




MEMORANDUM

TO: Board Members
Alaska Industrial Development Authority

FROM: Ted Leonard 
Executive Director

DATED: February 20, 2014

SUBJECT: Fairbanks Memorial Hospital Project
Tax-Exempt Conduit Revenue Bond Financing

AIDEA has received an application for conduit revenue bond financing from the Greater Fairbanks Community Hospital Foundation (the "Hospital Foundation"). The Hospital Foundation is a non-profit corporation under Alaska law and enjoys tax-exempt status under federal law as a 501(c)(3) entity. The Hospital Foundation owns the Fairbanks Memorial Hospital (the "Hospital"), the Denali Center, and the Fairbanks Cancer Treatment Center, each of which is located in Fairbanks. The Hospital is a 162-bed acute care facility, and the Denali Center is a 90-bed skilled nursing care facility.

The Hospital Foundation leases the Hospital, the Denali Center, and the Cancer Treatment Center to Banner Health pursuant to a lease agreement. Banner Health operates the facilities and hires all employees of the facilities. The Hospital Foundation provides the capital necessary for physical plant and equipment for the facilities.

The Hospital Foundation has asked AIDEA to issue tax-exempt, conduit revenue bonds to provide financing for certain improvements to the Hospital. As conduit revenue bonds, the issuance will not involve the general credit or assets of AIDEA. The exact amount of the bond financing to be provided is not certain at this time; however, we anticipate that it will be approximately \$50,000,000. The Hospital Foundation will use the proceeds of the bonds to pay for costs of the acquisition, construction, renovation, and equipping of certain improvements and additions to the Hospital, including, without limitation, the construction of new surgical suites, supporting space, and a new hallway. In addition, the proceeds of the bonds will pay for certain costs of the financing and will fund certain reserves.

The resolution that is included in your board packets approves the issuance by AIDEA of not more than \$60,000,000 principal amount of conduit revenue bonds to finance the improvements to the Hospital described above. The \$60,000,000 amount is greater than the \$50,000,000 that the Foundations anticipates it will need for the project, but it leaves room for some adjustment in case the final amount is greater than currently anticipated.

It is important to note that no assets or revenues of AIDEA will secure payments of the conduit revenue bonds and that AIDEA will incur no liability or responsibility for payment of principal, interest, or redemption premium with respect to the bonds whatsoever by virtue of issuing the bonds. Instead, the only security for conduit revenue bonds is the revenue and other assets that the bond documents pledge to the bond purchasers, and in case of a default, bondholders will not be entitled to seek payment from AIDEA's assets or revenues but will be restricted to the revenues and assets that were pledged to the bonds under the bond indenture. In this financing, the revenues and assets that will be pledged to the bond purchasers will consist of payments made by the Foundation under the loan agreement to be entered into between AIDEA and the Foundation together with any other assets the Foundations includes in the pledge.

In addition, the Foundation is considering the possibility of buying bond insurance as additional security for the bonds. If the Foundation decides to buy the bond insurance, the bond insurer will be liable to make bond payments in case of a default by the Foundation.

The resolution included in your board packet also approves the substantial form of certain key documents, copies of which are included in your board packets. Those documents include a bond indenture, a loan agreement, a contract of purchase, and a preliminary official statement. In each case, the documents are in substantially final form, which means that the Authority and the Foundation may agree to certain modifications and final terms to be incorporated in the documents as long as the final documents do not materially or substantially vary from the forms presented to you.

Approval of this resolution will be the only action required of the board with respect to this bond issue. If the board approves the resolution, we expect that the bonds will be issued early in April 2014.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G14-04

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY PROVIDING FOR THE SALE OF NOT TO EXCEED \$60,000,000 OF ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY REVENUE BONDS (GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION PROJECT) SERIES 2014; AUTHORIZING AN INDENTURE BY AND BETWEEN THE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE, TO SECURE SAID BONDS; AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT SECURING PAYMENT OF SAID BONDS; DELEGATING CERTAIN AUTHORITY TO THE CHAIR, THE VICE CHAIR, THE EXECUTIVE DIRECTOR, THE DEPUTY DIRECTORS, AND THE ASSISTANT SECRETARIES; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, the Alaska Industrial Development and Export Authority (the “Authority”) is authorized by Title 44, Chapter 88, of the Alaska Statutes, as amended, to issue revenue bonds for the purpose of providing funds to finance the cost of acquiring, constructing, improving and equipping projects in the State of Alaska (the “State”), provided the user thereof agrees to pay the Authority an amount at least sufficient to pay the principal of, and premium, if any, and interest on, said bonds and other expenses incurred by the Authority in connection therewith; and

WHEREAS, the Authority hereby finds and determines that it is in the public interest and will further the purposes of the Authority to provide for the issuance of bonds of the Authority which are special, limited revenue obligations of the Authority payable solely from and secured by payments to be made pursuant to the hereinafter defined Loan Agreement and other sources of security as described herein and the hereinafter defined Indenture; and

WHEREAS, the Authority has determined to issue its Revenue Bonds (Greater Fairbanks Hospital Foundation Project) Series 2014, in an aggregate principal amount not to

exceed \$60,000,000 in one or more series (the “Bonds”) to make a loan to The Greater Fairbanks Community Hospital Foundation, Incorporated (hereinafter, the “Foundation”) to provide funds which will be used to (a) pay the costs of the acquisition, construction, renovation and equipping of certain hospital and other related health care facilities, including and without limitation the construction of new surgical suites for the Fairbanks Memorial Hospital, including supporting space such as sterile processing and a new hallway; (b) fund a debt service reserve account as security for the Bonds; and (c) pay all or a portion of the costs incurred in connection with the issuance of the Bonds (the “Project”); and

WHEREAS, the Foundation is an organization for which qualified 501(c)(3) bonds may be issued pursuant to Section 145 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Bonds will be issued under and pursuant to and are being secured by an Indenture by and between the Authority and U.S. Bank National Association, as Trustee (the “Indenture”) which shall be in substantially the form presented to and made part of the records of this meeting; and

WHEREAS, the Authority and the Foundation will enter into a Loan and Security Agreement (the “Loan Agreement”), which shall be in substantially the form presented to and made part of the records of this meeting, under the terms of which the Foundation will be obligated to pay an amount sufficient to pay when due the principal of and the premium, if any, and interest on the Bonds, together with all expenses of the Authority properly incurred therewith; and

WHEREAS, provisions shall be made for the sale of the Bonds pursuant to a contract of purchase, with such contract of purchase entered into among the purchaser of the Bonds, representing itself and certain other underwriters identified therein (collectively, the

"Underwriters"), the Authority, Banner Health, and the Foundation (the "Contract of Purchase") which shall be in substantially the form presented to and made part of the records of this meeting; and

WHEREAS, there will be distributed a Preliminary Official Statement in connection with the Bonds (the "Preliminary Official Statement"), and a final Official Statement for the Bonds (the "Official Statement"); and

WHEREAS, the Preliminary Official Statement and the final Official Statement will each be in substantially the same form as the draft Preliminary Official Statement presented to and made part of the records of this meeting; and

WHEREAS, there has been presented to this meeting the draft forms of the following documents which the Authority proposes to finalize in connection with the issuance of the Bonds and substantially in the form presented at this meeting:

1. Form of the Indenture;
2. Form of the Loan Agreement;
3. Form of the Contract of Purchase;
4. Form of the Bonds as set forth in the Indenture; and
5. Form of a Preliminary Official Statement; and

WHEREAS, it appears that each of the instruments above referred to, which are now before the members of the Authority, is in appropriate form and is an appropriate instrument for the purposes intended.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, AS FOLLOWS:

Section 1. That in order to provide funds to finance the Project, the Authority will issue the Bonds in a principal amount not to exceed \$60,000,000 maturing on the date or dates and bearing interest at the rate or rates per annum as may be determined by the Executive

Director of the Authority or any Deputy Director or Assistant Secretary; the form of the Bonds in substantially the form and content set forth in the Indenture now before this meeting, subject to appropriate insertions and revisions, be and the same hereby is in all respects authorized, approved and confirmed, and the Chair, Vice Chair, Executive Director, any Deputy Director, or any Assistant Secretary of the Authority (each, an “Authorized Officer”) be, and each of them hereby is, authorized, empowered, and directed to execute the Bonds, whether by manual or facsimile signature, to seal the Bonds with the official seal of the Authority (manually or by facsimile), and to deliver, for and on behalf of the Authority, the Bonds to the Underwriters; and the provisions of the Indenture with respect to the Bonds be and the same hereby are authorized, approved and confirmed and are incorporated herein by reference.

The Bonds do not constitute an indebtedness or other liability of the State of Alaska or any political subdivision thereof, but shall be payable solely from certain of the payments to be made by the Foundation under the Loan Agreement and certain other sources as identified in the Indenture. The Authority does not pledge the full faith and credit of the State of Alaska or any political subdivision thereof to the payment of the Bonds, and the issuance of the Bonds does not directly or contingently obligate the State of Alaska or any political subdivision thereof to apply money from, or levy or pledge any form of taxation to, payment of the Bonds.

Section 2. That the form and content of the Indenture be and the same hereby are in all respects authorized, approved, and confirmed, and each Authorized Officer be and they hereby are in all respects severally authorized, empowered, and directed to execute and deliver the final Indenture for an on behalf of the Authority to the Trustee named therein for the security of the Bonds, including necessary counterparts, in substantially the form now before this meeting, but with such changes, modifications, additions, and deletions therein as shall to them

seem necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all changes, modifications, additions, or deletions thereto from such form, and after the execution and delivery of the Indenture, each Authorized Officer be and they hereby are authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary or convenient to carry out and comply with the provisions of the Indenture as executed.

Section 3. That the form and content of the Loan Agreement and the Contract of Purchase be and the same hereby are in all respects authorized, approved and confirmed and each Authorized Officer be and they hereby are authorized, empowered and directed to execute and deliver the final Loan Agreement and the final Contract of Purchase for and on behalf of the Authority, including necessary counterparts, in substantially the form and content now before this meeting but with such changes, modifications, additions, and deletions therein as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of their approval of any and all changes, modifications, additions or deletions therein from the form and content of the Loan Agreement and the Contract of Purchase now before this meeting, and that, from and after the execution and delivery of the Loan Agreement and the Contract of Purchase, each Authorized Officer be and they hereby are authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Loan Agreement and the Contract of Purchase as executed.

Section 4. That the sale of the Bonds to the Underwriters pursuant to the terms of the Contract of Purchase is hereby authorized and approved.

Section 5. That the form and content of the draft Preliminary Official Statement now before this meeting be and the same hereby are in all respects authorized, approved, and confirmed, and the Authorized Officers be, and each of them hereby is, authorized to execute or otherwise approve the final form of the Preliminary Official Statement, and the final form of the Official Statement in the name and on behalf of the Authority to be delivered to the Underwriters for use in connection with the sale of the Bonds. The final form of the Preliminary Official Statement and the final form of the Official Statement shall each be in substantially the same form as the draft Preliminary Official Statement now before this meeting but with such changes, modifications, additions, or deletions as any of the Authorized Officers shall deem necessary, desirable, or appropriate, their execution or approval thereof to constitute evidence of their approval of any and all changes, modifications, additions, or deletions from the form and content of the Preliminary Official Statement now before this meeting; and the Authorized Officers be, and each of them hereby is, authorized to do all such acts and things necessary or desirable to carry out and comply with the provisions of the final Official Statement.

Section 6. That the Authorized Officers be, and each of them hereby is, authorized to execute and deliver for and on behalf of the Authority any and all additional certificates, documents, opinions or other papers and perform all such other acts as they may deem necessary or appropriate in order to implement and carry out the intent and purposes of this Resolution.

Section 7. That the Bonds may be insured and to facilitate such insurance, the Authorized Officers are hereby further authorized to enter into agreements with the insurance company which issues the policy of insurance as the Authorized Officers consider necessary or appropriate to obtain the policy of insurance. Nothing in this section requires that the Bonds be insured.

Section 8. That this Resolution does hereby incorporate by reference, a though fully set out herein, the provisions of the Act and the documents presented to this meeting.

Section 9. That this Resolution shall become effectively immediately upon its passage and approval.

DATED at Anchorage, Alaska, this 20th day of February, 2014.

Alaska Industrial Development and
Export Authority

Chair

A T T E S T:

Secretary

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

INDENTURE

Dated as of April 1, 2014

\$ _____
Revenue Bonds
(Greater Fairbanks Community Hospital Foundation Project)
Series 2014

Table Of Contents

	<u>Page</u>
ARTICLE I DEFINITIONS	5
Section 101. Definitions	5
ARTICLE II CONDITIONS AND TERMS OF BONDS	14
Section 201. Authorization of Bonds	14
Section 202. Purpose	14
Section 203. Denominations, Medium, Method and Place of Payment	14
Section 204. Payment of Principal and Interest of Bonds; Acceptance of Terms and Conditions.....	15
Section 205. Calculation and Payment of Interest	15
Section 206. Source of Payment and Security for Bonds	15
Section 207. Execution of Bonds	16
Section 208. Authentication	16
Section 209. Form of Bonds.....	16
Section 210. Registration and Transfer of Bonds	16
Section 211. Exchange of Bonds	17
Section 212. Time Restrictions on Transfers and Exchange	17
Section 213. Ownership of Bonds.....	17
Section 214. Mutilated, Lost, Stolen or Destroyed Bonds.....	17
Section 215. Acquisition and Surrender of Bonds.....	18
Section 216. Cancellation of Bonds	18
Section 217. Book-Entry System	18
ARTICLE III REDEMPTION OF BONDS	20
Section 301. Optional Redemption of Bonds	20
Section 302. Sinking Fund Payments	20
Section 303. Taxability and Extraordinary Optional Redemptions	20
Section 304. Procedure for Redemption	21
Section 305. Notice of Redemption.....	21
Section 306. Selection of Bonds to be Redeemed.....	21
ARTICLE IV FUNDS	22
Section 401. Bond Fund.....	22
Section 402. Bond Fund: Interest Account.....	23
Section 403. Bond Fund: Principal Account.....	24
Section 404. Bond Fund: Redemption Account and Debt Service Reserve Account.....	25
Section 405. Project Fund.....	26
Section 406. Costs of Issuance Fund.	27
Section 407. Investment of Money in Funds	28
ARTICLE V APPLICATION OF BOND PROCEEDS; COSTS OF ISSUANCE FUND	28
Section 501. Application of Bond Proceeds	28
ARTICLE VI INVESTMENT OF FUNDS.....	29
Section 601. Investment of Funds.....	29

	<u>Page</u>
Section 602. Determination and Payment of Rebate Amount.....	30
Section 603. Trustee Reliance on Professionals	31
ARTICLE VII COVENANTS OF THE AUTHORITY	32
Section 701. Faithful Performance.....	32
Section 702. Extensions of Payments of Bonds	32
Section 703. Validity of Authority Actions.....	32
Section 704. Limitations on Authority's Obligations to Observe All Covenants and Terms	32
Section 705. Lien of Indenture	33
Section 706. Instruments of Further Assurance.....	33
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES	33
Section 801. Events of Default.....	33
Section 802. Notices of Default, Cure or Waiver.....	34
Section 803. Acceleration of Maturity.....	34
Section 804. Enforcement of Covenants and Conditions.....	35
Section 805. Application of Money Held in Funds Upon Event of Default or Declaration of Acceleration.....	36
Section 806. Right of Trustee to Act Without Possession of Bonds.....	37
Section 807. Limitation on Suits by Owners.....	37
Section 808. Waiver by Owners.....	38
Section 809. Remedies Cumulative, Delay Not to Constitute Waiver.....	38
Section 810. Restoration of Rights Upon Discontinuance of Proceedings	39
ARTICLE IX CONCERNING THE TRUSTEE.....	39
Section 901. Acceptance of Trust and Prudent Performance Thereof.....	39
Section 902. Trustee May Rely Upon Certain Documents and Opinions	41
Section 903. Trustee Not Responsible for Indenture Statements, Validity	41
Section 904. Limits on Duties and Liabilities of Trustee.....	42
Section 905. Costs for Maintenance of Suit; Indemnification.....	42
Section 906. Intervention in Judicial Proceedings.....	43
Section 907. Compensation of Trustee.....	43
Section 908. Funds Held in Trust.....	43
Section 909. Trustee May Hold Bonds.....	43
Section 910. Appointment of Trustee.....	43
Section 911. Resignation of Trustee	44
Section 912. Removal of Trustee.....	44
Section 913. Appointment of Successor Trustee	44
Section 914. Merger of Trustee.....	45
Section 915. Transfer of Rights and Property to Successor Trustee	45
Section 916. Concerning Financial Records	46
Section 917. Reports of Activities	46
Section 918. Filing of Financing Statements.....	46
Section 919. Survival of Trustee's Rights to Receive Compensation, Reimbursement and Indemnification	46
Section 920. Tax Covenants	46
Section 921. Appointment of Co-Trustee.....	47

	<u>Page</u>
Section 922. Annual Report to Authority of Principal Amount of Bonds Outstanding	47
ARTICLE X CONCERNING THE OWNERS	47
Section 1001. Execution of Instruments by Owners	47
Section 1002. Waiver of Notice.....	48
Section 1003. Determination of Owners' Concurrence	48
Section 1004. Revocation by Owners	48
ARTICLE XI DISCHARGE OF LIEN OF INDENTURE	48
Section 1101. Discharge of Lien of Indenture by Payment of Bonds.....	48
Section 1102. Discharge of Lien of Indenture by Defeasance	49
Section 1103. Effect of Discharge of Lien of Indenture.....	50
Section 1104. Unclaimed Money to be Returned.....	51
ARTICLE XII SUPPLEMENTAL INDENTURES	52
Section 1201. Modification of Indenture Without Consent of Owners.....	52
Section 1202. Modification of Indenture With Consent of Majority of Owners	53
Section 1203. Modification of Indenture With Consent of All Owners.....	53
Section 1204. Execution of Supplemental Indenture	53
Section 1205. Supplemental Indenture to be Part of Indenture	53
Section 1206. Notices; Rights of Foundation Unaffected.....	54
ARTICLE XIII MODIFICATION OF LOAN AGREEMENT	54
Section 1301. Modification of Loan Agreement Without Consent of Owners	54
Section 1302. Modification of Loan Agreement With Consent of Majority of Owners	55
Section 1303. Modification of Loan Agreement With Consent of All Owners	56
Section 1304. Notices of Modification of Loan Agreement	56
ARTICLE XIV MISCELLANEOUS	57
Section 1401. Covenants of Authority Bind Successors and Assigns	57
Section 1402. Immunity of Officers	57
Section 1403. Parties Interested Herein	57
Section 1404. Execution of Indenture in Counterparts.....	57
Section 1405. Severability of Indenture Provisions.....	57
Section 1406. Notices to Rating Agencies.....	57
Section 1407. Performance on Business Days.....	58
Section 1408. Time of Essence	58
Section 1409. Notices	58
Section 1410. Survival of Trustee's Rights to Receive Compensation	60
Section 1411. Attorneys' Fees	60
Section 1412. Release and Substitution of Series 2014 Obligation.....	60
ARTICLE XV [PROVISIONS RELATING TO BOND INSURANCE].....	61
EXHIBIT A - Form of Bonds	

THIS INDENTURE ("Indenture"), dated as of April 1, 2014, between the Alaska Industrial Development and Export Authority (the "Authority"), a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision of the State of Alaska but with a separate and independent legal existence, and U.S. Bank National Association, a national banking association with trust powers, as trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, the Authority is authorized by the Act to issue revenue bonds for the purpose of providing funds to pay or to refinance the costs of acquiring, constructing, and equipping projects in the State (and to refund bonds previously issued by the Authority for such purposes) provided that the user of the project financed (or refinanced) with the proceeds of the bonds agrees to pay to the Authority an amount at least sufficient to pay the principal of, and the premium, if any, and interest on, said bonds and other expenses incurred by the Authority in connection therewith; and

WHEREAS, the Authority, at the request of The Greater Fairbanks Community Hospital Foundation (the "Foundation"), has determined to issue a series of bonds, pursuant to an indenture, with terms of such bonds established pursuant to such indenture and secured by a loan agreement and other security, which will be issued in the form of fixed interest rate bonds (the "Bonds"); and

WHEREAS, the Foundation has asked the Authority to issue the Bonds and to use the proceeds of the Bonds, among other things, to (a) pay for, or reimburse the Foundation for the payment of, certain additions and improvements to the Foundation's health care facilities in Fairbanks, Alaska; and (b) pay all or a portion of the costs incurred in connection with the issuance of the Bonds, including, but not limited to, funding a debt service reserve account for the Bonds; and

WHEREAS, the Authority has authorized the issuance of the Bonds pursuant to the Act; and

WHEREAS, this Indenture secures and provides terms for only the Bonds; and

WHEREAS, the Bonds shall be special and limited obligations of the Authority, payable by the Authority solely from the receipts, funds, or moneys to be derived by the Authority under this Indenture and the Loan and Security Agreement dated as of April 1, 2014, by and between the Authority and the Foundation and relating to the loan by the Authority to the Foundation of proceeds of the Bonds (the "Loan Agreement"); and

WHEREAS, the Bonds shall not constitute an indebtedness or other liability of the State or of a political subdivision of the State (other than the Authority, and then only to the extent stated in the preceding clause of these Recitals), and neither the full faith and credit nor the taxing power of the Authority, the State, or any political subdivision of the State will be pledged for the payment of the Bonds; and

WHEREAS, the Authority and the Foundation will enter into the Loan Agreement to set forth the terms of the loan of the proceeds of the Bonds; and

WHEREAS, the Loan Agreement requires the Foundation to make or cause to be made Loan Payments in amounts and at times sufficient to pay the principal of, and the interest and premium, if any, on the Bonds when due; and

WHEREAS, the Bonds shall be equally and ratably secured by a security interest in the money and investments in the Bond Fund and by a security interest in the money and investments in the Costs of Issuance Fund (until such time as the money and investments therein have been applied or transferred to the Bond Fund as provided herein); and

WHEREAS, the Foundation has determined to issue a Series 2014 Obligation (the "Series 2014 Obligation") pursuant to the terms of the Master Indenture dated as of October 1, 2004 between the Foundation and U.S. Bank National Association, as master trustee (as amended and supplemented, the "Master Indenture") to evidence and secure the obligations of the Foundation to pay any and all amounts due or to become due under the Loan Agreement; and

WHEREAS, the Foundation will deliver the Series 2014 Obligation to the Trustee, as assignee of the Authority; and

WHEREAS, the Foundation has approved the terms of this Indenture, the Series 2014 Obligation, and the Loan Agreement and has approved the assignment of the Series 2014 Obligation to the Trustee as security for the Bonds; and

WHEREAS, the acceptance of the Series 2014 Obligation, the execution and delivery of the Loan Agreement and this Indenture, and the sale, execution, authentication, issuance, and delivery of the Bonds have been in all respects duly and validly authorized by the Authority pursuant to a resolution adopted on February 20, 2014; and

WHEREAS, the Governor of the State has approved the issuance of the Bonds following a public hearing relating thereto which was held upon reasonable public notice; and

WHEREAS, all things necessary to make the Bonds, when authenticated and issued as provided in this Indenture, valid, binding, and legal special obligations of the Authority and to constitute this Indenture a valid, binding, and legal instrument for the security of the Bonds, enforceable in accordance with its terms, have been done and performed;

NOW, THEREFORE, THIS INDENTURE FURTHER WITNESSETH:

GRANTING CLAUSES

That the Authority, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the registered owners (the "Owners") thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, executed, authenticated, delivered, secured, and accepted by all Persons who shall from time to time be or become Owners thereof, and in order to secure the payment of all the Bonds at any time issued and Outstanding, and the interest and the premium, if any, thereon according to their tenor, purport, and effect, and in order to secure the performance and observance of all the covenants, agreements, and conditions therein and herein contained, has executed this Indenture and does hereby grant a lien against and a security interest in, and does hereby release, assign, transfer, delegate, grant, and convey unto the Trustee and its successors and assigns forever, without recourse, the property hereinafter described (the "Trust Estate"), to wit:

A. All right, title, and interest of the Authority in, and its duties and obligations under, the Loan Agreement and the Series 2014 Obligation (in each case, subject to certain reservations and exceptions noted in Article X of the Loan Agreement), including, but not limited to, the security interest in the Foundation's interest, if any, in the money and investments, if any, in the Bond Fund, the Project Fund, and the Costs of Issuance Fund, and the present and continuing right under the Loan Agreement and the Series 2014 Obligation (1) to make claim for, collect or cause to be collected, or receive or cause to be received all sums payable or receivable thereunder, (2) to bring actions and proceedings thereunder or for the enforcement thereof, and (3) to do the things which the Authority is or may become entitled to do under the Loan Agreement and the Series 2014 Obligation;

B. All right, title, and interest of the Authority in and to the rents, issues, profits, income, revenues, and receipts derived by the Authority from the Trust Estate or any part thereof, it being the intent and purpose hereof that the assignment and transfer to the Trustee of the rents, issues, profits, income, revenues, and receipts derived from the Trust Estate shall be effective and operative immediately and shall continue in force and effect, and the Trustee shall have the right to collect and receive rents, issues, profits, income, revenues, and receipts derived from the Trust Estate for application in accordance with the provisions hereof, at all times during the period from and after the date of this Indenture until the Bonds hereby secured shall have been fully paid and discharged or the lien of this Indenture shall have been defeased in accordance with Article XI hereof;

C. The Bond Fund, the Project Fund, and the Costs of Issuance Fund, and the amounts on deposit therein from time to time, subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions as set forth herein;

D. Any and all other property or interests therein, of every name and nature from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned, or transferred, or security interests granted with respect thereto, as and for additional security hereunder for the Bonds by the Authority or the Foundation or by anyone on their behalf or with their written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all said properties, real, personal, and mixed, tangible and intangible, pledged, assigned, and conveyed by the Authority as aforesaid, or intended so to be, unto the Trustee and its successors in trust and its assigns forever;

In consideration of the purchase and acceptance of any and all of the Bonds by the Owners thereof from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee, and the Owners from time to time of the Bonds; and the conveyance made in this Indenture and the covenants set forth herein to be performed by the Authority shall be for the equal and ratable benefit, security, and protection of all Owners of the Bonds, without privilege, priority, or distinction as to any of the Bonds over any other of the Bonds;

IN TRUST, upon the terms and trusts herein set forth, for the protection and benefit of the Owners, present and future, of the Bonds, equally and ratably, without preference, priority, or distinction of any Owner over any other Owner by reason of priority in issuance or acquisition or otherwise, as if all the Bonds at any time Outstanding had been sold, executed, authenticated, delivered, and negotiated simultaneously with the execution and delivery hereof;

PROVIDED, HOWEVER, that if (1) all principal of, and premium, if any, and interest on, the Bonds shall be paid at the times and in the manner mentioned herein, or shall be defeased as permitted hereby, and (2) all payments required to be made to the United States Treasury as rebatable arbitrage pursuant to Section 148(f) of the Internal Revenue Code of 1986 shall have been paid or provided for as provided in Section 602 herein, and (3) the Trustee and the Authority shall have been paid all sums of money required to be paid to them in accordance with the terms and provisions of this Indenture, the Loan Agreement, and the Series 2014 Obligation, then, upon such final payments or provision for such payments being made, the lien of this Indenture and the rights hereby granted shall cease, terminate, and be void; otherwise, this Indenture shall be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, that the Authority hereby agrees and covenants with the Trustee for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I DEFINITIONS

Section 101. Definitions. The following words and terms as used herein and in the Loan Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Acceleration Date" means the date selected by the Trustee for the acceleration of the Bonds pursuant to Section 803 hereof, which date shall occur as soon as practicable after the Trustee has given a Declaration of Acceleration and after the Trustee has provided notices as required by Section 803 hereof.

"Account" means any account created in any Fund as permitted or required by this Indenture.

"Act" means Alaska Statutes 44.88, as amended from time to time.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof: (a) which controls or which is controlled by, directly or indirectly, the Foundation; or (b) a majority of the members of the Directing Body of which are members of the Board of Trustees of the Foundation. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors (or persons performing similar functions) of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise.

"Authority" means the Alaska Industrial Development and Export Authority, a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision of the State of Alaska, but with a separate and independent legal existence.

"Authorized Denominations" means \$5,000 and any integral multiple thereof.

"Authorized Investments" means any of the following:

(i) Government Obligations - Direct obligations of, or obligations unconditionally guaranteed as to full and timely payment of the principal and interest by, the United States of America (including any investments in pools of such obligations) or evidences of ownership or proportionate interests in future interest and principal payments on those obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and

individually against the obligor on those obligations, and which underlying obligations are not available to satisfy any claim of the custodian or a Person claiming through the custodian or to whom the custodian may be obligated;

(ii) Agency Obligations - Notes, bonds, debentures, mortgages and other evidences of indebtedness issued or guaranteed at the time of investment by FNMA, FHLMC, FHLB, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency;

(iii) Commercial or finance company paper rated in the highest rating category by a major rating service;

(iv) Tax-exempt obligations of any municipality of the United States, including any political subdivision, agency, instrumentality, or local government unit, rated in the two highest categories by a major rating service;

(v) Unsecured Investment Agreements from banks, registered broker/dealers, or other financial institutions, who have a long-term debt rating, or whose parent has a long-term debt rating, without regard to qualifier, in the two highest rating categories by a major rating service; provided, however, that, in the event the provider of the Agreement is downgraded to below the "A" category by all the rating services, the provider must within 14 Business Days from the downgrade either (a) collateralize the Agreement as outlined in (vi) below, (b) obtain a guaranty from a financial institution whose rating is at least "A" by a major rating agency, or (c) assign the Agreement to a financial institution whose rating is at least "A" by a major rating agency;

(vi) Collateralized investment agreements (including repurchase agreements) collateralized by obligations described in (i) or (ii) above such that the value of the collateral pledged is not less than 102% of the principal balance, marked to market not less frequently than weekly; the collateral must be held by an independent third party custodian;

(vii) Forward purchase agreements by financial institutions that have a long-term debt rating, or whose parent has a long-term debt rating, of not less than A by a major rating agency. Securities eligible for delivery under the agreement include only those described in (i), (ii), (iii), or (iv) above. Any forward purchase agreement must be accompanied by a bankruptcy opinion that the securities delivered will not be considered a part of the bankruptcy estate in the event of a declaration of bankruptcy or insolvency by the provider;

(viii) Money market funds rated in the highest rating category by each Rating Agency then maintaining a rating on any Bond.

Notwithstanding the foregoing, the investments set forth in clauses (i) through (viii) of this definition shall constitute "Authorized Investments" only if the following requirements are met, to the extent applicable:

(1) If any of the foregoing investments, during any period of time, constitute:

(A) "certificated securities" or other "instruments" (as defined in the UCC), then during such period of time, such investments shall constitute "Authorized Investments" only if and so long as such investments are in the physical possession of either the Trustee or a third party that holds such instruments (i) as an agent of the Trustee and in such a manner that no creditor, bankruptcy trustee, or other receiver of such third party shall have any claim to or right to recover from such investments either upon the bankruptcy or other insolvency of such third party or otherwise, and (ii) as bailee for the Trustee for purposes of perfection by possession of the Trustee's security interest in such investment; or

(B) "uncertificated securities" (as defined in the UCC), then during such period of time, such investments shall constitute "Authorized Investments" only if and so long as the Trustee is the registered owner of such investment; and

(2) In all cases and at all times, such investments shall constitute "Authorized Investments" only if and so long as the foregoing investments are held in such a manner that no creditors of the Trustee or any third party holding such investment as agent for the Trustee and no bankruptcy trustee or other receiver of the Trustee or such third party shall have any right to recover from such investments either upon the bankruptcy or other insolvency of the Trustee or such third party or otherwise.

"Authorized Representative" means the Executive Director, any Deputy Director, or any Assistant Secretary of the Authority or any other person designated by duly adopted motion or resolution of the Authority, a copy of which motion or resolution has been furnished to the Trustee.

"Banner Limited Guarantee" means the 2014 Limited Guaranty Agreement between Banner Health and the Trustee dated as of _____, 2014.

"Beneficial Owner" means, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean Owner for purposes of this Indenture.

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by the Authority and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

["Bond Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.]

"Bondholder", "holder", "owner of the Bonds," or "Bondowner" means the Person in whose name such Bond is registered on the registration books of the Authority kept by the Trustee to evidence the registration and transfer of Bonds.

"Bonds" means the Authority's Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 issued hereunder in the original aggregate principal amount of \$_____.

"Book-Entry System" means the system maintained by the Securities Depository described in Section 217 hereof.

"Book-Entry Termination Date" means the fifth Business Day following the date of receipt by the Trustee of the Authority's request, delivered at the written direction of the Foundation, to terminate the book-entry system of registering the beneficial ownership of any of the Bonds.

"Bond Fund" means the fund created in Section 401 hereof, including its Accounts.

"Business Day" means any business day other than (i) a Saturday or Sunday or (ii) a day on which the Trustee is required or authorized to be closed or (iii) a day on which The New York Stock Exchange is closed.

"Campus Property" has the meaning given such term in the Eighth Supplemental Indenture.

"Closing Date" means April ____, 2014, the date of issuance and delivery of the Bonds.

"Code" means the Internal Revenue Code of 1986, as from time to time supplemented and amended. References to the Code and to sections of the Code shall include relevant regulations and proposed regulations thereunder and any successor provisions to such sections, regulations or proposed regulations.

"Costs of Issuance" means the costs incurred by the Authority in connection with the issuance of the Bonds.

"Costs of Issuance Fund" means the Fund of that name created pursuant to Section 406 hereof.

"Custodian" means (a) The Depository Trust Company, New York, New York, or (b) any successor thereto engaged by the Foundation Representative to operate a book-entry system for recording, through electronic or manual means, the beneficial ownership of the Bonds, in which system no physical certificates are issued to the

Beneficial Owners of the Bonds, but in which a limited number of physical certificates are issued to and registered in the name of the Custodian or its nominee, and delivered to the Custodian; provided, that such book-entry system operated by the Custodian may include the use of subsystems of recording the beneficial ownership of Bonds which are operated by parties other than the Custodian and the use of a nominee for the Custodian, and the term "Custodian," as used herein, includes any party operating any such subsystem.

"Debt Service Reserve Account Requirement" means an amount equal to the lesser of (1) 10% of the stated principal amount of the Bonds as of the Closing Date; (2) 125% of the average annual principal and interest requirements on the Bonds; or (3) the maximum annual principal and interest requirements on the Bonds; on the Closing Date, the Debt Service Reserve Account Requirement is \$_____.

"Determination of Taxability" means a determination that the interest income on any Bond does not qualify for exclusion from gross income of the owner thereof under Section 103 of the Code, other than by virtue of the provisions of the Code relating to alternative minimum tax or other than that such owner is a "substantial user" or "related person" (within the meaning of Section 147(a) of the Code), which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which the Foundation determines that the interest income on any Bond does not qualify as exempt interest if such determination is supported by a written opinion to that effect of Bond Counsel satisfactory to the Trustee; or

(b) the date on which the Foundation shall receive notice from the Trustee in writing that the Trustee has been advised by the Owner of any Bond that, as a result of any authorized federal administrative action or by final decree, judgment or order of any federal court or authorized federal administrative body, it has been determined that the interest payable on the Bonds does not qualify as exempt interest. Any such determination will not be considered final for this purpose unless the Bond Owner involved in the proceeding or action resulting in the determination (1) gives the Foundation and the Trustee prompt written notice of the commencement of such proceeding or action and (2) offers the Foundation an opportunity to contest the determination, either directly or in the name of the Bond Owner, and until conclusion of any appellate review, if sought; provided, however that clause (2) shall apply only if the Foundation agrees to pay all expenses in connection with any such contest and to indemnify such Bond Owner against all liabilities in connection therewith.

"Directing Body" means: (a) with respect to a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (each of which groups shall be considered a Directing Body); (b) with respect to a not for profit corporation not having stock, such corporation's members if the members have

complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion or if the corporation has no members; and (c) with respect to any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"DTC" means The Depository Trust Company and its successors and assigns.

"Eighth Supplemental Indenture" means the Eighth Supplemental Indenture between the Foundation and the Master Trustee dated as of _____ 1, 2014, and entered into pursuant to the terms of the Master Indenture.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication, in each case with confirmation of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Environmental Laws" means all local, state and federal laws, ordinances, regulations and orders related to (a) environmental protection; (b) the use, storage, generation, production, treatment, emission, discharge, remediation, removal, disposal or transport of any Hazardous Substance; or (c) any other environmental matter.

"Event of Default" means any of the events listed in Section 801.

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Authority, the Trustee, and the Foundation to the effect that such action is permitted under this Indenture and the Act and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State (subject to customary exceptions).

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

"Foundation" means The Greater Fairbanks Community Hospital Foundation, Incorporated, an Alaska nonprofit corporation, and its successors and assigns.

"Foundation Representative" means the person or each alternate designated to act for the Foundation by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Foundation by the President or Vice President of the Foundation.

"Government Obligations" means direct obligations of (including obligations issued or held in book entry form on the books of) the United States of America.

"Hazardous Substances" means any substance or material defined or designated, as of the Closing Date, as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Environmental Laws, and shall include any such substance or material as may hereafter become defined or designated as hazardous or toxic material by such Environmental Laws.

"Indenture" means this Indenture as originally executed as it may from time to time be amended or supplemented.

["Insurer" means _____.]

"Interest Payment Date" means each April 1 and October 1, commencing October 1, 2014.

"Letter of Representations" means the Blanket Issuer Letter of Representations from the Authority to DTC dated May 1, 1995.

"Loan" means the loan of the proceeds of the Bonds from the Authority to the Foundation made pursuant to the Loan Agreement.

"Loan Agreement" means that certain Loan and Security Agreement between the Foundation and the Authority dated as of April 1, 2014, as it from time to time may be amended.

"Loan Interest Payment" means a payment of interest on the Loan pursuant to the Loan Agreement and the Series 2014 Obligation.

"Loan Payment" means a payment by the Foundation pursuant to the Series 2014 Obligation of amounts which correspond to interest or principal with respect to the Bonds, plus related fees and expenses, all in accordance with Article V of the Loan Agreement and the Series 2014 Obligation.

"Loan Principal Payment" means a payment of principal of the Loan pursuant to the Loan Agreement and the Series 2014 Obligation.

"Master Indenture" means the Master Trust Indenture, dated as of October 1, 2004, between the Foundation and the Master Trustee as supplemented by various supplemental indentures from time to time.

"Master Trustee" means U.S. Bank National Association, in its capacity as Master Trustee under the Master Indenture, and its successors in the trusts created under the Master Indenture.

"Maturity Date" means each date specified in Section 202 hereof as a date on which any of the Bonds mature.

"Notice Parties" means the Foundation, the Authority, and the Trustee.

"Obligation" means an Obligation (as such term is defined in the Master Indenture) that is Outstanding (as such term is defined in the Master Indenture).

"Opinion of Counsel" means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

"Owner" means the registered owner of a Bond, including the Securities Depository, if any, or its nominee.

"Outstanding," "Outstanding Bonds" or "Bonds outstanding" means the amount of principal of the Bonds which has not at the time been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under Section 208, (b) principal of any Bond which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required herein has been made, and (c) for purposes of any direction, consent or waiver under this Indenture, Bonds deemed not to be outstanding pursuant to Section 1102.

"Paying Agent" means the Trustee, or its successors, acting as paying agent hereunder.

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Payment Date" means any date upon which the principal amount of a Bond is due hereunder, including the Maturity Date, any Redemption Date, or the date the maturity of such Bond is accelerated pursuant to the terms hereof or otherwise.

"Project" means payment, or reimbursement to the Foundation for payment, of the costs of the acquisition, construction, renovation and equipping of certain hospital and other related health care facilities, including and without limitation the construction of new surgical suites for the Fairbanks Memorial Hospital, including supporting space such as sterile processing and a new hallway.

"Project Costs" means all or any portion of the costs of the Project identified in the Tax Agreement by and among the Authority, the Trustee, the Foundation, and Banner Health dated April ____, 2014.

"Project Facilities" means those certain health care facilities of the Foundation financed, in whole or in part, with the proceeds of the Loan.

"Project Fund" means the fund created pursuant to Section 405 hereof.

"Rating Agency" means, as of any date, each of Fitch, if the Bonds are then rated by Fitch, and S&P, if the Bonds are then rated by S&P.

"Record Date" means the twentieth (20th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"Redemption Price" means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Foundation by notice to the Authority and the Trustee.

"Securities Depository" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax -516/227-4039 or 4190 and such other securities depository as the Authority may designate in a certificate of the Authorized Officer delivered to the Trustee.

"Series 2014 Obligation" means the \$_____ Direct Note Obligation, Series 2014, dated as of the Closing Date, being initially issued by the Foundation to the Authority at the time the Bonds are initially issued and delivered and any Obligation or Obligations issued in exchange therefor pursuant to the Master Indenture or this Indenture.

"Special Bond Payment Date" means any date established by the Trustee for the payment of defaulted principal or interest on any Bond.

"State" means the State of Alaska.

"Trustee" means U.S. Bank National Association, the Trustee hereunder, or any successor Trustee.

All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision unless the context indicates otherwise.

Unless otherwise provided herein, all references to a particular time are to prevailing Eastern Time.

ARTICLE II
CONDITIONS AND TERMS OF BONDS

Section 201. Authorization of Bonds. The Bonds are hereby authorized to be issued in the aggregate principal amount of \$_____ and are hereby designated "Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014." The Bonds shall be numbered in the manner determined by the Trustee and shall be issued in fully registered form only.

Section 202. Purpose. The Bonds are issued to provide financial assistance to the Foundation for the financing of the Project. The Bonds shall be dated the Closing Date. Subject to prior redemption as hereinafter provided, the Bonds shall mature on April 1 of each of the years set forth in the table below, in the principal amount set opposite each such year, and shall bear interest at the applicable rate set forth for each such maturity date:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Section 203. Denominations, Medium, Method and Place of Payment. The Bonds shall be issued in Authorized Denominations. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

(A) *Payments.* Unless otherwise provided in any writing with or from the Securities Depository, the interest on the Bonds shall be paid by the Trustee on the Interest Payment Dates by wire transfer of immediately available funds to an account specified by the Owner in a writing delivered to the Trustee. Any such specified account shall remain in effect until revised by such Owner by an instrument in writing delivered to the Trustee. The principal of and premium, if any, on each Bond shall be payable on the Principal Payment Date, upon surrender thereof at the office of the Trustee.

(B) *Owner.* Except as may be specifically set forth herein, the Trustee, the Authority, and the Foundation may treat the Owner of a Bond as the absolute owner thereof for all purposes, without regard to whether such Bond shall be overdue, and neither the Trustee, the Authority, nor the Foundation shall be affected by any

knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of such Bond to the extent of the sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the provisions of this Section shall be cancelled by the Trustee.

Section 204. Payment of Principal and Interest of Bonds; Acceptance of Terms and Conditions. The interest on the Bonds shall become due and payable on the Interest Payment Dates in each year, to and including their Maturity Date, and on each Redemption Date and on the date of any acceleration prior thereto. The principal of the Bonds shall become due and payable on the Principal Payment Dates.

By the acceptance of its Bond, the Owner and each Beneficial Owner thereof shall be deemed to have agreed to all the terms and provisions of such Bond as specified in such Bond and this Indenture including, without limitation, the method and timing of redemption, payment, etc. Such Owner and each Beneficial Owner further agree that if, on any date upon which one of its Bonds is to be redeemed or paid at maturity or earlier due date, funds are on deposit with the Trustee to pay the full amount due on such Bond, then such Owner or Beneficial Owner shall have no rights under this Indenture other than to receive such full amount due with respect to such Bond and that interest on such Bond shall cease to accrue as of such date.

Section 205. Calculation and Payment of Interest. Interest shall be calculated on the basis of a 360 day year comprised of twelve 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such Bond on the applicable Record Date.

Section 206. Source of Payment and Security for Bonds.

(A) The Bonds shall be equally and ratably paid solely from the Bond Fund, into which shall be deposited, among other things, all Loan Payments made by the Foundation pursuant to the Loan Agreement and the Series 2014 Obligation.

(B) The Bonds shall be equally and ratably secured by a security interest in and a lien and claim against the money and investments in the Bond Fund and the Project Fund; and by a security interest in and a lien and claim against the money and investments in the Costs of Issuance Fund (until such time as the money and investments therein have been applied or transferred to the Bond Fund as provided herein).

(C) Payment of the principal of, and the premium, if any, and interest on, the Bonds shall be further secured by the assignment to the Trustee, in trust and without recourse, of the Authority's right, title and interest in, to and under the Loan Agreement and the Series 2014 Obligation (with the reservations and exceptions noted in Article X of the Loan Agreement).

(D) The Bonds and the interest thereon constitute limited obligations of the Authority and are payable solely from amounts payable by the Foundation under the Loan Agreement and amounts otherwise available under this Indenture for the payment of the Bonds. Neither the Authority, the State, nor any political subdivision thereof is or shall be obligated to pay the principal of, or the premium, if any, or interest on, the Bonds, and neither the faith and credit nor the taxing power of the Authority, the State, or any political subdivision thereof is pledged to such payment.

Section 207. Execution of Bonds.

(A) The Bonds shall be executed on behalf of the Authority with the facsimile or manual signature of an Authorized Representative of the Authority attested by another Authorized Representative of the Authority.

(B) In the event that any of the officers who shall have executed any of the Bonds shall cease to be officers of the Authority before the Bonds shall have been authenticated by the Trustee or issued by the Authority, such Bonds may, nevertheless, be authenticated, delivered and issued, and upon such authentication, delivery and issue, shall be binding upon the Authority as though those officers who signed the same had continued to be such officers of the Authority. Any Bond may be signed on behalf of the Authority by such an officer who, at the actual date of execution of such Bond, shall be the proper officer of the Authority, although on the date borne by such Bond such officer shall not have held such office.

Section 208. Authentication. The Bonds shall be authenticated by the Trustee. No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Trustee shall have manually signed on such Bond a certificate of authentication substantially in the form of that appearing in Exhibit A hereto. Such certificate of authentication upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the Owner is entitled to the benefits of the Indenture. No Bond shall be authenticated except in accordance with this Section 208.

Section 209. Form of Bonds. The Bonds shall be issued in substantially the same form as Exhibit A hereto; provided, that on and after the Book-Entry Termination Date the Bonds shall be in a form similar to Exhibit A hereto, but with such changes as may be necessary or appropriate, in the opinion of Bond Counsel, to conform such Bonds to the applicable provisions of this Indenture.

Section 210. Registration and Transfer of Bonds.

(A) The Trustee shall act as the Authority's paying agent, registrar, authenticating trustee, and transfer agent for the Bonds. As such, the Trustee shall keep at all times complete and accurate registry and transfer records showing the name and address of each Owner of the Bonds and the principal amount, maturity date and CUSIP number of each Bond owned by such Owner.

(B) The ownership of the Bonds shall be transferable. The beneficial ownership of Bonds may only be transferred on the records established and maintained by the Custodian. On and after the Book-Entry Termination Date, transfer of the registered ownership of any Bond shall be valid only if such Bond is surrendered at the corporate trust office of the Trustee, with the assignment form appearing on such Bond duly executed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee duly executed by, the Owner or such Owner's duly authorized agent, in a manner satisfactory to the Trustee. Upon such surrender, the Trustee shall cancel the surrendered Bond and shall authenticate and deliver, in exchange for such surrendered and cancelled Bond and without charge to the Owner therefor (other than any governmental fees or taxes payable with respect to such transfer), a new Bond (or Bonds, at the option of the new Owner), naming as Owner the Persons listed as the assignees on the assignment form appearing on the surrendered Bond, of the same maturity, interest rate, terms and conditions and for the same aggregate principal amount.

Section 211. Exchange of Bonds. From and after the Book-Entry Termination Date, any Bond may be exchanged without charge to the Owner therefor (other than any governmental fees or taxes payable with respect to such exchanges) at the corporate trust office of the Trustee, as indicated in Section 1409 hereof, by the Owner thereof or such Owner's duly authorized agent for new Bonds of any authorized denomination as specified by the Owner of the exchanged Bond or such Owner's agent. Any new Bonds delivered pursuant to this Section 211 shall have the same aggregate principal amount, maturity, interest rate, terms and conditions (other than denomination), number and, if applicable, the identity of the Owner, as the Bonds for which such new Bonds were exchanged. Such exchanges shall be made without charge to the Owner therefor (other than any taxes or other governmental charges payable with respect to such exchange). The Trustee shall cancel any Bonds exchanged for new Bonds.

Section 212. Time Restrictions on Transfers and Exchange. The Trustee shall not be obligated to transfer or exchange any Bond during the period between an Interest Payment Date, Redemption Date (provided notice of redemption has been duly given to the Owner of such Bond) or Special Bond Payment Date and the applicable Record Date therefor.

Section 213. Ownership of Bonds. The Authority, the Trustee, the Foundation Representative, the Foundation and their respective successors, each in its discretion, may deem and treat the Owner of any Bond as the absolute owner thereof for all purposes, and neither the Authority, the Trustee, the Foundation, the Foundation Representative, nor their respective successors shall be affected by any notice to the contrary. Payment of the principal of any such Bond shall be made only to or upon the order of the Owner thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 214. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond becomes mutilated, lost, stolen or destroyed, the Trustee may authenticate and deliver a new

Bond of the same amount, number, interest provisions and maturity and of like tenor and effect in substitution therefor, all in accordance with the provisions of State law. Or, if such mutilated, lost, stolen or destroyed Bond has matured, the Trustee may, at its option, pay the same without the surrender thereof. However, no such substitution or payment shall be made unless the applicant shall furnish (a) evidence satisfactory to the Trustee of the destruction or loss of the original Bond, and of the ownership thereof; (b) the written affidavit required by State law (if any); and (c) such additional security and indemnity as may be required by the Trustee. No substitute Bond shall be furnished unless the applicant shall reimburse the Authority and the Trustee for their expenses in the furnishing thereof. Any such substitute Bond so furnished shall be clearly marked "Duplicate," shall be recorded on the books of the Trustee as a replacement Bond and shall be equally and proportionately entitled to the security of this Indenture with all other Bonds issued hereunder.

Section 215. Acquisition and Surrender of Bonds. The Foundation may acquire Bonds by purchase in the open market or otherwise. The Foundation shall surrender any Bonds so purchased to the Trustee for cancellation in accordance with Section 216 hereof. The Foundation shall give written notice of any such surrender to the Trustee. Upon such surrender, the Foundation shall receive credits against its Loan Payments as described in Section 3.05 of the Loan Agreement, and the Trustee shall credit the stated principal amount of such Bonds against the sinking fund redemption provisions applicable to such Bonds under Section 302 hereof as provided in Section 306 hereof.

Section 216. Cancellation of Bonds. Upon payment (as described in and subject to Section 1101 hereof), surrender and re-registration or transfer, exchange or substitution of a Bond, said Bond shall be cancelled by the Trustee.

Section 217. Book-Entry System.

(A) On the Closing Date, Bonds shall be issued in the form of a single bond for each maturity in the amount of such maturity, which bond shall be registered in the name of the Custodian or its nominee, and delivered to the Custodian or its agent. The Custodian shall hold each such Bond certificate in fully immobilized form for the benefit of the Beneficial Owners pursuant to the Letter of Representations until the earliest to occur of either (1) the date of maturity of the Bonds evidenced by such certificate, at which time the Custodian shall surrender such certificate to the Trustee for payment of the principal of and interest on such Bonds coming due on such date, and the cancellation thereof; (2) the Redemption Date of any Bonds evidenced by such certificate, at which time the Custodian shall surrender such certificate to the Trustee for payment of the principal of, premium, if any, and interest on such Bonds coming due on such Redemption Date, and the cancellation of such certificate and the issuance and delivery to the Custodian of a new certificate, registered in the name of the Custodian or its nominee, for the aggregate principal amount of the unredeemed Bonds previously evidenced by such cancelled certificate; (3) the Book Entry Termination Date; or (4) the date the Authority at the request of the Foundation Representative determines to utilize a new Custodian for the Bonds, at which time the old Custodian shall (provided the Foundation is not then in default of any payment then due on the Outstanding Bonds)

surrender the immobilized certificates to the Trustee for transfer to the new Custodian and cancellation as herein provided. If the earliest to occur of the aforementioned events is a Redemption Date and upon such redemption one or more new certificates are issued and delivered to the Custodian for any unredeemed portion of the Bonds, such new certificates shall again be held by the Custodian in fully immobilized form for the benefit of the Beneficial Owners pursuant to the Letter of Representations until the next occurrence of one of the events described in this Section 217(A).

(B) For so long as any Outstanding Bonds are registered in the name of the Custodian or its nominee and held by the Custodian in fully immobilized form, as described in this Section 217, (1) the rights of the Beneficial Owners shall be evidenced solely by an electronic or manual entry made from time to time on the records established and maintained by the Custodian in accordance with the Letter of Representations, and (2) no certificates evidencing such Bonds shall be issued and registered in the name of any Beneficial Owner or such Beneficial Owner's nominee.

(C) The "Book Entry" system of registering ownership of the Bonds may be terminated by the Authority upon written request from the Foundation Representative (provided the Foundation is not then in default of any payment then due on the Outstanding Bonds). Upon receipt of such request the Authority shall deliver to the Trustee (1) a written request that it issue and deliver Bond certificates to each Beneficial Owner or such Beneficial Owner's nominee on the Book Entry Termination Date; and (2) a list identifying the Beneficial Owners as to both name and address, and shall also deliver a supply of such certificates to the Trustee, if necessary for such purpose. Upon surrender to the Trustee of the immobilized certificates evidencing all of the then Outstanding Bonds, the Trustee shall issue and deliver new certificates to each Beneficial Owner or such Beneficial Owner's duly appointed agent, naming such Beneficial Owner or such Beneficial Owner's nominee as the Owner thereof. Such certificates may be in any integral multiple of \$5,000. Following such issuance, the Owners of such Bonds may transfer and exchange such Bonds in accordance with Sections 210, 211 and 212 hereof.

(D) Neither the Authority, the Foundation, nor the Trustee shall have at any time any responsibility or liability to any Beneficial Owner of Bonds or to any other Person for any error, omission, action or failure to act on the part of the Custodian or any participant or indirect participant of the Custodian with respect to payment, when due, to the Beneficial Owner of the principal, premium, if any, and interest on the Bonds, proper recording of beneficial ownership of Bonds, proper transfers of such beneficial ownership, or any notices to Beneficial Owners or any other matter pertaining to the Bonds.

ARTICLE III
REDEMPTION OF BONDS

Section 301. Optional Redemption of Bonds. The Bonds are not subject to optional redemption except as provided in Section 303(B) hereof.

Section 302. Sinking Fund Payments. The Bonds are not subject to redemption by application of sinking fund payments.

Section 303. Taxability and Extraordinary Optional Redemptions.

(A) The Bonds are subject to redemption and shall be redeemed on any date selected by the Authority, at the written direction of the Foundation, not later than forty (40) days after the occurrence of a Determination of Taxability at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Any such redemption shall be in whole unless it is determined, as evidenced by a Favorable Opinion of Bond Counsel delivered to the Trustee that redemption of fewer than all the Bonds would result in the interest payable on the Bonds remaining outstanding being not includible in gross income, for federal income tax purposes. In such event, the Bonds shall be redeemed by lot in such manner as the Trustee determines and in such amount as is stated to be deemed necessary in the Favorable Opinion of Bond Counsel to accomplish that result. In any case such amount to be redeemed must be an Authorized Denomination.

If the Trustee receives written notice from any registered owner or Beneficial Owner stating that (1) such party has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such party for the reasons stated in the definition of Determination of Taxability or any other proceeding has been instituted against such registered owner or Beneficial Owner which may lead to a Determination of Taxability and (2) such registered owner or Beneficial Owner will afford the Authority, at the written direction of the Foundation, the opportunity to contest the same either directly or in the name of the registered owner or Beneficial Owner, and until a conclusion of any appellate review, if sought, then the Trustee shall promptly give notice thereof to the Authority, the Foundation, and the Beneficial Owners of Bonds then Outstanding. If a Determination of Taxability thereafter occurs, the Trustee shall make demand for payment of the redemption price of and interest on the Bonds or necessary portions thereof from the Foundation and give notice of the taxability redemption of the appropriate amount of Bonds on the date selected by the Authority, at the written direction of the Foundation, within the required period of forty (40) days. In taking any action or making any determination under this Section 303, the Trustee may rely on an Opinion of Counsel.

(B) The Bonds are subject to redemption at the option of the Authority on any date selected by the Authority, at the written direction of the Foundation, in the event of damage to or destruction of the Campus Property or any part thereof or the condemnation or sale consummated under threat of condemnation of the Campus Property or any part thereof. If called for redemption in the events referred to in this

paragraph, the Bonds will be subject to redemption at the principal amount thereof plus accrued interest to the redemption date and without premium.

Section 304. Procedure for Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the portions of the Bonds to be so redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption. Such notice shall be given by mail, postage prepaid, at least 30 days (or, in the case of acceleration of the Bonds pursuant to Section 803, seven days) but not more than 60 days prior to the date fixed for redemption to each Owner of Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered Owner who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Section 305. Notice of Redemption. Notice of redemption of Bonds shall be given as provided in Section 304.

If at the time of mailing of any notice of redemption there shall not be deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice will state that such redemption is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Section 306. Selection of Bonds to be Redeemed. In the event that fewer than all of the Bonds of like maturity are being redeemed, the Trustee will select the Bonds to be so redeemed in such manner as the Trustee determines after consultation with the Foundation; provided that, so long as the Bonds are maintained in book entry form, the selection of individual ownership interests in the Bonds to be credited with any such partial redemption will be made through DTC in accordance with DTC's operational procedures.

At its option, to be exercised on or before the 45th day next preceding any mandatory sinking fund redemption date for Bonds under Section 303, the Foundation may deliver to the Trustee for cancellation Bonds of the appropriate maturity in any

aggregate principal amount which have been purchased by the Foundation in the open market. Each Bond so delivered shall be credited by the Trustee at 100% of the principal amount thereof against (1) the mandatory scheduled redemption requirement for Bonds on such mandatory redemption date; and any excess of such amount shall be credited against future mandatory scheduled redemption requirements in chronological order; or (2) against any or all future mandatory scheduled redemption requirements selected by the Foundation in the amounts selected by the Foundation provided that all such amounts in the aggregate shall equal the principal amount of the Bond so delivered. The Foundation, will, on or before the 45th day preceding each mandatory scheduled redemption date, furnish the Trustee with a certificate, signed by an Foundation Representative, stating the extent to which the provisions of the first sentence of this paragraph are to be availed of with respect to such mandatory redemption requirements for such mandatory redemption date; unless such certificate is so timely furnished to the Trustee, the mandatory redemption requirements for such mandatory redemption date shall not be reduced under the provisions of this paragraph.

ARTICLE IV FUNDS

Section 401. Bond Fund.

(A) The Authority hereby authorizes and directs the Trustee to establish a special Fund designated as the "Bond Fund," which initially shall consist of the following Accounts:

- (1) The Interest Account;
- (2) The Principal Account; and
- (3) The Redemption Account.

The Bond Fund shall be held by the Trustee, separate and apart from all other funds and accounts of the Authority, the Foundation and the Trustee and shall be maintained as long as any Bonds remain Outstanding. The money and investments in the Accounts of the Bond Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as described in the Granting Clauses, and shall be applied in accordance with this Article IV.

(B) The Trustee may, in its discretion, establish such additional Accounts within the Bond Fund as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Bond Fund or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such Account shall not alter or modify any of the requirements of this Indenture with respect to a deposit or use of money in the Bond Fund, or result in commingling of funds not permitted hereunder. In establishing such Accounts, the Trustee may at any time request, receive and rely with full acquittance upon a Favorable Opinion of Bond Counsel, addressed to the Authority, the Trustee and

the Foundation, that the establishment of such Accounts will not cause any part of the Outstanding Bonds to become "arbitrage bonds" within the meaning of the Code.

Section 402. Bond Fund: Interest Account.

(A) Immediately upon receipt thereof, the Trustee shall, with the exception of Sections 402(A)(2) and 402(A)(3) hereof, which require written direction from the Foundation Representative, deposit the following into the Interest Account:

(1) All Loan Interest Payments and all payments of interest on the Series 2014 Obligation;

(2) The net income realized on investments of money in the Costs of Issuance Fund, the Interest Account and the Principal Account at the written direction of the Foundation Representative;

(3) All sums transferred to the Interest Account from the Costs of Issuance Fund at the written direction of the Foundation Representative pursuant to Section 406(G) hereof;

(4) All sums required to be transferred to the Interest Account from the Redemption Account pursuant to Section 404(B)(3) hereof;

(5) All other money required to be transferred to or deposited in the Interest Account pursuant to any provision of this Indenture or the Loan Agreement.

(B) The money and investments in the Interest Account are irrevocably pledged and shall be used solely by the Trustee, from time to time, to the extent required, in the following order of priority:

(1) For the payment of the interest on the Outstanding Bonds coming due on the next Interest Payment Date;

(2) For transfer to the Principal Account of net income earned from the investment of money in the Interest Account in accordance with Section 601(B)(2) hereof;

(3) For transfer to a special Account in the Bond Fund upon the issuance of a Declaration of Acceleration, for application as provided in Section 805 hereof;

(4) Upon written request from the Foundation Representative, for the payment of accrued interest on any Outstanding Bonds (A) purchased in the open market for surrender to the Trustee for credit against Loan Interest Payments, or (B) redeemed pursuant to Section 303 hereof; and

(5) Provided there is no Event of Default which has not been cured or waived as provided herein, for return to the Foundation (as an overpayment) on the

Business Day immediately succeeding each Interest Payment Date of all funds which the Trustee has determined, as of such Business Day, to be in excess of those necessary for the purposes described in Sections 402(B)(1), 402(B)(2), 402(B)(3) and 402(B)(4) hereof, inclusive; and upon the occurrence of an Event of Default and continuing until such Event of Default is waived or cured as provided herein, for transfer to an Account in the Bond Fund and application as provided in Section 805 hereof.

Section 403. Bond Fund: Principal Account.

(A) Immediately upon receipt thereof, the Trustee shall, with the exception of Section 403(A)(2) hereof, which requires written direction from the Foundation Representative, deposit the following into the Principal Account:

(1) All Loan Principal Payments and all payments of principal of the Series 2014 Obligation;

(2) The net income realized on investments of money in the Costs of Issuance Fund, the Principal Account and the Interest Account at the written direction of the Foundation Representative;

(3) All sums required to be transferred to the Principal Account from the Redemption Account pursuant to Section 404(B)(3) hereof;

(4) All other money required to be transferred to or deposited in the Principal Account pursuant to any provision of this Indenture or the Loan Agreement.

(B) The money and investments in the Principal Account are irrevocably pledged and shall be used by the Trustee, from time to time, to the extent required, in the following order of priority.

(1) For the payment of the principal of the Outstanding Bonds coming due by maturity on the next Principal Payment Date;

(2) For transfer to the Interest Account of net income earned from the investment of money in the Principal Account in accordance with Section 601(B)(2) hereof;

(3) For transfer to a special Account in the Bond Fund upon the issuance of a Declaration of Acceleration, for application as provided in Section 805 hereof;

(4) Upon written request from the Foundation Representative, for the payment of the redemption price of any Bonds duly called for optional redemption pursuant to Section 303(B)(2) hereof on or before the next Principal Payment Date for such Bonds;

(5) Upon written request from the Foundation Representative, for the payment of the purchase price of any Outstanding Bonds purchased in the open market

for surrender to the Trustee for credit against Loan Principal Payments as provided in Section 3.05 of the Loan Agreement; and

(6) Provided there is no Event of Default which has not been cured or waived as provided herein, for return to the Foundation (as an overpayment) on the Business Day immediately succeeding each Principal Payment Date, of all funds which the Trustee has determined, as of such Business Day, to be in excess of those necessary for the purposes described in Sections 403(B)(1), 403(B)(2), 403(B)(3), 403(B)(4) and 403(B)(5) hereof, inclusive; and upon the occurrence of an Event of Default and continuing until such Event of Default is waived or cured as provided herein, for transfer to an Account in the Bond Fund and application as provided in Section 805 hereof.

Section 404. Bond Fund: Redemption Account and Debt Service Reserve Account.

(A) Immediately upon receipt thereof, the Trustee shall deposit the following into the Redemption Account:

(1) Amounts received from the Foundation reasonably expected to be sufficient for the payment on the Redemption Date of the principal of and redemption premium, if any, and interest on any Outstanding Bonds to be so redeemed (taking into account any amounts on deposit in the Principal Account and the Interest Account available for payment of such principal and interest);

(2) The net income realized on investments of money in the Redemption Account;

(3) All funds received by the Trustee from the Foundation or from any other source with written instructions to deposit such amounts into the Redemption Account; and

(4) All other funds required to be transferred to the Redemption Account pursuant to any provision of the Loan Agreement or this Indenture.

(B) The money and investments in the Redemption Account are irrevocably pledged and shall be used solely by the Trustee, from time to time, in the following order of priority:

(1) For transfer of any funds in the Redemption Account to a special Account in the Bond Fund upon the issuance of a Declaration of Acceleration, for application as provided in Section 805 hereof;

(2) For the redemption of Bonds duly called for redemption pursuant to Section 301 or Section 303 hereof; and

(3) Upon receipt of and in accordance with a written request from the Foundation Representative, for use of any funds in the Redemption Account in excess

of the amount necessary for the purposes described in Sections 404(B)(1) and 404(B)(2) hereof, for any one or more of the following purposes:

(a) For the purchase of any Bonds in the open market for surrender and cancellation;

(b) For providing for the payment of principal or interest on any Outstanding Bonds pursuant to this Indenture; or

(c) For transfer to the Interest Account or the Principal Account.

(C) If at any time the amount on deposit in the Debt Service Reserve Account of the Bond Fund is less than the Debt Service Reserve Account Requirement either because of a transfer therefrom or a valuation thereof as hereinafter provided, the Loan Agreement requires the Foundation to restore the Debt Service Reserve Account to an amount equal to the Debt Service Reserve Account Requirement at least 15 days prior to the Interest Payment Date next occurring after the date on which the deficiency occurs. Permitted Investments in the Debt Service Reserve Account shall have an aggregate weighted term to maturity not greater than five years (unless such Permitted Investments can be liquidated at any time at par) and shall be valued by the Trustee on the 1st day of April in each calendar year; provided however that the Foundation may request that the Debt Service Reserve Account be valued at any time in addition to the annual valuation date.

Amounts on deposit in the Debt Service Reserve Account shall be transferred by the Trustee to the Interest Account and the Principal Account (in the order listed) on any Interest Payment Date or Principal Payment Date to make up for any deficiencies in such accounts on such date. In the event of any such transfer, the Bond Trustee shall notify the Foundation of such transfer immediately.

(D) In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Trustee may, at the request of the Foundation, use any amounts on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement after such defeasance or redemption to pay the principal of or the principal portion of the redemption price of said Bonds to be redeemed or defeased or as otherwise directed by the Foundation if the Trustee has received an Opinion of Counsel from Bond Counsel to the effect that such transfer would not adversely affect the exemption for purposes of federal income taxation to which interest on the Bonds is otherwise entitled or the validity of any Bonds.

Section 405. Project Fund. The Authority hereby authorizes and directs the Trustee to establish a special Fund designated as the "Project Fund." Amounts on deposit in the Project Fund shall be used to pay, or to reimburse the Foundation for the payment of, Project Costs in accordance with written instructions from the Foundation Representative; provided, however, that, upon the occurrence of an Event of Default or an event which, with the passage of time or the giving of notice, would constitute an Event of Default, the Trustee shall transfer amounts in the Project Fund (a) first, to the

Interest Account of the Bond Fund to pay all accrued interest on the Bonds on their Acceleration Date, if any, or otherwise on their next Interest Payment Date, and (b) second, to the Principal Account of the Bond Fund to pay principal of the Bonds on their Acceleration Date, if any, or otherwise on their next maturity date.

Section 406. Costs of Issuance Fund.

(A) The Authority hereby authorizes and directs the Trustee to establish a special Fund designated as the "Costs of Issuance Fund."

(B) The Costs of Issuance Fund shall be held by the Trustee, separate and apart from all other funds and accounts of the Authority, the Foundation and the Trustee, and shall be maintained until (1) all funds therein are transferred to the Bond Fund pursuant to a Declaration of Acceleration as provided in Section 406(C) hereof, or (2) all Costs of Issuance have been paid and the balance of funds have been transferred as provided in Section 406(G) hereof. Pending such application, funds in the Costs of Issuance Fund shall be invested, and net income from such investment shall be deposited and applied, in accordance with Section 601 of this Indenture. The funds in the Costs of Issuance Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as described in the Granting Clauses, and shall be applied solely in accordance with the provisions of this Article IV.

(C) Immediately upon the occurrence of an Event of Default hereunder or an event of default under the Master Indenture, the Trustee shall transfer all funds in the Costs of Issuance Fund to a special Account in the Bond Fund, to be applied as provided in Sections 805(A), 805(B)(2) and 805(B)(3) hereof; provided that, if such Event of Default is cured prior to the close of the Trustee's business on the date of any such transfer, the Trustee shall not transfer such funds to the Bond Fund but shall hold and apply such funds as provided in this Section 406 unless and until a new Event of Default occurs.

(D) Immediately upon receipt thereof, the Trustee shall deposit into the Costs of Issuance Fund the amounts that are required to be deposited into the Costs of Issuance Fund pursuant to Section 501(A) hereof. The Authority has no obligation hereunder or under the Act to deposit any funds (other than the proceeds of the Bonds as provided in Section 501(B) hereof) into the Costs of Issuance Fund, or to apply any funds to the payment of the Costs of Issuance except the funds in the Costs of Issuance Fund or other funds specifically made available therefor by or on behalf of the Foundation.

(E) The Trustee shall pay Costs of Issuance, but only from the funds in the Costs of Issuance Fund, within five Business Days following receipt by the Trustee of a written request for payment from the Foundation Representative, accompanied by the statements or billings pertaining to such Costs of Issuance; provided, however, that the Foundation may pay or cause to be paid any of such Costs of Issuance, in which case the Trustee shall reimburse the Foundation from funds available in the Costs of Issuance Fund within five Business Days of the Trustee's receipt of the written request

of the Foundation Representative, accompanied by the statements or billings pertaining to such Costs of Issuance and a certificate from the Foundation Representative that such Costs of Issuance have been paid by or on behalf of the Foundation.

(F) All payments made from the Costs of Issuance Fund pursuant to a written request for payment from the Foundation Representative shall be presumed to be made properly and the Trustee shall not be required to see to the application of any payments made from the Costs of Issuance Fund or to inquire into the purposes for which withdrawals are being made from the Costs of Issuance Fund.

(G) The date of completion of the payment of all Costs of Issuance shall be the date when the Trustee shall have received a certificate of the Foundation Representative to that effect. As soon as practicable following receipt of said certificate by the Trustee, the Trustee shall transfer any money and investments remaining in the Costs of Issuance Fund to the Interest Account.

(H) The Trustee may, in its discretion, establish such Accounts within the Costs of Issuance Fund, and subaccounts within any of the Accounts, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Costs of Issuance Fund and its Accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such Account or subaccount shall not alter or modify any of the requirements of this Indenture with respect to a deposit or use of money in the Costs of Issuance Fund, or result in commingling of funds not permitted hereunder. In establishing such Accounts or subaccounts, the Trustee may at any time request, receive and rely with full acquittance upon an Opinion of Bond Counsel, addressed to the Authority, the Trustee and the Foundation, that the establishment of such Accounts or subaccounts will not cause any part of the Outstanding Bonds to become "arbitrage bonds" within the meaning of the Code.

Section 407. Investment of Money in Funds. Pending application as provided in this Article IV, the money in the Bond Fund, its Accounts, and the Project Fund shall be invested and reinvested by the Trustee in accordance with the requirements of Article VI hereof.

ARTICLE V APPLICATION OF BOND PROCEEDS; COSTS OF ISSUANCE FUND

Section 501. Application of Bond Proceeds. All of the proceeds of the Bonds received from the original purchasers thereof, net of the underwriters' discount, shall be paid to the Trustee on the Closing Date in immediately available funds. Immediately upon receipt thereof, the Trustee shall apply such net proceeds as follows:

(A) The sum of \$_____ shall be deposited into the Costs of Issuance Fund to pay the Costs of Issuance;

(B) The sum of \$_____ shall be deposited into the Debt Service Reserve Account of the Bond Fund; and

(C) The balance of such proceeds shall be deposited in the Project Fund.

ARTICLE VI INVESTMENT OF FUNDS

Section 601. Investment of Funds.

(A) So long as there is no Event of Default which has not been cured or waived as provided herein, the Trustee shall invest and reinvest the money, if any, on deposit in any Fund, to the extent practicable, only in such Authorized Investments as are directed in writing by the Foundation Representative; but in the event of any such Event of Default or in the event of the failure of the Foundation Representative to provide timely directions as to such investment or reinvestment, the Trustee shall, to the extent practicable, invest or reinvest money on deposit in said Accounts and Funds in such Authorized Investments as the Trustee, in its discretion, shall choose. Notwithstanding any directions of the Foundation Representative:

(1) All such Authorized Investments shall mature, or be subject to withdrawal, repurchase or redemption, each without penalty, at the option of the holder on or before the dates on which the invested amounts are reasonably expected to be needed for the purposes hereof; and

(2) The Trustee covenants and agrees that investments made pursuant to this Section 601 shall be limited as to amount, type and yield of investment in such manner that no Outstanding Bond shall become an "arbitrage bond" under the Code; provided, however, that the Trustee, in making any investment pursuant to this Section 601, may at any time request, receive and rely with full acquittance upon the Opinion of Bond Counsel, addressed to the Authority, the Trustee and the Foundation Representative, that such investment will not cause any part of the Outstanding Bonds to become "arbitrage bonds" under the Code. Any fees and expenses incurred by the Trustee in obtaining such Opinion of Bond Counsel shall be an expense reasonably incurred by the Trustee and shall be charged to and paid by the Foundation pursuant to Section 907 hereof.

(B) All gain and loss resulting from the sale of any investments in any fund, account or subaccount shall be charged, and the net income received in respect of such investments shall be deposited and credited upon receipt, as follows:

(1) All gain and loss resulting from the sale of any investments in any specified fund, account or subaccount shall be charged when realized to the fund, account or subaccount, respectively, from which such gain or loss arose;

(2) The net income realized on the investment of money in the Costs of Issuance Fund, the Interest Account and the Principal Account shall, upon receipt, be deposited in and credited to the Interest Account or the Principal Account, at the written direction of the Foundation Representative;

(3) The net income realized on the investment of money in the Redemption Account shall, upon receipt, be deposited in and credited to the Redemption Account; and

(4) The net income realized on the investment of money in the Project Fund shall, upon receipt, be deposited in the Project Fund, the Interest Account, or the Principal Account, at the written direction of the Foundation Representative.

(C) Whenever any transfer or payment is required to be made from any particular fund or account, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as the Trustee may deem appropriate.

(D) Neither the Authority nor the Trustee shall be accountable for any depreciation in the value of the investments or any losses incurred upon any authorized disposition thereof.

(E) The Trustee, unless otherwise directed by the Foundation Representative, may make any and all investments of funds under this Article VI through its own investment department or that of its affiliates.

(F) The Authority and the Foundation Representative (by its execution of the Loan Agreement) acknowledge that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Authority or the Foundation Representative the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Foundation Representative waive receipt of such confirmations. The Trustee shall furnish to the Foundation Representative periodic statements that include detail of all investment transactions made by the Trustee.

Section 602. Determination and Payment of Rebate Amount.

(A) The Trustee shall determine or cause to be determined, at the time and in the manner required by Section 148 of the Code, the Rebate Amount attributable to the investment of the Gross Proceeds of the Bonds, if any.

(B) Immediately following the computation of the Rebate Amount attributable to the investment of the Gross Proceeds of the Bonds as of the end of the Computation

Periods ending on the last day of the fifth Bond Year following the Closing Date, the last day of each fifth Bond Year thereafter, and the date of payment of the last Bond to be paid and, in each case, in sufficient time to enable the Trustee to request the Foundation to make the rebate payments with respect thereto required pursuant to Section 602(C) hereof, the Trustee shall cause a Rebate Agent to verify the accuracy of the computation of the Rebate Amount attributable to the investment of the Gross Proceeds of the Bonds as of the end of such Computation Periods. The Trustee shall promptly notify the Foundation Representative in writing of the amount of such Rebate Amount and shall request its prompt payment pursuant to Section 602(C) hereof, not later than the time of the next Rebate Payment required thereunder.

(C) The Trustee shall request the Foundation to make the following Rebate Payments to the United States Treasury with respect to the Bonds, when and as indicated:

(1) Not earlier than the first day nor later than the 60th day following the end of each fifth Bond Year following the Closing Date, an amount equal to 90% of the Rebate Amount attributable to the investment of the Gross Proceeds of the Bonds, less the cumulative total of any installment payments previously made to the United States Treasury on account of such Rebate Amount, if any; and

(2) Not earlier than the date of payment of the last Outstanding Bond, nor later than the 60th day thereafter, an amount equal to 100% of the Rebate Amount attributable to the investment of Gross Proceeds of the Bonds, less the cumulative total of any installment payments previously made to the United States Treasury on account of such Rebate Amount, if any.

(D) The Trustee shall retain records of the sources of and determination of the Rebate Amounts and, to the extent provided to the Trustee by the Foundation, reports and filings, of the Rebate Payments actually made to the United States Treasury in respect thereof until the date which is the seventh anniversary of the date of payment of the last Outstanding Bond. The obligations of the Trustee to retain such records in accordance with this Section 602(D) shall survive the defeasance of the Bonds.

(E) Notwithstanding any other provision hereunder, the Trustee will, upon request of the Foundation Representative, determine or cause to be determined the Rebate Amount attributable to the investment of Gross Proceeds of the Bonds more often than as required by the Code.

Section 603. Trustee Reliance on Professionals.

(A) In carrying out its duties pursuant to Section 602 hereof, the Trustee shall, if so directed by the Foundation Representative, or may, if not so directed, obtain the written report or reports of one or more Rebate Agents from time to time and may rely upon such reports with full acquittance. The fees and expenses incurred by the Trustee in obtaining such report or reports shall be deemed an expense reasonably incurred by

the Trustee and shall be charged to and paid by the Foundation pursuant to Section 907 hereof.

(B) The Trustee may, but is not required to, in carrying out its duties pursuant to Sections 601 and 602 hereof, obtain Opinions of Counsel from time to time and rely upon such Opinions with full acquittance. The fees and expenses incurred in obtaining such Opinions shall be deemed an expense reasonably incurred by the Trustee and shall be charged to and paid by the Foundation pursuant to Section 907 hereof.

ARTICLE VII COVENANTS OF THE AUTHORITY

Section 701. Faithful Performance. The Authority will faithfully perform its covenants contained in this Indenture and in each and every Bond executed, authenticated and delivered hereunder. The principal of and interest on any Bond is not and shall not be deemed to represent a general obligation or pledge of the faith or credit of the Authority or the State or grant to the Owner of any Bond any right to have the Authority or the State levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds. Payment of amounts owed with respect to the Bonds is to be made solely out of the money received pursuant to the Loan Agreement, the Series 2014 Obligation, and the Funds established and maintained with the Trustee pursuant to the requirements of this Indenture.

Section 702. Extensions of Payments of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for the interest on such Bonds without the consent of the Owners of all Outstanding Bonds.

Section 703. Validity of Authority Actions. The Authority is duly authorized under the constitution and laws of the State to create and issue the Bonds, to make the proceeds thereof available to the Foundation for the benefit of the Foundation for the Project, and to execute this Indenture. All necessary action and proceedings on its part to be taken for the creation and issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and the Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

Section 704. Limitations on Authority's Obligations to Observe All Covenants and Terms. Under the Act, and it is expressly agreed that, the Authority has no authority or obligation to levy taxes for, or make any advance or payment or incur any expense or liability on behalf of the State in performing any of the conditions, covenants or requirements of the Bonds or of this Indenture or from any funds other than revenues and income received pursuant to the Loan Agreement, the Series 2014 Obligation, or money in the Funds provided for herein; and the Authority shall incur no liability for lack of funds available therefor.

Section 705. Lien of Indenture. The Authority will not create or suffer to be created any lien having priority or preference over the lien of this Indenture upon the Trust Estate or any part thereof, other than the security interests granted by it to the Trustee. The Authority agrees that no obligations, the payment of which are secured by money or amounts derived from the Loan Agreement, the Series 2014 Obligation, and the other sources provided herein, will be issued by it except in accordance with the provisions of this Indenture.

Section 706. Instruments of Further Assurance. The Authority will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers for the better conveying, assuring, transferring, assigning, pledging and hypothecating unto the Trustee the right, title and interest of the Authority in the Loan Agreement and the Series 2014 Obligation (with certain reservations and exceptions noted in Article X of the Loan Agreement), as security for the payment of the principal of, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 801. Events of Default. Any one or more of the following events shall constitute an "Event of Default" hereunder:

- (A) failure to pay interest on any Bonds when due and payable;
- (B) failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement under Article III;
- (C) failure by the Foundation to observe or perform any other covenant, condition, or agreement on its part to be observed or performed in this Indenture or the Bonds for a period of 30 days after written notice of such failure shall have been given to the Foundation by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied which by its or their nature cannot reasonably be done, taken, or remedied, as the case may be, within such 30-day period, no Event of Default under this clause (C) shall be deemed to have occurred or to exist if and so long as the Foundation shall have commenced such work, action, or remediation within such 30-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion;
- (D) any Loan Agreement Default;
- (E) an "Event of Default" described in the Master Indenture.

Section 802. Notices of Default, Cure or Waiver.

(A) The Trustee shall cause written notice to be given to the Foundation Representative, the Master Trustee, and the Owners of all Bonds by first-class mail, postage prepaid, within five Business Days of the date upon which the Trustee has received notice from any source of any Event of Default.

(B) The Trustee shall cause written notice to be given to the Foundation Representative, the Master Trustee, and the Owners of all Bonds by first-class mail, postage prepaid, within five Business Days of the date upon which the Trustee has received notice from any source (or is deemed to have notice, pursuant to Section 901(C) hereof) of any cure or waiver of Event of Default.

Section 803. Acceleration of Maturity.

(A) The principal of all Outstanding Bonds and the interest accrued thereon, shall be subject to acceleration as follows:

(1) The Trustee may declare the principal of all Outstanding Bonds and the interest accrued thereon to be due and payable upon or after the occurrence of any Event of Default described in Sections 801(A) or 801(B) hereof; or

(2) The Trustee shall declare the principal of all Outstanding Bonds and the interest accrued thereon to be due and payable immediately upon or after the occurrence of any Event of Default described in Section 801(A) or 801(B) hereof at the written request of the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds; or

(3) The Trustee shall declare the principal of all Outstanding Bonds and the interest accrued thereon to be due and payable immediately upon or after receipt of notice of any acceleration of the Series 2014 Obligation by the Master Trustee.

(B) Any acceleration of the Bonds and the interest accrued thereon by the Trustee in the circumstances described in (A) of this Section shall be made by giving to the Foundation Representative and the Master Trustee, a Declaration of Acceleration, which Declaration of Acceleration shall state that the principal of all Outstanding Bonds shall become due and payable on the Acceleration Date, together with all interest accrued on such Outstanding Bonds to such Acceleration Date. Each such Declaration of Acceleration shall be given to the Foundation Representative and the Master Trustee by Electronic Means, and shall be promptly confirmed by first-class mail, postage prepaid.

(C) Upon giving any such Declaration of Acceleration as provided in (B) of this Section, the Trustee shall give written notice forthwith of such Declaration of Acceleration and its consequences to the Owners in the same manner and with the same effect as the notice of redemption described in Section 305 hereof, except that (1) the notice required under this Section shall be mailed at least seven days before the

Acceleration Date and no more than two Business Days after the date upon which the Trustee gives the Declaration of Acceleration as provided in (B) of this Section, and (2) interest shall cease to accrue on the Bonds after the Acceleration Date, which fact shall be disclosed in the notice.

(D) Any acceleration of the Bonds pursuant to this Section is subject to the condition that if, at any time after such Declaration of Acceleration and before 12:00 noon, Pacific Time, on the Acceleration Date, the Foundation shall deposit with the Trustee a sum sufficient to pay all the overdue principal of and interest on such Bonds, with interest on such overdue principal at the rates borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds which have become due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee (or provision deemed by the Trustee to be adequate shall have been made therefor), then and in every such case, except as provided hereinafter, the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds may direct the Trustee, in writing, to rescind and annul such declaration and its consequences and waive such default on behalf of all the Owners, which the Trustee shall do by written notice to the Foundation Representative and the Master Trustee; and the Trustee shall return any and all money transferred to a special Account in the Bond Fund, as described in Section 805 hereof, to the Accounts and Funds from whence they came; provided, however, that such right to rescind and annul the declaration and its consequences shall not extend to the Owners if the Trustee made such Declaration of Acceleration pursuant to (A)(3) of this Section and the corresponding acceleration of the Obligations has not been rescinded or annulled in accordance with the Master Indenture; and provided further, that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 804. Enforcement of Covenants and Conditions.

(A) Subject to Section 804(D) hereof, upon the occurrence of any Event of Default described in Section 801(C) hereof which has not been waived as permitted herein, the Trustee's sole remedy shall be to take appropriate action, including, but not limited to, the commencement and prosecution of appropriate legal or equitable proceedings, to compel the Foundation to perform its obligations.

(B) Subject to Section 804(D) hereof, upon the occurrence of an Event of Default described in Section 801(A) or Section 801(B) hereof, which has not been waived as permitted herein, the Trustee may proceed to enforce any such appropriate legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce any of its rights or any of the rights of the Owners, including, but not limited to, the following:

(1) Proceeding forthwith by suits at law or in equity or by any other appropriate remedy to enforce (A) payment of the Bonds; (B) the application to such payment of the funds, revenues and income appropriated thereto by this Indenture and

by the Bonds; (C) the rights of the Authority assigned to the Trustee under the Loan Agreement and the Series 2014 Obligation; and (D) the rights of the Trustee under this Indenture and the Series 2014 Obligation;

(2) Pursuing all remedies of a secured creditor under the applicable laws of the State.

(C) The Trustee may proceed to take the action permitted by Sections 804(A) and 804(B) hereof and the actions permitted by Section 8.02 of the Loan Agreement in its discretion, and must proceed to take such action upon the written request of the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds.

(D) Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Owners of the Bonds, as aforesaid, unless the Owners shall have offered to the Trustee security and indemnity satisfactory to it against the fees, costs, expenses (including reasonable attorneys' fees) and liabilities (including, but not limited to, liability under any applicable Environmental Laws) to be incurred by the Trustee therein or thereby.

Section 805. Application of Money Held in Funds Upon Event of Default or Declaration of Acceleration.

(A) Upon the occurrence of an Event of Default which has not been cured or waived as provided herein, the Trustee shall apply funds held in the Costs of Issuance Fund and the Bond Fund as provided in Articles IV and V hereof, respectively; provided, that the Trustee shall apply any funds in the Principal Account and the Interest Account which are required to be transferred to a special Account in the Bond Fund pursuant to Sections 402(A)(5) and 403(B)(6) hereof as provided in (B)(1) of this Section. Upon giving a Declaration of Acceleration, the Trustee shall transfer all funds in the Costs of Issuance Fund to a special Account in the Bond Fund as provided in Section 406(B) hereof. Subsequent to such transfer, the Trustee shall first transfer funds from the Bond Fund to a special Account in the Bond Fund, for application as provided in (B) of this Section.

(B) All money received by the Trustee pursuant to any right given, remedy pursued or action taken under the provisions of this Article VIII or by virtue of action taken under provisions of the Loan Agreement or the Series 2014 Obligation other than the proceeds held in any Fund which shall be applied as provided in (A) of this Section, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees, expenses, liabilities and advances incurred or made by Trustee and after provision satisfactory to the Trustee for payment of the fees and expenses to be incurred in the future by the Trustee (provided, however, that the Trustee shall make any payments of principal and interest on the Bonds and issue any notice of mandatory redemption of the Bonds otherwise required by this Indenture regardless of whether satisfactory provision has been made for payment of fees and expenses of the Trustee), shall be deposited in the same special Account in the Bond Fund as is described in (A) of this Section and shall be applied as follows:

(1) In case the Trustee has not issued a Declaration of Acceleration and the principal of all Outstanding Bonds shall not otherwise have become due and shall remain unpaid, the Trustee shall first pay the payment of interest on such Bonds then due, in the order of the maturity of the installments of such interest, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference, until all interest then due is paid, and the Trustee shall apply any excess remaining to the payment of any Bonds then due, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

(2) If there has been a Declaration of Acceleration or if the principal of all Outstanding Bonds shall otherwise have become due and payable, on each Special Bond Payment Date the Trustee shall apply any such funds available to the payment of the principal and interest then due and unpaid upon such Bonds through the Acceleration Date, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege, plus, to the extent permitted by applicable law, interest on overdue installments of interest or principal at the rate borne by the respective Bonds; and

(3) Whenever all principal of and interest on all Outstanding Bonds have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee and the Authority then required to be paid hereunder or pursuant to the Loan Agreement and the Series 2014 Obligation have been paid, and all Rebate Payments due to the United States Treasury pursuant to Section 602 hereof have been made, any balance remaining with the Trustee or in the Bond Fund shall be paid to the Foundation Representative for the benefit of the Foundation.

Section 806. Right of Trustee to Act Without Possession of Bonds. All rights of action (including the right to file any proof of claim) under this Indenture, the Loan Agreement, the Series 2014 Obligation, or the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners hereby secured, and any recovery on any judgment shall be for the equal benefit of the Owners of all Outstanding Bonds.

Section 807. Limitation on Suits by Owners. The Owners of Outstanding Bonds shall have no right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture, for the execution of any trust hereof or for any other remedy hereunder unless: (a) a default has occurred and is continuing of which the Trustee has been given notice in writing or of which it is deemed to have notice under Section 801(C) hereof; (b) such default shall have become an Event of Default which has not been waived under Section 804(D) or Section 808 hereof; and (c) the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or

proceeding in its own name; and also shall have offered to the Trustee indemnity and payment of fees and expenses as provided hereinafter; and such notification, request and offer of indemnity and payment of fees and expenses are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for enforcement or for any other remedy hereunder, it being understood and intended that the Owners of Outstanding Bonds shall have no right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of the Owners of all Outstanding Bonds, as herein provided. Nothing in this Indenture contained, however, shall affect or impair the right of any Owner of Bonds, which is absolute and unconditional, to enforce and bring suit for the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligations of the Trustee to pay the principal of and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time and place expressed in said Bonds, in accordance with the terms of the Bonds and this Indenture.

Section 808. Waiver by Owners. Upon the written request of the Owners of not less than a majority in aggregate principal amount of all Outstanding Bonds, the Trustee shall waive any Event of Default hereunder and its consequences. Notwithstanding the foregoing, an Event of Default in the payment of the principal of the Bonds, when due, upon maturity, or an Event of Default in the payment of interest on the Bonds shall not be waived by the Trustee unless, prior to such waiver, all arrears of principal and interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any waiver under this Section, the Trustee, the Foundation, and the Owners shall be restored to their former positions and rights hereunder respectively. No such waiver shall extend to any subsequent or other default or any Event of Default or impair any right consequent thereon.

Section 809. Remedies Cumulative, Delay Not to Constitute Waiver.

(A) No remedy conferred upon or reserved to the Trustee or the Owners by the terms of this Indenture, the Loan Agreement, or the Series 2014 Obligation is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

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

(C) No waiver of any Event of Default hereunder, whether by the Trustee or the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 810. Restoration of Rights Upon Discontinuance of Proceedings. In case the Trustee or the Owners shall have proceeded to enforce any right under this Indenture and any proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or any Owners, as appropriate, then and in every such case the Foundation, the Trustee, and the Owners shall be restored to their former positions and rights hereunder with respect to all rights, remedies and powers of the Trustee or the Owners which shall continue as if no such proceedings had been taken.

ARTICLE IX CONCERNING THE TRUSTEE

Section 901. Acceptance of Trust and Prudent Performance Thereof.

(A) The Trustee, as evidenced by its due execution of this Indenture, hereby accepts the conveyance set forth in the preamble hereof, in trust, and agrees to keep, perform and observe faithfully all of the covenants, conditions and requirements imposed upon it in this Indenture and in the Bonds and the covenants, conditions, requirements, duties and obligations imposed upon the Authority in the Loan Agreement and assigned to the Trustee, all as more fully set forth in Article X of the Loan Agreement.

(B) Prior to the occurrence of an Event of Default and after the cure of any Event of Default, the Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture or assigned under the Loan Agreement. Upon an Event of Default (which has not been cured or waived), the Trustee shall exercise such rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable and prudent person would exercise or use under the circumstances in the conduct of his or her affairs.

(C) The Trustee shall be required to take notice or be deemed to have notice of all Events of Default hereunder and under the Loan Agreement except the Loan Agreement Default described in Section 8.01(j) of the Loan Agreement. The Trustee shall be required to take notice or be deemed to have notice of the Loan Agreement Default described in Section 8.01(j) of the Loan Agreement only if the Trustee shall be specifically notified in writing of such a Loan Agreement Default by the Foundation, the Master Trustee, or the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds. All notices or other instruments required by this Indenture or the Loan Agreement to be delivered to the Trustee, in order to be effective, must be delivered at the corporate trust office of the Trustee as set forth in Section 1409 hereof; and, except as otherwise provided herein, in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default or Event of Default. Nonetheless, the Trustee may, in its sole discretion, take notice of a Loan Agreement

Default described in Section 8.01(j) of the Loan Agreement without specific notification thereof by the Foundation, the Master Trustee, or the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds. In such case, the Trustee shall proceed as if it had received such specific notification and all provisions of this Indenture applying to the Trustee after having received such specific notification shall apply to the Trustee in acting without such specific notification.

(D) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture; the Trustee shall be obligated to take only such actions as are specifically set forth herein or as are specifically required to be taken by the Trustee when requested from time to time by the Owners of the aggregate principal amount of Outstanding Bonds specified herein with respect to the actions in question or in accordance with the express provisions of this Indenture;

(2) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the procedural requirements of this Indenture or the Loan Agreement; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the procedural requirements of this Indenture or the Loan Agreement;

(3) The Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(4) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the aggregate principal amount of Outstanding Bonds specified herein with respect to the actions in question, or in accordance with the express provisions of this Indenture; and

(5) All notices or other instruments required or permitted to be delivered to the Trustee pursuant to this Indenture, the Loan Agreement, or the Series 2014 Obligation must be delivered to the corporate trust office of the Trustee in order to be effective.

Section 902. Trustee May Rely Upon Certain Documents and Opinions. Except as otherwise provided in Section 901 hereof:

(A) The Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(B) Any request, direction, election, order, certification or demand of the Authority or the Foundation Representative shall be sufficiently evidenced by an instrument signed by an Authorized Representative of the Authority or an authorized representative of the Foundation Representative, as the case may be (unless otherwise in this Indenture specifically prescribed), and any resolution of the Authority may be evidenced to the Trustee by a certified resolution.

(C) The Trustee may consult with its counsel, Bond Counsel or counsel to the Foundation and the legal advice or Opinion of Counsel or Bond Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the legal advice or Opinion of Counsel or Bond Counsel.

(D) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers, and may pay the reasonable compensation of such attorneys, agents and receivers reasonably employed in connection therewith.

(E) Whenever, in the administration of the trusts created by this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of the Foundation Representative, and, in the absence of negligence or bad faith on the part of the Trustee, such certificate shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

Section 903. Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement herein or in the Bonds (other than the certificates of authentication thereon), or for any materials prepared or disseminated in the offer or sale of the Bonds, or for the validity of the execution by the Authority of this Indenture, or for the validity of the execution of the Loan Agreement, the Eighth Supplemental Indenture, the Series 2014 Obligation, or any supplemental instrument by either the Authority or the Foundation, or for the sufficiency of the security of the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the Project Facilities, or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Authority or the

Foundation except as set forth herein and in the Loan Agreement, and the Series 2014 Obligation, or with respect to the failure of the Foundation to deliver or cause to be delivered to the Trustee any report or other document required by Section 407 of the Master Indenture with respect to the insurance which shall be maintained by the Foundation, but the Trustee may require of the Foundation full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of any physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder.

Section 904. Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee, and the Trustee shall be answerable only for its own negligence or willful misconduct. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Section 905. Costs for Maintenance of Suit; Indemnification.

(A) Other than with respect to the remedy of acceleration, the Trustee shall be under no obligation to institute any suit, to take any proceeding under this Indenture, the Loan Agreement, or the Series 2014 Obligation, to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder or under the Loan Agreement, or the Series 2014 Obligation until the Owners have offered security and indemnity satisfactory to it or until it shall have reasonable grounds for believing that repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith, and adequate indemnity against all risk and liability, is reasonably assured to it. However, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed or indemnified by the Owners requesting such action, if any, or the Foundation in all other cases, for all costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith, unless such fees, costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. If the Foundation or the Owners, as appropriate, shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture, subject only to the prior lien of the Bonds for the payment of the principal thereof and the interest thereon.

(B) None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Owners shall not have offered security and indemnity acceptable to it or if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 906. Intervention in Judicial Proceedings. In any judicial proceeding to which the Foundation is a party and which, in the opinion of the Trustee, has a substantial bearing on the interest of the Owners, the Trustee may intervene on behalf of Owners, and must do so if requested in writing by the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds; provided, that the rights and obligations of the Trustee under this Section 906 are subject to the approval of the court having jurisdiction in the premises; and further provided, that the Trustee need not proceed unless the Owners shall have offered to the Trustee security and indemnity satisfactory to it against the fees, costs (including counsel fees), expenses and liabilities to be incurred therein or thereby.

Section 907. Compensation of Trustee. All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts hereby created and reasonable compensation to the Trustee for its services in the premises shall be paid by the Foundation. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. If not paid by the Foundation, the Trustee shall have a lien against all money held pursuant to this Indenture, with right of payment therefrom, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and the interest thereon, for the Trustee's reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts hereby created and the exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

Section 908. Funds Held in Trust. All funds held by the Trustee hereunder are held in trust and shall be segregated and kept apart from other funds of the Trustee, the Authority or the Foundation, and other funds held by the Trustee in trust.

Section 909. Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and, in connection therewith, may deal with the Authority or the Foundation in the same manner and to the same extent and with like effect as any other Owner.

Section 910. Appointment of Trustee. There shall at all times be a trustee hereunder which shall be an association or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 910, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 910 and another

association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 911 hereof.

Section 911. Resignation of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the Foundation Representative 90 days advance written notice. Such resignation shall take effect on the day specified in such notice, but the resigning Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been appointed. Subsequent to such date, the resigning Trustee shall have no further duties and obligations under this Indenture, the Loan Agreement, or the Series 2014 Obligation.

Section 912. Removal of Trustee.

(A) The Trustee shall be removed at any time, either with or without cause, by the Authority (1) at the written request of the Owners of a majority in aggregate principal amount of Outstanding Bonds; or (2) so long as no Event of Default has occurred and is continuing or any default which with the passage of time or the giving of notice would ripen into an Event of Default, at the written request of the Foundation Representative subject to the approval of such removal by the Authority. If removal of the Trustee under this Section 912(A) is without cause, the Authority shall give the Trustee 90 days prior written notice of such removal. No prior written notice shall be required for a removal of the Trustee under this Section 912(A) if such removal is with cause as provided in Section 912(B) hereof.

(B) The Trustee may also be removed by the Authority, at the written direction of the Foundation, provided there is no Event of Default at the time of such written direction, at any time for (1) breach of trust, (2) acting or proceeding in violation of, or failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee, or (3) an increase in the Trustee's fees for the administration of the trusts created by this Indenture to a level which unreasonably exceeds the average of the then current fees for comparable services of other corporate fiduciaries authorized under State law to serve as Trustee hereunder.

(C) Any removal of the Trustee pursuant to this Section 912 shall be effected by delivering to the Trustee and the Foundation Representative a written instrument signed by the Authorized Representative of the Authority to that effect, which instrument shall also appoint a successor to the Trustee so removed and shall be accompanied by evidence of the successor's acceptance of the trusts hereunder. Any such instrument shall be filed with the Foundation Representative, Trustee and each Rating Agency.

Section 913. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign, be removed or otherwise become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, a

successor shall be appointed by the Authority subject to the requirements of Section 910 hereof and State law, (1) at the written request of the Owners of a majority in aggregate principal amount of Outstanding Bonds, or (2) if no such request has been made, at the written request of the Foundation Representative (so long as there is no Event of Default which remains uncured). Any appointment shall be made by a written instrument filed with the Foundation Representative and the Trustee and executed by the Authorized Representative of the Authority. After any such appointment by the Authority, the successor Trustee shall mail notice by first-class mail, postage prepaid, at least once, within 30 days of such appointment, to the Owners of the Outstanding Bonds at their addresses on the registry books maintained by the Trustee.

(B) If no appointment of a successor Trustee shall be made pursuant to Section 913(A) hereof within 120 days after the receipt by the Authority and the Foundation Representative of the Trustee's notice of resignation given pursuant to Section 911 hereof, any Owner or the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Section 914. Merger of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, if such resulting entity is qualified to serve as Trustee as described in Section 910 hereof.

Section 915. Transfer of Rights and Property to Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Foundation Representative a written instrument accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with the Trust Estate and the rights (except the predecessor's right of payment of fees and expenses), powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request from the Authorized Representative of the Authority or of its successor execute and deliver a written instrument transferring to such successor all the Trust Estate and the rights, powers, trusts, duties and obligations of such predecessor hereunder, and every predecessor Trustee shall deliver all funds held by it as Trustee hereunder to its successor. Should any assignment, conveyance or written instrument from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the Trust Estate and the said rights, powers, trusts, duties and obligations, hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and written

instruments shall, on request, be executed, acknowledged and delivered by the Authority. Each successor Trustee shall give notice of its appointment to the Foundation Representative and all Owners appearing on the registry books of the Trustee as of the date of its appointment. The successor Trustee shall reimburse the predecessor Trustee for any expense incurred under this Section 915.

Section 916. Concerning Financial Records. The Trustee shall retain all financial statements furnished to it by the Foundation in accordance with this Indenture or the Loan Agreement for a period of seven years from the date of receipt thereof.

Section 917. Reports of Activities. The Trustee hereby covenants and agrees to keep and maintain accurate and complete records of fund balances, any investments thereof and all transactions involving any part of the Trust Estate held by the Trustee pursuant to this Indenture, and to furnish monthly reports thereof to the Foundation Representative. The Trustee shall also furnish to the Authority a statement of the amount and purpose of each withdrawal from the Project Fund. The Authority, the Foundation Representative, and their respective agents shall have the right to inspect all such records at all reasonable times upon reasonable prior notice and at the expense of the requesting person to make such copies and extracts as they may desire.

Section 918. Filing of Financing Statements. The Trustee hereby agrees to request that the Foundation execute and, if received by the Trustee in a timely manner from the Foundation, file in a timely manner any and all financing or continuation statements as might be required under the UCC in order to perfect or to continue the perfection of the security interests granted in the Loan Agreement; provided, that the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests or the accuracy or sufficiency of any description of collateral in such initial filings; and provided further, that unless the Trustee shall have been notified by the Foundation that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in relying on such initial filing in filing any financing or continuation statement(s) pursuant to this Section 918.

Section 919. Survival of Trustee's Rights to Receive Compensation, Reimbursement and Indemnification. The Trustee's rights to receive compensation, reimbursement and indemnification of money due and owing hereunder at the time of the Trustee's resignation or removal shall survive the Trustee's resignation or removal.

Section 920. Tax Covenants.

(A) Notwithstanding any instructions of the Foundation Representative, the Trustee covenants and agrees with the Owners of any Bonds that no part of the proceeds of the Bonds or any other funds held by it pursuant to this Indenture shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause any Bond to be or become an "arbitrage bond," as defined in the Code.

(B) It is hereby provided, however, that the Trustee, in acquiring any securities or obligations with any part of the proceeds of the Bonds or any other funds held by it pursuant to this Indenture, may at any time request, receive and rely with full acquittance upon a Favorable Opinion of Bond Counsel, addressed to the Trustee and the Foundation Representative, that such acquisitions will not cause any Bond to be or become an "arbitrage bond" as defined in the Internal Revenue Code. Any fees and expenses incurred in providing such Favorable Opinion of Bond Counsel shall be paid by the Trustee, but the amount thereof shall be deemed an expense reasonably incurred by the Trustee and shall be charged to and paid by the Foundation pursuant to Section 907 hereof.

Section 921. Appointment of Co-Trustee. The Trustee may appoint a co-trustee or separate trustee hereunder, but only as necessary or desirable to enable the provisions of this Indenture to be carried out without violating the laws of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as required of the Trustee hereunder and under the Loan Agreement; provided, that such co-trustee shall meet the requirements in Section 910 hereof.

Section 922. Annual Report to Authority of Principal Amount of Bonds Outstanding. The Trustee shall deliver to the Authority by Electronic Means, fax, regular mail, telephone message, or hand delivery, a report by July 31 of each year, or if such day is not a Business Day on the next Business Day, stating the principal amount of the Bonds Outstanding as of June 30 of such year.

ARTICLE X CONCERNING THE OWNERS

Section 1001. Execution of Instruments by Owners. Any request, direction, consent or other written instrument required by this Indenture to be signed or executed by Owners may be in any number of concurrent written instruments of similar tenor and may be signed or executed by such Owners in person or by agent duly appointed by a written instrument. Proof of the execution of any such written instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument, if made in the following manner:

(A) The fact and date of the execution by any Person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the Person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution; and

(B) The ownership of Bonds shall be proved by the registry books maintained by the Trustee.

Nothing contained in this Article X shall be construed as limiting the Trustee to the proof above specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Section 1002. Waiver of Notice. Except as otherwise provided herein, any notice or other communication required by this Indenture to be given by delivery, publication or otherwise to the Owners or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by written waivers mailed or delivered to the Trustee by the Owner(s) of all of the Bonds entitled to such notice or communication.

Section 1003. Determination of Owners' Concurrence. In determining whether the Owners of the requisite aggregate principal amount of Outstanding Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by or held in the name of the Foundation or any Affiliate shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless at such time the Foundation or its Affiliate is the owner of 100% of the principal amount of the Bonds then Outstanding; provided, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 1003 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not an Affiliate of the Foundation. In case of a dispute as to such right, any decision by the Trustee taken upon the written advice of counsel shall be full protection to the Trustee.

Section 1004. Revocation by Owners. At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the Owners of the percentage in aggregate principal amount of Outstanding Bonds specified in this Indenture in connection with such action, any Owner of a Bond may, by filing written notice with the Trustee at its corporate trust office (as set forth in Section 1409 hereof), revoke any consent given by such Owner or the predecessor Owner of such Bond. Except as aforesaid, any such consent given by the Owner of any Bond shall be conclusive and binding upon such Owner and upon all future Owners of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the Owners of the percentage in aggregate principal amount of Outstanding Bonds specified in this Indenture in connection with such action shall be conclusively binding upon the Authority, the Trustee, the Foundation and the Owners of all Outstanding Bonds.

ARTICLE XI DISCHARGE OF LIEN OF INDENTURE

Section 1101. Discharge of Lien of Indenture by Payment of Bonds. At such time as all of the principal of, premium, if any, and interest on all or any part of the Bonds has been fully paid as and when the same is due and payable, whether by reason of

maturity, redemption or acceleration, or if any Bond is acquired by the Foundation and is surrendered to the Trustee for cancellation as permitted by this Indenture, then said Bonds shall cease to be entitled to any lien, benefit or security of this Indenture, the Loan Agreement, or the Series 2014 Obligation.

Section 1102. Discharge of Lien of Indenture by Defeasance.

(A) Any or all Outstanding Bonds, prior to the maturity thereof, shall be deemed to have been paid and not Outstanding under this Indenture and shall cease to be entitled to any lien, benefit or security of this Indenture and of the Trust Estate held hereunder or any lien, benefit or security of the Loan Agreement, or the Series 2014 Obligation except the right to receive the money and the proceeds and income of the noncallable Government Obligations that are not subject to redemption prior to maturity set aside and pledged in the manner hereafter described, if:

(1) In the event that any or all of said Bonds are to be optionally or extraordinarily optionally redeemed prior to their maturity, the Foundation Representative shall have given to the Trustee irrevocable instructions to give such notice of redemption of such Bonds as may be required by the provisions of this Indenture;

(2) There shall have been made a deposit irrevocably and in trust, with the Trustee or another corporate fiduciary qualified to do business in this State, of either money in an amount which shall be sufficient, or noncallable Government Obligations that are not subject to redemption prior to maturity maturing at such time(s) and bearing such interest to be earned thereon, and without taking into consideration any earnings on the reinvestment thereof, as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of all of the principal of, redemption premium, if any, and interest on such Bonds when due in accordance with their terms, or upon the earlier redemption or prepayment thereof in accordance with a refunding plan; and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for the purpose of effecting such payment, redemption or prepayment;

(3) There shall have been delivered to the Authority, the Foundation Representative, and the Trustee a letter addressed to the Authority, the Foundation Representative and the Trustee from a nationally recognized firm of independent certified public accountants verifying the computations which indicate that such noncallable Government Obligations that are not subject to redemption prior to maturity and other money to be irrevocably deposited in trust, as described pursuant to Section 1102(A)(2) hereof, are sufficient to provide for the payment of all of the principal of, redemption premium, if any, and interest on such Bonds when due in accordance with their terms, or upon the earlier redemption or prepayment thereof in accordance with a refunding plan;

(4) There shall have been delivered to the Authority, the Foundation Representative, and the Trustee a Favorable Opinion of Bond Counsel, addressed to the Authority, the Foundation Representative, and the Trustee to the effect that, upon such defeasance, such defeased Bonds shall not be entitled to any lien, benefit or security under this Indenture or of the Trust Estate held hereunder (except any amounts deposited for the purpose of defeasing the Bonds), and the interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance; and

(5) Amounts deposited hereunder shall be held by the Trustee for at least 90 days during which time there shall be no bankruptcy filing by or against the Foundation or Banner, or there shall have been delivered to the Authority, the Foundation Representative, and the Trustee an Opinion of Counsel to the effect that the moneys or other assets held hereunder would not be subject to recapture as an avoidable preference in the event of filing of a petition under the U.S. Bankruptcy Code with respect to the Foundation or Banner.

(B) Nothing contained in this Section 1102 shall be construed to prohibit the partial defeasance of the lien of this Indenture by providing for the payment of one or more, but not all, of the Outstanding Bonds. In the event of such partial defeasance, this Indenture shall be discharged only as to the particular Bonds defeased and the Trustee shall return to the Foundation Representative for the benefit of the Foundation only those moneys and investments in excess of money and investments required by this Indenture to be held by the Trustee for the Bonds for which payment has not been provided.

(C) The Trustee shall give or cause to be given to each Rating Agency and the Owners of any Bonds which are defeased as provided in this Section 1102 written notice of such defeasance, within 30 days following the effective date of such defeasance.

Section 1103. Effect of Discharge of Lien of Indenture. Upon payment or defeasance of all the Outstanding Bonds, as described in Section 1101 or Section 1102 hereof and upon payment to the United States Treasury of any Rebate Amount and the investment earnings thereon as required by Section 602 herein and all fees and expenses of the Trustee and the Authority then required to be paid hereunder or pursuant to the Loan Agreement and the Series 2014 Obligation, then:

(A) The right, title and interest of the Trustee in and to the Trust Estate and all of the covenants, agreements and other obligations of the Authority to the Owners of said Bonds shall thereupon cease, terminate, and be discharged and satisfied; provided, however, that the covenants, agreements and other obligations of the Trustee shall cease, terminate and be discharged and satisfied only upon final payment of all Outstanding Bonds;

(B) If any amount will remain due and owing to the Authority upon any such payment or defeasance, the Trustee shall reassign the Series 2014 Obligation to the Authority, which shall return such Series 2014 Obligation to the Master Trustee for cancellation in exchange for a new Obligation, issued, authenticated and delivered to the Authority in accordance with the Master Indenture, evidencing the obligation of the Foundation to pay any concurrent or reserved rights to indemnification expressed to survive repayment, defeasance or discharge of the Loan Agreement or the Bonds, which Obligation shall become secured under and entitled to the benefits of the Master Indenture to the extent any payment obligation arises at any time thereunder;

(C) The Trustee shall transfer all funds (except any amounts deposited for the defeasance of the Bonds, together with the investment earnings thereon) then held by the Trustee in the Bond Fund and the Costs of Issuance Fund, and all other money and property held by the Trustee pursuant to this Indenture, upon such discharge to the Foundation;

(D) The Trustee shall apply amounts deposited for the defeasance of the Bonds to the payment or redemption of Bonds, together with interest and premium, if any, thereon, as specified in the applicable refunding plan; and

(E) The Trustee shall release all liens and security interests granted pursuant to the Loan Agreement and this Indenture.

Section 1104. Unclaimed Money to be Returned.

(A) If any Bond shall not be presented for payment, when due at maturity or upon redemption or acceleration prior to maturity, or if any valid check or draft on any Bond shall not be presented for payment, and if funds sufficient for the payment thereof shall have been deposited with the Trustee, all liability of the Authority to the Owners thereof for the payment of such principal and interest shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such unclaimed money for a period of one year, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall during such time be restricted exclusively to such unclaimed money for any claim of whatever nature on their part under this Indenture or on, or with respect to, said Bond.

(B) If the Foundation is not in default under the Loan Agreement, any unclaimed money that remains unclaimed for a period of one year shall be returned to the Foundation. After return of such money to the Foundation Representative, the funds intended for the payment of such Bonds shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Foundation, and then only to the extent of the amounts so received without interest thereon. Alternatively, if the Foundation is in default under the Loan Agreement, any unclaimed money which remains unclaimed for a period of one year shall be held by the Trustee for the benefit of the Owners thereof until such unclaimed money becomes subject to escheat to the State under applicable law.

ARTICLE XII
SUPPLEMENTAL INDENTURES

Section 1201. Modification of Indenture Without Consent of Owners.

(A) After the Closing Date and subject to the conditions and restrictions contained in this Indenture, the Authority and the Trustee may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable, from time to time and at any time, with the prior written consent of the Foundation Representative, but without the consent of any Owner, for any one or more of the following purposes:

(1) To add covenants and agreements to this Indenture for the protection of the Owners;

(2) To cure any ambiguity or correct any defect or inconsistent provision in this Indenture;

(3) To make subject to the lien of this Indenture additional revenue, properties or collateral;

(4) To qualify this Indenture under the Trust Indenture Act of 1939, as amended, or the securities laws of any state, if such is necessary in the Opinion of Counsel;

(5) To preserve the exclusion of the interest on the Bonds from gross income for purposes of federal or state income taxation and preserve the right of the Authority to continue to issue bonds, debts or other obligations of any nature the interest on which is likewise excluded from gross income for purposes of federal or state income taxation;

(6) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(7) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee hereunder;

(8) To correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(9) To make any revisions of this Indenture that shall be required by a Rating Agency in order to obtain or maintain an investment grade rating on the Bonds;

(10) To make revisions to this Indenture that shall become effective only upon, and in connection with, the remarketing of all Bonds then Outstanding;

(11) To provide for an uncertified system of registering a Bond or to provide for changes to or from the book-entry system;

(12) To make any other change which, in the written opinion of the Trustee, delivered to the Foundation Representative and the Authority, is not to the material prejudice of the Trustee or the Owners.

(B) In each and every case provided for in Section 1201(A) hereof, the Trustee shall be under no responsibility or liability to the Authority, the Foundation or any Owner, or to any Person whatsoever, for any act or thing which it may do or decline to do in good faith, in the exercise of such discretion.

Section 1202. Modification of Indenture With Consent of Majority of Owners. Except for supplemental indentures necessary or desirable to accomplish the purposes set forth in Section 1201 hereof, neither the Authority nor the Trustee shall enter into any other indenture supplemental hereto without the prior written consent of (a) the Foundation Representative, and (b) the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds; provided, that no such amendment, change or modification shall ever affect the unconditional obligation of the Foundation to make Loan Payments as they become due and payable. If the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or to the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the Foundation Representative, from executing the same or from taking any action pursuant to the provisions thereof.

Section 1203. Modification of Indenture With Consent of All Owners. Without the prior written consent of (a) the Foundation Representative and (b) the Owners of all Outstanding Bonds, no supplemental indenture shall change the terms of redemption or maturity of the principal of any Bonds or of any installment of interest on any Bonds; shall deprive any Owner of a Bond then Outstanding of the lien or right created by this Indenture; shall give priority to any Bond over any other Bond; shall reduce any of the Loan Payments, or shall reduce the percentage of Owners whose consent is required to any action taken under, or for amendment of, this Indenture.

Section 1204. Execution of Supplemental Indenture. The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture, to make further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

Section 1205. Supplemental Indenture to be Part of Indenture. Any supplemental indenture executed in accordance with any of the provisions of this Article XII shall thereafter form a part of this Indenture and all the terms and conditions

contained in any such supplemental indenture, as to any provisions authorized to be contained therein, shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of all Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental Indenture or any of such terms or conditions thereof may be set forth in reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Section 1206. Notices; Rights of Foundation Unaffected.

(A) The Trustee shall cause notice of the proposed execution and delivery of any supplemental indenture, together with a copy of the proposed supplemental indenture, to be mailed to the Foundation Representative, the Master Trustee, and each Rating Agency at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture, or such lesser time period as agreed by the Foundation Representative and the Master Trustee.

(B) Anything herein to the contrary notwithstanding, any supplemental indenture which, in the Opinion of Counsel to the Foundation Representative, delivered to the Authority and the Trustee no fewer than five days prior to the proposed date of execution of such supplemental indenture, adversely affects the rights of the Foundation under the Loan Agreement or this Indenture, as long as the Loan Agreement or this Indenture is in effect and there is no Event of Default which has not been cured or waived as provided herein, shall not become effective unless and until the Foundation shall have consented in writing to the execution and delivery of such supplemental indenture. Unless otherwise agreed by the Trustee, if the Foundation Representative unreasonably refuses to consent to the execution and delivery of such supplemental indenture (which consent shall not be unreasonable if the Foundation Representative obtains the Opinion of Counsel described in the immediately preceding sentence), the Foundation Representative shall, within 30 days of the proposed effective date of such supplemental indenture, pay or cause to be paid to the Trustee or another corporate fiduciary, such amounts, and shall take all other actions necessary to pay or defease the Outstanding Bonds in accordance with Article XI hereof.

ARTICLE XIII
MODIFICATION OF LOAN AGREEMENT

Section 1301. Modification of Loan Agreement Without Consent of Owners.

(A) After the Closing Date, the Authority and the Foundation may modify or amend any of the covenants contained in Article VII of the Loan Agreement for any purpose, without the consent of the Trustee or any Owner, in accordance with the provisions of Section 9.06 of the Loan Agreement.

(B) After the Closing Date and subject to the conditions and restrictions in this Indenture contained, the Authority, the Trustee and the Foundation may enter into or consent to such supplements or amendments to the Loan Agreement as may or shall by them be deemed necessary or desirable, from time to time and at any time, but without the consent of any Owner, for any one or more of the following purposes:

(1) To add covenants and agreements to the Loan Agreement for the protection of Owners of Bonds;

(2) To cure any ambiguity or correct any defect or inconsistent provision in the Loan Agreement;

(3) To make subject to the lien of this Indenture additional revenue, properties or collateral;

(4) To preserve the exclusion of the interest on Bonds from gross income for purposes of federal or state income taxation and preserve the right of the Authority to continue to issue bonds, debts or other obligations of any nature the interest on which is likewise excluded from gross income for purposes of federal or state income taxation;

(5) To modify or eliminate the prohibition on the use of Project Facilities financed or refinanced with the proceeds of Bonds for any private business use by Persons other than 501(c)(3) organizations with respect to their activities which do not constitute unrelated trades or businesses, which restriction appears in Section 7.06(D) of the Loan Agreement, but only upon receipt by the Authority of a Favorable Opinion of Bond Counsel to the effect that such private business use will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation;

(6) To reflect any changes in generally accepted accounting principles applicable to the Foundation; or

(7) To make any other change which, in the written opinion of the Trustee, delivered to the Foundation Representative and the Authority, is not to the material prejudice of the Trustee or the Owners.

(C) In each and every case provided for in Section 1301(B) hereof, the Trustee shall be under no responsibility or liability to the Authority, the Foundation or any Owner, or to anyone whatever, for any act or thing which it may do or decline to do in good faith and without negligence, in the exercise of such discretion.

Section 1302. Modification of Loan Agreement With Consent of Majority of Owners. Except for the supplements and amendments necessary or desirable to accomplish the purposes set forth in Section 1301 hereof, neither the Authority, the Trustee nor the Foundation Representative shall enter into or consent to any other supplement or amendment to the Loan Agreement after the execution thereof without

the prior written consent of the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds; provided, that no such amendment, change or modification shall ever affect the unconditional obligation of the Foundation to make Loan Payments as they become due and payable. If the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the Foundation Representative from executing or consenting to the same or from taking any action pursuant to the provisions thereof.

Section 1303. Modification of Loan Agreement With Consent of All Owners. Without the prior written consent of the Owners of all Outstanding Bonds, neither the Authority, the Trustee nor the Foundation shall execute or deliver any supplement or amendment to the Loan Agreement which shall change the terms of redemption or maturity of the principal of any Bonds or of any installment of interest on any Bonds; shall deprive any Owner of a Bond then Outstanding of the lien or right created by this Indenture; shall give priority to any Bond over any other Bond; or shall reduce or extend the time for payment of any of the Loan Payments.

Section 1304. Notices of Modification of Loan Agreement. The Trustee shall cause notice of the proposed execution and delivery of any supplement or amendment to the Loan Agreement, together with a copy of the proposed supplement or amendment, to be mailed to the Foundation Representative, the Master Trustee, and any Rating Agency maintaining a rating on the Bonds at least 30 days prior to the proposed date of execution and delivery of any such supplement or amendment, or such lesser time period as agreed by the Foundation Representative and the Master Trustee.

ARTICLE XIV
MISCELLANEOUS

Section 1401. Covenants of Authority Bind Successors and Assigns. All the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of the Authority and the Trustee, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 1402. Immunity of Officers. No recourse for the payment of any part of the principal of or interest on any Bond or for the satisfaction of any liability arising from the issue, sale, purchase or ownership of the Bonds or any liability arising from this Indenture or the Loan Agreement shall be had against any officer, member, employee or agent of the State, the Authority, any Foundation Representative or the Trustee in his or her individual capacity, or the State, all liability being hereby expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bonds.

Section 1403. Parties Interested Herein. Nothing in this Indenture, express or implied, is intended or shall be construed to confer upon or to give to any Person, other than the Authority, the Trustee, the Master Trustee, the Foundation, or the Owners any right, remedy or claim under or by reason of this Indenture; and the covenants, stipulations and agreements in this Indenture contained are and shall be for the sole and exclusive benefit of the Authority, the Trustee, the Master Trustee, the Foundation, any of their successors and assigns, and the Owners, each of whom is expressly designated as being a third party beneficiary hereunder, and may, subject to the express limitations described herein, enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 1404. Execution of Indenture in Counterparts. This Indenture may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

Section 1405. Severability of Indenture Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of the Bonds, but this Indenture and the Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 1406. Notices to Rating Agencies. In addition to any other notice requirements set forth herein, the Trustee shall give the Rating Agencies written notice of each of the following events: (1) any redemptions of the Bonds; (2) any modifications, amendments, or other changes made to this Indenture, the Loan Agreement, the Banner Limited Guarantee, the Master Indenture, or the Eighth Supplemental Indenture; (3) any defeasance of any of the Bonds; (4) any acceleration of the Bonds; (5) any other

early payment of principal of all the Bonds then Outstanding; and (6) the appointment of any successor Trustee.

Section 1407. Performance on Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a day which is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

Section 1408. Time of Essence. Time and all terms and conditions shall be of the essence of this Indenture.

Section 1409. Notices. Except as otherwise provided herein, all notices, consents or other communications required hereunder shall be in writing and shall be sufficiently given if delivered by facsimile transmission with prompt telephonic confirmation of receipt, or personally by hand, or sent by nationally recognized overnight courier service, or by certified or registered mail, postage prepaid and return receipt requested, addressed as follows:

To the Authority:

Executive Director
Alaska Industrial Development and Export Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503
Phone: (907) 771-3000
Fax: (907) 771-3044

(with a copy to:)

Law Office of Kenneth E. Vassar, LLC
2220 North Star Street #24
Anchorage, Alaska 99503
Phone: (907) 952-3207

To the Foundation:

Fairbanks Memorial Hospital
1650 Cowles Street
Fairbanks, Alaska 99701
Phone: (907) 458-5552
Fax: (907) 458-5551

To the Master Trustee:

U.S. Bank National Association
1420 Fifth Ave 7th Floor
Mail Code PD-WA-T7CT
Seattle, WA 98101
Phone: (206) 344-4687
Fax: (206) 344-4630

To the Trustee:

U.S. Bank National Association
1420 Fifth Ave., 7th Floor
Seattle, Washington 98101
Phone: (206) 344-4687
Fax: (206) 344-4630

A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Foundation Representative, the Master Trustee, or the Trustee shall also be given to the others. The Authority, the Foundation Representative, the Master Trustee, or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent. Notices shall be deemed served upon

deposit of such notice in the United States Postal Service in the manner above provided.

Section 1410. Survival of Trustee's Rights to Receive Compensation, Reimbursement and Indemnification. The Trustee's rights to receive compensation, reimbursement and indemnification of money due and owing hereunder, including counsel fees, shall survive the Trustee's resignation or removal, the payment of the Bonds and the defeasance of this Indenture.

Section 1411. Attorneys' Fees. Whenever this Indenture provides for the payment of, reimbursement for, or indemnity with respect to payment of, attorneys' or counsel fees, such provision shall be deemed to include all such fees and related expenses incurred before trial, at trial, after trial or on appeal, or in any bankruptcy proceeding.

Section 1412. Release and Substitution of Series 2014 Obligation. The Trustee will, unless objected to in writing by the Authority, within ten days of receipt of notice from the Master Trustee, surrender the Series 2014 Obligation and any other Obligation in its possession issued pursuant to the Master Indenture and pledged hereunder (the "Pledged Obligations") to the Master Trustee upon presentation to the Trustee of the following:

(A) An original replacement note or notes or similar obligation or obligations issued by the Foundation (singly or collectively, the "Substitute Obligations") under and pursuant to and secured by a master trust indenture (the "Replacement Master Indenture") executed by the Foundation and certain other parties named therein (collectively, the "New Borrower") and an independent corporate trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in Section 606 of the Master Indenture, which Substitute Obligations have been duly authenticated by the New Trustee under the terms of the Replacement Master Indenture;

(B) An Opinion of Counsel addressed to the Trustee and the Authority (in form and substance acceptable to the Trustee and the Authority) to the effect that: (1) the Replacement Master Indenture and the Substitute Obligations each contain terms, covenants, representations and provisions, including, without limitation, provisions relating to security, identical to the Master Indenture and the Pledged Notes, respectively, except for (a) non-substantive differences and (b) such other differences as the Trustee shall determine (i) grant to or confer upon the New Trustee for the benefit of the holders of the obligations issued under the Replacement Master Indenture any additional rights, remedies, powers or authority or add to the covenants of the New Borrower for the benefit of such holders or (ii) are not materially adverse to the Owners of the Bonds; (2) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Borrower, the Substitute Obligations have been duly authorized, executed and delivered by the Foundation, and the Replacement Master Indenture and the Substitute Obligations are each a legal, valid and binding obligation of each member of the New Borrower, subject in each case

(A) to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (B) to the qualification that the provisions of the Replacement Master Indenture and the Substitute Obligations requiring payments to be made thereunder may not be enforceable if such payments (i) are requested to be made from any assets which are donor restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments; (ii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Foundation; or (iii) are requested to be made pursuant to any loan which violates applicable usury laws; and (C) the qualification that the enforcement of any indemnification provisions of the Replacement Master Indenture may be limited by applicable securities laws or public policy; (3) all requirements and conditions to the issuance of the Substitute Obligations set forth in the Replacement Master Indenture have been complied with and satisfied, including, but not limited to, the perfection of any security interest created thereunder; and (4) registration of the Substitute Obligations under the Securities Act of 1933, as amended, is not required;

(C) An officer's certificate certifying that, after giving effect to the issuance of such Substitute Obligations and assuming that the New Borrower constituted the Foundation under the original Master Indenture and that the Substitute Obligations were issued under the original Master Indenture, the New Borrower would not be in default under the provisions of the Master Indenture;

(D) An Opinion of Bond Counsel (which Opinion, including the scope, form, substance and other aspects thereof are acceptable to the Trustee and the Authority and which Opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the surrender of the Pledged Obligations and the acceptance by the Trustee of the Substitute Obligations will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would otherwise be entitled;

(E) An original executed counterpart of the Replacement Master Indenture; and

(F) Such other opinions and certificates as the Trustee may reasonably require, together with such reasonable indemnities as the Trustee may request.

The Trustee shall give immediate written notice to the Authority of a request to surrender the Pledged Obligation(s).

ARTICLE XV [PROVISIONS RELATING TO BOND INSURANCE]

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed in its name by its Deputy Director - Finance, and the Trustee has caused this Indenture to be executed in its name by an authorized officer of the Trustee to evidence its acceptance of the trust hereby created, and each has caused this Indenture to be dated as of April 1, 2014.

ALASKA INDUSTRIAL DEVELOPMENT AND
EXPORT AUTHORITY

By: _____
MICHAEL E. LAMB
Deputy Director-Finance & Operations

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By _____
TOM ZRUST
Vice President

EXHIBIT A

FORM OF BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF ALASKA

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
REVENUE BONDS
(Greater Fairbanks Community Hospital Foundation Project)
SERIES 2014

INTEREST RATE

MATURITY DATE

CUSIP NO.

Registered Owner: CEDE & Co.

The ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (the "Issuer"), a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision of the State of Alaska but with a separate and independent legal existence, duly organized and existing under the provisions of Chapter 88, Title 44 of the Alaska Statutes, for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date set forth above, upon presentation and surrender hereof, the Principal Amount shown above, and to pay interest (computed as described herein) on such principal sum from the date hereof until its obligation with respect to the payment of such principal sum shall be discharged, at the interest rate specified above, calculated on the basis of a 360 day year comprised of twelve 30-day months, payable beginning October 1, _____, and thereafter on the first day of October and the first day of April]of each year. The principal of, and premium, if any, and interest on, this Bond shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal or Redemption price, if any, shall be paid to the Registered Owner upon presentation and surrender of this Bond at the corporate trust office of U.S. Bank National Association or its successors, as trustee (the "Trustee"). Payment of interest shall be made in the manner described herein. Notwithstanding the foregoing, if this Bond is held in fully immobilized form, payment shall be as provided in the operational arrangements of The Depository Trust Company ("DTC") referred to in

the Blanket Issuer Letter of Representations between the Issuer and DTC dated May 1, 1995 (the "Letter of Representations").

This Bond is one of the Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 issued in the aggregate principal amount of \$_____ (the "Bonds"). The Bonds are being issued pursuant to a Bond Indenture (the "Indenture") dated as of April 1, 2014, by and between the Issuer and the Trustee.

The Bonds are issued by the Issuer pursuant to and in full compliance with the Constitution and laws of the State of Alaska. The Bonds are payable solely from payments to be made by The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Borrower") on a Promissory Note delivered by the Borrower to the Issuer pursuant to an Loan and Security Agreement dated as of April 1, 2014, between the Issuer and the Borrower (the "Agreement"), from payments to be made under the Agreement and from any other moneys held by the Trustee under the Indenture for such purpose. Pursuant to the Agreement, the Borrower is obligated to pay amounts sufficient to pay the principal of, and premium, if any, and interest on, the Bonds when due. There shall be no other recourse against the Issuer or any other property now or hereafter owned by it.

Capitalized terms used in this Bond which are not otherwise defined herein shall have the same meaning as in the Indenture. Reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds are issued.

Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably both as to principal and interest with all other Bonds issued and to be issued under the Indenture, to which reference is made for a description of: the security pledged for payment and the rights of the holders of the Bonds; the rights and obligations of the Issuer; the rights, duties and obligations of the Trustee; and the provisions relating to amendments to and modifications of the Indenture. The Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants thereof or rights or remedies thereunder, except as provided in the Indenture.

THIS BOND IS A SPECIAL OBLIGATION OF THE ISSUER. THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES PLEDGED FOR THEIR BENEFIT PURSUANT TO THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF A POLITICAL SUBDIVISION OF THE STATE OF ALASKA AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR ANY POLITICAL

SUBDIVISION OF THE STATE OF ALASKA IS PLEDGED FOR THE PAYMENT OF THE BONDS.

The Issuer may redeem this Bond, in whole or in part, on the dates, under the circumstances, and for the redemption price, which may be at par, as set forth in the Indenture.

If an Event of Default as defined in the Indenture occurs, the principal of this Bond may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, this Bond, or for any claim based hereon or on the Indenture, against any officer, agent or employee, past, present or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

This Bond is transferable by the registered owner hereof or the registered owner's duly authorized attorney at the office of the Trustee in Seattle, Washington, upon surrender of this Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Issuer, subject to such reasonable regulations as the Issuer may prescribe, and upon payment of any tax, fee or other governmental charge incident to such transfer. Upon any such transfer, a new registered Bond or Bonds without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and the Issuer shall not be affected by any notice to the contrary.

If any date on which principal of, or premium, if any, or interest on, the Bonds is due shall be a Saturday or Sunday or a legal holiday or a day on which banking institutions in the city of payment are authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day.

This Bond is governed by the laws of the State of Alaska.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director and attested by its Deputy Director, Finance and Operations.

DATED: _____, 2014

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

[S E A L]

By _____
TED LEONARD
Executive Director

A T T E S T:

MICHAEL E. LAMB
Deputy Director-Finance & Operations

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Revenue Bonds, Series 2014, of the Alaska Industrial Development and Export Authority described within.

U.S. Bank National Association
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto:

(name, address and social security number or other identifying number of assignee)

the within mentioned Bond and hereby irrevocably constitutes and appoints

to transfer the same on the registry books of the Bond Trustee, with full power of substitution in the premises.

Dated: _____

Owner

NOTE: The signature must correspond with the name of the Owner(s) as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:_____

NOTE: Signature(s) must be guaranteed by an eligible guarantor.

APPENDIX A

**GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION INCORPORATED
- GENERAL INFORMATION AND OPERATING DATA**

GENERAL

Introduction

Fairbanks Memorial Hospital/Denali Center is comprised of an acute care hospital (“Fairbanks Memorial Hospital”, the “Hospital” or “FMH”) and skilled nursing facility (the “Denali Center” or “DC” and, together with FMH, “FMH/DC”) located in Fairbanks, Alaska, in the center of the interior region of the State (the “Interior”). The Hospital is licensed for 152 beds and the Denali Center licensed for 90 beds. The Hospital opened in 1972, and is designated as a sole community provider and rural referral center by the Centers for Medicare and Medicaid. FMH replaced St. Joseph Hospital (the “Prior Hospital”), an acute care facility owned and operated by the Sisters of Providence, which was irreparably damaged by a flood in 1967. In 2012, FMH/DC was the largest private employer in the Fairbanks North Star Borough (the “FNSB”), and the thirteenth largest private employer in Alaska.

The Greater Fairbanks Community Hospital Foundation, Incorporated (“GFCHF” or the “Foundation”) is an Alaska nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). As discussed below, the Foundation raised funds for, and oversaw the construction of, the Hospital, and now owns the facilities occupied by FMH/DC/TVC. The Foundation leases FMH/DC/TVC to Banner Health (“Banner”), an Arizona nonprofit corporation also exempt from federal income tax under Section 501(c)(3) of the Code. Banner operates FMH/DC/TVC and makes rental payments to the Foundation pursuant to a Lease Agreement dated as of January 1, 1993 (as amended the “Lease”), between the Foundation and Banner. See “Ownership and Operation of FMH/DC/TVC” below for more information regarding the Lease.

Included in APPENDIX B are the audited financial statements for the Foundation for the years ended December 31, 2012 and 2013 and audited combined financial statements for FMH/DC/TVC (Operating Units of Banner Health) for the years ended December 31, 2012 and 2013. The results of operations of FMH/DC/TVC are accounted for as operating units of Banner. In general, the facilities and equipment relating to FMH/DC/TVC are owned by the Foundation and reflected in its financial statements. The Foundation is the sole obligor on the Series 2014 Bonds. Banner has guaranteed regularly scheduled payment of principal of, and interest on the Series 2014 Bonds pursuant to the Series 2009B/C Banner Limited Guaranty, which also provides that such guarantee is limited to the period that the Lease is in effect, and other limitations as described under the heading “SECURITY FOR THE SERIES 2009C BONDS – Series 2009B/C Banner Limited Guaranty” in this Official Statement.

On February 29, 2008, the Foundation purchased the assets of the Tanana Valley Clinic Building, LLC and Tanana Clinic Equipment, LLC and the outstanding stock of Tanana Valley Medical –Surgical Group, Inc. (collectively, “TVC”) The Foundation then sold and transferred the outstanding stock of Tanana Valley Medical-Surgical Group, Inc. to Banner. The TVC assets were then leased to Banner through the first amendment to the original Lease. Banner operates the FMH, DC and TVC pursuant to the lease agreement with the Foundation, the owner of the Facility. The assets relating to TVC are reflected in the financial statements of the Foundation. The results of operations of TVC are accounted for as an operating unit of Banner Health and are presented in audited combined financial statements with FMH/DC in APPENDIX B. TVC, a wholly owned subsidiary of Banner Health, is not exempt from income tax. Neither TVC related assets nor TVC operations are related to any funds from the Series 20014 Bonds.

References in this Appendix A to “FMH/DC” do not include information relating to TVC.

Ownership and Operation of FMH/DC/TVC

History. The Foundation was formed in 1968 to better accommodate the health care needs of the residents of Fairbanks and the surrounding community. The health care needs of the community exceeded the existing capacity of the Prior Hospital, and extensive rebuilding of the Prior Hospital was required due to severe flood damage sustained in 1967. The Foundation raised over \$2.4 million and received an additional \$6 million in state and federal funds to construct the Hospital. The Hospital opened four years later in the spring of 1972. For more information regarding the Hospital, see “FMH/DC/TVC AND RELATED FACILITIES – General” herein.

The Lease. Since opening the Hospital, the Foundation has leased the Hospital to Banner, and Banner has operated the Hospital. The current Lease has a term ending December 31, 2012, and includes the FMH/DC campus facilities, excluding a medical office building and certain office space in the Cancer Treatment Center, and the TVC facilities as described herein under “FMH/DC/TVC AND RELATED FACILITIES”. The Foundation leases the FMH/DC/TVC facilities to Banner for the purpose of offering health care services to the Fairbanks community and surrounding area. Banner is responsible for the operation, costs (excluding capital costs) and management of FMH/DC/TVC. The Foundation is required to make investments in capital equipment and facilities for leased FMH/DC/TVC facilities, subject to specified minimum levels, sufficient to provide a health care facility that (i) meets current and reasonable standards for health care facilities; (ii) is adequate to maintain accreditation; and (iii) complies with other state and federal requirements. Pursuant to the terms of the Lease, the Board of Trustees of the Foundation (the “Foundation Board”) reviews the operating and capital budgets for FMH/DC/TVC and approves the capital budget (the “Capital Plan”). The current Capital Plan approved by the Foundation Board, excluding projects to be financed with the proceeds of the Series 2009 Bonds, includes capital expenditures by the Foundation of approximately \$13 million for fiscal year 2014.

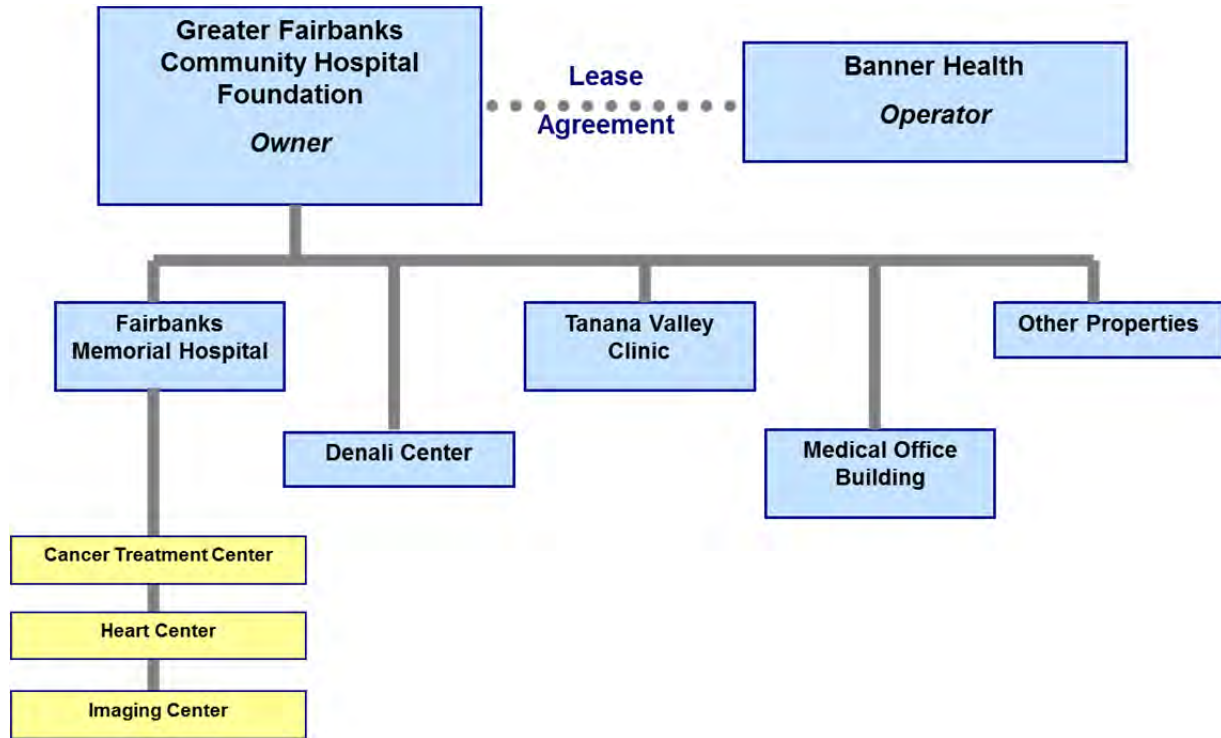
Banner pays the Foundation basic rent consisting of a monthly payment based on the fair market value per square foot of the leased FMH/DC/TVC facilities. Banner and the Foundation review the basic rent amount each year and agree on the amount for the following year. Basic rent for 2013 averaged \$2,269,265 per month based on the current square footage of the leased FMH/DC facilities. The basic rent conceptually matches prior year depreciation.

Banner also pays additional rent to the Foundation on a quarterly basis, based upon the net cash flow of FMH/DC. The additional rent is the greater of: (1) 82% of the Residual Cash, or (2) the Residual Cash less 1% of Net Operating Revenues (as defined below). The Residual Cash for each quarter is operating cash receipts (as opposed to the Net Operating Revenues) of FMH/DC for the quarter, minus (a) direct cash operating expenses of FMH/DC, (b) an amount equal to 3.5% of the Net Operating Revenues accrued for the quarter, (c) amounts necessary, if any, to fund a 30-day cash operating expense reserve for FMH/DC (owned by Banner), and (d) amounts necessary, if any, to fund a cost report reserve fund (also owned by Banner) for estimated liabilities associated with all outstanding third party cost report settlements. Net Operating Revenues are the gross revenues accrued from the operation of FMH/DC, less deductions for bad debt, charity and contractual allowances. The cash operating expenses of FMH/DC that are deducted for purposes of determining the amount of additional rent do not include expenses for Banner corporate services provided from locations other than FMH/DC, such as financial management, strategic planning, credentialing, human resources, risk management, in-house legal, information services, insurance, purchasing and corporate supervision.

The original Lease agreement was effective January 1, 1993 with a term of 20 years, expiring in 2013. In 2011 the Lease was amended to extend the term for an additional 20 years. **The Lease may be terminated prior to its expiration upon the occurrence of an event of default by either party, or may be cancelled by either party without cause upon one year’s notice.** Upon such termination, the Foundation would regain possession of FMH/DC/TVC. In addition, Banner would assume all existing obligations on the balance sheet of FMH/DC/TVC (which would not include any liability for the Series 2009C Bonds) and remove all personal property owned by it, including accounts receivable, the cost report reserve fund, the 30-day cash operating reserve, inventory, supplies and any equipment which Banner owns. In general, the Foundation purchases and owns the equipment in the FMH/DC/TVC facilities. In the event of an early termination, the Lease provides that Banner will cooperate with the Foundation to transition the FMH/DC/TVC facilities to the Foundation or a new tenant. In the event of termination of the Lease, there is no assurance that a new lease will be negotiated or that any new lease would have the same or similar terms and conditions. Neither Banner nor the Foundation currently intends to terminate the Lease.

It is expected that the primary source for payment of principal and interest on the Series 2014 Bonds will be payments by Banner to the Foundation pursuant to the Lease, together, if necessary, with earnings on the Foundation’s investment portfolio and certain other Foundation revenues and reserves. The following chart provides a representation of the Foundation’s ownership and organization:

Foundation and Banner Health Organization Chart



THE FOUNDATION

Members

Currently, the Foundation has approximately 100 members. The only requirement to becoming a member of the Foundation is the payment of \$25 in annual dues. The members of the Foundation meet yearly at the Foundation annual meeting, typically held in May, to elect trustees, hear committee reports and view a presentation by the Hospital administrator of the previous year's activities and current issues regarding health care as they relate to FMH/DC. The only right of the members of the Foundation is the election of the trustees. The Foundation's Bylaws contain certain qualifications that members must meet in order to be eligible to run for a trustee position.

Board of Trustees

General. The Foundation is governed by the Foundation Board and managed by the Executive Committee. There are six emeritus trustees and twenty-five trustees in total, two of whom are appointed by the President and twenty-three who are elected at an annual meeting of members. The Foundation is composed of four classes of members: General, Facility, Medical Staff and Associate. Of the twenty-five trustees, twenty are elected by the General Membership, one by the Facility Membership, two by the Medical Staff Membership and two are appointed by the President of the Foundation Board. All trustees serve three-year staggered terms of office except the President's appointees, who each serve one year terms. Trustees must then be reelected to continue serving on the Foundation Board.

The names, titles, occupations and years of service of the current members of the Foundation Board are listed below.

<u>Name</u>	<u>Title</u>	<u>Occupation</u>	<u>Years of Service</u>
Jeff Cook	President	Director of External Affairs, Koch Companies Public Sector	27
Mike Kelly	1 st Vice President	Retired	25
Margaret Soden	2 nd Vice President	Retired	20
Roger Floerchinger	Treasurer	Owner of Yukon Title Company	21
Joe Faulhaber	Secretary	Owner of The Realty Company of Alaska	29
Scott Bell	Construction Chair	Associate Vice Chancellor Facilities, UAF	10
Gail Hattan	Trustee	Retired	15
Cheryl Kilgore	Trustee	Executive Director of Interior Community Health Clinic	21
Mark Simon, M.D.	Trustee	Physician, Golden Heart Emergency Physicians	4
Bill Bailey	Trustee	Communications Manager, Alyeska	2 months
Ryan Binkley	Trustee	President, Alaska Riverways, Inc.	2
Rodney Brown	Trustee	Business Manager, U.A. Local 375	3
Walter Carlo	Trustee	Retired	24
Ron Davis	Trustee	Retired	20
Keir Fowler, M.D.	Trustee	Physician, Radiology Consultants	5
		Medical Staff Appointee	
Bernard Gatewood	Trustee	Superintendent, Fairbanks Youth Facility; Fairbanks City Council Representative	5
Andrea Gelvin	Trustee	Retired	24
Chris Jensen, M.D.	Trustee	Physician, Aurora Plastic Surgery, LLC	2 months
		Medical Staff Appointee	
Galen Johnson	Trustee	Associate Professor of Construction Management, UAF	5
David McNary	Trustee	Owner, DMLS, Land Consultant	19
Karen Perdue	Trustee	President and CEO, ASHNA	2
Gary Roderick	Trustee	Retired	7
Benjamin Roth	Trustee	Financial Planner, SBS Retirement Consultants, LLC	4
Elizabeth Schok	Trustee	Real Estate Professional, Somers and Associates	2
Mike Sfraga	Trustee	Vice Chancellor for University and Student Advancement, UAF	3
Don Thibedeau	Trustee	Social Worker at the Denali Center	8
		Facility Staff Appointed	
Matt Wilken	Trustee	Utility Services of Alaska	6 months
Becky Zaverl	Trustee	Teacher, Fairbanks North Star Borough School District	2 months
William H. Doolittle, M.D.	Trustee Emeritus	Retired; Trustee of Alaska Mental Health Trust Authority	35
William Mendenhall	Trustee Emeritus	Retired; (Retired) Civil Engineer; (Retired) UAF Professor	47
Harry Porter	Trustee Emeritus	(Retired) Vice President-AMFAC Corp; Former Plumbing/Heating Business Owner	47
Rich Seifert	Trustee Emeritus	Retired	27
Steve Stephens	Trustee Emeritus	Retired	34

The Foundation Board elects the officers of the Board (President, First Vice-President, Second Vice-President, Secretary and Treasurer) annually at the first meeting of the trustees, which typically follows the Foundation annual meeting. The full Foundation Board meets quarterly and must approve all buying or selling of real property, amendments of the Bylaws or Articles of Incorporation and the incurrence of debt. The Foundation Board also participates in the annual review of the Administrator and Chief Executive Officer of FMH/DC (the "CEO"), selected and employed by Banner, and reviews and makes recommendations with respect to new patient services, facility policies and quality of care issues. All other decisions are made at the Committee level and are reported by the chairpersons of such committees at the Foundation Board's quarterly meetings.

Committees.

Executive Committee. The President of the Foundation Board chairs the Executive Committee. The Executive Committee meets monthly and consists of the Foundation Board officers and three trustees at large. The Executive Committee reviews the performance of the CEO and provides such evaluation to Banner, and monitors FMH/DC administrative issues and policies. The Executive Committee, together with the Chief of Medical Staff of FMH/DC, is also the Local Advisory Board pursuant to the Articles of Organization (defined below). The Local Advisory Board serves as a liaison between the Fairbanks community and Banner, and guides the implementation of certain FMH/DC programs and policies.

Organizational Structure/Lease Oversight Committee. The Secretary of the Foundation Board chairs the Organizational Structure/Lease Oversight Committee (the "OSLO Committee"). The OSLO Committee oversees the Foundation's Articles of Incorporation and Bylaws and its leases, policies and procedures, including but not limited to oversight of the Lease. The President and Treasurer of the Foundation Board are ex-officio members of the OSLO Committee, and the President of the Foundation Board appoints four additional members from the Foundation Board to serve on this Committee. The OSLO Committee meets on an *ad hoc* basis.

Finance Committee. The Treasurer of the Foundation Board chairs the Finance Committee and oversees the financial condition of the Foundation. The President of the Foundation Board serves as an ex-officio member and appoints three additional trustees to serve on the Finance Committee. The Finance Committee's primary responsibility is reviewing the operating budgets of the Foundation and FMH/DC, which includes reviewing and approving routine maintenance and repair expenses, financial reports of the Foundation and FMH/DC, FMH/DC's capital budget, the financial feasibility of proposals for new services and plant and equipment expenditures, the development of pension and corporate investment policies and, generally, the development and monitoring of the Foundation's long-term financial plans. The Finance Committee also has responsibility for reviewing the financial obligations under the Lease and coordinating the Foundation's annual audit.

Construction Committee. There are ten members of the Construction Committee with knowledge in the fields of architecture, engineering, construction and other related fields. The Construction Committee oversees the physical plants of the facilities owned by the Foundation and all renovation of such facilities. The Construction Committee also oversees both the design and construction of new projects. Facility inspections are conducted by an *ad hoc* committee consisting of members appointed from the Construction Committee.

Conflicts of Interest Policy.

The Foundation may engage in transactions with members of the Foundation Board, and members of the Foundation Board may engage in transactions with FMH/DC. All such transactions are believed to be on terms that are as favorable to the Foundation or FMH/DC as could be obtained from unaffiliated third parties. The Foundation's Bylaws require that certain conditions, including disclosure of all relevant and material facts related to duality of interest transaction, be met prior to approval of such transactions by the Foundation Board. The Foundation's Conflicts Policy requires annual reporting of any existing or potential conflicts by members of the Foundation Board, as well as professional advisors and key employees of the Foundation.

MANAGEMENT OF THE FOUNDATION

Shelley D. Ebenal - Executive Director and General Counsel. Shelley D. Ebenal is the Executive Director and General Counsel for the Foundation. Ms. Ebenal received her J.D. from California Western School of Law in 1993 and has a BBA in accounting from the University of Alaska Fairbanks. Prior to joining the Foundation, Ms. Ebenal practiced in the area of public finance at Birch Horton Bittner & Cherot in Anchorage, Alaska, and has previously practiced in the areas of estate planning, probate, corporate law, municipal law, and employment law. Ms. Ebenal is a member of the Alaska Bar Association, National Association of Bond Lawyers, Healthcare Financial Management Association and Fairbanks Rotary Club.

James H. Little, P.E. - Project Coordinator. James Little has been under contract with the Greater Fairbanks Community Hospital Foundation since May of 2006 as the project coordinator. Mr. Little is registered in the State of Alaska as a Professional Engineer. He is a graduate of the Pennsylvania State University with a degree in civil engineering. Mr. Little has established his own firm, JCL Engineering, LLC, specializing in project administration of building construction in 2004. Prior to that, Mr. Little worked for the State of Alaska, Department of Transportation and Public Facilities for 17 years where he served as the Maintenance Director and Facilities Manager for the northern region of the State. From 1983-1987, Mr. Little was the Building Official for the City of

Fairbanks, serving as the City's Chief Code Enforcement Officer. Mr. Little was the Past President of the Alaska State Facilities Administrators Association. He is currently a member of the Fairbanks Rotary Club, the Alaska Society of Professional Engineers, and the Fairbanks Chamber of Commerce. Mr. Little currently chairs the Chamber's Transportation Committee.

Ruth E. Wendler, CPA – Chief Financial Officer. Ruth is currently the Chief Financial Officer for the Hospital Foundation. Ruth graduated from the University of Alaska, Fairbanks in 1986 with a Bachelor's degree in Mathematics and Psychology. Prior to working with the Hospital Foundation, Ruth worked independently with Kohler, Schmitt & Hutchison. She has substantial audit experience working with non-profits and small businesses.

MANAGEMENT OF FMH/DC/TVC

Pursuant to the terms of the Lease, FMH/DC's CEO and all other employees of FMH/DC are employed by Banner. Pursuant to the Lease, Banner has final authority and responsibility for the selection, evaluation, compensation or removal of the CEO and all other FMH/DC employees, taking into account the advice and evaluation of the Executive Committee. Summary biographical information for the CEO and other key FMH/DC management personnel follows.

Michael K. Powers, Administrator and Chief Executive Officer. Michael K. Powers was appointed Administrator and Chief Executive Officer of FMH/DC in 1995. From 1986-1995, Mr. Powers was the Chief Financial Officer of FMH/DC. Prior to joining FMH/DC, Mr. Powers served two years as an Administrative Fellow at the Medical College of Virginia Hospitals and Clinics in Richmond, Virginia, and as an Administrative Intern at the University of Wisconsin Hospital and Clinics in Madison, Wisconsin for one year. Mr. Powers received a master's degree in Health Services Administration from the University of Wisconsin in 1984, a master's degree in Anglo-Irish Literature from Trinity College in Dublin, Ireland in 1980 and a bachelor's degree in English Literature from Lawrence University in Appleton, Wisconsin in 1978. Mr. Powers is active in numerous health services activities, including serving as past President of the Alaska Hospital Association, an Executive board Member of the Interior Community Health Center, a Member of the American Hospital Association's Regional Policy Board and as former Co-Chairperson of United Way of the Tanana Valley's record-setting annual fund drive. He also served in various coaching and treasurer positions with youth sports teams and recreational programs in the Fairbanks area.

Jim L. Lynch, Chief Financial Officer. Jim L. Lynch was appointed as Chief Financial Officer of FMH/DC in November 2008 after serving as Interim CFO since August 2008. Mr. Lynch joined FMH/DC in 1999 and served as Supervisor of Fiscal Accounting before taking the role of Chief of Human Resources Officer from 2000 to 2008 as a member of the senior management team. Prior to joining FMH/DC, Mr. Lynch served as the Assistant Controller with the Tanana Valley Clinic, Controller for McKinley Motors, Inc, and as an Accountant for Wilson and Wilson, CPAs. Mr. Lynch received his bachelor's degree in Accounting from the University of Alaska in 1994 and was licensed as a Certified Public Accountant in 1997. Mr. Lynch was appointed to the Governor's Workforce Investment Board in 2008 and currently serves as Chairman. He served as Chair of the Interior Alaska Regional Council on workforce and economic development from 2000 to 2008.

Gena Edmiston, Chief Nursing Officer. Gena Edmiston was appointed as the CNO in June 2009 after serving as the Associate Administrator for Long Term Care at Denali Center since 2005. In her 27 years of employment with FMH/DC, Ms. Edmiston has filled many roles prior to assuming her current position, including: Human Resources Management, Critical Care RN and Clinical IT Manager. Ms. Edmiston received her Bachelor of Science in Nursing from the University of Alaska in 1993, and has completed course work toward a Master of Science in Nursing.

Karl Sanford, R.N., Associate Administrator, Professional Services. Karl Sanford, R.N. has served as Associate Administrator at FMH/DC since 1993. For 13 years prior to that, Mr. Sanford was at St. Elizabeth Heart Care Center in Yakima, Washington, serving two years as the Administrative Director, five years as the Director of Advanced Care, two years as the Director of the Orthopedic/Neurosurgery, and initially for four years as a Staff Nurse in the Critical Care unit. Mr. Sanford received an A.A.S. Nursing degree from Yakima Valley Community College in Yakima, Washington in 1980, and his B.S.N.A. from City University in Bellevue, Washington in 1990.

Jon Lundquist, Associate Administrator, Plant Operations, Design and Construction. Jon Lundquist has served as Associate Administrator, Plant Operations, Design and Construction of FMH/DC since 1999. Prior to assuming such position, Mr. Lundquist was a Director of Plant Operations from 1997-1999, an Assistant Manager of Plant Operations from 1993-1996, and an Operations Technician from 1989-1992. Mr. Lundquist received a

bachelor's degree from the University of Alaska – Fairbanks in 1974 and an Associate Degree in Electronics from the University of Alaska in 1975.

FMH/DC/TVC AND RELATED FACILITIES

General

The main campus of FMH/DC consists of a 39-acre site at the intersection of Cowles and 19th Avenue (or East Cowles and West Cowles) in Fairbanks, Alaska. The FMH/DC campus consists of the Hospital, the Denali Center, a freestanding medical office building (the “MOB”) and a freestanding diagnostic outpatient imaging center (the “Imaging Center”). TVC is a 43-physician and midlevel provider clinic located approximately three miles north of FMH/DC.

The Hospital opened in the spring of 1972, with a total of 88 licensed beds. In 1974, 28 additional licensed beds were added, increasing the Hospital's inpatient capacity to 116 beds. In 1975, the Hospital converted day rooms to wards, thereby increasing the total number of licensed beds to 126. A second major expansion in 1978 added 29 licensed beds, including a modern critical care unit consisting of 14 beds. With the completion of the south tower in 1983, the total number of licensed beds was increased to the Hospital's current bed complement of 152 licensed beds.

When the Hospital was built, the Denali Center was located approximately one mile from the Hospital. In 1994, the Denali Center relocated to a new facility with a total of 90 skilled and intermediate care licensed beds located on the main campus of FMH/DC. Connected to the Hospital with a fully enclosed interior corridor, the Denali Center uses many of the ancillary and support services and staff based in the Hospital.

The Chief Andrew Isaac Health Center (the “Health Center”) was originally constructed as a freestanding building at the north end of the Hospital campus. In 1994, Tanana Chiefs Conference (the operator of the Health Center) and Banner entered into a twenty-year sub-lease for 27,000 square feet of space within the Hospital, and relocated the Health Center to two floors of the south tower of the Hospital. The area vacated by the Health Center on the north end of the Hospital campus was converted into an outpatient Services Facility for FMH/DC in October 1996. In March of 2013, the Health Center vacated the space leased within the Hospital and moved into its newly constructed clinic off campus.

The Mental Health Unit, located within the Hospital, was renovated in 2000, increasing the bed complement from nine to twenty beds on the 4th floor of FMH.

The Cancer Treatment Center, located in the Hospital, provides a full range of equipment and facilities, including radiation therapy equipment to treat oncology patients. The primary purpose of the Cancer Treatment Center is to provide treatment to oncology patients on an outpatient basis; however, its facilities are utilized as needed to provide treatment to inpatients as well.

The land, buildings and equipment on the FMH/DC campus are owned by the Foundation. The facilities described herein, except the MOB and certain limited medical office space in the Cancer Treatment Center, are presently leased to Banner under the terms of the Lease. Space in the MOB is leased by the Foundation to Banner and certain other parties under separate lease agreements. Revenues relating to Banner's medical activities in the leased MOB space are included in the FMH/DC financial statements. A brief history of FMH/DC follows:

- 1968 – Foundation formed
- 1969 – 18 bed federally-designated Alaska Native care unit funded by a \$1.9 million grant from the federal government
- 1972 – Hospital opened
- 1978 – New 70,000 sq. ft. North Tower dedicated
- 1983 – New 5-story South Tower completed
- 1992 – Women's Center remodeled to create Labor/Deliver/Recover/Postpartum (LDRP) rooms
- 1994 – New Denali Center completed
- 1995 – Health Center moved to South Tower
- 1996 – Outpatient Services facility completed
- 1999 – MOB purchased, Mental Health Unit expansion
- 2000 – Cancer Treatment Center opened, funded in part by a \$3.8 million federal appropriation

- 2003 – East Shell completed; Clinical Laboratories relocated and expanded
- 2005 – Boiler, Laundry, Trash, Imaging Center and Connecting Spine complete
- 2007 – ED Phase I complete
- 2008 – ED Phase II, Cath Lab complete
- 2008 – Acquisition of TVC

- 2009 – Porter Heart Center Phase I
- 2010 – Porter Heart Center Phase II

Recent Projects and Future Plans

Recently Completed Projects.

ED Phase I and II: Proceeds of the 2004 Bonds were used to complete the Emergency Department renovation and expansion as part of the Foundation’s Master Facility Plan. The ED project was completed in two phases to accommodate ongoing hospital operations. Phase I opened in July 2007 allowing for demolition of the old Emergency Department space and construction of Phase II. Phase II was completed in July of 2008 resulting in a total of approximately 27,000 square feet of modern Emergency Care space. This project also included the renovation of a significant portion of the 1st floor area surrounding the Emergency Department, including the old laboratory and radiology areas adjacent to the ED. The total cost of this project was \$38.6 million.

Cardiology Cath Lab: Cardiology was identified as a needed clinical service in the community and a strategic growth opportunity for FMH. In 2007 a Cardiology Cath Lab was constructed in the north end of the main hospital approximate to the Emergency Department and opened in December 2007. During the first full year of operation (2008) 472 cardiology cath lab cases were performed. The cost of this project was approximately \$4.7 million and was financed through equity of the Foundation.

Harry & Sally Porter Heart Center; Phase I: As part of the Master Facility Plan and Strategic Plan the Foundation constructed the Porter Heart Center at the north end of the hospital adjacent to the Cath Lab. Phase I is the remodel of existing space formerly occupied by Physical Therapy to accommodate a Cardiology Clinic of seven exam rooms and support services. This relocates the original 3 exam room clinic on campus and expands throughput capability to accommodate 3 to 4 physicians. Phase I was completed in April 2009 at a cost of \$3.0 million.

Harry & Sally Porter Heart Center; Phase II: Construction of Phase II of the Porter Heart Center is commenced in June 2009 after approval of the State of Alaska through the CON process. The application for the CON was filed with the State in February 2009 focusing on the Cardiac Rehabilitation program which is the only component subject to CON regulation. Phase II was built around the Cardiology Clinic (Phase I) and the completed Heart Center consolidated Cardiology services on campus to include nuclear medicine, echocardiography, and cardiac rehabilitation programs in one setting. This project also included infrastructure and foundation upgrades so that this ground floor structure is structurally approved to accommodate future development of second floor clinical space. This project cost \$7.8 million funded from Series 2009 bonds.

Future Projects.

In accordance with their Strategic Plan and Master Site Plan, The Foundation may use the proceeds of the Series 2014 bonds to (a) pay the costs of the acquisition, construction, renovation and equipping of certain hospital and other related health care facilities, including and without limitation the construction of new surgical suites for the Fairbanks Memorial Hospital, including supporting space such as sterile processing and a new hallway; (b) fund a debt service reserve account as security for the Bonds; and (c) pay all or a portion of the costs incurred in connection with the issuance of the Bonds (the “Project”)

FMH/DC SERVICES

General

FMH/DC offers ambulatory, acute care and skilled nursing services. Inpatient acute care includes obstetrics & gynecology, a nursery, pediatrics, behavioral health, orthopedics, surgery, internal medicine, intensive care and telemetry. Other programs include Cardiac Rehabilitation, a Sleep Disorders Lab, an Emergency Department, an Outpatient Imaging Center, a Cardiac clinic and a Catheterization Lab.

FMH/DC is licensed to provide 152 acute care beds and 90 skilled and intermediate care beds. The following table provides a breakdown of FMH/DC's licensed and staffed bed complement as of December 31, 2013.

Licensed and Staffed Beds

<u>SERVICES</u>	<u>LICENSED BEDS*</u>	<u>STAFFED BEDS*</u>
<u>Acute Care</u>		
Medical/Surgical	85	64
Intensive Care Unit/Cardiac Care Unit	14	13
Obstetrics/Labor & Delivery	10	10
Gynecology	8	8
Psychiatric	20	20
Pediatric	<u>15</u>	<u>12</u>
Subtotal Acute Care	152	127
<u>Long Term Care</u>		
Skilled Nursing Facility	<u>90</u>	<u>90</u>
TOTAL	242	217

*Excludes 20 nursery beds

Services

To support its acute-care services, FMH/DC provides a wide array of ancillary services and facilities, including: comprehensive laboratory facilities, respiratory therapy, IV therapy, electro cardiology, radiology (with CT scan, MRI, stereotactic biopsy, nuclear medicine and ultrasound imaging), inpatient and retail pharmacy, blood bank, acute dialysis, wound care and radiation oncology. FMH/DC's surgical services include general surgery, gynecology, ophthalmology, oral surgery, orthopedics, otorhinolaryngology, plastic surgery and urology.

FMH/DC's rehabilitation services include physical, occupational and speech therapies, and feature programs such as work hardening/condition and burn treatment. The clinical laboratory, directed by three pathologists, provides a wide spectrum of inpatient and reference diagnostic services. The respiratory care/cardiology department provides pulmonary function testing, cardiology diagnostics, EEG, sleep studies and metabolic services. Acute renal dialysis is provided in the intensive care and medical units. A hospital-based home health program serves patients residing within a twenty-six mile radius of Fairbanks. This program is the only certified Medicare home-health program in Fairbanks. FMH/DC's emergency care capabilities are augmented by relationships with several air ambulance operators, which provide an emergency response capability by fixed wing aircraft to tertiary facilities in Anchorage and quaternary facilities in Seattle and elsewhere. In addition, FMH/DC participates in the Washington, Wyoming, Alaska, Montana and Idaho ("WWAMI") residency training program. See "EDUCATIONAL PROGRAMS AND AFFILIATIONS" herein.

The Cancer Treatment Center provides a full range of equipment and facilities, including radiation therapy equipment, to treat oncology patients. While the primary purpose of the Cancer Treatment Center is to provide treatment to oncology patients on an outpatient basis, it is utilized, as needed, to provide treatment to inpatients as well.

FMH/DC has a long-standing collaborative relationship with the military facilities in the Fairbanks community. Bassett Army Community Hospital ("Bassett"), located approximately two miles from FMH/DC, is a 32 bed active military facility whose physicians also hold medical staff privileges at FMH. Such medical staff privileges allow for continuity of care by military physicians to Department of Defense eligible recipients. Eielson Air Force Base, located approximately 25 miles from FMH/DC, has an active clinic setting. Both military bases utilize FMH for trauma, critical care, obstetrics, neonatal, mental health and diagnostic services.

FMH/DC SERVICE AREA AND COMPETITION

Service Area

General.

The FMH/DC primary market includes the FNSB; the secondary market includes the Interior and the northern regions of Alaska. The City of Fairbanks serves as the regional economic, transportation and medical hub

for these primary and secondary markets. The FNSB, which includes Fort Wainwright and Eielson, encompasses approximately 7,400 square miles. Most communities within the FNSB are located within sixty miles of downtown Fairbanks. The Interior comprises an area of approximately 12,700 square miles.

The following table presents service area information of patients served at FMH/DC during the years ended December 31, 2011, 2012 and 2013.

Patient Service Area Data

	<u>2011</u>		<u>2012</u>		<u>2013</u>	
	<u>Inpatient Discharges</u>	<u>Percent of Total</u>	<u>Inpatient Discharges</u>	<u>Percent of Total</u>	<u>Inpatient Discharges</u>	<u>Percent of Total</u>
Primary Service Area	4,586	81%	4,325	82%	4,088	81%
Secondary Service Area	805	14%	726	14%	682	14%
Other Alaska and out-of-state	<u>246</u>	<u>4%</u>	<u>239</u>	<u>5%</u>	<u>246</u>	<u>5%</u>
Total	5,637		5,290		5,016	

*Internal patient data obtained by patient address/zip code

Population Data.

The following table shows population data for FMH/DC's primary and secondary service areas. The population in the Interior has remained stable.

	<u>2012</u>	<u>% of Total</u>	<u>2013</u>	<u>% of Total</u>
Primary Service Area	4,325	82%	4,163	83%
Secondary Service Area				14%
Other Alaska and out-of-state	726	14%	702	
Total	<u>239</u>	<u>5%</u>	<u>151</u>	<u>3%</u>
	5,290	100%	5,016	100%

*Estimated number Source: Alaska Department of Labor and Workforce Development; U.S. Census Bureau

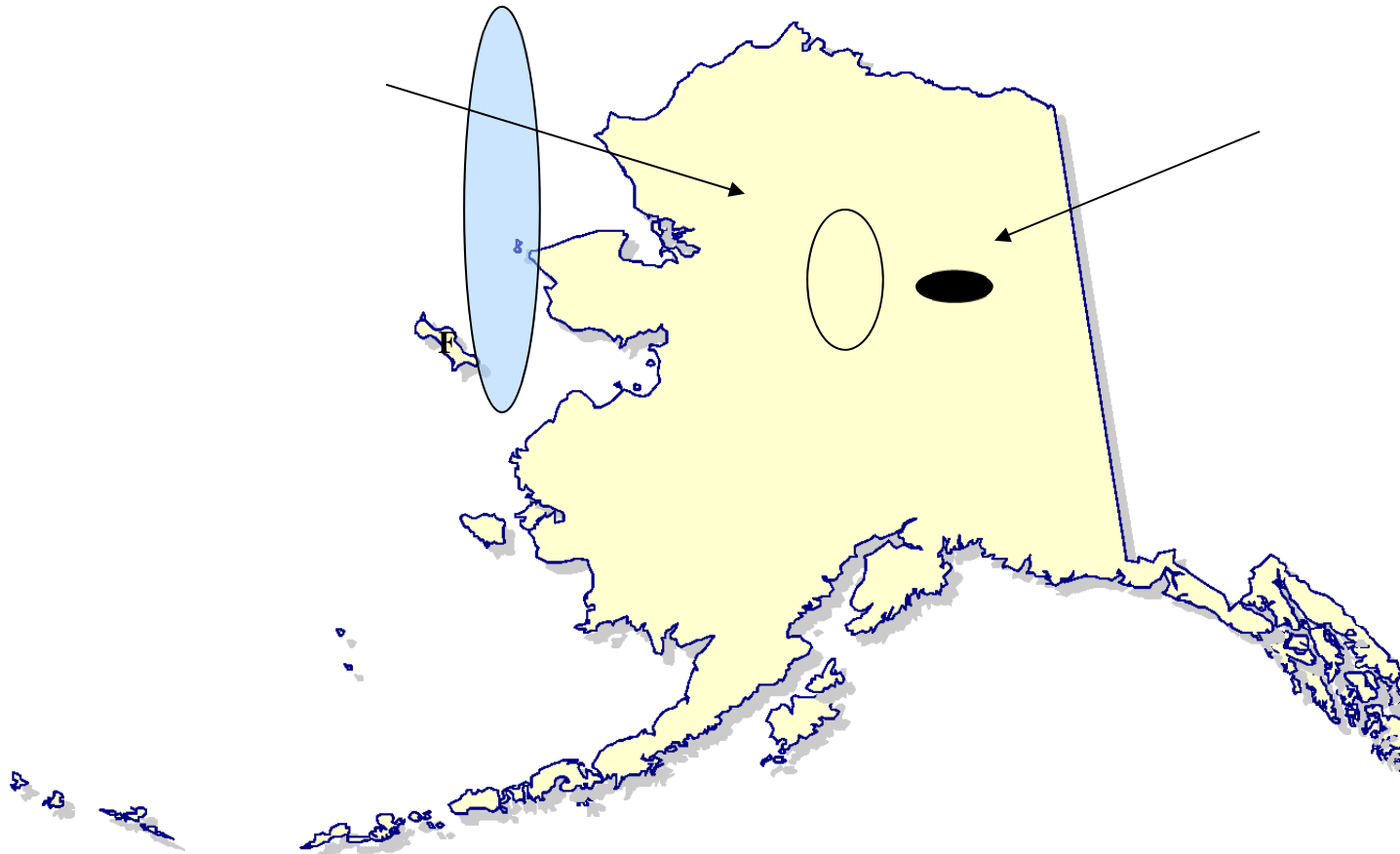
Major Primary Service Area Employers.

Approximately 50% of the total employment in Fairbanks is in government services, which includes military personnel at Fort Wainwright and Eielson Air Force Base. The University of Alaska Fairbanks is also a large public employer. Retail and hospitality services, mining, construction, tourism, transportation, medical, and other services are the primary private sector activities. FMH/DC was Alaska's thirteenth largest private employer in 2010. Approximately 325,000 tourists visit Fairbanks each summer. The success of the Fort Knox gold mine, operated by Fairbanks Gold Mining, has sparked exploration by a number of mining companies.

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Location Map

The following map shows approximations of the primary and secondary service areas for FMH/DC:



Competition

FMH/DC is the only state licensed hospital in its primary or secondary service areas and is a sole community provider. Two Anchorage hospitals, Alaska Regional and Providence Medical center, provide tertiary services not available at FMH/DC and are located more than 350 miles from Fairbanks. Alaska Native Medical Center is also in Anchorage and is accessed by the Alaska Native population.

Bassett Army Hospital is located in Fairbanks, servicing only the military population and their dependents. Bassett has a 32 bed facility built in 2006 replacing the original that was built in 1953. This newer facility has not had a material effect on patient volumes at FMH/DC. The only other CT in Fairbanks is located at Bassett. FMH has an agreement with Bassett to utilize the Bassett CT in the event of significant downtimes (planned or emergent) of the CT at FMH/DC.

A freestanding , outpatient only, surgery center opened in Fairbanks in October of 2010. The surgery center has only 2 OR's and the impact on FMH's O/P volumes has been minimal. Since 2010, FMH's O/P surgeries have declined approximately 14%.

BANNER HEALTH

As long as the Lease is in effect, Banner's rent payments to the Foundation pursuant to the Lease will constitute the Foundation's principal source of revenue to pay principal and interest on the Series 2014 Bonds. Banner's obligation to pay rent under the Lease is treated as an operating expense of Banner in its financial statements, and is not secured by any pledge of revenues or other property of Banner.

The following is a brief description of Banner and its operations, including its Western Region, of which FMH/DC is a part. Incorporated by reference in this Official Statement are the following documents (the “Banner Available Information”) filed by Banner with the Municipal Securities Rulemaking Board (“MSRB”) or the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) and available for inspection:

1. Official Statement dated 9/12/2008 for \$397,085,000 Arizona Health Facilities Authority Revenue Bonds (Banner Health) Series 2008E, 2008F, 2008G and 2008H.
2. Banner’s filing with NRMSIR on May 15, 2008 pursuant to a Master Continuing Disclosure Agreement dated as of November 19, 1998 between Banner and the Bank of New York Trust Company, N.A., as dissemination agent.

In addition, Banner provides quarterly financial information available electronically from Digital Assurance Certification LLC (“DAC”).

General

In addition to services provided at FMH/DC, Banner provides health care and related services to the greater Phoenix metropolitan area, northeastern Colorado and adjoining areas of Wyoming and Nebraska, and to certain small communities in California and Nevada. Banner was formed on September 1, 1999 when the Lutheran Health Systems acquired and assumed most of the assets and liabilities of Samaritan Health System. The resulting organization, renamed Banner Health, is one of the largest secular nonprofit health care systems in the United States, as measured by the number of staffed acute care beds. Banner owns, leases, or manages acute care hospitals, behavioral health facilities, long-term care and rehabilitation facilities, home health agencies, nursing registries, clinics and home medical equipment supply services.

Banner is an Arizona nonprofit corporation and a tax-exempt organization described in Section 501(c)(3) of the Code. Banner is in good standing in all of the states in which it operates. While Banner has subsidiaries and affiliates, and participates in a number of joint ventures, most of its health care operations are owned, leased or operated through Banner. Banner’s health care operations and services are organized into three regions, the Arizona West Region, Arizona East Region, and the Western Region. The Arizona Regions consists of all operations located in the greater Phoenix metropolitan area. The Western Region consists of all operations outside of the greater Phoenix metropolitan area, including Alaska. Centralized services and management of its health care operations are provided from Banner’s corporate offices in Phoenix, Arizona.

Western Region

The Western Region of Banner includes all operations in Alaska, California, Colorado, Nebraska, Nevada and Wyoming. Facilities owned by Banner as well as leased facilities are included in the Western Region.

Banner leases FMH/DC from the Foundation. Banner does not maintain agreements to provide any services in Alaska other than those noted above. Banner is not a joint venture partner in any surgery centers or radiology centers within the state of Alaska.

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FOUNDATION FINANCIAL INFORMATION

The audited financial statements of the Foundation set forth in Appendix B hereto include a balance sheet and income statement stating the financial information of the Foundation. The selected balance sheet and statement of revenues, expenses and change in net assets data shown below for the fiscal years ended December 31, 2007 and 2008, is derived from the Foundation's financial statements, which have been audited by Richards, Johnson & Granberry, P.C. The July 31, 2009 statements are unaudited. Historical results are not necessarily indicative of future results. The selected information should be read in conjunction with the Foundation's audited financial statements.

STATEMENTS OF ACTIVITIES

	Fiscal Year Ended December 31,	
	<u>2012</u>	<u>2013</u>
	(in thousands)	(in thousands)
REVENUES, GAINS AND OTHER SUPPORT:		
Contributions and Memberships	\$ 573	\$ 115
Rental Income	33,869	37,225
Investment Income	6,288	4,692
Other	3	1
Release of restriction	<u>32</u>	<u>312</u>
Total Revenues, Gains and Other Support	\$ 40,765	\$ 42,345
EXPENSES:		
Medical Campus	\$ 24,159	\$ 23,363
TVC	1,665	1,637
Medical Office and ancillary	2,075	2,369
Community and outreach	126	506
General administration	1,094	1,168
Fundraising	<u>265</u>	<u>209</u>
Total Expenses	\$ 29,384	\$ 29,252
Increase (decrease) in unrestricted net assets from operating activities	<u>\$ 11,381</u>	<u>\$ 13,093</u>
NON-OPERATING ACTIVITIES:		
Net Realized Investment Gains	\$ 883	\$1,325
Net Unrealized Investment Gains	5,221	871
Gain from net change in fair value of derivative	310	6,662
Other Gains (Losses)	(11)	64
Funds released for capital purposes	<u>157</u>	<u>56</u>
Increase in unrestricted revenues	<u>\$ 17,941</u>	<u>\$ 22,071</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions for capital purposes	\$ 445	\$ 57
Contributions for operating purposes	354	629
Net assets released from restrictions:		
For operating purposes	(32)	(312)
For capital purposes	<u>(157)</u>	<u>(55)</u>
Increase in temporarily restricted net assets	<u>610</u>	<u>319</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	\$ 123	-
Gain on Community Foundation	<u>6</u>	<u>17</u>
Increase in permanently restricted net assets	129	17
Change in net assets	18,680	22,407
NET ASSETS, January 1	<u>242,534</u>	<u>261,214</u>
NET ASSETS, December 31	<u>\$ 261,214</u>	<u>\$ 283,621</u>

STATEMENTS OF FINANCIAL POSITION

	<u>2011</u>	December 31, <u>2012</u>	<u>2013</u>
	(in thousands)	(in thousands)	(in thousands)
ASSETS			
CURRENT ASSETS			
Cash and Certificate of Deposits	\$6,809	\$2,601	\$6,502
Receivables	1,552	1,390	1,578
Other	<u>76</u>	<u>139</u>	<u>51</u>
Total Current Assets	<u>\$8,438</u>	<u>\$4,130</u>	<u>\$8,131</u>
PROPERTY AND EQUIPMENT			
Property and Equipment	\$318,467	\$348,447	\$354,453
Less Accumulated Depreciation	<u>(107,900)</u>	<u>(125,113)</u>	<u>(137,161)</u>
Total Property and Equipment	<u>\$210,567</u>	<u>\$223,334</u>	<u>\$217,929</u>
OTHER ASSETS			
Investments	\$114,928	\$101,966	96,787
Restricted Cash	214	591	1,373
Prepaid Rent	0	5,396	4,609
Notes Receivable	720	3,115	2,497
Assets Held in trust by Bond Trustee	8,401	8,285	2,989
Deferred Financing Costs	4,156	3,638	2,514
Other	<u>2,119</u>	<u>1,398</u>	<u>227</u>
Total Other Assets	<u>\$130,704</u>	<u>\$124,389</u>	<u>\$111,046</u>
TOTAL ASSETS	<u>\$349,709</u>	<u>\$351,854</u>	<u>\$336,468</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$498	\$354	\$15
Other Accruals	364	305	649
TVMS holdback	0	411	261
Due to Banner	1,104	1,146	147
Current Portion of Long-Term Debit	2,680	2,770	2,355
Other	<u>31</u>	<u>284</u>	<u>282</u>
Total Current Liabilities	<u>\$4,677</u>	<u>\$5,271</u>	<u>\$3,709</u>
OTHER LIABILITIES			
Long-Term Debt, Less Portion Classified as Current	\$117,320	\$136,557	\$122,316
Other	<u>1,428</u>	<u>15,498</u>	<u>7,455</u>
Total Other Liabilities	<u>\$118,748</u>	<u>\$152,047</u>	<u>\$129,771</u>
TOTAL LIABILITIES	<u>\$123,425</u>	<u>\$157,317</u>	<u>\$133,480</u>
NET ASSETS			
Unrestricted	\$223,716	\$192,320	\$201,082
Temporarily restricted	2,486	2,128	1,818
Permanently restricted	<u>82</u>	<u>88</u>	<u>88</u>
TOTAL NET ASSETS	<u>\$226,284</u>	<u>\$194,537</u>	<u>\$202,988</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$349,709</u>	<u>\$351,854</u>	<u>\$336,468</u>

FMH/DC/TVC FINANCIAL INFORMATION

The unaudited combined financial statements of FMH/DC/TVC set forth in Appendix B hereto include a balance sheet and statements of operations and changes in net assets stating the financial information of FMH/DC/TVC. The selected balance sheets and statements of operations and change in net assets shown below for the fiscal years ended December 31, 2011, 2012 and 2013 are derived from FMH/DC/TVC's combined financial statements. Historical results are not necessarily indicative of future results. The selected information should be read in conjunction with FMH/DC/TVC's audited combined financial statements. See the audited combined financial statements of FMH/DC/TVC for combining financial statements of FMH, DC and TVC.

**FMH/DC/TVC COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS***

	Years Ended December 31,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(in thousands)	(in thousands)	(in thousands)
Unrestricted revenues:			
Net patient and resident service revenue			\$227,675
less provision for doubtful accounts	\$246,089	\$234,136	
Other revenue	<u>11,131</u>	<u>10,997</u>	<u>10,636</u>
Total unrestricted revenues	257,220	245,133	238,311
Expenses:			
Salaries and benefits	129,000	131,660	127,796
Supplies	32,048	30,717	29,826
Physician and professional fees	3,861	4,146	4,541
Basic rent payments	25,210	26,428	27,231
Depreciation	44	55	67
Other	<u>44,665</u>	<u>45,348</u>	<u>44,674</u>
Total expenses before additional rent payments	<u>\$234,828</u>	<u>238,354</u>	<u>234,135</u>
Operating income(loss) before additional rent payments	\$22,392	6,779	4,176
Additional rent payment	<u>17,659</u>	<u>5,625</u>	<u>5,927</u>
Operating income (loss)	\$4,733	1,154	(1,751)
Nonoperating income:			
Investment income and other	<u>165</u>	<u>237</u>	<u>(4)</u>
Excess (deficiency) of revenues over expenses	\$4,898	1,391	(1,755)
Transfer to Banner Health per lease agreement	(2,315)	(1,421)	3,350
Equity transfers – Banner Health	<u>(2,198)</u>	<u>2,919</u>	-
Increase in unrestricted net assets	385	2,889	1,595
Increase in net assets	385	2,889	1,595
Net assets, beginning of year	30,161	30,546	33,435
Net assets, end of year	30,546	33,435	35,030

* TVC was not a part of FMH/DC for the fiscal year ended December 31, 2007. The financial information for the fiscal year ended December 31, 2008 includes ten months' of TVC financial information.

FMH/DC/TVC COMBINED BALANCE SHEETS

	<u>2011</u>	December 31, <u>2012</u>	<u>2013</u>
	(in thousands)	(in thousands)	(in thousands)
Assets			
Current assets:			
Cash and cash equivalents	\$2,825	\$4,124	\$2,928
Receivables:			
Patient and resident receivables:			
Patient and resident services	52,033	58,660	56,306
Allowance for doubtful accounts	(13,623)	(22,278)	(17,393)
Patient and resident services, net of allowances for doubtful accounts	38,410	36,382	38,913
The Greater Fairbanks Community Hospital Foundation, Inc.	1,219	1,108	351
Other	1,767	2,189	2,122
Inventories	4,302	4,809	5,244
Other	<u>1,970</u>	<u>1,658</u>	<u>1,103</u>
Total current assets	\$50,493	\$50,270	\$50,661
Assets limited as to use:			
Funds designated by the lease agreement for third-party payor settlements	2,129	2,815	2,630
Equipment, net of accumulated depreciation of \$** in 2013 and \$723,000 in 2012	165	220	220
Other	144	31	5
Total assets	<u>\$52,931</u>	<u>\$53,336</u>	<u>\$53,516</u>
Liabilities and net assets			
Current liabilities:			
Trade accounts payable	\$2,180	\$2,861	\$3,595
Estimated third-party payor settlements	2,129	2,044	1,613
Current portion of note payable	157	162	169
Due to the Greater Fairbanks Community Hospital Foundation, Inc.	4,296	2,064	-
Accrued expenses:			
Salaries and benefits	9,485	9,242	9,710
Other	<u>2,145</u>	<u>1,705</u>	<u>1,746</u>
Total current liabilities	\$20,392	\$18,078	\$16,833
Long-term liabilities			
Long-term note payable, less current portion	1,980	1,820	1,650
Other Long-Term Liabilities	<u>13</u>	<u>3</u>	<u>4</u>
Net assets:			
Unrestricted net assets	\$30,546	\$33,435	\$35,029
unknown	<u>\$52,931</u>	<u>\$53,336</u>	<u>\$53,516</u>

FMH/DC SOURCES OF REVENUE AND FUNDING

Sources of Gross Patient Service Revenues

FMH/DC’s patient service revenues is received primarily from third party payors, including the federal government under the Medicare and Medicaid programs, the Alaska Department of Public Assistance, commercial insurance carriers and other payors. Managed care reimbursement is not material. The following table presents the percentage of gross patient service revenues attributable to each payor source in fiscal years, 2011, 2012, and 2013YTD through July 31.

Percentage of Gross Patient Service Revenues by Payor Source

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Self Pay	12%	13%	11%
Medicaid	13%	13%	14%
Medicare	26%	25%	28%
Other Government (includes military)	17%	16%	15%
Commercial ⁽¹⁾	32%	33%	32%
<i>Total</i>	100%	100%	100%

Percentage of Net Patient Service Revenues by Payer Source

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Self Pay	7%	5%	6%
Medicaid	11%	12%	13%
Medicare	20%	19%	19%
Other Government (includes military)	15%	13%	11%
Commercial ⁽¹⁾	47%	51%	51%
<i>Total</i>	100%	100%	100%

(i) Includes commercial insurance providers that do not have a contract with FMH/DC, worker’s compensation, county and state payment for services provided to patients who qualify for assistance and out-of-state Medicaid.

FMH/DC provides various community-based social service programs and health-related educational programs designed to improve the general standards of health in the communities it serves. The types of programs and services include wellness clinics and programs, prenatal care, prescription drug subsidies, emergency care, cancer awareness, diabetic counseling, disease prevention, health screenings and CPR and first aid classes. FMH/DC also provides medical care without charge or at reduced cost to residents of its communities through the provision of charity care (including services provided to the uninsured or underinsured and those who are determined to be unable to pay). Charity care provided in 2011, 2012 and 2013 was approximately \$**million, \$**million and \$** million, respectively. Charity care provided YTD July 31, 2013 was approximately \$** million.

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FMH/DC STATISTICAL AND FINANCIAL INFORMATION

Historical Utilization Data

The following tables provide a comparison of certain FMH/DC utilization statistics for the fiscal years ended December 31, 2010 through 2011, and 2012 YTD through July 31.

<u>Utilization Statistics</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Licensed Beds	152	152	152
Average Staffed Beds	127	127	127
Inpatient Discharges (excluding newborns)	5,637	5,290	5,016
Patient Days (excluding newborns)	19,701	18,245	18,145
Average Daily Census	54.0	49.8	49.7
Average Occupancy (based on staffed beds)	42.5%	39.3%	39.1%
Average Length of Stay (days)	3.49	3.45	3.62
Outpatient Registration	157,770	150,367	126,225
Home Care Visits	7,813	7,372	6,807
Emergency Room Visits	35,232	35,251	33,126
Births			
Surgeries:			
Inpatient	1,320	1,145	1,231
Outpatient	3,932	3,795	3,844
Newborn Discharges	1,168	1,111	1,164
Newborn Patient days	3,472	3,294	3,731
Newborn Average Daily Census	2.97	2.96	3.21

HOSPITAL

DENALI CENTER

<u>Utilization Statistics</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Licensed Beds	90	90	90
Average Daily Census	78.3	77.4	76.2
Patient Days	28,580	28,329	16,157

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Foundation

The Foundation, as owner of Fairbanks Memorial Hospital, Denali Center and Tanana Valley Clinic, provides funding for the purchase of all equipment and construction of all major projects. The Foundation pays for equipment and construction through operating income or investment proceeds.

The Foundation has an investment policy in which no more than 45% of assets can be invested in equities and in which at least 55% of assets must be invested in cash and fixed income securities. However, due to the

financial turmoil in the markets the Foundation currently has less than 13% of its investments in equities, 2% real estate, 2% hedge equities, 3% commodities, and approximately 80% of its investments in fixed income. The Foundation's Investment policy provides for a diversified mix of asset classes and investment styles in order to mitigate the risk of loss and preserve, and ideally enhance, the real value of the endowment over time. The Foundation maintains a low risk profile. Investment income ending on July 31, 2009 was approximately \$3 million, with a total investment position of approximately \$97 million.

Rental income of the Foundation for FMH/DC totaled \$15,261,569 for the fiscal year ended December 31, 2008 and \$13,826,032 for the fiscal year ended December 31, 2007. Rental income for TVC totaled \$1,406,541 for the 10-months of the fiscal year ended December 31, 2008. Rental income for properties owned by the Foundation that are not located on the FMH/DC campus totaled \$2,155,143 for the fiscal year ended December 31, 2008 and \$1,893,668 for the fiscal year ended December 31, 2007. 2009 YTD Rental income through July 31 totaled \$14,381,000.

Foundation checking and savings accounts include restricted cash (temporarily and permanently) in the amount of \$6 million on July 31, 2009 as compared to \$591,446 on December 31, 2008. Temporarily restricted cash is \$1.28 on July 31, 2009 as compared to \$503,046 on December 31, 2008. Permanently restricted cash is \$88,400 on July 31, 2009 as compared to \$88,400 on December 31, 2008.

On February 29, 2008 the Foundation purchased TVC, a multi-specialty medical group practice that operate a medical clinic and urgent care center in Fairbanks. TVC was purchased for approximately \$23 million which included the business operations of Tanana Valley Medical-Surgical Group, Inc. ("TVMS") for \$6.5 million, and substantially all of the associated real and personal property assets. Banner leases TVC from the Foundation.

During 2008 the Foundation continued to proceed with a planned cardiology program. Following receipt of a certificate of need in 2007 from the State of Alaska the Foundation has authorized expenditures of \$6.7 million and as of December 31, 2008 has spent \$4 million on the project. As of December 31, 2008 the Foundation also had an estimated \$1 million of other miscellaneous projects to complete.

On February 29, 2008 the Foundation purchased the assets of TVC. On March 1, 2008 Banner Health assumed the operational responsibility for TVC, leasing the clinic assets from the Foundation under the primary lease agreement between the Foundation and Banner Health. TVC is a for-profit entity operated by Banner. Due to the connectivity of the lease agreement the financial statements of FMH/DC and TVC are presented in consolidated form. Only the not-for-profit FMH/DC entity has bond funded facilities. The audited financial statements in Appendix B present the operating statements of TVC and FMH/DC in combined form with combining schedules that present each entity.

As long as the Lease is in effect, Banner's rent payments to the Foundation pursuant to the Lease will constitute the Foundation's principal source of revenue to pay principal and interest on the Series 2009 Bonds. Banner's obligation to pay rent under the Lease is treated as an operating expense of Banner in its financial statements, and is not secured by any pledge of revenues or other property of Banner.

For the seven month YTD period ending July 31, 2009 the combined entities of FMH/DC/TVC had a net excess of revenues over expenses of \$8,181,000 as compared to \$241,000 for the same period in 2008, and \$5,383,000 for the year ended December 31, 2008. Net operating revenues for the seven months ended July 31, 2009 increased 16% while operating expenses increased 10% as compared to the same period in 2008.

Over the long term, the hospital operations continue to experience a gradual shift from inpatient to outpatient care. The seven months ending July 31, 2009 demonstrate a 1% increase in inpatient days and a 19% increase in outpatient registrations from as compared to the same period in 2008. The increase in outpatient registrations includes expansion of services in laboratory, diagnostic imaging, and cardiology.

Basic rent paid to the Foundation from FMH/DC operations increased from \$13,335,000 for the year ended December 31, 2007 to \$15,981,000 in 2008 and are budgeted at \$19,000,000 for the year ending December 31, 2009. TVC paid basic rent to the Foundation in the amount of \$1,314,000 for the 10 months ended December 31, 2008 and anticipates paying basic rent in the estimated amount of \$1,905,000.

For the 10 months ended December 31, 2008, TVC had a deficiency of revenues over expenses of \$3,709,000 before income taxes and \$2,720,000 after income tax benefit. Management anticipates an offsetting hospital gain from the operations of laboratory, radiology, and other ancillary services to TVC patients in addition to incidental long term gains for other hospital services. Management also anticipates the ability to recruit employed physicians with the TVC acquisition. Six physicians and two mid-level providers were recruited to TVC in 2008.

MEDICAL STAFF

As of January 1, 2014 the Medical Staff consisted of 148 physicians, dentists and podiatrists who have full admitting privileges at FMH/DC and who maintain an office or residence nearby. The Staff has not had any significant turnover, and none is anticipated. The following table presents information by category of medical specialty on FMH/DC's Active medical Staff.

<u>Specialty</u>	<u>Active Staff⁽¹⁾</u>	<u>Average Age</u>
Anesthesia	9	52
Cardiology	5	54
Dentistry	6	54
Emergency Medicine	11	52
Family Practice	25	49
Internal Medicine/Pediatrics	18	56
Neurology	3	55
OB/GYN	11	53
Ophthalmology	4	55
Oral & Maxillofacial Surgery	1	72
Orthopedic Surgery	6	56
Otolaryngology	4	53
Pathology	3	55
Pediatrics	11	52
Plastic Surgery	2	66
Podiatry	2	64
Psychiatry	7	54
Radiation Oncology	1	47
Radiology	7	51
Rheumatology	1	57
Surgery	9	52
Urology	2	56
TOTALS	148	55

(1) Active staff does not include consulting staff, courtesy or federally-employed military staff physicians.

Approximately 95% of physicians on the Active Staff are Board-Certified in their respective specialties.

During the fiscal year ended December 31, 2008, FMH/DC's top ten admitting physicians accounted for approximately 37% of its discharges and the top 20 admitting physicians accounted for approximately 59% of FMH/DC discharges. The top admitter, an Internal Medicine physician (Hospitalist), accounted for 4.5% of total discharges; only three other physicians accounted for more than 4% of discharges.

FMH/DC has taken specific steps to foster communications between management and the Medical Staff and to increase Medical Staff participation in relevant management issues. FMH/DC's Master Facility Plan has the strong support of the Medical Staff.

EDUCATIONAL PROGRAM AND AFFILIATIONS

WWAMI is a cooperative program of the University Of Washington School Of Medicine and the states of Washington, Wyoming, Alaska, Montana and Idaho. It is a program which makes medical education accessible to students in the northwestern United States by decentralizing the educational process and sharing existing facilities and personnel in universities and communities in the WWAMI states. Support of WWAMI by the State of Alaska allows twenty qualified Alaska residents admission to University of Washington School of Medicine each year. In 2003, FMH/DC became affiliated with the WWAMI program, and sponsored six medical students who completed a general surgery clerkship. In 2008 (**2012**), FMH/DC had 12 medical students in a surgery clerkship training program, 6 each, 4th year medical students, in an EMER MED Clerkship and 6 (now 8) medical students in an OB/GYN clinical clerkship training program.

FMH/DC provides clinical rotation placements for students enrolled in medical, nursing, and allied health education programs at the University of Alaska and approximately 30 university partners in various states. The Interior Area Health Education Center (AHEC) and Student Services department at FMH/DC provides coordination and student support for rotations in Certified Nurse Assistant, Registered Nurse, Paramedic, Phlebotomist, Radiology Technician, Pharm-D, Physical Therapy, Medical Lab, and medical programs. In 2013, FMH/DC staff assisted 300 students in the completion of (450 of) these required course activities clinical rotations). (The numbers for placements in FMC/DC *only* would be 251 students and 376 rotations.)

In addition, the FMH/DC Education Department is committed to supporting clinical excellence through continuing education courses and seminars. Educational activities on clinical topics are provided for physicians and clinical staff. Also provided is web-based, satellite, and in-service training on new equipment and procedures. FMH/DC offered a total of 568 classes in 2008, with a total of 6,537 attendees.

MAJOR ACCREDITATIONS, APPROVALS AND MEMBERSHIPS

FMH/DC is licensed by the Alaska Department of Public Health to operate a 152-bed general acute care hospital and a 90-bed skilled nursing facility. Both FMH and the Denali Center have been surveyed by the Joint Commission on Accreditation of Healthcare Organizations, and each received a full accreditation on April 15, 2006. (Accreditation is customarily valid for up to 39 months)

Accreditations:

- American Medical Association
- American Medical Association Council on Education (Radiological Technology)
- College of American Pathologists
- American College of Surgeons Comprehensive Community Cancer Center (Oncology Services)

Approvals and Memberships:

- Medicare and Medicaid programs
- American Hospital Association
- Alaska State Hospital and Nursing Home Association

EMPLOYEES

Employees

As of July 31, 2009, FMH/DC employed approximately 1193 full-time equivalent employees (“FTEs”). All staff are employees of Banner. FMH/DC undertakes annual employee engagement surveys, and management believes that employee relations are good. No employees are represented by collective bargaining representatives.

The following is a list of the job categories at FMH/DC and the number of FTEs in each category.

<u>Category</u>	<u>FTEs as of July 31, 2013</u>
Financial Services	27.75
Certified Nursing Aides and Orderlies	119.87
Clerical Support	164.36
Dietitians	4.40
Case Managers	10.60
Engineers	20.0
Executives/Administration	10.00
Respiratory Therapists	10.60
Information Technology	38.85
Laboratory Technicians	56.62
Licensed Practitioner Nurses	21.55
Maintenance/Housekeeping	59.86
Medical Records	25.20
Nurse Practitioner	4.0
Occupational and Recreational Therapists	8.00
Other Personnel (including food service, laundry, etc)	227.17
Pharmacists	12.80
Physical Therapists	7.90
Physicians	4.0
Registered Nurses	290.57
Social Workers	5.80
Radiology Technicians	<u>62.80</u>
Totals	<u>1193.0</u>

Retirement Plans

Substantially all of FMH/DC’s employees may elect to participate in Banner’s 401(k) defined contribution pension plan upon reaching age 21. Effective January 1, 2009, employees may contribute up to 100% of their personal annual salary, or \$16,500, whichever is less. Employee contributions of up to 4% of annual compensation are matched by Banner and deposited with the plan trustee. The Foundation has no liability for any FMH/DC employee benefits.

Other Benefits

Banner provides its eligible employees with other benefits, including health, dental and life insurance, supplemental vision coverage, paid time off, tuition assistance, an employee assistance program, flexible spending accounts for unreimbursed medical expenses and dependent care expenses, short-term and long-term disability insurance and cancer/intensive care insurance. The cost of the benefits is paid by Banner and/or the employee, depending upon the benefit.

INSURANCE

Insurance Provided by Banner

With regard to FMH/DC and its operations, Banner is self-insured for professional and general liability through its wholly owned captive insurance company, Samaritan Insurance Funding, Ltd. (“SIFL”). The coverage extends to FMH/DC, as well as any employee working within the scope of their employment at FMH/DC. The limits provided by SIFL are \$10 million per occurrence for professional and general liability, with a \$10 million annual aggregate for general liability claims and no annual aggregate for professional liability claims. SIFL also provides an umbrella liability policy with an aggregate annual coverage limit of \$190 million, for a total coverage for professional and general liability claims of \$200 million. SIFL retains the first \$20 million and reinsures the remaining \$170 million with five commercial insurance companies. FMH/DC pays amounts representing its estimated share of expected losses, as determined by an independent actuary, to SIFL. FMH/DC’s contributions for liability coverage were approximately \$1,310,000 and \$2,479,000 for the years ended December 31, 2007 and 2008, respectively, and its contribution is expected to be approximately \$2,478,000 for the year ending December 31, 2009.

Property coverage, including boiler and machinery, is provided by Banner for all its facilities, including FMH/DC, through a commercial policy with replacement value coverage (including business interruption) up to an annual limit of \$750 million and with a \$250,000 deductible per loss. Commercial automobile liability insurance is provided with an annual coverage of \$2 million. Automobile liability in excess of \$2 million is covered by the \$190 million excess reinsurance described above. FMH/DC is insured pursuant to these policies.

Banner carries commercial workers compensation insurance in accordance with statutory limits, subject to a \$500,000 deductible covered by Banner.

Management does not anticipate any difficulties in renewing any of its existing insurance coverage. In the opinion of management, FMH/DC’s insurance coverage is adequate for a facility of its size and nature.

Banner self-insures those employees of FMH/DC who elect to participate in its health and dental plan (see “EMPLOYEES – Other Benefits” above). FMH/DC’s health and dental expense was approximately \$9,144,000, \$11,359,000 and \$12,528,000 for the years ended December 31, 2006, 2007, and 2008, respectively.

Insurance Provided by the Foundation

The Foundation carries Directors and Officers liability insurance coverage that is limited to \$5,000,000 per claim and a \$5,000,000 annual aggregate.

LITIGATION

FMH/DC/TVC

FMH/DC/TVC is subject to numerous suits, including professional malpractice and general liability, in the normal course of its business. Banner, as operator of FMH/DC/TVC, states that no litigation or proceedings are pending or, to its knowledge, threatened, against Banner with respect to FMH/DC/TVC except (i) litigation, proceedings or claims involving professional liability claims or general liability claims in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of FMH/DC/TVC, based upon consultation with its counsel, will be entirely within applicable insurance and self insurance limits, and (ii) litigation, proceedings or other types of claims, which, if adversely determined, in the opinion of management of FMH/DC/TVC, based upon consultation with its counsel, will not have a material adverse effect on FMH/DC/TVC’s operations or financial condition.

The Foundation

The Foundation states that no litigation or proceedings are pending or, to its knowledge, threatened, against the Foundation except (i) litigation, proceedings or claims involving professional liability claims or general liability claims in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of the Foundation, based upon consultation with its counsel, will be entirely within applicable insurance and self insurance limits, and (ii) litigation, proceedings or other types of claims, which, if adversely

determined, in the opinion of management of the Foundation, based upon consultation with its counsel, will not have a material adverse effect on the Foundation's operations or financial condition.

Banner

Banner is the named defendant in numerous professional malpractice and general liability lawsuits, and receives numerous claims of employment discrimination in the normal course of its business. No litigation or proceedings are pending or, to the knowledge of Banner management, threatened against Banner that are unrelated to FMH/DC/TVC except (i) litigation, proceedings or claims involving professional liability claims or general liability claims in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of Banner management, based upon consultation with its counsel, will be entirely within applicable insurance and self insurance limits, and (ii) litigation, proceedings or other types of claims, which, if adversely determined, in the opinion of Banner management, based upon consultation with its counsel, will not have a material adverse effect on the Banner's operations or financial condition.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
REVENUE BONDS
(Greater Fairbanks Community Hospital Foundation Project)
Series 2014

LOAN AND SECURITY AGREEMENT

Dated as of April 1, 2014

Table Of Contents

	<u>Page</u>
ARTICLE I Definitions and Interpretation.....	2
Section 1.01 Definitions in Indenture Applicable	2
Section 1.02 Interpretation	4
Section 1.03 Resolution of Inconsistent Provisions	5
Section 1.04 Governing Law; Venue	5
ARTICLE II Representations and Warranties	6
Section 2.01 Representations and Warranties of the Authority	6
Section 2.02 Representations and Warranties of Borrower	7
ARTICLE III Lending Provisions	10
Section 3.01 Issuance of Series 2014 Bonds.....	10
Section 3.02 Loan to Borrower	11
Section 3.03 Loan Payments.....	11
Section 3.04 Prepayment of Loan Payments	12
Section 3.05 Credits Against Loan Payments	12
Section 3.06 Payments Required for Redemption of Series 2014 Bonds	12
Section 3.07 Payments Required Upon Acceleration.....	13
Section 3.08 Rebate Payments	13
Section 3.09 Obligations of the Borrower Hereunder Unconditional	13
ARTICLE IV Security	14
Section 4.01 Limitation on Encumbrances	14
Section 4.02 The Series 2014 Obligation	14
ARTICLE V Application of Proceeds of Series 2014 Bonds; Investment of Money.....	14
Section 5.01 Application of Proceeds of Series 2014 Bonds	14
Section 5.02 Borrower Covenant to Pay Issuance Costs.....	14
Section 5.03 Certificate of Completion	15
Section 5.04 Investment of Money in Costs of Issuance Fund, Project Fund, and Bond Fund.....	15
ARTICLE VI RESERVED	15
ARTICLE VII Other Covenants of the Borrower	15
Section 7.01 Reserved	15
Section 7.02 Reports and Books and Records of the Borrower; Right to Inspect.....	15
Section 7.03 Reserved	16
Section 7.04 Notice of Insolvency or Event of Insolvency; Notices under Indenture	16
Section 7.05 Fees and Costs	16
Section 7.06 Tax Exempt Status of Series 2014 Bonds.....	17
Section 7.07 Program Covenant	19
Section 7.08 Borrower Observance of Indenture Covenants and Terms.....	19
Section 7.09 Indemnification	19

	<u>Page</u>
ARTICLE VIII Loan Agreement Defaults; Remedies	21
Section 8.01 Loan Agreement Defaults	21
Section 8.02 Remedies on Default	22
Section 8.03 No Remedy Exclusive	24
Section 8.04 No Implied Waiver	24
Section 8.05 Agreement to Pay Attorneys' Fees and Expenses	24
ARTICLE IX Miscellaneous	24
Section 9.01 Notices.....	24
Section 9.02 Power of Borrower Representative.....	26
Section 9.03 Power of Authorized Representative of Authority	26
Section 9.04 Binding Effect	26
Section 9.05 Severability	26
Section 9.06 Amendments, Changes and Modifications	26
Section 9.07 Counterparts.....	27
Section 9.08 Limitation of Authority Liability	27
Section 9.09 Authority Shall Not Unreasonably Withhold Consents and Approvals.....	27
Section 9.10 Authority Observance of Indenture Covenants and Terms	27
Section 9.11 Waivers of Breach	27
Section 9.12 All Obligations Due on Business Days	27
Section 9.13 Time of Essence.....	27
Section 9.14 Parties Interested Herein.....	28
Section 9.15 Discharge of Loan Agreement by Payment or Defeasance	28
Section 9.16 References to Series 2014 Bonds Ineffective After Payment.....	28
ARTICLE X Reference to Assignment of Authority's Rights and Delegation of Authority's Duties to Trustee	28
Section 10.01 Assignment and Delegation to Trustee	28

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT, dated as of April 1, 2014, is made by and between the ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (the "Authority"), a governmental agency and a body politic and corporate constituting a political subdivision of the State of Alaska duly organized and existing under the provisions of Chapter 88, Title 44, of the Alaska Statutes, as amended, and THE GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION, INCORPORATED (the "Borrower"), an Alaska nonprofit corporation and a "501(c)(3) organization" (as defined in the Internal Revenue Code of 1986, as amended, and the regulations adopted thereunder).

RECITALS

WHEREAS, the Authority has been organized pursuant to and is authorized by Alaska Statutes 44.88, as amended, to issue and sell its revenue bonds to finance or refinance projects; and

WHEREAS, the Foundation has incurred certain expenses and will incur additional expenses (collectively, the "Expenses") related to the acquisition, construction, renovation and equipping of certain hospital and other related health care facilities, including and without limitation the construction of new surgical suites for the Fairbanks Memorial Hospital, including supporting space such as sterile processing and a new hallway; and

WHEREAS, the Foundation has asked the Authority to issue revenue bonds (the "Bonds") and to use the proceeds of the Bonds, among other things, to make a loan to the Foundation to (a) pay for, or reimburse the Foundation for the payment of, the Expenses; and (b) pay all or a portion of the costs incurred in connection with the issuance of the Bonds; and

WHEREAS, the Authority has determined to issue a series of Bonds in the form of fixed interest rate bonds (the "Series 2014 Bonds"); and

WHEREAS, the aforesaid Bonds are secured by an indenture and a loan agreement; and

WHEREAS, the Authority will lend the proceeds of the Series 2014 Bonds to the Borrower for certain of the purposes listed above and also to fund any reserves that may be required pursuant to the Indenture (as defined below); and

WHEREAS, the Authority has entered into an Indenture pertaining to the Series 2014 Bonds (the "Indenture") dated as of April 1, 2014, by and between the Authority and U.S. Bank National Association, as trustee (together with any successor thereto under the Indenture, the "Trustee"); and

WHEREAS, this Loan Agreement requires the Borrower to make or cause to be made Loan Payments in amounts and at times sufficient to pay the principal of and the interest on the Series 2014 Bonds when due; and

WHEREAS, the Borrower will deliver its Series 2014 Obligation (the "Series 2014 Obligation") pursuant to the Master Trust Indenture between the Borrower and U.S. Bank National Association, as trustee thereunder, to the Trustee, as assignee of the Authority, to evidence and secure the obligation of the Borrower to pay any and all amounts due or to become due under this Loan Agreement; and

WHEREAS, as part of the security for the payment of the Series 2014 Bonds, the Authority will assign or delegate, as appropriate, all of its right, title, interest, duties, and obligations in and under this Loan Agreement and the Series 2014 Obligation (subject to certain reservations and exceptions noted in Article X of this Loan Agreement) to the Trustee, in trust and without recourse; and

WHEREAS, the Borrower has approved the terms of the Indenture and has authorized the execution and delivery of the Series 2014 Obligation and this Loan Agreement and has approved the assignment of the Series 2014 Obligation to the Trustee as security for the Series 2014 Bonds; and

WHEREAS, the acceptance of the Series 2014 Obligation, the execution and delivery of this Loan Agreement and the Indenture, and the sale, execution, authentication, issuance, and delivery of the Series 2014 Bonds have been in all respects duly and validly authorized by the Authority pursuant to a resolution adopted on February 20, 2014; and

WHEREAS, the Borrower acknowledges that the Authority is providing financing pursuant to this Agreement in furtherance of the Authority's public purpose under the Act, that the accomplishment of this purpose is dependent upon compliance by the Borrower with its covenants contained in this Agreement, and that the financing contemplated hereby is in furtherance of the Authority's public purpose;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I Definitions and Interpretation

Section 1.01 Definitions in Indenture Applicable. Unless the context otherwise requires, the terms defined in Article I of the Indenture shall, for all purposes of this Loan Agreement, be incorporated herein and made a part hereof by this reference, and shall have the meanings specified therein. In addition, the following terms shall have the meanings:

"Authority Reserved Duties" means those representations, warranties, and duties described in Sections 2.01, 3.01, 3.02, 9.09, and 9.10.

"Authority Reserved Rights" means the Authority's rights and interests described in Sections 7.05(A), 7.05(B), 7.08, 8.02(g), 9.03, and 9.08.

"Borrower Representative" means the officer identified as such in Section 9.01 or any other officer of the Borrower identified in writing delivered from the Borrower to the Authority and the Trustee.

"Concurrent Rights" means the Authority's rights and interests described in Sections 5.02, 7.05(D), 7.06, 7.07, 7.09, 8.02(b), 8.03, 8.04, 8.05, 9.01, and 9.15.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Event of Insolvency" means (i) a court having jurisdiction shall enter a decree or order for relief in respect of the Foundation 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 the Foundation or for any substantial part of the Property of the Foundation, 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 sixty consecutive days or (ii) the Foundation 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 the Foundation 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.

"Facilities" means all land, leasehold interests and buildings of the Foundation and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such Property is located) of the Foundation.

"Fiscal Year" means any calendar year or such other consecutive twelve-month period selected by the Borrower Representative as the fiscal year for the Borrower.

"GAAP" means generally accepted accounting principles applicable in the United States of America as from time to time in effect.

"Indenture" means the Series 2014 Bond Indenture dated as of April 1, 2014, by and between the Alaska Industrial Development and Export Authority and U.S. Bank National Association.

"Loan" means the loan funded with proceeds of the Series 2014 Bonds and evidenced by the Series 2014 Obligation.

"Loan Agreement Default" means any default described in Section 8.01.

"Master Continuing Disclosure Agreement" means the Master Continuing Disclosure Agreement dated October 28, 2004, between the Foundation Representative and U.S. Bank National Association, as dissemination agent, as supplemented and amended from time to time.

"Related Document" means this Loan Agreement, the Indenture, the Series 2014 Bonds, the Master Trust Indenture, the Series 2014 Obligation, and all other transaction documents entered into in connection with the issuance of the Series 2014 Bonds.

"Series 2014 Bonds" means the Authority's Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 issued pursuant to the Indenture in the original aggregate principal amount of \$_____.

"2014 Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated April ____, 2014, between the Foundation Representative and U.S. Bank National Association, as dissemination agent, as supplemented and amended from time to time.

"Tax Agreement" means the Tax Agreement executed by the Foundation and others, dated April ____, 2014, and relating to the Series 2014 Bonds.

Section 1.02 Interpretation.

(A) Unless the context requires otherwise, all references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections, or subdivisions of this Loan Agreement, as such Articles, Sections, or subdivisions may be amended from time to time.

(B) The captions or headings of Articles and Sections in this Loan Agreement are for convenience only and do not define, limit, or describe the scope or intent of any provisions or Sections of this Loan Agreement.

(C) Unless the context requires otherwise, the words "herein," "hereunder," "hereby," "hereto," and "hereof" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section, or subdivision hereof.

(D) Unless the context requires otherwise, all words of the masculine gender shall be deemed to include the feminine and vice versa, and all words used in the singular shall be deemed to include the plural and vice versa.

(E) Where the character or amount of any asset, liability, or item of income or expense is required to be determined, or any consolidation, combination, or other

accounting computation is required to be made for the purposes hereof or for the purpose of any agreement, document, or certificate to be executed and delivered in connection with or pursuant to this Loan Agreement, the same shall be done in accordance with GAAP at the time in effect, to the extent applicable, except where GAAP is inconsistent with the requirements hereof or of such agreement, document, or certificate.

(F) Where any consolidation, combination, or other accounting computation is required to be made for the purposes hereof or for the purpose of any agreement, document, or certificate to be executed and delivered in connection with or pursuant to this Loan Agreement, such consolidation, combination, or other accounting computation shall be based on the audited financial statements of the Borrower for the appropriate Fiscal Years; provided, however, that if the audited financial statements of the Borrower for the appropriate Fiscal Years are not available because they are not completed, then such consolidation, combination, or other accounting computation shall be based upon the unaudited financial statements for the appropriate Fiscal Year prepared by the administrative staff of the Borrower in accordance with GAAP, but only if the Borrower delivers to the Authority and the Trustee a certificate of the Borrower Representative, which certificate has been approved by the Governing Body of the Borrower Representative, to the effect that the Borrower Representative does not expect such audited financial statements of the Borrower, when available, to be materially different from such unaudited financial statements. If any agreement, document, or certificate is required to be delivered hereunder or in connection herewith by reason of incorporation by reference of any provision of the Master Indenture, such agreement, document, or certificate shall be based upon the audited financial statements of the Borrower for the appropriate Fiscal Years, unless otherwise provided in the Master Indenture.

(G) All references herein to "counsel fees," "attorneys' fees," or the like include fees and disbursements of in-house or outside counsel, whether or not suit is instituted, and include fees and disbursements preparatory to and during trial and appeal and in any bankruptcy or arbitration proceeding.

Section 1.03 Resolution of Inconsistent Provisions. In the event any of the provisions of this Loan Agreement, the Indenture, and the Master Indenture are inconsistent in any respect and cannot be reconciled:

(a) The provisions of the Indenture shall control over the provisions of this Loan Agreement and the Master Indenture; and

(b) The provisions of this Loan Agreement shall control over the provisions of the Master Indenture.

Section 1.04 Governing Law; Venue. This Loan Agreement is governed by and shall be construed in accordance with the laws of the State and shall be liberally construed so as to carry out the purposes hereof. Except as otherwise required by

State law, any action under this Loan Agreement shall be brought in the Superior Court of the State in and for the Third Judicial District at Anchorage.

ARTICLE II
Representations and Warranties

Section 2.01 Representations and Warranties of the Authority. As of the Closing Date, the Authority hereby represents and warrants as follows:

(a) The Authority is a public corporation of the State and a body politic and corporate constituting a political subdivision of the State, but with separate and independent legal existence, which was created by the Act, and has the legal authority to execute and deliver this Loan Agreement and the Indenture, and to carry out its obligations hereunder and thereunder. The Authority has authorized (1) the execution and delivery of this Loan Agreement and the Indenture; (2) the sale, issuance, execution, and delivery of the Series 2014 Bonds; (3) the assignment of the Series 2014 Obligation; and (4) the performance of its obligations hereunder and under the Indenture.

(b) Neither (1) the Authority's execution and delivery of the Series 2014 Bonds, this Loan Agreement, or the Indenture, nor (2) the Authority's assignment of the Series 2014 Obligation, nor (3) the Authority's compliance with the terms and conditions or provisions of the Series 2014 Bonds, this Loan Agreement, or the Indenture conflicts with or results in the breach of, or will constitute a default under, any State or federal law, rule, or regulation binding upon the Authority, any judgment or decree of any court binding upon the Authority, or any agreement or instrument to which the Authority is a party or by which it is bound, the failure to comply with which would have a material adverse effect upon the Series 2014 Bonds or the financing transaction contemplated in such documents.

(c) To the best of the Authority's knowledge and except as has been disclosed by the Authority to the Borrower on or before the date of execution of this Agreement, there is no litigation pending or threatened against the Authority questioning (1) the Authority's sale, issuance, execution, delivery, or payment of the Series 2014 Bonds; (2) the Authority's execution, delivery, or performance of this Loan Agreement or the Indenture; (3) the Authority's assignment of the Series 2014 Obligation; (4) the organization of the Authority; or (5) the right of the officers of the Authority to hold their respective offices.

(d) To finance the loan contemplated herein, the Authority will issue, simultaneously herewith, its Series 2014 Bonds in the aggregate principal amount of \$_____. The Series 2014 Bonds shall mature, bear interest, be subject to redemption prior to maturity, be secured, and have such other terms and conditions as are set forth in the Indenture.

(e) The Authority hereby pledges, assigns, and conveys all its right, title, interest, and duties in and under the Series 2014 Obligation and this Loan Agreement (with those reservations and exceptions noted in Article X) to the Trustee, in trust and without recourse, as part of the security for the payment of the Series 2014 Bonds.

Section 2.02 Representations and Warranties of Borrower. As of the Closing Date, the Borrower hereby represents and warrants as follows:

(a) The Borrower (1) has full corporate power and authority to enter into the Eighth Supplemental Indenture, this Loan Agreement, and the Series 2014 Obligation; and (2) has duly authorized the execution and delivery of the Eighth Supplemental Indenture, this Loan Agreement, and the Series 2014 Obligation by proper corporate action;

(b) Assuming the due authorization, execution, and delivery thereof and hereof by the other parties thereto and hereto, the Eighth Supplemental Indenture, this Loan Agreement, and the Series 2014 Obligation constitute valid and binding obligations of the Borrower enforceable in accordance with their terms, except that the enforceability thereof may be limited as set forth herein, in the Indenture and the Master Indenture;

(c) Neither (1) the execution and delivery by the Borrower of this Loan Agreement, the Eighth Supplemental Indenture, or the Series 2014 Obligation, nor (2) the consummation by the Borrower of the transactions contemplated hereby and thereby, nor (3) the fulfillment of or compliance with the provisions hereof or thereof by the Borrower conflicts with, violates, or will result in a material breach of any of the terms, conditions, or provisions of any corporate restriction or of any material agreement, instrument, statute, governmental rule or regulation, court order, judgment, or decree to which the Borrower is, on the Closing Date, a party or by which it is bound, or constitutes a material default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, or results in the creation or imposition of any material lien, charge, security interest, or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower not permitted under the terms of any such restriction, agreement, instrument, statute, governmental rule or regulation, court order, judgment, or decree;

(d) The Borrower (1) is an organization described in Section 501(c)(3) of the Code; (2) for purposes of subsection 3(a)(4) of the Securities Act of 1933, as amended, and subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended, is a corporation organized and operated exclusively for charitable purposes and not for pecuniary profit, and no part of the net earnings of the Borrower inures to the benefit of any person, private stockholder, or individual; (3) is exempt from federal income taxes under Section 501(a) of the Code (except for unrelated business income subject to taxation under Section 511 of the Code); and (4) is not a "private foundation" described in Section 509(a) of the Code;

(e) There is no litigation pending or, to the best knowledge of the Borrower, threatened against the Borrower affecting in any material way the accomplishment of the Project or the ability of the Borrower to perform its obligations under this Loan Agreement, the Eighth Supplemental Indenture, and the Series 2014 Obligation.

(f) No consent, approval, authorization, additional certificate of need (except as described in the official statement pertaining to the Series 2014 Bonds), or order from any governmental body is required to be obtained by the Borrower for the execution and delivery of this Loan Agreement, the Eighth Supplemental Indenture, or the Series 2014 Obligation, or the fulfillment of and compliance with the provisions thereof by the Borrower; to the extent that the Borrower requires any additional certificate of need (as described in the official statement pertaining to the Series 2014 Bonds), the Borrower has no reason to believe it will not obtain such certificate of need in a timely manner and will proceed with due diligence to obtain such certificate of need;

(g) The information and documents concerning the Borrower submitted to the Authority in or with the application for financing by the Borrower and any supplements thereto were true and complete on the date of submission and are true and complete in all material respects;

(h) The audited financial statements of the Borrower attached to, and part of, the official statement pertaining to the Series 2014 Bonds present fairly the financial position of the Borrower as of the dates indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with GAAP consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto or the reports accompanying such financial statements.

(i) Any unaudited financial statements of the Borrower submitted to the Authority in connection with the application for financial assistance present fairly the financial position of the Borrower as of the dates indicated and the results of its operations for the periods specified, subject to year end adjustments, and such financial statements have been prepared on a basis consistent with prior interim periods and in conformity with GAAP consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto or the reports accompanying such financial statements;

(j) With regard to compliance by the Borrower with ERISA, the Borrower does not currently maintain any pension plans subject to the provisions of ERISA; however, if the Borrower establishes any employee pension benefit plan subject to the provisions of ERISA (1) the Borrower will, on or before the date it establishes such employee pension benefit plan, obtain a determination by the Internal Revenue Service that such employee pension benefit plan is in compliance in all material respects with the then applicable provisions of ERISA, the Code, and such benefit plan; and (2) the Borrower or any member of the Borrower's "controlled group" (as defined in Section

4001(a)(14) of ERISA) will disclose to the Authority any liability with respect to any "multiemployer plan" (within the meaning of Section 3(37) of ERISA);

(k) The Borrower is not, nor has it been at any time during the 90 day period immediately prior to the Closing Date, insolvent; there is no Event of Insolvency with respect to the Borrower, nor has an Event of Insolvency with respect to the Borrower occurred during the 90 day period immediately prior to the Closing Date, nor, to the best knowledge of the Borrower, is an Event of Insolvency with respect to the Borrower threatened;

(l) To the best knowledge of the Borrower, after diligent investigation, there is no claim, action, suit, proceeding, arbitration, or investigation pending or currently threatened in writing against the Borrower before any federal, state, municipal, foreign, or other court, or any governmental, administrative, or self regulatory body or agency, or any private arbitration tribunal, and neither is there currently pending nor, to the best knowledge of the Borrower, after diligent investigation, has there been any complaint, order, directive, claim, citation, notice, or lien before any federal, state, municipal, foreign, or other court, or any governmental, administrative or self regulatory body or agency, or any private arbitration tribunal by or in favor of any governmental authority or private person with respect to: (1) air emissions; (2) spills, releases, or discharges of substances defined or designated as a Hazardous Substance under any Environmental Laws existing on the Closing Date or any Environmental Law which was in effect at the time of the alleged spill, release, or discharge on, in, or to: any real property owned, operated, or leased by the Borrower or any other property as a result of operations or activities on real property owned, operated, or leased by the Borrower; or surface water, groundwater, or the sewer, septic, or waste water treatment system servicing any real property owned, operated, or leased by the Borrower; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, storage, generation, treatment, transportation, or disposal of substances defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of the alleged use, storage, generation, treatment, transportation, or disposal; (6) exposure to airborne or friable asbestos; or (7) a violation of any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of the alleged violation; to the best knowledge of the Borrower, after diligent investigation, there are no existing facts which might give rise to any of the claims, actions, or proceedings, without limitation, discussed in this paragraph (l);

(m) Except in compliance with applicable Environmental Laws: (1) neither the Borrower nor, to the best knowledge of the Borrower after diligent investigation, any other Person has stored in, on, or about any real property owned, operated, or leased by the Borrower any substance defined or designated as a Hazardous Substance under any Environmental Law in effect on the Closing Date or any Environmental Law which was in effect at the time of such storage, the storage of which is regulated by any Environmental Laws existing on the Closing Date or any Environmental Law which was in effect at the time of such storage; (2) neither the Borrower nor, to the best knowledge of the Borrower after diligent investigation, any other Person has disposed or released

in, on, or about any real property owned, operated, or leased by the Borrower any substance defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of such disposal or release, the removal or remediation of which is or could be required by any Environmental Law which was in effect at the time of such disposal or release; (3) to the best knowledge of the Borrower, after diligent investigation, the Borrower has not at any time disposed or caused to be disposed at any location any substance defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of such disposal, which Hazardous Substances were generated or existing as a result of the Borrower's operation of the Facilities in a manner which will or could cause the Borrower to be or become liable, under Environmental Laws existing on the Closing Date or any Environmental Law which was in effect at the time of such disposal, for a punitive fine or penalty or a monetary or performance obligation arising from or related to such disposal; (4) to the best knowledge of the Borrower, after diligent investigation, the Borrower has no contingent liability in connection with the release into the environment of any substances defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of such release; (5) the Borrower has not given any release or waiver of liability that would waive or impair any claim based on substances defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date or any Environmental Law which was in effect at the time of the activity giving rise to such claim, to (A) a prior owner or occupant of any real property owned by the Borrower, (B) the owner or any prior owner or occupant of any real property leased by the Borrower, or (C) any party who may be potentially responsible for the presence on any such real property of substances defined or designated as a Hazardous Substance under any Environmental Law existing on the Closing Date; (6) the Borrower has not made any promises of indemnification to any party regarding Hazardous Substances which may be located on any real property owned, operated or leased by the Borrower; (7) to the best knowledge of the Borrower, after diligent investigation, no asbestos containing building materials are present in or on the Facilities; and (8) to the best knowledge of the Borrower, after diligent investigation, no in service underground storage tanks are located on the real property owned, operated, or leased by the Borrower.

ARTICLE III Lending Provisions

Section 3.01 Issuance of Series 2014 Bonds.

(A) The Authority agrees to issue the Series 2014 Bonds for the purpose, among other things, of lending the proceeds thereof under this Loan Agreement. In furtherance thereof, the Authority further agrees to cause the proceeds of the Series 2014 Bonds to be deposited with the Trustee and applied as provided in Article V of the Indenture. The Borrower hereby approves the sale, issuance, and delivery of the Series

2014 Bonds to the original purchasers and approves all the terms and provisions of the Indenture.

(B) The Authority hereby delegates to the Borrower the authority to request the redemption of the Series 2014 Bonds in the manner and with the effect set forth in Article III of the Indenture. The Borrower hereby accepts such delegation of authority on the terms and conditions set forth herein and in the Indenture.

Section 3.02 Loan to Borrower. The Authority hereby lends to the Borrower the principal sum of \$_____, derived solely from the proceeds of sale of the Series 2014 Bonds. The Borrower hereby borrows said sums from the Authority pursuant to this Loan Agreement for the purpose of (a) paying for, or reimbursing the Foundation for the payment of, the Expenses; and (b) paying all or a portion of the costs incurred in connection with the issuance of the Series 2014 Bonds, including, but not limited to, funding the Debt Service Reserve Account of the Bond Fund.

Section 3.03 Loan Payments.

(A) The Borrower agrees to pay or cause to be paid the Loan, together with interest thereon, in payments which, in the aggregate, shall be sufficient to pay in full all of the principal of and interest on the Series 2014 Bonds in accordance with this Section.

(B) The Borrower agrees to pay or cause to be paid to the Trustee the following amounts at the following times:

(1) interest shall be paid in installments until such time as all principal of and interest on the Series 2014 Bonds are paid in full; each installment shall be equal to all of the interest coming due on any of the Series 2014 Bonds on the date that interest on the Series 2014 Bonds is next due, and each such payment shall be due on the day that is five Business Days before the next date on which interest on the Series 2014 Bonds is due; and

(2) principal payments shall be paid in installments; each installment shall be equal to all of the principal amount of any of the Series 2014 Bonds next coming due, and each installment shall be due and payable to the Trustee on the day that is five Business Days before such principal amount of the Series 2014 Bonds is due.

(C) The obligation of the Borrower to make the Loan Payments shall be evidenced and secured by the Series 2014 Obligation.

(D) The Borrower covenants that it shall deposit sufficient amounts in immediately available funds to assure that no default shall occur at any time in the payment of principal of, or premium, if any, or interest on, the Series 2014 Bonds. For all purposes of this Section, principal payments include payments of principal that are

due for any reason whatsoever, including maturity, acceleration, redemption, or otherwise.

(E) In addition to the foregoing payments, the Borrower agrees to make payments in the amounts and at the times set forth in Section 404(C) of the Indenture to replenish the Debt Service Reserve Account of the Bond Fund. Further, under the circumstances set forth in Section 404(D) of the Indenture, the Borrower may be permitted to satisfy all or a portion of its payment obligations hereunder with excess amounts in the Debt Service Reserve Account of the Bond Fund, subject to the terms of Section 404(D) of the Indenture.

Section 3.04 Prepayment of Loan Payments. The Borrower may pay in advance all or any part of the Loan only in the amounts, at the times, and under the circumstances permitted by the Indenture for the redemption of Series 2014 Bonds. All amounts so paid shall be deposited into the Redemption Account for application as provided in Section 404 of the Indenture.

Section 3.05 Credits Against Loan Payments.

(A) If the Borrower purchases any Series 2014 Bonds and surrenders them to the Trustee for cancellation, the principal amount of the Loan shall be reduced by a like amount.

(B) Upon any purchase and surrender of a Series 2014 Bond by the Borrower as described in (A) of this Section and upon any optional redemption of Series 2014 Bonds as described in Section 301 of the Indenture, the Borrower may, subject to the provisions of Section 306 of the Indenture, provide a written direction to the Trustee to credit the principal amount of the Series 2014 Bond so purchased, upon the cancellation of the Series 2014 Bond by the Trustee, or so redeemed against any sinking fund redemption payments, in the amounts identified in such written direction (but not, in the aggregate, greater than the principal amount of such Series 2014 Bond), that would otherwise apply to such Series 2014 Bond pursuant to Section 302 of the Indenture.

(C) Each payment of principal, interest, and premium with respect to the Series 2014 Bonds shall be treated as an equal payment of principal, interest, and premium, respectively, with respect to the Loan and shall be credited against the Borrower's payment obligation in Section 3.03.

Section 3.06 Payments Required for Redemption of Series 2014 Bonds.

(A) At least five Business Days before any Redemption Date set under the Indenture for an optional redemption of the Series 2014 Bonds under Section 301 of the Indenture, the Borrower shall pay or cause to be paid to the Trustee sufficient amounts in immediately available funds to pay the redemption price (including premium, if any) of and interest accrued to said Redemption Date on all Series 2014 Bonds to be so redeemed, as well as the reasonable expenses and charges of the Trustee in

connection with such redemption; provided, however, that the Borrower may use a portion of the Debt Service Reserve Account of the Bond Fund to satisfy the payment obligation set forth in this subsection in accordance with Section 404(D) of the Indenture.

(B) With respect to any optional redemptions of Series 2014 Bonds under Section 301 of the Indenture, the Borrower shall give the Trustee written notice of its intention to redeem not less than 45 days (or such shorter period as may be agreed to in writing by the Trustee) before the Redemption Date for such redemptions.

Section 3.07 Payments Required Upon Acceleration. Before the Acceleration Date, the Borrower shall pay or cause to be paid to the Trustee sufficient amounts in immediately available funds to pay the principal of and interest on all Series 2014 Bonds coming due by reason of the Declaration of Acceleration, as well as the proper expenses and charges of the Trustee (including reasonable counsel fees and expenses) in connection with such acceleration.

Section 3.08 Rebate Payments. The Borrower agrees to pay or cause to be paid to the United States Treasury, upon receipt by the Borrower Representative of a written demand from the Trustee therefor, such amounts as the Trustee (on its own or through the Rebate Agent) has determined are necessary to make the rebate payments to the United States Treasury required pursuant to Section 602 of the Indenture and Section 148 of the Code.

Section 3.09 Obligations of the Borrower Hereunder Unconditional.

(A) The obligations of the Borrower to make or cause to be made the Loan Payments and to perform and observe all other agreements on its part contained herein or in the Indenture shall be absolute and unconditional and shall not be subject to diminution by setoff, counterclaim, abatement, or otherwise until such time as the principal of and interest on the Series 2014 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture.

(B) The Borrower will not suspend or discontinue, or permit the suspension or discontinuance of, the Loan Payments or fail to observe any of its duties hereunder or under the Indenture for any cause, including, without limiting the generality of the foregoing, damage, destruction, condemnation, or insured loss of title to any facilities of the Borrower, any acts or circumstances that may constitute failure of consideration, eviction, constructive eviction, or commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Loan Agreement, whether express or implied.

(C) The Borrower hereby waives, to the extent permitted by law, any and all rights which it may now have on the Closing Date or which at any later time may be conferred upon it, by statute or otherwise, to terminate or cancel, or to limit its liability under, this Loan Agreement, except in accordance with the express terms hereof.

ARTICLE IV Security

Section 4.01 Limitation on Encumbrances. The Borrower covenants and agrees that it will not create, assume, or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien, or charge of any kind upon its interests, if any, in the money and investments in the Bond Fund, the Project Fund, or the Costs of Issuance Fund, other than the security interests granted herein and the lien and charge of the Series 2014 Bonds.

Section 4.02 The Series 2014 Obligation.

(A) The Borrower shall issue, execute, and cause to be authenticated and delivered to the Trustee, as assignee of the Authority, the Series 2014 Obligation.

(B) The Series 2014 Obligation shall be secured under the Master Indenture on a parity of lien with all other Obligations issued and Outstanding under the Master Indenture from time to time.

ARTICLE V Application of Proceeds of Series 2014 Bonds; Investment of Money

Section 5.01 Application of Proceeds of Series 2014 Bonds. The Borrower agrees to apply the proceeds of the Series 2014 Bonds as provided in Section 501 of the Indenture solely for the Project.

Section 5.02 Borrower Covenant to Pay Issuance Costs. In the event the proceeds of the Series 2014 Bonds and the investment income therefrom deposited into the Costs of Issuance Fund should not be sufficient to pay the Costs of Issuance in full, the Borrower agrees, for the benefit of the Authority and the Bondholders, to pay the remaining Costs of Issuance or to cause the remaining Costs of Issuance to be paid. The Authority makes no warranty, either express or implied, that the proceeds of the Series 2014 Bonds and the investment income therefrom deposited in the Costs of Issuance Fund will be sufficient for such purpose. The Borrower further agrees that if, after exhaustion of the proceeds of the Series 2014 Bonds in the Costs of Issuance Fund, the Borrower should pay any Costs of Issuance pursuant to the provisions of this Section 5.02, it shall not be entitled to any reimbursement therefor from the Authority or the Bondholders, nor shall it be entitled to any diminution in or postponement of the Loan Payments or its other obligations hereunder.

Section 5.03 Certificate of Completion. The Borrower shall give the Trustee telephonic notice upon completion of payment of the Costs of Issuance and telephonic notice upon completion of payment of Project Costs. Each such notice shall be promptly confirmed by a certificate of the Borrower Representative, which certificate shall also state that any and all amounts remaining in the Costs of Issuance Fund or in the Project Fund, as the case may be, on the date thereof are not necessary for the payment of the Costs of Issuance or Project Costs, respectively, and shall be transferred (a) in the case of the Costs of Issuance Fund to the Interest Account in the Bond Fund in accordance with Section 406(G) of the Indenture; and (b) in the case of the Project Fund, to the Principal Account in the Bond Fund in accordance with Section 405 of the Indenture.

Section 5.04 Investment of Money in Costs of Issuance Fund, Project Fund, and Bond Fund.

(A) The Borrower hereby covenants and agrees that whenever the Borrower Representative directs the Trustee to make investments of money in the Costs of Issuance Fund, the Project Fund, and the Bond Fund, it shall specify Authorized Investments that shall be payable in such amounts and shall mature or be subject to withdrawal, repurchase or redemption, each without penalty, at the option of the holder, on or before the date such amounts are reasonably expected to be needed to fulfill the purpose of such Funds.

(B) The Borrower further covenants that it will not direct the investment of money subject to the restrictions imposed hereunder or under the Indenture in any manner which will cause any Outstanding Series 2014 Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code.

ARTICLE VI
RESERVED

ARTICLE VII
Other Covenants of the Borrower

Section 7.01 Reserved.

Section 7.02 Reports and Books and Records of the Borrower; Right to Inspect.

(A) The Borrower covenants and agrees to furnish to the Trustee, within 150 days after the end of each Fiscal Year:

(1) The Borrower's audited financial statements for such Fiscal Year;
and

(2) A certificate of the Borrower Representative to the effect that the Borrower is not in default of its obligations, covenants, or undertakings under this Loan Agreement or, alternatively, if the Borrower is in default of any of its

obligations, covenants, or undertakings under this Loan Agreement, explaining the nature thereof and specifying the steps being taken to remedy the same.

(B) The Borrower covenants and agrees to furnish to the Trustee a copy of any restatement of the audited financial statements of the Borrower, together with certificates in substantially the same form as would be required pursuant to Section 7.02(A)(2), all within 15 days of the receipt of such restatement by the Borrower Representative.

Section 7.03 Reserved.

Section 7.04 Notice of Insolvency or Event of Insolvency; Notices under Indenture. The Borrower Representative covenants and agrees to notify the Authority and the Trustee immediately if the Borrower shall have become Insolvent or of the occurrence of any Event of Insolvency. Such notice shall be given by Electronic Means.

Section 7.05 Fees and Costs.

(A) In consideration of the execution of this Loan Agreement, the Borrower covenants and agrees promptly to pay to the Authority a fee in the amount of \$_____ plus costs.

(B) In further consideration of the execution of this Loan Agreement, the Borrower covenants and agrees promptly to pay or cause to be paid to the Persons to whom payment is due, all of the fees and expenses incurred by the Authority incident to preparing, offering, selling, and issuing the Series 2014 Bonds, including, but not limited to, the fees and expenses of Bond Counsel.

(C) The Borrower further covenants and agrees to pay or cause to be paid to the Trustee, as and when due, during the period commencing with the Trustee's acceptance of the Trust Estate and continuing until the Indenture shall have been fully discharged, the reasonable and necessary fees and expenses of the Trustee, as described in Section 907 of the Indenture, upon the submission by the Trustee of a statement therefor to the Borrower Representative and to reimburse and indemnify the Trustee in the circumstances described in Section 905 of the Indenture.

(D) The Borrower further covenants and agrees to pay or cause to be paid, when due and payable, the following additional amounts and costs and expenses which shall be paid directly to the Persons entitled to such payments:

(1) All costs incurred in connection with the transfer, exchange, purchase, or redemption of Series 2014 Bonds, including costs of preparation of documentation in connection therewith and all charges of the Authority, Bond Counsel, and the Trustee with respect thereto, to the extent money is not otherwise available therefor;

(2) The fees and other costs incurred for services of such engineers, architects, attorneys, consultants, Rebate Agents, and accountants as are employed to make examinations, provide services, render opinions, and prepare reports required under this Loan Agreement and the Indenture; and

(3) The fees and expenses of Bond Counsel incurred in delivering Opinions of Counsel, as required or permitted pursuant to this Loan Agreement, the Indenture, and the Eighth Supplemental Indenture.

Section 7.06 Tax Exempt Status of Series 2014 Bonds.

(A) It is the parties' intention and agreement that the interest paid on the Series 2014 Bonds not be included in gross income for federal income tax purposes by reason of Section 103(a) of the Code. In order to confirm and carry out such intention, the Borrower covenants and agrees:

(1) To provide such certificates, Favorable Opinions of Bond Counsel, and other evidence as may be necessary or requested by the Authority to establish the exclusion of interest on the Series 2014 Bonds from gross income for purposes of federal income taxation and the absence of arbitrage expectation under Section 148 of the Code;

(2) To file such information and statements, acting alone or with the Authority, with the Internal Revenue Service as may be required to establish or preserve such exemption or as may be required by Section 103 and related sections of the Code;

(3) Not to invest, cause the Trustee to invest, or make other use of the proceeds of the Series 2014 Bonds or of its other money at any time during the term of the Series 2014 Bonds that will cause the Series 2014 Bonds to be "arbitrage bonds," within the meaning of Section 148 of the Code;

(4) To make or cause the Trustee to make, in the manner and at the times required by Section 148 of the Code, such arbitrage rebate payments to the United States Treasury as are required to be made pursuant to Section 148 of the Code; provided, that for purposes of this covenant, the Borrower, the Trustee, and the Authority may rely with full acquittance upon the reports of the Rebate Agent; and

(5) If required to prevent a loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2014 Bonds because of any failure to meet arbitrage rebate requirements applicable to the Series 2014 Bonds under Section 148 of the Code, to pay on behalf of the Authority the penalty and interest thereon as provided in Section 148(f)(7)(C) of the Code.

(B) The Borrower covenants and agrees not to use or permit to be used any of the proceeds of the Series 2014 Bonds in such manner, and not to take or omit to

take any other action in such a manner, as to cause the interest on the Series 2014 Bonds to be included in gross income for purposes of federal income taxation. The Borrower specifically covenants and agrees not to take any action or permit any action to be taken if the result of such action would be to cause the Series 2014 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(C) The Borrower agrees not to use or permit the use of more than 2% of the proceeds of the Series 2014 Bonds to pay or provide for the payment of the Costs of Issuance, including any discount (other than original issue discount) retained by the original purchasers of the Series 2014 Bonds.

(D) The Borrower further covenants and agrees not to use proceeds of the Series 2014 Bonds for any "private business use" as defined by the Code, if such use would result in the inclusion in gross income of interest on the Series 2014 Bonds, or if such use is prohibited, directly or indirectly, by the Act.

(E) The Borrower also covenants and agrees that no portion of the proceeds of the Series 2014 Bonds shall be used to provide any airplane; skybox or other private luxury box; facility primarily used for gambling; store, the principal business of which is the sale of alcoholic beverages for consumption off premises; or health club facilities used in an unrelated trade or business of the Borrower.

(F) Notwithstanding any provision of the Master Indenture permitting sale or transfer of assets to the contrary, the Borrower covenants and agrees that all Project Facilities will be owned (as such ownership is determined for purposes of federal income taxation) by the Borrower, and further covenants and agrees not to sell, lease, assign, or otherwise transfer any of the Project Facilities in a manner which would dispossess the Borrower of any interest therein (each, a "Transfer"), to any entity which is not a "501(c)(3) organization" or "governmental unit", each as defined by the Code, unless, prior to or immediately upon such Transfer, there shall have been delivered to the Trustee a Favorable Opinion of Bond Counsel.

(G) Except to the extent permitted by the constitutions of the State and the United States, the Borrower further agrees that no part of the proceeds of the Series 2014 Bonds shall be used or applied to the purchase or acquisition of any religious symbol, book, object of art, or similar item or any instrument, object, or apparatus, the primary use of which is religious in nature or function; and further agrees it will not use or permit the use of any portion of its health care facilities or equipment which is constructed, acquired, financed, or refinanced with the proceeds of the Series 2014 Bonds primarily as a place of religious worship or sectarian instruction, or as a facility used primarily in connection with any part of the program of a school or department of divinity for any religious denomination, or for the primary purpose of training priests, ministers, rabbis, or other similar persons in the field of religion.

(H) To the extent necessary to retain the exclusion of the interest on the Series 2014 Bonds from gross income for purposes of federal income taxation or to the

extent otherwise required by applicable law, the provisions of Section 7.06 of this Loan Agreement shall survive termination of this Loan Agreement.

Section 7.07 Program Covenant. The Borrower covenants and agrees not to purchase, pursuant to an arrangement, whether formal or informal, any Series 2014 Bonds, if the purchase is an amount related to the amount of the "purpose investment" (as defined in Section 1.148-1 of the regulations promulgated pursuant to the Code) acquired by the Authority from the Borrower.

Section 7.08 Borrower Observance of Indenture Covenants and Terms. The Borrower covenants and agrees to faithfully observe and perform all the conditions, covenants and requirements of the Indenture required of it. The Borrower further covenants and agrees to do all things necessary so that the Authority may observe and perform all the conditions, covenants and requirements of the Indenture required of the Authority that are within the reasonable control of the Borrower. Provided, that nothing herein or in the Indenture shall be construed as making any officer or member of the governing body of the Borrower a party to this Loan Agreement or the Indenture, or as creating a personal liability on the part of such persons thereunder.

Section 7.09 Indemnification.

(A) The Borrower covenants and agrees, at its expense, to pay, and to indemnify and hold the Authority and its members, officers, employees and agents harmless of, from and against, any and all claims, damages, demands, losses, liens, liabilities, penalties, fines and taxes of every conceivable kind, character or nature whatsoever, including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with the Facilities, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Facilities, or from the planning, design, acquisition or construction of the Facilities or any part thereof; or any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished to any Owner of the Series 2014 Bonds, including, but not limited to (1) the Official Statement pertaining to the Series 2014 Bonds (except for the information contained therein under the headings "Introduction - The Alaska Industrial Development and Export Authority," "The Authority," "Book-Entry Only System," ["Bond Insurance,"] "Litigation - Authority," "Tax Matters," "Ratings," "Financial Advisor," and "Offering and Remarketing," and in Appendices B, D or E thereto) or (2) in any Annual Report or other information prepared or disseminated as provided in the Master Continuing Disclosure Agreement or the 2014 Continuing Disclosure Agreement; provided, that this covenant is subject to the provisions of Section 7.09(C).

(B) The Borrower further covenants and agrees, at its expense, to pay and to indemnify and hold the Authority and its members, officers, employees and agents harmless of, from and against, all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or

demand. In the event that any action or proceeding is brought against the Authority or its members, officers, employees or agents by reason of any such claim or demand, the Borrower, upon notice to the Borrower Representative from the Authority, covenants to resist and defend such action or proceeding on behalf of the Authority or its members, officers, employees or agents, provided that the Borrower Representative has received such written notice from the Authority and is given reasonable opportunity to conduct the defense of such action or proceeding; provided, that this covenant is subject to the provisions of Section 7.09(C).

(C) The Borrower shall not be obligated to indemnify the Authority, its members, officers, employees or agents in the circumstances described in Sections 7.09(A) and 7.09(B) against liability for damages arising out of bodily injury to persons or damage to property caused by the Authority's negligence or willful and malicious acts or caused by the negligence or willful and malicious acts of the Authority's members, officers, employees, or agents. However, the Borrower shall be obligated to indemnify the Authority, its members, officers, employees or agents in the circumstances described in Sections 7.09(A) and 7.09(B) against liability for damages arising out of bodily injury to persons or damage to property caused by or resulting from the concurrent negligence of the Borrower and the Authority, its members, officers, employees, or agents, but only to the extent of the Borrower's negligence.

(D) The Borrower agrees, at its expense, to pay, and to indemnify and hold the Authority, its members, officers, employees or agents harmless of, from and against, any and all claims, damages, demands, losses, liens, liabilities, penalties, fines, taxes, lawsuits and other proceedings and costs and expenses (including attorneys' fees) of every conceivable kind, character or nature whatsoever, arising directly or indirectly from or out of, or in any way connected with any examination or audit of the Series 2014 Bonds by the Internal Revenue Service, or any determination by the Internal Revenue Service or a court of competent jurisdiction that the interest on the Series 2014 Bonds is or should be subject to federal income taxation; provided, however, that the Borrower shall not be liable for any payment made by the Authority with respect to any settlement of any such examination or audit, or of any other proceeding related thereto, entered into without the consent of the Borrower Representative. In connection therewith, the Authority agrees to give prompt written notice to the Borrower Representative of any communication received by the Authority from, or held by the Authority with, a representative of the Internal Revenue Service regarding the federal tax-exempt status of interest on the Series 2014 Bonds, including without limitation any such communication indicating the possible commencement of an examination or audit of the Series 2014 Bonds by the Internal Revenue Service. The Authority further agrees that it will consult with, and cooperate with, the Borrower, at the expense of the Borrower, in connection with any such audit, examination or related proceeding.

(E) The Borrower's obligations under this Section 7.09 are unconditional. The covenants of the Borrower set forth in this Section 7.09 shall continue in effect and, to the extent permitted by law, shall survive the satisfaction of the obligations of the Borrower under this Loan Agreement, including, but not limited to, the transfer of the

Facilities pursuant to foreclosure proceedings (whether judicial or nonjudicial), by deed in lieu of foreclosure or otherwise; provided, however, that the Borrower shall have no responsibility for, and shall not be obligated to honor the covenants set forth in this Section 7.09 with respect to, the acts or omissions committed or omitted at any time after the date of such transfer by any transferee of the Facilities, without any participation or assistance by the Borrower.

ARTICLE VIII
Loan Agreement Defaults; Remedies

Section 8.01 Loan Agreement Defaults.

(A) Any one or more of the following events shall constitute a Loan Agreement Default:

(a) Nonpayment of any Loan Payment when the same shall become due and payable;

(b) Nonpayment of the principal of the Series 2014 Bonds when the same shall become due and payable, whether at maturity or acceleration;

(c) Nonpayment of the interest on the Series 2014 Bonds when the same shall become due and payable;

(d) Any material failure on the part of the Borrower to perform or observe any of the duties, provisions or obligations required of it pursuant to this Loan Agreement, if such failure shall have continued for a period of 30 days after written notice thereof has been delivered to the Borrower Representative by the Trustee, unless the Trustee has determined that the Borrower is then taking steps reasonably calculated to cure such failure;

(e) The material inaccuracy, as of the Closing Date, of any representation or warranty of the Borrower herein, or the material inaccuracy of any representation or warranty, as of the date such representation or warranty is made, of the Borrower in any instruments or certificates signed by the Borrower in connection with or as required by this Loan Agreement; provided, however, that, in each such case, such inaccuracy shall have continued for a period of 30 days after the Trustee delivers written notice of such inaccuracy to the Borrower Representative and demands that such representation or warranty be corrected; and provided, further, that the Trustee may (1) waive such inaccuracy if the Trustee determines that it cannot be cured or (2) extend the period for curing such inaccuracy if the Trustee determines that the Borrower is then taking steps reasonably calculated to cure such inaccuracy;

(f) A Declaration of Acceleration is made pursuant to Section 803 of the Indenture;

(g) The acceleration of any Obligation under the Master Indenture;

(h) Receipt by the Trustee of written notice of the occurrence of any Event of Insolvency;

(i) The occurrence of any event of default under the Master Indenture; or

(j) The occurrence of any default or other event under any indenture, agreement, or other similar instrument under which any evidence of Indebtedness of the Borrower may be issued, if such default or other event results in the acceleration of the maturity of any Indebtedness of the Borrower outstanding thereunder and, as a result, the aggregate principal amount of all such accelerated Indebtedness of the Borrower exceeds one half of one percent of the Revenues of the Borrower for the prior Fiscal Year; provided, that such default shall not constitute a Loan Agreement Default 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) the Borrower in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) either obtains a surety bond in an amount sufficient, or escrows with a bank or trust company money in an amount sufficient, in either case, for the payment of such Indebtedness.

(B) The Trustee shall provide notice of any Loan Agreement Default known to the Trustee within five Business Days after the Trustee has knowledge thereof.

Section 8.02 Remedies on Default. Upon the occurrence of any Loan Agreement Default, any one or more of the following remedies may be pursued by the appropriate Persons:

(a) The Trustee, as assignee of the Authority (but not the Authority), may, by written notice to the Borrower Representative and the Master Trustee, declare the principal of the Loan and the Series 2014 Obligation (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the Loan and the Series 2014 Obligation shall become and be immediately due and payable, together with all interest and premium, if any, accrued thereon to the date of such acceleration, anything in this Loan Agreement contained to the contrary notwithstanding. However, if, at any time after such declaration and before any judgment or decree for the payment of the money due shall have been obtained or entered, all arrears of principal of, premium, if any, and interest on the Loan and the expenses of the Authority and the Trustee shall be paid by or in the name of the Borrower, and every other default in the observance or performance of any covenant, condition or agreement contained in this Loan Agreement shall be made good or be secured to the satisfaction of the Trustee, or provision shall be made therefor in a manner satisfactory to the Trustee, then and in every such case, the Trustee, by written notice to the Borrower Representative, may waive such Loan Agreement Default, and may rescind and annul such declaration and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Loan Agreement Default or impair any right incident thereto; provided, that it is understood and agreed that a Declaration of Acceleration made pursuant to Section 803 of the Indenture shall constitute an acceleration of the Loan without further action by the Trustee, and that

such automatic acceleration of the Loan may only be waived or cured if, in addition to the requirements of this Section 8.02(a), the requirements for waiver or cure of the Declaration of Acceleration set forth in the Indenture are satisfied; and provided further, that any acceleration of the Loan shall not be waived, rescinded or annulled unless and until any acceleration of the Series 2014 Obligation pursuant to the Master Indenture has likewise been waived, rescinded or annulled in accordance with the terms thereof, it being the intent of this proviso that the Owners of the Series 2014 Bonds not be deprived of the full benefit of the security provided for the payment of the Series 2014 Bonds by the Series 2014 Obligation secured by the Master Indenture;

(b) The Authority or the Trustee, in its own right and as assignee of the Authority, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower;

(c) The Trustee, as assignee of the Authority (but not the Authority), may, without being required to give any notice except as provided herein, pursue all remedies of a secured creditor with respect to the security interests granted herein, and take all steps necessary to realize upon the security interests granted herein under the applicable laws of the State;

(d) The Trustee, in its own right or as assignee of the Authority (but not the Authority), may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee being advised by counsel, may deem most effectual to protect and enforce any of its rights or interests hereunder;

(e) The Trustee, as assignee of the Authority (but not the Authority), may proceed to enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Series 2014 Obligation, or for the enforcement of any other appropriate legal or equitable remedy as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of its rights or interests under the Series 2014 Obligation;

(f) The Trustee, in its own right or as assignee of the Authority, may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Indenture in accordance with the provisions thereof; or

(g) The Authority may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority, being advised by counsel, may deem most effectual to protect and enforce any of its concurrent or reserved rights or interests hereunder.

Section 8.03 No Remedy Exclusive. No remedy conferred upon or reserved to the Authority or the Trustee, in its own right or as assignee of the Authority, by this Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement and the Series 2014 Obligation, or existing at law or in equity or by statute, and the Authority and the Trustee, in its own right or as assignee of the Authority, shall be free to pursue, at the same time, each and every remedy, at law or in equity, which it may have under this Loan Agreement, the Series 2014 Obligation or otherwise.

Section 8.04 No Implied Waiver. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. For the Authority or the Trustee, in its own right or as assignee of the Authority, to exercise any remedy, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

Section 8.05 Agreement to Pay Attorneys' Fees and Expenses. If a Loan Agreement Default arises under any of the provisions of this Loan Agreement and the Authority or the Trustee, in its own right or as assignee of the Authority, should employ attorneys or incur other expenses for the collection of Loan Payments or other amounts due under this Loan Agreement, the Series 2014 Obligation, or the enforcement of performance or observance of any obligation or agreement contained in this Loan Agreement or the Series 2014 Obligation, the Borrower shall on demand therefor reimburse the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE IX Miscellaneous

Section 9.01 Notices. Except as otherwise provided herein, all notices, consents or other communications required hereunder shall be in writing and shall be sufficiently given if addressed and mailed by certified or registered mail, postage prepaid and return receipt requested, as follows:

To the Authority:

Executive Director
Alaska Industrial Development and Export Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503
Phone (907) 771-3000
Fax (907) 771-3044

(with a copy to:)

Law Office of Kenneth E. Vassar, LLC
2220 North Star Street #24
Anchorage, Alaska 99503
Phone (907) 952-3207

To the Borrower Representative:

Business Manager
The Greater Fairbanks Community Hospital Foundation, Incorporated
1650 Cowles Street
Fairbanks, Alaska 99701
Phone (907) 458-5552
Fax (907) 458-5551

(with a copy to:)

Banner Health
1441 N. 12th Street
Phoenix, Arizona 85006
Phone (602) 495-4130
Fax (602) 495-4528

To the Master Trustee:

U.S. Bank National Association
1420 Fifth Ave 7th Floor
Mail Code PD-WA-T7CT
Seattle, Washington 98101
Phone (206) 344-4687
Fax (206) 344-4630

To the Trustee:

U.S. Bank National Association
1420 Fifth Ave 7th Floor
Mail Code PD-WA-T7CT
Seattle, Washington 98101
Phone (206) 344-4687
Fax (206) 344-4630

A duplicate copy of each notice, certificate, request, or other communication given hereunder to one of the above-referenced parties shall also be given to the others. Each of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent. Notices shall be deemed served upon deposit of such notice in the United States Postal Service in the manner above provided.

Section 9.02 Power of Borrower Representative. Whenever the Borrower's approval is required under the provisions of this Loan Agreement or the Indenture, or the Authority or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be made by the Borrower Representative unless otherwise specified in this Loan Agreement or the Indenture. The Authority or the Trustee shall be authorized to act on any such approval or request and the Borrower shall have no complaint against the Authority or the Trustee as a result of any such action taken.

Section 9.03 Power of Authorized Representative of Authority. Whenever the Authority's approval is required under the provisions of this Loan Agreement or the Indenture, or the Borrower or the Trustee is required to take some action at the request of the Authority, such approval or such request shall be made by the Authorized Representative of the Authority unless otherwise specified in this Loan Agreement or the Indenture. The Borrower or the Trustee shall be authorized to act on any such approval or request and the Authority shall have no complaint against the Borrower or the Trustee as a result of any such action taken.

Section 9.04 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Borrower, the Trustee, the Master Trustee, the Owners, and their respective successors and assigns.

Section 9.05 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.06 Amendments, Changes and Modifications. Subsequent to the Closing Date and prior to payment of the Series 2014 Bonds in full (or provision therefor made in accordance with the Indenture), this Loan Agreement may not be effectively amended, changed, modified or altered, except as provided in Article XIII of the Indenture; provided, however, that, notwithstanding the foregoing, no such amendment, change, modification, or alteration may become effective except at least 10 days after copies thereof have been delivered to S&P and Fitch.

Section 9.07 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.08 Limitation of Authority Liability. No provision, covenant or agreement contained in this Loan Agreement, or any obligations herein imposed upon the Authority, or the breach thereof, shall constitute an indebtedness of the Authority, or shall constitute or give rise to a charge against the State's general credit. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Authority has not obligated itself except for the application of money, the revenues, income and other property received from the Borrower, as provided herein and in the Indenture.

Section 9.09 Authority Shall Not Unreasonably Withhold Consents and Approvals. Subject to any limitations in the Indenture, wherever in this Loan Agreement it is provided that the Authority may give its approval or consent, or execute supplemental agreements, exhibits or schedules, the Authority shall act in a timely manner and shall not unreasonably, arbitrarily or unnecessarily withhold or refuse to give such approvals or consents, or refuse to execute such supplemental agreements, exhibits or schedules, and requests, judgments, opinions or exercises of judgment of discretion by the Authority or its counsel shall be reasonable and made or exercised or arrived at in a reasonable manner.

Section 9.10 Authority Observance of Indenture Covenants and Terms. The Authority covenants and agrees to observe and perform all obligations imposed upon it by the Indenture and the Series 2014 Bonds, and not to suffer or permit any default to occur under the Indenture; provided, that the Authority has no obligation to use its own funds or funds of the State to perform or cause the performance of any such obligations.

Section 9.11 Waivers of Breach. No waiver of any breach of any covenant or agreement herein contained shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the nondefaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 9.12 All Obligations Due on Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Loan Agreement, shall be a day which is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

Section 9.13 Time of Essence. Time and all terms and conditions shall be of the essence of this Loan Agreement.

Section 9.14 Parties Interested Herein. Nothing in this Loan Agreement, express or implied, is intended or shall be construed to confer upon or to give to any Person, other than the Authority, the Trustee, the Master Trustee, the Borrower, or the Owners, any right, remedy or claim under or by reason of this Loan Agreement; and the covenants, stipulations and agreements in this Loan Agreement contained are and shall be for the sole and exclusive benefit of the Authority, the Trustee, the Master Trustee, the Borrower, their successors and assigns, and the Owners, each of whom is explicitly recognized as being a third-party beneficiary hereunder and may, subject to the express limitations described herein, enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 9.15 Discharge of Loan Agreement by Payment or Defeasance. If, as and when the Series 2014 Bonds shall become due and payable in accordance with their terms or otherwise as provided in this Loan Agreement and the whole amount of the principal of and interest due and payable upon the Series 2014 Bonds shall be paid, or if provision shall have been made for the payment of the same, together with all other sums payable hereunder, all in accordance with the Indenture, then the right, title and interest of the Authority and all covenants, agreements and other obligations of the Authority and the Borrower under this Loan Agreement shall thereupon cease, terminate and become void and be discharged and satisfied; provided, however, that the Borrower's obligations to pay fees and costs, as provided in Section 7.05, accrued to the date of termination hereof but unpaid, and to make Rebate Payments, if any, as provided in Section 3.08 and the Trustee's right to indemnification hereunder shall survive the termination of this Loan Agreement and remain in force until such fees, costs and Rebate Payments, if any, are paid and such indemnification provision satisfied.

Section 9.16 References to Series 2014 Bonds Ineffective After Payment. Upon discharge of the Indenture in accordance with its terms, all references in this Loan Agreement to the Series 2014 Bonds and the Authority shall be ineffective and neither the Authority, the Borrower, the Trustee, the Master Trustee, nor the Owners shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

ARTICLE X

Reference to Assignment of Authority's Rights and Delegation of Authority's Duties to Trustee

Section 10.01 Assignment and Delegation to Trustee.

(A) To secure payment of the Series 2014 Bonds in accordance with their terms, the Authority in the Indenture (1) has assigned, and does further hereby assign, to the Trustee, in trust and without recourse, all of its right, title, and interest in the Series 2014 Obligation and this Loan Agreement except for (a) the Concurrent Rights, which shall be held concurrently by both the Authority and the Trustee; and (b) the Authority Reserved Rights; and (2) has delegated, and does further hereby delegate, to the Trustee all of its duties and obligations thereunder and hereunder, except for the

Authority Reserved Duties. By such assignment and delegation, the Trustee shall succeed to all the rights and the privileges and the duties and obligations of the Authority hereunder, except for the Concurrent Rights, which are held concurrently by both parties, and the Authority Reserved Rights and the Authority Reserved Duties. ALL REFERENCES TO THE AUTHORITY HEREIN SHALL BE TREATED AS REFERENCES TO THE TRUSTEE, ACTING AS ASSIGNEE AND DELEGATEE OF THE AUTHORITY, EXCEPT THOSE REFERENCES CONTAINED IN THE CONCURRENT RIGHTS SECTIONS, WHICH SHALL BE TREATED AS REFERRING TO BOTH THE TRUSTEE AND THE AUTHORITY, AND EXCEPT THOSE REFERENCES CONTAINED IN THE AUTHORITY RESERVED RIGHTS AND THE AUTHORITY RESERVED DUTIES SECTIONS, WHICH SHALL BE TREATED AS REFERRING TO THE AUTHORITY ONLY.

(B) To the extent any right hereunder is held concurrently, either the Authority or the Trustee, acting alone, and without the necessity of prior notice to or consent by the other, may exercise any such Concurrent Right, but exercise of an Concurrent Right by either the Authority or the Trustee shall be fully and completely binding only as between it and the Borrower; shall have no effect upon the other's right to act, or not to act, in connection with any such right; and shall impose no derivative liability on the other as a result of any exercise, or failure to exercise, any such Concurrent Right.

(C) The Borrower hereby consents to the assignments and delegations in (A) of this Section and agrees to faithfully render the performance of all of its duties and obligations hereunder to the Trustee except for (1) the Concurrent Rights, which the Borrower shall be render to both the Trustee and the Authority, and (b) the Authority Reserved Rights, which the Borrower shall be render only to the Authority.

IN WITNESS WHEREOF, the Alaska Industrial Development and Export Authority and The Greater Fairbanks Community Hospital Foundation, Incorporated, have caused this Loan Agreement to be executed in their respective names by their duly authorized officers.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By _____
MICHAEL E. LAMB
Deputy Director – Finance & Operations

THE GREATER FAIRBANKS COMMUNITY
HOSPITAL FOUNDATION, INCORPORATED

By _____
JEFFRY COOK
President

By _____
ROGER FLOERCHINGER
Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee for the Series 2014 Bonds, hereby accepts, pursuant to Article X, the Authority's assignment of its right, title, and interest in, and delegation of its duties and obligations under, this Loan Agreement (with the reservations and exceptions noted in Article X) and the Series 2014 Obligation, to be held by it pursuant to and for the purposes of the Indenture, in trust and without recourse, as of the above date.

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By _____
TOM ZRUST
Vice President

CONTRACT OF PURCHASE
(Fixed Rate)

\$(PAR AMOUNT)
Alaska Industrial Development and Export Authority
Revenue Bonds
(Greater Fairbanks Community Hospital Foundation Project)
Series 2014

_____, 2014

Alaska Industrial Development
and Export Authority
813 West Northern Lights Blvd.
Anchorage, AK 99503

Ladies and Gentlemen:

The undersigned (the "Representative"), for itself and as representative of the Underwriters named in EXHIBIT F hereto (collectively, the "Underwriters") offers to enter into this Contract of Purchase with Alaska Industrial Development and Export Authority (the "Authority") for the purchase by the Underwriters and sale by the Authority of the above-captioned Revenue Bonds (the "Bonds"). This offer is made subject to acceptance by the Authority and approval by The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Foundation") and Banner Health ("Banner") prior to 5:00 p.m., Pacific Time, on the date hereof, and upon such acceptance and approval this Contract of Purchase shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the Foundation, Banner and the Underwriters. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Bond Indenture, related to the above-referenced Bonds, dated as of _____ 1, 2014 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as Trustee (the "Bond Trustee"), and the Loan and Security Agreement related to the above-referenced Bonds, dated as of _____ 1, 2014 (the "Loan Agreement"), between the Authority and the Foundation.

The Authority, the Foundation and Banner acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Contract of Purchase is an arm's-length commercial transaction between the Authority and the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority, the Foundation or Banner, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority, the Foundation or Banner with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriters, or any affiliate of the Underwriters, have advised or is currently advising the Authority, the Foundation or Banner on other matters) or any other obligation to the Authority, the Foundation or Banner except the obligations expressly set forth in this Contract of Purchase and (iv) the Underwriters have financial and other interests that differ from those of the Foundation and Banner and (v) the Authority, the Foundation and Banner have consulted with their respective legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds. Nothing in the foregoing paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters agree to purchase from the Authority and the Authority agrees to sell to the Underwriters,

all (but not less than all) of the \$[PAR AMOUNT] aggregate principal amount of the Authority's Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 (the "Bonds") bearing an original issuance date of the date of their delivery, which are to mature, are to be subject to redemption prior to maturity and are to bear interest as set forth in EXHIBIT A attached hereto (the Bonds being more fully described in the Official Statement hereinafter mentioned) and are subject to extraordinary optional redemption as provided in the Official Statement, at an aggregate purchase price of \$_____ (being the aggregate principal amount of the Bonds, [plus/less] a [net] original issue [premium/discount] of \$_____ and less Underwriters' discount of \$_____). The Bonds shall be as described in, and shall be issued and secured under and pursuant to, the Bond Indenture and authorizing resolutions (collectively, the "Authorizing Resolution") adopted by the Authority on February 20, 2014 substantially in the form heretofore delivered to the Underwriters, with only such changes therein as shall be mutually agreed upon between us.

2. The Authority ratifies, confirms and approves the use and distribution by the Underwriters prior to the date hereof of the preliminary official statement relating to the Bonds, dated [_____, 2014] (including the cover page and other appendices thereto and each document incorporated by reference therein, the "Preliminary Official Statement") in connection with the offering and sale of the Bonds which the Authority has deemed final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"); provided, however, that the Authority takes no responsibility for information contained in the Official Statement other than that appearing under the captions "THE AUTHORITY" and "LITIGATION – Authority." The Authority shall deliver or cause to be delivered to us:

(a) prior to the date of the Closing, two copies of the Official Statement dated the date hereof and relating to the Bonds (including the cover pages and all appendices thereto the "Official Statement," and if the Official Statement has been amended between the date hereof and the date of Closing, the term "Official Statement" shall refer to the Official Statement as so amended);

(b) "consent letters" with respect to the Preliminary Official Statement and "agreed upon procedures letters" with respect to the Preliminary Official Statement (such agreed upon procedures carried through a date not earlier than five days prior to the date hereof) of

(i) Ernst & Young LLP, independent certified public accountants for Banner and,

(ii) Richards, Johnson & Granberry P.C., independent certified public accountants for the Foundation;

(c) the letters of representation, dated the date hereof, of the Foundation and Banner, substantially in the forms attached hereto and marked EXHIBIT B and EXHIBIT C (the "Foundation Letters of Representation"), EXHIBIT D and EXHIBIT E (the "Banner Letters of Representation" and with the Foundation Letters of Representation, collectively, the "Letters of Representation"); and

(d) additional copies of the Official Statement in such quantities as the Underwriters shall designate as being required to satisfy the requirements of Rule 15c2-12.

The Authority approves the Official Statement and authorizes use, in accordance with applicable law, of copies of the Official Statement, the Bond Indenture and the Loan Agreement in connection with the public offering and sale of the Bonds, and the Foundation, by approval hereof, authorizes the use in accordance with applicable law, of copies of:

- (i) the Preliminary Official Statement;
- (ii) the Official Statement;
- (iii) the Bond Indenture;
- (iv) the Loan Agreement;
- (v) the Master Trust Indenture, dated as of October 1, 2004, between the Foundation and U.S. Bank National Association, as master trustee (the "Master Trustee"), as amended and supplemented (the "Master Trust Indenture"); and
- (vi) the Eighth Supplemental Master Trust Indenture (the "Supplemental Master Trust Indenture"), dated as of _____ 1, 2014, between the Foundation, for itself and as Obligated Group Representative on behalf of the Obligated Group, and the Master Trustee, supplementing the Master Trust Indenture for the purpose of such issuing the Series 2014 Obligation.

3. The Authority represents to the Underwriters that:

(a) the Authority is and will be at the date of Closing duly organized and existing as a body politic and corporate and public corporation of the State of Alaska but with separate and independent legal existence under and by virtue of the laws of the State of Alaska with the powers and authority set forth in the Alaska Statutes 44.88.010, *et seq.*, as now in effect and as they may from time to time hereafter be amended or supplemented (the "Act"), including the power to issue the Bonds and to execute this Contract of Purchase, the Bond Indenture and the Loan Agreement;

(b) when delivered to and paid for by the Underwriters at Closing, in accordance with the provisions of this Contract of Purchase, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute legal, valid and binding obligations of the Authority of the character referred to in the Act, in conformity with, and entitled to the benefit and security of, the Act, the Bond Indenture and the Authorizing Resolution;

(c) the execution and delivery by the Authority of this Contract of Purchase, the Bonds, the Loan Agreement, the Bond Indenture and the Depository Trust Company ("DTC") Blanket Letter of Representations (the "DTC Letter") given by the Authority to DTC, the adoption of the Authorizing Resolution, and compliance with the provisions thereof, under the circumstances contemplated thereby will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any other agreement or instrument to which the Authority is a party or any existing law, administrative regulation, court order or consent decree to which the Authority is subject;

(d) during the period beginning on the date hereof and ending at the end of the underwriting period, if there shall exist any event relating to the Authority which in the opinion of the Authority and the Underwriters might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or if the Authority or the Representative shall be informed by the Foundation that any such event relating to it or any Member of the Obligated Group shall exist, the Official Statement shall be amended or supplemented, in form and substance satisfactory to counsel to the Authority and the Underwriters, so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they

were made, not misleading (unless the Authority is notified in writing on the date of Closing that a shorter period applies, the Authority may assume that the “end of the underwriting period” (as defined in Rule 15c2-12) has occurred 30 days after the Closing; provided, however, that if the Underwriters notify the Authority in writing prior to such date that there exists an unsold balance of the Bonds, the end of the underwriting period shall be deemed to be extended for 30 days from the date of such notice, and deemed end of the underwriting period shall be extended for additional periods of 30 days each upon receipt of written notification from the Underwriters that there exists an unsold balance of the Bonds);

(e) the Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon;

(f) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending (with service of process against the Authority having been accomplished) or known to the Authority to be threatened against the Authority seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Bonds or the Authority documents or contesting in any way the completeness or accuracy of the information in the Preliminary Official Statement or the Official Statement under the captions “THE AUTHORITY” or “LITIGATION – Authority,” as amended or supplemented, or the existence or powers of the Authority relating to the issuance of the Bonds; and

(g) as of the date of the Official Statement and at the time of the Authority’s acceptance hereof and at all times subsequent thereto during the period up to and including the end of the underwriting period (as defined in (d) above) the information contained in the Official Statement under the headings “THE AUTHORITY” and “LITIGATION – Authority” does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Underwriters agree to cause the Official Statement to be filed, on or before the date of Closing, with the Municipal Securities Rulemaking Board (the “MSRB”).

4. At 11:00 o’clock a.m., New York City Time, on [_____, 2014] or at such other time or on such earlier or later date as we mutually agree upon (the “Closing”), the Authority will deliver or cause to be delivered (i) to DTC, in the Borough of Manhattan, City and State of New York, through its FAST delivery system or at such other place as you and we may mutually agree upon, the Bonds in definitive fully registered form (one Bond certificate for each maturity in respective principal amounts equal to the aggregate principal amounts of the Bonds of such maturity) with CUSIP numbers printed thereon and registered in the name of Cede & Co., as nominee of DTC, duly executed and authenticated, and (ii) at the office of [U.S. Bancorp, Chicago, Illinois], the other documents hereinafter mentioned. The Underwriters will accept such delivery and pay the purchase price thereof in immediately available federal funds to the order of the Authority. The Bonds will be made available to the Underwriters for checking and inspection at the above mentioned place of their delivery at least one business day prior to the Closing.

5. The Representative has entered into this Contract of Purchase in reliance upon the representations and agreements of the Authority herein and the performance by the Authority of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriters’ obligations under this Contract of Purchase are and shall be subject to the following further conditions:

(a) At the time of Closing, (i) the Official Statement, the Loan Agreement, the Series 2014 Obligation, the Master Trust Indenture, the Supplemental Master Trust Indenture, the Bond Indenture, the Authorizing Resolution, and the Letters of Representation and each of the Banner Documents (as defined in paragraph 5(c)(1)(B)(ii) below) shall be in full force and effect and shall not have been materially amended, modified or supplemented, except as therein permitted or as may have been agreed to by the Underwriters; (ii) the proceeds of the sale of the Bonds shall be applied or deposited as described in the Official Statement; and (iii) the Authority shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of the Law Office of Kenneth E. Vassar, LLC (“Bond Counsel”), shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriters shall have the right to cancel their obligations to purchase the Bonds if between the date hereof and the Closing (i) legislation shall have been enacted by the Congress of the United States, or the legislature of the State of Alaska, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States or the Supreme Court of the State of Alaska, or a ruling shall have been made or a regulation shall have been proposed or made or a press release or some other form of notice shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other federal authority, with respect to federal or State of Alaska taxation upon interest received on obligations of the general character of the Bonds, which, in the Underwriters’ and the Foundation’s joint judgment, materially adversely affects the market for the Bonds, or (ii) there shall exist any event which, in the reasonable judgment of the Foundation and the Underwriters might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (iii) there shall have occurred any new outbreak of hostilities, the effect of which on the financial markets of the United States will be such as, in the joint judgment of the Foundation and the Underwriters, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, or (iv) there shall have occurred any other national or international calamity or crisis, the effect of which on the financial markets of the United States will be such as, in the joint judgment of the Foundation and the Underwriters, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, or (v) there shall have occurred a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, or any city located in the United States having a population of over 1,000,000, the effect of which on the financial markets of the United States will be such as, in the joint judgment of the Foundation and the Underwriters, makes it impracticable for us to market the Bonds or enforce contracts for the sale of the Bonds, or (vi) there shall be in force a general suspension of trading on the New York Stock Exchange or other national securities exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national securities exchange, whether by virtue of a determination by any such exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (vii) a general banking moratorium shall have been declared by federal, State of Alaska, Illinois or New York State authorities having jurisdiction and be in force or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, or (viii) any state “blue sky” or securities commission (except any that requires the Authority to consent to general service of process as a condition to the registration, exemption or clearing of the offering of the Bonds) shall have withheld or revoked registration, exemption or clearance of the offering and, in the joint judgment of the Foundation and the Underwriters, the market for the Bonds is materially adversely affected thereby; or (ix) a war involving the United States of America shall have been declared, or any conflict involving the armed forces of any country shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the reasonable judgment of the Underwriters, materially adversely affects the market price of the Bonds.

(c) At or prior to the Closing, we shall receive the following documents:

(1) (A) the approving opinion of Bond Counsel with respect to the Bonds, dated the date of Closing and in substantially the form of APPENDIX D to the Official Statement (with a reliance letter addressed to the Underwriters), accompanied by a supplementary opinion or opinions of Bond Counsel, dated the date of Closing and addressed and delivered to the Authority and us, to the effect that (i) the Bonds, the Bond Indenture, the Authorizing Resolution, the Loan Agreement and this Contract of Purchase (subject to the opinion of the United States Court of Appeals mentioned in (B) below), assuming (except as to the Bonds and the Authorizing Resolution) due authorization, execution and delivery thereof by and the binding effect and enforceability thereof against the parties thereto other than the Authority, have been duly authorized, executed (or, with respect to the Authorizing Resolution, approved) and delivered by the Authority and constitute valid and binding agreements of the Authority in accordance with their terms, except to the extent that the enforceability of such instruments may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, now existing or hereinafter enacted and by the application of general principles of equity, including those relating to equitable subordination, (ii) the information in the Official Statement as to the Loan Agreement, the Bond Indenture, the Master Trust Indenture, the Supplemental Master Trust Indenture and the Bonds are accurate in all material respects, (iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and (iv) the Bond Indenture is exempt from qualification as a trust indenture pursuant to the Trust Indenture Act of 1939, as amended;

(B) (i) the opinion of counsel for the Foundation addressed and delivered to the Authority and us, dated the date of Closing, to the effect that (I) the Foundation has duly approved the Official Statement and this Contract of Purchase; (II) the execution and making of, and the performance of the obligations of the Foundation under, the Foundation Letters of Representation, the Loan Agreement, the Master Trust Indenture, the Supplemental Master Trust Indenture and the instruments contemplated thereby, including the Series 2014 Obligation, have been duly authorized by all necessary corporate action of the Foundation, and all such documents have been duly executed and delivered by the Foundation, and constitute binding and enforceable agreements and obligations of the Foundation enforceable against it, in accordance with their respective terms, except to the extent that enforceability of the rights and remedies set forth therein may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, debt adjustment, moratorium or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination, and no opinion need be given as to the availability of the remedy of specific performance, and except to the extent that enforceability of the Foundation Letters of Representation and indemnification provisions in the Bond Indenture, the Loan Agreement, the Master Trust Indenture and any other documents related to the Bonds may be limited in the event of securities law violations and because of the decision of the United States Court of Appeals for the Second Circuit in *Globus v Law Research Service, Inc.*, which held an issuer's indemnity agreement unenforceable where the underwriter was held to have had actual knowledge of material misstatements and omissions in the offering circular and the tenor of which could be construed as critical of such indemnity agreements in general on grounds of public policy (under which construction, if it is the prevailing attitude of the courts, such indemnity agreements may be held to be unenforceable under other circumstances); (III) after the exercise of due diligence, the statements contained in the Official Statement under the caption "LITIGATION - The Foundation" are correct in all material respects and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein in the light of the circumstances under which they were made, not misleading, except that (a) with respect to litigation in which such counsel is not primary counsel such counsel may rely on the evaluation of the

attorneys who are primary counsel or supervising counsel in such litigation or on the advice of risk management personnel for the Foundation and (b) with respect to the existence of litigation such counsel may rely on the advice of risk management personnel for the Foundation, all of whom shall have been requested to advise such counsel of the existence of any litigation against the Foundation; (IV) the information in the Official Statement as to the Loan Agreement, the Bond Indenture, the Master Trust Indenture, the Supplemental Master Trust Indenture and the Series 2014 Obligation is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements therein, in light of the circumstances under which they were made, not misleading and the Loan Agreement, the Bond Indenture, the Master Trust Indenture, the Supplemental Master Trust Indenture and the Series 2014 Obligation conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (V) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement other than as referred to in clauses (III) and (IV) above, but on the basis of their assistance in the preparation of the Official Statement and their representation of the Foundation in connection with the offering of the Bonds, nothing has come to their attention which would lead them to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion counsel for the Foundation shall not be required to express an opinion with respect to the information relating to The Depository Trust Company and the book entry only system, the information included in the financial statements or other financial and statistical data included in the Official Statement, including, without limitation, such financial and statistical data in APPENDIX A thereto; (VI) after the exercise of due diligence, the Foundation qualifies for payment (to the extent payment is available under applicable statutes, regulations and administrative practices) under Medicare and Medicaid for the services provided to Medicare beneficiaries and Medicaid recipients; (VII) the Foundation is a nonprofit corporation, validly existing and in good standing under the laws of the State of Alaska and is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), is exempt from federal income taxes under Section 501(a) of the Code and is not a “private foundation” as defined in Section 509(a) of the Code; (VIII) the execution and delivery by the Foundation of the Foundation Letters of Representation, the Loan Agreement, the Master Trust Indenture, the Series 2014 Obligation, the Supplemental Master Trust Indenture and the other agreements contemplated thereby, the approval of the execution and delivery of the Official Statement and the approval by the Foundation of this Contract of Purchase, the Bond Indenture, the Bonds and the terms and provisions of the foregoing instruments and compliance with the provisions thereof by the Foundation, under the circumstances contemplated thereby, do not and will not conflict with or constitute on the part of the Foundation a violation of or default under any provision of its Articles of Incorporation or Bylaws or any resolution adopted by it or, to their knowledge, after due inquiry, result in the breach of or constitute a default under, in any material respect, in any material agreement, indenture, mortgage, lease or other instrument known to them after due inquiry to which the Foundation is a party or by which the Foundation is bound, any existing law or regulation, or any court order or consent decree to which the Foundation is subject; (IX) the Foundation has all material licenses, accreditations and permits necessary to own, operate and maintain its facilities; (X) the Master Trust Indenture and the Supplemental Master Trust Indenture are each exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended, and (XI) the Series 2014 Obligation is exempt from registration pursuant to the Securities Act of 1933, as amended; and

(ii) the opinion of counsel for Banner addressed and delivered to the Authority and us, dated the date of Closing, to the effect that (I) Banner has duly approved the Official

Statement and this Contract of Purchase; (II) the execution and making of, and the performance of the obligations of Banner under, the Banner Letters of Representation, the Limited Guaranty Agreement, the Lease, the Tax Agreement (collectively the “Banner Documents”) and the instruments contemplated thereby, have been duly authorized by all necessary corporate action of Banner, and all such documents have been duly executed and delivered by Banner, and constitute binding and enforceable agreements and obligations of Banner enforceable against it, in accordance with their respective terms, except to the extent that enforceability of the rights and remedies set forth therein may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, debt adjustment, moratorium or other laws affecting creditors’ rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination, and no opinion need be given as to the availability of the remedy of specific performance, and except to the extent that enforceability of the Banner Letters of Representation and indemnification provisions in any documents related to the Bonds to which Banner is party may be limited in the event of securities law violations and because of the decision of the United States Court of Appeals for the Second Circuit in *Globus v Law Research Service, Inc.*, which held an issuer’s indemnity agreement unenforceable where the underwriter was held to have had actual knowledge of material misstatements and omissions in the offering circular and the tenor of which could be construed as critical of such indemnity agreements in general on grounds of public policy (under which construction, if it is the prevailing attitude of the courts, such indemnity agreements may be held to be unenforceable under other circumstances); (III) after the exercise of due diligence, the statements contained in the Official Statement under the caption “LITIGATION - Banner” are correct in all material respects and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein in the light of the circumstances under which they were made, not misleading, except that (a) with respect to litigation in which such counsel is not primary counsel such counsel may rely on the evaluation of the attorneys who are primary counsel or supervising counsel in such litigation or on the advice of risk management personnel for Banner and (b) with respect to the existence of litigation such counsel may rely on the advice of risk management personnel for Banner, all of whom shall have been requested to advise such counsel of the existence of any litigation against Banner; (IV) the information in the Official Statement as to the Banner Documents is correct in all material respects and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein in the light of the circumstances under which they were made, not misleading and the Banner Documents conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (V) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement other than as referred to in clauses (III) and (IV) above, but on the basis of their assistance in the preparation of the Official Statement and their representation of Banner in connection with the offering of the Bonds, nothing has come to their attention which would lead them to believe that the information in the Official Statement relating to Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (which are operating units of Banner) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion counsel for Banner shall not be required to express an opinion with respect to the information relating to The Depository Trust Company and the book entry only system, the information included in the financial statements or other financial and statistical data included in the Official Statement, including, without limitation, such financial and statistical data in APPENDIX A thereto; (vi) after the exercise of due diligence, Banner qualifies for payment (to the extent payment is available under applicable statutes, regulations and administrative practices) under Medicare and Medicaid for the services provided to Medicare beneficiaries and Medicaid recipients; (VII) Banner is a nonprofit corporation, validly existing and in good standing under the laws of the State of Arizona, duly

qualified to conduct business in the State of Alaska, and is an organization described in Section 501(c)(3) of the Code, is exempt from federal income taxes under Section 501(a) of the Code and is not a “private foundation” as defined in Section 509(a) of the Code; (VIII) the execution and delivery by Banner of the Banner Documents and the other agreements contemplated thereby, the approval of the execution and delivery of the Official Statement and the approval by Banner of this Contract of Purchase and the terms and provisions of the foregoing instruments and compliance with the provisions thereof by Banner, under the circumstances contemplated thereby, do not and will not conflict with or constitute on the part of Banner a violation of or default under any provision of its Articles of Incorporation or Bylaws or any resolution adopted by it or, to their knowledge, after due inquiry, result in the breach of or constitute a default under, in any material respect, in any material agreement, indenture, mortgage, lease or other instrument known to them after due inquiry to which Banner is a party or by which Banner is bound, any existing law or regulation, or any court order or consent decree to which Banner is subject; (IX) Banner has all material licenses, accreditations and permits necessary to own, operate and maintain the facilities referenced in the Lease;

(C) the certificate of the Master Trustee, dated the date of Closing and addressed and delivered to you and to us, to the effect that the Series 2014 Obligation has been duly authenticated by the Master Trustee, and the Master Trust Indenture and Supplemental Master Trust Indenture have been duly authorized, executed and delivered by the Master Trustee and, assuming due authorization, execution and delivery thereof by the Foundation, constitute valid and binding agreements of the Master Trustee enforceable in accordance with their terms, except to the extent that the enforceability of such instruments may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors’ rights generally and by the application of general principles of equity, including those relating to equitable subordination;

(D) the certificate of the Bond Trustee, dated the date of Closing and addressed and delivered to the Authority and to us, to the effect that the Bond Indenture has been duly authorized, executed and delivered by the Bond Trustee and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitutes the valid and binding agreement of the Bond Trustee enforceable in accordance with its terms, except to the extent that the enforceability of such instrument may be limited by bankruptcy, insolvency, fraudulent conveyance, or other laws affecting creditors’ rights generally and by the application of general principles of equity, including those relating to equitable subordination;

(E) the opinion of Hawkins Delafield & Wood LLP, counsel to the Underwriters, dated the date of Closing, to the effect that (i) the Bonds are exempt from registration under the Securities Act of 1933, as amended; (ii) the Bonds are municipal securities within the meaning of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”); (iii) the Bond Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended, and (iv) the Continuing Disclosure Agreement provides a suitable basis for the Underwriters, in connection with the offering of the Bonds, to make a reasonable determination with respect to a continuing disclosure undertaking as required by paragraph (b)(5) of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act;

(2) a certificate, dated the date of Closing, signed by an Authorized Officer (as such term is defined in the Authorizing Resolution) or another member of the Authority and in form and substance satisfactory to us, to the effect that (A) the representations and agreements of the Authority herein are true and correct in all material respects as of the date of Closing; (B) no litigation has been served on the Authority nor, to their knowledge, is any threatened against the

Authority: (i) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of revenues pledged under the Bond Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Bond Indenture, the Authorizing Resolution, the Loan Agreement or this Contract of Purchase or (iii) in any way contesting the existence or powers of the Authority; and (C) no event affecting the Authority has occurred since the date of the Official Statement that would cause, as of the date of closing, any statement or information contained in the Official Statement under the headings “THE AUTHORITY” or “LITIGATION – Authority” to contain any untrue statement of material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(3) a certificate, signed by an authorized officer of the Foundation, dated the date of the Closing, to the effect that; (A) no material adverse change has occurred in the financial position or results of operation (other than as disclosed in the Official Statement) of the Foundation; (B) the Foundation has not incurred any material liabilities that currently exist other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; (C) no event has occurred which would constitute a material default (including, but not limited to, any event which would permit acceleration) on the part of the Foundation in any agreement relating to indebtedness of the Foundation or which would cause the Foundation to believe it will default in any material way with respect to its obligations under any such agreement; (D) no litigation is pending against the Foundation or, to its knowledge, threatened (i) to restrain or enjoin the issuance or delivery of the Series 2014 Obligation or the collection of revenues pledged under the Master Trust Indenture, (ii) in any way contesting or affecting the legality or the validity of the Loan Agreement, the Series 2014 Obligation, the Master Trust Indenture, the Supplemental Master Trust Indenture or this Contract of Purchase, or (iii) in any way contesting the corporate existence or powers of the Foundation, which, in its opinion, based on the advice of counsel, would have a material adverse effect upon the financial condition of the Foundation if decided adversely to the Foundation, (iv) in any way contesting the title of the Foundation to the land on which any of its facilities are located (or an opinion of counsel that such litigation is without merit), or (v) in any way contesting the authority of the Foundation to acquire and construct the project that was originally financed with the proceeds of the Bonds; (E) no event affecting the Foundation has occurred since the date of the Official Statement that would cause, as of the date of closing, any statement or information contained in the Official Statement to contain any untrue statement of material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (F) the representations and warranties of the Foundation in the Foundation Letters of Representation are true and correct in all material respects; (G) at the date of the Closing, no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Loan Agreement or the Series 2014 Obligation; and (H) the Property of the Foundation is not subject to any Liens which are not Permitted Liens (each as defined in the Master Trust Indenture);

(4) a certificate, signed by an authorized officer of Banner, dated the date of the Closing, to the effect that; (A) no material adverse change has occurred in the financial position or results of operation (other than as disclosed in the Official Statement) of Banner; (B) Banner has not incurred any material liabilities that currently exist other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; (C) no event has occurred which would constitute a material default (including, but not limited to, any event which would permit acceleration) on the part of Banner in any agreement relating to indebtedness of Banner or which would cause Banner to believe it will default in any material way with respect to its obligations under any such agreement; (D) no litigation is pending against Banner or, to its knowledge, threatened (i) in any way contesting or affecting any authority for or the validity of the Banner

Documents or this Contract of Purchase, or (ii) in any way contesting the corporate existence or powers of Banner, which, in its opinion, based on the advice of counsel, would have a material adverse effect upon the financial condition of Banner if decided adversely to Banner, or (iii) in any way contesting the authority of Banner to operate the project which is subject to the Lease; (E) no event affecting Banner has occurred since the date of the Official Statement that would cause, as of the date of closing, any statement or information contained in the Official Statement to contain any untrue statement of material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (F) the representations and warranties of Banner in the Banner Letters of Representation are true and correct in all material respects; (G) at the date of the Closing, no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Banner Documents;

(5) two copies of the Bond Indenture, the Loan Agreement, the Master Trust Indenture, the Supplemental Master Trust Indenture and each of the Banner Documents, each duly executed by the parties thereto, two specimen copies of the executed and authenticated Series 2014 Obligation and two certified copies of the Authorizing Resolution;

(6) two copies of the Articles of Incorporation of the Foundation, as amended, certified by the Alaska Department of Commerce, Community and Economic Development; an original certificate of corporate good standing; and two copies of: (A) the Bylaws, as amended, of the Foundation, and (B) the resolutions of the Board of Directors of the Foundation, authorizing the execution and delivery of the Loan Agreement, the Master Trust Indenture, the Supplemental Master Trust Indenture, the Series 2014 Obligation and the Foundation Letters of Representation by the Foundation and the approval of the Official Statement and this Contract of Purchase, certified by the Secretary or an Assistant Secretary of the Foundation;

(7) two copies of the Articles of Incorporation of Banner, as amended, certified by the Arizona Secretary of State; an original certificate of corporate good standing (Arizona) and authorization to conduct business as a foreign corporation (Alaska); and two copies of: (A) the Bylaws, as amended, of Banner, and (B) the resolutions of the Board of Directors of Banner, authorizing the execution and delivery of the Banner Documents and this Contract of Purchase, certified by the Secretary or an Assistant Secretary of Banner;

(8) evidence satisfactory to Bond Counsel that the Foundation is an organization described in Section 501(c)(3) of the Code;

(9) evidence satisfactory to Bond Counsel that Banner is an organization described in Section 501(c)(3) of the Code;

(10) a “consent letter” with respect to the final Official Statement of Richards, Johnson & Granberry P.C. and a confirming letter relating to the agreed upon procedures letter referenced in Section 2(b) above and relating to the final Official Statement;

(11) a “consent letter” with respect to the final Official Statement of Ernst & Young LLP and a confirming letter relating to the agreed upon procedures letter referenced in Section 2(b) above and relating to the final Official Statement;

(12) Tax Agreement, dated the date of delivery of the Bonds, by and among the Foundation, Banner, the Bond Trustee and the Authority in form and substance satisfactory to Bond Counsel;

- (13) a copy of the DTC Letter;
- (14) letters from Standard & Poor's Ratings Group and Fitch Ratings stating that the Bonds have received a rating of ["_____"];
- (15) copies of all hospital licenses, and the accreditation of the Joint Commission, relating to the facilities that are subject to the Lease;
- (16) copies of all hospital licenses, and the accreditation of the Joint Commission, relating to the financed facilities that are subject to the Lease;
- (17) evidence satisfactory to the Underwriters and their counsel that all conditions necessary to the issuance of the Additional Indebtedness under the Master Trust Indenture evidenced by the Series 2014 Obligation have been satisfied; and
- (18) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Bond Counsel may reasonably request to evidence compliance by the Authority with legal requirements, the truth and accuracy, as of the time of Closing, of your representations herein contained and the due performance or satisfaction by you at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by you.

If the Authority shall be unable to satisfy the conditions to the Underwriters' obligations contained in this Contract of Purchase or if the Underwriters' obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriters nor the Authority shall have any further obligation hereunder.

6. All expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, the fees of consultants and rating agencies and the fees and expenses of Bond Counsel and counsel for the Foundation, disclosure counsel and counsel to the Underwriters shall be paid from the proceeds of the Bonds or available funds of the Foundation. The Foundation will pay the costs of printing the Bonds, the Official Statement and the Blue Sky Survey. The Foundation shall be responsible for paying any travel, meals, lodging, entertainment or deal memento expenses incurred by any employee or official of the Authority, Banner, the Foundation, the State of Alaska Department of Law, Bond Counsel, the financial advisor, disclosure counsel, the Trustee and the Underwriters.

7. Any notice or other communication to be given to the Authority under this Contract of Purchase may be given by delivering the same in writing signed by a Managing Director or Executive Director of the Representative to the Authority at its address set forth above, with a copy to Bond Counsel, Law Office of Kenneth E. Vassar, LLC, 2220 North Star Street #24, Anchorage, Alaska 99503, Attention: Kenneth Vassar, and any such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to U.S. Bancorp Municipal Securities Group, 209 S. LaSalle Street, Suite 500, Chicago, Illinois 60604, Attention: Brian E. McGough, Managing Director.

8. This Contract of Purchase is made solely for the benefit of the Authority, the Foundation, Banner and the Underwriters, including the successors or assigns of each Underwriter, and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All representations and agreements of the Authority, the Foundation, and Banner in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds, but such representations and agreements shall obtain only as of such date of delivery and payment.

9. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by an authorized officer of the Representative and delivered to you. This Contract of Purchase shall become legally effective upon acceptance by you, as evidenced by the signature of an authorized officer or member of the Authority in the space provided therefor below, and upon the approval of this Contract of Purchase by the Foundation and Banner, as evidenced by the signature of their authorized officers in the space provided therefor below.

10. The Foundation, Banner and the Underwriters each represent, warrant and confirm that: (i) the Foundation selected the Underwriters to serve as underwriters with respect to the Bonds; (ii) to each of their respective knowledge, the Authority did not participate in the selection process and did not influence or decide who would be selected as the underwriter as a result of such selection process; and (iii) to the extent that this Contract of Purchase relates to or contemplates the delivery of services, such services are being provided at the request of, to and for the benefit of, the Foundation. The Foundation and Banner each further represent, warrant and confirm that: (i) the Foundation selected U.S. Bank National Association to serve as Bond Trustee following such selection process as they considered appropriate; (ii) to each of their respective knowledge, the Authority did not participate in the selection process and did not influence or decide who would be selected as the Bond Trustee as a result of such selection process; and (iii) the Foundation has agreed with the Bond Trustee to pay the Bond Trustee's fees and expenses in respect of its services as Bond Trustee under the Bond Indenture.

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11. This Contract of Purchase shall be construed under and enforced in accordance with the laws of the State of Alaska.

U.S. BANCORP INVESTMENTS, INC., for itself
and as Representative on behalf of the Underwriters

By _____
Brian E. McGough
Its Managing Director

ACCEPTED:

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By _____
Its Deputy Director - Finance & Operations

APPROVED:

THE GREATER FAIRBANKS COMMUNITY HOSPITAL
FOUNDATION, INCORPORATED,
for itself and as Obligated Group Agent
on behalf of the Obligated Group

BANNER HEALTH

By _____
Jeffry Cook
Its President

By _____
Dennis Dahlen
Its Senior Vice President / CFO

By _____
Roger Floerchinger
Its Treasurer

[SIGNATURE PAGE TO CONTRACT OF PURCHASE]

CERTAIN DETAILS OF THE BONDS

[\$[PAR AMOUNT]]
Alaska Industrial Development and Export Authority
Revenue Bonds
(Greater Fairbanks Community Hospital Foundation Project)
Series 2014

Maturities, Principal Amounts, Interest Rate, Yields and Prices

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price
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Optional Redemption

[The Bonds are not subject to optional redemption.]

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_____, 2014

LETTER OF REPRESENTATION
(Greater Fairbanks Community Hospital Foundation)

U.S. Bancorp Investments, Inc.,
Chicago, Illinois

Wells Fargo Bank, National Association,
Dallas, Texas

The Alaska Industrial Development and Export Authority (the "Authority") and the undersigned, The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Foundation"), propose to enter into a transaction pursuant to which the Foundation and the Authority will enter into a Loan and Security Agreement, dated as of _____ 1, 2014 (the "Loan Agreement"). Pursuant to a Contract of Purchase dated _____, 2014 (the "Contract of Purchase"), with you, which the Foundation and Banner Health have approved, the Authority proposes to issue \$[PAR AMOUNT] aggregate principal amount of its Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 (the "Bonds"). Certain revenues and other moneys derived by the Authority in connection with the Loan Agreement are pledged to secure the payment of the Bonds, including the interest thereon. The offering of the Bonds is described in an official statement, dated _____, 2014 (the "Official Statement"). Capitalized terms referenced in this Letter of Representation and not otherwise defined shall have the meanings assigned such terms in the Contract of Purchase, including those incorporated therein by reference.

In order to induce you to enter into the Contract of Purchase and to make the offering and sale of the Bonds therein contemplated, the Foundation represents, warrants and agrees with you as follows:

(a) (i) The Official Statement as of its date and as of the date hereof did not contain any untrue statement of material fact and does not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and we consent to the use of such statements and information in the Official Statement; and (ii) the Foundation will provide you and the Authority with information concerning developments that impact the accuracy and completeness of material statements and information contained in the Official Statement during the period of time specified in Paragraph 3(d) of the Contract of Purchase, will cooperate with you and the Authority in amending the Official Statement if any of such information, in your judgment, requires that the Official Statement be amended in fulfillment of your responsibilities pursuant to Rule 15c2-12 and will bear any and all reasonable costs, fees and expenses incurred by the Authority or you in connection therewith.

The Foundation has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12 to provide Annual Reports and notices of material events pursuant to Rule 15c2-12.

(b) Since [December 31, 2013], there has been no material adverse change in the financial position or results of operations of the Foundation (other than as may have been disclosed in the Official Statement).

(c) Since [December 31, 2013], the Foundation has not incurred any material liabilities that currently are outstanding other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

(d) When executed and delivered, the Master Trust Indenture, the Loan Agreement, the Series 2014 Obligation and the Supplemental Master Trust Indenture, each referred to in the Official Statement, will be legal, valid and binding obligations of the Foundation.

(e) If, during the period provided in Paragraph 3(d) of the Contract of Purchase, any event shall occur which, in the judgment of the Foundation, requires an amendment or supplement to the Official Statement, the Foundation will promptly provide notice to you of such event and prepare or assist in the preparation of a supplement or amendment to the Official Statement so that, in the judgment of counsel to the Underwriters, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) After the Closing, the Foundation will (i) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, you reasonably object in writing or that is reasonably disapproved by your counsel; and (ii) for so long as the Underwriters are obligated by Rule 15c2-12 to deliver final Official Statements to prospective purchasers, if any event relating to or affecting the Foundation or any Member of the Obligated Group, occurs as a result of which it is necessary, in the opinion of counsel for the Underwriters or the Authority, to amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, forthwith prepare and furnish to the Underwriters and the Authority, at the expense of the Foundation for thirty days after the date hereof and thereafter at the expense of the Underwriters, a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters and to counsel to the Authority) which will amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes of this subsection, the Foundation will furnish such information with respect to any Member of the Obligated Group as the Authority and the Underwriters may from time to time reasonably request.

(g) The Foundation agrees to indemnify and hold harmless you and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) any of you (an "Indemnified Party") against any and all losses, claims, damages and liabilities arising out of any untrue statement of material fact in the Official Statement or any failure to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Foundation. In case any claim shall be made or action brought against an Indemnified Party based upon the Official Statement, in respect of which indemnity may be sought against the Foundation, you shall promptly notify the Foundation in writing setting forth the particulars of such claim or action and the Foundation shall assume the defense thereof, including, where you deem appropriate, the retaining of counsel and the payment of all expenses. Any Indemnified Party shall have the right to retain separate counsel in any such action and to participate in the defense thereof at your or such controlling person's own expense.

(h) If the indemnification provided for in the previous section is unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, claims damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Foundation on the one hand and the Underwriters on the other from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the Indemnified Party failed to give the notice required, then each indemnifying party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Foundation on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Foundation on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Foundation bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Foundation on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Foundation and the Underwriters agree that it would not be just and equitable if contribution pursuant to this section were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this section. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this section shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this section, the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds were offered to the public exceeds the amount of any damages which the Underwriters has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (with in the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(i) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, known to the Foundation to be pending or threatened against the Foundation affecting the existence of the Foundation or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of revenues pledged or to be pledged to pay the principal of, and premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Master Trust Indenture, the Loan Agreement, the Series 2014 Obligation and the Supplemental Master Trust Indenture or the Contract of Purchase, or contesting the powers of the Foundation or its authority to enter into, adopt or perform its obligations under any of the foregoing, or that would have a material adverse effect upon the financial condition, assets, properties or operations of the Foundation, or contesting in any way the completeness or accuracy of the Official Statement, as amended or supplemented.

(j) The execution and delivery of the Bonds, the Master Trust Indenture, the Loan Agreement, the Series 2014 Obligation and the Supplemental Master Trust Indenture, the Official Statement and Contract of Purchase, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Foundation is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or

encumbrance of any nature whatsoever upon any of the properties or assets of the Foundation under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument.

(k) All approvals, consents, authorizations, certificates and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or would materially adversely affect the performance by the Foundation of its obligations hereunder or under the Master Trust Indenture, the Loan Agreement, the Series 2014 Obligation and the Supplemental Master Trust Indenture or the consummation of the transactions contemplated in the Official Statement have been or, at Closing, will have been duly obtained and further no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Foundation that has not been obtained is or will be required for the issuance and sale of the Bonds or the consummation by the Foundation of the other transactions contemplated by the Contract of Purchase and the Official Statement, except as such may be required under the state securities or Blue Sky laws in connection with the distribution of the Bonds by the Underwriters.

The agreements and indemnities contained herein shall survive the Closing (as defined in the Contract of Purchase) and any investigation made by or on behalf of you or any person who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) any of you with respect to any matters described in or related to the transactions contemplated hereby and by the Series 2014 Obligation referred to in Paragraph (d) above, and by the Loan Agreement, the Contract of Purchase and the Official Statement.

This Letter of Representation shall be binding upon and inure solely to the benefit of you, each Member of the Obligated Group and, to the extent set forth herein, persons controlling any of you, and their respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation.

[The remainder of this page is left blank intentionally]

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Foundation a duplicate of this Letter of Representation whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

Very truly yours,

THE GREATER FAIRBANKS COMMUNITY
HOSPITAL FOUNDATION, INCORPORATED
for itself and as Obligated Group Agent
on behalf of the Obligated Group

By _____
Jeffry Cook
Its President

By _____
Roger Floerchinger
Its Treasurer

Accepted and confirmed as of
the date first above written

U.S. BANCORP INVESTMENTS, INC., for
itself and as Representative on behalf of the
Underwriters

By _____
Brian E. McGough
Its Managing Director

[SIGNATURE PAGE TO LETTER OF REPRESENTATION]

_____, 2014

LETTER OF REPRESENTATION
(Greater Fairbanks Community Hospital Foundation)

Alaska Industrial Development
and Export Authority
813 West Northern Lights Blvd.
Anchorage, AK 99503

The Alaska Industrial Development and Export Authority Alaska (the "Authority") and the undersigned, The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Foundation") propose to enter into a transaction pursuant to which the Authority and the Foundation will enter into a Loan and Security Agreement dated as of _____ 1, 2014 (the "Loan Agreement"). Pursuant to a Contract of Purchase dated _____, 2014 (the "Contract of Purchase") with the Representative, for itself and as representative on behalf of the Underwriters (as therein defined), which the Foundation and Banner Health have approved, the Authority proposes to issue \$[PAR AMOUNT] aggregate principal amount of its Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 (the "Bonds"). Certain revenues and other moneys derived by the Authority in connection with the Loan Agreement are pledged to secure the payment of the Bonds, including the interest thereon. The offering of the Bonds is described in an official statement, dated _____, 2014 (the "Official Statement"). Capitalized terms referenced in this Letter of Representation and not otherwise defined shall have the meanings assigned such terms in the Contract of Purchase, including those incorporated therein by reference.

In order to induce the Authority to enter into the Contract of Purchase and to make the offering and sale of the Bonds therein contemplated, the Foundation represents, warrants and agrees for the benefit of the Authority as follows:

(a) (i) The Official Statement as of its date and as of the date hereof did not contain any untrue statement of material fact and does not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and we consent to the use of such statements and information in the Official Statement; and (ii) the Foundation will provide to the Authority and the Underwriters information concerning developments that impact the accuracy and completeness of material statements and information contained in the Official Statement during the period of time specified in Paragraph 3(d) of the Contract of Purchase, will cooperate with the Authority and the Underwriters in amending the Official Statement if any of such information, in the judgment of the Authority, requires that the Official Statement be amended, pursuant to Rule 15c2-12 and will bear any and all reasonable costs, fees and expenses incurred by the Underwriters or the Authority in connection therewith.

The Foundation has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12 to provide Annual Reports and notices of material events pursuant to Rule 15c2-12.

(b) Since [December 31, 2013], there has been no material adverse change in the financial position or results of operations of the Foundation (other than as may have been disclosed in the Official Statement).

(c) Since [December 31, 2013], the Foundation has not incurred any material liabilities that currently are outstanding other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

(d) When executed and delivered, the Master Trust Indenture, the Loan Agreement, the Series 2014 Obligation and the Supplemental Master Trust Indenture, each referred to in the Official Statement, will be legal, valid and binding obligations of the Foundation.

(e) If, during the period provided in Paragraph 3(d) of the Contract of Purchase, any event shall occur which, in the judgment of the Foundation, requires an amendment or supplement to the Official Statement, the Foundation will promptly provide notice to the Authority of such event and prepare or assist in the preparation of a supplement or amendment to the Official Statement so that, in the judgment of counsel to the Underwriters, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) After the Closing, the Foundation will (i) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Authority reasonably objects in writing or that is reasonably disapproved by the Authority's counsel; and (ii) for so long as the Underwriters are obligated by Rule 15c2-12 to deliver final Official Statements to prospective purchasers, if any event relating to or affecting the Foundation or any Member of the Obligated Group, occurs as a result of which it is necessary, in the opinion of counsel for the Underwriters or the Authority, to amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, forthwith prepare and furnish to the Underwriters and the Authority, at the expense of the Foundation for thirty days after the date hereof and thereafter at the expense of the Underwriters, a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters and to counsel to the Authority) which will amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes of this subsection, the Foundation will furnish such information with respect to any Member of the Obligated Group as the Authority and the Underwriters may from time to time reasonably request.

(g) The Foundation agrees to indemnify and hold the Authority, its directors, members, officers and employees and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Authority (an "Indemnified Party") harmless against any and all losses, claims, damages and liabilities arising out of any untrue statement of material fact in the Official Statement or any failure to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Foundation. In case any claim shall be made or action brought against an Indemnified Party based upon the Official Statement, in respect of which indemnity may be sought against the Foundation, the Authority shall promptly notify the Foundation in writing setting forth the particulars of such claim or action and the Foundation shall assume the defense thereof, including, where you deem appropriate, the retaining of counsel, subject to the approval of the Authority and the payment of all expenses. Any Indemnified Party shall have the right to retain separate counsel in any such action and to participate in the defense thereof at the expense of the Authority.

The agreements and indemnities contained herein shall survive the Closing (as defined in the Contract of Purchase) and any investigation made by or on behalf of the Authority or any person who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Authority in connection with any matters described in or related to the transactions contemplated hereby and by the Series 2014 Obligation referred to in Paragraph (d) above, and by the Loan Agreement, the Contract of Purchase and the Official Statement.

This Letter of Representation shall be binding upon and inure solely to the benefit of the Authority, its directors, members, officers and employees and, to the extent set forth herein, persons controlling the Authority, and their respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation.

[The remainder of this page is left blank intentionally]

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Foundation a duplicate of this Letter of Representation whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

THE GREATER FAIRBANKS COMMUNITY
HOSPITAL FOUNDATION, INCORPORATED
for itself and as Obligated Group Agent
on behalf of the Obligated Group

By _____
Jeffry Cook
Its President

By _____
Roger Floerchinger
Its Treasurer

Accepted and confirmed as of
the date first above written.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By _____
Its Deputy Director - Finance & Operations

[SIGNATURE PAGE TO LETTER OF REPRESENTATION]

_____, 2014

LETTER OF REPRESENTATION
(*Banner Health*)

U.S. Bancorp Investments, Inc.,
Chicago, Illinois

Wells Fargo Bank, National Association,
Dallas, Texas

The Alaska Industrial Development and Export Authority (the "Authority") and The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Foundation") propose to enter into a transaction pursuant to which the Foundation and the Authority will enter into a Loan and Security Agreement, dated as of _____ 1, 2014 (the "Loan Agreement"). Pursuant to a Contract of Purchase dated _____, 2014 (the "Contract of Purchase"), with you, which the Foundation and we have approved, the Authority proposes to issue \$[PAR AMOUNT] aggregate principal amount of its Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 (the "Bonds"). Certain revenues and other moneys derived by the Authority in connection with the Loan Agreement are pledged to secure the payment of the Bonds, including the interest thereon. The offering of the Bonds is described in an official statement, dated _____, 2014 (the "Official Statement"). Capitalized terms referenced in this Letter of Representation and not otherwise defined shall have the meanings assigned such terms in the Contract of Purchase, including those incorporated therein by reference.

In order to induce you to enter into the Contract of Purchase and to make the offering and sale of the Bonds therein contemplated, Banner represents, warrants and agrees with you as follows:

(a) (i) The statements and information relative to the Lease and Banner's operation of facilities referenced in the Lease and Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (which are operating units of Banner) contained in the Official Statement (collectively, the "Banner Information") as of its date and as of the date hereof did not contain any untrue statement of material fact and does not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and we consent to the use of such statements and information in the Official Statement; and (ii) Banner will provide you and the Authority with information concerning developments that impact the accuracy and completeness of the Banner information during the period of time specified in Paragraph 3(d) of the Contract of Purchase, will cooperate with you and the Authority in amending the Official Statement if any of such information, in your judgment, requires that the Official Statement be amended in fulfillment of your responsibilities pursuant to Rule 15c2-12 and will bear any and all reasonable costs, fees and expenses incurred by the Authority or you in connection therewith.

Banner has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12 to provide Annual Reports and notices of material events pursuant to Rule 15c2-12.

(b) Since [December 31, 2013], there has been no material adverse change in the financial position or results of operations of Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (which are operating units of Banner) (other than as may have been disclosed in the Official Statement).

(c) Since [December 31, 2013], Banner has not incurred any material liabilities that currently are outstanding other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

(d) When executed and delivered, the Banner Documents, will be legal, valid and binding obligations of Banner.

(e) If, during the period provided in Paragraph 3(d) of the Contract of Purchase, any event shall occur which, in the judgment of Banner, requires an amendment or supplement to the Banner Information, Banner will promptly provide notice to you of such event and prepare or assist in the preparation of a supplement or amendment to the Banner Information so that, in the judgment of counsel to the Underwriters, the Banner Information does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) After the Closing, Banner will (i) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, you reasonably object in writing or that is reasonably disapproved by your counsel; and (ii) for so long as the Underwriters are obligated by Rule 15c2-12 to deliver final Official Statements to prospective purchasers, if any event relating to or affecting Banner, occurs as a result of which it is necessary, in the opinion of counsel for the Underwriters or the Authority, to amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, forthwith prepare and furnish to the Underwriters and the Authority, at the expense of Banner for thirty days after the date hereof and thereafter at the expense of the Underwriters, a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters and to counsel to the Authority) which will amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Banner agrees to indemnify and hold harmless you and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) any of you (an "Indemnified Party") against any and all losses, claims, damages and liabilities arising out of any untrue statement of material fact in the Official Statement or any failure to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of Banner. In case any claim shall be made or action brought against an Indemnified Party based upon the Official Statement, in respect of which indemnity may be sought against Banner, you shall promptly notify Banner in writing setting forth the particulars of such claim or action and Banner shall assume the defense thereof, including, where you deem appropriate, the retaining of counsel and the payment of all expenses. Any Indemnified Party shall have the right to retain separate counsel in any such action and to participate in the defense thereof at your or such controlling person's own expense.

(h) If the indemnification provided for in the previous section is unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, claims damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims damages or liabilities (or actions in

respect thereof) in such proportion as is appropriate to reflect the relative benefits received by Banner on the one hand and the Underwriters on the other from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the Indemnified Party failed to give the notice required, then each indemnifying party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of Banner on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by Banner on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by Banner bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by Banner on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Banner and the Underwriters agree that it would not be just and equitable if contribution pursuant to this section were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this section. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this section shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this section, the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds were offered to the public exceeds the amount of any damages which the Underwriters has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (with in the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(i) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, known to Banner to be pending or threatened against Banner affecting the existence of Banner or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of revenues pledged or to be pledged to pay the principal of, and premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Banner Documents or the Contract of Purchase, or contesting the powers of Banner or its authority to enter into, adopt or perform its obligations under any of the foregoing, or that would have a material adverse effect upon the financial condition, assets, properties or operations of Banner, or contesting in any way the completeness or accuracy of the Official Statement, as amended or supplemented.

(j) The execution and delivery of the Bonds, the Banner Documents, the Official Statement and Contract of Purchase, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which Banner is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of Banner under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument.

(k) All approvals, consents, authorizations, certificates and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which

would constitute conditions precedent to or would materially adversely affect the performance by Banner of its obligations hereunder or under the Banner Documents or the consummation of the transactions contemplated in the Official Statement have been or, at Closing, will have been duly obtained and further no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over Banner that has not been obtained is or will be required for the issuance and sale of the Bonds or the consummation by Banner of the other transactions contemplated by the Contract of Purchase and the Official Statement, except as such may be required under the state securities or Blue Sky laws in connection with the distribution of the Bonds by the Underwriters.

The agreements and indemnities contained herein shall survive the Closing (as defined in the Contract of Purchase) and any investigation made by or on behalf of you or any person who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) any of you with respect to any matters in or related to the transactions contemplated hereby, by the Contract of Purchase and by the Official Statement.

This Letter of Representation shall be binding upon and inure solely to the benefit of you and, to the extent set forth herein, persons controlling you, and your respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation.

[The remainder of this page is left blank intentionally]

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to Banner a duplicate of this Letter of Representation whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

Very truly yours,

BANNER HEALTH

By _____
Dennis Dahlen
Its Senior Vice President / CFO

Accepted and confirmed as of
the date first above written

U.S. BANCORP INVESTMENTS, INC., for
itself and as Representative on behalf of the
Underwriters

By _____
Brian E. McGough
Its Managing Director

[SIGNATURE PAGE TO LETTER OF REPRESENTATION]

_____, 2014

LETTER OF REPRESENTATION
(*Banner Health*)

Alaska Industrial Development
and Export Authority
813 West Northern Lights Blvd.
Anchorage, AK 99503

The Alaska Industrial Development and Export Authority Alaska (the "Authority") and The Greater Fairbanks Community Hospital Foundation, Incorporated (the "Foundation") propose to enter into a transaction pursuant to which the Authority and the Foundation will enter into a Loan and Security Agreement dated as of _____ 1, 2014 (the "Loan Agreement"). Pursuant to a Contract of Purchase dated _____, 2014 (the "Contract of Purchase") with the Representative, for itself and as representative on behalf of the Underwriters (as therein defined), which the Foundation and we have approved, the Authority proposes to issue \$[PAR AMOUNT] aggregate principal amount of its Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project) Series 2014 (the "Bonds"). Certain revenues and other moneys derived by the Authority in connection with the Loan Agreement are pledged to secure the payment of the Bonds, including the interest thereon. The offering of the Bonds is described an official statement, dated _____, 2014 (the "Official Statement"). Capitalized terms referenced in this Letter of Representation and not otherwise defined shall have the meanings assigned such terms in the Contract of Purchase, including those incorporated therein by reference.

In order to induce the Authority to enter into the Contract of Purchase and to make the offering and sale of the Bonds therein contemplated, Banner represents, warrants and agrees for the benefit of the Authority as follows:

(a) (i) The statements and information relative to the Lease and Banner's operation of facilities referenced in the Lease and Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (which are operating units of Banner) contained in the Official Statement (collectively, the "Banner Information") as of its date and as of the date hereof did not contain any untrue statement of material fact and does not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and we consent to the use of such statements and information in the Official Statement; and (ii) Banner will provide to the Authority and the Underwriters information concerning developments that impact the accuracy and completeness of the Banner Information during the period of time specified in Paragraph 3(d) of the Contract of Purchase, will cooperate with the Authority and the Underwriters in amending the Official Statement if any of such information, in the judgment of the Authority, requires that the Official Statement be amended, pursuant to Rule 15c2-12 and will bear any and all reasonable costs, fees and expenses incurred by the Underwriters or the Authority in connection therewith.

Banner has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12 to provide Annual Reports and notices of material events pursuant to Rule 15c2-12.

(b) Since [December 31, 2013], there has been no material adverse change in the financial position or results of operations of Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (which are operating units of Banner) (other than as may have been disclosed in the Official Statement).

(c) Since [December 31, 2013], Banner has not incurred any material liabilities that currently are outstanding other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

(d) When executed and delivered, Banner Documents, will be legal, valid and binding obligations of Banner.

(e) If, during the period provided in Paragraph 3(d) of the Contract of Purchase, any event shall occur which, in the judgment of Banner, requires an amendment or supplement to the Banner Information, Banner will promptly provide notice to the Authority of such event and prepare or assist in the preparation of a supplement or amendment to the Banner Information so that, in the judgment of counsel to the Underwriters, the Banner Information does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) After the Closing, Banner will (i) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Authority reasonably objects in writing or that is reasonably disapproved by the Authority's counsel; and (ii) for so long as the Underwriters are obligated by Rule 15c2-12 to deliver final Official Statements to prospective purchasers, if any event relating to or affecting Banner occurs as a result of which it is necessary, in the opinion of counsel for the Underwriters or the Authority, to amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, forthwith prepare and furnish to the Underwriters and the Authority, at the expense of Banner for thirty days after the date hereof and thereafter at the expense of the Underwriters, a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters and to counsel to the Authority) which will amend or supplement the Official Statement so that the information contained in the Official Statement does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Banner agrees to indemnify and hold the Authority, its directors, members, officers and employees and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Authority (an "Indemnified Party") harmless against any and all losses, claims, damages and liabilities arising out of any untrue statement of material fact in the Official Statement or any failure to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of Banner. In case any claim shall be made or action brought against an Indemnified Party based upon the Official Statement, in respect of which indemnity may be sought against Banner, the Authority shall promptly notify Banner in writing setting forth the particulars of such claim or action and Banner shall assume the defense thereof, including, where you deem appropriate, the retaining of counsel, subject to the approval of the Authority and the payment of all expenses. Any Indemnified Party shall have the right to retain separate counsel in any such action and to participate in the defense thereof at the expense of the Authority.

The agreements and indemnities contained herein shall survive the Closing (as defined in the Contract of Purchase) and any investigation made by or on behalf of the Authority or any person who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Authority in

connection with any matters described in or related to the transactions contemplated hereby, by the Contract of Purchase and by the Official Statement.

This Letter of Representation shall be binding upon and inure solely to the benefit of the Authority, its directors, members, officers and employees and, to the extent set forth herein, persons controlling the Authority, and their respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation.

[The remainder of this page is left blank intentionally]

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Banner a duplicate of this Letter of Representation whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

BANNER HEALTH

By _____
Dennis Dahlen
Its Senior Vice President / CFO

Accepted and confirmed as of
the date first above written.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By _____
Its Deputy Director – Finance & Operations

[SIGNATURE PAGE TO LETTER OF REPRESENTATION]

LIST OF UNDERWRITERS

U.S. Bancorp Investments, Inc.

Wells Fargo Bank, National Association*

* Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 14, 2014

NEW ISSUE - BOOK ENTRY ONLY

**RATINGS: S&P: “__”
FITCH: “__”
See “RATINGS” herein**

Bond Counsel Opinion: In the opinion of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other things, compliance by the Authority, the Foundation, and Banner with their respective covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of or the accrual or receipt of interest on the Series 2014 Bonds. See the information contained herein under the caption, “TAX MATTERS”.

\$60,000,000*
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
REVENUE BONDS

(GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION PROJECT) SERIES 2014

Dated: Date of Delivery

Due April 1, as shown on inside cover

The Series 2014 Bonds are special and limited obligations of the Alaska Industrial Development and Export Authority (the “Authority”), and are payable solely from and secured exclusively by payments, revenues and other amounts pledged under the Indenture dated as of April 1, 2014, (the “Indenture” or “Bond Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee” or “Bond Trustee”), including payments to be made by The Greater Fairbanks Community Hospital Foundation, Incorporated (the “Foundation”) under a Loan and Security Agreement dated as of April 1, 2014 (the “Loan Agreement”), between the Authority and the Foundation, and payments to be made by the Foundation on the Series 2014 Obligation (defined herein), supporting the Series 2014 Bonds, to be issued by the Foundation at the time of issuance of the Series 2014 Bonds, as Obligated Group Agent under the Master Indenture (defined herein). In addition, Banner Health (“Banner”) has guaranteed regularly scheduled payments of principal and interest on the Series 2014 Bonds subject to certain limitations described herein.

The Series 2014 Bonds are issued as fully registered bonds without coupons, and are registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC acts as securities depository for the Series 2014 Bonds. Purchases of the Series 2014 Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof. Purchasers of the Series 2014 Bonds will not receive certificates representing their interest in the Series 2014 Bonds purchased. See “BOOK-ENTRY ONLY SYSTEM” herein.

Principal of, premium, if any, and interest on the Series 2014 Bonds will be paid by the Bond Trustee as Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Authority, the Foundation nor the Bond Trustee will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Series 2014 Bonds. Interest on the Series 2014 Bonds will be payable commencing on [April 1, 2015] and semiannually thereafter on each April 1 and October 1, in each case until the respective maturity or earlier redemption thereof at the rates set forth on the inside cover hereof and shall mature on the dates on the inside cover hereof, subject to earlier redemption, upon surrender at the principal corporate trust office of the Bond Trustee.

THE SERIES 2014 BONDS INVOLVE RISK INCLUDING, AMONG OTHERS, THOSE DESCRIBED UNDER THE HEADING “BONDHOLDERS’ RISKS” HEREIN. NO PROSPECTIVE PURCHASER OF THE SERIES 2014 BONDS SHOULD MAKE A DECISION TO PURCHASE ANY SERIES 2014 BONDS WITHOUT FIRST READING AND CONSIDERING IN FULL THIS ENTIRE OFFICIAL STATEMENT, INCLUDING, WITHOUT LIMITATION, THE SECTION ENTITLED “BONDHOLDERS’ RISKS” HEREIN.

The Series 2014 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2014 BONDS – Redemption” herein.

[The scheduled payment of principal of and interest on the Series 2014 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2014 Bonds by _____.

[Add logo]

THE SERIES 2014 BONDS AND THE INTEREST THEREON CONSTITUTE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE FOUNDATION UNDER THE LOAN AGREEMENT, AMOUNTS OTHERWISE AVAILABLE UNDER THE BOND INDENTURE FOR THE PAYMENT OF THE SERIES 2014 BONDS, AMOUNTS PAYABLE BY THE OBLIGATED GROUP UNDER THE MASTER INDENTURE, AMOUNTS PAYABLE UNDER THE SERIES 2014 BANNER LIMITED GUARANTY (DEFINED HEREIN) [AND AMOUNTS PAYABLE UNDER THE POLICY (DEFINED HEREIN)]. NEITHER THE AUTHORITY, THE STATE OF ALASKA NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, OR THE PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE STATE OF ALASKA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

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

The Series 2014 Bonds are offered when, as and if issued by the Authority and received by U.S. Bancorp Investments, Inc. and Wells Fargo Securities (collectively, the “Underwriters”), subject to prior sale and to the approval of legality by the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed upon for the Foundation by its in-house counsel and Dorsey & Whitney LLP, Des Moines, Iowa, Disclosure Counsel, for Banner Health by its Senior Vice President/General Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. In addition, the Attorney General of the State of Alaska, as general counsel to the Authority, will provide a certificate of no litigation regarding the Authority’s ability to issue the Series 2014 Bonds. First Southwest Company is employed as the financial advisor to the Foundation. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2014 Bonds. For details of the Underwriters’ compensation, see “UNDERWRITING” herein. It is expected that the Series 2014 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about April ____, 2014.

[Add Logos of U.S. Bancorp and Wells Fargo Securities]

The date of this Official Statement is _____, 2014.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of any such jurisdiction.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND PRICES*

\$60,000,000

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
REVENUE BONDS**

**(GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION PROJECT)
SERIES 2014**

<u>Maturity</u> <u>April 1,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Number**</u>
04/01/2015					
04/01/2016					
04/01/2017					
04/01/2018					
04/01/2019					
04/01/2020					
04/01/2021					
04/01/2022					
04/01/2023					
04/01/2024					
04/01/2025					
04/01/2026					
04/01/2027					
04/01/2028					
04/01/2029					
04/01/2030					
04/01/2031					
04/01/2032					
04/01/2033					
04/01/2034					

* Preliminary, subject to change.

** CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Foundation, the Authority or the Underwriters. Neither the Foundation, Banner, the Authority nor the Underwriters have selected or are responsible for selecting the CUSIP numbers assigned to the Series 2014 Bonds nor do the Foundation, Banner, the Authority or the Underwriters make any representation as to the correctness of such CUSIP numbers on the Series 2014 Bonds as indicated above.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Authority, the Foundation, Banner or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offering or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Foundation, Banner, DTC and from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the Authority. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Series 2014 Bonds made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, DTC, the Foundation, Banner or FMH/DC/TVC (defined herein).

The information set forth under the captions, "INTRODUCTION – The Alaska Industrial Development and Export Authority," "THE AUTHORITY" and "LITIGATION – Authority" has been furnished by the Authority and the information set forth under the caption, "BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC. All other information in this Official Statement has been obtained from the Foundation, Banner and FMH/DC/TVC and other sources that are believed to be reliable, but is not to be construed as a representation of the Underwriters or the Authority. 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 Authority, DTC, the Foundation, Banner or FMH/DC/TVC.

The Authority has consented to the use of this Official Statement. The Authority does not assume any responsibility for the accuracy or completeness of any information contained in this Official Statement, except such information relating specifically to the Authority under the captions, "INTRODUCTION – The Alaska Industrial Development and Export Authority," "THE AUTHORITY" and "LITIGATION – Authority."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT NOTICE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FOUNDATION, [THE INSURER] BANNER AND FMH/DC/TVC, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2014 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

NONDEPOSIT INVESTMENT PRODUCTS ARE NOT INSURED BY THE FDIC AND ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF OR GUARANTEED BY U.S. BANK NATIONAL ASSOCIATION, OR ITS AFFILIATES, AND INVOLVE RISK, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

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 2014 BONDS. NO ASSURANCE CAN BE GIVEN THAT THE CUSIP NUMBERS FOR THE SERIES 2014 BONDS WILL REMAIN THE SAME AFTER THE DATE OF ISSUANCE AND DELIVERY OF THE SERIES 2014 BONDS.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2014 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2014 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2014 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Forward-Looking Statements

This Official Statement contains disclosures which contain “forward-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like “pro forma,” “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” or “continue.” These forward-looking statements are based on the current plans and expectations of the Foundation and management of the health care facilities owned by the Foundation and leased to Banner and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Foundation’s and Banner’s control, that could significantly affect current plans and expectations and the Foundation’s future financial position and results of operations. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement, including APPENDIX A.

TABLE OF CONTENTS

	Page
INTRODUCTION.....	4
THE AUTHORITY	9
THE SERIES 2014 BONDS	10
BOOK-ENTRY ONLY SYSTEM	12
SECURITY FOR THE SERIES 2014 BONDS	13
[BOND INSURANCE.....	17
PLAN OF FINANCE.....	17
ESTIMATED SOURCES AND USES.....	18
DEBT SERVICE REQUIREMENTS.....	18
PRO FORMA DEBT SERVICE COVERAGE	20
BONDHOLDERS’ RISKS	20
LITIGATION.....	49
UNDERWRITING.....	50
TAX MATTERS	50
CONTINUING DISCLOSURE	52
CERTAIN LEGAL MATTERS	52
RELATIONSHIPS AMONG THE PARTIES	52
RATINGS	53
FINANCIAL ADVISOR	53
FINANCIAL STATEMENTS.....	53
MISCELLANEOUS	54
APPENDIX A - THE GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION INCORPORATED, BANNER HEALTH AND FMH/DC/TVC – GENERAL INFORMATION AND OPERATING DATA	
APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION INCORPORATED; AUDITED COMBINED FINANCIAL STATEMENTS OF FMH/DC/TVC	
APPENDIX C - MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT	
APPENDIX D - FORM OF OPINION OF BOND COUNSEL	
[APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY]	
APPENDIX F - CONTINUING DISCLOSURE AGREEMENT	

OFFICIAL STATEMENT

Relating to

\$60,000,000*

**Alaska Industrial Development and Export Authority
Revenue Bonds
(Greater Fairbanks Community Hospital Foundation Project)
Series 2014**

INTRODUCTION

General

This Official Statement, including the cover page, the inside front cover page and Appendices hereto, sets forth certain information relating to the issuance and sale by the Alaska Industrial Development and Export Authority (the "Authority") of \$60,000,000* principal amount of the Alaska Industrial Development and Export Authority Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), Series 2014 (the "Series 2014 Bonds" or the "Bonds"). The Series 2014 Bonds will be issued pursuant to an Indenture dated as of April 1, 2014 (the "Indenture" or "Bond Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee" or "Bond Trustee"). The proceeds of the Series 2014 Bonds will be loaned to The Greater Fairbanks Community Hospital Foundation, Incorporated, an Alaska nonprofit corporation (the "Foundation") pursuant to the provisions of a Loan and Security Agreement dated as of April 1, 2014 (the "Loan Agreement") between the Authority and the Foundation. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in "APPENDIX C – MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE AND FORM OF LOAN AGREEMENT" attached hereto.

The Series 2014 Bonds are being issued to provide funds which will be used to (i) finance the costs of acquisition construction, renovation and equipping of new surgical suites, including supporting space such as sterile processing and a new hallway, for the Fairbanks Memorial Hospital (the "Hospital") located at the intersection of Cowles and 19th Avenue (or East Cowles and West Cowles), Fairbanks, Alaska (the "Project"); (ii) fund a debt service reserve account for the Bonds; and (iii) pay all or a portion of the costs incurred in connection with the issuance of the Series 2014 Bonds. See "PLAN OF FINANCE" herein.

This Official Statement contains descriptions of, among other matters, the Series 2014 Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture (defined herein), the Eighth Supplemental Indenture (defined herein), the Series 2014 Banner Limited Guaranty (defined herein), the Foundation, Banner Health ("Banner") and FMH/DC/TVC (defined herein). Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Bond Indenture, the Loan Agreement, the Master Indenture, the Eighth Supplemental Indenture and the Series 2014 Banner Limited Guaranty are qualified in their entirety by reference to such documents, and references herein to the Series 2014 Bonds are qualified in their entirety by reference to the forms thereof included in the APPENDIX C. The Master Indenture, the form of the Eighth Supplemental Indenture, the form of the Bond Indenture, and the form of the Loan Agreement are set forth in APPENDIX C attached hereto. After the issuance of the Series 2014 Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Bond Trustee.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings included in APPENDIX C - "MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT."

The Authority has not participated in the preparation of this Official Statement and has not verified the accuracy of the information contained herein, other than the information respecting the Authority contained herein under the captions "INTRODUCTION – The Alaska Industrial Development and Export Authority," "THE

* Preliminary, subject to change.

AUTHORITY” and “LITIGATION – Authority”. The Authority has authorized the use of this Official Statement in connection with the offering and sale of the Series 2014 Bonds; however, such authorization does not constitute approval of the information contained herein, other than such aforesaid information contained herein. The legal opinions referred to in this Official Statement will be delivered on the date of issuance of the Series 2014 Bonds.

In connection with the issuance of the Series 2014 Bonds, the Foundation is undertaking to provide certain continuing disclosures, all as further set forth in its Continuing Disclosure Agreement dated as of April 1, 2014 (the “Continuing Disclosure Agreement”) between the Foundation and the Bond Trustee. See “CONTINUING DISCLOSURE” herein and “CONTINUING DISCLOSURE AGREEMENT” in APPENDIX E hereto.

For information with respect to the Foundation, Banner and FMH/DC/TVC see APPENDIX A attached hereto. Audited financial statements of the Foundation and combined audited financial statements of FMH/DC/TVC are included in APPENDIX B attached hereto.

Authorization

The Series 2014 Bonds are being issued under the authority of Alaska Statutes 44.88, as amended (the “Alaska Act”), and an authorizing resolution adopted by the Authority on February 20, 2014. See “THE AUTHORITY” herein.

The Foundation and Banner Health

The Foundation is an Alaska nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Foundation owns the facilities of Fairbanks Memorial Hospital, an acute care hospital (“Fairbanks Memorial Hospital,” the “Hospital” or “FMH”), a skilled nursing facility (the “Denali Center” or “DC” and, together with FMH, “FMH/DC”) located in Fairbanks, Alaska, and Tanana Valley Clinic (“TVC” and, together with FMH/DC, “FMH/DC/TVC”), a 43-physician and midlevel provider practice also located in Fairbanks, Alaska. The Foundation leases the facilities occupied by FMH/DC/TVC to Banner Health (“Banner”), an Arizona nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Code. Banner operates FMH/DC/TVC and makes rental payments to the Foundation pursuant to a Lease Agreement dated as of January 1, 1993 (as supplemented and amended, the “Lease”), between the Foundation and Banner. See APPENDIX A herein for more information on the Foundation, Banner, FMH/DC/TVC and the Lease. See “BONDHOLDERS’ RISKS - The Lease” herein for a discussion of certain of the risks associated with the Lease.

The Obligated Group

The Foundation is the sole member of an Obligated Group (defined herein) pursuant to a Master Trust Indenture dated as of October 1, 2004 (as supplemented, the “Master Indenture”) between the Foundation and U.S. Bank National Association, as master trustee (the “Master Trustee”). The Foundation is also the Obligated Group Agent under the Master Indenture, and has no present intent to add Members to the Obligated Group.

Other entities may become Members of the Obligated Group in accordance with the procedures set forth in the Master Indenture. Future Members of the Obligated Group will be jointly and severally liable for the repayment of all obligations issued under the Master Indenture (collectively, the “Obligations”). Members of the Obligated Group are liable on all Obligations regardless of whether such Obligations are issued for their benefit. Upon satisfaction of the conditions set forth in the Master Indenture, any Member may withdraw from the Obligated Group and be released from its obligations under the Master Indenture. See the Master Indenture set forth in “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” in APPENDIX C attached hereto.

The Alaska Industrial Development and Export Authority

The Authority is a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision within the Alaska Department of Commerce, Community and Economic Development but with a separate and independent legal existence under the laws of the State of Alaska.

The Series 2014 Bonds are being issued under the Authority of the Alaska Act and an authorizing resolution adopted by the Authority on February 20, 2014.

Security for the Series 2014 Bonds

The Bond Indenture and the Loan Agreement. The Series 2014 Bonds will be issued under the Bond Indenture. Concurrently with the issuance of the Series 2014 Bonds, the Foundation and the Authority will enter into the Loan Agreement. Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2014 Bonds to the Foundation. In order to secure its obligations under the Loan Agreement with respect to the Series 2014 Bonds, the Foundation will issue and deliver The Greater Fairbanks Community Hospital Foundation, Incorporated, Direct Note Obligation (Alaska Industrial Development and Export Authority) Series 2014 (the “Series 2014 Obligation”) under the Master Indenture and the Eighth Supplemental Indenture dated as of April 1, 2014 (the “Eighth Supplemental Indenture”), between the Foundation and the Master Trustee, in the principal amount equal to the principal amount of the Series 2014 Bonds. The payments required under the Series 2014 Obligation are intended to be sufficient, together with other moneys available therefor, to make payments, when due, of the principal of, premium, if any, and interest on the Series 2014 Bonds. Payments made by the Foundation pursuant to the Series 2014 Obligation constitute repayment on the loan made pursuant to the Loan Agreement.

Pursuant to the Bond Indenture, the Authority pledged and assigned to the Bond Trustee the payments to be received by the Authority pursuant to the Loan Agreement (except its rights to indemnification, payment of fees and expenses and certain other unassigned rights (together the “Unassigned Rights”)), the Series 2014 Obligation, and all moneys and investments from time to time on deposit in the funds and accounts created under the Bond Indenture (collectively, the “Pledge and Assignment”).

Debt Service Reserve Account. Upon the issuance of the Series 2014 Bonds, the amount of \$_____ will be deposited in the Debt Service Reserve Account of the Bond Fund (the “Debt Service Reserve Account”) to be held by the Trustee pursuant to the Bond Indenture. Amounts in the Debt Service Reserve Account are available to make payments of principal and interest on the Series 2014 Bonds when insufficient funds are otherwise available. See “SECURITY FOR THE SERIES 2014 BONDS – Debt Service Reserve Account” herein.

Bond Insurance. Concurrently with the issuance of the Series 2014 Bonds, _____ (the “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Series 2014 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2014 Bonds when due as set forth in the form of the Policy in APPENDIX E attached hereto. The Policy is not covered by any insurance security or guaranty fund established under _____ law. See “BOND INSURANCE” and “BONDHOLDERS’ RISKS – Bond Insurance” herein.]

The Master Indenture. The Master Indenture permits the Foundation and other Members of the Obligated Group to issue additional obligations upon meeting certain requirements set forth in the Master Indenture. In order to secure its obligations under the Loan Agreement, the Foundation will issue and deliver the Series 2014 Obligation. Upon the issuance of the Series 2014 Bonds, the following Obligations will be outstanding in the corresponding principal amounts under the Master Indenture (collectively, the “Outstanding Obligations”):

(i) The Greater Fairbanks Community Hospital Foundation Incorporated, Direct Note Obligation (Alaska Industrial Development and Export Authority), Series 2004A (the “Series 2004A Obligation”) in the outstanding principal amount of \$_____.

(ii) The Greater Fairbanks Community Hospital Foundation Incorporated Swap Note Obligation (Citibank, N.A., New York) Series 2004C (the “Swap Obligation”) in the outstanding principal amount of \$_____.

(iii) The Greater Fairbanks Community Hospital Foundation, Incorporated, Direct Note Obligation (Alaska Industrial Development and Export Authority), Series 2009A (the “Series 2009A Obligation”) in the outstanding principal amount of \$_____.

* Preliminary, subject to change.

(iv) The Greater Fairbanks Community Hospital Foundation Incorporated Direct Note Obligation (the “Series 2009A Credit Facility Obligation”) in the outstanding principal amount of \$_____.

(v) The Greater Fairbanks Community Hospital Foundation Incorporated Direct Note Obligation (Alaska Industrial Development and Export Authority), Series 2009B (the “Series 2009B Obligation”) in the outstanding principal amount of \$_____.

(vi) The Greater Fairbanks Community Hospital Foundation, Incorporated, Series 2009B First Replacement Bank Obligation (the “Series 2009B Credit Facility Obligation”), in the outstanding principal amount of \$_____.

(vii) The Greater Fairbanks Community Hospital Foundation, Incorporated, Direct Note Obligation (Alaska Industrial Development and Export Authority), Series 2009C, (the “Series 2009C Obligation”) outstanding in the principal amount of \$_____, and

(viii) the Series 2014 Obligation.

The Series 2009A Credit Facility Obligation was issued by the Foundation to the order of Union Bank, N.A. (the “Series 2009A Credit Facility Provider”), which provided a direct pay letter of credit with respect to the Series 2009A Bonds, and the Series 2009B Credit Facility Obligation was issued by the Foundation to the order of U.S. Bank National Association (the “Series 2009B Credit Facility Provider”), which provided a direct pay letter of credit with respect to the Series 2009B Bonds. The Series 2009A Credit Facility Obligation was issued to reimburse the Series 2009A Credit Facility Provider for certain payments made on behalf of the Foundation with respect to the Series 2009A Obligation. The Series 2009B Credit Facility Obligation was issued to reimburse the Series 2009B Credit Facility Provider for certain payments made on behalf of the Foundation with respect to the Series 2009B Obligation. The Series 2009A Credit Facility Obligation and the Series 2009B Credit Facility Obligation are not additional obligations independent of the Series 2009A Obligation and the Series 2009B Obligations, respectively.

The Foundation, as the sole Member of the Obligated Group, is currently the only entity obligated to make payments pursuant to the Master Indenture.

The Obligated Group has granted to the Master Trustee a security interest in Gross Receipts (defined herein). The Master Indenture requires the Obligated Group, in the event that it fails to make any payment due on any Obligation, to deposit with the Master Trustee all of its Gross Receipts. All Obligations issued under the Master Indenture are secured by the pledge of Gross Receipts on a parity basis.

“Gross Receipts” means (i) rental income for FMH/DC [and the Chief Andrew Isaac Health Center], (ii) realized investment income and contract rights, and (iii) proceeds of the foregoing. **Rental income from TVC and properties owned by the Foundation that are not located on the FMH/DC campus are not included in Gross Receipts, and are not pledged under the Master Indenture to the payment of Obligations.** [See “FMH/DC/TVC AND RELATED FACILITIES in APPENDIX A and “BONDHOLDERS’ RISKS – The Lease” herein for information regarding the proposed termination of the lease relating to the Chief Andrew Isaac Health Center.] See “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” in APPENDIX C for the terms of the Master Indenture. See Note 11 in the audited financial statements of the Foundation in APPENDIX B attached hereto for a breakdown of the rental income of the Foundation.

Additional Indebtedness Under the Master Indenture. The Master Indenture permits Additional Indebtedness of any Member to be secured by certain security which need not be extended to any other Indebtedness (including the Series 2014 Obligation). For a more detailed description of the Master Indenture, see “SECURITY FOR THE SERIES 2014 BONDS” herein and the form of the Master Indenture set forth in APPENDIX C - “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT.”

The Master Indenture applies to the Foundation and any future Member of the Obligated Group. The Master Indenture imposes restrictions on the merger or consolidation of any Member of the Obligated Group and the sale or conveyance of all or substantially all of the assets of any Member of the Obligated Group. See the form of

the Master Indenture set forth in APPENDIX C – “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT”, “BONDHOLDERS’ RISKS - Certain Matters Relating to Security for the Series 2014 Obligation” and “SECURITY FOR THE SERIES 2014 BONDS” herein.

Series 2014 Banner Limited Guaranty. Banner will guarantee the regularly scheduled payments of principal of and interest on the Series 2014 Bonds (including by mandatory sinking fund redemption, but not by any other redemption or acceleration) pursuant to the 2014 Limited Guaranty Agreement dated as of _____, 2014 (the “Series 2014 Banner Limited Guaranty”), between Banner and the Bond Trustee. The Series 2014 Banner Limited Guaranty will also provide that such guarantee is limited to the period that the Lease is in effect. The maximum amount payable by Banner in any calendar year under any of the Banner Limited Guaranties (defined herein) is limited to the amount by which all scheduled rental payments to be paid by Banner pursuant to the Lease (except certain rental payments relating to TVC) exceeds all payments of such rent actually paid by Banner to the Foundation during such calendar year prior to receipt of a demand by the Trustee under any of the Banner Limited Guaranties. In the event that Banner makes any payment under the Series 2014 Banner Limited Guaranty, Banner is entitled to a credit in such amount on its obligations to pay such rent under the Lease. If such credit is not permitted for any reason, Banner’s obligations to make payments under the Series 2014 Banner Limited Guaranty shall be reduced by the amount of such denied credit.

Upon termination of the Lease, the Series 2014 Banner Limited Guaranty will also terminate. The Lease currently expires on December 31, 2032, subject to earlier termination upon an event of default by either party or may be cancelled by either party without cause upon one year’s notice. Neither Banner nor the Foundation currently intends to terminate the Lease. If the Lease expires pursuant to its terms, or is cancelled or terminated prior to its expiration date, the Series 2014 Banner Limited Guaranty will also terminate. See “SECURITY FOR THE SERIES 2014 BONDS – The Series 2014 Banner Limited Guaranty”, “BONDHOLDERS’ RISKS – The Banner Limited Guaranties” and “BONDHOLDERS’ RISKS – The Lease” and BONDHOLDERS’ RISKS – The Banner Limited Guaranties” herein for certain risks related to the Lease, including the expiration of the stated term of the Lease prior to the final maturity of the Series 2014 Bonds and the related termination of the Banner Limited Guaranties, including the Series 2014 Banner Limited Guaranty.

Banner has guaranteed the regularly scheduled payments of principal and interest on (1) the Alaska Industrial Development and Export Authority Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), 2004 Series A (the “Series 2004A Bonds”) pursuant to the 2004 Limited Guaranty Agreement dated as of October 1, 2004 (the “Series 2004A Banner Limited Guaranty”), (2) the Alaska Industrial Development and Export Authority Refunding Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), Series 2009A (the “Series 2009A Bonds”) pursuant to the 2009 Limited Guaranty Agreement dated as of March 31, 2009 (the “Series 2009A Banner Limited Guaranty”), (3) the Alaska Industrial Development and Export Authority Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), Series 2009B (the “Series 2009B Bonds”) pursuant to the 2009B Limited Guaranty dated as of November 5, 2009 (the “Series 2009B Banner Limited Guaranty”), (4) the Alaska Industrial Development and Export Authority Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), Series 2009C (the “Series 2009C Bonds”) pursuant to the 2009C Limited Guaranty dated as of November 1, 2009 (the “Series 2009C Banner Limited Guaranty”), and will guarantee the regularly scheduled payments of principal and interest on the Series 2014 Bonds pursuant to the Series 2014 Banner Limited Guaranty (the Series 2014 Banner Limited Guaranty, together with the Series 2004A Banner Limited Guaranty, the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, and the 2009C Banner Limited Guaranty, are referred to herein from time to time as the “Banner Limited Guaranties”). Payments under the Series 2004A Banner Limited Guaranty are senior in priority to the payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty. Payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty, are on a parity, and payments received from Banner with respect thereto will be applied proportionately to the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds, the Series 2014 Bonds and any other indebtedness of the Foundation which is guaranteed on a parity therewith, as measured by the principal amount of each series of bonds or other indebtedness then outstanding. See “BONDHOLDERS’ RISKS - The Banner Limited Guaranties” herein for a discussion of the risks associated with the Banner Limited Guaranties.

Limited Obligations. The Series 2014 Bonds are special, limited obligations of the Authority, payable solely from payments to be made by the Foundation under the Loan Agreement and the Series 2014 Obligation and from certain other funds held by the Bond Trustee under the Bond Indenture[, from payments under the Policy,] and from payments made under the Series 2014 Banner Limited Guaranty, and not from any other fund or source of the Authority, and are secured under the Bond Indenture and the Loan Agreement as described herein. Under the Loan Agreement, the Foundation is obligated to make payments which are designed to be sufficient, in the aggregate, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series 2014 Bonds. Pursuant to the Bond Indenture, the Authority has assigned to the Bond Trustee, for the benefit and security of the Bondholders, all of the rights of the Authority in the Loan Agreement (excluding the Unassigned Rights), including all Loan Payments payable under the Loan Agreement.

The Series 2014 Bonds are revenue bonds of the Authority secured solely by and payable solely from the revenues and assets pledged under the Bond Indenture, payments made pursuant to the Loan Agreement and the Series 2014 Obligation[, from payments under the Policy,] and from payments made under the Series 2014 Banner Limited Guaranty. The Series 2014 Bonds are not general obligations of the Authority, and the assets and revenues of the Authority are not available for the payment of the Series 2014 Bonds or any fees or charges related thereto except to the extent specifically pledged therefor under the Bond Indenture. The Series 2014 Bonds do not constitute an indebtedness or other liability of the State of Alaska or of a political subdivision of the State of Alaska, except the Authority (and, as to the Authority, only to the extent set forth herein). The Authority may not pledge the faith or credit of the State of Alaska or of a political subdivision of the State of Alaska, and does not pledge the faith or credit of the Authority, to the payment of the Series 2014 Bonds, and the issuance of the Series 2014 Bonds does not directly or indirectly or contingently obligate the State of Alaska or a political subdivision of the State of Alaska to apply money from, or levy or pledge any form of taxation whatever to, the payment of the Series 2014 Bonds. The owners of the Series 2014 Bonds must look only to the revenues and assets received by the Authority from the Foundation and pledged as security for the Series 2014 Bonds under the Bond Indenture and the Banner Limited Guaranties, and not to any other revenues and assets of the Authority for repayment of the Series 2014 Bonds.

Bondholders' Risks

CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE SERIES 2014 BONDS ARE DISCUSSED UNDER "BONDHOLDERS' RISKS" HEREIN.

THE AUTHORITY

The Alaska Industrial Development and Export Authority was created in 1967 pursuant to the Alaska Act. Pursuant to the Alaska Act, the Authority has the power to issue bonds, including bonds on which the principal and interest are payable exclusively from the income and receipts or other money derived from the project financed with the proceeds of such bonds, for the purpose of financing projects or to refund bonds that were issued for that purpose. Before issuing such bonds, the Authority must provide for consideration at least sufficient, in the judgment of the Authority, to pay the principal of and interest on such bonds as they become due. Such consideration may be provided by a loan agreement. The Authority will enter into the Loan Agreement with the Foundation at the time of issuance of the Series 2014 Bonds. While the Authority has determined that the terms of the Loan Agreement require payments sufficient to pay principal of and interest on the Series 2014 Bonds, the Authority makes no representations as to the ability of the Foundation to make the payments required under the Loan Agreement, and purchasers of the Series 2014 Bonds are advised to make their own inquiries and reach their own conclusions in that regard.

The governing board of the Authority consists of 7 members: the Commissioners of the Department of Revenue and the Department of Commerce, Community, and Economic Development or their respective designees; and five public members, each of whom has expertise in private sector business or industry, or both, and possesses demonstrated leadership skills.

The Series 2014 Bonds are revenue bonds of the Authority secured solely by and payable solely from the revenues and assets pledged under the Bond Indenture authorizing the issuance of the Series 2014 Bonds, payments made pursuant to the Loan Agreement, and from payments made under the Series 2014 Banner Limited Guaranty. The Series 2014 Bonds are not general obligations of the Authority, and the assets and revenues of the Authority are not available for the payment of the Series 2014 Bonds or any fees or charges related thereto except to the extent

specifically pledged therefor under the Bond Indenture authorizing the issuance of the Series 2014 Bonds. The Series 2014 Bonds do not constitute an indebtedness or other liability of the State of Alaska or of a political subdivision of the State of Alaska, except the Authority (and, as to the Authority, only to the extent set forth herein). The Authority may not pledge the faith or credit of the State of Alaska or of a political subdivision of the State of Alaska, and does not pledge the faith or credit of the Authority, to the payment of the Series 2014 Bonds, and the issuance and delivery of the Series 2014 Bonds does not directly or indirectly or contingently obligate the State of Alaska or a political subdivision of the State of Alaska to apply money from, or levy or pledge any form of taxation whatever to, the payment of the Series 2014 Bonds. The Authority has no taxing power. The owners of the Series 2014 Bonds must look only to the revenues and assets received by the Authority from the Foundation and pledged as security for the Series 2014 Bonds under the Bond Indenture authorizing the issuance of the Series 2014 Bonds and the Banner Limited Guaranties, and not to any other revenues and assets of the Authority for repayment of the Series 2014 Bonds.

THE SERIES 2014 BONDS

General

The Series 2014 Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 each and integral multiples thereof. The Series 2014 Bonds are dated the date of issuance thereof, and will bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover hereof. Interest on the Series 2014 Bonds is payable semi-annually on April 1 and October 1, commencing April 1, 2015. Interest on the Series 2014 Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Depository Trust Company (“DTC”) will act as the initial securities depository for the Series 2014 Bonds, which are being issued pursuant to a book-entry only system. While in such system, the Series 2014 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. Under the Bond Indenture, the Authority, at the request of the Foundation, may appoint a successor securities depository to DTC for the Series 2014 Bonds. The Holders of the Series 2014 Bonds have no right to a book-entry only system for the Series 2014 Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

THE SERIES 2014 BONDS AND THE INTEREST THEREON CONSTITUTE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE FOUNDATION UNDER THE LOAN AGREEMENT, BY AMOUNTS PAYABLE UNDER THE SERIES 2014 OBLIGATION, [BY AMOUNTS PAYABLE UNDER THE POLICY] BY AMOUNTS PAYABLE BY BANNER UNDER THE SERIES 2014 BANNER LIMITED GUARANTY, AND BY AMOUNTS OTHERWISE AVAILABLE UNDER THE BOND INDENTURE FOR THE PAYMENT OF THE SERIES 2014 BONDS. NEITHER THE AUTHORITY, THE STATE OF ALASKA, NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, OR THE PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2014 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE STATE OF ALASKA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

Payment of Principal and Interest

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, the Bond Trustee will pay principal of and premium, if any, and interest on such Series 2014 Bonds to DTC, which will remit principal, premium, if any, and interest payments to the Beneficial Owners of the Series 2014 Bonds, as described under the caption, “BOOK-ENTRY ONLY SYSTEM.”

The principal of, premium if any, and interest on the Series 2014 Bonds shall be paid in lawful money of the United States of America. The principal of and premium, if any, on a Series 2014 Bond shall be paid to the registered owner of such Series 2014 Bond on the maturity date, redemption date or Acceleration Date, as applicable, but only upon the presentation for payment and the surrender of such Series 2014 Bond at the corporate trust office of the Bond Trustee. The interest on the Series 2014 Bonds shall be payable by wire transfer on the date due to the registered owner of such Series 2014 Bonds as of the fifteenth (15th) day (whether or not a Business Day) of the month next preceding the applicable Interest Payment Date (the “Record Date”), to such registered owner’s address appearing on the registry books of the Bond Trustee.

Redemption

Optional Redemption. The Series 2014 Bonds maturing on or after April 1, 2024* are subject to redemption prior to maturity on or after April 1, 2023* by the Authority at the option of the Foundation, in whole or in part (and if in part, by maturities as may be directed by the Foundation and within a maturity by lot) at the redemption price of 100% of the principal amount thereof to be redeemed plus accrued interest to and including the redemption date without premium.

[Mandatory Sinking Fund Redemption]

Extraordinary Optional Redemption. The Series 2014 Bonds are subject to redemption at the option of the Authority on any date selected by the Authority, at the written direction of the Foundation, in the event of damage to or destruction of the facilities of FMH/DC or any part thereof or the condemnation or sale consummated under threat of condemnation of such portion of the facilities of FMH/DC or any part thereof, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the date of redemption.

Taxability Redemption. The Series 2014 Bonds are subject to redemption and shall be redeemed on any date selected by the Authority, at the written direction of the Foundation, not later than forty (40) days after the occurrence of a Determination of Taxability at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Any such redemption shall be in whole unless it is determined, as evidenced by a Favorable Opinion of Bond Counsel delivered to the Bond Trustee that redemption of fewer than all of the Series 2014 Bonds would result in interest on the Series 2014 Bonds remaining outstanding being not includible in gross income, for federal income tax purposes of an Owner. In such event, the Series 2014 Bonds shall be redeemed by lot in such manner as the Bond Trustee determines and in such amount as is stated to be deemed necessary in the Favorable Opinion of Bond Counsel to accomplish that result, provided that such redemption shall be in Authorized Denominations.

Selection of Series 2014 Bonds for Redemption. If fewer than all of the Series 2014 Bonds of like maturity are being redeemed, the Trustee will select the Series 2014 Bonds to be so redeemed in such manner as the Trustee determines after consultation with the Foundation; provided, however, that so long as the Series 2014 Bonds remain in book entry form, the selection of Series 2014 Bonds to be redeemed shall be selected in accordance with DTC's operational procedures.

Notice and Effect of Redemption. Notice of any redemption of any Series 2014 Bonds pursuant to the Bond Indenture, either in whole or in part, will be sent by the Bond Trustee by mail, postage prepaid, not less than 30 days (or, in the case of acceleration of such Series 2014 Bonds following an Event of Default under the Bond Indenture, not less than 7 days) nor more than 60 days prior to the proposed redemption date, to all holders of the Series 2014 Bonds to be redeemed at their addresses as they appear on the registration books of the Bond Trustee. Each notice will (i) specify the Series 2014 Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which will be the principal corporate trust office of the Bond Trustee) and, if less than all of the Series 2014 Bonds are to be redeemed, the portions of the Series 2014 Bonds to be redeemed, (ii) state any condition to the redemption and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2014 Bonds to be redeemed will cease to bear interest. CUSIP number identification will accompany all redemption notices. A failure to give such notice to any holder or any defect in such notice, however, shall not affect the validity of the proceedings for the redemption of any of the other Series 2014 Bonds then subject to redemption.

The Bond Trustee will send a second notice of redemption by certified mail, return receipt requested, to any registered holder who has not submitted the Series 2014 Bonds called for redemption 30 days after the redemption date; provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of any Series 2014 Bonds then subject to redemption. In addition, the Bond Trustee will not be liable for any failure by the Bond Trustee to send any second notice.

* Preliminary, subject to change.

Registration, Transfer and Exchange

In the event the Book-Entry Only System is terminated, any Series 2014 Bond may be exchanged without charge to the Owner thereof (other than any governmental fees or taxes payable with respect to such exchanges) at the corporate trust office of the Bond Trustee, by the Owner thereof or the Owner's duly authorized agent for new Series 2014 Bonds of any authorized denomination as specified by the Owner of the exchanged Series 2014 Bond or such Owner's agent. The Trustee shall cancel any Series 2014 Bonds exchanged for new Series 2014 Bonds.

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS SECTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE FOUNDATION, BANNER, 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.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 Series 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on any 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 Participant and not of DTC, the Bond Trustee or the Foundation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Bonds depository). In that event, Series 2014 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believe to be reliable, but Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE UNDERWRITERS, ANY MEMBER OF THE OBLIGATED GROUP NOR THE BOND TRUSTEE SHALL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE SERIES 2014 BONDS FOR REDEMPTION.

SECURITY FOR THE SERIES 2014 BONDS

General

The Series 2014 Bonds are special limited obligations of the Authority, payable solely from the Revenues pledged under the Bond Indenture for payment, and from payments made under the Loan Agreement, the Series 2014 Obligation[, the Policy] and the Series 2014 Banner Limited Guaranty, and are secured by the Authority's pledge as described below. Revenues consist primarily of loan repayments required to be made by the

Foundation pursuant to the Loan Agreement in amounts sufficient in the aggregate to pay the principal of and premium, if any, and interest on the Series 2014 Bonds when such become due and payments by the Obligated Group Members pursuant to the Series 2014 Obligation. The Foundation has pledged its Gross Receipts as security for payment of the Series 2014 Obligation and all other obligations on a parity basis.

The facilities of the Foundation are not pledged as security for the Series 2014 Bonds or for the payment of the Series 2014 Obligation.

THE SERIES 2014 BONDS AND THE INTEREST THEREON CONSTITUTE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE FOUNDATION UNDER THE LOAN AGREEMENT, BY AMOUNTS PAYABLE UNDER THE SERIES 2014 OBLIGATION[, BY AMOUNTS PAYABLE UNDER THE POLICY,] BY AMOUNTS PAYABLE BY BANNER UNDER THE SERIES 2014 BANNER LIMITED GUARANTY, AND BY AMOUNTS OTHERWISE AVAILABLE UNDER THE BOND INDENTURE FOR THE PAYMENT OF THE SERIES 2014 BONDS. NEITHER THE AUTHORITY, THE STATE OF ALASKA, NOR ANY POLITICAL SUBDIVISION THEREOF IS OR SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, OR THE PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2014 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE STATE OF ALASKA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Bond Indenture and the Loan Agreement

The Series 2014 Bonds will be issued under the Bond Indenture. Concurrently with the issuance of the Series 2014 Bonds, the Foundation and the Authority will enter into the Loan Agreement. Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2014 Bonds to the Foundation. In order to secure its obligations under the Loan Agreement with respect to the Series 2014 Bonds, the Foundation will issue and deliver the Series 2014 Obligation. The payments required under the Series 2014 Obligation are intended to be sufficient, together with other moneys available therefor, to make payments, when due, of the principal of, premium, if any, and interest on the Series 2014 Bonds. Payments made by the Foundation pursuant to the Series 2014 Obligation constitute repayment on the loan made pursuant to the Loan Agreement.

Pursuant to the Bond Indenture, the Authority has pledged and assigned to the Trustee the following:

A. All right, title and interest of the Authority in, and its duties and obligations under, the Loan Agreement and the Series 2014 Obligation (in each case, subject to certain reservations and exceptions noted in the Loan Agreement), including, but not limited to, the security interest in the Foundation's interest, if any, in the money and investments, if any, in the Bond Fund, the Project Fund, and the Costs of Issuance Fund, and the present and continuing right under the Loan Agreement and the Series 2014 Obligation (1) to make claim for, collect or cause to be collected, or receive or cause to be received all sums payable or receivable thereunder, (2) to bring actions and proceedings thereunder or for the enforcement thereof, and (3) to do the things which the Authority is or may become entitled to do under the Loan Agreement and the Series 2014 Obligation;

B. All right, title, and interest of the Authority in and to the rents, issues, profits, income, revenues, and receipts derived by the Authority from the Trust Estate or any part thereof;

C. The Bond Fund, the Project Fund, and the Costs of Issuance Fund, and the amounts on deposit therein from time to time, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions as set forth herein;

D. Any and all other property or interests therein, of every name and nature from time to time by delivery or by writing of any kind specifically conveyed, pledged, assigned, or transferred, or security interests granted with respect thereto, as and for additional security under the Indenture for the Series 2014 Bonds by the Authority or the Foundation or by anyone on their behalf or with their written consent to the Bond Trustee.

Debt Service Reserve Account

The Debt Service Reserve Account is held by the Trustee pursuant to the Bond Indenture. Upon the issuance of the Series 2014 Bonds, the amount of \$ _____, which is the least of (1) 10% of the stated principal amount of the Series 2014 Bonds as of the Closing Date; (2) 125% of the average annual principal and interest requirements on the Series 2014 Bonds; or (3) the maximum annual principal and interest requirements on the Series 2014 Bonds (the “Debt Service Reserve Account Requirement”), from the proceeds of the Series 2014 Bonds will be deposited in the Debt Service Reserve Account. Amounts on deposit in the Debt Service Reserve Account shall be transferred by the Trustee to the Interest Account and the Principal Account (in the order listed) on any Interest Payment Date or Principal Payment Date to make up for any deficiencies in such accounts on such date. In the event of any such transfer, the Bond Trustee shall notify the Foundation of such transfer immediately.

The Debt Service Reserve Account is required to be maintained in an amount not less than the Debt Service Reserve Account Requirement, in accordance with the requirements of the Indenture and the Loan Agreement as set forth in APPENDIX C – “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE AND FORM OF LOAN AGREEMENT” attached hereto. If at any time the amount on deposit in the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement either because of a transfer therefrom as described above or a valuation thereof, the Foundation is required to restore the Debt Service Reserve Account to an amount equal to the Debt Service Reserve Account Requirement at least 15 days prior to the Interest Payment Date next occurring after the date on which the deficiency occurs. Amounts on deposit in the Debt Service Reserve Account shall be valued by the Bond Trustee on the first day of April in each calendar year; provided, however, that the Foundation may request that the Debt Service Reserve Account be valued at any time in addition to the annual valuation date.

In connection with any partial redemption or defeasance prior to maturity of the Series 2014 Bonds, the Bond Trustee may, at the request of the Foundation, use any amounts on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement after such defeasance or redemption to pay the principal of or the principal portion of the redemption price of said Series 2014 Bonds to be redeemed or defeased or as otherwise directed by the Foundation if the Bond Trustee has received an Opinion of Counsel from Bond Counsel to the effect that such transfer would not adversely affect the exemption for purposes of federal income taxation to which interest on the Series 2014 Bonds is otherwise entitled or the validity of any Series 2014 Bonds.

The Master Indenture

The Foundation is currently the only member of the Obligated Group. The Foundation is liable, and future Members of the Obligated Group, if any, will be jointly and severally liable on all Obligations.

Obligations. The Master Indenture permits the Foundation and other Members of the Obligated Group to issue additional Obligations, and on the date of issuance of the Series 2014 Bonds, all Obligations, including the Series 2004A Obligation, the Swap Obligation, the Series 2009A Obligation, the Series 2009A Credit Facility Obligation, the Series 2009B Obligation, the Series 2009B Credit Facility Obligation, the Series 2009C Obligation, and the Series 2014 Obligation will be secured by a pledge of Gross Receipts on a parity basis thereunder. Upon the issuance and delivery of the Series 2014 Bonds, the Series 2004A Obligation, the Swap Obligation, the Series 2009A Obligation, the Series 2009A Credit Facility Obligation, the Series 2009B Obligation, the Series 2009B Credit Facility Obligation, the Series 2009C Obligation and the Series 2014 Obligation will be the only Obligations outstanding under the Master Indenture. Additional Obligations or guaranties may be issued to secure additional borrowings to evidence or secure debt owed to other creditors or to evidence other obligations by any Member of the Obligated Group. All Members of the Obligated Group are jointly and severally obligated with respect to payment of each Obligation issued under the Master Indenture.

Payment of Obligations. All Outstanding Obligations under the Master Indenture are general obligations of the Obligated Group and are secured by a pledge of Gross Receipts of the Obligated Group under the Master Indenture. See “INTRODUCTION - The Master Indenture” herein and the Master Indenture set forth in APPENDIX C - “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT.”

Certain General Covenants. The Master Indenture applies directly only to the Foundation and any future Member of the Obligated Group. The Master Indenture requires that each Member of the Obligated Group comply with certain covenants in the Master Indenture, including covenants relating to restrictions on the merger or consolidation of any Member of the Obligated Group and the sale or conveyance of all or substantially all of the assets of any Member of the Obligated Group. See the Master Indenture set forth in APPENDIX C - “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” and “BONDHOLDERS’ RISKS - Certain Matters Relating to Security for the Series 2014 Obligation” herein.

The Obligated Group has granted to the Master Trustee a security interest in its Gross Receipts. The Master Indenture requires the Obligated Group, in the event that it fails to make any payment due on any Obligation, to deposit with the Master Trustee all of its Gross Receipts. “Gross Receipts” means (i) rental income for FMH/DC [and the Chief Andrew Isaac Health Center], (ii) realized investment income and contract rights, and (iii) proceeds of the foregoing. **Rental income from TVC and properties owned by the Foundation that are not located on the FMH/DC campus are not included in Gross Receipts, and are not pledged under the Master Indenture to the payment of Obligations.** See “FMH/DC/TVC AND RELATED FACILITIES” in APPENDIX A and “BONDHOLDERS RISKS – The Lease” herein for information regarding the proposed termination of the lease relating to the Chief Andrew Isaac Health Center. See the Master Indenture set forth in APPENDIX C - “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT”.

Series 2014 Banner Limited Guaranty

Banner will guarantee the regularly scheduled payments of principal of and interest on the Series 2014 Bonds (including through mandatory sinking fund redemption, but not by any other redemption or acceleration), pursuant to the Series 2014 Banner Limited Guaranty, which also provides that such guarantee is limited to the period that the Lease is in effect. The maximum amount payable by Banner in any calendar year under any of the Banner Limited Guaranties (defined herein) is limited to the amount by which all scheduled rental payments to be paid by Banner pursuant to the Lease (except certain rental payments relating to TVC) exceeds all payments of such rent actually paid by Banner to the Foundation during such calendar year prior to receipt of a demand by the Trustee under any of the Banner Limited Guaranties. In the event that Banner makes any payment under the Series 2014 Banner Limited Guaranty, Banner is entitled to a credit in such amount on its obligation to pay such rent under the Lease. If such credit is not permitted for any reason, Banner’s obligations to make payments under the Series 2014 Banner Limited Guaranty shall be reduced by the amount of such denied credit. See “INTRODUCTION – Security for the Series 2014 Bonds – Series 2014 Banner Limited Guaranty.” See “BONDHOLDERS’ RISKS – The Banner Limited Guaranties” and “BONDHOLDERS’ RISKS – The Lease” herein for a description of certain risks related to the Lease and the Banner Limited Guaranties including the expiration of the stated term of the Lease prior to the final maturity of the Series 2014 Bonds and the related termination of the Banner Limited Guaranties, including the Series 2014 Banner Limited Guaranty.

Upon termination of the Lease, the Series 2014 Banner Limited Guaranty will also terminate. The Lease is currently scheduled to expire on December 31, 2032; however, the Lease may be terminated earlier upon the occurrence of an Event of Default by either party, or may be cancelled by either party without cause upon one year’s notice. Neither Banner nor the Foundation currently intends to terminate the Lease. If the Lease expires pursuant to its terms, or is cancelled or terminated prior to its expiration date, the Series 2014 Banner Limited Guaranty will also terminate. There is no assurance that Banner will agree to extend the term of the Lease beyond its current expiration date, or that Banner will agree to extend the Series 2014 Banner Limited Guaranty in the event Banner enters into a new lease with the Foundation. For more information regarding the terms of the Lease, see APPENDIX A, “GENERAL – Ownership and Operation of FMH/DC – The Lease.” See “BONDHOLDERS’ RISKS - The Banner Limited Guaranties” and “BONDHOLDERS’ RISKS - The Lease” herein for certain risks related to the Lease, including the .

Banner has guaranteed the regularly scheduled payments of principal of and interest on (1) the Series 2004A Bonds pursuant to the Series 2004A Banner Limited Guaranty, (2) the Series 2009A Bonds pursuant to the Series 2009A Banner Limited Guaranty, (3) the Series 2009B Bonds pursuant to the Series 2009B Banner Limited Guaranty and (4) the Series 2009C Bonds pursuant to the Series 2009C Banner Limited Guaranty, and will guarantee the regularly scheduled payments of principal and interest on the Series 2014 Bonds pursuant to the Series

2014 Banner Limited Guaranty. Payments under the Series 2004A Banner Limited Guaranty are senior in priority to the payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty. Payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty are on a parity, and payments received from Banner with respect thereto will be applied proportionately to the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds, the Series 2014 Bonds and any other indebtedness of the Foundation which is guaranteed on a parity therewith, as measured by the principal amount of each such series of bonds or other indebtedness then outstanding. See “BONDHOLDERS’ RISKS - The Banner Limited Guaranties” and “BONDHOLDERS’ RISKS - The Lease” herein for a discussion of the risks associated with the Banner Limited Guaranties.

[BOND INSURANCE

Concurrently with the issuance of the Series 2014 Bonds, _____ (the “Insurer”) will issue its Municipal Bond Insurance Policy for the Series 2014 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2014 Bonds when due as set forth in the form of the Policy set forth in APPENDIX E attached hereto.

The Policy is not covered by any insurance security or guaranty fund established under _____ insurance law.

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority, the Foundation, Banner or the Underwriters as to the accuracy of completeness of this information.

The following information is not complete and reference is made to APPENDIX E for a specimen of the Policy.

[Add information regarding Insurer and Policy.] See “BONDHOLDERS’ RISKS – Bond Insurance” herein for a discussion of some of the risks associated with the Policy.]

PLAN OF FINANCE

The proceeds of the Series 2014 Bonds and funds of the Foundation in the amount of approximately \$_____ will be used by the Foundation to (i) finance the costs of acquisition, construction, renovation and equipping of new surgical suites, including without limitation supporting space such as sterile processing and a new hallway, for the Fairbanks Memorial Hospital (the “Hospital”) located at the intersection of Cowles and 19th Avenue (or East Cowles and West Cowles), Fairbanks, Alaska (the “Project”); (ii) fund a debt service reserve account for the Bonds; and (iii) pay all or a portion of the costs incurred in connection with the issuance of the Series 2014 Bonds. [The scheduled payment of the principal of and interest on the Series 2014 Bonds will be guaranteed under the Policy to be issued by the Insurer.]

See APPENDIX A. “FMH/DC/TVC AND RELATED FACILITIES – The Project” for a further description of the Project and its costs.

See “BONDHOLDERS’ RISKS – Construction Risks” herein for a further discussion of the costs of the Project.

ESTIMATED SOURCES AND USES*

The total amounts required in connection with the funding of certain funds under the Indenture and the sources of such amounts are estimated and summarized below:

Sources:

Principal Amount of the Series 2014 Bonds	\$
Original Issue Premium/Discount	
Hospital Contribution	
Total Sources	\$ <u> </u>

Uses:

Project Costs	\$
Deposit to Debt Service Reserve Account	
Costs of Issuance, including underwriters' discount	<u> </u>
Total Uses	\$ <u> </u>

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* Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS*

The following table sets forth, for each year ending December 31, the amounts required in each such year for the payment of principal at maturity or by mandatory sinking fund redemption for the Series 2014 Bonds, the payment of interest on the Series 2014 Bonds, the payment of regularly scheduled debt service payable on the Series 2004A Bonds and the Series 2009C Bonds, and the estimated payment of debt service on the Series 2009A Bonds and the Series 2009B Bonds.

Year Ending December 31,	Principal Amount of Series 2014 Bonds	Interest on Series 2014 Bonds	Debt Service on the Series 2004A Bonds	Debt Service on the Series 2009A Bonds ¹	Debt Service on the Series 2009B Bonds ¹	Debt Service on the Series 2009C Bonds	Total Debt Service
2014	\$ -		\$ 3,590,006	\$ 2,354,287	\$ 636,289	\$1,521,406	
2015			3,586,775	2,354,287	636,289	1,520,844	
2016			3,590,481	2,355,380	636,584	1,523,181	
2017			3,589,750	2,353,195	635,993	1,522,331	
2018			3,587,500	2,354,287	636,289	1,520,631	
2019			3,589,688	2,354,287	636,289	1,519,341	
2020				5,361,713	1,922,924		
2021				5,368,041	1,935,113		
2022				5,367,909	1,950,618		
2023				5,366,830	1,968,047		
2024				5,366,762	1,982,913		
2025				5,368,256	2,003,876		
2026				5,366,907	2,022,226		
2027				5,364,087	2,042,031		
2028				5,366,157	2,058,601		
2029				5,364,701	2,081,021		
2030				5,368,587			
2031				5,365,266			
2032				5,365,610			
2033				5,367,209			
2034				5,367,205			
Total	\$60,000,000	\$	\$21,534,200	\$94,620,967	\$23,785,103	\$9,127,734	\$

¹ Calculated using an assumed rate of 3.825%.

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* Preliminary, subject to change.

PRO FORMA DEBT SERVICE COVERAGE

The following table sets forth pro forma coverage for the Foundation of estimated maximum annual debt service in the amounts set forth under the heading “DEBT SERVICE REQUIREMENTS” herein.

Estimated Pro Forma Maximum Annual Debt Service Coverage (000’s omitted)

	Fiscal Year Ended December 31,	
	2012	2013
Excess revenues over expenses (1)	\$	
Depreciation and Amortization		
Interest (2)		
Income available for debt service(1)		
Maximum annual debt service(2)		
Coverage ratio (1 divided by 2)		

⁽¹⁾ Increase (decrease) in unrestricted net assets from operating activities.

⁽²⁾ Actual interest expense charged to operations. Interest for the Series 2009A Bonds and the Series 2009B Bonds is calculated at the maximum rate of 12% for all Series 2009A Bonds or Series 2009B Bonds, which is the highest possible applicable rate unless such bonds are held by the credit facility provider for each series, or 12%.

BONDHOLDERS’ RISKS

This information is not intended and should not be considered a projection for future revenues, expenses, debt service or debt service coverage of the Foundation. There is no assurance that future revenues, expenses, debt service or debt service coverage of the Foundation will correspond to the foregoing information. The Foundation may issue additional obligations ranking on a parity with the Series 2014 Bonds. See “SECURITY FOR THE SERIES 2014 BONDS – The Master Indenture” herein.

No person should purchase any Series 2014 Bond without carefully reviewing this entire Official Statement, including, without limitation, the following information which summarizes some, but not all, of the risks associated with such purchase.

As noted above, except to the extent that the Series 2014 Bonds are payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance or condemnation awards, the Series 2014 Bonds are payable solely from payments to be made by the Foundation under the Loan Agreement and the Series 2014 Obligation [, from payments under the Policy] and from payments made by Banner under the Series 2014 Banner Limited Guaranty, so long as the Lease is in effect and subject to certain limitations set forth in the Series 2014 Banner Limited Guaranty.

Certain risks are inherent in the successful operation of healthcare facilities. Such risks and other risks should be considered in evaluating (i) the Foundation’s and any future Member of the Obligated Group’s ability to generate sufficient revenues to pay the principal of, premium, if any, and interest on the Series 2014 Bonds or any other Obligations when due and (ii) Banner’s ability to generate sufficient revenues to make payments under the Series 2014 Banner Limited Guaranty if necessary. **This section discusses some of these risks, but it is not intended to be a comprehensive listing of all risks associated with the operation of FMH/DC/TVC and the ability of the Foundation to pay the principal of, premium, if any, and interest on the Series 2014 Bonds when due[, the ability of the Insurer to make payments under the Policy] or the ability of Banner to make payments under the Series 2014 Banner Limited Guaranty.**

The following discussion of risk factors is not, and is not intended to be, exhaustive.

[Bond Insurance

In the event of default of the payment of principal or interest with respect to the Series 2014 Bonds when due, any owner of the Series 2014 Bonds will have a claim under the Policy for such payments. However, 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 are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2014 Bonds by the Foundation which is recovered by the Foundation from the bond owner as a voidable preference will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Foundation unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies the Bond Trustee exercises and the Insurer's consent may be required in connection with amendments to the Loan Agreement, the Bond Indenture or the Master Indenture. The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Bond Trustee may be limited by applicable bankruptcy law or other similar laws related to insolvency. See "BONDHOLDERS' RISKS – Enforceability of Remedies and Bankruptcy Proceedings" herein. If the Insurer becomes insolvent or otherwise becomes subject to receivership or similar proceedings under state insurance law, Bondholders may become general unsecured creditors of the Insurer and, under such circumstances, timely payment of the principal of and interest on the Series 2014 Bonds might depend entirely on the Foundation to make payments under the Loan Agreement and the Series 2014 Obligation.

The ability of the Insurer to make payment of such defaulted principal or interest under the Policy may be adversely affected by the financial condition of the Insurer at such time. No assurance is given as to the current or future financial condition of the Insurer or the financial condition of any entity with which the Insurer may merge or by which it may be acquired.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2014 Bonds are payable solely from the moneys received by the Bond Trustee pursuant to the Loan Agreement and the Bond Indenture, and from payments made to the Master Trustee pursuant to the Master Indenture and the Series 2014 Obligation. In the event the Insurer becomes obligated to make payments with respect to the Series 2014 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2014 Bonds or the marketability for the Series 2014 Bonds.

The long-term ratings of the Series 2014 Bonds are dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Series 2014 Bonds will not be subject to downgrade and such event could adversely affect the market price of the Series 2014 Bonds or the marketability for the Series 2014 Bonds. See "RATINGS" herein.

Neither the Foundation nor the Underwriters have made independent investigation into the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Foundation to pay principal and interest on the Series 2014 Bonds and the claims-paying ability of the Insurer, particularly over the life of the Series 2014 Bonds. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information regarding the Insurer.]

Changes in Federal and State Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2014 Bonds or otherwise prevent holders of the Series 2014 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2014 Bonds. Further, such proposals may impact the marketability or market value of the Series 2014 Bonds simply

by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

Regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds would be impacted thereby.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 31, 2013, would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

Investment of Funds Risk

The investment assets of the Foundation are managed and invested pursuant to an investment policy approved from time to time by the Board of Trustees of the Foundation (the "Board"). The Foundation has retained external advisors to assist in managing its investments, including in the allocation of assets among asset classes. External investment advisors invest and sell within policy limits established by the Board and are required to provide periodic reports to the Board for performance evaluation. See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in APPENDIX A attached hereto for a discussion of the Foundation's investment policy.

All investments made by the Foundation entail risks. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and delayed receipt or loss of principal. A portion of the Foundation's investment assets is or may be invested in illiquid assets or alternate investments, including investments in real property assets, hedge funds, private equity funds and equity securities in companies that are not publicly traded. These alternative investments may not be readily liquidated. Additionally, among other risks, hedge funds may be leveraged, may experience volatile performance and involve a risk of loss of principal. These investments may also be subject to limited disclosure requirements by virtue of being privately held.

As reported in the press, disarray in the credit markets, coupled with a lack of liquidity and general uncertainty and lack of confidence in the credit and capital markets and other market-related factors, have caused significant volatility in the financial markets during the past several years. Current and future conditions in the financial markets may adversely impact the value of the Foundation's investments. See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in APPENDIX A for a description of the types of assets the Foundation currently holds as investments.

Adequacy of Revenues

The adequacy of the Foundation's revenues will be dependent on the amount of future income received by the Foundation. If the occupancy of or services provided by FMH/DC/TVC decreases or reimbursement from government programs decreases, the future income of the Foundation from the rent paid under the Lease pledged to the payment of the Series 2014 Bonds may not be sufficient to pay the principal and interest on the Series 2014 Bonds. See APPENDIX A for a discussion of the Foundation, Banner, the Lease, FMH/DC/TVC and the Foundation's and FMH/DC/TVC's operations and financial performance. See "BONDHOLDERS' RISKS – The Lease", and BONDHOLDERS' RISKS – Investment of Funds Risk" herein.

Damage or Destruction

Although the Foundation is required pursuant to the Master Indenture and the Loan Agreement to obtain certain kinds of insurance as set forth in the Loan Agreement and the Master Indenture (and requires Banner to obtain such insurance pursuant to the Lease), there can be no assurance that FMH/DC/TVC will not suffer uninsured losses in the event of damage to or destruction of the FMH/DC/TVC facilities due to fire or other calamity or in the event of other unforeseen calamities. For a further description of the insurance provisions required by the Loan Agreement and the Master Indenture, see “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” in APPENDIX C. See “THE SERIES 2014 BONDS – Redemption – Extraordinary Optional Redemption” herein for a description of the ability of the Foundation to direct the optional redemption of the Series 2014 Bonds in the event of damage to or destruction or condemnation of the facilities of FMH/DC.

Existing Debt; Additional Debt and Parity Obligations

The Series 2014 Obligation, the Series 2004A Obligation, the Swap Obligation, the Series 2009A Obligation, the Series 2009A Credit Facility Obligation, the Series 2009B Obligation, the Series 2009B Credit Facility Obligation and the Series 2009C Obligation, will be the only outstanding Obligations under the Master Indenture on the date of issuance of the Series 2014 Bonds,. See “DEBT SERVICE REQUIREMENTS” herein.

The Master Indenture permits the Foundation to incur additional indebtedness under certain circumstances. As provided in the Master Indenture, such additional debt may be secured by a mortgage on or security interest in certain assets of the Foundation or FMH/DC/TVC. See “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” in APPENDIX C. Such additional debt could increase the Foundation’s debt service and repayment requirements in a manner which would adversely affect debt service coverage on the Series 2014 Bonds or could be secured by assets of the Foundation on a parity with the security granted by the pledge of Gross Receipts.

The Lease

It is expected that the primary source of payment of principal of and interest on the Series 2014 Bonds will be payments by Banner to the Foundation pursuant to the Lease (“Rent”), together, if necessary, with earnings on the Foundation’s investment portfolio and certain other Foundation revenues and reserves. The Lease has a term ending December 31, 2032, but may be terminated earlier upon the occurrence of an event of default by either party, or may be cancelled by either party without cause upon one year’s notice. While the Foundation owns the facilities of FMH/DC/TVC, Banner operates FMH/DC/TVC pursuant to the Lease. The stated term of the Lease expires prior to the final maturity date of the Series 2014 Bonds, and there can be no assurance that the Foundation and Banner will renew the Lease one or before its stated termination date. **THERE IS NO ASSURANCE THAT THE FOUNDATION AND BANNER WILL NOT TERMINATE THE LEASE AT ANY TIME. FURTHER, IN THE EVENT OF TERMINATION OF THE LEASE WHETHER AT ITS STATED TERMINATION DATE OR EARLIER, THERE IS NO ASSURANCE THAT A NEW LEASE WILL BE NEGOTIATED OR THAT ANY NEW LEASE WOULD HAVE THE SAME OR SIMILAR TERMS AND CONDITIONS.** See APPENDIX A, “GENERAL — Ownership and Operation of FMH/DC/TVC — The Lease.” See “BONDHOLDERS’ RISKS – Regulation of the Health Care Industry” herein.

In addition, the Lease, including the amount of or calculation of rent thereunder, may be amended by the Foundation and Banner without the consent of the Bondholders. There can be no guarantee that any such amendment will not reduce the amount of rent payable by Banner under the Lease.

All employees of FMH/DC/TVC are employees of Banner and not the Foundation. If Banner determined to terminate the Lease, the Foundation would have to (i) take over operation of FHM/DC/TVC or (ii) contract with another entity for operation of FMH/DC/TVC. **discuss transition upon termination under the Lease** If the Foundation were unable to contract with another entity on a timely basis, a smooth transition to the new operator may not occur. If the Foundation could not find a new operator of FMH/DC/TVC, the Foundation would be required to take steps to operate FMH/DC/TVC.

The Banner Limited Guaranties

Banner has provided a limited guarantee with respect to regularly scheduled payments of principal of and interest on the Series 2014 Bonds (including by mandatory sinking fund redemption, but not by any other redemption or acceleration) pursuant to the Series 2014 Banner Limited Guaranty. Such guarantee will be limited to the period that the Lease is in effect. See “BONDHOLDERS’ RISKS – The Lease” herein for a description of how the Lease may be terminated. If the Lease is cancelled or terminated prior to the current expiration date, the Series 2014 Banner Limited Guaranty will also terminate. If the Foundation enters into a new lease agreement with a third party or with Banner, there is no assurance that such party would provide a guaranty relating to the Series 2014 Bonds, or if a guaranty was provided, if it would be with terms and conditions similar to the Series 2014 Banner Limited Guaranty.

The maximum amount payable by Banner in any calendar year under any of the Banner Limited Guaranties is limited to the amount by which all scheduled rental payments to be paid by Banner pursuant to the Lease exceeds all payments of such rent actually paid by Banner to the Foundation during such calendar year prior to receipt of a demand by the Trustee under any of the Banner Limited Guaranties. In addition, in the event that Banner makes any payment under any of the Banner Limited Guaranties, Banner is entitled to a credit in such amount on its obligations to pay such rent under the Lease. If such credit is not permitted for any reason, Banner’s obligations to make payments under the Series 2014 Banner Limited Guaranty shall be reduced by the amount of such denied credit. See “SECURITY FOR THE SERIES 2014 BONDS — Series 2014 Banner Limited Guaranty” herein.

Banner has guaranteed the regularly scheduled payments of principal of and interest on (1) the Series 2004A Bonds pursuant to the Series 2004A Banner Limited Guaranty, (2) the Series 2009A Bonds pursuant to the Series 2009A Banner Limited Guaranty, (3) the Series 2009B Bonds pursuant to the Series 2009B Banner Limited Guaranty, (4) the Series 2009C Bonds pursuant to the Series 2009C Banner Limited Guaranty, and (5) the Series 2014 Bonds pursuant to the Series 2014 Banner Limited Guaranty. Payments under the Series 2004A Banner Limited Guaranty are senior in priority to the payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty. Payments under the Series 2009A Banner Limited Guaranty, the Series 2009B Banner Limited Guaranty, the Series 2009C Banner Limited Guaranty and the Series 2014 Banner Limited Guaranty are on a parity.

There can be no assurance that, in the event Banner is required to make payments under any of the Banner Limited Guaranties, that such payments will be sufficient to pay, first, the regularly scheduled payments of principal and interest on the Series 2004A Bonds and, second, the regularly scheduled payments of principal and interest on the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds, the Series 2014 Bonds and any other indebtedness of the Foundation which is guaranteed on a proportionate basis, as measured by the principal amount of each such series of bonds or other indebtedness outstanding.

Management

FMH/DC/TVC is currently leased by Banner pursuant to the Lease, and Banner operates FMH/DC/TVC. The continued operation of FMH/DC/TVC is heavily dependent upon the efforts of its management. For further information, see “BONDHOLDERS’ RISKS – The Lease” herein and “GENERAL – Ownership and Operation of FMH/DC/TVC – The Lease” and “MANAGEMENT OF FMH/DC/TVC” in APPENDIX A.

Redemption Prior to Maturity

In considering whether to make an investment in the Series 2014 Bonds, potential investors should consider the information included in this Official Statement under the heading “THE SERIES 2014 BONDS – Redemption” herein. The Series 2014 Bonds maturing on or after April 1, 2024* are subject to redemption at the option of the Foundation on any Business Day on or after April 1, 2023* at a price equal to the principal amount thereof plus interest accrued to the date of redemption. Moreover, the Series 2014 Bonds may be called for redemption prior to maturity should certain Events of Default otherwise occur under the Loan Agreement or the Indenture, or under certain other

* Preliminary, subject to change.

circumstances described therein. The effect on Bondholders of the Series 2014 Bonds of such an acceleration or purchase of the respective series would be similar to that of early redemption at par.

Interest Rate Swap Risk

The Foundation may use derivative financial instruments to optimize borrowing costs pursuant to a financing strategy. Interest rate swaps, which are relatively common in connection with certain tax-exempt bonds, have experienced negative trading patterns, causing many to cease to function effectively to hedge interest rate exposure. Some swap counterparties have ceased to exist and others have suffered downgrading and negative market perception. Further, certain swap arrangements may not be terminable except upon the payment of potentially significant termination fees by the borrowing party. In some cases, negative mark-to-market valuation of certain swap arrangements must be booked on a borrower's balance sheet. These factors may have a material adverse impact on hospitals and health systems involved in such financial arrangements.

As part of the issuance of the Series 2004A Bonds, the Foundation entered into a Swap Note Obligation (the "Swap") which was effective upon issuance of the Series 2004A Bonds and the Authority's Revenue Bonds (Greater Fairbanks Community Hospital Foundation), Series 2004B (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, the "Series 2004 Bonds."). The Swap was entered into by the Foundation to hedge interest rate exposure for the period consistent with the Series 2004 Bonds. The Swap was entered into using an initial notional amount of \$84,000,000 (representing seventy percent of the Series 2004 Bonds). The notional amount of the Swap as of January 1, 2014 was \$_____. The Swap is set to expire on April 1, 2034, unless terminated earlier in accordance with its terms. Early termination events include but are not limited to (a) the long-term unsecured unenhanced senior debt of Citibank, N.A. is withdrawn or falls below (i) Baa3 by Moody's or (ii) BBB- by S&P, and (b) the financial strength rating of Assured Guaranty (formerly FSA) ("Assured Guaranty") falls below A2 by Moody's and A by S&P and the credit rating of the Foundation falls below Baa1 by Moody's or BBB+ by S&P. As of January 1, 2014, the estimated fair market value of the Swap resulted in an imputed negative obligation to the Foundation of \$_____. In the event the rating of Assured Guaranty falls below A2 by Moody's and A by S&P the Foundation may be required to post collateral to secure its obligations under the Swap. As of the date of this Official Statement the rating of Assured Guaranty by Moody's is currently "A2" and S&P is "AA-".

If the Foundation or the counterparty terminates the Swap when the Swap has a negative value to the Foundation, the Foundation could be obligated to make a termination payment to the counterparty in the amount of such negative value. Such payment could be substantial and may materially adversely impact the Foundation's financial condition. In the event of an early termination of the Swap there can be no assurance (i) the Swap counterparty will be able to pay the Foundation if the Swap has a negative value to the Swap counterparty, (ii) the Foundation will be able to pay a termination payment, if required, to the Swap counterparty, or (iii) a replacement agreement of similar terms will be available to replace the Swap. The Swap is subject to periodic "mark to market" valuations and may have a negative value to the Foundation at any and all times the Swap is in existence. Any payments with respect to the Swap, including any termination payments, are secured under the Master Indenture on a parity with all other Obligations issued under the Master Indenture, including the Series 2014 Obligation. See "SECURITY FOR THE SERIES 2014 BONDS – SERIES 2014 Obligation and the Master Indenture" herein for a discussion of the Master Indenture.

Furthermore, if ratings downgrades occur as set forth above the Foundation may be required to post collateral and the ability of the Foundation to post collateral may be contrary to the terms of the Master Indenture or Bond Indenture. If the Foundation is unable to post sufficient collateral the Swap counterparty may have the right to terminate the Swap and the Foundation could be required to make a Swap termination payment to the Swap counterparty, which payment may be substantial and which could have a negative financial impact on the Foundation's ability to pay debt service on the Series 2014 Bonds.

Construction Risks

The Foundation hired _____ (the "Architect") to serve as architects for the Project at a cost of approximately \$_____ and _____ (the "Construction Manager") to serve as construction manager for the Project at a cost of approximately \$_____. The total estimated cost of the Project is approximately

\$_____, of which approximately \$_____ has been expended for construction, equipment and furnishing. The Foundation intends to use the portion of the net proceeds of the Series 2014 Bonds allocated to construction and funds of the Foundation in the approximate amount of \$_____ for construction of the Project.

If the costs of the Project exceed the proceeds of the Series 2014 Bonds and the cash designated by the Foundation to pay such construction costs, the Foundation would be required to contribute additional moneys to complete such construction or reduce the scope of the remaining construction accordingly. In addition, there can be no assurances that such construction will be completed on schedule or that such construction or management by the Foundation or Banner will be successful. The Foundation anticipates that construction of the Project will be completed by _____, 201____. If the Project is not completed on a timely basis, the Foundation may not be able to generate anticipated revenues from the Project on a timely basis. See “PLAN OF FINANCE” herein. See APPENDIX A – “FMH/DC/TVD AND RELATED FACILITIES – The Project” for a further description of the Project and its costs.

Environmental Risks

Health care facilities are subject to a wide variety of federal, state and local environmental and occupational and safety laws and regulations that address, among other things, health care operations or facilities and properties owned or operated by health care providers. Among the types of regulatory requirements imposed upon health care providers are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at health care facilities; and requirements for training employees in the proper handling and management of hazardous materials and wastes. In their role as owners and operators of properties or facilities, health care providers may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off the property. Typical health care operations include, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. For this reason, health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost, or both; may result in legal liability, damages, injunctions or fines; or may trigger investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that FMH/DC/TVC will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of FMH/DC/TVC.

The Alaska Department of Environmental Conservation has adopted numerous regulations and policies regarding cleanup of contaminated sites, disposal of hazardous waste, water quality requirements and other environmental concerns. Permits are required for most discharges of wastewater, and other permits or licenses may be required for additional activities. However, the Alaska requirements are not unusual in nature and are generally described in the description of environmental risks contained above.

Enforceability of Remedies and Bankruptcy Proceedings

The practical realization of any rights of (i) the Bond Trustee following a default on the Bond Indenture, the Series 2014 Bonds[,the Policy] or the Series 2014 Banner Limited Guaranty, or (ii) the Master Trustee following a default under the Master Indenture, will depend upon the exercise of various remedies specified in the Bond Indenture, the Loan Agreement[, the Policy] and the Master Indenture, as applicable, and otherwise available under applicable law. The remedies available to the holders of the Series 2014 Bonds or the Obligation holders, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Bond Indenture, the Loan Agreement, the Series 2014 Banner Limited Guaranty[, the Policy] or the Master Indenture, as applicable, may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Loan Agreement, the Bond Indenture[, the Policy] or the Master Indenture.

If the security for the Series 2014 Bonds is inadequate for payment in full of the Series 2014 Bonds and the Obligations outstanding under the Master Indenture, bankruptcy proceedings and usual equity

principles may also limit any attempt by the Bond Trustee and the Master Trustee to seek payment from other property of the Foundation, if any[or from the Insurer].

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect (i) the ability of the Bond Trustee to obtain amounts under the Bond Indenture, the Loan Agreement, the Series 2014 Bonds[, the Policy] or the Series 2014 Banner Limited Guaranty, and (ii) the ability of the Master Trustee to obtain amounts under the Master Indenture or the Series 2014 Obligation. Remedies under the Loan Agreement, the Bond Indenture[, the Policy] and the Series 2014 Banner Limited Guaranty under existing law may not be readily available or may be limited. Also, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Series 2014 Bonds or the Obligations, as applicable, if the Bondholders or the Obligation holders, respectively, are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if the bankruptcy court concludes that the Bondholders or the Obligation holders, as applicable have “adequate protection,” it may (a) substitute other security subject to the lien of the Bondholders or the Obligation holders, as applicable and (b) subordinate the lien of the Bondholders or the Obligation holders, as applicable to (i) claims by persons supplying goods and services to the debtor after bankruptcy, and (ii) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement, the Indenture or the Master Indenture, including provisions that make bankruptcy and related proceedings by the Foundation an event of default thereunder.

The remedies available to (i) the Bond Trustee or the owners of the Series 2014 Bonds upon an event of default under the Bond Indenture, the Loan Agreement, the Series 2014 Obligation[, the Policy] or the Series 2014 Banner Limited Guaranty, and (ii) the Master Trustee or the Obligation holders upon an event of default under the Master Indenture, 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 Bankruptcy Code, the remedies provided in the Bond Indenture, the Loan Agreement, [the Policy,]the Master Indenture, the Series 2014 Banner Limited Guaranty and the Series 2014 Obligation may not be readily available or may be limited. The various legal opinions delivered at the time of issuance the issuance of the Series 2014 Bonds were 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.

The obligations of the Foundation to make payments on the Bonds may also not be enforceable to the extent such payments are requested to be made from any assets which are donor-restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payment. Due to the absence of clear legal precedent in this area, the extent to which the assets of the Foundation constitute assets which are so restricted or subject to such trusts cannot now be determined. The amount of such assets could be substantial.

Limitation or Delay of Remedies

The remedies available to the Trustee or the owners of the Series 2014 Bonds upon an event of default under the Indenture, the Loan Agreement and the Series 2014 Obligation 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 Bankruptcy Code, the remedies provided in the Indenture and the Loan Agreement may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2014 Bonds, the Indenture, the Loan Agreement [and the Policy] were 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.

[No Right of Bondholders to Direct Remedies

Unless the Insurer is in default of its obligations under the Policy, the Insurer is entitled to control and direct any of the rights or remedies of the Bond Trustee with respect to the Series 2014 Bonds. However, the Insurer has no fiduciary responsibility to the Bondholders with respect to the direction of such remedies and has no obligation to preserve the exclusion from gross income for federal income tax purposes of amounts paid to the Bondholders by the Insurer and designated as interest.]

Certain Matters Relating to Security for the Series 2014 Obligation

See “SECURITY FOR THE SERIES 2014 BONDS” for a discussion of certain factors including certain covenants of the Foundation in the Master Indenture. No assets of the Foundation other than Gross Receipts and the Debt Service Reserve Account are pledged as security Series 2014 Obligation.

No Mortgage or Other Asset Security

The Series 2014 Bonds are limited obligations payable primarily from payments made by the Foundation under the Loan Agreement and the Series 2014 Obligation, from payments under the Series 2014 Banner Limited Guaranty, and from certain funds pledged under the Indenture. No mortgage will be executed nor any other assets pledged by the Foundation to secure any payments with respect to the Series 2014 Bonds.

Gross Receipts Pledge

No assets of the Foundation other than Gross Receipts are pledged as security for the Series 2014 Obligation. The pledge of Gross Receipts to the Series 2014 Obligation is on a parity basis with pledge of Gross Receipts to the Series 2004A Obligation, the Swap Obligation, the Series 2009A Obligation, the Series 2009A Credit Facility Obligation, the Series 2009B Obligation, the Series 2009B Credit Facility Obligation and the Series 2009C Obligation.

“Gross Receipts” include (i) rental income for FMH/DC, (ii) realized investment income and contracts rights, and (iii) proceeds of the foregoing. **Rental income from TVC and properties owned by the Foundation that are not located on the FMH/DC campus are not included in Gross Receipts, and are not pledged under the Master Indenture to the payment of Obligations.** See “MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND INDENTURE, AND FORM OF LOAN AGREEMENT” in APPENDIX C for the terms of the Master Indenture. See Note 11 in the audited financial statements of the Foundation in APPENDIX B attached hereto for a breakdown of the rental income of the Foundation. See “FMH/DC/TVC AND RELATED FACILITIES” in APPENDIX A and “BONDHOLDERS’ RISKS – The Lease” herein for information regarding the proposed termination of the lease relating to the Chief Andrew Isaac Health Center.

The effectiveness of the security interest in the Gross Receipts of the Members of the Obligated Group pursuant to the Master Indenture may be limited by a number of factors, including: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (iv) federal bankruptcy laws which may affect the priority of claims against the assets of the Obligated Group and the enforceability of the Bond Indenture or the security interest in the Gross Receipts which are earned by any Member of the Obligated Group within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against such Member; and (v) claims that might gain priority if appropriate financing or continuation statements are not filed in accordance with the Alaska Uniform Commercial Code as from time to time in effect.

See “SECURITY FOR THE SERIES 2014 BONDS” for a discussion of certain factors including certain covenants in the Master Indenture.

Regulation of the Health Care Industry

It is expected that the primary source of payment of principal of and interest on the Series 2014 Bonds will be payments of Banner by Rent. See “BONDHOLDERS’ RISKS – The Lease” herein. Banner’s ability to pay Rent or to make payments under the Banner Limited Guaranties is dependent upon many factors, including the regulatory environment in which Banner operates.

The health care industry in general is subject to regulation by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs discussed below. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to

frequent and substantial legislative and regulatory changes. Congress and the states have consistently attempted to curb the growth of federal spending on health care programs. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured patients, prevention of “dumping” such patients on public hospitals in order to avoid the provision of non-reimbursed care, the unlawful payment of remuneration in exchange for referral of patients, the unauthorized use or disclosure of patients’ protected health information, billing for services not in accordance with governmental requirements and other issues.

It is unlikely that FMH/DC/TVC could attract sufficient numbers of private pay patients to become self-sufficient without reimbursement from governmental programs. Cost shifting to private sources of payment is not an option to offset declining federal and state reimbursement because private insurance companies have adopted cost containment measures similar to those used by government agencies. These cost containment mechanisms include “managed care” and capitated payment, although managed care is not widely used in Alaska.

Licensing and certification requirements are subject to change, and there can be no assurance that FMH/DC/TVC will be able to maintain all necessary licenses or certifications, or that it will not incur substantial costs in doing so.

Despite these efforts, due to, among other things, the growing percentage of older persons in the population, improved technology and administrative costs in a highly regulated industry, health care expenditures as a percentage of the gross national product continue to rise. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both Medicare and Medicaid programs have been enacted. Continued efforts in the form of statutory and regulatory activity to reduce the rate of increase in reimbursement for health care costs, particularly costs paid under the Medicare and Medicaid programs, can be expected. Aggressive cost containment measures could have a material adverse effect on FMH/DC/TVC.

Numerous other proposals have been advanced by various parties to require or promote alternate methods of health care delivery, to establish health care cost containment measures, to provide alternatives for payment of health care costs under Medicare, Medicaid and private reimbursement programs, and to institute other changes in health care payment and reimbursement. Currently, Congress is working on a health care reform bill. The cost of any reform legislation cannot be estimated at this time. However, President Obama has stated that he plans to pay for part of the cost of any health care reform bill through cuts in reimbursement to providers. FMH/DC/TVC is not able to predict whether any of these proposals will be adopted or what effect such proposals, if adopted, would have on FMH/DC/TVC.

FMH/DC/TVC is subject to governmental regulation under the federal Medicare program and the joint federal and state Medicaid program. Health care providers, including FMH/DC/TVC, have been and will continue to be affected by changes that have occurred during the last several years in the administration of the Medicare and Medicaid programs. The following is not intended to be complete or all-inclusive, but is intended to highlight significant issues affecting FMH/DC/TVC under Medicare and Medicaid. Reference is made to the relevant statutory, regulatory and other materials for the complete provisions thereof.

Medicare Program

Banner, through its operation of FMH/DC/TVC, derives a significant portion of its revenues from Medicare, the federal health insurance system under which hospitals are paid for services provided to eligible elderly and disabled persons, Medicaid and other third party payor programs that are subject to governmental regulation applicable to health care providers. See “FMH/DC SOURCES OF REVENUE AND FUNDING” in Appendix A. Changes have been and are likely to continue to be made in certain of these programs that have had and are likely to continue to have an adverse impact on the financial condition of FMH/DC/TVC and the Foundation as a result of decreased Rent. See “BONDHOLDERS’ RISKS – The Lease” herein and “GENERAL – Ownership and Operation of FMH/DC/TVC – The Lease” and “MANAGEMENT’S DISCUSSION AND ANALYSIS” in APPENDIX A for a discussion of the Rent paid to the Foundation pursuant to the Lease. The purpose of much of the statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit amounts paid to health care providers under the Medicare and Medicaid programs have been enacted. These mechanisms have reduced the levels of Medicare reimbursements to FMH/DC/TVC and have increased the regulatory compliance and reporting costs to FMH/DC/TVC.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups (“DRGs”). The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by the Centers for Medicare and Medicaid Services (“CMS”), including reductions mandated by the Patient Protection and Affordable Care Act (the “ACA”) and the Budget Control Act of 2011 (the “BCA”), and are subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see “The Medicare Program–Market Basket Reductions” above.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as ambulatory payment classifications (“APC”). The actual cost of care, including capital costs, may be more or less than the reimbursements. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

Skilled Nursing Facility Services. Medicare covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by skilled nursing facilities (“SNFs”) that are certified for participation in the Medicare program. Medicare coverage of SNF services is available only if the patient is hospitalized for at least three consecutive days, the need for SNF services is related to the reason for the hospitalization, and the patient is admitted to the SNF within 30 days following discharge from a Medicare participating hospital. Medicare coverage of SNF services is limited to 100 days per benefit period after discharge from a Medicare participating hospital or critical access hospital. The patient must pay coinsurance amounts for the twenty-first and each of the remaining days of covered care per benefit period.

Medicare payments for SNF services are paid on a case-mix adjusted per diem PPS for all routine, ancillary and capital-related costs. SNFs are also required to perform consolidated billing for items and services furnished to patients during a Part A covered stay and therapy services furnished during Part A and Part B covered stays. The consolidated billing requirement essentially confers on the SNF itself the Medicare billing responsibility for the entire package of care that its residents receive in these situations. The Balanced Budget Act of 1997 (the “BBA”) also affected SNF payments by requiring that post-hospitalization SNF services be “bundled” into the hospital’s DRG payment in certain circumstances. Where this rule applies, the hospital and the SNF must, in effect, divide the payment which otherwise would have been paid to the hospital alone for the patient’s treatment, and no additional funds are paid by Medicare for SNF care of the patient.

There is no guarantee that SNF prospective payment rates, as they may change from time to time, will cover the actual costs of providing skilled nursing services to Medicare patients. In addition, there is no assurance that FMH/DC will be fully reimbursed for all services billed through consolidated billing.

The payments to SNFs are subject to the 2.0% reduction in payments as a result of the BCA (defined herein) and the American Taxpayer Relief Act of 2012 (the “ATRA”). See “BONDHOLDERS’ RISKS – Federal Budget Issues” herein.

Other Medicare Service Payments. Medicare payment for psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or predetermined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Reimbursement of Hospital Capital Costs. Hospital capital costs (including depreciation and interest) apportioned to Medicare patient use are paid by Medicare on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of FMH applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and

indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit.

Sustainable Growth Rate Formula. Certain physician services are reimbursed on a national fee schedule called the “resource-based-relative-value scale” (“RB-RVS”). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate (“SGR”), which is a limit on the growth of Medicare payments for physician services, is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Since 2003, Congress has passed legislation to delay application of the SGR. The latest legislative act postponing the implementation of SGR cuts, which averted an approximate 27.0% reduction to all physician payments reimbursed under fee schedules, is effective only until January 1, 2014. There can be no assurance that Congress again will intervene to prevent the SGR payment reduction or, if delayed again, when the SGR formula will take effect, if ever. There is a current bipartisan effort to repeal the SGR, but it is unclear whether that effort will be successful and, if so, what other measures will be implemented to control the growth of physician payments.

Recovery Audit Contractor Program. CMS has implemented a Recovery Audit Contractor (“RAC”) program on a nationwide basis where CMS contracts with private contractors to conduct post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The ACA expands the RAC program’s scope to include managed Medicare plans and Medicaid claims. CMS also employs Medicaid Integrity Contractors to perform post-payment audits of Medicaid claims and identify overpayments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

As the population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget. The ACA (described below) institutes multiple mechanisms for reducing the costs of the Medicare program, including the following:

Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a “market basket” of estimated cost increases, which market basket adjustments for inpatient hospital care have averaged approximately 2-4% annually in recent years. The ACA required automatic 0.25% reductions in the “market basket” for federal fiscal years 2010 and 2011, and calls for reductions in the annual “market basket” update amount ranging from 0.10% to 0.75 % each year through federal fiscal year 2019.

Market Productivity Adjustments. Beginning in federal fiscal year 2012 and thereafter, the ACA provides for “market basket” adjustments based on national economic productivity statistics. This adjustment is anticipated to result in an approximately 1% additional annual reduction to the “market basket” update.

Value-Based Purchasing. Beginning in federal fiscal year 2013, Medicare inpatient payments to hospitals will be determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through the reduction of hospital inpatient care payment by 1%, progressing to 2% by federal fiscal year 2017. This reduction may be offset by incentive payments commencing in federal fiscal year 2013 for hospitals that meet or exceed quality standards.

Hospital Acquired Conditions Penalty. Beginning in federal fiscal year 2015, Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” will be reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Beginning in federal fiscal year 2013, Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for three patient conditions (acute myocardial infarction, pneumonia and heart failure) are reduced based on the dollar value of that hospital’s percentage of excess preventable Medicare readmissions within 30 days of discharge, for certain medical conditions.

DSH Payments. Beginning in federal fiscal year 2014, hospitals receiving supplemental “DSH” payments from Medicare (i.e., those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) are slated to have their DSH payments reduced by 75%. This reduction potentially will be adjusted to add-back

payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the ACA go into effect. Separately, beginning in federal fiscal year 2014, Medicaid DSH allotments to each state will also be reduced, based on a methodology to be determined by the Department of Health and Human Services (“DHHS”), accounting for statewide reductions in uninsured and uncompensated care. See also “Disproportionate Share Payments” below.

Hospitals also receive payments from health plans under the Medicare Advantage program. The ACA includes significant changes to federal payments to Medicare Advantage plans. Payments to plans were frozen for fiscal year 2011 and thereafter have transitioned to benchmark payments tied to the level of fee-for-service spending in the applicable county. These reduced federal payments could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

Components of the 2008 federal stimulus package, the American Recovery and Reinvestment Act (“ARRA”), provide for Medicare incentive payments that began in 2011 to hospital providers meeting designated deadlines for the installation and use of electronic health information systems. For those hospital providers failing to meet a 2016 deadline, Medicare payments will be significantly reduced.

In addition to components of the ACA described above, the legislation enacted in the early days of 2013 to avert the “fiscal cliff,” ATRA, will also negatively affect hospital Medicare reimbursement. Specifically, ATRA reduces Medicare reimbursement for hospitals by \$10.5 billion to help offset the \$30 billion cost of deferring a 27% reduction in Medicare physician payments that would otherwise have gone into effect as well as the cost of extending for one year several CMS payment policies that would otherwise have expired.

Medicaid Program

Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain low-income individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. Attempts to balance or reduce federal and state budgets will likely negatively impact Medicaid and other state healthcare program spending. Federal and state budget proposals contemplate significant cuts in Medicaid spending which will likely negatively impact provider reimbursement.

The ACA makes changes to Medicaid funding and substantially increases the potential number of Medicaid beneficiaries. To fund this expansion, the ACA provides that the federal government will fund 100% of the costs of this expansion from 2014 – 2016, decreasing to 90% of the costs of this expansion in 2020 and thereafter. In June 2012, the Supreme Court held that the federal government cannot withhold existing federal funds for states that refuse to expand Medicaid as required by the ACA. While management of the Borrower cannot predict the effect of these changes to the Medicaid program on the operations, results from operations or financial condition of the FMH/DC, historically Medicaid has reimbursed at rates below the cost of care. Therefore, increases in the overall proportion of Medicaid patients poses a risk. It is uncertain to what extent this risk may be mitigated if the increased Medicaid utilization replaces previously uncompensated patients.

For the fiscal year ended December 31, 2013, FMH/DC received approximately ___%, of gross patient service revenues from services covered by state Medicaid programs. See APPENDIX A – “FMH/DC SOURCES OF REVENUES AND FUNDING.”

Federal Healthcare Reform

The ACA was enacted in March 2010. This legislation addresses almost all aspects of hospital and provider operations and healthcare delivery, and is changing how healthcare services are covered, delivered, and reimbursed. These changes will result in new payment models with the risk of lower hospital reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for healthcare providers to assess, and potentially alter, their business strategy and practices, among other consequences. While many providers will receive reduced payments for care, millions of previously uninsured Americans may have coverage. Requirements for state “health information exchanges” could fundamentally alter the health insurance market and negatively impact hospital providers enabling insurers to aggressively negotiate rates. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and

other healthcare providers. In June 2012, the Supreme Court upheld most provisions of the ACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid.

As a result of the ACA, substantial changes have occurred and are anticipated in the United States healthcare system. The ACA will affect the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers, employers and consumers. These provisions are slated to take effect at specified times over approximately the next decade, and, therefore, the full consequences of the ACA on the healthcare industry will not be immediately realized. The ramifications of the ACA may also become apparent only following implementation or through later regulatory and judicial interpretations. In addition, the uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of healthcare providers, which in itself constitutes a risk.

The changes in the healthcare industry brought about by the ACA may have both positive and negative effects, directly and indirectly, on the nation's hospitals and other healthcare providers, including Banner. For example, the projected increase in the numbers of individuals with healthcare insurance occurring as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals; however, the extent to which Medicaid expansion, which is now optional, is not pursued or health insurance options on exchanges are limited or unaffordable, may offset these benefits. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments; such reductions are substantial. The legislation's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the inpatient prospective payment system, as well as additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. Because ___% of the revenues of FMH/DC (for its fiscal year ended December 31, 2013) were from Medicare spending, the reductions may have a material impact, and could offset any positive effects of the ACA. See "APPENDIX A – FMH/DC SOURCES OF REVENUE AND FUNDING – Sources of Gross Patient Service Revenues" for a description of the percentage of revenues of FMH/DC by source.

Healthcare providers could be further subjected to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board ("IPAB"). The ACA directs the IPAB to make recommendations to reduce Medicare cost growth if such growth exceeds legislated targets. The IPAB's recommended reductions, beginning in 2015, will be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. While hospitals are largely exempted from recommendations from the IPAB, industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

The ACA will also create state "health insurance exchanges" that will provide consumers with improved access to health insurance. These may have positive impact for hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers.

The ACA will likely affect some healthcare organizations differently from others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal healthcare dollars to integrated provider organizations and providers with demonstrable achievements in quality care. The ACA proposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The law also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of being made permanent or expanded or their effect on healthcare organizations' revenues or financial performance cannot be predicted.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases in funding for enforcement and efforts to recoup prior federal healthcare payments to providers. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provide new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal healthcare program claims and payments. See also “—Regulatory Environment” below.

Neither management of FMH/DC/TVC nor the Foundation can predict the effect of the ACA, including its effect on revenues and the financial performance of FMH/DC/TVC and the resulting payments of Rent to the Foundation. For current budget planning purposes, management is assuming that the ACA will result in lower rates of increases in reimbursements under the Medicare and Medicaid programs than were previously assumed for budgeting purposes and that indigent or charity care expenses and bad debt will not be reduced as a result of the new law.

Alaska Healthcare Reform

Federal Budget Act

Attempts to eliminate the federal deficit may also affect Medicare and Medicaid reimbursement to health care providers. Since 1985, various specific legislative actions to balance the budget have included reductions in the rate of increase in Medicare expenditures, and to a lesser extent Medicaid expenditures. These efforts have had, and will continue to have, an adverse effect on the revenues of FMH/DC/TVC and the resulting payments of Rent to the Foundation.

Medicare and Medicaid Anti-Kickback Laws (“Anti-Kickback Laws”)

The Medicare and Medicaid Anti-Kickback Laws provide for civil monetary and criminal penalties and expulsion from the Medicare and Medicaid programs for acts that add unnecessarily to the costs of the programs, such as knowing or willful over-utilization of services, or the offering, solicitation, payment or receipt of remuneration for the referrals of patients. The scope of prohibited payments in the statutes is broad and includes certain economic arrangements involving hospitals, physicians and other health care providers, such as joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts. Regulations describe certain arrangements that will not be deemed to constitute violations of the statute. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships that many hospitals, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, hospitals and other health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Laws.

There has been an apparent increase in high profile fraud and abuse investigations, according to published reports, which suggests that the federal government is devoting greater resources to scrutinizing arrangements and relationships among health care providers and referral sources to determine if those arrangements and relationships are in violation of the Anti-Kickback Laws. The Balanced Budget Act of 1997 and the ACA described below included additional fraud and abuse provisions designed to strengthen the government's hand in enforcing the Anti-Kickback Laws.

Violations or alleged violations of the Anti-Kickback Laws most often result in settlements that require multi-million dollar payments and costly corporate integrity agreements. The Anti-Kickback Laws can be prosecuted either criminally or civilly. Violation is a felony, subject to potentially substantial fines, imprisonment and/or exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. In addition, significant civil monetary penalties may be imposed. Increasingly, the federal government is prosecuting violations of the Anti-Kickback Laws

under the Federal False Claims Act (the “FCA”), based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes. See the discussion under the subheading “Fraud and False Claims Act” below. The IRS has taken the position that hospitals which are in violation of Anti-Kickback Laws may also be subject to revocation of their tax-exempt status.

Federal Fraud and False Claims Act

Medicare also requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or properly implemented by hospital billing or reporting personnel. With respect to certain types of classifications of information, the FCA (described below) may be violated merely by reason of inaccurate or incomplete reports. As a consequence, ordinary course errors or omissions may also result in liability. New billing systems, new medical procedures and procedures for which there is no clear guidance from CMS may all result in liability under the FCA. The penalties for violation include criminal and civil liability and may include, suspension from the Medicare program and, for serious or repeated violations, exclusion from participation in the Medicare program. The imposition of any such penalty could have a material adverse impact on FMH/DC/TVC, resulting in decreased Rent paid to the Foundation and, as a consequence, a decrease in the ability of the Foundation to pay debt service on the Series 2014 Bonds on a timely basis, or at all. The Health Reform Act authorizes the Secretary of DHHS to exclude a provider’s participation in the Medicare and Medicaid as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

The FCA makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim to the federal government. Because the term “knowingly” is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. The ACA amends the FCA by expanding the numbers of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory limits. FCA investigations and cases have become common in the healthcare field and may cover a range of activity from submission of inflated billings, to highly technical billing infractions, to allegations of inadequate care. Penalties under the FCA are severe and can include damages equal to three times the amount of the alleged false claims, as well as substantial civil monetary penalties. Violation or alleged violation of the FCA frequently result in settlements that require multi-million dollar payments and costly corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government’s primary weapons against healthcare fraud and suspected fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital.

Under the ACA, the FCA has been expanded to include overpayments that are discovered by a healthcare provider and are not promptly refunded to the applicable federal healthcare program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The ACA requires that providers return identified overpayments within 60 days of identification or the overpayment becomes an “obligation” under the FCA. There is great uncertainty in the industry as to when an overpayment is technically “identified” and the ability of a provider to determine the total amount of an overpayment and satisfy its repayment obligation within the sixty-day time period. CMS has proposed regulations interpreting this requirement, but those regulations do not provide significant clarification as to the “identification” of an overpayment. It is unclear whether these regulations will become final. This expansion of the FCA exposes hospitals and other healthcare providers to liability under the FCA for a considerably broader range of claims than in the past.

Federal Self-Referral Prohibitions

A federal law, commonly referred to as the Stark law, prohibits a physician who has a financial relationship, or whose immediate family member has a financial relationship, with an entity (including a hospital), from referring a Medicare or Medicaid patient to the entity for certain designated health services, including inpatient and outpatient hospital services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. Sanctions for violations of the Stark law

include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to \$15,000 for each claim for a service arising out of the prohibited referral, exclusion from Medicare and Medicaid, and a civil penalty of up to \$100,000 against parties that enter into a scheme to circumvent the Stark law's prohibition. Exclusion from the Medicare and Medicaid programs would have a material adverse effect on the operations and financial conditions of Banner and FMH/DC/TVC, as would any significant penalties, demands for refund or denials of payment. The types of financial arrangements between a physician and an entity that would trigger the self-referral prohibition are broad, and include investment interests, joint ventures, space and equipment rentals, management and personal service contracts and employment arrangements. The Stark Law contains exceptions to the self-referral prohibition, and DHHS has published regulations regarding referrals for clinical laboratory services, but not specifically regarding referrals for other designated health services, such as inpatient and outpatient hospital services.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this point in time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark law violations. Banner may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the SRDP does not waive or limit the ability of the OIG or DOJ to seek or prosecute violations of the Anti-Kickback Statute or impose civil monetary penalties.

Through its compliance program, Banner has identified certain situations which raised potential issues with respect to compliance with the strict requirements of the Stark Law (42 U.S.C. §1395nn) and the corresponding regulations (42 CFR §411.351 et seq). The issues included missing signatures on agreements, operating under agreements after their stated expiration, and other technical issues. Banner's investigation showed little or no benefit to physicians and no inappropriate costs to any governmental entity as a result of these technical violations. Banner self-disclosed these issues to CMS in 2010, utilizing the Self-Referral Disclosure Protocol issued by CMS in September 2010. As required by the Self-Referral Disclosure Protocol, Banner informed CMS that the estimated value of the physician referrals potentially affected by the matters identified in the self-disclosure is approximately \$20.4 million. CMS has not yet responded to the self-disclosure. Because there is very little experience with CMS' settlement of matters disclosed by hospitals under the Self-Referral Disclosure Protocol, the ultimate outcome is difficult to estimate. However, management believes that it has adequately provided for the most likely outcome from the self-disclosure based on the information available at this time. Management intends to settle any such liability on the basis that the technical and inadvertent nature of the potential violations, the absence of any benefit to the physicians involved in the potential violations, the absence of any damage to any governmental health program, and the voluntary nature of the disclosure are significant mitigating factors that warrant reductions in the potential exposure.

Medicare and Medicaid Audits

FMH/DC/TVC is subject to audits and retroactive audit adjustments with respect to the Medicare and Medicaid programs. FMH/DC/TVC has not undergone audits for the Medicare program for their fiscal year _____ and have not undergone audits for the Medicaid program for their fiscal year _____. FMH/DC/TVC provides for audit adjustments based on estimated final settlements. Nevertheless, such adjustments may exceed reserves and may be substantial. Medicare and Medicaid regulations also provide for withholding Medicare and Medicaid payments in certain circumstances, and such withholding could have an adverse effect on the revenues of FMH/DC/TVC and the resulting payments of Rent to the Foundation. The penalties may also include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

Authorized by the HIPAA (defined herein), the Medicare Integrity Program ("MIP") was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the "integrity" of the Medicare program. These entities, Medicare zone program integrity contractors ("ZPICs"), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General. CMS is also planning to enable

ZPICs to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

The federal Medicaid Integrity Program was created by the Deficit Reduction Act in 2005. The Medicaid Integrity Program is the first federal program established to combat fraud and abuse in state Medicaid programs. Congress determined a federal program was necessary due to the substantial variations in state Medicaid enforcement efforts. The Medicaid Integrity Program's enforcement efforts supplant existing state Medicaid Fraud Control Units. Federal Medicaid Integrity Contractors ("MICs") are classified into Review MICs, Audit MICs and Educational MICs. Review MICs perform review audits generally to determine trends and patterns of aberrant Medicaid billing practices through data mining. Audit MICs perform post-payment reviews of individual providers through desk or field audits. The Educational MICs are responsible for developing and carrying out a variety of education activities to increase and improve Medicaid enforcement efforts by state government. Once a Medicaid overpayment is identified, the state has either 60 days, or one year if there is fraud, to repay the state's share of federal financial participation to CMS. The state is then required to collect from the provider. If the provider wins on an appeal of the identified overpayment, the state is not permitted to reclaim its federal portion, so there is very little incentive for the states to settle such cases with the provider.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA to include retention of overpayments as a violation. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the Banner cannot be predicted.

EMTALA

The Emergency Medical Treatment and Active Labor Act ("EMTALA") is a federal civil statute that requires hospitals to treat or conduct a medical screening for emergency conditions and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to \$50,000 per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation.

Future Health Care Legislation

The passage of the ACA is accelerating the pace of future health care legislation and regulatory change. Changes in the law or new interpretations of existing laws may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by government and third-party payors. This process has continued for many years, but has been greatly accelerated since the March 2010 passage of the ACA. FMH/DC/TVC and Banner spend substantial amounts of management time and money monitoring proposed and recently adopted health care laws and regulations and expect to continue to spend increasing amounts of time and money monitoring and responding to future health care legislation, including regulations under and legislative changes in response to the ACA. Any new legislation or government policies, if enacted into law, could adversely affect the revenues and operations of FMH/DC/TVC and the resulting payments of Rent to the Foundation.

In addition, many states have enacted, or are considering enacting, measures designed to reduce their Medicaid expenditures, change private health care insurance or otherwise respond to various provisions in the ACA. States have also adopted, or are considering, legislation designed to reduce coverage and program eligibility, enroll Medicaid recipients in managed care programs and/or impose additional taxes on hospitals to help finance or expand states' Medicaid systems. Possible future changes in the Medicare, Medicaid, and other state programs, may reduce reimbursements to FMH/DC/TVC and may also increase its operating expenses, which could result in a reduction of the payments of Rent to the Foundation.

State Budgets

Alaska Medicaid Fraud Law

The State of Alaska enacted a law in 2003 that expands the definition of Medicaid fraud to encompass offenses similar to those designated as illegal under the federal Anti-Kickback Law. Alaska law previously prohibited making false Medicaid claims, and Alaska Statute 47.05.210 expands the Alaska fraud and abuse activities to include making it illegal to confer, offer to confer, solicit, agree to accept, or accept property, services, or a benefit (beyond what is provided by Medicaid) in exchange for referrals for medical care or providing medical care. In addition to criminal penalties, violations of Alaska Statute 47.05.210 can lead to exclusion from the Medicaid program and other State of Alaska programs. Exclusion from these programs would have a material adverse impact on the operations and financial condition of FMH/DC/TVC.

Similar to the Anti-Kickback Law, the prohibited activities under this statute are not limited to physicians and can include other health care providers, hospitals or any other persons involved in the activity. Unlike the Anti-Kickback Law, there are no “safe harbors” under Alaska law, although the State of Alaska Medicaid Fraud Control Unit historically has targeted false or unsubstantiated claims rather than referral arrangements.

Management of FMH/DC/TVC believes that FMH/DC/TVC is presently in material compliance with Alaska Statute 47.05.210. However, in light of the broad scope of this statute and the lack of safe harbors, there can be no assurance that no violation of the statute will be found, and if found, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of FMH/DC/TVC.

Reimbursement for Healthcare Services Provided to Members of the Military and Their Families

FMH/DC/TVC derives a portion of its revenues from the significant military population in the region. FMH/DC/TVC sustains this revenue stream through its relationships with the military facilities in the Fairbanks community and participation in the TRICARE program. See “FMH/DC SERVICES” in APPENDIX A attached hereto. TRICARE is the uniformed services health care program for service members and their families. Reimbursement from TRICARE is subject to change in accordance with Department of Defense guidelines and is paid according to the CHAMPUS maximum allowable charge, which may be lower than rates charged to patients covered by commercial insurance. Future changes to the military population or reimbursement under the TRICARE system could adversely affect the revenues of FMH/DC/TVC and the resulting payments of Rent to the Foundation.

During the fiscal year ended December 31, 2013 approximately ____% of FMH/DC/TVC’s gross patient revenues were derived from the federal government other than through the Medicare and Medicaid programs, and included payments for healthcare services provided to members of the federal armed forces and their families. See “FMH/DC SOURCES OF REVENUE AND FUNDING” in APPENDIX A attached hereto. See “FMH/DC SERVICE AREA AND COMPETITION” in APPENDIX A for a discussion of the military bases located in FMH/DC/TVC’s service area. A closure of or reduction in the number of military personnel stationed at one or more of the military bases located in FMH/DC/TVC’s service area could adversely affect the revenues of FMH/DC/TVC, which could impact the ability of the Foundation to pay debt service on the Series 2014 Bonds or the ability of Banner to make any necessary payments pursuant to the Series 2014 Banner Limited Guaranty.

Reimbursement for Services Provided to Alaska Native Population

FMH/DC/TVC derives a portion of its revenues from the Alaska Native and American Indian population in the region. Alaska Natives receive statewide care through the Alaska Native Tribal Health Consortium “ANTHC” and the regional tribal health organizations. In the Fairbanks area, the main facility for Alaska Native care is the Chief Andrew Isaac Health Center, though patients are often sent to Anchorage to receive specialized care at the Alaska Native Medical Center. The ongoing relationship with Chief Andrew Isaac Health Center and reimbursement from ANTHC and other Alaska Native and American Indian payers is subject to funding from Indian Health Services. See “FMH/DC/TVC AND RELATED ACTIVITIES” in APPENDIX A attached hereto for information regarding the proposed termination of the Lease relating to the Chief Andrew Isaac Health Center.

Future changes to funding sources or the system of care provided to Alaska Natives and American Indians could adversely affect the revenues of FMH/DC/TVC and the resulting payments of Rent to the Foundation.

Federal Budget Issues

The BCA mandates significant reductions and spending caps on the federal budget for the federal fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the “Super Committee”) to develop a plan by November 23, 2011 to further reduce the federal deficit in the amount of \$1.5 trillion. As the Super Committee failed to act, the BCA mandated that a 2% reduction in Medicare spending, among other reductions, could be triggered to take effect on January 2, 2013. The Medicaid program would be exempt from such automatic reductions.

The ATRA postponed this scheduled reduction until March 1, 2013. The Centers for Medicare and Medicaid Services confirmed that the 2.0% reduction to Medicare providers and insurers are for services provided after April 1, 2013.

It is possible that Congress will take action to eliminate some or all of the reductions in the future and any Congressional action could be made retroactive in order to eliminate some or all of the cuts even to the extent they were imposed. However, there is no certainty that Congress will take any action. Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon FMH/DC. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If and to the extent Medicare and/or Medicaid spending is reduced under either scenario, this may have a material adverse effect upon the financial condition of FMH/DC. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have an adverse effect on the financial condition of FMC/DC/TVC, which could be material.

In the past, the United States government has shut down and curtailed most routine operations after Congress failed to enact legislation appropriating funds for a fiscal year, or a continuing resolution for interim authorization of appropriations for the remainder of a fiscal year. During such shutdowns, many federal employees are furloughed and other federal employees were required to report to work without known compensation dates. If a government shutdown occurs in the future, there can be no assurance that federal payments, including Medicare payments, Medicaid payments to the states, or payments for the health services of military personnel and their families, will occur on a timely basis or at all during such a shutdown. While prior governmental shutdowns and FMH/DC’s have not had a material adverse effect on Banner’s revenues, there can be no assurance that future governmental shutdowns will not adversely affect such revenues and result in an adverse effect on Banner’s ability to pay Rent.

Competition from other Healthcare Providers

Competition from Other Health Care Providers. Increased competition from other hospitals and from other forms of health care delivery, which may offer comparable services at lower prices and which may be encouraged by federal policies and private insurers and employers, could adversely affect the ability of FMH/DC/TVC to maintain their market share and the results of operations of FMH/DC/TVC and the resulting payments of Rent to the Foundation.

FHM/DC/TVC’s service area consists of the Fairbanks Northstar Borough (“FNSB”) and the Interior and northern regions of Alaska, which comprise approximately 9,100 square miles. Currently, the nearest public hospital is located in Anchorage, Alaska, more than 350 miles from FMH/DC/TVC.

A 32-bed military hospital (“Bassett”) is located in Fairbanks, Alaska. Bassett serves only the military population and their dependents. Since its opening in May 2007, Bassett has not had a material effect on patient volumes at FMH/DC/TVC. Any expansion of Bassett or the construction of a new military hospital located in FMH/DC/TVC’s service area could adversely affect FMH/DC/TVC’s operations. In addition, an ambulatory surgery center with two operating rooms opened in 2010. Although the new ambulatory surgery center has not had a material impact on FMH, there can be no assurance that FMH will not be materially adversely impacted in the future.

Competition from military hospitals, the Health Center, the ambulatory surgery center and other healthcare providers now or hereafter located in the service area of FMH/DC/TVC could adversely affect its operations. FMH/DC/TVC could also be adversely affected by economic trends and changes in the demographics of its service area. See “FMH/DC SERVICE AREA AND COMPETITION” in APPENDIX A attached hereto.

Current Economic Climate

The health of the economy can have a direct impact on the financial health of FMH/DC/TVC and the Foundation. With the national economy slow to recover following the end of the recession, hospitals generally continue to feel the impact of higher unemployment, reduced personal income earning expectations, and diminished access to private insurance. While the national recession formally ended in 2009, local economics within FMH/DC/TVC’s service areas could, from time to time, experience weak characteristics depending on a variety of factors.

The local military investment, activities and personnel make up a material segment of the local economy. Efforts in 2012 to reduce federal military spending could result in a net job loss if significant services are realigned to other bases. Based on available information, Eielson Air Force Base (1,900 active duty personnel) is included on the initial list of facilities possibly subject to realignment; Ft. Wainwright Army Post (7,400 active duty personnel) is not. If there were a relocation/realignment of the majority of Eielson personnel and services, it could have a negative impact on private sector support jobs, some segments of the housing market and overall economic growth in the near term.

Effects of a weaker economy on hospitals have included lower patient volumes as patients defer elective healthcare services; rising charity care and bad debt expense; budget pressures on federal and state levels forcing intensifying reviews of Medicare and Medicaid reimbursement rates; unfavorable changes in payer mix away from commercial payers; and financial pressures and decreasing membership at healthcare insurers, contributing to lower commercial rate increases for hospitals. While neither FMH/DC/TVC nor the Foundation has experienced certain of these adverse effects to a material extent, the continuation of the current slow rate of growth coupled with high unemployment may cause one or more of these risks to become manifested for FMH/DC/TVC and/or the Foundation to rise to a more material level.

Additionally, future economic conditions, including periods of higher inflation could adversely affect the Foundation and Banner, through its operation of FMH/DC/TVC including higher employee costs, the cost and availability of energy and difficulties in increasing charges while maintaining the quality of health care services.

Changes in Delivery of Health Care

Private employers, in response to the increased cost of health care and the desire to reduce health care costs and in response to health care legislation, including particularly the ACA, have reconsidered the manner in which health care benefits are provided to their employees in order to create incentives for cost containment. Traditional commercial health insurance programs, which paid for services based on specified charges, have been displaced by a wide range of managed care programs which include health maintenance organizations, preferred provider organizations, point of service organizations and other alternative delivery systems. More recently, high-deductible plans have been introduced by a number of commercial insurers and adopted by a wide range of employers. Many of such plans pay providers on a negotiated fee-for-service basis, a “capitation” payment method under which healthcare organizations are paid a predetermined periodic rate for each enroller who is “assigned” or otherwise directed to receive care from a particular healthcare organization, or other form of discounted reimbursement. The introduction of additional managed care programs and high-deductible plans in the Hospital’s service area could adversely affect the revenues and results of operations of FMH/DC/TVC and the resulting payments of Rent to the Foundation. In addition, private insurers or managed care programs might enter into contracts with physicians, hospitals or other health care providers whereby the providers are the sole providers of care for participants in the program. If significant numbers of persons living in FMH/DC/TVC’s market area participated in exclusive provider programs not involving FMH/DC/TVC, FMG/DC/TVC’s revenues and cash flow could be adversely impacted.

Patient Records and Patient Confidentiality

The Health Insurance Portability and Accountability Act of 1996 ("*HIPAA*") requires certain entities and providers to protect the privacy and security of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient and a variety of safeguards must be used to protect against privacy or security breaches. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from up to \$50,000 to \$1.5 million for all individual violations in a calendar year and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

Recent legislation includes broad, sweeping changes to the HIPAA provisions regarding confidentiality of patient medical records. In general, such legislation expands the enforcement of violations of patient medical record confidentiality. Violations of HIPAA, or of comparable state privacy and security laws, may result in significant costs, liability and reputational harm. FMH/DC/TV has implemented policies and procedures designed to comply with HIPAA, but there can be no guaranty that violations will not occur or that any such violation would not have a material adverse effect.

Under existing HIPAA regulations, covered entities must include certain required provisions in their contractual relationships with organizations that perform functions on their behalf which involve use or disclosure of protected health information. These business associates have been indirectly regulated by HIPAA through those contractual obligations. The HITECH Act (described below) and the final rules promulgated thereunder provide that all of the HIPAA security administrative, physical, and technical safeguards, as well as security policies, procedures, and documentation requirements now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. These changes are significant because business associates will now be directly regulated by HHS for those requirements, and as a result, will be subject to penalties imposed by HHS and/or state attorneys general. Likewise, to the extent a business associate is deemed to be an agent of the covered entity under the Federal common law, the covered entity will be liable for the breaches of the business associate.

Security Breaches and Unauthorized Releases of Personal Information

Federal and state authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. The federal Health Information Technology for Economic and Clinical Health Act (the "*HITECH*" Act) requires health care providers and some of their vendors to notify individuals, and in some cases, the media, when their unsecured protected health information is subject to a breach of security. In addition, many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently result in material liability and damage to a health care provider's reputation and could materially adversely affect business operations.

The HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the "meaningful use" of certified electronic health record ("*EHR*") technology. Beginning in 2011, the Medicare and Medicaid EHR incentive programs provide incentive payments to eligible professionals and eligible hospitals

for demonstrating meaningful use of certified EHR technology. Healthcare providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures. Beginning in 2015, hospitals and physicians who have not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments significantly reduced.

On January 25, 2013, DHHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the “HIPAA Omnibus Rule.” The HIPAA Omnibus Rule became effective on March 26, 2013, and covered entities are required to be in compliance by September 23, 2013 (though certain requirements have a longer timeframe). Key aspects of the HIPAA Omnibus Rule include, but are not limited to: (i) a new standard for what constitutes a breach of private health information, (ii) establishing four levels of culpability with respect to civil monetary penalties assessed for HIPAA violations, (iii) direct liability of business associates for certain violations of HIPAA, (iv) modifications to the rules governing research, (v) stricter requirements regarding non-exempt marketing practices, (vi) modification and re-distribution of notices of privacy practices, and (vii) stricter requirements regarding the protection of genetic information. While the effects of the HIPAA Omnibus Rule cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the ability of Banner to pay Rent and the resulting ability of the Foundation to pay debt service on the Series 2014 Bonds.

The HITECH Act revises the civil monetary penalties associated with violations of HIPAA as well as provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases through a damages assessment of \$100 per violation or an injunction against the violator. The revised civil monetary penalty provisions establish a tiered system, ranging from a minimum of \$100 per violation for an unknowing violation to \$1,000 per violation for a violation due to reasonable cause, but not willful neglect. For a violation due to willful neglect, the penalty is a minimum of \$10,000 or \$50,000 per violation, depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation. Maximum penalties may reach \$1,500,000 for identical violations. The new levels of civil monetary penalties apply immediately for unknowing violations or violations due to reasonable cause.

Criminal penalties will be enforced against persons who obtain or disclose personal health information without authorization. HHS is also beginning to perform periodic audits of health care providers and group health plans to ensure that required policies under the HITECH Act are in place. Finally, individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods to be established by HHS for this private recovery within three years of the passage of the HITECH Act.

The Office for Civil Rights (“OCR”) is the administrative office that is tasked with enforcing HIPAA. OCR has stated that it has now moved from education to enforcement in its implementation of the law. Recent settlements of HIPAA violations for breaches involving lost data and have reached the millions of dollars. Any breach of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered health care provider or health plan.

Antitrust

Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to healthcare is evolving (especially as the ACA is implemented), and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing disputes, and hospital mergers and acquisitions.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines.

Alaska Tax Related Risks

Under current Alaska law, FMH/DC's facilities are generally exempt from local property taxes. There can be no assurances however, that future legislation will not subject such facilities to property taxes or other similar payments or fees in lieu of property taxes. Moreover, no assurances can be given that the effect of any such prospective property tax payments by FMH/DC would not be either adverse or material.

Nonprofit Healthcare Environment

The tax-exempt status of hospitals and healthcare organizations is the subject of increasing regulatory and legislative threats. As nonprofit tax-exempt organizations, the Foundation and Banner are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for religious and charitable purposes. At the same time, Banner conducts large-scale complex business transactions and is a major employer in the Fairbanks, Alaska geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex, multi-state healthcare organization. Hospitals or other health care providers may be forced to forego otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements in order to maintain their tax-exempt status.

The operations and practices of nonprofit, tax-exempt hospitals are routinely challenged or criticized for inconsistency or inadequate compliance with the regulatory requirements for, and societal expectations of, nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the healthcare organizations. A common theme is that nonprofit hospitals may not confer community benefits that exceed or equal the benefit received from their tax-exempt status. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation. The challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could have a material adverse effect on Banner and its ability to pay Rent.

Congressional Action. Senate and House committees have conducted several nationwide investigations of hospital billing and collection practices and prices charged to uninsured patients and have considered reforms to the nonprofit sector, including proposed reform in the area of tax-exempt healthcare organizations, as part of healthcare reform generally.

Bond Examinations. IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. A schedule to the revised Form 990 return (Schedule K), effective for the 2009 tax year and thereafter, is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. Schedule K also requires tax-exempt organizations to report on the investment and use of bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of bond-financed facilities.

Internal Revenue Service Examination of Compensation Practices and Community Benefit. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the "IRS Final Report") that examined tax-exempt organizations' practices and procedures with regard to compensation and benefits paid to their officers and other defined "insiders." The IRS Final Report indicates that the IRS (1) will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations and, and (2) in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations. The IRS has also undertaken a community benefit initiative directed at hospitals. A recent IRS report on this initiative determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of community benefit, made it difficult for the IRS to assess whether any particular hospital is in compliance with current law. The revised Form 990 includes a new schedule, Schedule H, which hospitals and health systems must use to report their community

benefit activities, including the cost of providing charity care and other tax-exemption related information. Proposals have also been made within Congressional committees to codify the requirements for hospitals' tax-exempt status, including requirements to conduct a regular community needs analysis and to provide minimum levels of charity care. Additionally, the health reform legislation contains new requirements for non-profit hospitals in order to maintain their tax-exempt status.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Some of these cases have since been dismissed by the courts and some hospitals and health systems have entered into substantial settlements. Cases are pending in various courts around the country and others could be filed. Some hospitals and health systems have entered into substantial settlements.

State Oversight. Nonprofit corporations, including the Foundation and Banner, are subject to oversight and examination by state attorneys general to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with state law and that the terms of charitable gifts are followed.

Challenges to Real Property Tax Exemptions. The real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities have been challenged on the grounds that the healthcare providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins and operations that closely resemble for-profit businesses.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other healthcare providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive healthcare services.

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations and may indicate an increasingly difficult operating environment for healthcare organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on hospitals and healthcare providers, including Banner, and, in turn, its ability to pay Rent or make payments under the Banner Limited Guaranties, and as a result may have an adverse effect on the ability of the Foundation to pay debt service on the Series 2014 Bonds.

Risks Related to Tax-Exempt Status of Series 2014 Bonds

The ongoing tax-exempt status of interest on the Series 2014 Bonds is conditioned, under relevant provisions of the Internal Revenue Code, on compliance by the Foundation, Banner and FMH/DC/TVC with various requirements set forth, inter alia, in Section 145 of the Code, requiring, among other things, that the facilities financed and refinanced with the proceeds of the Series 2014 Bonds be owned throughout the term of the Series 2014 Bonds by a governmental unit or an organization described in Section 501(c)(3) of the Code, and that not more than five percent of the proceeds of the Series 2014 Bonds (inclusive of proceeds applied to defray issuance costs) be applied to any "private business use," any use derived from the conduct of an "unrelated trade or business," within the meaning of Section 513(a) of the Code, or other uses inconsistent with the charitable purposes of the Foundation and Banner as organizations described in Section 501(c)(3) of the Internal Revenue Code, all as further provided in applicable statutes, regulations, rulings and decisions. Section 147 of the Code requires, among other things, that the weighted average maturity of the Series 2014 Bonds not exceed 120% of the remaining useful economic life of the facilities financed and refinanced thereby. Under Section 148 of the Code, detailed requirements are set forth governing the expenditure and investment of proceeds of tax-exempt bonds and other moneys and requiring periodic computations in connection therewith. Moreover, certain "arbitrage" profits, generated from the investment of proceeds of the Series 2014 Bonds or other moneys, must be periodically rebated to the United States Treasury. The Code also imposes other requirements that must be satisfied, including

limitations on the use of bond proceeds, limitations on investment of bond proceeds prior to expenditure, and a requirement that the Authority file certain reports with the Internal Revenue Service (the “IRS”). Failure to comply with any of such tax requirements could result in the loss of the tax-exempt status of interest on the Series 2014 Bonds to the owners thereof, and such interest could become taxable to such owners retroactive to the date of issuance of the Series 2014 Bonds.

The federal tax-exempt status of the Series 2014 Bonds depends upon the Foundation and Banner each maintaining its respective status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations and guidance regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions which may cause their assets to inure to the benefit of private individuals.

The Internal Revenue Service (the “IRS”) has provided guidance on a number of topics relating to tax-exempt organizations, including the importance of paying fair market value for goods and services, excess compensation and benefits to officers and other insiders, the implementation of the Intermediate Sanctions regulations, and the issues surrounding joint ventures and partnerships between tax-exempt and for profit entities. These issues, and developments in the area of physician recruiting and inducements for referrals by physicians, pose risk to tax-exempt entities in the current health care environment.

The IRS has stressed the importance of ensuring that in relationships with for-profit entities or individuals, the exchange of consideration is consistent with fair market value for the goods or services provided. Areas of particular focus include leasing arrangements, sale of physician practices and the compensation paid to physicians and executives. Generally, payments must be consistent with what would be paid in an arms’ length transaction, and should be supported by market data or an independent evaluation of reasonableness. Failure to ensure that payments are reasonable could result in the imposition of Intermediate Sanctions and/or the revocation of the organization’s exempt status.

The Intermediate Sanctions regulations apply to transactions with “disqualified persons”, who include directors, officers, and other individuals who are in a position to exercise substantial influence over the organization’s decisions. Physicians, while not disqualified persons per se, may be included in this category depending upon the extent of their influence over the organization. An excess benefit transaction can occur in the exchange of compensation for services between the organization and the disqualified person or in the exchange of property between an exempt organization and the disqualified person. If such a transaction is found to exist, the IRS may impose an excise tax on both the disqualified person and the organizational manager who knowingly participates in the excess benefit transaction. In determining whether to impose section 4958 excise taxes, the IRS stated it will consider whether the organization involved has been involved in repeated excess benefit transactions; the size and scope of the excess benefit transactions; whether, after discovering it was a party to an excess benefit transaction, the organization took appropriate corrective action and implemented safeguards to prevent future recurrences; and whether the organization has complied with other applicable laws. The imposition of Intermediate Sanctions on the Foundation or Banner with respect to FMH/DC/TVC could adversely impact the Rent to be received by the Foundation and the Foundation’s ability to pay the amounts due on the Series 2014 Bonds. The Foundation or Banner may also be subject to an action to revoke its respective exempt status, thereby jeopardizing the tax-exempt status of the Series 2014 Bonds.

In addition, the IRS has increasingly focused on relationships between exempt organizations and for-profit entities, particularly in the context of physician-hospital joint ventures. A tax-exempt hospital may enter into such an arrangement only if certain precautions are taken in the structure and operation of such a venture. Generally, the factors considered are whether the joint venture will be operated in furtherance of the exempt organization’s purpose, whether ownership interests are proportionate to each party’s investment, whether distributions to parties in the venture are consistent with their ownership interests and whether the exempt organization obtains access to capital and expertise that is not otherwise available.

Tax-exempt hospitals and other exempt organizations are required to file Form 990 annually with the IRS. The form requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The Redesigned Form 990 also requires the reporting of detailed community

benefit information, and would establish uniform standards for reporting charity care. The Redesigned Form 990 also contains a separate schedule requiring detailed reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The Redesigned Form 990 will result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the Redesigned Form 990 will make available a wealth of detailed information on compliance risk areas to the IRS and other stakeholders, including state attorneys general, unions, plaintiff's class action attorneys, public watchdog groups, and others. The Redesigned Form 990 became effective in its entirety in tax year 2009.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt healthcare organizations. The IRS conducts special audits of large tax-exempt healthcare organizations with at least \$500 million in assets or \$1 billion in gross receipts. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing, partnerships and joint ventures, retirement plans, employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that Banner has participated in activities in violation of certain regulations or rulings in any of its facilities, the tax-exempt status of Banner could be jeopardized. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit healthcare corporations, it could do so in the future. Loss of tax-exempt status by Banner would result in loss of tax exemption of the Bonds, defaults in covenants regarding the Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of Banner, adversely affecting its ability to pay Rent, which could have an adverse effect on the ability of the Foundation to pay debt service on the Series 2014 Bonds.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt hospitals have entered into settlement agreements requiring the hospital to make substantial payments to the IRS. Given the size of Banner, the wide range of complex transactions entered into by Banner, and potential exemption risks, Banner could be at risk for incurring monetary and other liabilities or penalties imposed by the IRS.

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

The ACA imposes new requirements for tax-exempt hospitals. Specifically, tax-exempt hospitals will need to meet four new community benefit standards in order to continue to be exempt. The community benefit standards include conducting a health needs assessment, developing and maintaining a written financial assistance policy, limiting the amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy, and a prohibition on engaging in extraordinary collection actions before determining eligibility under the financial assistance policy. Failure to meet the requirements for any tax year will result in a tax of \$50,000 to the tax-exempt hospital.

The Secretary of the Treasury has issued proposed regulations regarding the financial assistance policies and collection efforts. These proposed regulations are complex and administratively burdensome and should they be finalized could materially impact the Foundation and Banner. The IRS has also issued Notice 2011-52, which is guidance on the performance of the community health needs assessments. While the guidance is not controlling, the IRS has stated that any hospital that performs a community health needs assessment in accordance with the notice will be deemed to have complied with the statute. The IRS issued proposed regulations on community health needs assessments on April 5, 2013. These proposed regulations are consistent with the terms set forth in the Notice. The

proposed regulations also discuss the related excise tax and reporting requirements for charitable hospitals and the consequences for failure to satisfy the section 501(r) requirements.

In addition, the Treasury Department is required to review information about each tax-exempt hospital's community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

If the above requirements are not satisfied and interest on the Series 2014 Bonds becomes taxable, an event of default may occur under the Loan Agreement or the Indenture. See "BONDHOLDERS' RISKS – Redemption Prior to Maturity" herein for a description of the effects of an event of default under the Loan Agreement, the Indenture or the Master Indenture. The Bonds are subject to mandatory or other redemption in the event of a Determination of Taxability, in the event that interest on the Bonds becomes subject to federal income taxation.

In addition, it is difficult to predict the effect, if any, that healthcare reform proposals would have on the current charity care and community benefit standards.

Shortage of Healthcare Personnel

FMH/DC has suffered a shortage of physicians and other healthcare professionals. A shortage of qualified professional personnel, particularly registered nurses, could significantly increase payroll and other costs. FMH/DC/TVC cannot control the prevailing wage rates in its service area, and any increase in such rates will directly affect its costs of operations and may inhibit the ability of FMH/DC/TVC to provide services of the levels necessary to meet the demands of FMH/DC/TVC's service area.

Malpractice and General Liability Claims

In recent years, the number of general liability suits and the dollar amounts of damage awards have increased nationwide, resulting in substantial increases in insurance premiums, which may have an adverse financial impact on FMH/DC/TVC and the Foundation. Litigation may also arise against Banner from their corporate and business activities, such as their respective status as an employer. While Banner maintains general liability insurance coverage through self-insurance through its wholly-owned captive insurance company and the Foundation carries Directors and Officers liability coverage (see "INSURANCE" in APPENDIX A attached hereto), the Foundation is unable to predict the availability or cost of such insurance in the future. In addition, it is possible that certain types of liability awards may not be covered by insurance as in effect at the relevant times. See "LITIGATION – The Foundation" and "LITIGATION – Banner" herein.

Amendments to Documents

Certain amendments to the Bond Indenture, the Loan Agreement and the Master Indenture may be made without the consent of the holders of the Series 2014 Bonds or the Series 2014 Obligation, and other amendments may be made with the consent of the Bond Trustee and the holders of a majority in aggregate principal amount of all outstanding Series 2014 Bonds (with respect to the Bond Indenture and the Loan Agreement) or the consent of the Master Trustee and the holders of the outstanding Obligations (with respect to the Master Indenture). Such amendments could affect the security for the Series 2014 Bonds. Certain amendments to the Bond Indenture, however, are not permitted without the consent of the holder of each outstanding Series 2014 Bond, including (i) any change to the terms of redemption or maturity of any Series 2014 Bonds or of any installment of interest on any Series 2014 Bonds, (ii) depriving any Holder of a Series 2014 Bond then Outstanding of the lien or right created by the Bond Indenture, (iii) giving priority to any Series 2014 Bond over any other Series 2014 Bond, (iii) any reduction of the Loan Payments, or (iv) any reduction of the percentage of Holders whose consent is required to take action under, or for the amendment of, the Bond Indenture. Certain amendments to the Loan Agreement are not permitted without the consent of the Holders of all Series 2014 Bonds then Outstanding, including (i) changing the terms of redemption or maturity of the principal of any Series 2014 Bonds or of any installment of interest on any Series 2014 Bonds, (ii) depriving any Holder of a Series 2014 Bond then Outstanding of the lien or right created by

the Bond Indenture, (iii) giving priority to any Series 2014 Bond over any other Series 2014 Bond, (iv) reducing or extending the time for payment of any of the Loan Payments, or (v) reducing the percentage of holders of the Series 2014 Bonds whose consent is required to take action under, or for amendment of, the Bond Indenture. Certain amendments to the Master Indenture are not permitted without the consent of the holder of each outstanding Obligation or each affected outstanding Obligation, including (i) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of any Obligation without the consent of the holder of the Obligation, (ii) a reduction in the aggregate principal amount of Obligations the holders of which are required to consent to any such amendment, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, or (iii) except as otherwise permitted pursuant to the Master Indenture, modification of the joint and several obligation of the Members to make payment pursuant to the Master Indenture.

Lack of Market for the Series 2014 Bonds

The Series 2014 Bonds will not be listed on a securities exchange or inter-dealer quotation system. There can be no assurance that there will be a secondary market for the Series 2014 Bonds, and the absence of such a market for the Series 2014 Bonds could result in investors not being able to resell their Series 2014 Bonds should they need or wish to do so.

Ratings

There is no assurance that the ratings assigned to the Series 2014 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and the marketability of the Series 2014 Bonds. See “RATINGS” herein. [See “BONDHOLDERS’ RISKS – Bond Insurance” herein for a discussion of certain ratings risks related to the Insurer and the Policy.]

Other Factors Affecting the Financial Performance of the Foundation and FMH/DC/TVC

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Authority's operations and financial performance to an extent that cannot be determined at this time:

- (1) *Changes in Management.* Changes in key management personnel could affect the capability of management of FMH/DC/TVC and the Foundation.
- (2) *Demand for Health Care Services.* Decreased usage of inpatient hospital facilities resulting from development of alternative health care delivery systems, scientific advances and efforts by insurers, employers and governmental agencies to encourage the use of preventive medicine, improved occupational health and safety standards and outpatient care have had and are likely to continue to have an adverse effect on the overall demand for acute care services at FMH/DC/TVC and the resulting payment of Rent to the Foundation.
- (3) *Availability of Health Care Personnel.* Availability of and increased compensation necessary to attract and retain physicians, nurses and other health care personnel have created operational challenges for FMH/DC/TVC in the past. While high unemployment has alleviated some of these pressures in recent years, availability of skilled health care workers can create operational challenges in the future, which could adversely impact the financial performance of FMH/DC/TVC and the resulting payments of Rent to the Foundation.
- (8) *Natural Disasters.* The occurrence of natural disasters, such as tornadoes, volcanoes, earthquakes or floods, could damage the FMH/DC/TVC facilities, interrupt services or otherwise impair operations and the ability of FMH/DC/TVC to produce revenues. A substantial majority of FMH/DC facilities (including the main Hospital facilities) are located on an approximately 39-acre campus in Fairbanks, Alaska, making those facilities subject to a natural disaster.

- (9) *Rate Regulations.* The possible imposition of wage and price controls for the health care industry, and the resultant inability to maintain the quality and scope of health care services provided by FMH/DC/TVC would have an adverse effect on the results of operations of FMH/DC/TVC and the payments of Rent to the Foundation. National discussions of the increasing costs of health care occasionally lead to discussions of potential rate regulation mechanisms (beyond those presently in existence under the Medicare and Medicaid programs).
- (10) *Scientific Advances.* 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 FMH/DC. 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 the Foundation and Banner through FMH/DC/TVC 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.
- (11) *Indigent and Charitable Care.* Any increase in the quantity of indigent and charitable care provided which is mandated by law or required due to increased needs of the community, including those resulting from closure of other health care facilities in the area would adversely impact the financial performance of FMH/DC/TVC and the resulting Rent paid to the Foundation.

LITIGATION

Authority

The Authority has not been served in any litigation, nor, to the knowledge of the Authority, has such litigation been threatened against the Authority, which seeks to restrain or enjoin the issuance and delivery of the Series 2014 Bonds or questioning or affecting the validity of such Series 2014 Bonds or the proceedings or authority under which they are to be issued, or contesting the creation, organization or existence of the Authority, or the title of any of the present members or other officers of the Authority to their respective offices. The Authority has not been served in any litigation, nor, to the knowledge of the Authority, has such litigation been threatened against the Authority, which in any manner questions the right of the Authority to enter into the Bond Indenture or Loan Agreement or to secure the Series 2014 Bonds in the manner provided in the Bond Indenture and the relevant statutes under which the Series 2014 Bonds are issued.

Foundation

There is not now pending or, to the knowledge of the Foundation, threatened, any litigation against the Foundation which seeks to restrain or enjoin the issuance or delivery of the Series 2014 Bonds or the Series 2014 Obligation, or questioning or affecting the validity of the Series 2014 Bonds or the Series 2014 Obligation or the proceedings or authority under which the Series 2014 Bonds and the Series 2014 Obligation are to be issued. There is not now pending or, to the knowledge of the Foundation, threatened, any litigation against the Foundation which in any manner questions the right of the Foundation to enter into the Loan Agreement or to secure the Series 2014 Bonds in the manner provided in the Bond Indenture and the Act.

There is not now pending nor, to the knowledge of the Foundation, threatened, any litigation against the Foundation except for litigation in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of the counsel to the Foundation responsible therefor, will be entirely within the Foundation's applicable insurance policy limits (subject to applicable deductibles) or reserves, or which otherwise would not materially adversely affect the business or properties of the Foundation.

FMH/DC/TVC and Banner

Except as disclosed in APPENDIX A, there is not now pending nor, to the knowledge of management of Banner or FMH/DC/TVC, threatened any litigation against Banner or FMH/DC/TVC except for litigation in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of the counsel to Banner and

counsel to FMH/DC/TVC responsible therefor, will be entirely within FMH/DC/TVC's applicable insurance policy limits (subject to applicable deductibles) or reserves, including self-insurance trusts, established by Banner therefor, or which otherwise would not materially adversely affect the business or properties of FMH/DC/TVC.

UNDERWRITING

U.S. Bancorp Investments, Inc. and Wells Fargo Securities (collectively, the "Underwriters") have agreed to purchase the Series 2014 Bonds at an aggregate purchase price of \$_____ (reflecting the principal amount of the Series 2014 Bonds (\$_____) plus net original issue premium in the amount of \$_____, less underwriters' discount in the amount of \$_____) pursuant to the Contract of Purchase (the "Contract of Purchase") by and among the Authority, the Foundation and the Underwriters. The Contract of Purchase provides that the Underwriters shall purchase all of the Series 2014 Bonds, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices set forth on the inside cover of this Official Statement may be changed from time to time by the Underwriters. Concessions from the initial public offering prices may be allowed to selected dealers and certain special purchasers. The Underwriters reserve the right to join with other dealers and other underwriters in offering the Series 2014 Bonds to the public.

U.S. Bancorp in the marketing name of U.S. Bancorp and its subsidiaries including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the Series 2014 Bonds, and U.S. Bank National Association, which is serving as Bond Trustee and Master Trustee for the Series 2014 Bonds. In addition to serving as Underwriter, U.S. Bancorp also acts in other capacities for the Foundation, including providing credit enhancements for certain series of bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Series 2014 Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2014 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2014 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Series 2014 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

TAX MATTERS

In the opinion of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2014 Bonds is exempt from all taxation by the State of Alaska or any political subdivision thereof, except for transfer, estate and inheritance taxes. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Series 2014 Bonds is less than the amount to be paid at maturity of such Series 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2014 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 2014 Bonds the first price at which a substantial amount of such maturity of the Series 2014 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 2014 Bonds accrues daily over the term to maturity of such Series 2014 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 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014 Bonds. Holders of the Series 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Bonds is sold to the public.

Series 2014 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 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. Holders of a Premium Bond should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 2014 Bonds. The Authority and the Foundation have covenanted to comply with certain restrictions designed to insure that interest on the Series 2014 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not 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 2014 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 Bonds.

In addition, Bond Counsel has relied on the opinion of the General Counsel to the Foundation and the General Counsel to Banner regarding the current qualification of each of the Foundation and Banner, respectively, as organizations described in Section 501(c)(3) of the Code, the intended operation of the facilities to be financed or refinanced by the Series 2014 Bonds as substantially related to their respective charitable purposes under Section 513 of the Code, and other matters. Neither Bond Counsel, the General Counsel to the Foundation nor the General Counsel to Banner can give or has given any opinion or assurance about the future activities of the Foundation or Banner, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the Foundation or Banner to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to operate the facilities financed or refinanced by the Series 2014 Bonds in a manner that is substantially related to their respective charitable purposes under Section 513 of the Code may result in interest on the Series 2014 Bonds being included in federal gross income, possibly from the date of original issuance the Series 2014 Bonds.

Certain requirements and procedures contained in or referred to in the Bond Indenture, the Loan Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2014 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Although Bond Counsel is of the opinion that interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2014 Bonds may otherwise affect a Holder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Holder or the Holder’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Holders of the Series 2014 Bonds

from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (“IRS”), including but not limited to regulation, ruling, or selection of the Series 2014 Bonds for audit examination, or the course or result of any IRS examination of the Series 2014 Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2014 Bonds.

CONTINUING DISCLOSURE

In order to permit the Underwriters and other participating Underwriters in the offering of the Series 2014 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the Foundation will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2014 Bonds, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in APPENDIX F to this Official Statement. Certain of the information to be filed will be provided to the Foundation by Banner.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Series 2014 Bonds or the Loan Agreement. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Series 2014 Bonds in the secondary market. Thus, a failure on the part of the Foundation to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2014 Bonds and their market price. See “CONTINUING DISCLOSURE AGREEMENT” in APPENDIX E.

The Foundation and Banner are currently in compliance with their existing continuing disclosure requirements.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance and sale of the Series 2014 Bonds and with regard to the tax status of interest thereon under existing law are subject to the approving opinion of the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed upon for the Foundation by its in-house counsel and by Dorsey & Whitney LLP, Des Moines, Iowa, Disclosure Counsel, for Banner by its Senior Vice President/General Counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. In addition, the Attorney General of the State of Alaska, as general counsel to the Authority, will provide a certificate of no litigation regarding the Authority’s ability to issue and deliver the Series 2014 Bonds.

RELATIONSHIPS AMONG THE PARTIES

In connection with the issuance of the Series 2014 Bonds, the attorneys or law firms identified under the heading “CERTAIN LEGAL MATTERS” are acting as bond counsel, counsel to the Foundation, counsel to Banner and Underwriters’ Counsel. In other transactions not related to the Series 2014 Bonds, each of these attorneys or law firms may have acted, or be acting, as Bond Counsel and/or may have represented, or be representing, the Underwriters, the Authority, the Foundation, Banner or their affiliates in capacities different from those described under “CERTAIN LEGAL MATTERS.” There is and will be no limitations imposed as a result of the issuance of the Series 2014 Bonds on the ability of any of these firms or attorneys to represent any of these parties, or to act as bond counsel, in any present or future transactions. Furthermore, the Underwriters, the Authority, the Foundation, Banner and their affiliates are not limited in engaging in future business transactions together or in any combination with each other. Potential purchasers of the Series 2014 Bonds should not assume that the Underwriters, the Authority, the Foundation, Banner, or their respective counsel, or Bond Counsel, have not previously engaged in, are not presently engaged in, or will not after the issuance of the Series 2014 Bonds engage in, other transactions with each other or with any affiliates of any of them, and no assurance can be given that there are or will be no past, present or future relationships or transactions between or among any of these parties or these attorneys or law firms.

RATINGS

Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned the Series 2014 Bonds underlying ratings of "____" and "____", respectively, based upon the credit strength of the Foundation [and are expected to assign ratings of "____" and "____", respectively to the Series 2014 Bonds, with the understanding that upon delivery of the Series 2014 Bonds the Policy insuring when due the principal of and interest on the Series 2014 Bonds will be issued by the Insurer.]

Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. The Foundation (and the Insurer) furnished to such rating agencies certain information and materials concerning the Series 2014 Bonds and themselves. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will remain for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

[Each of S&P and Fitch (collectively referred to hereinafter as the "Rating Agencies") have recently taken actions to address the effects of the downturns in the market for structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of the bond insurance companies, including the Insurer. In various releases, the Rating Agencies have each outlined the processes that they are following in order to evaluate the effect of this risk on their respective ratings of financial guarantors. As a result of such evaluations, the Rating Agencies have taken certain steps, including affirming the ratings of certain financial guarantors, adopting a negative outlook on the ratings of others, placing the ratings of other financial guarantors on credit watch for possible downgrades, and downgrading certain other financial guarantors. Potential investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See "BONDHOLDERS' RISKS – Bond Insurance Policy" herein for a description of certain risks associated with the Insurer and "BOND INSURANCE" herein for information relating to the financial condition and ratings of the Insurer.

The above ratings are not recommendations to buy, sell or hold the Series 2014 Bonds, and such ratings may be subject to revision or withdrawal at any time by the Rating Agencies.]

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Foundation in connection with the issuance of the Series 2014 Bonds. The Financial Advisor's fee for services rendered with respect to the issuance of the Series 2014 Bonds is contingent upon the issuance and delivery of the Series 2014 Bonds. First Southwest Company has agreed, in its Financial Advisory contract, not to bid for the Series 2014 Bonds, either independently or as a member of a syndicate organized to submit a bid for the Series 2014 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2014 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

First Southwest Company has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Foundation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FINANCIAL STATEMENTS

The audited financial statements of the Foundation as of December 31, 2013 and 2012, and for the years then ended, included in Appendix B to this Official Statement, have been audited by Richards, Johnson & Granberry, P.C., independent auditors, as stated in their report appearing therein.

The audited combined financial statements of FMH/DC/TVC (Operating Units of Banner Health) as of December 31, 2013 and 2012, and for the years then ended, included in Appendix B to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing therein.

MISCELLANEOUS

Any statements in this Official Statement, including the Appendices hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The attached APPENDICES A, B, C, D, [E and F] are integral parts of this Official Statement and must be read together with all of the foregoing statement.

Except for the information concerning the Authority under “INTRODUCTION — The Alaska Industrial Development and Export Authority,” “THE AUTHORITY” and “LITIGATION — Authority,” none of the information in this Official Statement has been supplied or verified by the Authority, and no representation or warranty is made by or on behalf of the Authority, express or implied, as to (a) the accuracy or completeness of such information, or (b) the tax status of the interest on the Series 2014 Bonds. The Foundation has reviewed the information contained herein which relates to the Obligated Group and Banner has reviewed the information contained herein which relates to itself and its operation of FMH/DC/TVC, and each has approved all such information for use within this Official Statement.

APPENDIX A

**GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION INCORPORATED, BANNER
HEALTH AND FMH/DC/TVC - GENERAL INFORMATION AND OPERATING DATA**

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
THE GREATER FAIRBANKS COMMUNITY HOSPITAL FOUNDATION INCORPORATED**

**AUDITED COMBINED FINANCIAL STATEMENTS OF
FMH/DC/TVC**

APPENDIX C

**MASTER INDENTURE, FORM OF EIGHTH SUPPLEMENTAL INDENTURE, FORM OF BOND
INDENTURE,
AND FORM OF LOAN AGREEMENT**

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

**[APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**

APPENDIX [F]
CONTINUING DISCLOSURE AGREEMENT

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