ministry Divestitures**" for a discussion of the effects of recent and ongoing divestiture activity.

Carondelet Health System

On December 5, 2002, the Congregation of the Sisters of St. Joseph of Carondelet became the sixth Sponsor and sixth member of Ascension Health and various affiliates of Carondelet Health System became a part of the Ascension Health system. As a result of the transaction, Carondelet Health System, Inc. and the following affiliates of Carondelet Health System became Obligated Group Members: Carondelet Health Network (Tucson, Arizona), Holy Cross Hospital, Inc. (Nogales, Arizona), St. Joseph Hospital, Augusta, Georgia, Inc., St. Joseph Regional Medical Center, Inc. (Lewiston, Idaho), Carondelet Health (Kansas City, Missouri), St. Joseph Health Center (Kansas City, Missouri), St. Mary's Hospital of Blue Springs, Inc. (Blue Springs, Missouri) and Our Lady of Lourdes Hospital at Pasco (Pasco, Washington). In addition, St. Mary's Hospital at Amsterdam (Amsterdam, New York), another affiliate of Carondelet Health System, became a Designated Affiliate. St. Mary's Hospital at Amsterdam, Carondelet Health System, Inc. and the other affiliates named above are referred to as the Carondelet Affiliates.

Excluding (1) those affiliates of Carondelet Health System whose assets, liabilities and related revenues and expenses were not acquired or assumed by Ascension Health under the Definitive Agreement, (2) Daniel Freeman Hospitals, Incorporated (Los Angeles, California), the assets of which were sold by Carondelet Health System to an unrelated third party in December 2001, (3) St. Joseph Hospital (Elmira, New York), the sponsorship of which was relinquished by Carondelet Health System to the local board of trustees as of May 1, 2002 and (4) Santa Marta Hospital (Los Angeles, California), the assets of which were sold by Carondelet Health System to an unrelated third party in August 2002, Carondelet Health System reported net revenues of $813 million and net income of $19 million for its fiscal year ended June 30, 2002, and net assets of $390 million and net long term debt of $290 million as of June 30, 2002. The corporations referred to in the preceding clauses (1) through (4) are referred to in this Appendix A as the Excluded Carondelet Affiliates.

Baptist Hospital (Nashville, Tennessee)

On December 31, 2001, Seton Corporation, an affiliate of St. Thomas Hospital, an Obligated Group Member in Nashville, Tennessee, acquired substantially all of the assets of Baptist Hospital System, Inc., including its interest in Middle Tennessee Medical Center. These providers operate within the Nashville Health Ministry. Also on December 31, 2001, Seton Corporation and Middle Tennessee Medical Center became Members of the Obligated Group. Middle Tennessee Medical Center operates an acute care hospital with 288 licensed beds in Murfreesboro, Tennessee. Baptist Hospital System, Inc. operates acute care hospitals with 854 licensed beds in Nashville, Tennessee.

These acquisitions were accounted for using the purchase method of accounting, which resulted in an increase of $372 million in the total assets and total liabilities of Ascension Health. Prior to the acquisition date, the Nashville Health Ministry and Baptist were 50/50 investors in Middle Tennessee Medical Center and both investors used the equity method of accounting for their investment in Middle Tennessee Medical Center. Ascension Health recorded income from unconsolidated entities from Middle Tennessee Medical Center of $9 million and $6 million during the year ended June 30, 2001 and the six months ended December 31, 2001, respectively. Subsequent to the acquisition date Ascension Health has accounted for Middle Tennessee Medical Center on a fully consolidated basis.

Baptist's total operating revenues for its fiscal year ended June 30, 2001 were $369 million, or approximately 5% of the total operating revenue of Ascension Health in the same period.

Columbia/St. Mary's (Milwaukee, Wisconsin)

Pursuant to an Affiliation Agreement effective October 1, 2001, Ascension Health and Columbia Health System, Inc. agreed to operate Columbia Hospital, Inc., St. Mary's Hospital of Milwaukee, St. Mary's Hospital Ozaukee and Sacred Heart Rehabilitation Hospital, and their respective subsidiaries and related entities, as an integrated health care delivery network within Ascension Health. To accomplish this objective, the parties established Columbia/St. Mary's, Inc., or CSM, a new nonprofit, tax exempt corporation, to serve as the "local parent" for the Milwaukee Health Ministry. Pursuant to this Affiliation Agreement and the governing documents of CSM, Ascension Health appoints the board of trustees of CSM, the chair of the board, and CSM's chief executive officer. Ascension Health also has the right to exercise the same reserved powers over the affairs of CSM as it exercises over its other Health Ministries. St. Mary's Hospital of Milwaukee, St. Mary's Hospital Ozaukee, CSM and Columbia Hospital, Inc. are currently Obligated Group Members. Columbia Hospital is an acute care hospital with 394 licensed beds. Columbia Hospital, Inc.'s total revenue for its fiscal year ended June 30, 2002 was approximately $166 million. As of June 30, 2002, its total assets were approximately $150 million.

St. Vincent's Health System (Jacksonville, Florida)

Pursuant to an Asset Purchase Agreement between St. Vincent's Medical Center and St. Luke's Hospital dated May 10, 2002, St. Vincent's Medical Center has agreed to acquire the hospital facilities and equipment of St. Luke's Hospital, a 289-bed hospital located in Jacksonville, Florida. The transaction contemplates two separate closings: the Phase One Closing, during which title to the real estate and equipment (other than the delivery rooms) will be transferred to St. Vincent's Medical Center and then leased back to St. Luke's Hospital; and the Phase Two Closing, during which the delivery rooms, inventory, supplies, and contracts will be assigned to St. Vincent's Medical Center and the lease of the Phase One Assets will terminate. The Phase One Closing is expected to occur

during the fiscal year ending June 30, 2004, and the Phase Two Closing is expected to occur no later than five years after the Phase One Closing. The present value of the consideration to be paid by St. Vincent's Medical Center for the St. Luke's Hospital facility is estimated to be approximately $110,000,000.

This transaction is subject to several conditions that must be satisfied prior to each of the closings. The Asset Purchase Agreement may also be terminated by either party prior to the Phase One Closing upon certain conditions.

St. Vincent Health, Inc. (Indianapolis, Indiana)

Effective December 31, 2002, St. Vincent Madison County Health System, Inc., a subsidiary of St. Vincent Health, Inc. (formerly known as Central Indiana Health System Inc.), purchased the net assets and operations of Saint John's Health System, a general acute care hospital located in Anderson, Indiana, from Trinity Health, Novi, Michigan. The transaction was accounted for as a purchase business combination and resulted in an increase of approximately $74 million in total assets and liabilities of Ascension Health. Saint John's Health System reported net revenues of $124 million and net income of $2 million for the fiscal year ended June 30, 2002, and net assets of $41 million and liabilities of $45 million as of June 30, 2002.

Proposed Additions to the Ascension Health Credit Group

It is anticipated that on or prior to June 30, 2003, the following corporations will be added as members of the Ascension Health Credit Group: (1) St. Vincent Pediatric Rehabilitation Center, Inc. – Indianapolis, Indiana; (2) St. Vincent Clay Hospital, Inc. – Brazil, Indiana; (3) St. Vincent Frankfort Hospital, Inc. – Frankfort, Indiana; (4) St. Vincent Jennings Hospital, Inc. – North Vernon, Indiana; (5) St. Vincent Randolph Hospital, Inc. – Winchester, Indiana; and (6) St. Elizabeth Anne Seton Hospital of Central Indiana, Inc. – Carmel, Indiana. The addition of these new members is not expected to have a material financial effect on the Ascension Health Credit Group.

FINANCIAL AND OPERATING INFORMATION

General

Ascension Health

The summary consolidated statement of operations and summary consolidated balance sheets for Ascension Health for the fiscal years ended June 30, 2001 and 2002 included in this section have been derived by Ascension Health management from the audited consolidated financial statements of Ascension Health included in Appendix B. This summarized financial information should be read in conjunction with these audited consolidated financial statements, including related notes. The financial information for the six months ended December 31, 2001 and 2002 is unaudited but includes all adjustments which management of Ascension Health considers necessary to fairly present such information in accordance with generally accepted accounting principles. Operating results for the six months ended December 31, 2002, are not necessarily indicative of the results which may be expected for the entire fiscal year ending June 30, 2003.

The financial information summarized herein, and the audited consolidated financial statements contained in Appendix B, represent consolidated financial information for Ascension Health, not financial information for the Ascension Health Credit Group. This summarized financial information and the audited consolidated financial statements include the results of operations of all Material Credit Group Members (defined in the Master Indenture to include the Obligated Group Members and Designated Affiliates whose aggregate net assets are equal to or greater than 90% of the consolidated net assets of the entire Ascension Health Credit Group) for the fiscal years ended June 30, 2001 and 2002 as well as the results of operations of certain Immaterial Affiliates (defined in the Master Indenture as Persons that are not members of the Ascension Health Credit Group whose total net assets are less than 10% of the consolidated net assets of the Ascension Health Credit Group). The financial position and results of operations of the Credit Group members within the Western Maryland Health System and of a philanthropic organization that is a Credit Group Member are not reflected in the financial statements of Ascension Health.

Carondelet Health System

The summary consolidated statement of operations for Carondelet Health System for the fiscal years ended June 30, 2001 and 2002 included in this section have been derived by Ascension Health management from the audited consolidated financial statements of Carondelet Health System and subsidiaries for their fiscal years ended June 30, 2001 and 2002. The audited consolidated financial statements of Carondelet Health System from which the summary statement of operations were derived include the assets, liabilities, unrestricted net assets, revenues and expenses of the Carondelet Affiliates and the Excluded Carondelet Affiliates.

A pro forma combination of the historical statements of operations of Ascension Health and Carondelet Health System for the periods presented on the following pages would not be a fair presentation of the financial information for the combined Ascension Health and Carondelet Affiliates. The summary consolidated statement of operations for Carondelet Health System for the fiscal years ended June 30, 2001 and 2002 have not been restated to reflect reductions related to the results of operations of the Excluded Carondelet Affiliates. Additionally, the summary statement of operations of Carondelet Health System does not reflect the impact of adjusting the historical book values of the assets and liabilities of the Carondelet Affiliates to fair value on December 5, 2002 in connection with the combination of Ascension Health and the Carondelet Affiliates. This adjustment and its effects are described in greater detail below.

Accounting Presentation for Combination of Ascension Health and Carondelet Affiliates

In connection with the combination of Ascension Health and the Carondelet Affiliates on December 5, 2002, Ascension Health recorded all of the assets and liabilities of the Carondelet Affiliates at fair value as contributions in the statement of operations and changes in net assets. Fair values of property and equipment were established using independent appraisals. Certain additional adjustments to the fair values recorded as of December 5, 2002 may be made by management prior to June 30, 2003; however any such adjustments are expected to be immaterial to the financial statements taken as a whole.

Consistent with generally accepted accounting principles related to the contribution of fixed assets, Ascension Health recorded the fair value of property and equipment, net of long-term debt obligations on its consolidated balance sheet, as a direct increase of approximately $204 million to its unrestricted net assets. The fair value of other unrestricted assets, net of liabilities, was recorded on Ascension Health's consolidated statement of operations as non-operating contribution income of approximately $255 million, in accordance with Ascension Health's policy for recording contributions. The fair value of temporarily restricted net assets and permanently restricted net assets approximating $16 million and $3 million, respectively, were recorded by Ascension Health on its consolidated balance sheet as direct increases in the respective net asset category.

The information for the six-month period ended December 31, 2002 presented below in the table entitled "Ascension Health Consolidated Statement of Operations" includes the results of operations for the Carondelet Affiliates for the period from December 5, 2002 to December 31, 2002. The information as of December 31, 2002 presented below in the table entitled "Ascension Health Consolidated Balance Sheets" includes the assets, liabilities and net assets of the Carondelet Affiliates that were contributed to Ascension Health.

Historical Financial Information

Consolidated Statement of Operations – Ascension Health

Fiscal Years ended June 30, 2001 and June 30, 2002 and six-month periods ended December 31, 2001 and December 31, 2002

ASCENSION HEALTH
Consolidated Statement of Operations
(Dollars in Thousands)

	Fiscal Years Ended June 30,		Six Months Ended December 31,	
	2001	2002	2001	2002[1]
OPERATING REVENUE				
Net patient service revenue	$ 6,452,537	$ 7,219,422	$ 3,391,432	$ 4,030,420
Other revenue	349,267	391,130	186,378	208,730
Income from unconsolidated entities	30,355	35,722	14,188	12,977
Investment income	8,781	7,132	4,613	488
Net assets released from restrictions for operations	12,731	12,716	5,198	5,871
TOTAL OPERATING REVENUE	6,853,671	7,666,122	3,601,809	4,258,486
OPERATING EXPENSES				
Salaries and wages	2,939,882	3,276,872	1,556,664	1,812,382
Employee benefits	535,752	666,263	307,883	380,526
Purchased services	236,088	284,187	123,351	172,932
Professional fees	247,324	269,796	114,710	142,788
Supplies	1,113,076	1,280,610	597,956	729,051
Insurance	79,435	133,773	67,359	70,391
Bad debts	413,621	398,052	201,583	232,479
Interest	133,555	120,311	60,992	63,947
Depreciation and amortization	421,925	457,994	219,850	245,677
Other	667,558	681,509	323,464	358,725
TOTAL OPERATING EXPENSES BEFORE RESTRUCTURING AND OTHER NONRECURRING EXPENSES	6,788,216	7,569,367	3,573,812	4,208,898
INCOME FROM OPERATIONS BEFORE RESTRUCTURING AND OTHER NONRECURRING EXPENSES	65,455	96,755	27,997	49,588
RESTRUCTURING AND OTHER NONRECURRING EXPENSES	20,097	15,334	-	(394)
INCOME FROM OPERATIONS	45,358	81,421	27,997	49,982
NONOPERATING GAINS (LOSSES)				
Investment income	108,739	44,754	20,259	(18,547)
Income from unconsolidated entities	1,506	2,039	2,278	2,521
Estimated loss on change in sponsorship	(30,000)	-	-	-
Carondelet Contribution	-	-	-	254,876
Other	(5,407)	(17,133)	(7,311)	(15,086)
TOTAL NONOPERATING GAINS, NET	74,838	29,660	15,226	223,764
NET INCOME	$ 120,196	$ 111,081	$43,223	$273,746

[1] Information for the six-month period ended December 31, 2002 includes the results of operations for the Carondelet Affiliates for the period from December 5, 2002 to December 31, 2002. See the information under the caption **FINANCIAL AND OPERATING INFORMATION – General – Accounting Presentation for Combination of Ascension Health and Carondelet Affiliates"** for a discussion of the effect of inclusion of the Carondelet Affiliates.

Consolidated Statement of Operations – Carondelet Health System
Fiscal Years ended June 30, 2001 and June 30, 2002

CARONDELET HEALTH SYSTEM
Consolidated Statement of Operations
(Dollars in Thousands)

	Fiscal Years Ended June 30,	
	2001	**2002**
OPERATING REVENUE		
Net patient service revenue	$ 710,190	$ 776,881
Other revenue	37,447	35,460
Net assets released from restrictions for operations	-	916
TOTAL OPERATING REVENUE	747,637	813,257
OPERATING EXPENSES		
Salaries and wages	322,186	344,495
Employee benefits	61,402	67,363
Purchased services	58,041	68,808
Professional fees	17,032	16,380
Supplies	114,409	123,927
Insurance	14,883	16,039
Bad debts	34,225	32,942
Interest	14,670	13,129
Depreciation and amortization	43,206	41,401
Other	55,973	55,051
TOTAL OPERATING EXPENSES BEFORE RESTRUCTURING AND OTHER NONRECURRING EXPENSES	736,027	779,535
INCOME FROM OPERATIONS BEFORE RESTRUCTURING AND OTHER NONRECURRING EXPENSES	11,610	33,722
RESTRUCTURING AND OTHER NONRECURRING EXPENSES	-	-
INCOME FROM OPERATIONS	11,610	33,722
NONOPERATING GAINS (LOSSES)		
Investment income (loss)	10,275	6,138
(Loss) income from unconsolidated entities	(2,702)	8,775
Loss on discontinued operations	(50,834)	(27,779)
Other	(581)	(1,745)
TOTAL NONOPERATING LOSSES, NET	(43,842)	(14,611)
NET (LOSS) INCOME	$ (32,232)	$ 19,111

Consolidated Balance Sheets
Ascension Health – As of June 30, 2001, June 30, 2002 and December 31, 2002

ASCENSION HEALTH
Consolidated Balance Sheets
(Dollars in Thousands)

	June 30,		December 31,
	2001	2002	2002[1]
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 327,252	$ 504,628	$663,252
Short-term investments	21,525	31,164	38,951
Accounts receivable, less allowances for uncollectible accounts ($337,521, $356,750 and $414,564 in 2001, 2002 and December 31, 2002, respectively)	1,100,708	1,171,734	1,277,273
Current portion of self-insurance trust funds	82,915	115,689	114,799
Inventories	102,505	119,677	139,484
Other	108,031	143,030	192,444
TOTAL CURRENT ASSETS	1,742,936	2,085,922	2,426,203
BOARD-DESIGNATED INVESTMENTS	2,397,373	2,270,400	2,216,320
ASSETS LIMITED AS TO USE			
Under bond indentures, less current portion	53,040	33,491	26,334
Self-insurance trust funds, less current portion	297,373	206,729	282,754
Temporarily or permanently restricted	185,359	223,232	273,273
TOTAL ASSETS LIMITED AS TO USE	535,772	463,452	582,361
OTHER INVESTMENTS	313,992	302,219	281,476
PROPERTY AND EQUIPMENT			
Land and improvements	314,046	354,794	439,394
Building and equipment	6,786,562	7,981,382	8,634,926
Construction in progress	192,475	289,614	447,570
Less accumulated depreciation	(3,817,819)	(4,603,111)	(4,893,760)
TOTAL PROPERTY AND EQUIPMENT, NET	3,475,264	4,022,679	4,628,130
OTHER ASSETS			
Investment in unconsolidated entities	259,352	216,495	231,554
Other	194,115	225,738	278,556
TOTAL OTHER ASSETS	453,467	442,233	510,110
TOTAL ASSETS	$ 8,918,804	$9,586,905	$10,644,600

[1] Information as of December 31, 2002 includes the assets, liabilities and net assets of the Carondelet Affiliates that were contributed to Ascension Health on December 5, 2002. See the information under the caption **FINANCIAL AND OPERATING INFORMATION - Accounting Presentation for Combination of Ascension Health and Carondelet Affiliates"** discussion of the effect of inclusion of the Carondelet Affiliates.

Consolidated Balance Sheets (continued)
Ascension Health – As of June 30, 2001, June 30, 2002 and December 31, 2002

ASCENSION HEALTH
Consolidated Balance Sheets (continued)
(Dollars in Thousands)

	June 30,		December 31,
	2001	2002	2002[1]
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of long-term debt	$ 28,159	$ 30,092	$33,469
Long-term debt subject to short-term remarketing arrangements	352,017	675,900	956,500
Accounts payable and accrued liabilities	731,455	851,602	888,321
Estimated third-party payor settlements, net	85,857	83,150	111,628
Current portion of self-insurance liabilities	82,603	111,976	114,483
Other liabilities	15,849	10,892	17,232
TOTAL CURRENT LIABILITIES	1,295,940	1,763,612	2,121,633
NONCURRENT LIABILITIES			
Long-term debt	2,316,508	2,382,124	2,461,267
Self-insurance liabilities	323,134	292,885	393,518
Other	272,530	351,169	431,671
TOTAL NONCURRENT LIABILITIES	2,912,172	3,026,178	3,286,456
TOTAL LIABILITIES	4,208,112	4,789,790	5,408,089
NET ASSETS			
Unrestricted	4,525,333	4,573,883	4,963,238
Temporarily restricted	120,543	147,483	190,750
Permanently restricted	64,816	75,749	82,523
TOTAL NET ASSETS	4,710,692	4,797,115	5,236,511
TOTAL LIABILITIES AND NET ASSETS	$8,918,804	$9,586,905	$10,644,600

[1] Information as of December 31, 2002 includes financial information for the Carondelet Affiliates. See the information under the caption **FINANCIAL AND OPERATING INFORMATION - Accounting Presentation for Combination of Ascension Health and Carondelet Affiliates"** for a discussion of the effect of inclusion of the Carondelet Affiliates.

Sources of Revenue

General. Health care providers receive net patient service revenue under various contractual agreements under the Medicare and Medicaid programs, with managed care payors and commercial insurers, as well as self-paying patients and other sources. For a discussion of Medicare, Medicaid and other payors, refer to the section in the forepart of this Official Statement entitled "**BONDHOLDERS' RISKS**."

Ascension Health. The following table sets forth Ascension Health's mix of consolidated net patient service revenue by payor for the fiscal years ended June 30, 2001 and 2002. The information in this table has been derived by management of Ascension Health from the financial statements described above.

ASCENSION HEALTH
Sources of Revenue

	Fiscal Years Ended June 30,	
	2001	**2002**
Medicare	35%	36%
Medicaid	6	5
Managed Care	32	33
Blue Cross	8	7
Other	19	19
	100%	100%

The sources of revenue of Ascension Health can be expected to change from time to time.

Carondelet Affiliates. The following table sets forth the Carondelet Affiliates' mix of consolidated net patient service revenue by payor for the fiscal years ended June 30, 2001 and 2002. The information in this table has been derived by management of Ascension Health from the financial statements of the Carondelet Health System described above.

CARONDELET AFFILIATES
Sources of Revenue

	Fiscal Years Ended June 30,	
	2001	**2002**
Medicare	29%	30%
Medicaid	6	6
Managed Care	33	33
Blue Cross	8	8
Other	24	23
	100%	100%

Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of Ascension Health to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Ascension Health management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net operating revenues, which includes contractual allowances; impairment of long-lived assets; accounting for expenses in connection with restructuring activities; provisions for bad debt; and reserves for losses and expenses related to health care professional and general liability risks. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ materially from those estimates.

Capitalization

The following table sets forth the actual capitalization of Ascension Health as of December 31, 2002 and the pro forma capitalization of Ascension Health, assuming that the Series 2003 Bonds were issued on December 31, 2002 in the aggregate principal amount of $1,553,655,000, with an average annual interest rate of 4.05% and are amortized over 37 years, and that the proceeds of the Series 2003 Bonds were applied as described under the caption "**Plan of Finance**" in the forepart of this Official Statement.

ASCENSION HEALTH
Pro Forma Capitalization
(Dollars in Thousands)

	December 31, 2002	
	Actual Ascension Health	**Pro Forma Ascension Health**
Outstanding Long-Term Debt	$3,451,236	$3,653,661
Less: Current Portion	33,469	41,359
Net Long-Term Debt	3,417,767	3,612,302
Unrestricted Net Assets	4,963,238	4,963,238
Total Capitalization	8,381,005	8,575,540
Percent Net Long-Term Debt to Capitalization	40.8%	42.1%

The 40.8% long-term debt to capitalization ratio of Ascension Health is calculated excluding the assets and liabilities of those members of the Ascension Health Credit Group that are not included in the financial statements of Ascension Health. The addition of the assets, liabilities and net assets of these members of the Ascension Health Credit Group to the financial information of Ascension Health results in an increase in net assets and in net long-term debt of $276 million and $43 million, respectively. The inclusion of the assets and liabilities of these Credit Group members results in a Net Long-Term Debt to Capitalization ratio of 39.8% on an actual basis and 41.1% on a pro forma basis.

Indebtedness and Certain Liabilities

As of February 15, 2003, the Ascension Health Credit Group had 35 Master Indenture Obligations outstanding under the Master Trust Indenture. The total amount of debt outstanding under these Obligations was $3,453,988,289, including $3,309,374,357 of tax-exempt indebtedness of the Ascension Health Credit Group, $140,740,000 in guarantees of indebtedness of entities that are not members of the Ascension Health Credit Group members and a $3,873,932 Tax Retention Operating Lease.

On October 31, 2002, Ascension Health issued an Obligation in the amount of $500,000,000 to support a line of credit with a commercial bank syndicate, which serves as dedicated liquidity support for its commercial paper program. Currently, Ascension Health has bank commitments of $475,000,000 toward the line of credit. On November 26, 2002, Ascension Health issued an Obligation in the amount of $500,000,000 related to its commercial paper program and issued $263,605,192 of commercial paper on December 4, 2002 to finance the acquisition of the Carondelet Affiliates on an interim basis. The current balance of commercial paper is $316,804,537, of which $263,604,638 is anticipated to be retired on or about the date of issuance of the Series 2003 Bonds.

In May 2002, Ascension Health guaranteed the payment of notes issued by a limited liability company of which an Obligated Group Member is a 50% owner. The aggregate principal balance of these notes is $60.6 million. Ascension Health issued an Obligation under the Master Indenture to secure the guaranty.

Certain members of the Ascension Health Credit Group that were members of Sisters of St. Joseph Health System have agreed to transfer a sponsorship contribution to the Sisters of St. Joseph for previous sponsorship and governance and future charitable endeavors. The sponsorship contribution will be paid in six installments of approximately $13.3 million each over a five-year period ending November 15, 2004. As of June 30, 2000, Ascension Health recorded a transfer to affiliates of $79.9 million in the statement of changes in net assets. Cash transfers of $13.3 million were made during each of the fiscal years ended June 30, 2001 and 2002. A liability of $53.3 million and $40.0 million is recorded on the balance sheets as of June 30, 2001 and 2002, respectively.

Recently Filed Litigation. Recently, a petition was filed in the District Court of Dallas, Texas, against Ascension Health by the St. Paul Foundation. Subsequent to the filing of the petition, the court joined the Attorney General of Texas and St. Paul University Hospital as necessary and indispensable parties to the litigation. The petition seeks a return to St. Paul University Hospital of $60,000,000 (plus interest and attorneys fees). The petition alleges that in 1996 Ascension Health caused St. Paul University Hospital to improperly transfer to it $60,000,000. The petition further alleges that the funds transferred to Ascension Health were subject to a charitable trust primarily for the benefit of the residents and citizens of the City of Dallas and surrounding areas. Ascension Health was formed in 1999 and did not exist at the time the transfer occurred. The corporate member of St. Paul University Hospital at the time the transfer of funds occurred was the Daughters of Charity National Health System – West Central ("DCNHS-WC"). The Daughters of Charity Foundation (the "Foundation"), a Credit Group member, currently holds the $60,000,000. An answer has been filed by Ascension Health denying any liability. Recently, the Daughter of Charity National Health System, Inc. ("DCNHS"), the successor entity to DCNHS-WC, and the Foundation were added as defendants. An answer has been filed by DCNHS and the Foundation denying any liability. While it is too early to form an opinion as to the probable outcome of this litigation, Ascension Health, DCNHS and the Foundation will vigorously oppose this petition.

Liquidity; Investment Policies and Income

For the fiscal years ended June 30, 2001 and 2002, Ascension Health generated $118 million and $52 million, respectively, of investment income. For the six months ended December 31, 2002, Ascension Health generated $18 million of investment loss, compared with $25 million of investment income for the comparative six-month period in the previous year.

Ascension Health maintains a cash management program and a long-term investment program that is comprised primarily of operating and capital funds originating from the members of the Ascension Health Credit Group. These programs are combined into a pooled investment fund referred to as the Health System Depository, which is centrally administered by Ascension Health finance staff.

Through its cash management and investment management program, Ascension Health invests assets of three other Roman Catholic health systems in the Health System Depository. The asset allocation and investment guidelines for the Health System Depository are approved by the Ascension Health Board of Trustees. The Health System Depository utilizes a professional investment management firm to invest all of these investments.

The Health System Depository is comprised of two separate funds, a short-term fund and a long-term fund. The short-term fund is invested in a variety of fixed income securities. For operating purposes, at least $50 million is maintained in securities maturing in less than 90 days. The remainder of the short-term fund may be invested in longer maturities such that the average duration of the portfolio does not exceed two years. At least 25% of the short-term fund is comprised of securities with same-day settlement. The long-term fund has a target asset allocation of 50% equities, 45% fixed income and 5% cash. The actual asset allocation was within two percentage points of its target asset allocation as of June 30, 2002. As of June 30, 2002, the market value of Ascension Health's portion (excluding self-insurance and miscellaneous loan assets) of the short-term fund was $359 million, and the market value of Ascension Health's portion of the long-term fund was approximately $2.6 billion. As of June 30, 2002, the market value of Ascension Health's portion (excluding self-insurance and miscellaneous loan assets) of the short-term fund was $359 million, and the market value of Ascension Health's portion of the long-term fund was approximately $2.4 billion. As of December 31, 2002, Ascension Health's portion (excluding self-insurance and miscellaneous loan assets) of the market value of the short-term fund was $283 million and of the market value of the long-term fund was approximately $2.4 billion. Including the assets of a philanthropic organization not under the control of Ascension Health but included in the Ascension Health Credit Group, the market value of the long-term fund increases to approximately $2.6 billion for both June 30, 2002 and December 31, 2002.

Ascension Health increased its unrestricted cash and investments by 2% or $48 million to $3.1 billion between June 30, 2001 and 2002. As of June 30, 2002, Ascension Health's unrestricted cash and investments included $536 million of cash and short-term investments, $2.3 billion of board-designated investments and $302 million of other investments. This combined unrestricted cash and investment position represented 101% of Ascension Health's total debt as of June 30, 2002. The inclusion of restricted funds held under bond indentures raises this cash and investment position to 102% of total debt. As of December 31, 2002, Ascension Health's unrestricted cash and investments included $702 million of cash and short-term investments, $2.2 billion of board-designated investments, and $281 million of other investments. This combined unrestricted cash and investment position represented 93% of Ascension Health's total debt as of December 31, 2002. The addition of the assets and liabilities of those Credit Group members not consolidated within the financial statements of Ascension Health results in increases in cash and investments of $215 million and in total debt of $43 million as of December 31, 2002. The inclusion of the cash and investments and total debt of those Credit Group members not consolidated within the financial statements of Ascension Health would result in the cash and investment position increasing to 98% of total debt as of December 31, 2002.

Ascension Health's ability to generate significant investment income is dependent in large measure on market conditions and the composition of the Ascension Health Credit Group members' investment portfolio. The value of the Ascension Health Credit Group members' investment portfolio, and the Ascension Health Credit Group members' investment income, have fluctuated significantly in the past and may fluctuate significantly in the future. All unrealized gains and losses are reported through the Statement of Changes in Net Assets rather than the Statement of Operations. Given the size of the investments, Ascension Health management believes that changes in levels of returns on its investment portfolio and the timing of recognition of those returns is likely to continue to have a significant impact on its net income levels.

Both the long term funds and the short term funds of Carondelet Health System are maintained within the Health System Depository.

Pension Plans

Ascension Health sponsors numerous pension plans throughout its System, the majority of which are defined benefit plans. These plans are governed under a Church Plan Exemption, and as such are not subject to ERISA funding requirements. This exemption provides flexibility to Ascension Health in its management and funding of the plans.

Subject to investment returns for the fiscal year ending June 30, 2003, Ascension Health currently estimates that it will record a minimum liability obligation that will reduce consolidated net assets by approximately $325 million. Additionally, Ascension Health estimates that consolidated pension expense will increase by approximately $30 million for the fiscal year ending June 30, 2003, 30% of which is included in the financial statements as of December 31, 2002. Subject to future investment returns, pension expense could materially increase in subsequent fiscal years.

Sale of Non-Core Assets

Ascension Health has developed a plan to sell certain medical office buildings and other real property it considers non-core real estate assets. Ascension Health anticipates that the sale of these medical office buildings and other real properties could potentially generate $250 million in net proceeds.

Physician Practices

Ascension Health and its Health Ministries have a wide range of relationships with physicians and physician groups. Ascension Health and its Health Ministries have invested significant management and financial resources into physician integration activities, including both the acquisition of physician practices and employment of physicians.

Ascension Health management has estimated that for the fiscal year ended June 30, 2002, direct operating losses averaged $95,000 per employed primary care physician representing an 8% decrease from the prior fiscal year. Applying this average total loss to the total number of employed physicians would indicate that Ascension

Health experienced an estimated loss associated with primary care physician employment of approximately $66 million in the fiscal year ended June 30, 2002. Management is actively pursuing strategies to minimize physician practice losses; however significant losses associated with currently employed or affiliated physicians are expected to continue during the fiscal year ending June 30, 2003 and possibly thereafter.

Care of Persons Who are Poor and Community Benefit

The Ascension Health Credit Group members that operate health care facilities provide healthcare to patients regardless of their ability to pay. In addition to providing charity care, the health care entities provide other programs and services which benefit the poor and the community.

Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit:

(1) Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

(2) Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor.

(3) Cost of other programs for the poor includes programs intentionally directed at serving the poor of the community including substance abusers, the homeless, victims of child abuse, and persons with Acquired Immune Deficiency Syndrome.

(4) Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research.

Ascension Health management estimates that the net cost to Ascension Health of providing care of persons who are poor and community benefit for the fiscal year ended June 30, 2002 was as follows:

Traditional charity care	$120,819,000
Unpaid costs of public programs	193,166,000
Other programs for the poor	24,397,000
Community benefit	102,718,000
Care of persons who are poor and community benefit	$ 441,100,000

These figures are based on costs rather than charges. They exclude Medicare shortfalls of revenues over expenses, but include Medicaid shortfalls.

Management's Discussion of Financial Performance

Ascension Health - Fiscal Years Ended June 30, 2001 and 2002

The balance sheet of Ascension Health as of June 30, 2002 shows cash and investments exceeding total debt, and the consolidated operating results for fiscal year 2002 demonstrates a debt service coverage at 4.6 times. Earnings before interest, depreciation and amortization, or EBIDA, of $689 million for the fiscal year ended June 30, 2002 compares to $676 million for the fiscal year ended June 30, 2001. The increase from the previous year relates principally to operating performance, as operating EBIDA was $660 million and $601 million for the years ended June 30, 2002 and 2001, respectively.

Statement of Operations and Changes in Net Assets.

Operating Results. Fiscal year 2002 demonstrated the continuing improvement of Ascension Health on a consolidated basis, as measured by operating results. Ascension Health's consolidated operating results (income

from operations of $81 million) have improved from prior year levels by approximately 80% or $36 million. The prior year operating results were surpassed due to numerous operational initiatives and improved volumes at several of the Health Ministries.

In the fiscal year ended June 30, 2002, Ascension Health's net patient service revenue was $7.2 billion, representing a 12% increase from the prior year. Revenue growth reflects acquisitions, same-facility volume growth and improved pricing in the fiscal year ended June 30, 2002. Total revenue per equivalent discharge increased 3%, and other operating revenue increased 11% from the prior year.

Total operating expenses increased 12% from the fiscal year ended June 30, 2001, to $7.6 billion in the fiscal year ended June 30, 2002 as a result of acquisitions, same-facility volume growth and inflation. Cost reduction initiatives held total cost per equivalent discharge to a 2% increase from the prior year. Salaries and wages per equivalent discharge increased 2% over the prior fiscal year. Salaries and benefits as a percent of net patient service revenue increased 1% from the prior fiscal year. Supplies per equivalent discharge increased 6% over the prior fiscal year due to inflationary factors and other price increases, particularly pharmaceuticals and implantable devices.

Restructuring and Other Nonrecurring Expenses. During the fiscal years ended June 30, 2002 and 2001, Ascension Health recorded restructuring and other nonrecurring expenses, which include the following:

	Year ended June 30,	
	2001	**2002**
Restructuring charges	$13,007,000	$ 9,909,000
Other nonrecurring expenses	7,090,000	5,425,000
Total restructuring and other nonrecurring expenses	$20,097,000	$15,334,000

Employee and physician severance costs and related consulting fees were recorded as restructuring charges of $13,007,000 and $9,909,000 for the fiscal years ended June 30, 2001 and 2002, respectively.

Other nonrecurring expenses of $7,090,000 and $5,425,000 for the years ended June 30, 2001 and 2002, respectively, were recorded as a result of changes in business plans and other factors. For the year ended June 30, 2001, these expenses relate primarily to the impairment of buildings and equipment. For the year ended June 30, 2002, these expenses relate primarily to the fixed asset and intangible impairments related to closure of several physician practices.

Net Nonoperating Gains. For fiscal year 2002, net nonoperating gains decreased $45 million (60%) from the prior year. Ongoing investment market declines contributed significantly to this decrease.

Net Income. Despite the operating improvements in fiscal year 2002, net income of $111 million was unfavorable to the prior year net income of $120 million due to ongoing investment market declines. The Health System Depository outperformed a negative market, although overall returns were significantly lower than the prior year.

Change in Net Assets. Unrestricted net assets have increased by $49 million for the fiscal year ended June 30, 2002. This increase reflects the net income of $111 million, net transfers from affiliates of $90 million and other activity of $6 million offset by unrealized losses on investments of $123 million and the recording of an additional minimum pension liability of $35 million.

Individual Health Ministry Divestitures.

Catholic Health Partners Services (Chicago, Illinois). Effective July 1, 2001, Catholic Health Partners Services ("CHPS") sold substantially all of the assets of St. Joseph Hospital, an acute care hospital owned by CHPS. $30 million of the losses recorded by CHPS for the fiscal year ended June 30, 2001 were attributable to Ascension Health. Columbus Hospital, also owned by CHPS, ceased operations on September 30, 2001. Subsequent to June

30, 2002, Ascension Health assumed operating control of St. Anthony's Hospital, an acute care hospital owned by CHPS. As a result of the amendment, the results of operations and assets of St. Anthony's Hospital became fully consolidated in the financial statements of Ascension Health as of July 1, 2002. On January 21, 2003, CHPS sold Columbus Hospital. Certain proceeds from the sale were transferred to the purchaser of St. Joseph Hospital. In connection with such transfer, an Ascension Health guaranty of bonds issued for the benefit of CHPS was cancelled. The balance of the proceeds has been retained by CHPS.

Balance Sheet.

Patient Accounts Receivable. Net accounts receivable increased $71 million from the prior year to $1.2 billion at June 30, 2002 due to acquisitions and volume growth as days of revenue in accounts receivable decreased from 64 days at June 30, 2001 to 58 days as of June 30, 2002.

Long-Term Debt. Total debt increased $391 million primarily as a result of the acquisition of Baptist Health System in Nashville offset by principal repayments. The debt service coverage ratio was 4.2 (times) for the fiscal year ended June 30, 2001 and 4.6 (times) for the fiscal year ended June 30, 2002.

Statement of Cash Flows.

Operating activities generated $677 million of cash during the fiscal year ended June 30, 2002. Investing activities used $864 million of cash of which $658 million was used for net purchases of property, plant and equipment and $316 million was used to purchase new entities. Financing activities generated $365 million of cash.

On an aggregate basis, unrestricted cash and investments increased by $48 million for the year to $3.1 billion. Days cash on hand was 154 days as of June 30, 2002, a decrease of twenty one days from June 30, 2001.

Ascension Health - Six Months Ended December 31, 2002

Statement of Operations and Changes in Net Assets.

Operating Results. Income from operations for the six months ended December 31, 2002 totaled $50 million, a significant improvement as compared to the income from operations of $28 million for the six months ended December 31, 2001.

Total revenue increased 18% to $4.3 billion for the six months ended December 31, 2002 compared to $3.6 billion for the six months ended December 31, 2001, reflecting acquisitions, increased same-facility volume and improved pricing. Patient discharges increased 15%, primarily as a result of the Nashville Health Ministry's Baptist operations acquisition and the addition of Carondelet Affiliates. Total revenue per equivalent discharge for the six months ended December 31, 2002 increased 2% from the six months ended December 31, 2001.

Same-facility operating expenses increased 7% to $3.8 billion for the six months ended December 31, 2002. Cost per equivalent discharge for the six months ended December 31, 2002 increased 1% from the same period in prior year, reflecting a 5% increase in supplies per equivalent discharge offset by salaries and wages per equivalent discharge remaining relatively flat.

Net Nonoperating Activity. Net nonoperating losses (exclusive of the $255 million Carondelet contribution recorded in connection with the addition of the Carondelet Affiliates) totaled $31 million for the six months ended December 31, 2002. This reflects a $46 million decrease as compared to the same period of the prior year. This decline in nonoperating gains was driven by decreased investment returns, which totaled a $19 million loss for the six months ended December 31, 2002, a decline of $39 million as compared to the six months ended December 31, 2001. Other nonoperating activity reflected a loss of $15 million during the six months ended December 31, 2002 as compared to a loss of $7 million during the six months ended December 31, 2001. This increase in other nonoperating losses reflects Carondelet transaction costs, a settlement payment to the IRS, and contributions made.

Net Income. Net income (exclusive of the $255 million Carondelet contribution) for the six months ended December 31, 2002 was $19 million, a decrease of $24 million as compared to the six months ended December 31, 2001.

Change in Net Assets. Unrestricted net assets have increased by $389 million during the six months ended December 31, 2002. This increase reflects net income of $19 million (exclusive of the $204 million Carondelet contribution); additional CHS net assets of $459 million (of which $255 million was recorded as a Carondelet contribution); unrealized losses on investments of $83 million; and other decreases of $6 million.

Debt Service Coverage. Annualized debt service coverage for the period ended December 31, 2002 was 4.4 (times), an increase over the debt service coverage for fiscal year 2002 of 4.2 (times).

Balance Sheet.

Total Assets. Total assets as of December 31, 2002 were $10.6 billion, an increase of $1.1 billion (11%) from June 30, 2002 primarily as a result of adding the Carondelet Affiliates.

Patient Accounts Receivable. "Same-facility" net accounts receivable has decreased by $9 million since June 30, 2002. Days revenue in accounts receivable decreased 1 day since June 30, 2002 to 57 days as of December 31, 2002.

Long-term Debt. Total long-term debt increased by $363 million from June 30, 2002 primarily as a result of fully consolidating St. Anthony's Hospital (Chicago, Illinois) and acquiring the former Carondelet Affiliates and Saint John's Health System (Anderson, Indiana).

Statement of Cash Flows.

Operating activities generated $226 million of cash during the six months ended December 31, 2002. During the six months ended December 31, 2002, $264 million was used for net purchases of property, plant and equipment. Financing activities generated $2 million during the six months ended December 31, 2002. EBIDA (excluding Carondelet contributions) exceeded net property and equipment expenditures by $64 million.

On an aggregate basis, unrestricted cash and investments increased by $92 million (3%) for the six months ended December 31, 2002 to $3.2 billion. Days cash on hand totaled 137 days as of December 31, 2002, a decrease of 17 days from June 30, 2002.

Carondelet Health System - Fiscal Years Ended June 30, 2001 and 2002

A combination of improvement in continuing operations and the sale or divestiture of unprofitable operations contributed to an increase in net income and EBIDA for the Carondelet Health System (CHS). CHS consolidated net income improved by $51.3 million during fiscal year 2002 over fiscal year 2001, from a net loss of $32.2 million to net income of $19.1 million. EBIDA improved by $48 million to $73.6 million for the fiscal year ended June 30, 2002. Cash and investment balances increased by $11.2 million, while long term debt decreased by $37.6 million during the same period.

Statement of Operations and Changes in Net Assets.

Operating Results. Income from continuing operations improved from $11.6 million for fiscal year 2001 to $33.7 million for the fiscal year 2002, resulting in an operating margin of 4.1% for the fiscal year ended June 30, 2002. Net operating revenues increased by $65.6 million or 8.8% from fiscal year 2001 to 2002. The revenue increases resulted from inpatient growth, particularly in the Tucson and Kansas City market areas, and price increases.

Operating expenses from continuing operations increased by $43.5 million or 5.9% from the fiscal year ended June 30, 2001 to the fiscal year ended June 30, 2002. Efforts in expense management resulted in ratio improvements in several areas. Salaries and wages as a percentage of net operating revenue were 42.4% during the fiscal year ended June 30, 2002, down from 43.1% in the prior year. Bad debt expense as a percentage of net operating revenue was 4.1% during the fiscal year June 30, 2002, down from 4.6% in the prior year.

Discontinued Operations.

On December 17, 2001, upon regulatory and sponsorship approval, CHS consummated the sale of assets of Daniel Freeman Hospital's Inc., to an unrelated entity. Additionally, on August 3, 2002, CHS executed a sale agreement for the assets and liabilities of Santa Marta Hospital to an unrelated entity. Both transactions resulted in CHS having no continuing interest in the operations of these entities.

Effective May 1, 2002, CHS ceased to be the corporate member of St. Joseph's Hospital (Elmira, New York), at which time the local Board of Trustees became the controlling members. The result of this transfer of control leaves CHS with no continuing interest in St. Joseph's Hospital.

As of June 30, 2002, Carondelet Health (Kansas City, Missouri) ceased the operations of Carondelet Primary Care Network, Inc. (CPCN), its for-profit physician network subsidiary. CPCN consisted of seven physician offices in the Kansas City metropolitan area.

Balance Sheet.

Patient Accounts Receivable. Efforts in improving business office management resulted in a decrease in net accounts receivable by $21.4 million from fiscal year 2001 to 2002. Days revenue in accounts receivable totaled 50 days as of June 30, 2002.

Long-term Debt. Total long-term debt decreased by $69 million from fiscal year 2001 to 2002, primarily as a result of the divestiture of certain entities.

Historical Utilization

Ascension Health

The following chart shows selected utilization statistics for the hospitals operated by the Ascension Health Credit Group members for the fiscal years ended June 30, 2001 and 2002. The utilization data excludes psychiatric care, rehabilitation care and subacute care. The hospitals are grouped by major market areas and in many locations include more than one hospital and more than one member of the Ascension Health Credit Group.

Historical Utilization Data of the Ascension Health Credit Group Hospitals for the Fiscal Years Ended June 30

	Date Established	Available Beds		Acute Discharges		Acute Patient Days		Acute Average Length of Stay	
		2001	2002	2001	2002	2001	2002	2001	2002
ALABAMA									
Birmingham	1898	225	274	17,228	18,895	73,953	79,753	4.3	4.2
Mobile	1854	349	349	16,702	17,188	77,477	80,405	4.6	4.7
CONNECTICUT									
Bridgeport	1903	302	302	15,205	15,380	84,341	85,683	5.5	5.6
DISTRICT OF COLUMBIA									
Washington D.C.	1864	570	562	11,838	11,970	77,820	74,617	6.6	6.2
FLORIDA									
Jacksonville	1916	480	480	23,360	22,973	117,645	122,316	5.0	5.3
Pensacola	1915	431	431	17,853	21,255	111,707	118,522	6.3	5.6
INDIANA									
Evansville	1872	691	638	21,530	20,962	95,378	95,525	4.4	4.6
Indianapolis	1881	926	959	43,003	42,020	216,177	217,671	5.0	5.2
MARYLAND									
Baltimore	1862	308	365	18,603	19,174	77,377	78,588	4.2	4.1
Cumberland	1905	334	308	14,780	15,048	64,117	64,555	4.3	4.3
MICHIGAN									
Detroit	1934	2,113	2,211	91,471	92,162	469,500	458,460	5.1	5.0
Flint	1921	379	379	24,193	23,690	101,842	102,307	4.2	4.3
Kalamazoo	1888	353	353	18,073	18,167	74,024	77,007	4.1	4.2
Saginaw	1874	268	251	13,693	14,069	72,115	74,104	5.3	5.3
Tawas	1955	49	49	2,418	2,459	7,430	7,379	3.1	3.0
NEW YORK									
Binghamton	1926	174	174	9,214	9,452	49,373	46,706	5.4	4.9
Lewiston	1907	143	143	5,858	6,436	32,510	34,466	5.5	5.4
Troy	1850	201	201	6,818	6,818	37,865	36,854	5.6	5.4
PENNSYLVANIA									
Pottsville	1920	152	152	7,333	6,816	38,978	38,559	5.3	5.7
TENNESSEE									
Nashville*	1898	515	1,440	25,205	45,405	123,914	212,736	4.9	4.7
TEXAS									
Austin	1902	942	961	45,844	46,766	212,373	219,544	4.6	4.7
Waco	1904	170	170	9,144	9,997	37,250	40,568	4.1	4.1
WISCONSIN									
Milwaukee	1848	323	330	14,967	15,102	69,774	71,142	4.7	4.7
TOTAL		**10,398**	**11,482**	**474,333**	**502,204**	**2,322,940**	**2,437,467**	**4.9**	**4.9**

* Baptist Hospital (Nashville, Tennessee) and Middle Tennessee Medical Center (Murfreesboro, Tennessee) are excluded in fiscal year 2001.

Carondelet Affiliates

The following chart shows selected utilization statistics for the hospitals operated by the Carondelet Affiliates for the fiscal years ended June 30, 2001 and 2002. The utilization data excludes psychiatric care, rehabilitation care and subacute care. The hospitals are grouped by major market areas and in many locations include more than one hospital and more than one Carondelet Affiliate.

Historical Utilization Data of the Carondelet Affiliate Hospitals for the Fiscal Years Ended June 30

	Date Established	Available Beds		Acute Discharges		Acute Patient Days		Acute Average Length of Stay	
		2001	2002	2001	2002	2001	2002	2001	2002
ARIZONA									
Nogales	1960	31	31	1,935	1,995	4,194	4,185	2.2	2.1
Tucson	1880	627	627	30,264	32,219	130,368	136,979	4.3	4.3
GEORGIA									
Augusta	1952	145	145	5,101	5,374	21,950	22,959	4.3	4.3
IDAHO									
Lewiston	1902	121	121	5,688	5,693	24,515	23,512	4.3	4.1
MISSOURI									
Kansas City	1874	377	377	17,901	18,887	74,504	78,153	4.2	4.1
NEW YORK									
Amsterdam	1903	143	143	4,389	5,096	22,364	24,291	5.1	4.8
WASHINGTON									
Pasco	1916	132	132	3,178	2,883	9,109	8,610	2.9	3.0
TOTAL		**1,576**	**1,576**	**68,456**	**72,147**	**287,004**	**298,689**	**4.2**	**4.1**

CORPORATE STRUCTURE AND MANAGEMENT

Sponsorship and Corporate Members

Ascension Health is sponsored by the Northeast, Southeast, East Central and West Central Provinces of the Daughters of Charity of St. Vincent dePaul, by the Congregation of the Sisters of St. Joseph of Nazareth and by the Congregation of the Sisters of St. Joseph of Carondelet. The six current Corporate Members of Ascension Health are:

(1) acting as a single Corporate Member, the Visitatrix and Provincial Council of the Northeast Province of the Daughters of Charity in the United States;

(2) acting as a single Corporate Member, the Visitatrix and Provincial Council of the Southeast Province of the Daughters of Charity in the United States;

(3) acting as a single Corporate Member, the Visitatrix and Provincial Council of the East Central Province of the Daughters of Charity in the United States;

(4) acting as a single Corporate Member, the Visitatrix and Provincial Council of the West Central Province of the Daughters of Charity in the United States;

(5) acting as a single Corporate Member, the President and Leadership Team of the Sisters of St. Joseph; and

(6) acting as a single Corporate Member, a representative of the Congregation of the Sisters of St. Joseph of Carondelet, appointed in accordance with internal procedures agreed upon by the General Superior of the CSJs and the respective Province Directors (Superior) of the Albany, Los Angeles and St. Louis Provinces of the CSJs.

Sponsors Council

Each Corporate Member has designated representative(s) to serve on the Sponsors Council, which is empowered to exercise all rights and privileges of the Corporate Members, including the exercise of reserve powers and the appointment of the members to the Ascension Health Board of Trustees. All actions of the Sponsors Council are taken by two-thirds vote.

The powers reserved to the Sponsors Council, acting on behalf of the Corporate Members, include the following:

(1) approve, assure compliance with, change and interpret the philosophy, mission, vision, Sponsor expectations and core values of Ascension Health.

(2) approve and amend the Articles of Incorporation and Bylaws of Ascension Health.

(3) appoint, upon the recommendation of the Board of the Corporation, or remove, with or without cause, the members of the Board of Trustees of Ascension Health.

(4) Appoint, upon the recommendation of the Board of the Corporation, or remove, with or without cause, after consultation with the Board, the Chair of the Board of Trustees of Ascension Health.

(5) approve the alienation of assets as required by Canon law, subject to the affirmative vote of the Member's representative(s) on the Sponsors Council in whose jurisdiction the alienation occurs.

(6) approve the sale, transfer or substantial change in use of all or substantially all of the assets of Ascension Health and approve the merger, dissolution or consolidation of Ascension Health and the disposition of assets of Ascension Health upon dissolution.

(7) ratify the appointment of and remove or ratify the removal of, with or without cause, the President/CEO of Ascension Health.

(8) subject to canonical requirements, to establish the overall debt limit for the Ascension Health and approve the incurrence of debt by the Ascension System in excess of that limit.

Board of Trustees

The business, property, affairs and funds of Ascension Health are managed, supervised and controlled by the Board of Trustees, who are entitled to exercise all powers of Ascension Health not reserved to the Corporate Members. The Board of Trustees consists of ten to fifteen Trustees, as fixed from time to time by the Sponsors Council. The majority of the Board of Trustees must be members of the Sponsors. The Trustees shall consist of one representative appointed by each of the six Corporate Members, two at large members selected from individuals from the sponsoring organizations, up to six members selected from the laity, clergy, or other religious, and the President/CEO. Actions of the Board of Trustees are taken by majority vote of a quorum, except for appointment of the members of the boards of trustees of the organizations controlled by Ascension Health and approval of national system's consolidated operating and capital budgets, which require a two-thirds supermajority vote.

The current members of the Board of Trustees are as follows:

Members	
Douglas D. French, President & CEO	John "Jack" O. Mudd, J.D.
Sister Joyce DeShano, ssj (Chair)	Sister Kathleen Natwin, DC
Sister Jean Katherine deBlois, CSJ	Sister Catherine Norton, DC

Andre' L. Delbecq. Ph.D	Scott S. Parker
Sister Betty Granger, SSJ	Sister Theresa Peck, DC
Sister Bonnie Hoffman, DC	Bruce Charney Vladeck
Sister Mary Rose McGeady, DC	Sister Mary Joan Walsh, SSJ

Management

The current senior management of Ascension Health is as follows (CEO is listed first, and all others are listed in alphabetical order):

Douglas D. French, President & Chief Executive Officer. Prior to assuming his position as President and Chief Executive Officer of Ascension Health, Mr. French served as the Executive Vice President and Chief Operating Officer of Daughters of Charity National Health System commencing from July 1998 to November 1999 and the same position with Ascension Health from November 1999 to November 2000. Mr. French served in various positions in the Daughters of Charity National Health System health system for over 20 years, including serving as President/CEO of St. Vincent Hospitals and Health Services, Indianapolis, Indiana; President/CEO of St. Mary's Medical Center, Evansville, Indiana; and as a vice president at St. Thomas Hospital in Nashville, Tennessee. Mr. French received his Bachelor's degree from Trevecca Nazarene University in Nashville, Tennessee, and his Master's degree from Xavier University in Cincinnati, Ohio.

Andrew W. Allen, Senior Vice President, Western and Southern States Operating Group. Prior to assuming his position with Ascension Health, Mr. Allen served as President/CEO of Carondelet Health System from 2000 to 2002, beginning with Carondelet Health System as Executive Vice President & Chief Operating Officer in 1995. Mr. Allen served as President/CEO of St. Elizabeth's Hospital Medical Center in Youngstown, Ohio from 1993 to 1995 and Senior Vice President /COO at St. Elizabeth's from 1989 to 1993. Mr. Allen was also Executive Vice President at Marian Health Center, Sioux City, Iowa from 1982 to 1989 and at Baptist Hospitals & Health Systems, Phoenix, Arizona from 1980 to 1981. Mr. Allen received his Master's in Public Health and Hospital Administration from Tulane University.

Sherry L. Browne, Senior Vice President and Chief Information Officer. Prior to assuming her position as Senior Vice President and Chief Information Officer for Ascension Health, Ms. Browne was the chief information officer for Monet Mobile Networks in Seattle, Washington. Before Monet, she spent 10 years at Sprint in Kansas City, Kansas where she worked in IT and finance. Prior to joining Sprint, Ms. Browne was the vice president, retail delivery systems for UMB Banks, NA in Kansas City, Missouri.

Sister Bernice Coreil, DC, Executive Assistant to the President. Prior to assuming her position with Ascension Health, Sister Bernice served as Executive Assistant to the President of Daughters of Charity National Health System from September 1998 to November 1999. Sister Bernice has been a Daughter of Charity for over 45 years. Sister Bernice's administrative experience in health ministry ranges from Business Manager to Chief Executive Officer. She was Chief Executive Officer of Hotel Dieu Hospital twice and Board Chair at the time Hotel Dieu Hospital was sold to the State of Louisiana. Sister Bernice has served in Provincial leadership as Health Councilor and Visitatrix of the Daughters of Charity West Central Province. Sister Bernice has been very active with the Catholic Health Association, having served as a member and/or chairperson of many task forces, committees, and work groups and has served as Past Chairperson of the Catholic Health Association Board. She has given numerous papers on a wide variety of topics, written and published articles and served on many organizations within Catholic healthcare. Sister Bernice received her Bachelor of Science degree in Business Administration from Regis College in Denver, Colorado (Magna Cum Laude), and received her Master's degree in Health Care Administration from George Washington University in Washington, D.C.

John D. Doyle, Senior Vice President, Strategic Business Development and Strategy Leader for Innovation. Prior to assuming his position with Ascension Health in July 2000, Mr. Doyle was Executive Vice President for Strategic Development for Central Indiana Health System (CIHS)/St. Vincent Hospitals and Health Services. Mr. Doyle joined St. Vincent in 1996 as Vice President of Planning and Marketing. Before his tenure at St. Vincent, Mr. Doyle owned and operated a consulting firm that provided services in strategic planning and

marketing services. Mr. Doyle earned a Bachelor's degree from Butler University, where he later served as a visiting professor of advertising and public relations, and a Master's degree from Ball State University.

Robert J. Henkel, Senior Vice President, Great Lakes and Mid-Atlantic States Operating Group. Prior to assuming his position with Ascension Health, Mr. Henkel served as Senior Vice President, Central/Southeast Division for Daughters of Charity National Health System from September 1998 to November 1999. Mr. Henkel served as Executive Vice President and Acting CEO at Mount Sinai Medical Center in Miami Beach, Florida from 1996 to 1998; Executive Vice President at St. Louis Health Care Network in St. Louis from 1995 to 1996; President and CEO at DePaul Health Center in Bridgeton, Missouri from 1992 to 1995; and Chief Operating Officer of the Henry and Lucy Moses Division at Montefiore Medical Center in the Bronx, New York from 1987 to 1992. Mr. Henkel received his Bachelor's degree in Interdepartmental Economics-Biology from Union College, Schenectady, New York, and his Master of Public Health degree from the University of Pittsburgh.

Rex P. Killian, Senior Vice President, Legal Services and General Counsel. Prior to assuming his position with Ascension Health, Mr. Killian served as Senior Vice President, Legal Services and General Counsel for Daughters of Charity National Health System from October, 1998 to November, 1999. Prior to joining Daughters of Charity National Health System, Mr. Killian served as a principal in the Indianapolis health law firm of Hall, Render, Killian, Heath & Lyman, P.S.C. since 1979. Mr. Killian received his Bachelor of Science degree from the Indiana University School of Business and his Juris Doctor degree from the University of Michigan School of Law.

Susan Nestor Levy, Senior Vice President, Advocacy and External Relations and Strategy Leader for Voice for the Voiceless. Prior to assuming her position with Ascension Health, Ms. Levy served as Senior Vice President, Advocacy External Relations, for Daughters of Charity National Health System from September 1998 to November 1999. Prior to joining Daughters of Charity National Health System, Ms. Levy served as Executive Director, Policy for Blue Cross and Blue Shield Association in Washington D.C. from 1996 to 1998. Previous positions include serving the United States Senate, Committee on Finance as Professional Staff Member – Health Care from 1992 to 1996, Vice President, Strategic Development for Health One Corporation from 1984 to 1992 and Director of Services for the Aged for Mercy Health Services 1982 to 1983. Ms. Levy received her Bachelor of Arts Degree from the University of Notre Dame and her Master of Hospital and Health Services Administration degree from St. Louis University.

Sr. Maureen McGuire, DC, Senior Vice President, Mission Integration. Prior to assuming her position with Ascension Health, Sr. Maureen McGuire served as vice president, Service Culture Development for the Catholic Health System of Western New York in Buffalo, and concurrently as vice president, Mission Integration for Mount St. Mary's Hospital and Health Center in Lewiston, N.Y., a position she held since 1997. From 1996 to 2001, Sister Maureen served as vice president, Mission Integration for Sisters of Charity Hospital in Buffalo, N.Y., an Ascension Health ministry that is now part of Catholic Health System. She participated in the early CHS formation effort while in her role at Sisters of Charity. Sister Maureen earned her bachelor's degree, summa cum laude, from St. Joseph College in Emmitsburg, MD., and received her Master's of Social Work (MSW) from Temple University in Philadelphia. She is licensed as both an A.C.S.W. and a C.S.W.

Deborah A. Proctor, Chief Administrative Officer. Prior to assuming her position with Ascension Health, Ms. Proctor served as Senior Vice President, Organizational Effectiveness & Human Resources, for Daughters of Charity National Health System from January 1999 to November 1999. Prior to joining Daughters of Charity National Health System, Ms. Proctor served as Manager, Business Development, for the western region of Hay Group, Inc. Ms. Proctor also served as the National Practice Leader, Western Region Healthcare Consulting, for Hay Group, Inc. Prior to joining Hay Group, Inc., Ms. Proctor served as an administrative senior vice president for the Voluntary Hospitals of America and Director of Leadership and Management Development for St. Joseph Health System, Orange, California. Ms. Proctor received her Bachelor of Science degree from University of California – Los Angeles and her Master of Science degree in Nursing from California State University in Los Angeles.

David Pryor, M.D., Senior Vice President, Clinical Excellence. Prior to assuming his position with Ascension Health, Dr. Pryor was Senior Vice President and Chief Information Officer for Allina Health System, Minneapolis, Minnesota. Prior to that position, he was the President of New England Medical Center Hospitals. Dr. Pryor is a Professor of Medicine at Tufts University School of Medicine, Consulting Associate Professor of

Medicine at Duke University Medical and an Adjunct Professor of Epidemiology at the University of Minnesota School of Public Health. Dr. Pryor chairs the Advisor Council on Performance Measurement for the JCAHO and serves on the IT Expert Advisory Panel for NQF National Forum for Health Care Quality Measurement and Reporting. Dr. Pryor did his undergraduate work at the University of Michigan and graduated from the University of Michigan Medical School. He did his medical internship and residency at Pennsylvania Hospital and was a cardiology fellow at Duke University Medical Center.

Anthony J. Speranzo, Senior Vice President and Chief Financial Officer. Prior to assuming his position with Ascension Health, Mr. Speranzo was Managing Director with the healthcare group of U.S. Bancorp Piper Jaffray, Newport Beach, California, where he was responsible for strategic financial advisory services related to mergers, acquisitions and divestitures, private debt placement, valuations and strategic market planning. Previous positions included manager of the healthcare corporate finance division of the investment banking operations of John Nuveen, Chief Financial Officer at St. Joseph Health System, Orange, California, and the University of Chicago Medical Center and director of financial operations at Brigham & Women's Hospital, Boston, Massachusetts and Children's Hospital National Medical Center in Washington D.C. Mr. Speranzo has a B.A. degree from the University of Massachusetts and an M.B.A. in Finance from Suffolk University in Boston.

Anthony R. Tersigni, Ed.D., Executive Vice President, Chief Operating Officer. Prior to assuming his position with Ascension Health, Dr. Tersigni was President and Chief Executive Officer of St. John Health System, an Obligated Group Member. Dr. Tersigni holds fellowships in the American College of Healthcare Executives and the College of Osteopathic Healthcare Executives. He is an executive board member of the Karmanos Cancer Institute and the Detroit Regional Chamber of Commerce; a member of the editorial advisory board of Michigan Healthcare Business, and many other boards, including the Detroit Symphony Orchestra, Detroit Opera House, Detroit Urban League, and the Detroit Economic Growth Corporation. Dr. Tersigni holds a doctorate in organizational development from the University of Michigan.

Committees

The bylaws of Ascension Health create five standing committees (the Audit Committee, the Executive Committee, the Executive Compensation Committee, the Finance Committee and the Pension Committee) and authorize the creation of special committees from time to time by the Board of Trustees. Each committee is required to have at least two Trustees among its members.

Audit Committee. The Audit Committee is responsible for (a) examining the accuracy and validity of the financial and statistical information used by the Board of Trustees and Finance Committee or by external agencies to evaluate Ascension Health's financial affairs; (b) determining what Ascension Health is doing to provide reliable financial statements and financial controls; (c) evaluating audit performance; and (d) corporate compliance.

Executive Committee. The Executive Committee consists of five to seven Trustees, including the officers of the Board of Trustees. The Executive Committee is responsible for (a) developing and recommending to the Board of Trustees policies and actions with respect to executive evaluation and compensation; (b) reviewing and recommending changes to the bylaws of Ascension Health; (c) preparing for consideration by the Sponsors Council a slate of nominees for the Board of Trustees; (d) Board development; and (e) taking any other action permitted by law, the articles of incorporation or the bylaws in lieu of a meeting of the Board of Trustees.

Executive Compensation Committee. The Executive Compensation Committee (a) oversees the Ascension Health Executive Compensation Program; (b) determines the philosophy, policies and principles of the Ascension Health Executive Compensation Program; (c) approves the design of the Ascension Health "Execu-FLEX Plan" for System executives and Health Ministry Chief Executive Officers; (d) reviews the job performance and sets the pay of the Ascension Health President and Chief Executive Officer; and (e) reviews the recommendations of the President and Chief Executive Officer on the job performance and pay of the Ascension Health Executive Vice President and Chief Operating Officer.

Finance Committee. The Finance Committee is responsible for (a) reviewing and recommending to the Board of Trustees the guidelines for the consolidated operating and capital budget for Ascension Health and its affiliates; (b) developing and recommending to the Board of Trustees a long range financial plan for the system; (c) monitoring the financial condition of Ascension Health; (d) making recommendations on financial issues; and (e)

maintaining current knowledge of the management and investment of all the endowment, trust and other funds of Ascension Health.

Pension Committee. The Pension Committee has as its principal purpose the administration of the retirement plans sponsored or administered by Ascension Health, including, issues related to plan design and interpretation, plan funding, reporting, structure, selection and oversight of service providers and administrative systems.

Quality Committee. The Quality Committee serves to enhance the functional relationships between risk and quality at both the system, regional and local levels. Specific activities include review and approval of system-wide trends in claims development, implementation of risk financing mechanisms including funding determinations and allocation methodology, loss prevention and quality improvement programs and related strategic initiatives.

National Office

The Ascension Health National Office is located in St. Louis, Missouri and employs more than 400 people. The National Office provides a wide range of strategic, corporate and shared services designed to meet the needs of regional/local health ministries. In addition, the National Office strives to ensure that best practices and knowledge are implemented throughout the system. Following is a list of available services staffed by the National Office.

Advocacy. Provides leadership in the areas of advocacy. Pursues Ascension Health legislative priorities, assists local health ministry government relations efforts, works to provide a voice for the poor and for Catholic healthcare, and coordinates Ascension Health system-wide initiatives for the poor.

Benefits Services. Provides employee pension and benefit programs including health care, life insurance, long-term disability and special risk coverage, plus deferred compensation and cafeteria plans. Additionally, provides professional consulting and assistance in plan design, funding, administration, renewal negotiations, flexible benefits, cost management, strategic planning and claim audits.

Clinical Excellence. Provides external medical staff peer review, acquisition due diligence, and environmental assessment, as well as other clinical and non-clinical risk management issues. Also, provides leadership, consultation, education and networking services for management and clinical groups. Services span several areas of expertise such as quality utilization and management, patient care and home care.

Communications. Provides communication leadership in support of Ascension Health's mission, vision and values. Implements communications initiatives to meet information needs of internal and external stakeholders and seeks to share best practices among regional/local health ministries.

Legal Services. Provides direct legal services to the Health Ministries and national subsidiaries and the Ascension System, manages outside legal relations at the Ascension System level and supports executive management and the Board of Trustees in policy and strategy development.

Organizational Effectiveness. The Strategic Resources Team supports Ascension Health's model of distributed leadership. Staff expertise is utilized by all strategy leaders and includes the following core competencies: project management, facilitation, strategic thinking, business case development/writing and communication. SRT facilitates connectedness of resources to minimize duplication by having core staff work for all distinguishing characteristics and helps enable Ascension Health to be as "lean" as possible. Also assists in providing data and analysis for regional/local health ministries to support strategic direction. The Worklife Community team develops the framework and implementation process for the Diversity Initiative and supports the Diversity Council, Strategy Leaders for Worklife Community initiatives and Distributive Leadership.

Purchasing Services. Provides group purchasing support for major hospital disciplines such as materials management, laboratory, pharmacy, food service, radiology, medical/surgical equipment, and alternate care.

Retirement Services. Provides administration of the Ascension Health Retirement Programs, including maintenance of employee data records, calculation and payment of retirement benefits, preparation of personal statements of retirement benefits, drafting of plan documents and summary plan descriptions, and preparation of

annual reports to government agencies. It is expected that separate retirement plans will be maintained for the Ascension Health Credit Group members formerly affiliated with Sisters of St. Joseph Health System and Carondelet Health System until the programs are eventually combined into a single retirement program for the Ascension Health Credit Group.

Risk Services. Provides comprehensive programs in risk financing for areas such as general liability, professional liability, workers' compensation and property coverage. Direct consulting services provide assistance in areas such as overall organizational assessment, property preservation, life safety, regulatory compliance, and workers' compensation.

System Finance. Provides financial oversight of Ascension Health and the Ascension Health Credit Group and operates shared programs and services of a financial nature. Provides financial and operational support to Operating Group Executives; develops and maintains common financial practices; manages the financial planning, capital allocations, budgeting and routine reporting processes; provides financing and cash and investment management services; and maintains accounting records of the National Office and several trust funds.

Common Financial Practices

Ascension Health operates under a single credit group, utilizes centralized debt compliance monitoring and unified debt management. Ascension Health also utilizes common accounting practices under a single accounting and reporting manual and uses the shared internal audit resources of Catholic Healthcare Audit Network, LLC, or CHAN. A single corporate compliance program, financial planning model, budget process and capital allocation process are in place. Daily cash management is also under common administration as is pooled investment management. All regional/local health ministries in the Ascension Health Participating System are managed on a June 30 year-end basis.

Affiliated Organizations

The following organizations are affiliated with Ascension Health, but are not part of the Ascension Health Credit Group.

Ascension Health Ventures, LLC. Ascension Health Ventures, LLC was launched in 2001 as a subsidiary of Ascension Health. Through Ascension Health Ventures, Ascension Health provides strategic venture funding to support innovative new products, services and technologies that will help Ascension Health's Health Ministries serve their communities and transform the future of healthcare. Ascension Health Ventures identifies and funds companies that offer healthcare-related products, services or technologies that represent potential service breakthroughs for Ascension Health's hospitals and health facilities. In order to be considered for Ascension Health Ventures investments, opportunities must be consistent with the Ascension Health Mission, Vision and Values.

Catholic Health Audit Network, LLC. CHAN is a limited liability company that provides internal audit services to its owners and client organizations. CHAN is owned equally by Ascension Health and Catholic Health Initiatives. Internal audits performed by CHAN employees include operational, financial and compliance audits. CHAN has over 100 employees, including audit specialists in areas such as information technology, managed care and corporate compliance.

Consorta, Inc. Consorta, Inc. is a group purchasing organization located in Illinois. Ascension Health is one of thirteen shareholders in the organization, all of which are Catholic organizations. Consorta serves Catholic health ministries and other non-Catholic health ministries that share the Catholic philosophy and values. The organization was formed in July 1998 and provides approximately $2 billion in annual purchasing volume to approximately 300 acute care and 138 extended care facilities in 35 states.

Seton Institute. Seton Institute, formerly a division of Ascension Health, was formed as a Missouri nonprofit corporation on January 29, 2003. Ascension Health is the sole corporate member. Seton Institute's purposes and functions are to facilitate the partnering of American hospitals, corporations, churches and schools with similar institutions in developing countries; to achieve health and wholeness for all people in the world; to extend the message of justice and human dignity to people everywhere; ; to advocate for people who are poor

through out the world; and to assist Catholic religious women abroad to build healthier communities by securing materials and financial support, technical assistance and human resources that are not available in those countries.

Regulatory Reviews

The Ascension Health Credit Group, like all major healthcare systems, periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. These investigations seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practice for certain services. Several Credit Group members have been, and are currently, the subject of investigations or audits of this type. The Ascension Health Credit Group members have never been subject to a material fine (or settlement in lieu of fine) as a result of any investigations. While no assurance can be given concerning any current investigation, management of Ascension Health believes that adequate reserves have been established and the outcome of any current investigations will not have a material effect on the financial position of the Ascension Health Credit Group.

Insurance

General and Professional Liability – Excluding Michigan Health Ministries, Except St. Mary's, Saginaw. Primary professional and general liability for Ascension Health Credit Group members (excluding Credit Group members in Michigan, other than St. Mary's, Saginaw) is self-insured through a grantor trust and wholly owned captive insurance company, Ascension Health Insurance, Ltd. The trust and captive provide $10 million professional liability coverage per claim on a modified claims-made basis and $10 million general liability coverage per claim on an occurrence basis. An additional $120 million of excess professional liability and $120 million of umbrella liability is written through Ascension Health Insurance, Ltd. Ascension Health Insurance, Ltd.'s excess coverage is reinsured by commercial carriers. St. Anthony's Hospital (Chicago, Illinois) is insured for professional and general liability through a self-insured trust and commercial insurance. The trust provides $5 million per claim on a claims-made basis, with an aggregate of $8 million. An additional $35 million of umbrella/excess liability is purchased from commercial insurers. Carondelet Affiliates maintain a separate self-insurance trust with occurrence form coverage for both professional and general liability, with limits of $3 million per occurrence for Carondelet Health Network in Arizona and $2 million per occurrence for the remainder, all subject to a $13 million aggregate. An additional $50 million of excess liability is written through Carondelet Insurance Company, Ltd. Carondelet Insurance Company, Ltd.'s excess coverage is reinsured by commercial carriers.

General and Professional Liability – Michigan Health Ministries, Except St. Mary's, Saginaw. Credit Group members in Michigan, other than St. Mary's, Saginaw, utilize a wholly owned captive insurance company, Michigan Assurance Group, Ltd. ("MAG") to self-insure professional and general liability coverage in excess of $100,000 self-insurance retention per claim for large hospitals. MAG provides $2.5 million per occurrence in excess of the retention with an annual aggregate of $46 million. A multi-owned captive insurance company, Caymich Ltd., provides excess coverage in aggregate amount of $113.5 million. Caymich's excess coverage is reinsured by commercial carriers, except for a $7.5 million layer with a $33.5 million shared aggregate, a 10% quota share in the first $30 million excess layer, a 25% quota share in the next $10 million layer, and a 50% quota share in the following $10 million layer.

Workers' Compensation Insurance. A grantor trust for workers' compensation claims is maintained for Credit Group members. The trust's self-insured retention limit is $1,000,000 per occurrence with no aggregates unless required by state law. Carondelet Affiliates are subject to a retention of $250,000 per occurrence. In those states where self-insurance is not allowed, Ascension Health utilizes high-deductible commercial programs and/or fronting arrangements. Excess insurance is purchased commercially up to the statutory limits.

General and Professional Liability Insurance. Ascension Health Insurance, Ltd. also provides primary professional and general liability for affiliates of Ascension Health. Professional liability coverage is on a claims-made basis, while general liability coverage is on an occurrence basis. The primary limits range from $1,000,000 to $5,000,000 per occurrence or medical incident. Affiliates also participate in workers' compensation coverage.

Michigan Assurance Group, Ltd. also provides primary professional and general liability for affiliates of Ascension Health in Michigan and professional liability for non-employed attending physicians. The coverage is on

a straight claims made and modified claims made basis. The primary limits range from $500,000 to $1,000,000 per claim.

Other Insurance Coverages. Commercial policies are maintained for property, directors' and officers' liability, automobile, and other miscellaneous coverages in amounts consistent with levels generally carried by similar health care entities, and are in compliance with applicable state requirements.

Employees

As of December 31, 2002, Ascension Health employed over 100,000 employees, which accounted for 84,873 full-time equivalents. Approximately 6% of the workforce is unionized, and all unionized employees are located in Michigan and New York. Ascension Health management believes that relationships with employees are generally good.

LIST OF MEMBERS OF THE ASCENSION HEALTH CREDIT GROUP

Obligated Group Members

Credit Group Representative

1. Ascension Health – St. Louis, Missouri

Alabama

2. St. Vincent's Hospital – Birmingham, Alabama*
3. Seton Health Corporation of South Alabama – Mobile, Alabama
4. Providence Hospital – Mobile, Alabama*

Arizona

5. Holy Cross Hospital, Inc. – Nogales, Arizona*
6. Carondelet Health Network – Tucson, Arizona*

Connecticut

7. St. Vincent's Health Services Corporation – Bridgeport, Connecticut
8. St. Vincent's Medical Center – Bridgeport, Connecticut*
9. Hall-Brooke Behavioral Health Services, Inc. – Westport, Connecticut*

District of Columbia

10. Providence Hospital – Washington, D.C.*
11. DePaul Foundation – Washington, D.C.

Florida

12. St. Catherine Laboure Manor, Inc. – Jacksonville, Florida*
13. St. Vincent's Health System, Inc. – Jacksonville, Florida
14. St. Vincent's Medical Center, Inc. – Jacksonville, Florida*
15. Sacred Heart Hospital of Pensacola – Pensacola, Florida*

Georgia

16. St. Joseph Hospital, Augusta, Georgia, Inc. – Augusta, Georgia*

Idaho

17. St. Joseph Regional Medical Center, Inc. – Lewiston, Idaho*

Indiana

18. Warrick Hospital, Inc. – Boonville, Indiana*
19. St. Vincent Madison County Health System, Inc. – Elwood, Indiana*
20. Mission & Ministry, Inc. – Evansville, Indiana
21. St. Mary's Medical Center of Evansville, Inc. – Evansville, Indiana*
22. Mission Health System, Inc. – Evansville, Indiana
23. Seton Health Corporation of Southern Indiana – Evansville, Indiana
24. St. Vincent Health, Inc. – Indianapolis, Indiana
25. St. Vincent Hospital and Health Care Center, Inc. – Indianapolis, Indiana*
26. Saint Joseph Hospital and Health Center, Inc. – Kokomo, Indiana*
27. St. Vincent Williamsport Hospital, Inc. – Williamsport, Indiana**

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* Owns and operates one or more licensed hospitals or skilled nursing facilities accredited by the Joint Commission on Accreditation of Health Care Organizations.

** Owns and operates one or more licensed hospitals or skilled nursing facilities not accredited by the Joint Commission on Accreditation of Health Care Organizations.

Maryland

28. St. Agnes HealthCare, Inc. – Baltimore, Maryland*
29. Western Maryland Health System, Inc. – Cumberland, Maryland
30. Sacred Heart Hospital of the Sisters of Charity, Inc. – Cumberland, Maryland*
31. Memorial Hospital and Medical Center of Cumberland, Inc. – Cumberland, Maryland*

Michigan

32. St. Mary's Medical Center of Saginaw, Inc. – Saginaw, Michigan*
33. Providence Hospital and Medical Centers, Inc. – Southfield, Michigan*
34. Seton Health Corporation of East Central Michigan – Saginaw, Michigan
35. Seton Health Corporation of Southeast Michigan – Southfield, Michigan
36. St. John Health –Warren, Michigan
37. St. John Hospital and Medical Center – Detroit, Michigan*
38. St. John River District Hospital – East China, Michigan*
39. St. John Health System – Detroit-Macomb Campus – Detroit, Michigan*
40. St. John Oakland Hospital – Madison Heights, Michigan*
41. St. John NorthEast Community Hospital – Detroit, Michigan*
42. Borgess Health Alliance, Inc. – Kalamazoo, Michigan
43. Borgess Medical Center – Kalamazoo, Michigan*
44. Genesys Health System – Grand Blanc, Michigan
45. Genesys Regional Medical Center – Grand Blanc, Michigan*
46. St. Joseph Health System – Tawas City, Michigan*

Missouri

47. St. Mary's Hospital of Blue Springs, Inc. – Blue Springs, Missouri*
48. Carondelet Health – Kansas City, Missouri
49. St. Joseph Health Center – Kansas City, Missouri*
50. Carondelet Health System, Inc. – St. Louis, Missouri
51. Daughters of Charity Foundation – St. Louis, Missouri

Pennsylvania

52. Good Samaritan Regional Medical Center – Pottsville, Pennsylvania*

Tennessee

53. Saint Thomas Health Services – Nashville, Tennessee
54. St. Thomas Hospital – Nashville, Tennessee*
55. Seton Corporation – Nashville, Tennessee*
56. Middle Tennessee Medical Center, Inc. – Murfreesboro, Tennessee*

Texas

57. Daughters of Charity Health Services of Austin – Austin, Texas*
58. Daughters of Charity Health Services of Waco – Waco, Texas*

Washington

59. Our Lady of Lourdes Hospital at Pasco – Pasco, Washington*

Wisconsin

60. St. Mary's Hospital of Ozaukee, Inc. – Mequon, Wisconsin*
61. St. Mary's Hospital of Milwaukee, Inc. – Milwaukee, Wisconsin*
62. Seton Health Corporation of Wisconsin – Milwaukee, Wisconsin
63. Columbia/St. Mary's, Inc. – Milwaukee, Wisconsin
64. Columbia Hospital, Inc. – Milwaukee, Wisconsin

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* Owns and operates one or more licensed hospitals or skilled nursing facilities accredited by the Joint Commission on Accreditation of Health Care Organizations.

Designated Affiliates

New York

1. Our Lady of Lourdes Memorial Hospital, Inc. – Binghamton, New York*
2. Mount St. Mary's Hospital of Niagara Falls – Lewiston, New York*
3. Seton Health System, Inc. – Troy, New York*
4. St. Mary's Hospital – Amsterdam, New York*

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* Owns and operates one or more licensed hospitals or skilled nursing facilities accredited by the Joint Commission on Accreditation of Health Care Organizations.

Appendix B

Audited Consolidated Financial Statements of Ascension Health for the Years Ended June 30, 2002 and 2001

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CONSOLIDATED FINANCIAL STATEMENTS

Ascension Health for the years ended
June 30, 2002 and 2001
with Report of Independent Auditors

Ascension Health

Consolidated Financial Statements

Years ended June 30, 2002 and 2001

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ERNST & YOUNG

Ernst & Young LLP
The Plaza in Clayton
Suite 1300
190 Carondelet Plaza
St. Louis, Missouri 63105-3439

Phone: (314) 290-1000
www.ey.com

Report of Independent Auditors

The Board of Trustees
Ascension Health

We have audited the accompanying consolidated balance sheets of Ascension Health (as identified in Note 1) as of June 30, 2002 and 2001, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Ascension Health's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health at June 30, 2002 and 2001, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

August 19, 2002

A Member Practice of Ernst & Young Global

Ascension Health

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30	
	2002	**2001**
Assets		
Current assets:		
Cash and cash equivalents	**$ 504,628**	$ 327,252
Short-term investments	**31,164**	21,525
Accounts receivable, less allowances for uncollectible accounts ($356,750 and $337,521 in 2002 and 2001, respectively)	**1,171,734**	1,100,708
Current portion of self-insurance trust funds	**115,689**	82,915
Inventories	**119,677**	102,505
Other	**143,030**	108,031
Total current assets	**2,085,922**	1,742,936
Board-designated investments	**2,270,400**	2,397,373
Assets limited as to use:		
Under bond indenture agreement, less current portion	**33,491**	53,040
Self-insurance trust funds, less current portion	**206,729**	297,373
Temporarily or permanently restricted	**223,232**	185,359
Total assets limited as to use	**463,452**	535,772
Other investments	**302,219**	313,992
Property and equipment:		
Land and improvements	**354,794**	314,046
Building and equipment	**7,981,382**	6,786,562
Construction in progress	**289,614**	192,475
Less accumulated depreciation	**(4,603,111)**	(3,817,819)
Total property and equipment, net	**4,022,679**	3,475,264
Other assets:		
Investment in unconsolidated entities	**216,495**	259,352
Other	**225,738**	194,115
Total other assets	**442,233**	453,467
Total assets	**$ 9,586,905**	$ 8,918,804

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

Ascension Health

Consolidated Balance Sheets (continued)

(Dollars in Thousands)

	June 30	
	2002	**2001**
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 30,092**	$ 28,159
Long-term debt subject to short-term remarketing arrangements*	**675,900**	352,017
Accounts payable and accrued liabilities	**851,602**	731,455
Estimated third-party payor settlements, net	**83,150**	85,857
Current portion of self-insurance liabilities	**111,976**	82,603
Other	**10,892**	15,849
Total current liabilities	**1,763,612**	1,295,940
Noncurrent liabilities:		
Long-term debt	**2,382,124**	2,316,508
Self-insurance liabilities	**292,885**	323,134
Other	**351,169**	272,530
Total noncurrent liabilities	**3,026,178**	2,912,172
Total liabilities	**4,789,790**	4,208,112
Net assets:		
Unrestricted	**4,573,883**	4,525,333
Temporarily restricted	**147,483**	120,543
Permanently restricted	**75,749**	64,816
Total net assets	**4,797,115**	4,710,692
Total liabilities and net assets	**$ 9,586,905**	$ 8,918,804

* Consists of variable rate demand bonds with stated repayment installments through 2039, with put options that may be exercised at the option of the bondholders in connection with certain remarketing dates. Ascension Health currently has in place a $250 million line of credit in support of these variable rate securities which expires October 31, 2002. Management is currently negotiating two new lines of credit totaling $500 million, $250 million of which is anticipated to be in place on October 31, 2002 with the balance of $250 million anticipated to be in place by December 31, 2002.

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

Ascension Health

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year ended June 30	
	2002	**2001**
Operating revenue:		
Net patient service revenue	**$7,219,422**	$ 6,452,537
Other revenue	**391,130**	349,267
Income from unconsolidated entities	**35,722**	30,355
Investment income	**7,132**	8,781
Net assets released from restrictions for operations	**12,716**	12,731
Total operating revenue	**7,666,122**	6,853,671
Operating expenses:		
Salaries and wages	**3,276,872**	2,939,882
Employee benefits	**666,263**	535,752
Purchased services	**284,187**	236,088
Professional fees	**269,796**	247,324
Supplies	**1,280,610**	1,113,076
Insurance	**133,773**	79,435
Bad debts	**398,052**	413,621
Interest	**120,311**	133,555
Depreciation and amortization	**457,994**	421,925
Other	**681,509**	667,558
Total operating expenses before restructuring and other nonrecurring expenses	**7,569,367**	6,788,216
Income from operations before restructuring and other nonrecurring expenses	**96,755**	65,455
Restructuring and other nonrecurring expenses	**15,334**	20,097
Income from operations	**81,421**	45,358
Nonoperating gains (losses):		
Investment income	**44,754**	108,739
Income from unconsolidated entities	**2,039**	1,506
Estimated loss on change in sponsorship	**-**	(30,000)
Other	**(17,133)**	(5,407)
Total nonoperating gains, net	**29,660**	74,838
Net income	**111,081**	120,196

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

Ascension Health

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year ended June 30	
	2002	**2001**
Unrestricted net assets:		
Net income	**111,081**	120,196
Net change in unrealized gains/losses on investments	**(123,389)**	(79,219)
Additional minimum pension liability	**(34,800)**	-
Transfer from (to) affiliates, net	**89,857**	(16,303)
Net assets released for property acquisitions	**10,732**	12,996
Other	**(3,347)**	4,500
Increase in unrestricted net assets, before extraordinary items	**50,134**	42,170
Extraordinary loss on extinguishment of debt	**(1,584)**	-
Increase in unrestricted net assets	**48,550**	42,170
Temporarily restricted net assets:		
Contributions	**51,585**	42,798
Net change in unrealized gains/losses on investments	**(2,172)**	(5,315)
Investment income	**718**	2,468
Net assets released from restrictions	**(23,448)**	(25,727)
Other	**257**	(3,733)
Increase in temporarily restricted net assets	**26,940**	10,491
Permanently restricted net assets:		
Contributions	**6,250**	5,931
Net change in unrealized gains/losses on investments	**(1,010)**	(2,159)
Investment income	**(681)**	1,856
Other	**6,374**	2,274
Increase in permanently restricted net assets	**10,933**	7,902
Increase in net assets	**86,423**	60,563
Net assets, beginning of the year	**4,710,692**	4,650,129
Net assets, end of the year	**$ 4,797,115**	$ 4,710,692

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

Ascension Health

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year ended June 30 2002	2001
Cash flows from operating activities		
Increase in net assets	**$ 86,423**	$ 60,563
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	**457,994**	421,925
Change in additional minimum pension liability	**34,800**	-
Net change in unrealized gains/losses on investments	**126,571**	86,693
Extraordinary loss on extinguishment of debt	**1,584**	-
Estimated loss on changes in sponsorship, net	**-**	26,123
Transfer (from) to affiliates, net	**(89,857)**	16,303
(Increase) decrease in:		
Short-term investments	**(9,639)**	5,203
Accounts receivable, net	**35,929**	36,097
Other current assets	**(31,504)**	(8,810)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**49,546**	41,758
Estimated third-party payor settlements, net	**(9,185)**	(72,915)
Other current liabilities	**24,008**	5,610
Net cash from operating activities	**676,670**	618,550
Cash flows used in investing activities		
Property and equipment additions, net	**(657,757)**	(526,178)
Decrease (increase) in Board-designated investments	**13,189**	(205,115)
Increase in assets limited as to use – restricted	**(28,327)**	(25,867)
Decrease in other investments	**11,773**	20,235
(Increase) decrease in other assets	**(3,340)**	33,523
Decrease in self-insurance trusts, net	**60,395**	26,239
Increase in other noncurrent liabilities	**39,048**	17,803
Purchases of new entities, net of cash acquired	**(316,118)**	-
Transfer from (to) affiliates, net	**16,713**	(16,303)
Net cash used in investing activities	**(864,424)**	(675,663)
Cash flows from financing activities		
Issuance of long-term debt	**783,719**	9,657
Repayment of long-term debt	**(442,901)**	(26,967)
Decrease in assets under bond indenture agreements	**24,312**	104,267
Net cash from financing activities	**365,130**	86,957
Net increase in cash and cash equivalents	**177,376**	29,844
Cash and cash equivalents at beginning of year	**327,252**	297,408
Cash and cash equivalents at end of year	**$504,628**	$ 327,252

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

Ascension Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2002

1. Organization and Mission

Organizational Structure

Ascension Health is a Missouri nonprofit corporation actively involved in the provision of health and healing services throughout the Great Lakes, northeast, central, and southern United States. Ascension Health is organized into 26 Health Ministries. All of the Health Ministries are related through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Ascension Health was formed on November 1, 1999, through execution of a cosponsorship agreement (the Agreement) between Daughters of Charity National Health System, Inc. (DCNHS) along with its sponsors, the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St. Vincent de Paul (Daughters of Charity), and Sisters of St. Joseph Health System, Inc. (SSJHS) and its sponsor, the Congregation of the Sisters of St. Joseph of Nazareth (Sisters of St. Joseph), to form the cosponsored organization.

In conjunction with the execution of the Agreement, the Health Ministries previously controlled by SSJHS agreed to transfer certain funds to the Sisters of St. Joseph for previous sponsorship and governance and for future charitable endeavors in installments through November 15, 2004. Cash transfers of $13,332 were made during each of the years ended June 30, 2002 and 2001. A liability of $39,996 and $53,328 is recorded on the balance sheets as of June 30, 2002 and 2001, respectively.

Mission

Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with Ascension Health's mission of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability to pay. Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit:

1. Organization and Mission (continued)

Mission (continued)

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor.
- Cost of other programs for the poor includes programs intentionally directed at serving the poor of the community including substance abusers, the homeless, victims of child abuse, and persons with Acquired Immune Deficiency Syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research.

The net cost to Ascension Health of providing care of persons who are poor and community benefit is as follows:

	Year ended June 30	
	2002	**2001**
	(Unaudited)	
Traditional charity care	**$120,819**	$109,216
Unpaid cost of public programs	**193,166**	154,223
Other programs for the poor	**24,397**	21,045
Community benefit	**102,718**	88,834
Care of persons who are poor and community benefit	**$441,100**	$373,318

Principles of Consolidation

All majority-owned corporations and corporations owned 50% or less for which operating control is exercised by Ascension Health or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where Ascension Health owns less than 50% and does not have

1. Organization and Mission (continued)

Principles of Consolidation (continued)

operational control are recorded under the equity method of accounting or cost method as determined by ownership percentage. The following represents Ascension Health's interest in unconsolidated entities recorded under the equity method of accounting:

	Investment Recorded in Consolidated Balance Sheet as of June 30		Effect on Consolidated Net Income for the Year ended June 30	
	2002	2001	2002	2001
Catholic Health Partners	$ 2,150	$ 6,612	$ (2,867)	$ (7,233)
Covenant Management Systems	15,767	13,079	2,662	1,336
The Heart Center of Indiana, LLC	4,250	-	(750)	-
Michigan Hospital Association Insurance Company	3,639	21,585	463	1,870
Mid America Clinical Lab.	5,737	4,495	2,092	1,863
Middle Tennessee Health Corp.	-	57,695	5,732	9,349
Mission Health	8,011	8,248	18	(144)
PMHC Cancer Center	10,599	10,033	157	203
Western Maryland Health System	73,176	67,837	5,338	4,069
Other	93,166	69,768	24,916	20,548
	$216,495	$259,352	$37,761	$31,861

The effect of consolidated net income for the year ended June 30, 2001 does not include the estimated loss on change in sponsorship of a facility classified as an unconsolidated equity method investment that was recorded separately in the statement of operations.

Other Organization Changes

On December 31, 2001, pursuant to an Asset Purchase Agreement, Seton Corporation, an affiliate of St. Thomas Hospital (a member of Ascension Health) acquired substantially all of the assets of Baptist Hospital System, Inc. and certain affiliates for a purchase price of $316 million. As a result of this agreement, Seton Corporation acquired Baptist Hospital, a general acute care hospital with 739 licensed beds, Middle Tennessee Medical Center, a general acute care hospital with 288 licensed beds, Baptist DeKalb Hospital, a general acute care hospital with 71 licensed beds, and Baptist Hickman Community Hospital, a general acute care hospital with 44 licensed beds. The acquisition was recorded under the purchase method of accounting, whereby the operating results of the acquired entities are included in the statement of operations for the period from January 1, 2002 through June 30, 2002.

1. Organization and Mission (continued)

Other Organization Changes (continued)

In October 2001, pursuant to a revised Affiliation Agreement, Ascension Health and Columbia Health System agreed to operate Columbia Hospital, St. Mary's Hospital of Milwaukee, St. Mary's Hospital Ozaukee, and Sacred Heart Rehabilitation Hospital and their respective subsidiaries and related entities as an integrated health care delivery network within Ascension Health. To accomplish this objective, Ascension Health obtained rights and responsibilities consistent with a controlling interest including appointing the local parent's board of trustees, the chair of the board, and the chief executive officer and exercising significant reserve powers over the entity. During October 2001, Ascension Health recognized a $94.9 million transfer from affiliate on the statement of changes in net assets representing primarily the net assets of Columbia Hospital, a general acute care hospital with 394 licensed beds, and its affiliates. The operating results of Columbia Hospital and its affiliates are included in the consolidated statement of operations from October 2001.

In 1995, Catholic Health Partners (CHP) was formed through the execution of an affiliation agreement that established two classes of members of CHP, the Missionary Sisters Class and the Daughters of Charity Class (defined as The Daughters of Charity National Health System – East Central, Inc.). CHP owns and operates certain health care facilities in the Chicago, Illinois, area. Due to the governance structure established under the affiliation agreement, Ascension Health accounts for CHP using the equity method of accounting. Effective July 1, 2001, CHP entered into an agreement to execute a change in sponsorship (Asset Purchase Agreement) with Resurrection Health Care (RHC) to sell substantially all of the assets of St. Joseph Hospital, an acute care hospital owned by CHP, to RHC. An estimated loss on the sale of St. Joseph Hospital was recorded by CHP, the portion of which is attributable to Ascension Health totaled $30 million during the year ended June 30, 2001. The remaining acute care hospitals of CHP continue to be recorded as an equity method investment as of June 30, 2002. Subsequent to June 30, 2002, CHP revised its articles of incorporation such that Ascension Health assumed operating control of St. Anthony's Hospital, an acute care hospital owned by CHP. As a result of the amendment, St. Anthony's Hospital will become a fully consolidated member of Ascension Health as of July 1, 2002.

2. Significant Accounting Policies

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Values

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the appropriate notes.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and interest-bearing deposits with original maturities of three months or less, excluding Board-designated investments, assets limited as to use, and other investments.

Investments and Investment Income

Investments in equity securities and debt securities are measured at fair value in the balance sheets. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment income on proceeds of borrowings that are held under bond indenture agreements by a trustee, to the extent not capitalized, and self-insurance trust funds are reported as investment income in operating revenue. Investment income (including realized gains and losses on investments, interest, and dividends) from all other investments is reported as nonoperating gains (losses) unless the income is restricted by donor or law. The cost of substantially all securities sold is based on the average cost method. Unrealized gains (losses) on investments are excluded from net income due to the non-trading nature of the investments.

Inventories

Inventories consist primarily of medical supplies and are stated at the lower of cost (first-in, first-out) or market value. At June 30, 2001, Ascension Health expanded its inventory count procedures to include departmental inventories previously expensed as purchased. This change resulted in a $10,032 reduction of supply expense during the year ended June 30, 2001.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the entities has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are used to purchase equipment and to provide charity care and other health and educational services. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained by Ascension Health in perpetuity. Income on permanently restricted gifts is classified as temporarily restricted for use in accordance with the donor's wishes.

Operating and Nonoperating Activities

Ascension Health's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to Ascension Health's primary mission are considered to be nonoperating.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation.

2. Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenues related to prior periods increased net patient service revenue by approximately $14,125 and $23,254 for the years ended June 30, 2002 and 2001, respectively.

During 2002 and 2001, approximately 36% and 35% of net patient service revenue was received under the Medicare program and 5% and 6% under various state Medicaid programs, respectively. Ascension Health grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable at June 30, 2002 and 2001, include Medicare (23% and 22%) and various states' Medicaid (8% and 6%) programs, respectively.

Restructuring and Other Nonrecurring Expenses

During the years ended June 30, 2002 and 2001, Ascension Health recorded restructuring and other nonrecurring expenses, which include the following:

	Year ended June 30	
	2002	**2001**
Restructuring charges	**$ 9,909**	$13,007
Other nonrecurring expenses	**5,425**	7,090
Total restructuring and other nonrecurring expense	**$15,334**	$20,097

Employee and physician severance costs and related consulting fees were recorded as restructuring charges of $19,501 and $13,007 for the fiscal years ended June 30, 2002 and 2001, respectively. In addition, a $9,592 change in estimate related to severance costs accrued in prior years was recorded during the year ended June 30, 2002. This change in estimate reduced total restructuring expenses in fiscal year 2002.

Other nonrecurring expenses of $5,425 and $7,090 for the years ended June 30, 2002 and 2001, respectively, were recorded as a result of changes in business plans and other factors. For the year ended June 30, 2002, these expenses relate primarily to the fixed asset and

2. Significant Accounting Policies (continued)

Restructuring and Other Nonrecurring Expenses (continued)

intangible impairments related to closure of several physician practices. For the year ended June 30, 2001, these expenses relate primarily to the impairment of buildings and equipment of $17,000 offset by $13,000 of reserves established in prior years.

Amortization

Bond issuance costs and bond discounts are amortized over the term of the bonds using a method approximating the effective interest method. Other intangible assets are amortized using the straight-line method over the estimated useful lives.

Income Taxes

The member health care entities of Ascension Health are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a).

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of Ascension Health. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be determined at this time; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of Ascension Health.

Reclassifications

Certain reclassifications were made to the 2001 financial statements to conform to the 2002 presentation. These reclassifications had no impact on the net assets previously reported.

3. Board-Designated Investments, Assets Limited as to Use, and Other Investments

The composition of investments classified as Board-designated investments, assets limited as to use, and other investments is summarized as follows:

	June 30	
	2002	**2001**
Cash and short-term investments	**$ 370,450**	$ 401,542
United States government obligations	**556,691**	911,774
Corporate obligations	**921,463**	703,213
Marketable equity securities	**843,426**	891,762
Foreign securities	**258,347**	208,521
Other	**201,383**	213,240
Less current portion of self-insurance trust funds	**(115,689)**	(82,915)
Board-designated investments, assets limited as to use, and other investments	**$3,036,071**	$3,247,137

The gross unrealized gains and losses from marketable equity securities at June 30, 2002 were $54,362 and $142,383, respectively.

A total of 89% of Ascension Health's Board-designated investments, assets limited as to use, and other investments are invested through the Health System Depository (HSD), an investment pool of funds whose participants include certain health care-related entities sponsored by Ascension Health. The HSD may, from time to time, use financial futures and options to adjust portfolio duration, restructure term structure exposure, change sector exposure, or arbitrage market inefficiencies. Financial futures and options are not used to speculate or leverage the portfolio.

The outstanding derivative instruments are recorded at fair market value as determined by the investment trustee. The difference between fair market value and the underlying cost basis is recorded as investment income in the statements of operations and changes in net assets.

The HSD evaluates its securities for other-than-temporary declines in fair value below the cost basis. If a security is determined to have an other-than-temporary decline in fair value, the unrealized losses for the security are realized in earnings. For the year ended June 30, 2002, Ascension Health recorded $14.4 million in realized losses as a reduction to nonoperating investment income in the consolidated statement of operations for the decline in value of securities deemed to be other-than-temporary.

4. Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2002	**2001**
Tax-exempt Hospital Revenue Bonds (unsecured):		
Variable rate demand bonds, subject to a seven-day put provision payable in November 2039; interest (ranging from 1.2% to 1.4% at June 30, 2002) set at prevailing market rates	**$ 375,100**	$ 776,000
Variable rate demand bonds, payable in November 2033, subject to remarketing in increments from November 2004 through November 2007; interest initially set at long-term fixed rates (ranging from 5.05% to 5.375% at June 30, 2002); interest rate will convert to prevailing market rates through November 2007	**340,000**	340,000
Variable rate demand bonds, payable in installments through November 2036, subject to remarketing in increments from July 2002 through July 2003; interest fixed at 1.65% to 2.0% on various installments from July 2002 through July 2003, at which time interest rates will convert to prevailing market rates	**582,300**	-
Fixed rate serial and term bonds payable in installments through November 2031; interest at 3.7% to 6.5%	**1,395,820**	1,367,835
Other long-term debt:		
Notes payable to HSD	**69,759**	73,001
Commercial paper	**265,104**	76,017
Obligations under capital leases	**58,135**	60,348
Other	**16,155**	16,660
	3,102,373	2,709,861
Less unamortized discount	**(14,257)**	(13,177)
Less current portion	**(30,092)**	(28,159)
Less long-term debt subject to short-term remarketing arrangements	**(675,900)**	(352,017)
Long-term debt, less current portion	**$2,382,124**	$2,316,508

4. Long-Term Debt (continued)

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2002 are as follows:

Year Ended	Amount
2003	$ 30,092
2004	94,851
2005	96,108
2006	95,216
2007	97,370
Thereafter	2,688,736
	$3,102,373

The carrying amounts of variable rate bonds, notes payable to the HSD, other notes payable, and commercial paper approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements. The fair value of fixed rate serial and term bonds, including the fixed component of variable rate demand bonds subject to long-term fixed interest rates, approximates book value at June 30, 2002 and 2001.

The members of Ascension Health and Western Maryland Health System (WMHS located in Cumberland, Maryland), a group of nonprofit corporations, formed the Ascension Health Credit Group (Credit Group). Each Credit Group member is identified as either an obligated group member or designated affiliate. Obligated group members are jointly and severally liable under a Master Trust Indenture (MTI) to make all payments required with respect to obligations under the MTI and may be entities not controlled directly or indirectly by Ascension Health. Though designated affiliates are not obligated to make debt service payments on the obligations under the MTI, each designated affiliate has an independent contribution agreement and promissory note with Ascension Health with stipulated repayment terms and conditions. In addition, Ascension Health may cause each designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the MTI, including payment of the outstanding obligations.

4. Long-Term Debt (continued)

The Credit Group's unsecured variable rate demand bonds, while subject to a long-term amortization period, may be put to Ascension Health at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2002, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheet. Management believes the likelihood of a material amount of bonds being put to Ascension Health to be remote. In that regard, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including entering certain bond repurchase agreements, identifying alternate sources of financing, and maintaining unrestricted assets as a source of self-liquidity.

In December 2001, the Credit Group issued $400,800 of Revenue Bonds Series 2001A (Series 2001A Bonds) (variable rate in an initial short-term interest rate mode though March 2002) through the Indiana Health Facility Financing Authority. The proceeds from the Series 2001A Bonds were loaned by the issuer to Ascension Health. Such proceeds, together with other funds, were used to partially refund $400,000 of the aggregate principal amount of the Indiana Health Facility Financing Authority Variable Rate Revenue Bonds (Ascension Health Credit Group), Series 1999B. The redeemed debt resulted in a net extraordinary loss of $1,584 recorded during the year ended June 30, 2002.

In December 2001, the Credit Group issued $181,500 of Revenue Bonds Series 2001B (Series 2001B Bonds) (variable rate in an initial short-term interest rate mode through January 2003) through the Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds from the Series 2001B Bonds were loaned by the issuer to Ascension Health. Such proceeds, together with $134,618 of commercial paper, were used to finance the costs of acquiring substantially all of the assets of Baptist Hospital System, Inc. and certain affiliates.

In August 2002, the Credit Group issued $338,435 of Revenue Bonds Series 2002 (Series 2002 Bonds) ($238,435 of fixed rate and $100,000 of auction rate) through five different issuing authorities in four states. The proceeds from the Series 2002 Bonds were used for capital expenditures, to refund certain tax-exempt indebtedness and to pay the expenses incurred in connection with the issuance of the Series 2002 Bonds.

4. Long-Term Debt (continued)

In May 2002, the Credit Group guaranteed $60,600 of The Heart Center of Indiana, LLC Auction Rate Notes Series 2002 which mature on January 1, 2023. In July 2001, the Credit Group guaranteed $23,065 of the outstanding $77,130 Illinois Development Finance Authority Refunding and Improvement Revenue Bonds (Catholic Health Partners Services) Series 1995A for the remaining debt retained by Catholic Health Partners Services after the sale of St. Joseph Hospital to Resurrection Health Care Corporation. In December 2000, the Credit Group guaranteed the $29,300 Variable Rate Revenue Bonds Series 2000A for St. Vincent de Paul Center Project, which were issued through the Illinois Development Finance Authority and have a final maturity in November 2039. The Credit Group has entered various guarantee agreements, including the agreements described above, totaling $248,000.

As of June 30, 2002, the Credit Group has two $250,000 revolving lines of credit extending to October 31, 2002. There were no borrowings under either line of credit as of June 30, 2002.

Ascension Health has established a commercial paper program with a commercial bank as an alternative source of financing to Health Ministries and other affiliate health care entities. The commercial paper balances outstanding at June 30, 2002 were paid off subsequent to year-end with the proceeds from other long-term borrowing, thus demonstrating management's intent and ability to maintain such debt as long-term. Accordingly, the commercial paper borrowings have been classified as long-term obligations in the accompanying consolidated balance sheet.

Ascension Health was notified by the Michigan State Hospital Finance Authority (Authority) that on May 9, 2000, the Authority received notice from the Internal Revenue Service (IRS) that, as part of its expanded compliance program, the IRS has selected the Michigan State Hospital Finance Authority Revenue Bonds (Ascension Health Credit Group) Series 1999A for examination. That examination is one of several targeted examinations focusing on bonds issued in connection with certain hospital acquisition transactions. The ultimate resolution and timing of any decision in this matter cannot be determined at this time. Bond counsel for the Michigan Bonds continues to be of the opinion that the interest on those bonds is properly excluded from gross income for federal income tax purposes. Management of Ascension Health believes that the Michigan Bonds properly comply with the tax laws. In addition, in the opinion of

4. Long-Term Debt (continued)

management, the results of the examination of the Michigan Bonds will not have a material adverse effect on the financial condition of the Ascension Health Credit Group.

On April 5, 2002, the IRS issued Announcement 2002-43, setting forth conditions under which it would resolve examinations of hospital acquisition transactions. Ascension Health is actively pursuing resolution of the examination of the Michigan Bonds under the terms of the announcement. However, no assurance can be given that a resolution will be reached.

5. Retirement Plans

The Ascension Health entities formerly controlled by DCNHS participate in the Ascension Health Retirement Plan (Ascension Plan), which is a noncontributory defined benefit pension plan covering all eligible employees. The former DCNHS entities participating in the Ascension Plan and included in these consolidated financial statements represent 99.2% of the total Ascension Plan assets. Benefits are based on each participant's years of service and compensation. Ascension Plan assets, principally marketable securities, are invested in a master trust. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event entities participating in the Plan are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so.

The following table sets forth the Ascension Plan's benefit obligations and assets at June 30, 2002 and 2001 (using a measurement date of March 31, 2002 and 2001, respectively) and components of net periodic benefit costs for the years then ended and a reconciliation of the amounts recognized in the consolidated balance sheets:

5. Retirement Plans (continued)

	June 30	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	**$1,356,571**	$1,157,997
Service cost	**69,129**	67,131
Interest cost	**103,423**	93,752
Amendments	**963**	4,306
Actuarial (gain) loss	**(20,696)**	27,482
Acquisitions/divestitures	**-**	47,091
Benefits paid	**(46,555)**	(41,188)
Benefit obligation at end of year	**1,462,835**	1,356,571
Change in plan assets		
Fair value of plan assets at beginning of year	**1,239,421**	1,342,530
Actual return on plan assets	**38,637**	(100,156)
Employer contributions	**2,163**	2,215
Acquisitions/divestitures	**-**	36,020
Benefits paid	**(46,555)**	(41,188)
Net transfers	**-**	-
Fair value of plan assets at end of year	**1,233,666**	1,239,421
Funded status	**(229,169)**	(117,150)
Unrecognized transition asset	**-**	(2,589)
Unrecognized net loss	**93,035**	26,249
Contributions made after measurement date	**437**	772
Unrecognized prior service cost	**40,028**	43,091
Accrued benefit cost	**$ (95,669)**	$ (49,627)
Components of net periodic benefit cost		
Service cost	**$ 69,129**	$ 67,131
Interest cost	**103,423**	93,752
Expected return on plan assets	**(121,306)**	(123,365)
Amortization of transition asset	**(2,589)**	(2,588)
Amortization of prior service cost	**4,026**	3,667
Amortization of actuarial gain	**(4,877)**	(28,032)
Net periodic benefit cost	**$ $47,806**	$ 10,565

5. Retirement Plans (continued)

The assumptions used in accounting for the Ascension Plan are set forth below:

	June 30	
	2002	**2001**
Weighted average discount rate	**7.5%**	7.5%
Weighted average rate of compensation increase	**3.5%**	3.5%
Weighted average expected long-term rate of return on plan assets	**9.5%**	9.5%

Each of the Ascension Health entities formerly controlled by SSJHS, as well as Columbia Hospital (Milwaukee, Wisconsin) beginning in fiscal year 2002, participates in separate noncontributory, defined benefit plans (the other Ascension Health Plans) in which substantially all employees are eligible to participate. Benefits are based on each participant's years of service and compensation. The other Ascension Health Plans' assets are invested in cash and cash equivalents, equity, and fixed income funds. Contributions to the plans are either equal to an amount necessary to meet or exceed the minimum funding requirements of the Employee Retirement Income Security Act or equal to an actuarially determined amount.

The following table provides a reconciliation of the changes in the other Ascension Health Plans' benefit obligation and fair value of assets for the years ended June 30, 2002 and 2001, (using primarily measurement dates of March 31, 2002 and 2001, respectively) and a statement of the funded status as of June 30, 2002 and 2001:

	June 30	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 475,820**	$ 414,022
Acquisitions/divestitures	**77,554**	-
Service cost	**24,227**	19,052
Interest cost	**40,113**	31,771
Amendments	**5,489**	2,916
Actuarial loss	**11,452**	23,077
Benefits paid	**(18,494)**	(15,018)
Benefit obligation at end of year	**616,161**	475,820

5. Retirement Plans (continued)

Change in plan assets		
Fair value of plan assets at beginning of year	**406,963**	440,894
Acquisitions/divestitures	**67,717**	-
Actual return on plan assets	**(17,352)**	(23,859)
Employer contributions	**8,464**	4,946
Benefits paid	**(18,495)**	(15,018)
Fair value of plan assets at end of year	**447,297**	406,963
Funded status	**(168,864)**	(68,857)
Unrecognized transition asset	**680**	(38)
Unrecognized net loss	**116,498**	44,437
Contributions after measurement date	**7,322**	-
Unrecognized prior service cost	**13,143**	18,626
Accrued benefit cost	**$ (31,221)**	$ (5,832)

Amounts recognized in the statement of financial position consist of:

Accrued benefit liability	**$ (89,285)**	$ (24,842)
Intangible asset	**23,264**	19,010
Decrease in unrestricted net assets	**34,800**	-
Net amount recognized	**$ (31,221)**	$ (5,832)

Components of net periodic benefit cost		
Service cost	**$ 24,227**	$ 19,052
Interest cost	**40,113**	31,771
Expected return on plan assets	**(48,272)**	(42,624)
Net amortization and deferral	**(498)**	(2,013)
Amortization of prior service cost	**2,322**	2,330
Amortization of actuarial gain	**(132)**	(3,473)
Net periodic benefit cost	**$ 17,760**	$ 5,043

5. Retirement Plans (continued)

The assumptions used in accounting for the other Ascension Health Plans are set forth below:

	June 30	
	2002	**2001**
Weighted average discount rate	**7.5%**	7.25%-8.0%
Weighted average rate of compensation increase	**3.5%-5.0%**	3.5%-6.5%
Weighted average expected long-term rate of return on plan assets	**9.0%-9.9%**	8.0%-12.0%

6. Other Postretirement Benefits

Three Health Ministries provide health care benefits to certain qualified retirees who meet certain eligibility requirements. The policy is to fund these benefits as incurred.

The following table provides a reconciliation of the changes in the benefit obligation and components of the net periodic benefit cost:

	June 30	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	**$45,854**	$43,112
Service cost	**760**	700
Interest cost	**3,349**	3,288
Amendments	**1,810**	-
Actuarial gain	**4,156**	1,412
Benefits paid	**(2,652)**	(2,658)
Benefit obligation at end of year	**$53,277**	$45,854
Components of net periodic benefit cost		
Service cost	**$ 760**	$ 700
Interest cost	**3,349**	3,288
Expected return on plan assets	**-**	(10)
Net amortization and deferral	**414**	359
Amortization of prior service cost	**(1,058)**	(769)
Net periodic benefit cost	**$ 3,465**	$ 3,568

6. Other Postretirement Benefits (continued)

To estimate benefits for the postretirement health care plan, the actuaries used a discount rate of 7.5%. The health care cost trend rate assumption used by the actuary does not significantly affect the amounts reported.

7. Self-Insurance Programs

Certain Ascension Health hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Those entities not participating in the self-insured programs are insured under separate policies. Irrevocable trust funds and captive insurance companies have been established for the self-insurance programs, and actuarially determined amounts are contributed to the trusts and the captive insurance companies to provide for the estimated cost of claims. The estimated cost of claims is actuarially determined and based on past experience as well as other considerations including the nature of each claim or incident and relevant trend factors. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

For former DCNHS entities, professional and general liability coverage was on an occurrence basis with self-insured limits ranging from $5 million to $10 million per occurrence with no aggregate through June 30, 1996. Professional liability coverage converted to a modified claims-made basis effective July 1, 1996; however, Ascension Health implemented a tail coverage program (tail guard) for members retroactive to July 1, 1996. In the event a Health Ministry terminates its professional liability coverage prior to six years of continuous participation on a claims-made basis, an additional premium may be required for tail coverage based on prevailing market rates. Effective July 1, 1996, the general liability coverage self-insurance retention was reduced to $1 million, and the professional liability coverage self-insurance retention was reduced to $5 million. Effective July 1, 1998, the professional liability self-insurance retention was further reduced to $3 million. NewCap Insurance Company, Ltd. (NewCap), a captive insurance company jointly sponsored with another Catholic health care system, provided professional and general liability coverage in excess of the self-insured limits through June 30, 2001. Effective, July 1, 2001, NewCap was placed in a "run-off" position, and no new coverage will be issued.

7. Self-Insurance Programs (continued)

Effective July 1, 2001, Ascension Health Insurance Limited (AHIL), a wholly owned captive insurance company, provided excess professional and general liability coverage. AHIL's excess coverage, with the exception of a $5 million aggregate buffer layer for professional liability, is reinsured by commercial carriers.

Contributions to the program are determined using a discount rate of 8% on an occurrence basis. Accordingly, contributions to the self-insurance programs are expensed as incurred. Loss reserves are discounted using discount rates of 7.5% in 2002 and 8% in 2001. As of June 30, 2002, the program has a significant deficit which is fully recognized in the accompanying consolidated balance sheet.

For substantially all former SSJHS entities, together with other Sisters of St. Joseph affiliates, professional and general liability coverage is provided by Michigan Assurance Group (MAG), a wholly owned captive insurance company, which reimburses the participating entities for losses, generally subject to various self-insured retentions. Excess liability coverage is provided to former SSJHS entities by Caymich Ltd., a multi-owned captive insurance company.

Premiums are paid to each captive to fund professional and general liability exposures on a claims-reported basis. The estimated cost of claims under the above programs is based on expected ultimate losses for claims filed to date and, as to the applicable self-insured retentions and wholly owned captive, incurred but not reported losses, as estimated by an independent actuary. Professional liability costs for the excess captive are based on funding for that program. The loss reserves for the self-insured retentions and wholly owned captive are discounted using a discount rate of 7.5 % in 2002 and 7.75% in 2001.

Certain hospital affiliates of former SSJHS hospitals are self-insured for incidents incurred prior to becoming affiliated with Ascension Health. The hospitals have accrued an estimate of losses arising from both reported and incurred but not reported claims prior to participating in the former SSJHS insurance program.

Through December 31, 2000, former DCNHS entities only, but effective January 1, 2001, former DCNHS and SSJHS entities, utilize a self-insured trust to provide workers'

7. Self-Insurance Programs (continued)

compensation coverage on an occurrence basis. Through June 30, 2000, the workers' compensation self-insured limits were $1 million per occurrence with no aggregate. Effective July 1, 2000, the self-insured limits were reduced to $0.5 million per occurrence with no aggregate. The self-insured retention returned to $1 million per occurrence effective July 1, 2001. Premium payments made to the trust are expensed. Loss reserves are discounted at 7.5% and 8% in 2002 and 2001, respectively.

Until January 1, 2001, the former SSJHS entities along with several other organizations were members in the Sisters of St. Joseph Workers' Compensation Fund (the Fund). The Fund provided a mechanism for funding the workers' compensation obligations of its members through self-insurance and excess insurance against catastrophic loss. Premium payments made to the Fund were expensed.

8. Lease Commitments

Future minimum payments under noncancellable operating leases with terms of one year or more are:

2003	$ 47,251
2004	40,778
2005	32,287
2006	31,347
2007	25,469
Thereafter	84,756
Total	$261,888

Rental expense under operating leases amounted to $99,198 and $94,320 in 2002 and 2001, respectively.

9. Contingencies and Commitments

In addition to malpractice, Ascension Health is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on Ascension Health's financial position.

On May 10, 2002, pursuant to an Asset Purchase Agreement, members of Ascension Health's Jacksonville Health Ministry have agreed to acquire the hospital facilities and equipment of St. Luke's Hospital, a 213-bed hospital located in Jacksonville, Florida. The transaction contemplates two separate closings: the Phase One Closing, during which title to the real estate and equipment (other than the delivery rooms) will be transferred to the Jacksonville Health Ministry and then leased back to St. Luke's Hospital; and the Phase Two Closing, during which other assets and contracts will be assigned to the Jacksonville Health Ministry and the lease of Phase One Closing assets will terminate. The Phase One Closing is expected to occur during fiscal year 2003, and the Phase Two Closing is expected to occur several years later. The present value of the consideration to be paid by the Jacksonville Health Ministry for the St. Luke's Hospital facility is estimated to be approximately $110,000. This transaction is subject to several conditions that must be satisfied prior to each of the closings. The Asset Purchase Agreement may also be terminated prior to the Phase One Closing upon certain conditions.

Several capital projects have building commitments, and the total anticipated cost of these capital projects approximates $235,000.

10. Subsequent Event

Ascension Health and Carondelet Health System (CHS) have signed a letter of intent in which the Sisters of St. Joseph of Carondelet would become the sixth sponsor of Ascension Health. The CHS sponsored hospitals, exclusive of their California facilities, would be added to Ascension Health. For the year ended June 30, 2001, CHS, exclusive of the California facilities, reported net revenues of $749.2 million, net income of $10.8 million, and net assets of $339.3 million.

Appendix C

Summary of Principal Documents

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Master Indenture, the Supplemental Master Indentures, the Bond Indentures and the Loan Agreements which are not described elsewhere in this Official Statement.

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

Definitions of Certain Terms

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

Alternate Liquidity Facility shall mean a line of credit, letter of credit, standby purchase agreement or similar liquidity facility acceptable to the Bond Insurer (if any) issued by a commercial bank or financial institution acceptable to the Bond Insurer (if any) and delivered or made available to a Tender Agent in accordance with the applicable Loan Agreement which replaces a Liquidity Facility then in effect.

Annual Debt Service shall mean for each Fiscal Year the sum (without duplication) of (1) the aggregate amount of principal and interest becoming due and payable in such Fiscal Year on all Long-Term Indebtedness of the Credit Group then Outstanding and (2) the aggregate amount of Master Indenture Obligation Payments becoming due and payable in such Fiscal Year (in either case by scheduled maturity, acceleration, mandatory redemption or otherwise), less any amounts of such principal, interest or Master Indenture Obligation Payments to be paid during such Fiscal Year from (a) the proceeds of Indebtedness or (b) moneys or Governmental Obligations deposited in trust for the purpose of paying such principal, interest or Master Indenture Obligation Payments; provided that if a Financial Products Agreement has been entered into by any Obligated Group Member or Designated Affiliate with respect to Long-Term Indebtedness, interest on such Long-Term Indebtedness shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments payable in such Fiscal Year minus any Financial Product Receipts receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service.

Annual Required Debt Service Coverage Ratio shall mean, for any Fiscal Year, the ratio determined by dividing Income Available for Debt Service by Annual Debt Service for such Fiscal Year.

Ascension Health or the **Corporation** shall mean Ascension Health, a Missouri nonprofit corporation, and its successors.

Ascension Health Purchase Account shall mean an account established within the Bond Purchase Fund established in each Variable Rate Indenture for the deposit of amounts paid by Ascension Health or any other Member to pay the purchase price of tendered Bonds.

Beneficial Owner shall mean any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

Bond Insurance Policy shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of principal of and interest on a Series of the Insured Bonds.

Bond Insurer shall mean MBIA Insurance Corporation or Ambac Assurance Corporation, and their successors, each as issuer of a Bond Insurance Policy with respect to a Series of Bonds.

Bond Purchase Fund shall mean the fund by that name established pursuant to a Bond Indenture for the purpose of paying the purchase price of the applicable Series of tendered Auction Rate Securities.

Book Value shall mean, when used in connection with Property, Plant and Equipment or other Property of any Obligated Group Member or Designated Affiliate, the value of such property, net of accumulated depreciation, as it is carried on the books of such Obligated Group Member or Designated Affiliate and in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Credit Group, means the aggregate of the values so determined with respect to such Property of each Obligated Group Member and Designated Affiliate determined in such a way that no portion of such value of Property of any Obligated Group Member or Designated Affiliate is included more than once.

Borrower shall mean Ascension Health.

Business Day shall mean any day on which banks located in New York, New York, and the city in which the Principal Office of the applicable Bond Trustee is located are not required or authorized to be closed and on which The New York Stock Exchange is open.

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

Commercial Paper Retirement Fund shall mean the fund by that name established pursuant to certain Bond Indentures for the purpose of retiring commercial paper previously issued by Ascension Health.

Controlling Member shall mean the Obligated Group Member designated by the Credit Group Representative to establish and maintain control over a Designated Affiliate.

Conversion shall mean a conversion of a Series of Bonds under a Variable Rate Bond Indenture from one Interest Rate Period to another Interest Rate Period.

Conversion Date shall mean the effective date of a Conversion of a Series of Bonds.

Credit Group shall mean all Obligated Group Members and Designated Affiliates.

Credit Group Representative shall mean the Corporation or such other Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by the Corporation.

Date of Issuance shall mean March 13, 2003.

Designated Affiliate shall mean any Person which has been so designated by the Credit Group Representative so long as such Person has not been further designated by the Credit Group Representative as no longer being a Designated Affiliate.

Eligible Bonds shall mean any Bonds other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the applicable Issuer or any Member of the Credit Group.

Escrow Fund shall mean the fund by that name created pursuant to a Bond Indenture for the purpose of advance refunding a series of the Existing Bonds described in the front part of this Official Statement under the caption "Plan of Finance – Advance Refundings."

Expiration Date, when used with respect to a Liquidity Facility, shall mean (i) the date upon which the Liquidity Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of

extensions of a particular Liquidity Facility, from time to time) in accordance with its terms including, without limitation, termination upon delivery of an Alternate Liquidity Facility to the Tender Agent and (ii) the date upon which the Liquidity Facility terminates following voluntary termination by the Borrower (with the consent of the Bond Insurer (if any) and the Credit Group Representative) pursuant to the applicable Loan Agreement.

Fair Market Value, when used in connection with Property, shall mean the fair market value of such Property as determined by either:

(1) an appraisal of the portion of such Property which is real property made within five years of the date of determination by a "Member of the Appraisal Institute" and by an appraisal of the portion of such Property which is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal shall be performed by a person or firm which (a) is in fact independent, (b) does not have any direct financial interest or any material indirect financial interest in any Obligated Group Member or Designated Affiliate and (c) is not connected with any Obligated Group Member or Designated Affiliate as an officer, employee, promoter, trustee, partner, director or person performing similar functions, adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee;

or

(2) a bona fide offer for the purchase of such Property made on an arm's-length basis within six months of the date of determination, as established by an Officer's Certificate.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the applicable Issuer, the Remarketing Agent (if any), the Broker-Dealer (if any), the Auction Agent (if any), the Bond Insurer (if any), Ascension Health and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the applicable State and the Bond Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Financial Products Agreement shall mean an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Master Trustee in a Certificate of the Credit Group Representative as having been entered into by an Obligated Group Member or a Designated Affiliate with a Qualified Provider not for investment purposes but with respect to Indebtedness (which Indebtedness shall be specifically identified in the Certificate of the Credit Group Representative) for the purpose of (1) reducing or otherwise managing the Obligated Group Member's or Designated Affiliate's risk of interest rate changes or (2) effectively converting the Obligated Group Member's or Designated Affiliate's interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

Financial Product Payments shall mean payments periodically required to be paid to a counterparty by an Obligated Group Member or a Designated Affiliate pursuant to a Financial Products Agreement.

Financial Product Receipts shall mean amounts periodically required to be paid to an Obligated Group Member or a Designated Affiliate by a counterparty pursuant to a Financial Products Agreement.

Fiscal Year shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter designated by the Credit Group Representative as the fiscal year of the Credit Group.

Fitch shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the

functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the Issuer and the Bond Trustee.

Fixed Rate Conversion Date, when used with respect to a Series of Bonds, shall mean the date the Bonds of such Series begin to bear interest for a Long-Term Interest Rate Period that extends to the final Maturity Date of such Series of Bonds.

Governing Body shall mean, when used with respect to any Obligated Group Member or Designated Affiliate, its board of directors, board of trustees or other board or group of individuals in which all of the powers of such Obligated Group Member or Designated Affiliate are vested, except for those powers reserved to the corporate membership of such Obligated Group Member or Designated Affiliate by the articles of incorporation or bylaws of such Obligated Group Member or Designated Affiliate.

Government Obligations shall mean: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest rating categories of a Rating Agency (without regard to any gradation of such rating category); (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in clauses (1), (2) and/or (3).

Guaranty shall mean all loan commitments and all obligations of any Obligated Group Member or Designated Affiliate guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were an Obligated Group Member or a Designated Affiliate, constitute Indebtedness.

Holder or **Bondholder** whenever used with respect to a Bond, shall mean the Person in whose name such Bond is registered on the registration books of the Bond Trustee.

Immediate Termination Date shall mean the date on which a Liquidity Facility Provider's obligation to advance funds or purchase Bonds under a Liquidity Facility terminates or is suspended immediately in accordance with its terms.

Immaterial Affiliates shall mean Persons (whether or not Designated Affiliates) whose combined total net assets, as shown on their financial statements for their most recently completed fiscal year, were less than 10% of the combined or consolidated net assets of the Credit Group (including the net assets of such Persons) for the most recently completed Fiscal Year of the Credit Group.

Income Available for Debt Service shall mean, as to any period of time, the excess of revenues over expenses (or, in the case of for-profit Obligated Group Members or Designated Affiliates, net income after taxes) of the Credit Group for such period, to which shall be added depreciation, amortization and interest (and Master Indenture Obligation Payments to the extent that such Master Indenture Obligation Payments are treated as an expense during such period of time in accordance with generally accepted accounting principles), provided that no such determination shall include (1) any gain or loss resulting from (a) the extinguishment of Indebtedness, (b) any disposition of capital assets not made in the ordinary course of business, (c) any discontinued operations or (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles, (2) unrealized gains on marketable securities held by an Obligated Group Member or a Designated Affiliate as of the last date of such period of time, (3) unrealized losses on marketable securities held by an Obligated Group Member or a Designated Affiliate as of the last date of such period of time unless such losses represent a permanent decline in value of such securities in accordance with generally accepted accounting principles or (4) any nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets.

Indebtedness shall mean any Guaranty (other than any Guaranty by any Obligated Group Member or Designated Affiliate of Indebtedness of any other Obligated Group Member or Designated Affiliate) and any obligation of any Obligated Group Member or Designated Affiliate (1) for borrowed money, (2) with respect to leases which are considered capital leases or (3) under installment sale agreements, in each case as determined in accordance with generally accepted accounting principles; provided, however, that if more than one Obligated Group Member or Designated Affiliate shall have incurred or assumed a Guaranty of a Person other than an Obligated Group Member or a Designated Affiliate, or if more than one Obligated Group Member or Designated Affiliate shall be obligated to pay any obligation, for purposes of any computations or calculations under the Master Indenture such Guaranty or obligation shall be included only one time.

Independent Consultant shall mean a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in any Obligated Group Member or any Designated Affiliate, (3) is not connected with any Obligated Group Member or any Designated Affiliate as an officer, employee, promoter, trustee, partner, director or person performing similar functions and (4) is a certified public accounting firm, a nationally recognized investment banker or a nationally recognized professional management consultant, and designated by the Credit Group Representative qualified to pass upon questions relating to the financial affairs of organizations similar to the Credit Group or facilities of the type or types operated by the Credit Group and having the skill and experience necessary to render the particular opinion or report required by the provision of the Master Indenture in which such requirement appears.

Insured Bonds shall mean the Bonds described as such in the front part of this Official Statement under the caption "INTRODUCTION – General."

Interest Accrual Date shall mean (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period (whether or not a Business Day), (ii) with respect to any Long-Term Interest Rate Period or ARS Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date, and (iii) with respect to each Bond Interest Term within a Commercial Paper Interest Rate Period, the first day thereof.

Interest Rate Period shall mean a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period or an ARS Interest Rate Period. See "THE SERIES 2003 BONDS – Bond Interest Rates and Rate Periods" in the forepart of this Official Statement and Appendix F for a description of such Interest Rate Periods.

Lien shall mean any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property, excluding Liens applicable to Property in which any Obligated Group Member or Designated Affiliate has only a leasehold interest, unless the Lien is with respect to such leasehold interest.

Limited Designated Affiliate shall mean a Designated Affiliate that has been identified by the Credit Group Representative as a Limited Designated Affiliate pursuant to the Master Indenture.

Liquidity Facility shall mean, with respect to any Auction Rate Securities, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, acceptable to the Bond Insurer (if any), issued by a commercial bank or other financial institution, acceptable to the Bond Insurer (if any), and delivered or made available to the Tender Agent in accordance with the applicable Loan Agreement or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Account shall mean an account by that name established in the Bond Purchase Fund under each Variable Rate Indenture for the deposit of funds paid by a Liquidity Facility Provider for the purchase of tendered Auction Rate Securities.

Liquidity Facility Bonds shall mean Auction Rate Securities purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Auction Rate Securities no longer considered to be Liquidity Facility Bonds in accordance with the terms of the Liquidity Facility.

Liquidity Facility Provider shall mean a commercial bank or other financial institution, acceptable to the Bond Insurer (if any), issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect.

Liquidity Facility Rate shall mean the rate per annum, if any, specified in the applicable Liquidity Facility as applicable to Liquidity Facility Bonds, which rate shall not exceed the Maximum Interest Rate and unless otherwise consented to in writing by the Bond Insurer (if any).

Long-Term Indebtedness shall mean Indebtedness having an original maturity greater than one year or renewable at the option of an Obligated Group Member or a Designated Affiliate for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least five (5) consecutive days during each calendar year.

Master Indenture Obligation shall mean any obligation of the Obligated Group issued pursuant to the Master Indenture, as a joint and several obligation of each Obligated Group Member, which may be in any form set forth in a Related Supplement, including, but not limited to, bonds, obligations, debentures, reimbursement agreements, loan agreements, Financial Products Agreements or leases.

Master Indenture Obligation Payments shall mean payments (however designated) required under any Master Indenture Obligation then Outstanding that does not constitute Indebtedness.

Material Credit Group Members shall mean the Obligated Group Members and Designated Affiliates whose combined total net assets, as shown on their financial statements for their most recently completed fiscal year, were equal to or greater than 90% of the combined or consolidated net assets of the entire Credit Group for the most recently completed Fiscal Year of the Credit Group.

Material Designated Affiliate shall mean any Designated Affiliate whose total net assets, as shown on its financial statements for its most recently completed fiscal year, were equal to or greater than 10% of the combined or consolidated net assets of the Credit Group for the most recently completed Fiscal Year of the Credit Group.

Maximum Interest Rate shall mean 15% per annum; provided, however, that the Maximum Interest Rate shall not exceed the Maximum Lawful Rate.

Maximum Lawful Rate means the maximum rate of interest on the relevant obligation permitted by applicable law.

Moody's shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the related Issuer and the Bond Trustee.

Noticed Termination Date shall mean the date on which a Liquidity Facility Provider's obligation to advance funds or purchase Auction Rate Securities under a Liquidity Facility terminates as stated in the Liquidity Facility Provider's notice of termination delivered pursuant to the Liquidity Facility due to a default under specified sections of the Liquidity Facility, which date of termination shall be fourteen (14) days (or such longer period as is specified in the Liquidity Facility) after the date of receipt by the applicable Bond Trustee of such notice.

Obligated Group shall mean all Obligated Group Members.

Obligated Group Member shall mean the Corporation and each other Person which is obligated under the Master Indenture to the extent and in accordance with the provisions of the Master Indenture, from and after the date upon which such Person joins the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of the Master Indenture, from and after the date of such withdrawal.

Officer's Certificate shall mean a certificate signed by an Authorized Representative of the Credit Group Representative.

Opinion of Bond Counsel shall mean a written opinion signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Government Issuer.

Opinion of Counsel shall mean a written opinion signed by a reputable and qualified attorney or firm of attorneys who may be counsel for the Issuer, the Bond Trustee or the Credit Group Representative.

Permitted Liens shall mean and include:

(1) Liens arising by reason of good faith deposits with any Obligated Group Member or Designated Affiliate in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Group Member or Designated Affiliate to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(2) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Obligated Group Member or Designated Affiliate to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements, and any Lien in the nature of a banker's lien or right of setoff with respect to deposits which any Obligated Group Member or Designated Affiliate is not required to maintain with the bank in question;

(3) Any Lien arising by reason of any escrow established to pay debt service with respect to Indebtedness;

(4) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(5) Liens on moneys deposited by patients or others with any Obligated Group Member or Designated Affiliate as security for or as prepayment for the cost of patient care, and any rights of residents of life care, elderly housing or similar facilities to entrance fees, endowment or similar funds deposited by or on behalf of such residents;

(6) Liens on Property received by any Obligated Group Member or Designated Affiliate through gifts, grants or bequests; provided, that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified so as to apply to any Property of any Obligated Group Member or Designated Affiliate not previously subject to such Lien unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(7) Statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. Section 291 et seq. and similar rights under other federal and state statutes;

(8) Liens on funds established pursuant to the terms of any Related Supplement, Related Bond Indenture or related document in favor of the Master Trustee, a Related Bond Trustee or the registered owner of the Indebtedness issued pursuant to such Related Supplement, Related Bond Indenture or related document;

(9) Liens required by any federal, state or local government as a condition to its making a grant or loan (except loans made solely from the proceeds derived from the sale of Related Bonds) to, or its guaranteeing or insuring part or all of Indebtedness of, an Obligated Group Member or a Designated Affiliate, but only if such Lien is limited to Property the acquisition of which has not been financed, directly or indirectly, with proceeds of Master Indenture Obligations or Related Bonds;

(10) Liens in favor of the Master Trustee securing all Outstanding Master Indenture Obligations equally and ratably;

(11) Liens junior to Liens in favor of the Master Trustee in accordance with clause (16) hereof;

(12) Liens which are existing on the date of execution of the Master Indenture or existing on the date any Person becomes an Obligated Group Member or a Designated Affiliate, provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified to apply to any Property of any Obligated Group Member or Designated Affiliate not subject to such Lien on such date, unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(13) Liens on Property of a Person at the time such Person engages in a merger, consolidation, sale or conveyance pursuant to the Master Indenture; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified to apply to any Property of any Obligated Group Member or Designated Affiliate not subject to such Lien on such date, unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(14) Liens granted by an Obligated Group Member or Designated Affiliate to another Obligated Group Member or Designated Affiliate;

(15) Liens securing Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the property subject to such Liens; provided that such Liens shall not apply to any property theretofore owned by an Obligated Group Member or Designated Affiliate other than any theretofore unimproved real property on which the property so constructed or improved is located; and

(16) Any other Lien, provided that the aggregate Value of Property subject to Liens created or permitted to exist pursuant to this clause (16) shall not exceed ten percent (10%) of the total net assets of the Credit Group (as shown on the financial statements of the Credit Group for most recent fiscal year for which financial statements are available immediately preceding the date that such Lien is created).

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

Property, Plant and Equipment shall mean all Property of any Obligated Group Member or Designated Affiliate which is considered property, plant and equipment of such Obligated Group Member or Designated Affiliate under generally accepted accounting principles.

Qualified Provider shall mean any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), (i) in the case of Financial Products Agreements with a term of less than ten years, are rated in one of the three highest rating categories of a national rating agency (without regard to any gradation or such rating category) at the time of the execution and delivery of the Financial Products Agreement and (ii) in the case of

Financial Products Agreements with a term of ten years or more, are rated in one of the two highest rating categories of a national rating agency (without regard to any gradation or such rating category) at the time of the execution and delivery of the Financial Products Agreement.

Rating Agency shall mean Fitch, Moody's and S&P and any other national rating agency then rating Master Indenture Obligations or Related Bonds.

Rating Category shall mean a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Record Date shall mean (i) with respect to any Bonds bearing interest at either a Weekly Interest Rate or a Bond Interest Term Rate, the Business Day immediately preceding the related Interest Payment Date, (ii) with respect to any Bonds, the Purchase Date, (iii) with respect to any Bonds bearing interest at a Long-Term Interest Rate during a Long-Term Interest Rate Period, the first day of the month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day, (iv) with respect to any Bonds which are ARS, the second Business Day next preceding each ARS Interest Payment Date and (v) with respect to any Fixed Rate Bonds, the fifteenth day of the month preceding each Interest Payment Date.

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

Related Bonds shall mean the revenue bonds or other obligations issued by any Government Issuer, the proceeds of which are loaned or otherwise made available to an Obligated Group Member or a Designated Affiliate in consideration of the execution, authentication and delivery of a Master Indenture Obligation or Master Indenture Obligations to or for the order of such Government Issuer.

Related Bond Indenture shall mean any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds are issued.

Related Bond Issuer shall mean the Government Issuer of any issue of Related Bonds.

Related Bond Trustee shall mean the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, shall mean the Related Bond Issuer.

Related Supplement shall mean an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

Required Payment shall mean any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Obligated Group Member under the Master Indenture, any Related Supplement or any Master Indenture Obligation.

Required Stated Amount shall mean, with respect to the Liquidity Facility for a series of Auction Rate Securities, at any time of calculation, an amount equal to the aggregate principal amount of all Auction Rate Securities secured by such Liquidity Facility then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a Certificate of the Credit Group Representative to be the minimum period specified by the Rating Agencies then rating the Auction Rate Securities of such Series as necessary to obtain (or maintain) a specified short-term rating of the Auction Rate Securities of such Series.

Revenues, when used in connection with a Series of Bonds, shall mean all amounts received by the Issuer or the Bond Trustee for the account of the Issuer pursuant or with respect to the applicable Loan Agreement or Master Indenture Obligation, including, without limiting the generality of the foregoing, Loan Repayments

(including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the applicable Bond Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund established under such Bond Indenture.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the Issuer and the Bond Trustee.

Tender Agent shall mean the Bond Trustee under the applicable Bond Indenture in its capacity as Tender Agent thereunder, or its successor.

United States Government Obligations shall mean (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations the timely payment of the principal and interest on which are fully guaranteed by the United States of America, and, (ii) to the extent hereafter permitted by the Act, (a) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clause (i) provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian or (b) municipal obligations the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (i) or (ii)(a).

Value, when used with respect to Property, shall mean the aggregate value of all such Property, with each component of such Property valued, at the option of the Credit Group Representative, at either its Fair Market Value or its Book Value.

Variable Rate Bond Indenture shall mean each bond indenture relating to the Auction Rate Securities.

MASTER INDENTURE

The Master Indenture authorizes the issuance of Master Indenture Obligations by the Obligated Group, which may be unsecured general obligations or, to the extent permitted by the Master Indenture, secured by a claim on Property. A Master Indenture Obligation is stated in the Master Indenture to be a joint and several obligation of the Corporation and each other Obligated Group Member. The following are summaries of certain provisions of the Master Indenture. Other provisions are summarized in this Official Statement under the caption "SECURITY FOR THE SERIES 2003 BONDS." This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture.

Authorization, Issuance and Form of Master Indenture Obligations

Each Obligated Group Member authorizes to be issued from time to time Master Indenture Obligations or Series of Master Indenture Obligations, without limitation as to amount, except as provided in the Master Indenture or as may be limited by law, and subject to the terms, conditions and limitations established in the Master Indenture and in any Related Supplement. Each Related Supplement authorizing the issuance of a Master Indenture Obligation or a Series of Master Indenture Obligations shall specify and determine the principal amount of such Master Indenture Obligation or Series of Master Indenture Obligations (which, if such Master Indenture Obligation or Series of Master Indenture Obligations does not evidence or secure Indebtedness, shall be equal to the aggregate amount payable by the Credit Group pursuant to such Master Indenture Obligation or Series of Master Indenture Obligations); the purposes for which such Master Indenture Obligation or Series of Master Indenture Obligations are being issued; the form, title, designation, manner of numbering or denominations, if applicable, of such Master Indenture Obligations; the date or dates of maturity or other final expiration of the term of such Master Indenture Obligations; the date of issuance of such Master Indenture Obligations; and any other provisions deemed advisable or necessary by the Credit Group Representative.

The issuance, authentication and delivery of any Master Indenture Obligation or Series of Master Indenture Obligations shall be subject to the following specific conditions:

(a) The Credit Group Representative and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Master Indenture Obligations and the repayment thereof;

and

(b) The Master Trustee receives an Officer's Certificate to the effect that:

(1) each Obligated Group Member is in full compliance with all warranties, covenants and agreements set forth in the Master Indenture and in any Related Supplement;

and

(2) neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred or would occur upon issuance of such Master Indenture Obligations and is continuing under the Master Indenture or any Related Supplement;

and

(3) all requirements and conditions, if any, to the issuance of such Master Indenture Obligations set forth in the Related Supplement have been satisfied;

and

(c) The Master Trustee receives an Opinion of Counsel in form and substance satisfactory to the Master Trustee to the effect that:

(1) such Master Indenture Obligations and Related Supplement have been duly authorized, executed and delivered by the Credit Group Representative on behalf of the Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms;

and

(2) such Master Indenture Obligations are not subject to registration under federal or state securities laws and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that such registration, if required has occurred);

and

(d) the Credit Group Representative shall have delivered or caused to be delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee may reasonably request.

Covenants of Each Obligated Group Member

Payment of Required Payments. Each Obligated Group Member jointly and severally agrees to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture or in any Related Supplement or Master Indenture Obligation, and faithfully to observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Related Supplement and any Master

Indenture Obligation. The obligation of each Obligated Group Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

(a) the granting of any extension, waiver or other concession given to any Obligated Group Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by the Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

(b) the liability of any other Obligated Group Member under the Master Indenture ceasing for any cause whatsoever, including the release of any other Obligated Group Member pursuant to the provisions of the Master Indenture or any Related Supplement from membership in the Obligated Group; or

(c) any Obligated Group Member's failing to become liable as, or losing eligibility to become, an Obligated Group Member of the Obligated Group with respect to an Master Indenture Obligation.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Obligated Group Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Credit Group Representative or the Master Trustee to reduce liability on Master Indenture Obligations, whether from or on account of the Obligated Group Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Obligated Group Members to claim the benefit of any moneys so received until the whole of the amounts owing on Master Indenture Obligations has been paid or satisfied and so that in the event of any such Obligated Group Member's filing bankruptcy, the Credit Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Master Indenture Obligations Outstanding as to which the liability of such Obligated Group Member has become fixed.

Each Master Indenture Obligation shall be a primary obligation and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Obligated Group Member under the Master Indenture shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Credit Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of each Obligated Group Member under the Master Indenture and to enforce the making of Required Payments. Each Obligated Group Member authorizes each of the Credit Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant or agreement of the Obligated Group Members under the Master Indenture and to make any arrangement or compromise with any particular Obligated Group Member or Obligated Group Members as the Credit Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Related Supplement. Each Obligated Group Member waives in favor of the Credit Group Representative and the Master Trustee all rights against the Credit Group Representative, the Master Trustee and any other Obligated Group Member, insofar as is necessary to give effect to any of the provisions of the Master Indenture.

Transfers from Designated Affiliates. Each Controlling Member agrees that it shall cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture including without limitation the provisions of the Master Indenture described above under "Payment of Required Payments." Each Controlling Member covenants and agrees that it will not permit any of its Designated Affiliates to limit the ability of such Designated Affiliate to make such payments, loans or transfers to such Controlling Member.

Designation of Designated Affiliates. (a) The Credit Group Representative by resolution of its Governing Body may from time to time designate Persons as Designated Affiliates. In connection with such designation, the Credit Group Representative shall designate for each Designated Affiliate an Obligated Group Member to serve as the Controlling Member for such Designated Affiliate. The Corporation shall be the initial Controlling Member for

each of the Initial Designated Affiliates. the Credit Group Representative shall at all times maintain an accurate and complete list of all Persons designated as Designated Affiliates (and of the Controlling Members for such Designated Affiliates) and file such list with the Master Trustee and any Related Bond Issuer that shall request such list in writing annually on or before July 1 of each year.

(b) At the time of designation of a Designated Affiliate, the Credit Group Representative may additionally designate such Designated Affiliate as a Limited Designated Affiliate, or may from time to time by resolution of its governing body redesignate a Designated Affiliate as a Limited Designated Affiliate. A Limited Designated Affiliate's liability to transfer moneys or other assets to the Obligated Group shall be limited to such amount as shall be specified in an Officer's Certificate delivered to the Master Trustee upon the designation of such Designated Affiliate as a Limited Designated Affiliate. The Credit Group Representative shall give each Rating Agency then rating (and each bond insurer then insuring) any Master Indenture Obligations or Related Bonds thirty (30) days prior notice of any Designated Affiliate being redesignated as a Limited Designated Affiliate. The Credit Group Representative by resolution of its Governing Body may from time to time redesignate a Limited Designated Affiliate as a Designated Affiliate.

(c) Each Controlling Member shall cause each of its Designated Affiliates to provide to the Credit Group Representative a resolution of its Governing Body accepting such Person's designation as a Designated Affiliate and acknowledging the provisions of the Master Indenture which affect the Designated Affiliates. So long as such Person is designated as a Designated Affiliate, the Controlling Member of such Designated Affiliate shall either (i) maintain, directly or indirectly, control of such Designated Affiliate to the extent necessary to cause such Designated Affiliate to comply with the terms of the Master Indenture, whether through the ownership of voting securities, by contract, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise or (ii) execute and have in effect such contracts or other agreements which the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause such Designated Affiliate to comply with the terms of the Master Indenture.

(d) Each Controlling Member agrees that it will cause each of its Designated Affiliates to comply with any and all directives of the Controlling Member given pursuant to the provisions of the Master Indenture.

(e) Any Person may cease to be a Designated Affiliate (and thus not subject to the terms of this Master Indenture) provided that prior to such Person ceasing to be a Designated Affiliate the Master Trustee receives:

(1) a resolution of the Governing Body of the Credit Group Representative declaring such Person no longer a Designated Affiliate; and

(2) an Officer's Certificate to the effect that immediately following such Person ceasing to be a Designated Affiliate the Obligated Group Members would not be in default in the performance or observance of any term of this Master Indenture, including, without limitation, the provisions of the Master Indenture relating to Permitted Liens.

Maintenance of Properties, Etc. Each Obligated Group Member agrees to, and each Controlling Member agrees to cause each of its Designated Affiliates to:

(a) maintain its Property, Plant and Equipment in accordance with all valid and applicable governmental laws, ordinances, approvals and regulations including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon it; provided, however, that no Obligated Group Member or Designated Affiliate shall be required to comply with any law, ordinance, approval or regulation as long as it shall in good faith contest the validity thereof;

(b) maintain and operate its Property, Plant and Equipment in reasonably good working condition, and from time to time make or cause to be made all needful and proper replacements, repairs and

improvements so that the operations of such Obligated Group Member or Designated Affiliate will not be materially impaired;

(c) pay and discharge all applicable taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become Liens upon the Property, Plant and Equipment, and will make such payments or cause such payments to be made in due time to prevent any delinquency thereon or any forfeiture or sale of any part of the Property, Plant and Equipment, and, upon request, will furnish to the Master Trustee receipts for all such payments, or other evidences satisfactory to the Master Trustee; provided, however, that no Obligated Group Member or Designated Affiliate shall be required to pay any tax, assessment, rate or charge as long as it shall in good faith contest the validity thereof, and as long as it shall have set aside reserves with respect thereto that, in the opinion of the Governing Body of the Credit Group Representative, are adequate;

(d) pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Master Indenture Obligations issued and Outstanding under the Master Indenture) the validity, amount or collectibility of which is being contested in good faith;

(e) all times comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness noncompliance with which would have a material adverse effect on the operations of the Obligated Group or its Property; and

(f) use its best efforts (as long as it is in its best interests and will not materially adversely affect the interests of the Holders) to maintain all permits, licenses and other governmental approvals necessary for the operation of its Property.

Nothing in the Master Indenture shall be construed to require an Obligated Group Member or Designated Affiliate to maintain any permit, license or other governmental approval, or to continue to operate or maintain any Property, Plant or Equipment, if, in the reasonable good faith judgment of the Obligated Group Member or Designated Affiliate, such permit, license, governmental approval or Property, Plant or Equipment is, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, unsuitable, undesirable or unnecessary for the business of the Obligated Group and failure to maintain or operate such permit, license, governmental approval, Property, Plant or Equipment will not materially adversely impair the operation of the Obligated Group and the Designated Affiliates.

Against Encumbrances. Each Obligated Group Member agrees that it will not, and each Controlling Member agrees that it will not permit any of its Designated Affiliates to, create, assume or suffer to exist any Lien upon the Property of the Obligated Group to secure Indebtedness, except for Permitted Encumbrances. Each Obligated Group Member further covenants that if such a Lien is created or assumed by any Obligated Group Member or Designated Affiliate, it will make or cause to be made effective a provision whereby all Master Indenture Obligations will be secured prior to any Indebtedness secured by such Lien.

Debt Coverage. Within 180 days after the end of each Fiscal Year the Credit Group Representative shall compute the Annual Required Debt Service Coverage Ratio for the Credit Group for such Fiscal Year and furnish to the Master Trustee and any Related Bond Issuer that shall request the same in writing an Officer's Certificate setting forth the results of such computation. The Credit Group Representative covenants that if at the end of such Fiscal Year the Annual Required Debt Service Coverage Ratio shall have been less than 1.10:1.0, it will promptly employ an Independent Consultant to make recommendations as to a revision of the rates, fees and charges of the Credit Group or the methods of operation of the Credit Group to increase the Annual Debt Service Coverage Ratio to at least 1.10:1.0 for subsequent Fiscal Years (or, if in the opinion of the Independent Consultant, the attainment of such level is impracticable, to the highest practicable level). Copies of the recommendations of the Independent Consultant shall be filed with the Master Trustee and any Related Bond Issuer that shall request the same in writing. Each Obligated Group Member shall, and each Controlling Member shall cause each of its Designated Affiliates to, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by

law, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations.

If the Credit Group complies in all material respects with the reasonable recommendations of the Independent Consultant with respect to their rates, fees, charges and methods of operation or collection, the Credit Group will be deemed to have complied with the covenants set forth in this Section for such Fiscal Year, notwithstanding that the Annual Required Debt Service Coverage Ratio shall be less than 1.10:1.0; provided, however, that an Event of Default shall exist if the Annual Required Debt Service Coverage Ratio is less than 1.0:1.0 for any Fiscal Year. Nevertheless, neither the Obligated Group Members nor the Designated Affiliates shall be excused from taking any action or performing any duty required under the Master Indenture and no other Event of Default shall be waived by the operation of the provisions of this paragraph and the preceding paragraph.

Notwithstanding the foregoing, the Obligated Group Members and the Designated Affiliates may permit the rendering of services or the use of their Property without charge or at reduced charges, at the discretion of the Governing Body of such Obligated Group Member or Designated Affiliate, to the extent necessary for maintaining its tax-exempt status and its eligibility for grants, loans, subsidies or payments from governmental entities, or in compliance with any recommendation for free services that may be made by an Independent Consultant.

Merger, Consolidation, Sale or Conveyance. Each Obligated Group Member agrees that it will not, and each Controlling Member agrees that it will not permit its Designated Affiliates to, merge or consolidate with any other Person that is not an Obligated Group Member or an Designated Affiliate or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member or an Designated Affiliate unless:

(a) After giving effect to the merger, consolidation, sale or conveyance,

(1) the successor or surviving corporation (hereinafter, the "Surviving Corporation") is an Obligated Group Member,

or

(2) the Surviving Corporation shall

A) be a corporation organized and existing under the laws of the United States of America or any State thereof

and

B) become an Obligated Group Member and expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Obligated Group Member under the Master Indenture;

and

(b) The Master Trustee receives an Officer's Certificate to the effect that no Obligated Group Member, immediately after the date of the proposed merger, consolidation, sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture or any Master Indenture Obligation issued under the Master Indenture;

and

(c) The Master Trustee receives an Officer's Certificate to the effect that, for the last full Fiscal Year immediately preceding the proposed merger, consolidation, sale or conveyance, the Annual Debt Service Coverage Ratio, calculated as if the merger, consolidation, sale or conveyance had occurred as of the first day of such Fiscal Year, would have been at least equal to 1.10:1.0;

and

(d) So long as any Related Bonds are Outstanding, the Master Trustee receives an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that, under then existing law, the consummation of such merger, consolidation, sale or conveyance, in and of itself, would not result in the inclusion of interest on such Related Bonds in gross income for purposes of federal income taxation;

and

(e) The Master Trustee receives an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that (i) all conditions in the Master Indenture relating to such merger, consolidation, sale or conveyance have been complied with and it is proper for the Master Trustee to join in the execution of any instrument required to be executed and delivered; (ii) the Surviving Corporation meets the conditions set forth described above and is liable on all Master Indenture Obligations then Outstanding; and (iii) such merger, consolidation, sale or conveyance will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

and

(f) The Surviving Corporation shall be substituted for its predecessor in interest in all Master Indenture Obligations and agreements then in effect which affect or relate to any Master Indenture Obligation, and the Surviving Corporation shall execute and deliver to the Master Trustee appropriate documents in order to effect the substitution.

From and after the effective date of such substitution (as set forth in the above-mentioned documents), the Surviving Corporation shall be treated as though it were an Obligated Group Member as of the date of the execution of the Master Indenture and shall thereafter have the right to participate in transactions under the Master Indenture relating to Master Indenture Obligations to the same extent as the other Obligated Group Members.

Except as may be expressly provided in any Related Supplement, the ability of any Obligated Group Member to merge or consolidate with any Person that is an Obligated Group Member after such merger or consolidation or to sell or convey all or substantially all of its assets to any Person that is an Obligated Group Member after such sale or conveyance is not limited by the provisions of the Master Indenture. Except as may be expressly provided in any Related Supplement, the ability of any Designated Affiliate to merge or consolidate with any Person or to sell or convey all or substantially all of its assets to any Person is not limited by the provisions of the Master Indenture.

Membership in Obligated Group. Additional Obligated Group Members may be added to the Obligated Group from time to time, provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Obligated Group Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture;

and

(b) a Related Supplement executed by the Corporation, the new Obligated Group Member and the Master Trustee pursuant to which the proposed new Obligated Group Member

(1) agrees to become an Obligated Group Member,

and

(2) agrees to be bound by the terms of the Master Indenture, the Related Supplements and the Master Indenture Obligations,

and

(3) irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants to the Credit Group Representative full power to execute Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations and to execute and deliver Master Indenture Obligations;

and

(c) an Opinion of Counsel in form and substance satisfactory to the Master Trustee to the effect that (i) the proposed new Obligated Group Member has taken all necessary action to become an Obligated Group Member, and upon execution of the Related Supplement, such proposed new Obligated Group Member will be bound by the terms of the Master Indenture and (ii) the addition of such Obligated Group Member will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

and

(d) an Officer's Certificate to the effect that immediately after the addition of the proposed new Obligated Group Member, no Obligated Group Member would be in default in the performance or observance of any term of the Master Indenture;

and

(e) an Officer's Certificate to the effect that, for the last full Fiscal Year immediately preceding the addition of the proposed new Obligated Group Member, the Annual Debt Service Coverage Ratio, calculated as if the proposed new Obligated Group Member had become an Obligated Group Member as of the first day of such Fiscal Year, would have been at least equal to 1.10:1.0;

and

(f) so long as any Related Bonds are Outstanding, an Opinion of Bond Counsel in form and substance satisfactory to the Master Trustee, to the effect that (1) the addition of the proposed new Obligated Group Member will not, in and of itself, result in the inclusion of interest on any Related Bonds in gross income for purposes of federal income taxation; and (2) will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred).

Withdrawal from Obligated Group. Any Obligated Group Member may withdraw from the Obligated Group and be released from further liability or obligation under the provisions of the Master Indenture, and any Obligated Group Member may be redesignated as a Designated Affiliate, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that the Credit Group Representative has approved the withdrawal of such Obligated Group Member (and, if applicable, redesignation of such Obligated Group Member as a Designated Affiliate);

and

(b) an Officer's Certificate to the effect that immediately following the withdrawal of such Obligated Group Member, no remaining Obligated Group Member would be in default in the performance or observance of any term of the Master Indenture;

and

(c) an Officer's Certificate to the effect that for the last full Fiscal Year immediately preceding the withdrawal of such Obligated Group Member, the Annual Debt Service Coverage Ratio, calculated as if such Obligated Group Member had withdrawn from the Obligated Group as of the first day of such Fiscal Year and calculated as if the remaining Obligated Group Members were the only members of the Credit Group, would have been at least equal to 1.10:1.0.

Upon compliance with the conditions described above, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Group Member to evidence the termination of such Obligated Group Member's obligations under the Master Indenture, under all Related Supplements and under all Master Indenture Obligations.

Preparation and Filing of Financial Statements, Reports and Other Information. (a) Each Obligated Group Member covenants that it will keep, and each Controlling Member agrees that it will cause the Designated Affiliates to keep, adequate records and books of accounts in which complete and correct entries shall be made (said books shall be subject to the inspection of the Master Trustee during regular business hours after reasonable notice).

(b) The Credit Group Representative covenants that it will furnish to the Master Trustee and any Related Bond Issuer that shall request the same in writing:

(1) As soon as practicable, but in no event more than six months after the last day of each Fiscal Year, one or more financial statements which, in the aggregate, shall include the Material Credit Group Members. Such financial statements:

(a) may consist of financial statements reporting the financial results of Persons for disparate fiscal years;

(b) may consist of (i) consolidated or combined financial results including one or more members of the Credit Group and one or more other Persons required to be consolidated or combined with such member(s) of the Credit Group under generally accepted accounting principles or (ii) special purpose financial statements including only members of the Credit Group;

(c) shall be audited by a firm of nationally recognized independent certified public accountants approved by the Credit Group Representative as having been prepared in accordance with generally accepted accounting principles (except, in the case of special purpose financial statements, for required consolidations);

(d) shall include a combined balance sheet, statement of operations and changes in net assets;

(e) if more than one financial statement is delivered to the Master Trustee pursuant to this clause (1), each such financial statement shall contain, as "other financial information," a combining or consolidating schedule from which financial information solely relating to the members of the Credit Group may be derived.

(2) Unless a single financial statement (including a single special purpose financial statement) is delivered pursuant to clause (1) above for the entire Credit Group, as soon as practicable, but in no event more than six months after the last day of each Fiscal Year beginning with the Fiscal Year ending June 30, 2000, an unaudited balance sheet, statement of operations and changes in net assets for such Fiscal Year for the Credit Group (such balance sheet, statement of operations and changes in net

assets being referred to in the Master Indenture as the "Credit Group Financial Statements"), prepared by the Credit Group Representative based on (a) for all Material Credit Group Members which have the same fiscal year as the Fiscal Year of the Credit Group, the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (1) above and (b) for all other Credit Group Members, unaudited financial statements for such Fiscal Year (including, at the option of the Credit Group Representative, Credit Group Members that are not Material Credit Group Members, whether or not financial statements were delivered to the Master Trustee for such Credit Group Members pursuant to clause (1) above).

(3) At the time of the delivery of the Credit Group Financial Statements, a certificate of the chief financial officer of the Credit Group Representative stating that (i) the Credit Group Financial Statements were prepared in accordance with generally accepted accounting principles (except for the inclusion of Credit Group Members that are not permitted to be consolidated in accordance with generally accepted accounting principles and the exclusion of entities that are not Credit Group Members that are required to be consolidated in accordance with generally accepted accounting principles), (ii) subject to clause (5) below, the Credit Group Financial Statements reflect the results of the operations of only Credit Group Members, (iii) the Credit Group Financial Statements reflect the results of the operations of the Material Credit Group Members, and (iv) the combined net assets of the Material Credit Group Members for which financial statements have been delivered to the Master Trustee pursuant to clause (1) above and that are included in the Credit Group Financial Statements are equal to or greater than 90% of the combined or consolidated net assets of the Credit Group for the most recently completed Fiscal Year of the Credit Group.

(4) At the time of the delivery of the Credit Group Financial Statements, a certificate of the chief financial officer of the Credit Group Representative, stating that the Credit Group Representative has made a review of the activities of the Material Credit Group Members during the preceding Fiscal Year for the purpose of determining whether or not the Material Credit Group Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Material Credit Group Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and none of such Material Credit Group Members is in default in the performance or observance of any of the terms, covenants, provisions or conditions, or if any Material Credit Group Member shall be in default such certificate shall specify all such defaults and the nature thereof.

(5) Notwithstanding the foregoing, the results of operation and financial position of Immaterial Affiliates need not be excluded from financial statements delivered to the Master Trustee pursuant to this section, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Material Credit Group Members for all purposes of the Master Indenture notwithstanding the inclusion of the results of operation and financial position of such Immaterial Affiliates.

Default

Events of Default. Each of the following events shall be an Event of Default under the Master Indenture:

(a) Failure on the part of the Obligated Group to make due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Master Indenture Obligation.

(b) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under the Master Indenture (including covenants or agreements contained in any Related Supplement or Master Indenture Obligation) for a period of 30 days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Credit Group Representative by the Master Trustee or to the Credit Group Representative and the Master Trustee by the Holders of 25% in aggregate principal amount of Outstanding Master Indenture Obligations (provided that if such failure can be remedied but not within such 30 day

period, such failure shall not become an Event of Default for so long as the Credit Group Representative shall diligently proceed to remedy the failure in accordance with and subject to any directions or limitations of time established by the Master Trustee).

(c) Any Obligated Group Member shall default in the payment of Indebtedness (other than Indebtedness secured by a Master Indenture Obligation, which shall be governed by subparagraph (a) above) in an aggregate outstanding principal amount equal to the greater of $1,000,000 or one percent of the aggregate principal amount of all Long-Term Indebtedness of the Credit Group then Outstanding, and any grace period for such payment shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which any Indebtedness is secured or evidenced, shall occur; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if, within 30 days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (1) any Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient moneys are deposited in escrow with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness.

(d) A court having jurisdiction shall enter a decree or order for relief in respect of any Obligated Group Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of the Property of any Obligated Group Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

(e) Any Obligated Group Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

(f) An event of default shall exist under any Related Bond Indenture.

(g) An event of default shall exist under any agreement with the insurer of any Related Bonds or Master Indenture Obligations.

The Credit Group Representative agrees that, as soon as practicable, and in any event within ten (10) days after such event, the Credit Group Representative shall notify the Master Trustee of any event which is an Event of Default which has occurred and is continuing, which notice shall state the nature of such event and the action which the Obligated Group Members propose to take with respect thereto.

Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall, by notice to the Credit Group Representative, declare all Outstanding Master Indenture Obligations immediately due and payable. Upon such declaration of acceleration, all Outstanding Master Indenture Obligations shall be immediately due and payable. If the terms of any Related Supplement give a Person the right to consent to acceleration of the Master Indenture Obligations issued pursuant to such Related Supplement, the Master Indenture Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In the event of acceleration, an amount equal to the aggregate principal amount of all Outstanding Master Indenture Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues on such principal and interest to the date of payment, shall be due and payable on the Master Indenture Obligations.

(b) At any time after the Master Indenture Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(1) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all payments then due on all Outstanding Master Indenture Obligations (other than payments then due only because of such declaration);

and

(2) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all fees and expenses of the Master Trustee then due;

and

(3) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all other amounts then payable by the Obligated Group under the Master Indenture;

and

(4) every Event of Default (other than a default in the payment of the principal or other payments of such Master Indenture Obligations then due only because of such declaration) has been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction for any such request), shall, proceed to protect and enforce its rights and the rights of the Holders under the Master Indenture by such proceedings as the Master Trustee may deem expedient, including but not limited to:

(1) Enforcement of the right of the Holders to collect amounts due or becoming due under the Master Indenture Obligations;

(2) Civil action upon all or any part of the Master Indenture Obligations;

(3) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Master Indenture Obligations to account as if it were the trustee of an express trust for the Holders of Master Indenture Obligations;

(4) Civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Master Indenture Obligations; and

(5) Enforcement of any other right or remedy of the Holders conferred by law or by the Master Indenture.

(b) Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction for such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or

(2) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request.

Application of Moneys After Default. During the continuance of an Event of Default, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture relating to Events of Default (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses and other amounts owed to the Master Trustee) shall be applied as follows:

(a) Unless all Outstanding Master Indenture Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of the Master Indenture):

First: To the payment of all installments of interest then due on the Master Indenture Obligations in the order of their due dates, and, if the amount available is not sufficient to pay in full all installments due on the same date, then to the payment thereof ratably, according to the amounts of interest due on such date, without any discrimination or preference; and

Second: To the payment of all installments of principal then due on the Master Indenture Obligations (whether at maturity or by call for redemption) in the order of their due dates, and, if the amount available is not sufficient to pay in full all installments due on the same date, then to the payment thereof ratably, according to the amounts of principal due on such date, without any discrimination or preference.

(b) If all Outstanding Master Indenture Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of the Master Indenture), to the payment of the principal and interest then due and unpaid on the Master Indenture Obligations, and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, of interest over principal, of any installment over any other installment or of any Master Indenture Obligation over any other Master Indenture Obligation, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Such moneys shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of moneys available and the likelihood of additional moneys becoming available in the future. Upon any date fixed by the Master Trustee for the application of such moneys to the payment of principal, interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of such moneys or of the fixing of such dates. The Master Trustee shall not be required to make payment to the Holder of any unpaid Master Indenture Obligation until such Master Indenture Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Master Indenture Obligations have been paid under the terms of the Master Indenture described above and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to the Credit Group Representative, its successors or such Person as a court of competent jurisdiction may direct.

Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Master Indenture Obligations may be enforced by the Master Trustee without the possession of any of the Master Indenture Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of the Master Indenture described above under "Application of Moneys After Default," any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Master Indenture Obligations.

Master Trustee to Represent Holders. The Master Trustee is irrevocably appointed as trustee and attorney-in-fact for the Holders for the purpose of exercising on their behalf the rights and remedies available to the Holders under the provisions of the Master Indenture, the Master Indenture Obligations, any Related Supplement and applicable provisions of law. The Holders, by taking and holding the Master Indenture Obligations, shall be conclusively deemed to have so appointed the Master Trustee.

Holders Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of conducting any proceeding to be taken in connection with the enforcement of the terms of the Master Indenture. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. However, the Master Trustee shall not follow any such direction that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not joining in such direction. Nothing described in this paragraph shall impair the right of the Master Trustee to take any other action authorized by the Master Indenture that it may deem proper and which is not inconsistent with such direction by Holders.

Waiver of Event of Default. No delay or omission of the Master Trustee or of any Holder to exercise any right with respect to any Event of Default shall impair such right or shall be construed to be a waiver of or acquiescence to such Event of Default. Every right and remedy given under the Master Indenture to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them. The Master Trustee may waive any Event of Default which in its opinion has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture. Upon the written request of the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations, the Master Trustee shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in the Master Indenture, the failure to pay the principal of, premium, if any, or interest on any Master Indenture Obligation when due may not be waived without the written consent of the Holders of all Outstanding Master Indenture Obligations. In case of any waiver by the Master Trustee of an Event of Default, the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights. No waiver shall extend to, or impair any right with respect to, any other Event of Default.

Supplements and Amendments

Supplements Not Requiring Consent of Holders. The Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for any of the following purposes: (a) to correct any ambiguity or formal defect or omission in the Master Indenture which does not materially and adversely affect the interests of the Holders; (b) to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising under the Master Indenture and which does not materially and adversely affect the interests of the Holders; (c) to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Obligated Group Members; (d) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect; (e) to create and provide for the issuance of an Master Indenture Obligation or Series of Master Indenture Obligations as permitted under the Master Indenture; (f) to obligate a successor to any Obligated Group Member as provided in the Master Indenture; or (g) to add a new Obligated Group Member as provided in the Master Indenture.

Supplements Requiring Consent of Holders. (a) Other than Related Supplements referred to in the preceding paragraph and subject to the terms contained in the Master Indenture, the Holders of not less than a *majority* in aggregate principal amount of the Outstanding Master Indenture Obligations shall have the right to consent to and approve the execution by the Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee of such Related Supplements as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained in the Master Indenture; provided, however, that nothing shall permit or be construed as permitting a Related Supplement

which would: (1) extend the stated maturity of or time for paying interest on any Master Indenture Obligation or reduce the principal amount of or the redemption premium or rate of interest or method of calculating interest payable on any Master Indenture Obligation without the consent of the Holder of such Master Indenture Obligation; (2) modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture so as to affect the right of the Holders of any Master Indenture Obligations in default as to payment to compel the Master Trustee to declare the principal of all Master Indenture Obligations to be due and payable, without the consent of the Holders of all Outstanding Master Indenture Obligations; or (3) reduce the aggregate principal amount of Outstanding Master Indenture Obligations the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Master Indenture Obligations then Outstanding.

Satisfaction and Discharge of Master Indenture

The Master Indenture shall cease to be of further effect if: (a) all Master Indenture Obligations previously authenticated (other than any Master Indenture Obligations which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in any Related Supplement) and not cancelled are delivered to the Master Trustee for cancellation; or (b) all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation are paid; or (c) a deposit is made in trust with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between an Obligated Group Member and such bank or trust company in form acceptable to the Master Trustee) in cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be; and all other sums payable under the Master Indenture by the Obligated Group Members are also paid. The Master Trustee, on demand of the Obligated Group Members or any thereof and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. The Obligated Group Members shall cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction provided pursuant to clause (c) described above, upon which report the Master Trustee may rely.

SUPPLEMENTAL MASTER INDENTURES

General

The Supplemental Master Indentures provide for the issuance of the Master Indenture Obligations pursuant to the Master Indenture, and provide the terms and forms thereof.

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

Payments on the Master Indenture Obligations; Credits

Principal of and interest and any applicable redemption premium on the Master Indenture Obligations are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in the following paragraph with respect to credits, and in the section described under the heading "Prepayment of the Master Indenture Obligations," payments on the principal of and premium, if any, and interest on the Master Indenture Obligations shall be made at the times and in the amounts specified in the respective Master Indenture Obligations by the Credit Group Representative depositing the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding Business Day if such day is not a Business Day), and giving notice to the Master Trustee and the Bond Trustee of each payment of principal, interest or premium on the Master Indenture Obligations, specifying the amount paid and identifying such payment as a payment on one of the Master Indenture Obligations.

The Credit Group Representative shall receive credit for payment on each Master Indenture Obligation, in addition to any credits resulting from payment or prepayment from other sources, as follows: (a) on installments of interest on such Master Indenture Obligation in an amount equal to moneys deposited in the Interest Account created under the applicable Bond Indenture, which amounts are available to pay interest on the applicable Bonds and to the extent such amounts have not previously been credited against payments on the Master Indenture Obligation; (b) on installments of principal of the Master Indenture Obligation in an amount equal to moneys deposited in the Principal Account created under the applicable Bond Indenture, which amounts are available to pay principal of the applicable Bonds and to the extent such amounts have not previously been credited on the Master Indenture Obligation; (c) on installments of principal of and interest on the Master Indenture Obligation in an amount equal to, respectively, the principal amount of applicable Bonds for the redemption or payment of which sufficient amounts (as determined by the applicable Bond Indenture) in cash or United States Government Obligations, as defined in the applicable Bond Indenture, are on deposit as provided in such Bond Indenture to the extent such amounts have not been previously credited against payments on the Master Indenture Obligation, and the interest on such Bonds payable from such cash or United States Government Obligations and from and after the date fixed for payment at maturity or redemption thereof (such credits shall be made against the installments of principal of and interest on the Master Indenture Obligation that would have been used, but for such payment or redemption, to pay principal of and interest on such Bonds when due at maturity or upon mandatory redemption); and (d) on installments of principal of and interest on the Master Indenture Obligation in an amount equal to, respectively, the principal amount of the applicable Bonds delivered to the Bond Trustee for cancellation or purchased by the Bond Trustee and canceled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation (such credits shall be made against the installments of principal of and interest on the Master Indenture Obligation that would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due, and with respect to Bonds called for mandatory redemption, against principal installments that would have been used to pay Bonds of the same maturity).

In addition to its obligation to pay the principal of and interest on the Master Indenture Obligations securing Auction Rate Securities, the Credit Group Representative and the other Obligated Group Members are obligated to, and promise to pay to the Tender Agent, all amounts required to be paid by the Borrower pursuant to their respective Loan Agreements for the purpose of paying the purchase price of Auction Rate Securities converted to a different Interest Rate Mode and tendered for optional or mandatory purchase pursuant to the Variable Rate Bond Indentures, at such times and in such amounts as are required to be paid by the Borrower pursuant to the related Loan Agreement. The Credit Group Representative shall receive credit for payment pursuant to this paragraph in an amount equal to moneys deposited with the Tender Agent by the Borrower pursuant to the applicable Loan Agreement.

Prepayment of the Master Indenture Obligations

So long as all amounts that have become due under each Master Indenture Obligation have been paid, the Credit Group Representative shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under such Master Indenture Obligation. Prepayments may be made by payments of cash or surrender of applicable Bonds, as contemplated by the applicable Supplemental Master Indenture. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the applicable Bonds) shall be deposited upon receipt in the Optional Redemption Account created under the applicable Bond Indenture and, at the request of and as determined by the Credit Group Representative, credited against payments due under such Master Indenture Obligation or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the applicable Bond Indenture. Notwithstanding any such prepayment or surrender of such Bonds, as long as any such Bonds remain Outstanding or any additional payments required to be made under the applicable Supplemental Master Indenture remain unpaid, the Credit Group Representative shall not be relieved of its obligations under such Supplemental Master Indenture.

Registration, Number, Negotiability and Transfer of the Master Indenture Obligations

Except as provided below, so long as any Bond remains outstanding, each Master Indenture Obligation shall consist of a single Master Indenture Obligation without coupons registered as to principal and interest in the name of the Bond Trustee and no transfer of the Master Indenture Obligations shall be registered under the Master

Indenture except for transfers to a successor Bond Trustee. Upon the principal of all Master Indenture Obligations Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, the Master Indenture Obligations may be transferred, if and to the extent the Bond Trustee requests that the above restrictions on transfers be terminated.

Right to Redeem

The Master Indenture Obligations shall be subject to redemption, in whole or in part, prior to the maturity at the times and in the amounts specified in the Bonds issued under the applicable Bond Indenture; provided that in no event shall the Master Indenture Obligations be redeemed unless a corresponding amount of applicable Bonds is also redeemed.

Continuing Disclosure

The Credit Group Representative agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any provision of the Loan Agreements or the Master Indenture, failure of the Credit Group Representative to comply with the Continuing Disclosure Agreement shall not be considered a Loan Default Event or Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Credit Group Representative to comply with its obligations relating to continuing disclosure under the applicable Supplemental Master Indenture.

BOND INDENTURES

General

The Bond Indentures set forth the terms of the Bonds, the nature and extent of security, the various rights of the Holders of the Bonds, the rights, duties and immunities of the Bond Trustee and the rights and obligations of the Issuers. Certain provisions of the Bond Indentures are summarized below. Other provisions are summarized in this Official Statement under the captions "THE SERIES 2003 BONDS" and "SECURITY FOR THE SERIES 2003 BONDS."

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

Establishment of Funds and Accounts

Each Bond Indenture creates a Revenue Fund, an Interest Account, a Principal Account, a Redemption Fund, an Optional Redemption Account, a Special Redemption Account, a Project Fund (except with respect to the Michigan Bonds) an Escrow Fund (where applicable) and a Rebate Fund, all of which are to be held by the Bond Trustee. Each Variable Rate Bond Indenture also creates a Bond Purchase Fund, a Remarketing Proceeds Account, a Liquidity Facility Account and an Ascension Health Purchase Account, all of which are held by the Tender Agent. The Missouri and Idaho Bond Indentures also create a Commercial Paper Retirement Fund. References to the Bond Indenture shall be deemed to be references to each Bond Indenture, unless otherwise indicated. References to funds and accounts in this section shall be deemed to be references to the applicable funds and accounts established under each Bond Indenture.

Pledge and Assignment

Subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture,

all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Bond Indenture (other than the Bond Purchase Fund (in the case of the Auction Rate Securities) and the Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

Revenue Fund

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

Allocation of Revenues

On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective funds and accounts the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority: (1) to the Interest Account, on or before each Interest Payment Date, the aggregate amount of interest becoming due and payable on such date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; (2) to the Principal Account, on or before each November 15, the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds plus the aggregate amount of Sinking Fund Installments becoming due and payable on Outstanding Fixed Rate Bonds and for the Auction Rate Securities, in each case on such date, until the balance in each such account is equal to said aggregate amount of such principal and Sinking Fund Installments and (3) to the Bond Insurer (if any) any amount due under the Related Supplement securing it or any reimbursement agreement relating to the Bonds.

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

Application of Interest Account

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

Application of Principal Account

All amounts in the Principal Account established under each Bond Indenture shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the applicable Bonds when due and (except that all amounts in a Sinking Account shall be used and withdrawn by the Bond Trustee to redeem or pay at maturity the applicable Term Bonds when due and payable).

Application of Redemption Fund

All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of

redemption, the Bond Trustee shall, upon direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

Project Fund

The moneys in the Project Fund shall be used and withdrawn by the Bond Trustee to pay costs of the project upon requisition of the Borrower.

Escrow Fund

The moneys in the Escrow Fund shall be transferred by the Bond Trustee to Wells Fargo Bank, National Association, as Escrow Agent for the defeasance of each respective series of Existing Bonds.

Rebate Fund

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

Commercial Paper Retirement Fund

The moneys in the Commercial Paper Retirement Fund shall be used and withdrawn by the Bond Trustee to pay commercial paper of Ascension Health as described in this Official Statement under the caption "PLAN OF FINANCE – Payment at Maturity of Commercial Paper Notes."

Bond Purchase Fund

From and after the date of Conversion, moneys paid to the Tender Agent for the purchase of tendered or deemed tendered Auction Rate Securities received from (i) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account, (ii) payments pursuant to the Liquidity Facility, if any, shall be deposited in the Liquidity Facility Account, and (iii) Ascension Health or any Obligated Group Member shall be deposited in the Ascension Health Purchase Account. Moneys in the Liquidity Facility Account, the Ascension Health Purchase Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested. The Tender Agent shall hold all Auction Rate Securities delivered to it under the Variable Rate Bond Indenture in trust for the benefit of the respective Holders which shall have so delivered such Auction Rate Securities until moneys representing the Purchase Price of such Bonds have been delivered to such Holder in accordance with the provisions of the Variable Rate Bond Indenture and until such Bonds are delivered by the Tender Agent in accordance with the Variable Rate Bond Indenture.

Continuing Disclosure

Pursuant to the applicable Supplemental Master Indenture, the Credit Group Representative has undertaken all responsibility for compliance with continuing disclosure requirements, and the Issuer shall have no liability to the Holders of the Bonds or any other Person with respect to S.E.C. Rule 15c2-12. The Bond Trustee agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and the applicable Supplemental Master Indenture. Notwithstanding any other provision of the Bond Indenture, failure of the Credit Group Representative or the Bond Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Bond Trustee may (and, at the request of the Participating Underwriter

(as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Holder or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Credit Group Representative to comply with its obligations under the applicable Supplemental Master Indenture or to cause the Bond Trustee to comply with its obligations under the Bond Indenture. See APPENDIX D –"FORM OF CONTINUING DISCLOSURE AGREEMENT."

Replacement of Master Indenture Obligation with Master Indenture Obligation Issued under a Separate Master Indenture

A Master Indenture Obligation may be replaced by an obligation issued under a replacement master indenture upon the conditions specified in the Bond Indenture. One of the conditions specified is that the Bond Trustee receive written confirmation from each Rating Agency then rating the Bonds that the replacement of the Master Indenture Obligation will not by itself result in a reduction in the then-current ratings on the Bonds. Another condition specified is that the Bond Insurer (if any) gives its written consent to such replacement. Upon satisfaction of such conditions, all references in the Bond Indenture and in the applicable Loan Agreement to the applicable Master Indenture Obligation would be deemed to be references to the replacement obligation, all references to the Master Indenture would be deemed to be references to the replacement master indenture, all references to the Master Trustee would be deemed to be references to the master trustee under the replacement master indenture, all references to the Obligated Group and the Obligated Group Members would be deemed to be references to the obligated group and the members of the obligated group under the replacement master indenture and all references to the applicable Supplemental Master Indenture would be deemed to be references to the supplemental master indenture pursuant to which the replacement obligation is issued.

Events of Default

Each of the following is an Event of Default under the Bond Indenture: (a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise or default in the redemption from the Sinking Account of any Bonds in the amounts and at the times provided therefor; (b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; (c) failure to pay the purchase price of any Auction Rate Securities tendered pursuant to the Variable Rate Bond Indenture when such payment is due; (d) default in any material respect by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in the Bond Indenture or in the Bonds, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer and the Borrower by the Bond Trustee, or to the Issuer, the Borrower and the Bond Trustee by a Bond Insurer (if any) or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or (e) a Loan Default Event. Upon actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify the Borrower, the Credit Group Representative, the Issuer, the Bond Insurer (if any), and the Master Trustee in writing as soon as practicable; provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if the Borrower has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Credit Group Representative, the Issuer, the Bond Insurer (if any), and the Master Trustee.

Acceleration of Maturities

If any Event of Default has occurred and is continuing the Bond Trustee may, and at the direction of the Bond Insurer (if any) shall, take the following remedial steps: (a) In the case of an Event of Default described in clause (a), (b) or (c) of the preceding paragraph, the Bond Trustee may notify the Issuer and the Master Trustee of such Event of Default, may make a demand for payment under the applicable Master Indenture Obligation and request the Master Trustee in writing to give notice pursuant to the Master Indenture to the Obligated Group Members of the Obligated Group declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Thereupon, the Bond Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee may take whatever action at law or in equity is necessary or

desirable to collect the payments due under the applicable Master Indenture Obligation; (b) In the case of an Event of Default described in clause (d) of the preceding paragraph, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Issuer with any covenant, condition or agreement by the Issuer under the Bond Indenture; and (c) In the case of an Event of Default described in clause (e) of the preceding paragraph, the Bond Trustee may take whatever action the Issuer would be entitled to take, and shall take whatever action the Issuer would be required to take, pursuant to the applicable Loan Agreement in order to remedy the Loan Default Event.

Notwithstanding the foregoing provisions, the Bond Trustee shall not without the written consent of the Bond Insurer (if any) (i) declare the principal of the Insured Bonds, or the interest accrued with respect thereto, to be due and payable immediately, or (ii) rescind and annul any declaration of acceleration or waive any default under the Bond Indenture with respect to the Insured Bonds.

Bond Trustee to Represent Bondholders

If any Event of Default has occurred and is continuing, the Bond Trustee in its discretion may, and upon the written request of the Holders of 25% in principal amount of the Bonds then Outstanding (subject to the rights of the Bond Insurer (if any) with respect to enforcement of remedies under the Bond Indenture) and receipt of indemnity to its satisfaction shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Bond Indenture, or in aid of the execution of any power granted in the Bond Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee or in such Holders under the Bond Indenture, the applicable Loan Agreement, the applicable Master Indenture Obligation, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Bond Indenture, pending such proceedings.

Bondholders' Direction of Proceedings

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

Limitation on Bondholders' Right to Sue

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

Amendment of Indenture

The Bond Indenture may be amended or supplemented from time to time, without the necessity of obtaining the consent of the Holders, but with the consent of Ascension Health and the Bond Insurer (if any), for one or more of the following purposes: (a) to add covenants of the Issuer, to pledge or assign additional security for the

Bonds or to surrender any right or power in the Bond Indenture reserved to or conferred upon the Issuer, provided, that no such covenant, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (b) to cure any ambiguity, inconsistency or omission as the Issuer or the Bond Trustee may deem necessary or desirable and not inconsistent with the Bond Indenture and which shall not materially adversely affect the interests of the Holders of the Bonds; (c) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds; (d) to evidence or give effect to, or to conform to the terms and conditions of, any Liquidity Facility for the Auction Rate Securities; (e) to evidence or give effect to, or conform to the terms and provisions of, any insurance policy, letter of credit or credit enhancement for the Bonds; (f) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Auction Rate Securities; (g) to maintain the exclusion from gross income of interest payable with respect to the Bonds; or (h) to make any modification or amendment to the Variable Rate Bond Indenture which will be effective upon remarketing of the Auction Rate Securities following the mandatory tender of the Auction Rate Securities pursuant to the Variable Rate Bond Indenture.

The Bond Indenture may be modified or amended from time to time by a Supplemental Indenture with the written consent of the Bond Insurer (if any), the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and the Borrower; provided, that no such modification or amendment shall (1) extend the stated maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable thereon, or change the purchase price to be paid to Holders tendering their Bonds, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the Holders of all Bonds then Outstanding.

Defeasance

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

Liability of Issuer Limited to Revenues

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

LOAN AGREEMENTS

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

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

Loan Repayments

The Borrower agrees to pay, or cause to be paid, Loan Repayments in an amount sufficient to enable the Bond Trustee to make the transfers and deposits required at the times and in the amounts described in the applicable

Bond Indenture. Notwithstanding the foregoing, the Borrower agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of or interest on the applicable Bonds from time to time Outstanding under the applicable Bond Indenture and other amounts required to be paid under the applicable Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Additional Payments

The Borrower also agrees to pay certain Additional Payments in connection with the issuance of the applicable Bonds, including certain taxes and assessments charged to the Issuer, the Bond Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), or the Bond Insurer (if any), all reasonable fees, charges, expenses and indemnities of the Issuer and the Bond Trustee under the applicable Loan Agreement and under the applicable Bond Indenture, of the Tender Agent under the Variable Rate Bond Indenture, of the Liquidity Facility Provider (if any) under the Liquidity Facility (if any) and under the Variable Rate Bond Indenture, and of the Bond Insurer (if any) under any reimbursement agreement and the reasonable fees and expenses of experts engaged by the Issuer and the Bond Trustee and all other reasonable and necessary fees and expenses attributable to the applicable Loan Agreement or the applicable Master Indenture Obligation.

Prepayment

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

Payment of Purchase Price of Purchased Bonds

If a Liquidity Facility is not in effect or if the Liquidity Facility Provider has not paid the full amount required by the Variable Rate Bond Indenture at the times required under the Variable Rate Bond Indenture, the Borrower shall pay to the Tender Agent (in appropriate shares) the amounts necessary for the purchase of Auction Rate Securities pursuant to the Variable Rate Bond Indenture and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Bonds pursuant to the Variable Rate Bond Indenture.

Obligations Unconditional

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

performance of any of the agreements on its part, contained in such Loan Agreement, and in the event the Issuer should fail to perform any such agreement on its part, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the issuer, the Master Trustee or the Bond Trustee owing to the Borrower, or by reason of any other indebtedness or liability at any time owing by the Issuer, the Master Trustee or by the Bond Trustee to the Borrower.

Events of Default

The following events shall be Loan Default Events under each Loan Agreement: (1) if the Borrower shall fail to pay any payment required by such Loan Agreement or if the Obligated Group shall fail to make any payment required under the Master Indenture Obligation when due; (2) if any material representation or warranty made by the Borrower or, any Obligated Group Member in any document, instrument or certificate furnished to the Bond Trustee or the Issuer in connection with the issuance of the Master Indenture Obligation or the applicable Bonds shall at any time prove to have been incorrect in any respect as of the time made; (3) if the Borrower shall fail to observe or perform any other covenant, condition, agreement or provision in such Loan Agreement on its part to be observed or performed for a period of 60 days after written notice specifying such failure or breach and requesting that it be remedied, has been given to the Borrower by the Issuer of the Bond Trustee, except that, if such failure or breach can be remedied but not within such 60 day period, such failure shall not become a Loan Default Event for so long as the Borrower shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Bond Trustee; (4) any Event of Default under the applicable Bond Indenture or the Master Indenture shall occur and is continuing and (5) any event of default under a reimbursement agreement with a Bond Insurer (if any) relating to the Bonds.

Remedies on Default

If a Loan Default Event shall occur under a Loan Agreement, the Bond Trustee on behalf of the Issuer, at the direction of or with consent of the Bond Insurer (if any), may, among other things, declare all installments of Loan Repayments payable for the remainder of the term of such Loan Agreement to be immediately due and payable. The Issuer or the Bond Trustee may also take whatever action, at law or in equity, to collect the payment required under such Loan Agreement then due or to otherwise enforce the performance and observance of any obligation, agreement or covenant of the Borrower contained in such Loan Agreement.

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Appendix D

Form of Continuing Disclosure Agreement

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated [Closing Date], is executed and delivered by Ascension Health ("Ascension") and Wells Fargo Bank [Indiana], National Association (the "Bond Trustee"), in connection with the issuance of $_____ [Issuer] [Name of Bonds] (the "Bonds"). The Bonds are being issued pursuant to a Bond Indenture, dated as of March 1, 2003 (the "Indenture"), between the [Issuer] (the "Issuer") and the Bond Trustee. The proceeds of the Bonds are being loaned by the Issuer to Ascension, pursuant to a Loan Agreement, dated as of March 1, 2003 (the "Loan Agreement"), between the Issuer and Ascension. The Bonds are secured under the provisions of the Indenture and will be payable from (1) payments required to be made by Ascension under the Loan Agreement, (2) payments made by Members of the Obligated Group (the "Members") on Obligation No. __ (the "Obligation") issued by Ascension under the Master Trust Indenture, dated as of November 1, 1999 (the "Master Indenture"), among Ascension, the other Obligated Group Members named therein and U.S. Bank National Association, as master trustee (the "Master Trustee"), as supplemented by the Supplemental Master Indenture for Obligation No. __, dated as of March 1, 2003, between Ascension and the Master Trustee (the "Supplement"), and (3) certain funds held under the Indenture. Under the Master Indenture, the Obligated Group Members are jointly and severally obligated to make payments on the Obligation according to the terms thereof when due. Pursuant to Section __ of the Indenture and Section __ of the Supplement, Ascension, on its own behalf and on behalf of the other Obligated Group Members, and the Bond Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by Ascension and the Bond Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). Ascension and the Bond Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by Ascension pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Senior Vice President and Chief Financial Officer of Ascension or his or her designee, or such other person as Ascension shall designate in writing to the Bond Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by Ascension and which has filed with the Bond Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth from time to time at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"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.

"State" shall mean the State of [State].

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. [As of the date of this Agreement, there is no State Repository.]

SECTION 3. Provision of Quarterly and Annual Reports.

(a) Ascension shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of Ascension's fiscal year (which fiscal year as of the date hereof ends June 30), commencing with the report for the fiscal year ending June 30, 2003, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If Ascension's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, Ascension shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). If by such date the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) have not received a copy of the Annual Report, the Bond Trustee and the Dissemination Agent shall contact Ascension to determine if Ascension is in compliance with the first sentence of this subsection (b).

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), Ascension shall, or shall cause the Dissemination Agent to, not later than 60 days after the end of each of the first three fiscal quarters of Ascension's fiscal year (which fiscal year as of the date hereof ends June 30), provide to each Repository a Quarterly Report consisting of an unaudited balance sheet, statement of operations and changes in net assets for such Fiscal Year for the Credit Group (including all Material Credit Group Members and such other Obligated Group Members and Designated Affiliates as may be determined by Ascension), prepared by Ascension.

(d) If the Bond Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Bond Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

2. file a report with Ascension, the Issuer and (if the Dissemination Agent is not the Bond Trustee) the Bond Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. Ascension's Annual Report shall contain or include by reference the following:

(a) One or more financial statements which, in the aggregate, shall include the Obligated Group Members and Designated Affiliates whose combined total net assets, as shown on their financial statements for their most recently completed fiscal year, were equal to or greater than 90% of the combined or consolidated net assets of

the entire Credit Group for the most recently completed Fiscal Year of the Credit Group (the "Material Credit Group Members"). Such financial statements:

1. may consist of financial statements reporting the financial results of Persons for disparate fiscal years;

2. may consist of (i) consolidated or combined financial results including one or more members of the Credit Group and one or more other Persons required to be consolidated or combined with such member(s) of the Credit Group under generally accepted accounting principles or (ii) special purpose financial statements including only members of the Credit Group;

3. shall be audited by a firm of nationally recognized independent certified public accountants approved by the Credit Group Representative as having been prepared in accordance with generally accepted accounting principles (except, in the case of special purpose financial statements, for required consolidations);

4. shall include a combined balance sheet, statement of operations and changes in net assets; and

5. if more than one financial statement is delivered to the Master Trustee pursuant to this clause (a), each such financial statement shall contain, as "other financial information," a combining or consolidating schedule from which financial information solely relating to the members of the Credit Group may be derived.

If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement (defined below), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless a single financial statement (including a single special purpose financial statement) is delivered pursuant to clause (a) above for the entire Credit Group, an unaudited balance sheet, statement of operations and changes in net assets for such Fiscal Year for the Credit Group, prepared by Ascension based on (1) for all Material Credit Group Members which have the same fiscal year as the Fiscal Year of the Credit Group, the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (a) above and (2) for all other Credit Group Members, unaudited financial statements for such Fiscal Year (including, at the option of the Credit Group Representative, Credit Group Members that are not Material Credit Group Members, whether or not financial statements were for such Credit Group Members were included in the Annual Report pursuant to clause (a) above).

(c) An update of the following information contained in Appendix A to the Official Statement, dated March 5, 2003 (the "Official Statement"), related to the Bonds:

1. The sources of revenue for the Credit Group.

2. The investment income, cash and investments of the Credit Group for the immediately preceding Fiscal Year of the Credit Group, as shown in the first and fifth paragraph under the caption "Liquidity; Investment Policies and Income."

3. Utilization information for the Members of the Credit Group, as shown under the heading "Historical Utilization."

(d) Any or all of the items listed in (a) – (c) above may be included by specific reference to other documents, including official statements of debt issues with respect to which Ascension is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the

Municipal Securities Rulemaking Board. Ascension shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, Ascension shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Bond Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that Ascension promptly notify the Bond Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever Ascension obtains knowledge of the occurrence of a Listed Event, because of a notice from the Bond Trustee pursuant to subsection (b) or otherwise, Ascension shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If Ascension has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, Ascension shall promptly notify the Dissemination Agent and the Bond Trustee in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), Ascension determines that the Listed Event would not be material under applicable federal securities laws, Ascension shall so notify the Dissemination Agent and the Bond Trustee in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by Ascension to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repositories with a copy to Ascension. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. Ascension's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If Ascension's obligations under the Supplement 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 Ascension and Ascension shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, Ascension shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. Ascension 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. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by Ascension pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Bond Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Bond Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Ascension and the Bond Trustee may amend this Disclosure Agreement (and the Bond Trustee shall agree to any amendment so requested by Ascension) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Bond Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, Ascension shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by Ascension. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent Ascension 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 occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If Ascension chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, Ascension shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of Ascension, the Bond Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Ascension, the Bond Trustee or the Dissemination Agent, as the case may be, 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 the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of Ascension, the Bond Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Bond Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Bond Trustee or the Bond Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and Ascension 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of Ascension under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To Ascension:

Ascension Health
4600 Edmundson Road
St. Louis, Missouri 63134
Attention: Senior Vice President and Chief Financial Officer
Telephone: (314) 253-6700
Fax: (314) 253-6807

To the Bond Trustee:

Wells Fargo Bank [Indiana], National Association
Sixth Street and Marquette Avenue
MAC #N9303-110
Minneapolis, MN 55479-0069
Attention: Corporate Trust Department
Telephone: (612) 667-9090
Fax: (612) 667-2160

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, Ascension, the Bond Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners 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.

ASCENSION HEALTH

By_____

WELLS FARGO BANK [INDIANA],
NATIONAL ASSOCIATION,
as Bond Trustee

By_____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:

Name of Bond Issue:

Name of Borrower:

Date of Issuance: March __, 2003

NOTICE IS HEREBY GIVEN that Ascension has not provided an Annual Report with respect to the above-named Bonds as required by Section ___ of the Bond Indenture, dated as of March 1, 2003, between the Issuer and Wells Fargo Bank [Indiana], National Association, and by Section __ of Supplemental Master Indenture for Obligation No. __, dated as of March 1, 2003, between Ascension and U.S. Bank National Association. [Ascension anticipates that the Annual Report will be filed by _____.]

Dated:_____

Wells Fargo Bank [Indiana], National Association, on behalf of Ascension

By: _____

cc: Ascension Health

Appendix E

Forms of Opinion of Orrick, Herrington & Sutcliffe LLP,
Miller, Canfield, Paddock & Stone, P.L.C.
and Sherman & Howard L.L.C.

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APPENDIX E

FORM OF OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP

[Closing Date]

[Issuer]
[City][State]

[ISSUER]
[NAME OF BONDS]
(ASCENSION HEALTH CREDIT GROUP), SERIES 2003_
(FINAL OPINION)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the [Issuer] (the "Issuer") of $_____ aggregate principal amount of [Designation of Bonds] (Ascension Health Credit Group), Series 2003_ (the "Bonds"), issued pursuant to the provisions of the [State Act] and a bond indenture, dated as of March 1, 2003 (the "Indenture"), between the Issuer and Wells Fargo Bank [Indiana], National Association, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Ascension Health ("Ascension"), pursuant to a loan agreement, dated as of March 1, 2003 (the "Loan Agreement"), between the Issuer and Ascension. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Loan Agreement; the Tax Certificate and Agreement, dated the date hereof (the "Tax Agreement"), between the Issuer and Ascension; opinions of counsel to the Issuer and Ascension; certificates of the Issuer, the Trustee, Ascension and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Hall, Render, Killian, Heath & Lyman, P.C., special counsel to Ascension and the other Members of the Obligated Group, regarding, among other matters, the current qualification of Ascension and the other Members of the Obligated Group as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that such opinion is subject to a number of qualifications and limitations. Failure of Ascension or certain other Members of the Obligated Group to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

[The interest rate mode and] Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. We have assumed the

genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture (except the Rebate Fund [and the Bond Purchase Fund]), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title, and interest of the Issuer in the Loan Agreement (to the extent more particularly described in the Indenture).

3. The Loan Agreement has been duly executed and delivered by the Issuer and constitutes the valid and binding agreement of the Issuer.

4. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the State of [State] or of any other political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code [insert state tax language, if any]. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

LAW OFFICES OF

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

A PROFESSIONAL LIMITED LIABILITY COMPANY

PENSACOLA, FLORIDA 32501

Escambia County Health Facilities Authority
Pensacola, Florida

Re: $191,850,000 Escambia County Health Facilities Authority (Florida) Revenue Bonds (Ascension Health Credit Group) Series 2003A

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Escambia County Health Facilities Authority (the "Authority") of not exceeding $250,000,000 aggregate principal amount of Escambia County Health Facilities Authority (Florida) Revenue Bonds (Ascension Health Credit Group) Series 2003A (the "Bonds"), issued pursuant to the provisions of the Florida Health Facilities Authorities Law, Part III, of Chapter 154, Florida Statutes, as amended (the "Health Facilities Law"), and Chapter 159, Part II, Florida Statutes (the "Industrial Act"), and a bond indenture, dated as of March 1, 2003 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, a national banking association duly organized under the laws of the United States of America, with its principal corporate trust office located in Minneapolis, Minnesota, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of financing and refinancing the acquisition, construction, renovation, and equipping of certain capital improvements on the campuses of Sacred Heart Hospital of Pensacola, a Florida not-for-profit corporation, and/or its affiliates (the "Hospital") whose parent corporation is Ascension Health, a not-for-profit corporation duly organized and existing under the laws of the State of Missouri (the "Borrower"), pursuant to a loan agreement, dated as of March 1, 2003 (the "Loan Agreement"), between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the following: the Indenture; the Loan Agreement; the Tax Certificate and Agreement, dated the date hereof (the "Tax Agreement"), between the Authority and the Borrower; opinions of counsel to the Authority and the Borrower; opinions of counsel rendered in connection with the "Other 2003 Bonds," as defined below; certificates of the Authority, the Trustee, the Borrower and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Bonds are being issued contemporaneously with $525,400,000 Michigan State Hospital Finance Authority Revenue Refunding Bonds (Ascension Health Credit Group) Series 2003B, $295,375,000 Health and Educational Facilities Authority of the State of Missouri Revenue Bonds (Ascension Health Credit Group) Series 2003C, $24,700,000 Idaho Health Facilities Authority Revenue Bonds (Ascension Health Credit Group) Series 2003D, $498,475,000 Indiana Health Facility Financing Authority Revenue Bonds (Ascension Health Credit Group) Series 2003E (collectively, the "Other 2003 Bonds"), pursuant to substantially similar indentures and financing agreements entered into by and between the Borrower's affiliates and subsidiaries located in states other than the State of Florida. Orrick, Herrington & Sutcliffe LLP ("Orrick") has delivered opinions concerning the exclusion of interest on the Other 2003 Bonds from gross income for federal income tax purposes.

We understand that the Bonds are being sold at substantially the same time and pursuant to the same plan of financing as the Other 2003 Bonds. Therefore, with your permission, in rendering the opinion set forth in numbered paragraph five (5) below, we have relied (among other things) upon the opinion of Orrick to the effect that interest on each issue of the aforesaid Other 2003 Bonds is excluded from gross income for federal income tax purposes (subject only to the qualifications expressed in said opinion). We offer no opinion as to bonds issued outside the State of Florida.

We have also relied, with your permission, on the opinion of Hall, Render, Killian, Heath & Lyman, P.C., special counsel to the Borrower and the other Members of the Obligated Group, regarding, among other matters, the current qualification of the Borrower and the other Members of the Obligated Group as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). We note that such opinion is subject to a number of qualifications and limitations. Failure of the Borrower or certain other Members of the Obligated Group to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

We have also relied upon the opinion of Paula G. Drummond, P.A., counsel to the Authority, as to the matters referred to therein.

It should be noted that certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture (except the Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders

from time to time of the Bonds, of the right, title, and interest of the Authority in the Loan Agreement (to the extent more particularly described in the Indenture).

3. The Loan Agreement has been duly executed and delivered by the Authority and constitutes the valid and binding agreement of the Authority.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the State of Florida, Escambia County, Florida or of any other political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

6. Interest on the Bonds is exempt from all present taxes imposed by the State of Florida except taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220.

Respectfully submitted,

FORM OF OPINION OF
SHERMAN & HOWARD L.L.C.

_____ ___, 2003

Idaho Health Facilities Authority
1607 West Jefferson Street
Boise, Idaho 83702

Idaho Health Facilities Authority
Revenue Bonds
(Ascension Health Credit Group)
Series 2003D

Ladies and Gentlemen:

We have examined the law of the State of Idaho and the United States relevant to the opinions herein and a certified copy of the record of the proceedings of the Idaho Health Facilities Authority (the "Authority") and other documents relevant to the issuance by the Authority of the "Idaho Health Facilities Authority Revenue Bonds (Ascension Health Credit Group), Series 2003D" in the aggregate principal amount of $24,700,000 (the "Bonds"). The Bonds are issued under the Bond Indenture dated as of March 1, 2003 (the "Bond Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Bond Trustee").

The Bonds are dated, mature on the date and bear interest at the rates computed in accordance with the Bond Indenture. The Bonds are subject to redemption and repurchase prior to maturity and are transferable and payable in the manner and subject to the conditions and limitations provided in the Bond Indenture.

The proceeds of the Bonds will be loaned by the Authority to Ascension Health, a Missouri nonprofit corporation ("Ascension Health"), pursuant to the Loan Agreement dated as of March 1, 2003 (the "Loan Agreement") between the Authority and Ascension Health and used by Ascension Health for the purpose of (i) retiring a portion of the commercial paper issued by Ascension Health for the purpose of acquiring the membership interests of Carondelet Health System, Inc. ("CHS") and certain affiliates of CHS, including St. Joseph Regional Medical Center, Inc. ("SJRMC") and (ii) financing certain additions and improvements to the health facilities owned and operated by SJRMC.

In order to provide security for the repayment of the Bonds, there will be issued to the Authority the Ascension Health Credit Group Master Indenture Obligation No. 53 in the principal amount of $24,700,000 ("Obligation No. 53") pursuant to the Master Trust Indenture dated as of November 1, 1999, as supplemented and amended (the "Master Trust Indenture"), between Ascension Health, the other corporations named therein and U.S. Bank National Association, as master trustee (the "Master Trustee"), as further supplemented by Supplemental Master Indenture for Master Indenture Obligation No. 53 dated as of March 1, 2003 ("Supplement No. 53" and together with the Master Trust Indenture the "Master Indenture") between Ascension Health and the Master Trustee.

The Bonds and the interest thereon are special obligations of the Authority, payable solely out of the loan payments to be made by Ascension Health to the Authority under the Loan Agreement and on Obligation No. 53 and certain other amounts as provided in the Bond Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and Ascension Health contained in the certified proceedings and certifications of other officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination and, for purposes of paragraph 4 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Co-Bond Counsel that:

1. The Authority has been duly created and is an independent public body politic and corporate, validly organized and existing under the laws and Constitution of the State of Idaho.

2. The Bonds have been duly authorized by the Authority, duly executed and delivered by authorized officers of the Authority and (assuming due authentication by the Bond Trustee) constitute the valid and legally binding special obligations of the Authority enforceable against the Authority in accordance with their terms, except as may be limited by insolvency, bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or against municipal corporations such as the Authority from time to time in effect and by the application of general principles of equity.

3. The Loan Agreement and the Bond Indenture have been duly authorized by the Authority, duly executed and delivered by authorized officers of the Authority and (assuming valid execution and delivery by the other parties thereto) constitute the valid and legally binding instruments of the Authority enforceable against the Authority in accordance with their respective terms, except as may be limited by insolvency, bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or against municipal corporations such as the Authority from time to time in effect and by the application of general principles of equity.

4. Interest on the Bonds is excluded from gross income under Federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Interest on the Bonds is exempt from all State of Idaho income taxes under state income tax laws in effect on the date hereof. In rendering the opinion set forth in this paragraph, we are relying upon the opinion of Hall, Render, Killian, Heath & Lyman, P.S.C. special counsel to Ascension Health and SJRMC, of even date herewith as to the status of Ascension Health and SJRMC as tax exempt organizations under Section 501(c)(3) of the Code. In addition, in rendering this opinion, we are relying on the opinion of Orrick, Herrington & Sutcliffe, LLP of even date herewith as to the tax exempt status under the Code of interest on the Escambia County Health Facilities Authority Revenue Bonds (Ascension Health Credit Group), Series 2003A, the Michigan State Hospital Finance Authority Revenue Refunding Bonds (Ascension Health Credit Group), Series 2003B, the Health and Educational Facilities Authority of the State of Missouri Revenue Bonds (Ascension Health Credit Group), Series 2003C and the Indiana Health Facility Financing Authority Revenue Bonds (Ascension Health Credit Group), Series 2003E.

The opinions expressed in this opinion letter are subject to the following:

The enforceability of the obligations of the Authority is subject to the reasonable exercise in the future by the State of Idaho and its governmental bodies of the police power inherent in the sovereignty of the State of Idaho and to the exercise by the United States of the powers delegated to it by the Federal Constitution.

In rendering the foregoing opinions, we are not passing upon the matters of (i) the corporate status of Ascension Health, (ii) the power of Ascension Health to execute and deliver the Loan Agreement, the Master Trust Indenture, Supplement No. 53 or Obligation No. 53, (iii) the enforceability of the Loan Agreement, the Master Indenture, or Obligation No. 53 against Ascension Health or the power of Ascension Health to perform its obligations under any such documents or instruments or (iv) the validity or enforceability of the Broker-Dealer Agreement dated as of March 1, 2003 relating to the Bonds between Deutsche Bank Trust Company Americas (the "Auction Agent") and Salomon Smith Barney Inc., the Market Agent Agreement dated as of March 1, 2003 relating to the Bonds between Salomon Smith Barney Inc. and the Bond Trustee, or the Auction Agent Agreement dated as of March 1, 2003 between the Bond Trustee and the Auction Agent.

We understand that MBIA Insurance Corporation has issued an insurance policy with respect to the Bonds. We express no opinion as to the validity or enforceability of such insurance policy or the security afforded thereby.

The interest rate mode and certain agreements, requirements and procedures contained, or referred to, in the Bond Indenture, the Tax Agreement (as defined in the Bond Indenture) and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Sherman & Howard LLC.

In this opinion rendered in our capacity as Co-Bond Counsel, we are passing only upon those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the Bonds except those specifically addressed in paragraph 4 above.

Respectfully submitted,

Appendix F

Summary of Certain Provisions Relating to the Auction Rate Securities

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES

The following is a summary of certain provisions of each Bond Indenture, each Auction Agent Agreement, each Broker-Dealer Agreement and each Market Agent Agreement relating to the Auction Rate Securities. This summary is not intended to be a full statement of the terms of such documents and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not previously defined elsewhere in the Official Statement (including the other appendices thereto) or defined in this Appendix F have the meanings set forth in the related Bond Indenture. Copies of each Bond Indenture, each Auction Agent Agreement, each Broker-Dealer Agreement and each Market Agent Agreement may be obtained from the Bond Trustee. See also "THE SERIES 2003 BONDS" in the Official Statement for a description of certain other provisions of the documents relating to the Auction Rate Securities ("ARS") and "APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS" for a summary of certain other provisions of each Bond Indenture relating to the Auction Rate Securities.

Certain Definitions Relating to the Auction Rate Securities

Capitalized terms used in this Appendix and elsewhere in this Official Statement have the meanings set forth below. Capitalized terms used but not defined in this Appendix or elsewhere in this Official Statement have the meanings given in each Bond Indenture, or in each Auction Agent Agreement, each Broker Dealer Agreement or each Market Agent Agreement, as applicable.

"'AA' Financial Commercial Paper Rate" means, as of any date of determination, the interest equivalent of the 30-day rate on financial commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P or another nationally recognized securities rating agency, as such 30-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination. If, however, the Federal Reserve Bank of New York does not make available any such rate, then the "AA" Financial Commercial Paper Rate shall be the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by the Commercial Paper Dealers, as of the close of business on the Business Day immediately preceding such date of determination. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "AA" Financial Commercial Paper Rate, the "AA" Financial Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (i) 100 multiplied by (ii) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) multiplied by the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be 360.

"All-Hold Rate" means, on any date of determination, the interest rate per annum equal to 55% (as such percentage may be adjusted as described in this Appendix under "Adjustment in Percentages") of the lesser of (i) the "AA" Financial Commercial Paper Rate on such date and (ii) the Index on such date; provided, that in no event shall the All-Hold Rate be more than the ARS Maximum Rate.

"Applicable ARS Rate" means with respect to any Series of Bonds which are ARS, the rate per annum at which interest accrues on the Bonds of such Series for any ARS Interest Period.

"Applicable Percentage" means, as of any Auction Date with respect to a Series of Bonds, the Percentage of Index (in effect on such Auction Date) determined (as such percentage may be adjusted as described in this

Appendix under "Adjustment in Percentages"), based on the Prevailing Rating of such Series in effect at the close of business on the Business Day immediately preceding such Auction Date, as set forth below:

Prevailing Ratings	Percentage of Index
AAA/AAA/Aaa	150%
AA/AA/Aa	175
A/A/A	200
BBB/BBB/Baa	250
Below BBB/BBB/Baa	275

"ARS" means, on any date, all Auction Rate Securities of any Series which on such date bear interest as auction rate securities as provided in each Bond Indenture for Auction Rate Securities and the Auction Procedures applicable thereto.

"ARS Beneficial Owner" means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Bond Trustee while such ARS are not in book-entry form.

"ARS Defaulted Interest" means interest on any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.

"ARS Interest Payment Date" means, with respect to each Series of ARS, the Business Day immediately following each Auction Period for such Series.

"ARS Interest Period" means, with respect to each Series of ARS, the period commencing on and including an ARS Interest Payment Date and ending on the day immediately preceding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Date of Issuance or the Conversion Date, as the case may be.

"ARS Interest Rate" means the interest rate on ARS of any Series determined as provided in the Bond Indenture and the Auction Procedures.

"ARS Interest Rate Period" means each period during which the Bonds of a Series are ARS.

"ARS Maximum Rate" means, on any date of determination, the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the higher of (A) the "AA" Financial Commercial Paper Rate on such date and (B) the Index on such date, and (ii) 15% per annum; provided, that in no event shall the ARS Maximum Rate be more than the Maximum Lawful Rate.

"ARS Payment Default" means (i) a default in the due and punctual payment of any installment of interest on a Series of ARS and the Bond Insurer (if any) shall have failed to pay under the terms of the Bond Insurance Policy (if any) or (ii) a default in the due and punctual payment of any principal of or premium, if any, on a Series of ARS at stated maturity or pursuant to a mandatory redemption and the Bond Insurer (if any) shall have failed to pay under the terms of the Bond Insurance Policy (if any).

"ARS Rating Agency" means Moody's or S&P, or if either Moody's or S&P discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Market Agent with the consent of Ascension Health.

"Ascension Health" means Ascension Health, a not-for-profit corporation duly organized and existing under the laws of the State of Missouri, or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

"Auction" means the implementation of the Auction Procedures on an Auction Date.

"Auction Agent" means, initially, Deutsche Bank Trust Company Americas, and any Person meeting the requirements of an auction agent under the Bond Indenture which is a party to an Auction Agent Agreement and agrees with the Bond Trustee to perform the duties of the Auction Agent with respect to a Series of ARS. When used at a time when more than one Auction Agent is acting under the Bond Indenture, the term "Auction Agent" means, as the context dictates, either all such Auction Agents, collectively, or the Auction Agent acting with respect to the applicable Series of ARS.

"Auction Agent Agreement" means, the auction agent agreement between the Bond Trustee and the Auction Agent, as amended or supplemented from time to time with the written consent of the Bond Insurer (if any).

"Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.

"Auction Date" means the Business Day immediately preceding the first day of each Auction Period, other than (i) each Auction Period commencing after the ownership of such Series of ARS is no longer maintained in book-entry form by a Securities Depository; (ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or (iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default. The Auction Date determined as provided in this definition may be adjusted as described in this Appendix under "Changes in Auction Period or Auction Date."

"Auction Period" means (i) with respect to a Series of ARS in a seven-day mode, any of (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or (E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) and (ii) with respect to a Series of ARS in a 35-day mode, any of (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 35 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 35 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period

does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day); provided, however, that the initial Auction Period with respect to each Series of Auction Rate Securities that are issued in an ARS Interest Rate Period shall begin on and include the Date of Issuance, and that in the event of a Conversion of a Series of Auction Rate Securities from another Interest Rate Period to an ARS Interest Rate Period, the initial Auction Period with respect to such Series of Bonds following such Conversion shall begin on and include the Conversion Date.

"Auction Procedures" means, with respect to each Series of ARS, the auction procedures set forth in Exhibit B of each related Bond Indenture and described in this Appendix under "Auction Procedures" and "Settlement Procedures."

"Auction Rate" means, with respect to the interest rate on a Series of ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in the Auction Procedures; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate.

"Authorized Denominations" means, with respect to any ARS Interest Rate Period, $25,000 and any integral multiple thereof.

"Bid" has the meaning described in this Appendix under "Auction Procedures."

"BMA Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Bond Trustee and the Market Agent, if any, for a Series of ARS, and effective from such date.

"Bond Trustee" means (1) with respect to the Series 2003E Bonds of the Indiana Issuer, Wells Fargo Bank Indiana, National Association and (2) with respect to all other Series 2003 Bonds, Wells Fargo Bank, National Association, each a national banking association organized and existing under and by virtue of the laws of the United States, or its successor, as Bond Trustee, as provided in the Bond Indenture.

"Broker-Dealer" means, initially, Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (as further described in the front part of this Official Statement with respect to particular Series of ARS), and any broker or dealer (each as defined in the Securities Exchange Act of 1934), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been appointed as such by Ascension Health pursuant to the Bond Indenture, and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used at a time when more than one Broker-Dealer is acting under the Bond Indenture, the term "the Broker-Dealer" shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the applicable Series of ARS.

"Broker-Dealer Agreement" means, the agreement between the Auction Agent and a Broker-Dealer relating to a Series of ARS pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented with the written consent of the Bond Insurer (if any).

"Business Day" means any day on which banks located in New York, New York, and the city in which the Principal Office of the Bond Trustee is located are not required or authorized to be closed and on which The New York Stock Exchange is open.

"Change of Tax Law" means, with respect to any ARS Beneficial Owner, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the Date of Issuance, which (i) changes or would change any

deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under section 103 of the Code.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended.

"Commercial Paper Dealer" means, initially, Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (as further described in the front part of this Official Statement), their respective successors and assigns, and any other commercial paper dealer appointed as provided in the Bond Indenture.

"Conversion" means a conversion of a Series of Auction Rate Securities from one Interest Rate Period to another Interest Rate Period as provided in the Bond Indenture.

"Conversion Date" means the effective date of a Conversion of a Series of Auction Rate Securities.

"Credit Group Representative" means Ascension Health or any other Person designated in a Certificate of Ascension Health filed with the Bond Trustee as the "Credit Group Representative."

"Existing Holder" means, with respect to any Auction, a Person who was listed as the ARS Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

"Existing Holder Registry" means, with respect to each Series of ARS, the registry of Persons who are ARS Beneficial Owners of such Series, maintained by the Auction Agent as provided in the Auction Agent Agreement.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Issuer, the Remarketing Agent (if any), the Broker-Dealer (if any), the Auction Agent (if any), the Bond Insurer (if any), Ascension Health and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the applicable state of issuance for the Bonds and the Bond Indenture and will not result in the inclusion of interest on the Auction Rate Securities in gross income for federal income tax purposes.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the Issuer and the Bond Trustee.

"Hold Order" has the meaning provided in the Auction Procedures.

"Index" means, on any Auction Date with respect to a Series of Bonds in any Auction Period shall be the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for such Series of Bonds shall be an index or rate agreed to by all Broker-Dealers and consented to by the Market Agent.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

If for any reason on any Auction Date the Index shall not be determined as provided in this subsection, the Index shall be the Index for the Auction Period ending on such Auction Date.

The determination of the Index as provided herein shall be conclusive and binding upon the Issuer, the Bond Trustee, the Broker-Dealers, the Auction Agent and the Holders of the Bonds.

"Interest Payment Date" means, with respect to ARS, each ARS Interest Payment Date.

"Market Agent" means, initially, Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (as further described in the front part of this Official Statement) and any other Person meeting the requirements of a market agent under the Bond Indenture and which is a party to a Market Agent Agreement and agrees with the Bond Trustee to perform the duties of the Market Agent with respect to a Series of ARS. When used at a time when more than one Market Agent is acting under the Bond Indenture, the term "Market Agent" shall mean, as the context dictates, either all such Market Agents, collectively, or the Market Agent acting with respect to the applicable Series of ARS.

"Market Agent Agreement" means, the Market Agent Agreement for each Series of Auction Rate Securities, in each case as from time to time in effect.

"Maximum Interest Rate" shall mean 15% per annum; provided, however, that the Maximum Interest Rate shall not exceed the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the Issuer and the Bond Trustee.

"Non-Payment Rate" means, on any date of determination, the interest rate per annum equal to the lesser of (i) 300% of the Index on such date (as such percentage may be adjusted as described in this Appendix under "Adjustment in Percentages") or (ii) 15% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"Notice of ARS Payment Default" means a notice substantially in the form attached to the Auction Agent Agreement.

"Notice of Cure of ARS Payment Default" means a notice substantially in the form attached to the Bond Indenture.

"Notice of Percentage Change" means a notice to the Bond Trustee and the Auction Agent substantially in the form attached to the Market Agent Agreement.

"Notice of Proposed Percentage Change" means a notice to the Bond Trustee and the Auction Agent substantially in the form attached to the Market Agent Agreement.

"Order" has the meaning described in this Appendix under "Auction Procedures."

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

"Potential Holder" means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS of a Series subject to such Auction in addition to the ARS of such Series, if any, currently owned by such Person.

"Prevailing Rating" means, when such term is used in the definition of the Applicable Percentage, (a) AAA/AAA/Aaa, if a Series shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by

Moody's, (b) if not AAA/AAA/Aaa, AA/AA/Aa if a Series shall have a rating of AA- or better by S&P and Fitch and a rating of Aa3 or better by Moody's, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if a Series shall have a rating of A- or better by S&P and Fitch and a rating of A3 or better by Moody's, (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, BBB/BBB/Baa if a Series shall have a rating of BBB- or better by S&P and Fitch and a rating of Baa3 or better by Moody's, and (e) if not AAA/AAA/Aaa, AA/AA/Aa, A/A/A or BBB/BBB/Baa, then below BBB/BBB/Baa. For purposes of this definition, S&P's and Fitch's rating categories of "AAA," "AA-", "A-" and "BBB-" and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa3" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definition thereof shall use different rating categories. If a Series is not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for a Series are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be 300% of the Index.

"Rating Agency" means S&P, Moody's and Fitch.

"Record Date" means with respect to any ARS, the second Business Day next preceding each ARS Interest Payment Date.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Credit Group Representative by notice in writing to the Issuer and the Bond Trustee.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other securities depository selected pursuant to the Bond Indenture.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto.

"Sell Order" has the meaning described in this Appendix under "Auction Procedures."

"Series," when used with respect to the Auction Rate Securities, means all the Auction Rate Securities designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any Auction Rate Securities thereafter authenticated and delivered upon a transfer or exchange or in lieu of or in substitution for such Auction Rate Securities pursuant to each Bond Indenture.

"Series ARS" means ARS of a particular Series.

"Special Record Date" means the date established by the Bond Trustee as the record date for the payment of defaulted interest on the Auction Rate Securities that are not ARS and the record date for the payment of ARS Defaulted Interest as described in this Appendix under "Payments with Respect to Auction Rate Securities – *ARS Defaulted Interest*."

"Submitted Hold Orders" has the meaning described in the Appendix under "Auction Procedures."

"Sufficient Clearing Bids" has the meaning described in this Appendix under "Auction Procedures – *Determination of Sufficient Clearing Bids and Winning Bid Rate*."

Payments with Respect to Auction Rate Securities

Interest with respect to each Series of ARS shall accrue from and including, as applicable, the Date of Issuance, the Conversion Date or the most recent Interest Accrual Date to which interest has been paid or duly provided for. The Bond Trustee shall determine the aggregate amount of interest payable with respect to each Series

of ARS on each ARS Interest Payment Date. The Bond Trustee shall promptly notify the Securities Depository of its calculations, as provided in the Bond Indenture.

Interest on each Series of ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable ARS Rate for each ARS Interest Period after the first ARS Interest Period shall be the Auction Rate relating to such Series; provided that (i) if a notice of a proposed adjustment in the percentages used to determine the ARS Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with the Bond Indenture with respect to a Series of ARS and because of a failure to satisfy the conditions set forth in the Bond Indenture, such adjustment shall not have taken effect, then an Auction with respect to such Series shall not be held on the Auction Date immediately preceding the next succeeding ARS Interest Payment Date and the Applicable ARS Rate with respect to such Series for such next succeeding ARS Interest Period shall equal the ARS Maximum Rate on such Auction Date; and (ii) in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Series of ARS for any Auction Period (except as contemplated otherwise herein pursuant to (i) above or (x) and (y) below), the new Auction Period for any Series of ARS shall be the same as the preceding Auction Period for such Series and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for such Series for the preceding Auction Period.

Notwithstanding the foregoing, (x) if the ownership of a Series of ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate with respect to such Series for any ARS Interest Period commencing after the delivery of certificates representing such Series of ARS shall equal the ARS Maximum Rate; or (y) if an ARS Payment Default shall have occurred with respect to a Series of ARS, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with the Bond Indenture, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such Series for such ARS Interest Period shall be the Non-Payment Rate.

Medium of Payment. The principal of and premium, if any, and interest on each Series of ARS shall be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts. The principal of and premium, if any, and interest on each Series of ARS (other than at maturity) shall be payable by check mailed to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Bond Trustee. Interest payable on any ARS Interest Payment Date to a registered owner of ARS in the aggregate principal amount of $1,000,000 or more may, upon written request by such registered owner received by the Bond Trustee prior to the Record Date preceding such ARS Interest Payment Date, be paid by wire transfer to a designated account in the United States of America. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each ARS at maturity will be paid upon presentation and surrender thereof at the Principal Office of the Bond Trustee. Unless otherwise requested by the Securities Depository, payments of the principal of ARS, at maturity or upon redemption, and payments of interest on ARS made by wire transfer, shall be made by the Bond Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Bond Trustee, the Securities Depository and the Auction Agent.

Computation of Interest Distributable on ARS. The Bond Trustee will calculate the amount of interest distributable to ARS Beneficial Owners in respect of each $25,000 in principal amount thereof for any ARS Interest Period or part thereof, by applying the Applicable ARS Rate with respect to the ARS of such Series, for such ARS Interest Period or part thereof, to the principal amount of $25,000, multiplying such product by the actual number of days in such ARS Interest Period or part thereof divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

ARS Defaulted Interest. The Bond Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred. If an ARS Payment Default has occurred, the Bond Trustee will send a Notice of ARS Payment Default to the Auction Agent and each Broker-Dealer, not later than 2:30 p.m. New York City time on such Business Day by telecopy or similar means and if such ARS Payment Default is cured, the Bond Trustee shall immediately send a Notice of Cure of ARS Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means. ARS Defaulted Interest shall forthwith

cease to be payable to the ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS with respect to such ARS Payment Default occurred are registered at the close of business on a Special Record Date fixed therefor by the Bond Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Bond Trustee shall promptly notify the Issuer, Ascension Health and the Credit Group Representative of the Special Record Date and at Ascension Health's expense mail to each ARS Beneficial Owner of ARS as to which ARS Defaulted Interest is payable, not less than ten days before the Special Record Date, notice of the date of the proposed payment of such ARS Defaulted Interest.

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include: (i) "Existing Holders," which shall mean any Person who is listed as the Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction, and (ii) "Potential Holders," which shall mean any person, including any Existing Holder, who may be interested in acquiring ARS (or, in the case of an Existing Holder, an additional principal amount of ARS).

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms described in the Auction Procedures; (ii) so long as the beneficial ownership of the ARS is maintained in book-entry form by the Securities Depository, to sell, transfer or otherwise dispose of ARS only pursuant to a Bid or a Sell Order in an Auction, or to or through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of ARS so transferred, its Participant or its Broker-Dealer advises the Auction Agent of such transfer; (iii) to have its beneficial ownership of ARS maintained at all times in book-entry form by the Securities Depository for the account of its Participant of the Securities Depository, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request; (iv) that a Sell Order placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of ARS specified in such Sell Order if Sufficient Clearing Bids exist; (v) that a Sell Order placed by an Existing Holder shall constitute an irrevocable offer to sell such principal amount or a lesser principal amount of outstanding ARS as set forth in the Auction Agent Agreement, if Sufficient Clearing Bids have not been made; (vi) that a Bid placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount or a lesser principal amount of ARS specified in such Bid if the rate specified in such Bid is greater than the Auction Rate determined in the Auction; (vii) that a Bid placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of outstanding ARS to be determined as set forth in the Auction Agent Agreement, if the rate specified in such Bid is equal to the Applicable ARS Rate determined in the Auction or is higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made; (viii) that a Bid placed by a Potential Holder shall constitute an irrevocable offer to purchase the principal amount of ARS specified in such Bid if the rate specified in such Bid is less than the Applicable ARS Rate determined in the Auction and (ix) that a Bid placed by a Potential Holder shall constitute an irrevocable offer to purchase such principal amount or a lesser principal amount of outstanding ARS as set forth in the Auction Agent Agreement, if the rate specified in such Bid is equal to the Applicable ARS Rate.

Auction Agent. Any Auction Agent shall be (i) subject to the written approval of each Broker-Dealer and the Bond Insurer (if any), (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Bond Trustee and the Market Agent in writing and having a combined capital stock or surplus of at least $50,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $50,000,000, and, in either case, authorized by law to perform all the duties imposed upon it under the Bond Indenture and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Bond Indenture by giving at least 90 days' notice to the Bond Trustee, the Broker-Dealer, the Issuer, Ascension Health, the Credit Group Representative and the Market Agent. The Auction Agent may be removed at any time by the Bond Trustee with the written consent of the Bond Insurer (if any), upon the written direction of (i) the related Issuer, (ii) Ascension Health, (iii) the Credit Group Representative, or (iv) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS of that Series then outstanding, by an instrument signed by the Bond Trustee and filed with the Auction Agent, the Market Agent, the Issuer, Ascension Health and the Credit Group Representative upon

at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a substitute Auction Agent acceptable to the Bond Insurer (if any) has been appointed and has accepted such appointment. The Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Bond Trustee, the Issuer, Ascension Health, the Credit Group Representative, the Bond Insurer (if any) and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it, in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Auction Agent may be removed at any time, at the written request of Ascension Health, with the written consent of the Issuer, the Bond Insurer (if any) for any breach of its obligations under the Bond Indenture or the Auction Agent Agreement. The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under the Bond Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military authority or governmental actions; acts of terrorism; failure of telephone (or other communications systems); computer systems (hardware or software); it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Bond Trustee, at the direction of Ascension Health, shall use its best efforts to appoint a substitute Auction Agent.

The Bond Trustee shall not be liable for any action taken, suffered or omitted by the Auction Agent. Absent willful misconduct, grossly negligent failure to act or gross negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts.

In no event shall the Auction Agent be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Broker-Dealers. Ascension Health may, from time to time, appoint one or more additional Persons to serve as Broker-Dealers. Any Broker-Dealer may be removed at any time, at the written request of Ascension Health.

Market Agent. The Market Agent shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least $25,000,000, and be authorized by law to perform all the duties imposed upon it by the Bond Indenture and the Market Agent Agreement. The Market Agent for a Series may be removed by the Bond Trustee at any time with the written consent of the Bond Insurer (if any) and upon and pursuant to the written direction of (i) the Issuer, (ii) Ascension Health, (iii) the Credit Group Representative, or (iv) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS of that Series then outstanding; provided that such removal shall not take effect until the appointment by the ARS Beneficial Owners or the Bond Trustee of a substitute Market Agent. The Market Agent may resign upon 30 days' written notice delivered to the Bond Trustee, provided that such resignation shall not take effect until the appointment of a substitute Market Agent. The Market Agent may be removed at any time, at the written request of Ascension Health, with the written consent of the Issuer and the Bond Insurer, for any breach of its obligations under the Bond Indenture or the Market Agent Agreement.

Auction Procedures

Submission of Orders. While the ownership of the ARS is maintained in book-entry form, an Existing Holder may sell, transfer or otherwise dispose of ARS only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Subject to the provisions of the Bond Indenture, Auctions will be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the following manner.

Prior to the Submission Deadline: (a) each Existing Holder of ARS may submit to a Broker-Dealer by telephone or otherwise any information as to: (i) the principal amount of outstanding ARS, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Hold Order"); (ii) the principal amount of outstanding ARS, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding ARS Interest Period shall be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (iii) the principal amount of outstanding ARS, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Sell Order"); and (b) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARS which each Potential Holder offers to purchase if the Auction Rate for the next succeeding ARS Interest Period shall not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order shall be an "Order." Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder."

Subject to the provisions described below under " – *Validity of Orders*," a Bid by an Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be less than the rate specified in such Bid; (ii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in " – *Acceptance and Rejection of Orders*," if the Auction Rate shall be equal to the rate specified in such Bid; or (iii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in " – *Acceptance and Rejection of Orders*," if the rate specified therein shall be higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made.

Subject to the provisions described below under " – *Validity of Orders*," a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS specified in such Sell Order if Sufficient Clearing Bids exist; or (ii) such principal amount or a lesser principal amount of outstanding ARS as described below in " – *Acceptance and Rejection of Orders*," if Sufficient Clearing Bids have not been made.

Subject to the provisions described below under " – *Validity of Orders*," a Bid by a Potential Holder shall constitute an irrevocable offer to purchase (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be higher than the rate specified in such Bid, or (ii) such principal amount or a lesser principal amount of outstanding ARS as described below in " – *Acceptance and Rejection of Orders*," if the Auction Rate is equal to the rate specified in such Bid.

Validity of Orders. Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each Order: (A) the name of the Bidder placing such Order, and (B) the aggregate principal amount of Auction Rate Securities that are subject to such Order. To the extent that such Bidder is an Existing Holder, each Broker-Dealer shall also specify: (i) the principal amount of ARS, if any, subject to any Hold Order placed by such Existing Holder; (ii) the principal amount of ARS, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and (iii) the principal amount of ARS, if any, subject to any Sell Order placed by such

Existing Holder. To the extent such Bidder is a Potential Holder, each Broker-Dealer shall specify the rate specified in such Potential Holder's Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next higher one-thousandth (.001) of one percent.

If an Order or Orders covering all outstanding ARS held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of outstanding ARS held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

None of the Issuer, the Bond Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any such party be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of outstanding ARS held by such Existing Holder, such Orders shall be considered valid as follows and in the order of priority described below.

All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding ARS held by such Existing Holder, and if the aggregate principal amount of ARS subject to such Hold Orders exceeds the aggregate principal amount of ARS held by such Existing Holder, the aggregate principal amount of ARS subject to each such Hold Order shall be reduced so that the aggregate principal amount of ARS subject to such Hold Orders equals the aggregate principal amount of outstanding ARS held by such Existing Holder.

Any Bid shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to any Hold Order referred to in the preceding paragraph. Subject to the preceding sentence, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding ARS subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess. Subject to the preceding two sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess. In any such event, the amount of outstanding ARS, if any, subject to Bids not valid under the provisions described in this paragraph shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

All Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to Hold Orders and valid Bids referred to in the preceding two paragraphs.

If more than one Bid for ARS is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected.

Any Bid specifying a rate higher than the ARS Maximum Rate will be treated as a Sell Order if submitted by an Existing Holder and will not be accepted if submitted by a Potential Holder. Any Bid submitted by an Existing Holder or on behalf of a Potential Holder specifying a rate lower than the All-Hold Rate shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids.

Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order," a "Submitted Bid" and a "Submitted Sell Order," respectively (collectively, "Submitted Orders").

Determination of Sufficient Clearing Bids and Winning Bid Rate. Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all Submitted Orders and will determine:

(a) the excess of the total principal amount of outstanding ARS over the sum of the aggregate principal amount of outstanding ARS subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Series ARS"); and

(b) from the Submitted Orders whether the aggregate principal amount of outstanding ARS subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the ARS Maximum Rate exceeds or is equal to the sum of (i) the aggregate principal amount of outstanding ARS subject to Submitted Bids by Existing Holders specifying one or more rates higher than the ARS Maximum Rate and (ii) the aggregate principal amount of outstanding ARS subject to Submitted Sell Orders (in the event such excess or such equality exists, other than because all of the outstanding ARS are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above shall be referred to collectively as "Sufficient Clearing Bids"); and

(c) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate"), such that if:

(i) each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to hold the principal amount of ARS subject to such Submitted Bids); and

(ii) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying such lower rates were accepted,

the result would be that such Existing Holders described in clause (c)(i) above would continue to hold an aggregate principal amount of outstanding ARS, which, when added to the aggregate principal amount of outstanding ARS to be purchased by such Potential Holders described in clause (c)(ii) above, would equal not less than the Available Series ARS.

Notice of Applicable ARS Rate. Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Broker-Dealer and the Bond Trustee of the ARS Maximum Rate and the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding ARS Interest Period as follows: (a) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding ARS Interest Period shall equal the Winning Bid Rate so determined; (b) if Sufficient Clearing Bids do not exist (other than because all of the outstanding ARS are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding ARS Interest Period shall equal the ARS Maximum Rate; or (c) if all outstanding ARS are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding ARS Interest Period shall equal the All-Hold Rate.

Acceptance and Rejection of Orders. Existing Holders shall continue to hold the principal amount of ARS that are subject to Submitted Hold Orders. Based on the determinations made as described above in " - *Determination of Sufficient Closing Bids and Winning Bid Rate,*" Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the requirements described below under " - *Authorized Denomination Requirement,*" Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARS subject to such Submitted Bids;

(b) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;

(c) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted;

(d) each Existing Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bid, unless the aggregate principal amount of outstanding ARS subject to all such Submitted Bids shall be greater than the principal amount of ARS (the "remaining principal amount") equal to the excess of the Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (b) and (c) above, in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of ARS subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of outstanding ARS subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(e) each Potential Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the principal amount of ARS obtained by multiplying the excess of the aggregate principal amount of Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (b), (c) and (d) above by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of outstanding ARS subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

If Sufficient Clearing Bids have not been made (other than because all of the outstanding ARS are subject to Submitted Hold Orders), subject to the requirements described below under "– *Authorized Denomination Requirement*," Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;

(b) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be accepted, and specifying any rate that is higher than the ARS Maximum Rate shall be rejected; and

(c) each Existing Holder's Submitted Bid specifying any rate that is higher than the ARS Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARS subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the aggregate principal amount of ARS subject to Submitted Bids described in subparagraph (b) above which are accepted by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of outstanding ARS subject to all such Submitted Bids and Submitted Sell Orders.

If all outstanding ARS are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

Authorized Denomination Requirement. If, as a result of the procedures described above regarding Sufficient Clearing Bids and Insufficient Clearing Bids, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARS that is not equal to an Authorized Denomination, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the principal amount of ARS to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARS purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase less than an Authorized Denomination of ARS, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate ARS for purchase among Potential Holders so that only ARS in Authorized Denominations are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any ARS.

No Liability. The Issuer, the Bond Trustee, the Broker-Dealer and the Auction Agent shall have no liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

Settlement Determinations. Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARS to be purchased and the aggregate principal amount of ARS to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer Submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARS to be sold differs from such aggregate principal amount of ARS to be purchased, determine to which other Broker-Dealer(s) acting for one or more purchasers such Broker-Dealer shall deliver, or from which Broker-Dealer(s) acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARS.

Rate Determinations. Any calculation by the Auction Agent (or the Bond Trustee, if applicable) of the Applicable ARS Rate, the "AA" Financial Commercial Paper Rate, the ARS Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall, in the absence of manifest error, be binding on all ARS Beneficial Owners and other parties.

Settlement Procedures

(a) Not later than 3:00 p.m., New York City time, on each Auction Date, the Auction Agent shall notify by telephone (or other means acceptable to the parties) each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Holder or Potential Holder of: (i) the Auction Rate fixed for the next ARS Interest Period; (ii) whether there were Sufficient Clearing Bids in such Auction; (iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be sold by such Existing Holder; (iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be purchased by such Potential Holder; (v) if the aggregate principal amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order exceeds the aggregate principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Buyer's Broker-Dealers (and the name of the Participant, if any, of each such Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of ARS and the principal amount of ARS to be purchased from one or more Existing Holders on whose behalf such Broker-Dealer acted by one or more Potential Holders on whose behalf each of such Buyer's Broker-Dealers acted; (vi) if the principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the aggregate principal amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of ARS and the principal amount of ARS to be sold to one or more Potential Holders on whose behalf such Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted; and (vii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part; (ii) in the case of a Buyer's Broker-Dealer, advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of ARS to be purchased pursuant to such Bid against receipt of such ARS; (iii) in the case of a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Holder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of ARS to be sold pursuant to such Order against payment therefor; (iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next ARS Interest Period; (v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and (vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it in connection with such Auction pursuant to clause (b)(ii) above, and any ARS received by it in connection with such Auction pursuant to clause (b)(iii) above among the Potential Holders, if any, on whose behalf such Broker-Dealer Submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer Submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to clause (a)(v) or (a)(vi) above.

(d) On each Auction Date: (i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date shall instruct its Participant as provided in clause (b)(ii) or (b)(iii) above, as the case may be; (ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Holder delivering ARS to such Broker-Dealer following such Auction pursuant to clause (b)(iii) above the amount necessary to purchase such ARS against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to clause (a)(v) above against payment therefor; and (iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to clause (a)(vi) above the amount necessary to purchase the ARS to be purchased pursuant to clause (b)(ii) above against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date: (i) each Participant for a Bidder in the Auction on such Auction Date referred to in clause (d)(i) above shall instruct the Securities Depository to execute the transactions described under clause (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions; (ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in clause (d)(ii) above for such Auction, and the Securities Depository shall execute such transactions; and (iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in clause (d)(iii) above for such Auction, and the Securities Depository shall execute such transactions.

(f) If an Existing Holder selling ARS in an Auction fails to deliver such ARS (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of ARS that is less than the principal amount of ARS that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of ARS to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARS shall constitute good delivery. Notwithstanding the foregoing terms described in this paragraph (f), any delivery or nondelivery of ARS which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements.

Agreement of Holders

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS or its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of each Auction Agent, each Broker-Dealer and each Market Agent as provided in the related Bond Indenture, and relevant agreements among the related Issuer, Ascension Health, the Credit Group Representative, the Bond Trustee, each Auction Agent, each Market Agent and each Broker-Dealer, as appropriate.

Calculation of Certain Rates Relating to an Auction

The Auction Agent will calculate the ARS Maximum Rate and the All-Hold Rate on each Auction Date. If the ownership of the ARS of a Series is no longer maintained in book-entry form by the Securities Depository, the Auction Agent will calculate the ARS Maximum Rate for such Series on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing such ARS pursuant to the Bond Indenture. If an ARS Payment Default shall have occurred, the Bond Trustee will calculate the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The Auction Agent will determine the "AA" Financial Commercial Paper Rate for each ARS Interest Period other than the first ARS Interest Period; provided, that if the ownership of ARS is no longer maintained in book-entry form, or if an ARS Payment Default has occurred, then the Bond Trustee will determine the "AA" Financial Commercial Paper Rate for each such ARS Interest Period. The determination by the Bond Trustee or the Auction Agent, as the case may be, of the "AA" Financial Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Bond Trustee of the "AA" Financial Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate.

If the Federal Reserve Bank of New York has not made available its 30-day commercial paper rate for purposes of determining "AA" Financial Commercial Paper Rate, the Auction Agent or the Bond Trustee, as the case may be, shall request that Ascension Health appoint at least three commercial paper dealers to provide commercial paper quotes for purposes of determining the "AA" Financial Commercial Paper Rate; and if Ascension Health shall fail to make any such appointment within three Business Days following such request, the Bond Trustee shall appoint such commercial paper dealers and notify the Credit Group Representative of such appointment.

Adjustment in Percentages

With the written consent of the Bond Insurer (if any), the Market Agent will adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the ARS Maximum Rate and the percentage of the Index used in calculating the Non-Payment Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Tax Law or change of market convention such that ARS bearing interest at such rates will have substantially the same market value after such Change of Tax Law or change of market convention as before such Change of Tax Law or change of market convention, or if, in the Market Agent's discretion, market conditions warrant such change. In making any such adjustment, the Market Agent will take into account the following factors, as in existence both before and after such Change of Tax Law: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARS; (iv) general economic conditions; and (v) economic and financial factors present in the securities industry that may affect, or that may be relevant to, the ARS.

The Market Agent will communicate its determination to make any such adjustment by means of a Notice of Proposed Percentage Change delivered in writing to the Issuer, the Bond Trustee, Ascension Health, the Credit Group Representative, the Broker-Dealer, the Bond Insurer (if any) and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change. Such notice will be effective only if accompanied by the form of a Favorable Opinion of Bond Counsel.

Any such adjustment in percentages will take effect on an Auction Date only if: (i) the Bond Trustee, the Issuer, Ascension Health, the Credit Group Representative, the Broker-Dealer the Bond Insurer (if any) and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date, a Notice of Percentage Change from the Market Agent by telecopy or similar means, (A) authorizing the adjustment of the percentage which shall be specified in such authorization, and (B) confirming that Bond Counsel expects to be able to deliver a Favorable Opinion of Bond Counsel on or prior to such Auction Date, and (ii) the Bond Trustee, the Issuer, Ascension Health, the Credit Group Representative, the Broker-Dealer and the Auction Agent receive by 9:30 a.m., New York City time, on such Auction Date, a Favorable Opinion of Bond Counsel. If any of these conditions are not met, the existing percentages will remain in effect and the rate of interest for each succeeding ARS Interest Period until each such condition is met will equal the ARS Maximum Rate on the Auction Date for such succeeding ARS Interest Period.

Changes in Auction Period or Auction Date

Changes in Auction Period. The Auction Period for each Series of Auction Rate Securities with respect to each ARS Interest Rate Period, if any, for such Series initially shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday, or generally on a Friday, in each case as announced by Ascension Health in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as described in this Appendix under "Conversion to Different Interest Rate Period."

During any ARS Interest Rate Period, Ascension Health may, with the written consent of the Bond Insurer (if any), from time to time on any ARS Interest Payment Date with respect to a Series of ARS, change the length of the Auction Period with respect to all of the Auction Rate Securities of such Series between seven-days and 35-days or change the first day of each Auction Period, or both, in each case in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the Auction Rate Securities of such Series. Ascension Health shall initiate the change in the length or day of commencement of the Auction Period, or both, by giving written notice to the Bond Trustee, the Issuer, the Auction Agent, the Broker-Dealer the Bond Insurer (if any) and the Securities Depository that the Auction Period shall change if the conditions described in the Bond Indenture are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period. Any such changed Auction Period shall be for a period of seven days or 35 days and shall be for all of the Auction Rate Securities of a Series.

No change in the length or the day of commencement of the Auction Period for a Series of Auction Rate Securities shall be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in the paragraph above and the Auction immediately preceding the proposed change. The change in length of the Auction Period for a Series of Auction Rate Securities shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period and the Bond Trustee receives a Favorable Opinion of Bond Counsel with respect to such change on or before such Auction Date. For purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS of such Series except to the extent such Existing Holder submits a Hold Order with respect to such ARS. If the condition referred to in the second sentence of this paragraph is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

Changes in Auction Date. During any ARS Interest Rate Period, Ascension Health may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the applicable Series of ARS. Ascension Health shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Bond Trustee, the Credit Group Representative, the Broker-Dealer and the Securities Depository, accompanied by a Favorable Opinion of Bond Counsel with respect to such change.

Conversion to Different Interest Rate Period

Ascension Health may elect that a Series of Auction Rate Securities shall bear interest at the Applicable ARS Rate, by written direction to the Bond Insurer (if any), the Bond Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any) specifying (A) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Bond Trustee of such direction, (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day on which the Auction Rate Securities of such Series would otherwise be subject to optional redemption pursuant to the Bond Indenture if such Conversion did not occur, and (3) in the case of a Conversion from a Commercial Paper Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period, (B) the Purchase Date for the Auction Rate Securities of such Series to be purchased, which shall be the proposed effective date of the adjustment to the Applicable ARS Rate and (C) the initial Auction Period for such Series. In addition, the direction of Ascension Health shall be accompanied by a form of notice to be mailed to the Holders of such Series of Auction Rate Securities by the Bond Trustee as provided in the following paragraph and a Favorable Opinion of Bond Counsel. During each ARS Interest Rate Period for a Series of Auction Rate Securities commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by such Series of Auction Rate Securities shall be the Applicable ARS Rate.

The Bond Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the Holders of the affected Series not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period, stating (A) that the interest rate shall be adjusted to the Applicable ARS Rate unless the Credit Group Representative rescinds its election to adjust the interest rate to the Applicable ARS Rate as provided in the Bond Indenture; (B) the proposed effective date of the ARS Interest Rate Period; and (C) that such Series of Auction Rate Securities is subject to mandatory tender for purchase on the proposed effective date and setting forth the Purchase Price and the place of delivery for purchase of such Auction Rate Securities.

Amendment of ARS Provisions

Notwithstanding any other provision described in this Official Statement, the provisions of the Bond Indenture relating to ARS, including without limitation, the definitions of terms used in this Appendix (including without limitation the definitions of "AA" Financial Commercial Paper Rate, Applicable ARS Rate, Applicable Percentage, All-Hold Rate, ARS Maximum Rate, and Non-Payment Rate) may be amended by the Issuer and the Bond Trustee by an indenture or indentures supplemental hereto at the written request of Ascension Health with written consent of the Bond Insurer (if any) and (i) upon obtaining an Opinion of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of the ARS Beneficial Owners. In the case of clause (ii) above, the Bond Trustee shall mail notice of such amendment to the ARS Beneficial Owners, and if, on the first Auction Date occurring at least 30 days after the date on which the Bond Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such amendment, there shall be delivered to the Issuer, Ascension Health and the Bond Trustee a Favorable Opinion of Bond Counsel with respect to such amendment. Written notice of each such amendment shall be delivered by the Bond Trustee to the Issuer, Ascension Health, the Auction Agent, the Market Agent and each Broker-Dealer.

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Appendix G

Information Regarding Book-Entry Only System

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX G HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUERS, ASCENSION HEALTH, ANY OTHER CREDIT GROUP MEMBER, THE BOND TRUSTEE OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Depository Trust Company ("DTC") New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 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 each Series of the Series 2003 Bonds set forth on the pages immediately succeeding the cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, as amended. DTC holds and provides asset servicing for over two million U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 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 in 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 ("DTC"). DTC in turn is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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.org.

Purchases of the Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003 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 confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 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 beneficial ownership interests in the Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 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 the Series 2003 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 2003 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 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 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003 Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2003 Bonds may wish to ascertain that the nominee holding the Series 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of a Series of the Series 2003 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2003 Bonds of such Series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Series 2003 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 Issuers or the Bond Trustee, on a payment 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 Participants and not of DTC, its nominee, the Bond Trustee or the Issuers, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond 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 the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any Series of the Series 2003 Bonds at any time by giving reasonable notice to the Issuer of that Series or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Appendix H

Specimen Ambac Bond Insurance Policy

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

SPECIMEN

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Appendix I

Specimen MBIA Bond Insurance Policy

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: _____
Assistant Secretary

STD-R-6
/95

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HEALTH

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