

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 1, 2026

NEW ISSUE  
BOOK-ENTRY ONLY

RATINGS\*: Moody's: "A1" (positive outlook)  
S&P: "AA-" (stable outlook)

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes, and interest on the Series 2026 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. In Bond Counsel's further opinion, under existing law, the Series 2026 Bonds and interest thereon are exempt from all state, county and municipal taxation in the State of Arkansas. See the caption "TAX MATTERS" herein.



\$27,920,000\*\*

CITY OF SPRINGDALE PUBLIC FACILITIES BOARD  
HOSPITAL REVENUE REFUNDING BONDS, SERIES 2026  
(ARKANSAS CHILDREN'S NORTHWEST)

Dated: Date of Delivery

Due: March 1, as shown on inside cover

The Hospital Revenue Refunding Bonds, Series 2026 (Arkansas Children's Northwest) (the "Series 2026 Bonds"), are being issued by the City of Springdale Public Facilities Board (the "Issuer") pursuant to the Public Facilities Boards Act, Arkansas Code Annotated Sections 14-137-101 et seq. for the purpose of providing a portion of the funds needed for (i) the refunding of a portion of the Issuer's Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "Refunded Bonds"), and (ii) paying certain expenses in connection with the issuance of the Series 2026 Bonds. The Series 2016 Bonds were issued to finance a portion of the costs of acquiring, constructing and equipping a pediatric hospital facility located in the City of Springdale, Arkansas (the "NW Hospital"). See the captions "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2026 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal, premium, if any, and interest payments on the Series 2026 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2026 Bonds. Individual purchases of the Series 2026 Bonds will be made only in book-entry form, in denominations of \$5,000 and integral multiples in excess thereof. Individual purchasers of the Series 2026 Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates. See the caption "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Series 2026 Bonds is payable semiannually each March 1 and September 1, commencing March 1, 2027. All such interest payments shall be payable to the person in whose name such Series 2026 Bond is registered on the bond registration books maintained by Bank OZK (the "Trustee"), in Little Rock, Arkansas, as of the close of business on the fifteenth day of the calendar month immediately preceding the interest payment date on which interest is due. Principal of and premium, if any, on the Series 2026 Bonds shall be payable at the principal corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Series 2026 Bonds, disbursement of such payments to DTC or its nominee is the responsibility of the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

The Series 2026 Bonds are payable (except to the extent payable, in certain circumstances, from the proceeds of insurance and condemnation awards with respect to the NW Hospital) as to principal, premium, if any, and interest solely from the revenues and receipts to be derived by the Issuer under a Loan Agreement and Security Agreement dated as of June 1, 2016, as amended and supplemented by a First Supplemental Loan and Security Agreement dated as of June 30, 2026 (as supplemented, the "Loan Agreement"), between the Issuer and Arkansas Children's Northwest, Inc., an Arkansas nonprofit corporation ("ACNW"). Concurrently with the issuance of the Series 2026 Bonds, ACNW will deliver to the Issuer a promissory note (the "Series 2026 Note") to evidence its obligation to make payments under the Loan Agreement with respect to the Series 2026 Bonds. The Series 2026 Note will be secured by the Gross Receipts of ACNW (defined herein), subject to Permitted Encumbrances (defined herein). Payment of principal and interest on the Series 2026 Bonds and performance of ACNW's obligations under the Loan Agreement are guaranteed by (i) Arkansas Children's, Inc., the parent corporation of ACNW, (ii) Arkansas Children's Hospital, and (iii) Arkansas Children's Foundation, Inc. (collectively, the "Guarantors") pursuant to separate Supplemental Guaranty Agreements dated as of June 30, 2026 (the "2026 Guaranty Agreements"). The Series 2026 Bonds are being issued pursuant to a Trust Indenture dated as of June 1, 2016, as amended and supplemented by a First Supplemental Trust Indenture dated as of June 30, 2026 (as supplemented, the "Indenture"), between the Issuer and the Trustee. Pursuant to the Indenture, the Issuer will assign to the Trustee all of its right, title and interest in and to the Loan Agreement and the Series 2026 Note, including the payments required to be made by ACNW under the Loan Agreement, but excluding certain rights of the Issuer to the payment of its expenses and indemnification. ACNW's repayment obligation with respect to the Series 2026 Bonds is secured on a parity basis (i) under the Loan Agreement and Indenture with its repayment obligations relating to the Issuer's outstanding and unrefunded Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "Series 2016 Bonds"), and any Additional Bonds or Alternative Indebtedness subsequently issued or incurred thereunder, (ii) under a separate Loan Agreement and Security Agreement dated as of November 12, 2025 (the "2025 Loan Agreement") relating to the Issuer's Hospital Revenue Bond, Series 2025 (Arkansas Children's Northwest Project) (the "Series 2025 Bond"), and (iii) with respect to ACNW's guaranty obligations relating to the Pulaski County Bonds (defined herein). See the caption "SECURITY FOR THE BONDS" herein.

The Series 2026 Bonds are special and limited obligations of the Issuer secured by and payable solely as described in the preceding paragraph. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City of Springdale, Arkansas (the "City") for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power. See the captions "SECURITY FOR THE BONDS" and "RISK FACTORS" herein.

The Series 2026 Bonds are subject to optional and extraordinary redemption prior to maturity as described under the caption "THE SERIES 2026 BONDS" herein.

The Series 2026 Bonds are offered, subject to prior sale, when, as, and if issued and received by the Underwriter, subject to the approval of validity by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, counsel to the Underwriter, and for ACNW and the Guarantors by Friday, Eldredge & Clark, LLP. It is expected that the Series 2026 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 30, 2026.

Stephens Inc.

The date of this Official Statement is \_\_\_\_\_, 2026.

\* See the caption "RATINGS" herein.

\*\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a 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 prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE\*

**\$27,920,000**

**CITY OF SPRINGDALE PUBLIC FACILITIES BOARD  
HOSPITAL REVENUE REFUNDING BONDS, SERIES 2026  
(ARKANSAS CHILDREN'S NORTHWEST)**

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2027	\$1,940,000	%	%	
2028	2,845,000			
2030	3,070,000			
2031	3,220,000			
2032	3,380,000			
2034	3,700,000			
2037	2,175,000			
2038	2,350,000			
2039	2,525,000			
2040	2,715,000			

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\* Preliminary; subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the registered owners of the Series 2026 Bonds. The Issuer and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Issuer on the Series 2026 Bonds and by the Underwriter on the Series 2026 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2026 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026 Bonds.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER, ACNW, THE GUARANTORS OR THE UNDERWRITER 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 THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2026 BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, ACNW OR THE GUARANTORS SINCE THE DATE HEREOF.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2026 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SERIES 2026 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE ISSUER, ACNW, THE GUARANTORS AND FROM OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2026 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2026 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, inside cover page and Appendices hereto. No person is authorized to detach this Summary Statement or otherwise to use it without the entire Official Statement. Definitions of certain words and terms used in this Summary Statement are set forth in Appendix B to this Official Statement.

### **The Offering**

The offering consists of Hospital Revenue Refunding Bonds, Series 2026 (Arkansas Children's Northwest), dated as of the date of their delivery (the "Series 2026 Bonds"), to be issued in the aggregate principal amount of \$27,920,000\* by the City of Springdale Public Facilities Board (the "Issuer"). The Issuer is a body corporate and politic created by the City of Springdale, Arkansas (the "City") pursuant to an ordinance of its City Council under the authority of the Public Facilities Boards Act, Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated, as amended and enacted from time to time (the "Act"). The Issuer has full power and authority to issue the Series 2026 Bonds for the purposes described below pursuant to the laws of the State of Arkansas. See the caption "THE ISSUER" herein.

### **ACNW and the NW Hospital**

Arkansas Children's Northwest, Inc., an Arkansas nonprofit corporation ("ACNW"), was organized in December 2015 to own and operate a 24 licensed-bed pediatric hospital known as Arkansas Children's Northwest (the "NW Hospital") located at 2601 Gene George Boulevard in the City of Springdale, Arkansas. ACNW is recognized as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has operated the NW Hospital since its opening in 2018. See the caption "ACNW" herein and "APPENDIX A – ACNW, ACH and the Hospitals" hereto.

### **Purpose**

The proceeds of the sale of the Series 2026 Bonds will be loaned by the Issuer to ACNW pursuant to a Loan Agreement and Security Agreement dated as of June 1, 2016, as supplemented and amended by a First Supplemental Loan Agreement and Security Agreement dated as of June 30, 2026 (as supplemented, the "Loan Agreement"), by and between the Issuer and ACNW. ACNW will utilize the proceeds of the Series 2026 Bonds, along with other available moneys, (i) to refund a portion of the Issuer's \$53,750,000 outstanding principal amount of Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "Refunded Bonds"), and (ii) to pay the costs of issuing the Series 2026 Bonds. See the captions "ESTIMATED SOURCES AND USES OF FUNDS," and "PLAN OF REFUNDING" herein.

### **ACNW and Guarantors**

ACNW is an Affiliate of Arkansas Children's Hospital, an Arkansas nonprofit corporation ("ACH") which operates the 336 licensed-bed Arkansas Children's Hospital (the "LR Hospital") in the City of Little Rock in central Arkansas. ACH is one of several guarantors of the Series 2026 Bonds. The other guarantors, Arkansas Children's, Inc. and Arkansas Children's Foundation, Inc., are also Affiliates of ACNW. See the captions "ACNW" and "SECURITY FOR THE BONDS" herein and "APPENDIX A – ACNW, ACH and the Hospitals" hereto.

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\* Preliminary; subject to change.

## **Security for the Bonds**

The Series 2026 Bonds are limited obligations of the Issuer, payable from amounts due to the Issuer from ACNW under the Loan Agreement. As security for its obligations under the Loan Agreement, ACNW will pledge and grant a security interest in the Gross Receipts of ACNW (as defined herein). As additional security, (i) Arkansas Children's, Inc., an Arkansas nonprofit corporation (the "Parent"), (ii) ACH, and (iii) Arkansas Children's Foundation, Inc., an Arkansas nonprofit corporation (the "Foundation," and together with the Parent and ACH, the "Guarantors"), will each execute and deliver a First Supplemental Guaranty Agreement dated as of June 30, 2026 (together with Guaranty Agreements dated as of June 1, 2016, the "Guaranty Agreements"), to the Trustee (defined below), pursuant to which each of the Guarantors will severally and unconditionally guarantee payment of the debt service on the Series 2026 Bonds. The Parent is the sole member of ACNW, ACH and the Foundation. The Parent and ACH will further guarantee the performance of the obligations of ACNW under the Loan Agreement. The obligations of ACH under its Guaranty Agreement are secured by a pledge of and security interest in the Gross Revenues of ACH. See the caption "SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS" herein.

In the Trust Indenture dated as of June 1, 2016, as supplemented and amended by a First Supplemental Trust Indenture dated as of June 30, 2026 (as supplemented, the "Indenture"), by and between the Issuer and Bank OZK (formerly Bank of the Ozarks), Little Rock, Arkansas, as trustee (the "Trustee"), pursuant to which the Series 2026 Bonds are issued and secured, the Issuer has reserved the power, upon satisfaction of certain conditions, to issue Additional Bonds and ACNW has reserved the right to incur Alternative Indebtedness, each on a parity of security with the Series 2026 Bonds and the unrefunded portion of the Issuer's Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "Series 2016 Bonds"), which were issued under the Indenture. See the subcaptions "THE SERIES 2026 BONDS – Additional Bonds" and "– Alternative Indebtedness" herein.

**The Series 2026 Bonds are special and limited obligations of the Issuer secured by and payable solely as described herein. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power. See the captions "SECURITY FOR THE BONDS" and "RISK FACTORS" herein.**

## **Redemption**

The Series 2026 Bonds are subject to optional and extraordinary redemption prior to maturity as set forth in the Official Statement under the caption "THE SERIES 2026 BONDS" herein.

## **Special Considerations**

Payment of principal of, premium, if any, and interest on the Series 2026 Bonds will be primarily dependent upon revenues derived by ACNW from the operation of the NW Hospital. See the captions "ACNW" and "RISK FACTORS" herein. See also "APPENDIX A – ACNW, ACH and the Hospitals" for a description of ACNW, ACH, the NW Hospital and the LR Hospital and their operations.

## **Pending Litigation and Other Potential Liability**

There is not now pending, nor to the knowledge of the Issuer, ACNW or the Guarantors, threatened, any litigation restraining or enjoining the validity of the Series 2026 Bonds or the proceedings or authority under which they are to be issued.

The Parent and its Affiliates are parties to various litigation matters described under the heading “Miscellaneous - *Litigation*” in Appendix A attached to this Official Statement.

Neither ACNW nor the Guarantors have any litigation or proceedings pending, or, to their knowledge, threatened, against them which may not be adequately covered by the reserves and insurance policies of ACNW and the Guarantors, or which, in the opinion of their management and defense counsel, could have a material adverse effect on ACNW’s or the Guarantors’ business or financial position. See the caption “LITIGATION” herein.

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## OFFICIAL STATEMENT

**\$27,920,000\***

### **CITY OF SPRINGDALE PUBLIC FACILITIES BOARD HOSPITAL REVENUE REFUNDING BONDS, SERIES 2026 (ARKANSAS CHILDREN'S NORTHWEST)**

#### INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page and the Appendices hereto, is to provide certain information concerning the \$27,920,000\* Hospital Revenue Refunding Bonds, Series 2026 (Arkansas Children's Northwest), to be issued by the City of Springdale Public Facilities Board (the "Issuer"). Definitions of certain capitalized terms used in this Official Statement are set forth in Appendix B to this Official Statement.

The Issuer is a body corporate and politic and a public instrumentality of the State of Arkansas (the "State") created by the City of Springdale, Arkansas (the "City") pursuant to an ordinance of its City Council under the authority of the Public Facilities Boards Act, Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated, as amended and enacted from time to time (the "Act"). The Act authorizes the Issuer to issue its bonds from time to time in such principal amounts as the Issuer determines shall be necessary to provide sufficient funds to carry out its purposes and powers, including the financing and refinancing of health care facilities. The Series 2026 Bonds are being issued pursuant to the Act, a resolution of the Issuer adopted on June 30, 2026, and a Trust Indenture dated as of June 1, 2016, as supplemented and amended by a First Supplemental Trust Indenture dated as of June 30, 2026 (as supplemented, the "Indenture"), by and between the Issuer and Bank OZK (formerly Bank of the Ozarks), Little Rock, Arkansas, as trustee and paying agent (the "Trustee"). See the captions "THE ISSUER" and "SUMMARY OF PORTIONS OF THE INDENTURE" herein.

The Issuer will lend the proceeds of the Series 2026 Bonds to Arkansas Children's Northwest, Inc., an Arkansas nonprofit corporation ("ACNW" or the "Corporation"), pursuant to a Loan Agreement and Security Agreement dated as of June 1, 2016, as supplemented and amended by a First Supplemental Loan Agreement and Security Agreement dated as of June 30, 2026 (as supplemented, the "Loan Agreement"). ACNW's obligation to repay the loan will be evidenced by a promissory note (the "Series 2026 Note"), equal in principal amount to the principal amount of the Series 2026 Bonds. The Loan Agreement and the Series 2026 Note require that payments be made by ACNW to the Trustee for the account of the Issuer in amounts and at times sufficient to pay the principal, premium, if any, and interest requirements on the Series 2026 Bonds. To secure its payments due under the Loan Agreement, ACNW has pledged and granted a security interest in the Gross Receipts of ACNW (as defined in the Loan Agreement). Such pledge and security interest is subject to Permitted Encumbrances. See the caption "SUMMARY OF PORTIONS OF THE LOAN AGREEMENT" herein.

ACNW was organized in December 2015 to own and operate a 24 licensed-bed pediatric hospital known as Arkansas Children's Northwest (the "NW Hospital") located at 2601 Gene George Boulevard in the City of Springdale, Arkansas. ACNW is recognized as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has operated the NW Hospital since its opening in 2018. See the caption "ACNW" herein and "APPENDIX A – ACNW, ACH and the Hospitals" hereto.

A portion of funding for the original acquisition, construction and equipping of the NW Hospital was derived from the Issuer's Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "Series 2016 Bonds"), which were issued under the Indenture.

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\* Preliminary; subject to change.

The proceeds of the Series 2026 Bonds, along with other available moneys, will be utilized (i) to refund a portion of the outstanding Series 2016 Bonds (the “Refunded Bonds”), and (ii) to pay the costs of issuing the Series 2026 Bonds. See the captions “ESTIMATED SOURCES AND USES OF FUNDS,” “ACNW” and “PLAN OF REFUNDING” herein.

As additional security for the payment of the Series 2026 Bonds, (i) Arkansas Children’s, Inc., an Arkansas nonprofit corporation (the “Parent”), (ii) Arkansas Children’s Hospital, an Arkansas nonprofit corporation (“ACH”) operating the 336 licensed-bed Arkansas Children’s Hospital in the City of Little Rock, Arkansas (the “LR Hospital”), and (iii) Arkansas Children’s Foundation, Inc., an Arkansas nonprofit corporation (the “Foundation,” and together with the Parent and ACH, the “Guarantors”), will each execute and deliver a First Supplemental Guaranty Agreement dated as of June 30, 2026 (together with Guaranty Agreements dated as of June 1, 2016, the “Guaranty Agreements”), to the Trustee, pursuant to which each of the Guarantors will severally and unconditionally guarantee payment of the debt service on the Series 2026 Bonds. The Parent and ACH will further guarantee the performance of the obligations of ACNW under the Loan Agreement. The obligations of ACH under its Guaranty Agreement are secured by a pledge of and security interest in the Gross Revenues of ACH. See the caption “SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS” herein.

The Parent was organized in December, 2015, and is the sole member of ACNW, ACH and the Foundation. The Foundation was created in 1985 with the mission of developing and implementing plans to meet fund-raising goals of ACH and its related institutions.

In the Indenture, the Issuer has reserved the right to issue additional bonds (the “Additional Bonds”) upon satisfaction of the terms and conditions set forth in the Indenture. In addition, ACNW may, under certain circumstances, issue or incur Alternative Indebtedness under the Loan Agreement. Payment of the unrefunded Series 2016 Bonds, the Series 2026 Bonds and any Additional Bonds (collectively, the “Bonds”) and any Alternative Indebtedness would be secured on a parity basis with respect to the Gross Receipts of ACNW in accordance with the provisions of the Loan Agreement and the Indenture. See the subcaptions “THE SERIES 2026 BONDS – Additional Bonds” and “ - Alternative Indebtedness” herein.

**The Series 2026 Bonds are special and limited obligations of the Issuer secured by and payable solely as described herein. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power. See the captions “SECURITY FOR THE BONDS” and “RISK FACTORS” herein.**

This Official Statement and the Appendices hereto contain brief descriptions of, among other things, the Issuer, ACNW, the Guarantors, the NW Hospital, the LR Hospital, the Series 2026 Bonds, the Loan Agreement, the Indenture, the Guaranty Agreements and a Continuing Disclosure Agreement to be dated as of the date of delivery of the Series 2026 Bonds (the “Continuing Disclosure Agreement”), by and among ACNW, the Guarantors and Bank OZK, Little Rock, Arkansas, as dissemination agent. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2026 Bonds herein are qualified in their entirety by reference to the form of Series 2026 Bond contained in the Indenture. Information concerning the Issuer has been supplied by the Issuer, and information concerning ACNW, the Guarantors, the NW Hospital and the LR Hospital has been supplied by ACNW and the Guarantors. Until the issuance and delivery of the Series 2026 Bonds, copies of the Loan Agreement, Indenture, Guaranty Agreements and Continuing Disclosure Agreement may be obtained at the offices of Stephens Inc., 111 Center Street, 17<sup>th</sup> Floor, Little Rock, AR 72201. Copies of these

documents may be obtained from the Trustee after delivery of the Series 2026 Bonds at the expense of the requesting party.

## **THE SERIES 2026 BONDS**

### **Description**

The Series 2026 Bonds are being issued as fully registered bonds in minimum denominations of \$5,000 or any integral multiple thereof. The Series 2026 Bonds will bear interest from their date at the rates and mature in the amounts and on the dates as set forth on the inside cover page of this Official Statement. Interest on the Series 2026 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2027. Principal of and premium, if any, on the Series 2026 Bonds are payable at the principal corporate trust office of the Trustee in Little Rock, Arkansas, or at the offices of any additional or successor paying agent. All principal, premium and interest payments on the Series 2026 Bonds shall be payable to the persons in whose names such Series 2026 Bonds are registered as of the applicable Record Date on the bond registration books maintained by the Trustee.

As used herein, “Record Date” is for all purposes that date which is the fifteenth day of the month then next preceding that date for payment of principal, premium, if any, or interest, whether by scheduled maturity or by optional redemption, on the Series 2026 Bonds held by the Holder to which such Record Date is applicable.

All of the Series 2026 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to which principal, premium and interest payments on the Series 2026 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2026 Bonds. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

### **Optional Redemption**

The Series 2026 Bonds are subject to redemption prior to maturity at the option of the Issuer (which option shall be exercised as directed by ACNW), on or after March 1, 2036, in whole or in part at any time, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption. If fewer than all of the Series 2026 Bonds shall be called for optional redemption, the particular maturities to be redeemed shall be selected by the Issuer, as directed by ACNW, in its discretion. If fewer than all of the Series 2026 Bonds of any one maturity shall be called for optional redemption, the particular Series 2026 Bonds or portions thereof to be redeemed from such maturity shall be selected by lot by the Trustee in such manner as it shall determine.

### **Extraordinary Redemption**

(1) The Series 2026 Bonds are subject to redemption in whole by the Issuer (at the direction of ACNW) at any time, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, in the event that substantially all of the NW Hospital has been damaged, destroyed or taken under the exercise of, or acquired under the threat of, eminent domain, if, (i) in the opinion of a Management Consultant, the Income Available for Debt Service will be materially adversely affected, and (ii) in the opinion of an Independent Architect, the completion time for repairs, rebuilding, replacement or restoration of NW Hospital is estimated to extend one year beyond the term of the business interruption insurance carried by ACNW. In the circumstances described in the preceding sentence when ACNW does not otherwise elect to rebuild, replace, repair and restore the NW Hospital, ACNW shall be required to prepay Note Payments in full and terminate the Loan Agreement and thereby cause the redemption of the Series 2026 Bonds in whole unless in the opinion of a Management Consultant the projected annual Income Available for Debt Service for the twelve-month period immediately following one year after the expiration of the term of the business interruption insurance carried by ACNW will equal or exceed an amount which would enable ACNW to be in compliance with its rate covenant in Section 603 of the Loan Agreement. See the subcaptions

“SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Covenants of ACNW - *Rates and Charges*” and “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Damage, Destruction, Condemnation and Other Loss of Title - *Obligation and Right of ACNW to Direct Redemption of Bonds*” herein.

(2) The Series 2026 Bonds are subject to redemption by the Issuer (at the direction of ACNW) in part, in inverse order of maturity, on any interest payment date, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption (i) from the Net Proceeds of insurance or condemnation awards remaining after repair, replacement, rebuilding or restoration of the NW Hospital or (ii) in an amount not in excess of the Net Proceeds of insurance or condemnation awards, if part, but not substantially all, of the NW Hospital is destroyed, damaged or taken under the exercise of, or acquired under the threat of, eminent domain, and ACNW presents to the Issuer and the Trustee a certificate of a Management Consultant stating that (a) the property forming the part of the NW Hospital which was taken, destroyed or damaged was not essential to the use of the NW Hospital as a complete and operational medical facility, and (b) in the opinion of such Management Consultant, the Income Available for Debt Service will not be materially adversely affected. See the caption “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Damage, Destruction, Condemnation and Other Loss of Title - *Obligation and Right of ACNW to Direct Redemption of Bonds*” herein.

### **Selection of Bonds to be Redeemed**

Except for optional redemption of the Series 2026 Bonds as provided above, if fewer than all of the Outstanding Series 2026 Bonds shall be called for redemption, the particular Series 2026 Bonds or portions thereof to be redeemed shall be selected by lot by the Trustee, in inverse order of maturity, in such manner as it shall deem fair and appropriate. However, in all cases of partial redemption, so long as DTC or its nominee is the sole registered owner of the Series 2026 Bonds, the particular Series 2026 Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC shall determine. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

### **Notice of Redemption**

In the event any of the Series 2026 Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Series 2026 Bonds or portions thereof to be redeemed and the date on which they shall be presented for payment shall be given by Trustee by mailing a copy of the redemption notice by first class mail, postage prepaid, or other standard means, including electronic or facsimile communication (or, so long as DTC or its nominee is the sole registered owner of the Series 2026 Bonds, by any other means acceptable to DTC), at least thirty (30) days prior to the date fixed for redemption to the Holder of each Series 2026 Bond to be redeemed in whole or in part at the address shown on the registration books. Failure to give any such notice by mailing, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2026 Bond or portion thereof with respect to which no such failure has occurred.

After the date specified in such notice, the Series 2026 Bonds so called for redemption will cease to bear interest, provided funds for their payment have been deposited with the Trustee; and, except for the purpose of such payment, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture.

### **Additional Bonds**

Pursuant to the terms of the Indenture, so long as there shall be no Event of Default under the Indenture, Additional Bonds may be issued for any one or more of the following purposes: (i) completing an Additional Facility; (ii) financing the acquisition, construction and equipping of an Additional Facility; (iii) completing any such Additional Facility; (iv) refunding or refinancing any Bonds or Alternative Indebtedness or other Debt; and (v) paying the costs of issuance of any such Additional Bonds, funding

interest with respect to such Additional Bonds, and providing for a deposit to any debt service reserve established to secure such Additional Bonds.

Any such Additional Bonds would be secured on a parity basis with the unrefunded Series 2016 Bonds, the Series 2026 Bonds, any other Additional Bonds theretofore issued under the Indenture, and any Alternative Indebtedness incurred by ACNW as permitted by the Loan Agreement, including the obligations of ACNW with respect to the Series 2025 Bond (defined below).

For a description of the various items that must be provided prior to the issuance of Additional Bonds, including the satisfaction of certain debt service coverage tests, see the caption “SUMMARY OF PORTIONS OF THE INDENTURE – Additional Bonds; Alternative Indebtedness” herein.

### **Alternative Indebtedness**

ACNW may incur Alternative Indebtedness for the same purposes for which Additional Bonds may be issued, as described above, following the same procedures required for the issuance of Additional Bonds.

Any such Alternative Indebtedness would be secured on a parity basis with the unrefunded Series 2016 Bonds, the Series 2026 Bonds, any Additional Bonds issued under the Indenture, and any other Alternative Indebtedness incurred by ACNW as permitted by the Loan Agreement. ACNW has previously incurred Alternative Indebtedness pursuant to a separate Loan Agreement and Security Agreement dated as of November 12, 2025 (the “2025 Loan Agreement”) relating to the Issuer’s Hospital Revenue Bond, Series 2025 (Arkansas Children’s Northwest Project) (the “Series 2025 Bond”).

For a description of the various items that must be provided prior to incurring Alternative Indebtedness, including the satisfaction of certain debt service coverage tests, see the captions “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness” and “SUMMARY OF PORTIONS OF THE INDENTURE – Additional Bonds; Alternative Indebtedness” herein.

## **SECURITY FOR THE BONDS**

### **General**

The Series 2026 Bonds are special and limited obligations of the Issuer, payable from amounts due to the Issuer from ACNW under the Loan Agreement and the Series 2026 Note, and under certain circumstances, from the proceeds of insurance and condemnation awards with respect to the NW Hospital. As security for its obligations under the Loan Agreement and the Series 2026 Note, ACNW will grant a pledge of and security interest in the Gross Receipts of ACNW. The pledge of and security interest in the Gross Receipts of ACNW are subject to Permitted Encumbrances. The ability of ACNW to make such payments is dependent primarily upon the results of operation of the NW Hospital. See the caption “RISK FACTORS” herein and “APPENDIX A – ACNW, ACH and the Hospitals” hereto.

“Gross Receipts of ACNW” shall mean all revenues, income, receipts and money received in any period by or on behalf of ACNW from any and all sources whatsoever (other than proceeds of borrowing, and other than interest earned on such proceeds if and to the extent such interest is required to be excluded by the terms of the borrowing and other than revenues, income, receipts and money received by ACNW as agent of someone other than ACNW) including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions to ACNW exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Note Payments, and (c) proceeds derived from (i) insurance, except to the extent the use thereof is otherwise required by the Loan Agreement, (ii) condemnation awards or sales under a reasonably apprehended threat of condemnation, except to the extent the use thereof is otherwise required by the Loan Agreement, (iii) accounts receivable, (iv) securities and other investments, (v) inventory and other tangible and

intangible property, (vi) medical or hospital expense reimbursement or insurance programs or agreements, and (vii) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of ACNW.

The Issuer has entered into the Indenture in order to secure the Series 2016 Bonds and the Series 2026 Bonds. Under the Indenture, the Issuer has assigned to the Trustee all of the Issuer's interests under the Series 2016 Note, the Series 2026 Note and the Loan Agreement, and all of the property and revenues pledged thereunder, but excluding certain rights of the Issuer to payment of its expenses and indemnification.

**The Series 2026 Bonds are special and limited obligations of the Issuer secured by and payable solely as described herein. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power. See the caption "RISK FACTORS" herein.**

### **Rate Covenant**

In the Loan Agreement, ACNW covenants that during each Fiscal Year it will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, rentals, fees and charges for the use of the NW Hospital and for the services furnished or to be furnished by ACNW as will produce Income Available for Debt Service in each Fiscal Year in an amount equal to not less than 110% of the Maximum Annual Debt Service for such Fiscal Year or any subsequent Fiscal Year (the "Rate Requirement"). It should be noted that Income Available for Debt Service is calculated on a consolidated basis.

ACNW further covenants that if, in any Fiscal Year, Income Available for Debt Service shall not satisfy the Rate Requirement, it will, before the 60<sup>th</sup> day after receipt of the first available financial statement (audited or unaudited), employ a Management Consultant to make recommendations with respect to the methods of operation and the rates, rentals, fees and charges necessary to enable ACNW to satisfy the Rate Requirement, and ACNW shall follow such recommendations to the fullest extent allowed by law. If in the judgment of the Management Consultant it is not possible for ACNW to satisfy the Rate Requirement, the report shall so indicate, and shall further indicate the projected ratio of Income Available for Debt Service to Maximum Annual Debt Service anticipated if the recommendations of the Management Consultant are followed. If ACNW complies with the Management Consultant's recommendations, ACNW shall be excused from compliance with the Rate Requirement so long as ACNW's Income Available for Debt Service in each Fiscal Year shall be at least equal to 100% of Maximum Annual Debt Service for such Fiscal Year.

### **Guaranty Agreements**

As additional security for the Series 2026 Bonds, the Parent, ACH and the Foundation (collectively, the "Guarantors"), will each execute and deliver a First Supplemental Guaranty Agreement dated as of June 30, 2026 (together with Guaranty Agreements dated as of June 1, 2016, the "Guaranty Agreements"), to the Trustee pursuant to which the Guarantors will severally and unconditionally guarantee payment of the debt service on the Series 2026 Bonds. The Parent and ACH will further guarantee the performance of the obligations of ACNW under the Loan Agreement. In addition, the Guarantors have entered into separate Guaranty Agreements (the "2025 Guaranty Agreement") severally and unconditionally guaranteeing payment of the debt service on the Series 2025 Bond. The obligations of ACH under its Guaranty Agreement and its 2025 Guaranty Agreement are secured by a pledge of and security interest in the Gross Revenues of ACH. See the caption "SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS" herein.

In order to establish parity security for the unrefunded Series 2016 Bonds, the Series 2025 Bond, the Series 2026 Bonds and the outstanding (i) Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2016 (the “2016 Pulaski County Bonds”), and (ii) Pulaski County, Arkansas Hospital Revenue Bonds (Arkansas Children’s Hospital), Series 2023 (the “2023 Pulaski County Bonds,” and together with the “2016 Pulaski County Bonds,” the “Pulaski County Bonds”), ACNW has executed and delivered a Guaranty Agreement dated as of June 1, 2016 (the “2016 ACNW Guaranty Agreement”), and a Guaranty Agreement dated as of June 15, 2023 (the “2023 ACNW Guaranty Agreement,” and collectively with the 2016 ACNW Guaranty Agreement, the “ACNW Guaranty”), to Bank OZK, as trustee for the Pulaski County Bonds (the “Pulaski County Bond Trustee”), pursuant to which ACNW has unconditionally guaranteed payment of the debt service on the Pulaski County Bonds. ACNW has further guaranteed the performance of the obligations of ACH under the Pulaski County Lease. The obligations of ACNW under the ACNW Guaranty are secured by a pledge of and security interest in the Gross Receipts of ACNW.

ACNW and the Guarantors will enter into additional guaranty agreements on June 9, 2026 with respect to the Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2026, to be issued in the principal amount of \$43,360,000 (the “2026 Pulaski County Bonds”) to refund a portion of the 2016 Pulaski County Bonds for debt service savings.

#### **Parity Pledges of ACNW and ACH**

The obligations of ACNW under the Loan Agreement are secured by a pledge of the Gross Receipts of ACNW on a parity basis with the pledge of the Gross Receipts of ACNW securing ACNW’s obligations under the ACNW Guaranty relating to the Pulaski County Bonds. The anticipated guaranty agreement of ACNW described above with respect to the 2026 Pulaski County Bonds would also be secured by a pledge of the Gross Receipts of ACNW.

The obligations of ACH under its Guaranty Agreement and the 2025 Guaranty Agreement relating to the unrefunded Series 2016 Bonds, the Series 2025 Bond and the Series 2026 Bonds are secured by a pledge of the Gross Revenues of ACH on a parity with the pledge of the Gross Revenues of ACH in favor of the Pulaski County Bonds and the 2026 Pulaski County Bonds to be issued on June 9, 2026.

#### **BOOK-ENTRY ONLY SYSTEM**

The Series 2026 Bonds will be issued only as one fully registered Series 2026 Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all the Series 2026 Bonds. The fully registered Series 2026 Bonds will be retained and immobilized in the custody of or on behalf of DTC.

DTC (or any successor securities depository) or its nominee will be considered by the Issuer, ACH and the Trustee to be the owner or holder of the Series 2026 Bonds for all purposes under the Indenture.

Owners of any book entry interests in the Series 2026 Bonds (the “book entry interest owners”) described below, will not receive or have the right to receive physical delivery of the Series 2026 Bonds, and will not be considered by the Issuer, ACH and the Trustee to be, and will not have any rights as, owners or holders of the Series 2026 Bonds under the bond proceedings and the Indenture except to the extent, if any, expressly provided thereunder.

**CERTAIN INFORMATION REGARDING DTC AND DIRECT PARTICIPANTS IS SET FORTH BELOW. THIS INFORMATION HAS BEEN PROVIDED BY DTC. THE ISSUER, ACH, THE UNDERWRITER AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR THE ACCURACY OF SUCH STATEMENTS.**

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a

member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 among 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, the National Securities Clearing Corporation and the Fixed Income Clearing Corporation, all of which are registered 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”). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2026 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 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 Series 2026 Bonds, except in the event that use of the Book-Entry System for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 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 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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 2026 Bonds within a maturity are to be redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date. The Omnibus Proxy will assign Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Payment of debt service and redemption proceeds with respect to the Series 2026 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 Issuer, ACH or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, ACH or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and debt service to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, ACH or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**BENEFICIAL OWNERS SHOULD CONSULT WITH THE DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS FROM WHOM THEY PURCHASE A BOOK ENTRY INTEREST TO OBTAIN INFORMATION CONCERNING THE SYSTEM MAINTAINED BY SUCH DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS TO RECORD SUCH INTERESTS, TO MAKE PAYMENTS, TO FORWARD NOTICES OF REDEMPTION AND OF OTHER INFORMATION.**

**THE ISSUER, ACH AND THE TRUSTEE HAVE NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECTS OF THE RECORDS OR NOTICES RELATING TO, OR PAYMENTS MADE ON ACCOUNT OF, BOOK ENTRY INTEREST OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO THAT OWNERSHIP.**

The Trustee, ACH and the Issuer, so long as a book entry method of recording and transferring interest in the Series 2026 Bonds is used, will send any notice of redemption or of any Indenture amendment or supplement or other notices to Bondholders under the Indenture only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participants, or of any Direct Participants or Indirect Participants to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2026 Bonds called for redemption, the Indenture amendment or supplement, or any other action premised on notice given under the Indenture.

The Issuer, ACH and the Trustee cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series 2026 Bonds made to DTC or its nominee as the registered owner of the Series 2026 Bonds, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as securities depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

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**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2026 Bonds are expected to be used as follows:

Sources of Funds<sup>(1)</sup>

Series 2026 Bonds Par Amount	\$27,920,000.00
Net Reoffering Premium (Discount)	
Series 2016 Bond Fund	<u>1,274,020.54</u>
Total:	\$ <u>                    </u>

Uses of Funds<sup>(1)</sup>

Escrow Fund Deposit	\$31,111,014.66
Underwriter's Discount and Other Costs of Issuance	
Contingency	<u>                    </u>
Total:	\$ <u>                    </u>

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(1) Preliminary; subject to change.

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## ESTIMATED DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required to pay the combined scheduled principal and interest due on the (i) unrefunded \$24,950,000 outstanding principal amount of the Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2016 (the “2016 Pulaski County Bonds”), (ii) \$122,650,000 outstanding principal amount of the Pulaski County, Arkansas Hospital Revenue Bonds (Arkansas Children’s Hospital), Series 2023 (the “2023 Pulaski County Bonds”), (iii) \$43,360,000 outstanding principal amount of the Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2026 (the “2026 Pulaski County Bonds”), (iv) the unrefunded \$23,205,000<sup>(3)</sup> outstanding principal amount of the City of Springdale Public Facilities Board Hospital Revenue Bonds, Series 2016 (Arkansas Children’s Northwest Project) (the “Series 2016 Bonds”), (v) \$24,000,000 outstanding principal amount of the City of Springdale Public Facilities Board Hospital Revenue Bond, Series 2025 (Arkansas Children’s Northwest Project), and (vi) the Series 2026 Bonds, during the fiscal years ending June 30 indicated below:

	Pulaski County Bonds Debt Service <sup>(1)</sup>	Unrefunded Series 2016 Bonds Debt Service <sup>(2)</sup>	Series 2025 Bond Debt Service	Series 2026 Principal <sup>(3)</sup>	Series 2026 Interest <sup>(4)</sup>	Total Debt Service <sup>(4)</sup>
2027	\$ 15,189,707.51	\$ 2,053,933.04	\$ 566,309.67	\$ 1,940,000.00	\$ 934,544.44	\$ 20,684,494.66
2028	15,188,100.00	779,912.50	3,646,685.19	2,845,000.00	1,299,000.00	23,758,697.69
2029	15,190,350.00	3,929,912.50	3,529,259.26	--	1,156,750.00	23,806,271.76
2030	15,184,600.00	701,162.50	3,414,351.85	3,070,000.00	1,156,750.00	23,526,864.35
2031	15,187,662.50	701,162.50	3,299,444.45	3,220,000.00	1,003,250.00	23,411,519.45
2032	15,190,162.50	701,162.50	3,185,796.30	3,380,000.00	842,250.00	23,299,371.30
2033	15,188,912.50	4,441,162.50	3,069,629.63	--	673,250.00	23,372,954.63
2034	15,183,162.50	551,562.50	2,954,722.22	3,700,000.00	673,250.00	23,062,697.22
2035	15,182,162.50	4,636,562.50	2,839,814.82	--	488,250.00	23,146,789.82
2036	15,184,662.50	4,634,012.50	2,724,277.75	--	488,250.00	23,031,202.75
2037	15,634,412.50	2,265,812.50	--	2,175,000.00	488,250.00	20,563,475.00
2038	15,632,512.50	2,200,650.00	--	2,350,000.00	379,500.00	20,562,662.50
2039	15,635,362.50	2,135,487.50	--	2,525,000.00	262,000.00	20,557,850.00
2040	8,282,162.50	2,075,325.00	--	2,715,000.00	135,750.00	13,208,237.50
2041	8,282,912.50	--	--	--	--	8,282,912.50
2042	8,282,912.50	--	--	--	--	8,282,912.50
2043	8,281,662.50	--	--	--	--	8,281,662.50
2044	8,278,662.50	--	--	--	--	8,278,662.50
2045	8,282,450.00	--	--	--	--	8,282,450.00
2046	8,281,675.00	--	--	--	--	8,281,675.00
2047	8,281,125.00	--	--	--	--	8,281,125.00
2048	8,280,375.00	--	--	--	--	8,280,375.00
2049	8,279,000.00	--	--	--	--	8,279,000.00
2050	8,282,475.00	--	--	--	--	8,282,475.00
2051	8,278,100.00	--	--	--	--	8,278,100.00
2052	8,280,350.00	--	--	--	--	8,280,350.00
2053	<u>8,277,912.50</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,277,912.50</u>
Total:	<u>\$314,703,545.01</u>	<u>\$31,807,820.54</u>	<u>\$29,230,291.15</u>	<u>\$27,920,000.00</u>	<u>\$9,981,044.44</u>	<u>\$413,642,701.14</u>

(1) The 2016 Pulaski County Bonds, the 2023 Pulaski County Bonds and the 2026 Pulaski County Bonds are secured by the Gross Revenues of ACH and by the guarantees of the Parent, ACH, ACNW and the Foundation. The guarantees of ACNW are secured by the Gross Receipts of ACNW.

(2) Estimated remaining debt service assuming the refunding of \$30,545,000 principal amount of the Series 2016 Bonds maturing (or subject to mandatory sinking fund redemption) in the fiscal years 2027, 2028, 2030, 2031, 2032, 2034, 2037, 2038, 2039 and 2040 and bearing interest at a stated rate of 5.00% with proceeds of the Series 2026 Bonds. Fiscal year 2027 total includes bond fund transfer to escrow for the Refunded Bonds.

(3) Preliminary; subject to change.

(4) Preliminary; subject to change. Assuming an average coupon rate on the Series 2026 Bonds of 5.000% per annum.

**ESTIMATED DEBT SERVICE COVERAGE**

	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2025</u>
Income Available for Debt Service <sup>(1)</sup>	\$136,551,718	\$161,057,859
Maximum Total Principal and Interest Requirements on 2016 Pulaski County Bonds, 2023 Pulaski County Bonds, 2026 Pulaski County Bonds, Unrefunded Series 2016 Bonds, Series 2025 Bond and Series 2026 Bonds <sup>(2)</sup>	\$23,806,272	\$23,806,272
Estimated Coverage	<u>5.74X</u>	<u>6.77X</u>

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- (1) Calculated on a consolidated basis. See “APPENDIX B – Definitions” for the meaning of “Income Available for Debt Service.”
- (2) See the fiscal year ending June 30, 2029, under the caption “ESTIMATED DEBT SERVICE REQUIREMENTS” herein for the Maximum Annual Debt Service on the 2016 Pulaski County Bonds, 2023 Pulaski County Bonds, 2026 Pulaski County Bonds, unrefunded Series 2016 Bonds, Series 2025 Bond and Series 2026 Bonds.

**THE ISSUER**

The City of Springdale Public Facilities Board (the “Issuer”) is a body corporate and politic and an instrumentality of the City of Springdale, Arkansas (the “City”). The Issuer was created by Ordinance No. 3815 of the City Council of the City adopted on January 10, 2006, pursuant to the Public Facilities Boards Act, Arkansas Code Annotated Sections 14-137-101 *et seq.* (as amended, the “Act”). The Act and the Ordinance authorize the Issuer to issue its revenue bonds from time to time in such principal amounts as the Issuer determines shall be necessary to provide sufficient funds to carry out its purposes and powers, including the financing of health care facilities.

The powers of the Issuer are invested in a five-member board. Board members serve staggered terms of up to five years each. The initial members of the Issuer were appointed in the Ordinance creating the Issuer and successor members are appointed by the City’s Mayor and confirmed by the City Council. Members are eligible to succeed themselves and serve until replaced. The current members of the Issuer, the years in which their terms expire and their principal occupations are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
James E. Crouch, Chair	January 31, 2030	Attorney
Brent Hanby, Vice Chair	January 31, 2029	Consultant
Elmer Rodriguez, Secretary	January 31, 2031	Banking
Rick Barrows	January 31, 2028	Service Industry
Murry Cline	January 31, 2027	Construction

**The Series 2026 Bonds will be special and limited obligations of the Issuer payable by the Issuer solely from revenues received from ACNW pursuant to the Loan Agreement and the Series 2026 Note. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power.**

## ACNW

Incorporated on December 2, 2015, as an Arkansas nonprofit corporation, ACNW was organized for the purpose of owning and operating the 24 licensed-bed pediatric hospital facility known as Arkansas Children’s Northwest (the “NW Hospital”) which was originally acquired, constructed and equipped, in part, with proceeds of the Series 2016 Bonds. Proceeds of the Series 2025 Bond were also utilized, along with other available funds, to finance the acquisition, construction and equipping of an expansion of the NW Hospital. The sole member of ACNW is Arkansas Children’s, Inc. (the “Parent”), also an Arkansas nonprofit corporation and one of the Guarantors of the Series 2016 Bonds, the Series 2025 Bond and Series 2026 Bonds. The other Guarantors, Arkansas Children’s Hospital (“ACH”) and Arkansas Children’s Foundation, Inc. (the “Foundation”), are affiliates of ACNW. By letter of the Internal Revenue Service dated January 29, 2016, ACNW has been deemed a Tax-Exempt Organization under Section 501(c)(3) of the Code. See “APPENDIX A – ACNW, ACH and the Hospitals” hereto.

The current organizational chart for the Parent and its Affiliates is set forth under the caption “Governing Body and Organization” in “APPENDIX A – ACNW, ACH and the Hospitals” attached hereto.

The northwest corner of the State of Arkansas is one of the fastest growing regions in the United States. Population statistics for Benton, Washington and Sebastian Counties, the three most populous counties in the region, are as follows:

<b>Year</b>	<b>Benton County</b>	<b>Sebastian County</b>	<b>Washington County</b>
1970	50,476	79,237	77,370
1980	78,115	95,172	100,494
1990	97,530	99,590	113,409
2000	153,406	115,071	157,715
2010	221,339	125,744	203,065
2020	284,333	127,799	245,065
2026 (est.)	343,107	130,959	275,056

Source: U.S. Census Bureau; Discover Arkansas

Additional demographic data regarding northwest Arkansas is set forth under the caption “Demographic Data” in “APPENDIX A – ACNW, ACH and the Hospitals” attached hereto.

## PLAN OF REFUNDING

### Purpose

A portion of the proceeds of the Series 2026 Bonds will be utilized, along with other available moneys, to refund \$30,545,000 outstanding principal amount of the Issuer’s Hospital Revenue Bonds, Series 2016 (Arkansas Children’s Northwest Project), maturing (or subject to mandatory sinking fund redemption) on March 1 in the years 2027, 2028, 2030, 2031, 2032, 2034, 2037, 2038, 2039 and 2040 and bearing interest at a stated rate of 5.0% (the “Refunded Bonds”), thereby releasing the lien of the Indenture in favor of the Refunded Bonds and restructuring the debt of the ACNW.

### Refunded Bonds

The Refunded Bonds will be called for redemption on September 1, 2026, and will be paid from funds deposited with Bank OZK, Little Rock, Arkansas, as escrow trustee (the “Escrow Trustee”), under the provisions of an Escrow Deposit Agreement to be dated as of the date of delivery of the Series 2026 Bonds (the “Escrow Agreement”), among the Issuer, ACNW and the Escrow Trustee.

The Indenture provides that a portion of the proceeds from the sale of the Series 2026 Bonds, together with moneys released from the bond fund relating to the Series 2016 Bonds, will be held by the Escrow Trustee under the Escrow Agreement in an Escrow Fund and invested in Government Obligations.

Pursuant to the terms of the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

By the deposit of the proceeds and other moneys described in the preceding paragraph with the Escrow Trustee pursuant to the Escrow Agreement, the Refunded Bonds will be defeased. In the opinion of Bond Counsel, the Refunded Bonds will no longer be payable from, or secured by a lien on, the Trust Estate, but will be payable solely from the moneys in the Escrow Fund held for such purpose by the Escrow Trustee, and the lien of the Refunded Bonds on the Trust Estate, together with all other obligations to the holders of the Refunded Bonds under the Indenture will be discharged.

## **RISK FACTORS**

THE PURCHASE OF THE SERIES 2026 BONDS IS SUBJECT TO CERTAIN INVESTMENT RISKS AND MAY NOT BE SUITABLE FOR SOME INVESTORS. PROSPECTIVE INVESTORS ARE ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING THE APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2026 BONDS, AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2026 BONDS TO AN EXTENT THAT CANNOT BE DETERMINED. THE FOLLOWING LIST OF RISK FACTORS IS NOT INTENDED TO PROVIDE AN EXHAUSTIVE LIST OF THE GENERAL OR SPECIFIC RISKS RELATING TO THE PURCHASE OF THE SERIES 2026 BONDS. ADDITIONAL RISK FACTORS RELATING TO AN INVESTMENT IN THE SERIES 2026 BONDS ARE DESCRIBED THROUGHOUT THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, WHETHER OR NOT SPECIFICALLY DESIGNATED AS RISK FACTORS.

### **General**

**The Series 2026 Bonds and the interest thereon are special and limited obligations of the Issuer secured by and payable solely as described herein. The Series 2026 Bonds shall not constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). Neither the Series 2026 Bonds, the Indenture, the Loan Agreement nor any other agreement of the Issuer shall be construed to constitute an indebtedness of the City of Springdale, Arkansas (the “City”) for which the faith and credit of the City or any of its revenues are pledged. The Series 2026 Bonds are not secured by a lien on or a security interest in any property of the City. The Issuer has no taxing power. See the caption “SECURITY FOR THE BONDS” herein.**

Except as otherwise noted herein, the Series 2026 Bonds are payable from the loan payments to be made by ACNW under the Loan Agreement or by the Guarantors under the Guaranty Agreements. No representation can be made or assurance given that revenues will be realized by ACNW and the Guarantors in amounts sufficient to pay maturing principal of and interest on the Series 2026 Bonds. The payments due under the Loan Agreement are general corporate obligations of ACNW, and any payments due under the Guaranty Agreements are general corporate obligations of the Guarantors. The ability of ACNW and the Guarantors to make such payments is dependent upon their general financial condition and upon many other factors and conditions which may change in the future to an extent and with effects that cannot be determined at this time. Such factors include, in addition to those mentioned below, the capabilities of the management of ACNW and the Guarantors, the confidence of physicians in ACNW and ACH, the relationship between and among ACNW, ACH and other health care providers, changes in

the economic conditions of ACNW's and ACH's service areas, the demand for medical services, levels and methods of federal reimbursement under Medicare, federal and state reimbursement under Medicaid, reimbursement from other third-party payors, competition, rates, demographic changes, malpractice claims, natural disasters, governmental legislation, regulation and licensing requirements, and future economic and other conditions (including the impact of inflation) which may change in the future and which are not quantified or determinable at this time.

ACNW and ACH are health care providers which derive a significant portion of their revenues from Medicaid, Blue Cross and Blue Shield of Arkansas and other third-party payor programs. See the caption "Historical Financial Performance" in Appendix A to this Official Statement. The receipt of future revenues by ACNW and ACH is therefore subject to, among other factors, federal and State policy changes affecting the health care industry and other conditions which are impossible to predict. Such conditions may include difficulties in collecting governmental reimbursement for services provided and other fees charged by ACNW and ACH in amounts sufficient to maintain the scope and quality of health services and changes in reimbursement or prospective payment policies. The effect on ACNW and the Guarantors of recently enacted laws and regulations and of changes in federal and State laws and policies cannot be fully or accurately determined at this time.

Through legislation, the federal government has created a debt "ceiling" or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with the authorization for an increase in the federal debt ceiling that have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays. Failure to increase the debt ceiling in a timely matter, federal budget authorization delays, federal government shutdowns or other political challenges may impact the federal government's ability to incur additional debt, to pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs. Further, negotiations regarding the debt ceiling may result in changes to the Medicare and Medicaid programs that cannot be predicted at this time.

This caption should be read in conjunction with the information concerning ACNW, ACH, the Parent and their related entities contained in Appendix A hereto, and with the consolidated financial statements attached hereto as Appendix C.

The following factors should be considered by prospective purchasers of the Series 2026 Bonds in evaluating the ability of ACNW and the Guarantors to meet their respective obligations under the Loan Agreement and the Guaranty Agreements with respect to the Series 2026 Bonds. The discussion of risk factors is not, and is not intended to be, exhaustive.

### **Matters Relating to the Security for the Series 2026 Bonds**

The payment obligations of ACNW under the Loan Agreement with respect to the Series 2026 Bonds are secured by a security interest in the Gross Receipts of ACNW. The payment obligations of ACH under its Guaranty Agreement are secured by a security interest in the Gross Revenues of ACH. See the caption "SECURITY FOR THE BONDS" herein.

The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Indenture. These remedies, in certain respects, may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture 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 Indenture. The effectiveness of the Loan Agreement and the Guaranty Agreement of ACH, including the pledge of the Gross Receipts of ACNW and the Gross Revenues of ACH, respectively, described therein, may be limited by a number of factors, including: (a) the absence of an express provision permitting assignment of payments due under the Medicare or Medicaid programs or under the contracts between ACNW or ACH and third party payors, and present or future prohibitions against assignment contained in any federal statutes or regulations; (b) statutory liens; (c) rights arising in

favor of the United States of America or any agency thereof; (d) constructive trusts, equitable liens or other rights impressed or conferred by a federal or State court in the exercise of its equitable jurisdiction; (e) federal bankruptcy laws that may affect the enforceability of the Indenture or certain federal statutes and judicial decisions that have cast doubt upon the right of a trustee, in the event of a default, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; and (f) rights of third parties in ACNW's or ACH's revenues converted to cash and not in the possession of the Trustee.

The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of the creditors of another is unsettled. In particular, such obligations may be voidable under the Federal Bankruptcy Code or applicable state fraudulent conveyance statutes if the obligation is incurred without "fair" consideration and/or "substantially equivalent" value to the obligor and if the incurrence of the obligation thereby renders the corporation insolvent. The standards for determining fairness of consideration and the manner of determining insolvency are not clear and may vary under the Federal Bankruptcy Code, state fraudulent conveyance statutes and applicable cases.

### **Risks of Federal Health Care Reform or Arkansas Health and Opportunity for Me (ARHOME) Medicaid Expansion**

The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the "Health Reform Law") were designed to overhaul the United States health care system and regulate many aspects of the health care industry, including individuals, employers and health insurers. The Health Reform Law addresses almost all aspects of hospital and provider operations and health care delivery and changes how health care services are covered, delivered and reimbursed. These changes have resulted in new payment models with the risk of lower hospital reimbursement from Medicare, utilization changes, increased government enforcement efforts, and the necessity for health care providers to assess and potentially alter their business strategy and practices, among other consequences. While most providers have received reduced payments for care, millions of previously uninsured Americans have obtained coverage as a result of the Health Reform Law. "Health insurance exchanges" have fundamentally altered the health insurance market but may negatively impact hospital providers to the extent exchange participation decreases.

The American Rescue Plan of 2021 ("ARP") extended subsidies for the purchase of health exchange coverage for households with incomes above 400% of the federal poverty level. ARP also increased the amount of financial assistance for people at lower incomes who were already eligible under the Affordable Care Act. The Inflation Reduction Act of 2025 ("IRA") continued these expanded subsidies through 2025. The expanded premium tax credits established under the ARP and continued under the IRA expired at the end of 2025 and were not renewed, resulting in increased premium costs for certain exchange enrollees. Legislation to reinstate or extend certain of these subsidies has been the subject of Congressional debate as part of the broader federal budget discussions, and there can be no assurances that any such extension will be ultimately enacted. The cumulative effect of the ARP, IRA and subsequent legislation on hospitals and the health care industry in general is not yet known.

In recent years, federal policymakers have undertaken various efforts to reduce the federal deficit, principally by reducing federal spending on entitlement programs, including Medicare and Medicaid. Additional attempts to curb federal entitlement program spending are likely, and federal deficit reduction would likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. From time to time, there may be legislative or judicial efforts to repeal or substantially modify provisions of the Health Reform Law. The provisions of the Health Reform Law are described in greater detail below under the subcaption "Nonprofit Health Care Environment – *Health Care Reform.*"

The content and implementation of the Health Reform Law have been, and remain, highly controversial. Accordingly, the Health Reform Law has continually faced multi-front challenges, including repeal efforts, since its enactment. On June 28, 2012, the U.S. Supreme Court upheld most

provisions of the Health Reform Law, including the requirement that individuals purchase and maintain health insurance coverage, while also substantially limiting the law's expansion of Medicaid, allowing states to choose between participating in the expansion while receiving additional federal payments or foregoing the expansion and retaining existing payments (*National Federation of Independent Business v. Sebelius*). As further discussed below, the Health Reform Law has continued to be the subject of ongoing legal, executive branch and legislative challenges.

The financial impact of any major modification or repeal of the Health Reform Law, or of any replacement health care reform legislation, cannot be predicted, although the effect could be material. In particular, any legal, legislative or executive action that reduces federal health care program spending, increases the number of individuals without health insurance, reduces the number of people seeking health care, or otherwise significantly alters the health care delivery system or insurance markets could have an adverse effect on the revenues of ACNW and the Guarantors. Reductions in funding levels of the Medicare or Medicaid programs, changes in payment methods under the Medicare and Medicaid programs, reductions in State funding, or other legislative or regulatory changes could materially reduce the patient service revenue of ACNW and the Guarantors.

In the U.S. Supreme Court decision of *National Federation of Independent Business v. Sebelius*, the Supreme Court ruled that the federal government could not compel states to comply with the Health Reform Law's requirement to expand Medicaid by eliminating all federal funds a state receives for its existing Medicaid program. Under the relevant provisions of the Health Reform Law, Medicaid was expected to cover all individuals with incomes of less than 133% of the federal poverty level, expanding eligibility to approximately 16 million people. Beginning in 2014, states were also permitted to expand Medicaid eligibility to non-elderly, non-pregnant individuals who were not otherwise eligible for Medicare, if such individuals have incomes of less than 133% of the federal poverty level. To assist states with the cost of covering such newly eligible individuals, the federal government committed to pay 100% of the additional cost to the states for a limited number of years. Thereafter, the cost share decreases to 90%. However, as stated above, the Supreme Court's decision made the decision to expand Medicaid optional to the states.

In response to the ruling in *National Federation of Independent Business v. Sebelius* described above allowing states to choose between participating in the expansion while receiving additional federal payments or foregoing the expansion and retaining existing payments, instead of fully expanding the Arkansas Medicaid program as envisioned by the Affordable Care Act, the State of Arkansas (the "State") sought and obtained a waiver from the federal government to instead institute a hybrid approach commonly referred to as the "private option." Under the current version of the private option, individuals in Arkansas earning less than 138% of the federal poverty level income amount are eligible to receive a government subsidy to purchase private insurance through an insurance exchange. The adoption of the State's private option program by the Arkansas General Assembly, effective June 1, 2014, resulted in insurance coverage to an estimated 285,000 previously uninsured persons and a corresponding decrease in the costs of uncompensated care to Arkansas hospitals. Any repeal or revision of the Affordable Care Act could potentially invalidate the Arkansas private option program, which, in turn, could have a material negative impact on patient revenues of ACNW and the Guarantors and their ability to satisfy their respective payment obligations with respect to the Series 2026 Bonds and their other indebtedness.

Under State law, the private option program requires annual reauthorization and appropriation by a vote of at least 75% of the senators and representatives in each chamber of the Arkansas General Assembly. Approval in 2018 was accomplished with 27 votes (27 required) in the Senate and 79 votes (75 required) in the House. Reauthorization was obtained in 2016, 2017 and 2018 only after a number of amendments to the program such as (i) requiring the payment of small premiums by persons earning between 100% and 138% of the federal poverty level income amount, (ii) the requirement for able-bodied recipients to work, be engaged in work or education training, or volunteer with a charitable organization (the "Work Requirement"), (iii) reducing the retroactive eligibility standard for Medicare coverage from 90 days before enrollment to 30 days prior to enrollment, and (iv) rebranding of the program as "Arkansas

Works.” The amendments were approved through a waiver process with the Centers for Medicare and Medicaid Services (“CMS”).

The Work Requirement, the first of its kind in the nation, became effective in June of 2018, and required non-exempt beneficiaries to report 80 hours each month of work, work training, education, or community service. The reporting process, which required the submission of hours through an online portal, proved to be controversial. In August 2018, Arkansas Works had 265,223 total enrollees. By December 2018, 18,000 beneficiaries had been removed from the program. In March of 2019, the Work Requirement was struck down by a federal judge in the United States District Court for the District of Columbia (*Gresham v. Azar*). In February of 2020, a federal appeals court panel for the United States Court of Appeals for the District of Columbia Circuit unanimously upheld the lower court’s ruling striking down the Work Requirement. The Trump Administration petitioned the United States Supreme Court to hear an appeal of the decision and that petition was granted in December 2020. Oral arguments were cancelled at the request of the acting U.S. Solicitor General. The Biden administration reversed the position of the Trump administration regarding waiver approvals for work requirements in conjunction with the Medicaid program. On March 17, 2021, CMS revoked the waiver previously issued to the State. The Supreme Court dismissed the pending appeal as moot on April 18, 2022.

Because the earlier decision did not grant a stay, the Work Requirement was not in effect after March of 2019 and individuals who lost eligibility for Arkansas Works coverage are currently eligible to reapply. Reauthorization and appropriation of the program for 2019 was impacted as a result; although the bill to fund Arkansas Works passed the Senate, it failed in the House of Representatives, achieving only 58 votes (75 required). Brought before the chamber again, the bill received the 75 votes needed to fund the program for 2019. The program, now known as Arkansas Health and Opportunity for Me (ARHOME), was extended without controversy in 2020. In 2021, the reauthorization and appropriation bill passed on its fifth try in the House, eventually receiving 78 votes to pass, though it passed on the first vote in the Senate. Reauthorization was extended without controversy in 2022, 2023, 2024 and 2025. At the end of December 2025, approximately 228,000 persons were enrolled in the ARHOME program.

On February 15, 2023, the State again announced that it would be seeking a waiver from CMS to allow the State to impose a requirement that individuals work or engage in work training, education or community service in order to be eligible to participate in the ARHOME program. Unlike the previously invalidated Work Requirement described in the preceding paragraph, failure to qualify would not result in the loss of Medicaid benefits. Rather, non-qualifying persons would be transferred from the ARHOME private insurance expansion program to traditional Medicaid fee-for-service status.

The Arkansas Department of Human Services filed the most recent amendment request to the ARHOME Section 1115 Medicaid Demonstration Waiver on March 26, 2025 entitled “Pathway to Prosperity.” This re-establishes work and community engagement requirements for the Medicaid expansion population and reflects lessons learned from the State’s efforts in 2018-2019 to institute work requirements. The amendment request addresses additional efforts to provide clear communication and outreach to make sure beneficiaries understand the requirements and how to comply, as compared to the earlier program implementation. The amendment request specifically addresses the analysis of the court and concerns raised in *Gresham v. Azar*, which struck down the State’s initial work requirements. The requested amendments to the waiver remain pending.

Given the annual appropriation requirement for the ARHOME program (which is also subject to a lengthy review and approval process by CMS with respect to any changes or waivers with respect to the program), as well as the current political environment, the long-term status of ARHOME cannot be assured. If the ARHOME program is revised resulting in an increase of uninsured individuals, or if the Arkansas General Assembly fails to reauthorize, continue or approve funding for the ARHOME program, there may be an adverse impact on the results of System operations.

ACNW and ACH are participants in the State Children's Health Insurance Program (SCHIP), known in Arkansas as ARKids. SCHIP is designed to provide insurance coverage for children whose families earn too much to qualify for Medicaid, but who cannot afford private coverage.

### **Fluctuations in Market Value of Investments**

Investments provide ACNW and ACH with important sources of funds to support their programs and services. Over the past several years, the market for such investments has been unstable and the value of ACNW's and ACH's investment securities has fluctuated and, in some instances, the fluctuations have been significant. Negative investment returns in Fiscal Year 2022 were approximately \$72.16 million, resulting in a reduction in the consolidated System's Fiscal Year 2022 excess of revenues over expenses of \$5.90 million. While positive investment returns were realized in Fiscal Years 2023, 2024 and 2025, no assurances can be given that the market value of ACNW's and ACH's investments will not decline in the future. Any such decline could adversely affect the financial condition of ACNW and ACH and their ability to satisfy their respective payment obligations with respect to the Series 2026 Bonds.

### **Admissions**

A significant portion of ACNW's and ACH's revenues are derived from reimbursements by the Arkansas Medicaid program for charges to patients (or reimbursement from other third-party intermediaries on behalf of patients) for medically necessary treatment delivered to patients admitted to the NW Hospital and the LR Hospital by members of ACNW's and ACH's medical staffs. If patients typically admitted to the NW Hospital and the LR Hospital were to be admitted to other hospitals, or the criteria for Medicaid eligibility were amended to limit the current Medicaid population, the revenues of ACNW and ACH would decrease. See "Significant Health Care Risk Areas Summarized – *Proliferation of Competition*" below.

### **Possible Increases in Competition**

The NW Hospital and the LR Hospital could face increased competition in the future from other hospitals and from other forms of health care delivery that offer health care services to the populations which the NW Hospital and the LR Hospital presently serve, which increased competition could affect the ability of ACNW and ACH to attract physicians or other staff and patients. The development of health maintenance organizations and preferred provider organizations which do not utilize the NW Hospital or the LR Hospital or which are able to offer lower priced services could also result in decreased utilization of the services provided at the NW Hospital and the LR Hospital and other medical facilities operated by the System. In addition, the State does not currently have a certificate of need program that directly limits the service areas of hospitals or similar provider categories. Consequently, entry of additional providers of similar health care services in ACNW's and ACH's service areas is not limited by any State requirement of need determination. See the captions "NW Hospital Market Share," "NW Hospital Service Area," "LR Hospital Market Share" and "LR Hospital Service Area" in Appendix A hereto.

### **Expansions, Acquisitions, Affiliations, Mergers, and Divestitures**

ACNW and the Guarantors may from time to time enter into transactions that could include, among others, expansions to new service areas or under-utilized service areas, acquisition of hospitals and physician organizations, divestitures of affiliates, joint ventures and mergers, consolidations, or other forms of affiliations. Given the pace of change in the health care industry, it is likely that ACNW and the Guarantors will be presented with opportunities to enter into transactions of considerable magnitude or significance. At this time, ACNW and the Guarantors are unable to anticipate whether any such transactions, if entered into in the future, would have a material adverse impact on ACNW or the Guarantors, their respective finances, or the credit rating on the Series 2026 Bonds or other indebtedness of ACNW or the Guarantors.

## Significant Health Care Risk Areas Summarized

Certain of the primary risks associated with the operations of ACNW, ACH and their Affiliates are summarized in general terms below and are explained in greater detail in subsequent sections.

*General Economic Conditions: Bad Debt and Indigent Care.* Health care providers are economically influenced by the environment in which they are located. Economic downturns, increases in unemployment and lower funding of state Medicaid and other state health care programs may increase the number of patients treated by hospitals who are uninsured or otherwise unable to pay for some or all of their care. These conditions may cause increases in bad debt and higher indigent care utilization. Although most regions of the United States, including the State of Arkansas, have been impacted by general United States economic conditions, there can be times when specific economic conditions affecting separate sectors of the economy can affect a particular hospital. Specific economic conditions affecting certain local industries or businesses could have a material impact upon the operations of ACNW and ACH.

Although ACNW and ACH have and will continue to maximize payment or reimbursement for the care they provide, they also recognize their obligation to provide uncompensated care to the medically indigent. Obligations to provide uncompensated care can be derived from anti-dumping, emergency care, tax, continuity of care and other laws that might apply to ACNW and ACH. Many nonprofit hospitals have been and are subject to litigation attempting to establish obligations to provide uncompensated care based on the tax-exempt status of the hospital under federal or state law.

*Rate Pressure from Insurers and Major Purchasers.* Certain hospital markets, including ACNW's and ACH's service areas, are impacted by large health insurers and in some cases by major purchasers of health services. These stakeholders may have significant influence on ACNW's and ACH's rates, utilization and competition. Rate pressures imposed by health insurers and large employers as major purchasers may have a material economic impact on ACNW's and ACH's ability to increase rates, through payment shortfalls or delays, and/or the imposition of continuing obligations to care for managed care patients without receiving additional payment.

*Capital Needs vs. Capital Capacity.* Hospital operations are capital intensive. Regulation, technological advances, and physician and patient expectations and demands require ongoing and often significant capital investment. Total capital needs may be greater than the availability of funds.

*Costs and Restrictions from Government Regulation.* Nearly every aspect of hospital operations is regulated, in some cases by multiple agencies of federal and State government as discussed in "Government Regulation of the Health Care Industry" below. The level and complexity of regulation is increasing and subject to frequent change, bringing operational limitations, enforcement and liability risks, and significant and most often unanticipated and unfunded requirements that materially increase the cost of doing business.

*Government Enforcement.* To ensure the integrity of federal health care programs, CMS, the U.S. Department of Health and Human Services ("HHS"), the Office of Inspector General ("OIG") and the Department of Justice ("DOJ") have paid close attention in recent years to the business practices and conduct of health care providers. Federal and state government impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other potential acts of fraud and abuse against the Medicare and Medicaid programs, as well as other state and federally funded health care programs. See "Government Regulation of the Health Care Industry" below. This body of law and regulation impact a broad spectrum of hospital operations and activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials and discounts, among other functions and transactions. Enforcement actions may pertain not only to deliberate violations, but also frequently occur in circumstances in which management is unaware of the conduct in question as a result of mistake, or where the individual participants do not know that their conduct is a violation of law.

Enforcement actions can extend to conduct for the past six years or more. Various government entities and government contractors conduct widespread investigations and audits, frequently based on “data mining” of electronic billing records of providers. Based on the findings, such entities may demand immediate repayment of erroneously paid amounts and/or pursue extensive investigations which may last several months or years and which may be costly to defend. In some cases, providers are placed on payment hold pending the outcome of an investigation.

Violations and alleged violations carry significant sanctions, which may be aggressively pursued by the government. The government may seek a wide array of criminal, civil and administrative penalties (including withholding reimbursement), which in serious cases could result in criminal penalties (incarceration and fines), civil monetary penalties and/or possible exclusion from the Medicare and Medicaid programs, which would have an extreme adverse effect on ACNW and ACH by eliminating their ability to collect reimbursement from such programs. Such enforcement actions may result in negative publicity, large settlements or adverse results of litigation including prospective sanctions and requirements such as corporate integrity agreements. Any of these possible outcomes of government enforcement actions may have an adverse impact on ACNW’s or ACH’s operations, financial condition and reputation and generally are not covered by insurance.

*Impact of Federal and State Immigration Policy.* Significant increases in the population of immigrants in Arkansas communities have put pressure on the health care system to treat increasing volumes of non-English speaking and often indigent or underinsured patients at a financial loss. Except for very limited exceptions, federal and state health care program benefits are not available to undocumented immigrants. Nonetheless, the population of undocumented immigrants has increased with the effect that ACNW and ACH, as federally funded hospitals with emergency departments and tax-exempt organizations with a charitable mission, are in the position of providing increasing amounts of uncompensated care for such individuals. To date, such uncompensated care has not been material.

In addition, Title VI of the Civil Rights Act of 1964 requires recipients of federal funds to provide meaningful access to services by persons with limited English proficiency. While providers have leeway to conduct an assessment of the accommodations that are needed, one of the most significant requirements is to provide translated patient forms and materials and, in some cases, interpretation services to non-English-speaking patients. It is likely that health care benefits to undocumented immigrants will continue to be limited by law.

*Health Professional Shortages.* Over the last several years, the COVID-19 Pandemic exacerbated shortages of nurses and other health care professionals. Various studies predict that the shortage of nurses and certain other health care professionals, including physicians, will continue and may intensify in the future. Hospital operations, patient and physician satisfaction, financial condition, and future growth could be negatively affected by nursing and other professional shortages, resulting in a future material adverse impact for hospitals. Such shortages could significantly increase payroll and operating costs if temporary staffing or *locum tenens* physicians must be engaged to provide sufficient levels of staffing to meet program and patient care needs. ACNW and ACH cannot control the prevailing wage rates in their service areas, and any increase in such rates will directly affect their costs of operations and may inhibit the ability of ACNW and ACH to provide services at the level necessary to meet the demands of ACNW’s and ACH’s service areas.

*Technical and Clinical Developments.* New clinical techniques, products and technologies may alter the course of medical diagnosis and treatment in ways that are currently unanticipated and may dramatically change hospital and medical care in the future. Such developments could result in higher hospital costs and increased relocation of complex technologies and treatments from hospitals to freestanding, competing medical and diagnostic facilities and physician offices. Such possibilities could have a materially adverse impact on hospital revenues and patient volumes and give rise to new sources of competition for ACNW and ACH. In addition, new discoveries may add greatly to ACNW’s and

ACH's cost of providing services with no or little offsetting increase in federal and other third-party payor reimbursement.

*Proliferation of Competition.* Hospitals increasingly face competition from specialty and niche providers of care, including retail walk-in or "urgent care" clinics. This development may cause ACNW or ACH to lose essential inpatient or outpatient market share in the future. Competition may be focused on services or payor classifications from which ACNW or ACH realize their highest margins, thus negatively affecting programs that are economically important to ACNW and ACHW. Specialty facilities may attract medical specialists as investors and may seek to treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and/or lower paying patient populations or services. These new sources of competition may have a material adverse impact on ACNW and ACH, particularly in cases where a group of ACNW's or ACH's principal admitting practitioners curtail use of ACNW's or ACH's facilities in favor of competing facilities. In addition to the impact on revenue from operations and market share, these developments could result in ACNW or ACH losing the value of their investment in capital-intensive facilities, technologies and services.

*Labor Costs and Disruption.* The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, will have a significant impact on ACNW's and ACH's operations and financial condition. Although labor unions have not had a material impact on hospital personnel in Arkansas and surrounding areas, across the country, hospital employees are increasingly organized in collective bargaining units. If ACNW's or ACH's workforce or any part of their workforce were to be successfully organized, the already high costs of recruiting, training, managing and retaining needed personnel members would materially increase, and ACNW and ACH would be subject to possible disruptions in operations which would be likely to increase costs and reduce revenue.

*Employee Benefit Funds.* As large employers, hospitals may incur significant expenses to fund benefit plans for employees and former employees and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed or designated for other purposes. See "Note 10 – Insurance and Legal" and "Note 11 – Employee Benefit Plans" to the consolidated financial statements in Appendix C hereto and the caption "Miscellaneous – Insurance and Employees Benefits" in Appendix A hereto for certain information regarding the System's health insurance benefits and employee benefit plans.

*State Budgets.* Many states, including Arkansas, face financial challenges, including erosion of general fund tax revenues. These factors have often resulted in a shortfall between revenue and spending demands. The financial challenges facing states may negatively affect hospitals in a number of ways, including, but not limited to, a decrease in the percentage of patients who have private insurance, a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid and/or reductions in Medicaid reimbursement rates. Some states have looked to the health care industry to contribute to any revenue shortfalls by reducing levels of reimbursement through the Medicaid program and other state reimbursement programs, and there can be no assurance that the State of Arkansas would not do likewise in a time of financial crisis. Any future reduction in reimbursements could have a material adverse impact on the economic condition of ACNW and ACH.

## **Nonprofit Health Care Environment**

*General.* As nonprofit tax-exempt corporations, ACNW and ACH are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. In recent years, an increasing number of the operations or practices of nonprofit health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements of nonprofit tax-exempt organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation, sales and use taxes, and

others. Such challenges have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the “IRS”), labor unions, Congress, state legislatures and patients.

*Congressional Hearings.* A number of House and Senate Committees, including the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt health care organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices, charity care and community benefit prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations may result in new legislation.

*Federal Budget Cuts.* Past federal legislation and policies aimed at federal deficit reduction have resulted in across-the-board federal program spending reductions, including a yearly 2% reduction in Medicare reimbursement rates (known as “Medicare sequestration”) required by the Budget Control Act of 2011, though there were no reductions made in payments to ACNW or ACH. Recent legislation further extended these reductions into 2032. Another federal statutory sequester, the “Pay As You Go” or “PAYGO” sequester, may be triggered in the future.

Because Congress may make changes to the budget in the future, it is impossible to predict the future level of any spending cuts. 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. Although ACNW and ACH have not historically derived a significant portion of their patient revenues under the Medicare program, if and to the extent Medicare spending is reduced under either scenario, this may have some adverse effect upon the financial condition of ACNW and ACH.

*Health Care Reform.* The Health Reform Law was designed to overhaul the United States health care system and regulate many participants in the health care industry including individuals, employers and health insurers. The Health Reform Law addressed almost all aspects of hospital and provider operations and health care delivery and changed how health care services are covered, delivered and reimbursed. These changes have resulted in lower reimbursement from Medicare, utilization changes, increased government enforcement, and the necessity for health care providers to assess and potentially alter their business strategy and practices. The reimbursement reductions associated with the Health Reform Law were intended to be offset in part by the expansion of access to Medicaid to millions of previously uninsured Americans.

The Health Reform Law contains more than thirty-two sections related to health care fraud and abuse and program integrity as well as significant amendments to existing criminal, civil and administrative anti-fraud statutes. Increased compliance and regulatory requirements, disclosure and transparency obligations, quality of care expectations, and extraordinary enforcement provisions that could greatly increase ACNW’s and ACH’s potential legal exposure are all aspects of the Health Reform Law that could increase operating expenses of ACNW and ACH and have a material impact on their finances.

The Health Reform Law contains many features from previous proposals seeking to reform the tax-exempt health care industry, including a set of sweeping changes applicable to charitable hospitals exempt under Section 501(c)(3) of the Internal Revenue Code. The Health Reform Law: (a) imposes new eligibility requirements for 501(c)(3) hospitals, coupled with an excise tax for failures to meet certain of those requirements; (b) requires mandatory IRS review of hospitals’ entitlement to exemption; (c) sets forth new reporting requirements, including information related to community health needs assessments and audited financial statements; (d) requires hospitals to adopt and publicize a financial assistance policy, limit charges to patients who qualify for financial assistance to the amounts generally billed to insured patients and prohibits the use of gross charges, and control the billing and collection processes; and (e) imposes further reporting requirements on the Secretary of the Treasury regarding charity care levels.

Certain other provisions of the Health Reform Law encourage the creation of new health care delivery programs, such as accountable care organizations in which a group of providers is held jointly responsible for improving the quality and cost of health care of a certain population, with the opportunity to share in financial benefits that result, or combinations of provider organizations that voluntarily meet quality thresholds being able to share in the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

The Health Reform Law and its implementation have been, and remain, politically controversial. Initiatives to repeal the Health Reform Law, in whole or in part, to delay elements of implementation or funding, and to offer amendments or supplements to modify its provisions have been persistent. The ultimate outcomes of the legislative attempts to repeal or amend the Health Reform Law are unknown. Previously, Republican leaders of Congress repeatedly cited health care reform, and particularly repeal and replacement of the Health Reform Law, as a key goal. To that end, Congressional leaders introduced various Health Reform Law repeal bills. While no bills wholly repealing the Health Reform Law have passed both chambers of Congress, the Tax Cuts and Jobs Act, signed into law in late 2017, effectively eliminated a key provision of the Health Reform Law – a tax penalty associated with failing to maintain health coverage by reducing the penalty to zero dollars effective January 1, 2019.

It is not possible to predict with certainty whether or when the Health Reform Law or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the health care industry and ACNW and ACH, any of which may have a material adverse effect on the operations, financial condition and financial performance of ACNW and ACH. In addition, any repeal or modification of the Health Reform Law could reduce the number of individuals qualifying for treatment as Medicaid patients, resulting in ACNW's and ACH's care for greater numbers of uninsured individuals.

The tax-and-spending legislation approved by Congress and signed into law on July 4, 2025 (the "OBBBA") extended tax cuts to corporations and individuals provided by the Tax Cuts and Jobs Act of 2017, and also included changes to existing laws that may have significant implications for health care providers. The OBBBA includes substantial reforms to Medicaid program reimbursement. Key provisions of the OBBBA affecting Medicaid include: (i) mandatory work or "community engagement" requirements for most non-disabled adult beneficiaries under 65 years old, (ii) more frequent and stringent eligibility redeterminations, (iii) increased cost-sharing for certain beneficiaries, (iv) restrictions on state financing mechanisms, such as provider taxes, (v) limits on state-directed payments, and (vi) new limitations on Medicaid coverage for certain immigrant populations. These changes are expected to have material effects on state Medicaid programs and the broader health care delivery system, including a significant increase in the uninsured population.

The foregoing are some examples of the challenges facing nonprofit health care organizations due to the Health Reform Law. The challenges and any resulting legislation, regulations, judgments or penalties could have a material adverse impact on the financial condition of ACNW and ACH.

*Tax Exemption.* ACNW and ACH are organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), exempt from the payment of federal income taxes under Section 501(a) of the Code, and ACH and ACNW have received letters from the Internal Revenue Service confirming such status.

The tax-exempt status of interest on the Series 2016 Bonds, the Series 2025 Bond and the Series 2026 Bonds depends upon maintenance by ACNW and any other entity receiving or benefitting from proceeds of the Series 2016 Bonds, the Series 2025 Bond and the Series 2026 Bonds of its status as an organization described in Section 501(c)(3) of the Code. In order to maintain that status, ACNW is required to comply with current and future IRS regulations and rulings governing tax-exempt health care

facilities. ACNW has covenanted under the Loan Agreement and tax certificates not to perform any acts or enter into any agreements which would adversely affect such 501(c)(3) status.

In order to maintain their tax-exempt status under federal law, ACNW and ACH must not be operated to any substantial degree for the benefit of private individuals and may not allow their earnings to inure to the benefit of any individuals having a personal or private interest in their organizations or operations. These proscriptions, in practice, regulate business dealings between health care providers and physicians. Tax-exempt health care providers generally are required to demonstrate that their business dealings with physicians benefit the community served by the provider independently from any direct benefit received by the provider itself. ACNW and ACH are not presently being challenged or investigated by the IRS with respect to these matters.

The IRS has reaffirmed, in the context of federal Medicare and Medicaid anti-kickback laws, the principle that violation of criminal statutes is inconsistent with continued recognition of an organization's tax-exempt status. Thus, the tax-exempt status of a nonprofit health care provider could be subject to revocation if the entity were determined to have violated federal or state anti-kickback laws by providing illegal remuneration to physicians in exchange for the referral of Medicaid or Medicare patients or to have otherwise violated state anti-kickback laws or federal laws restricting referrals.

The Affordable Care Act has imposed certain additional requirements for 501(c)(3) nonprofit hospitals (such as ACNW and ACH). Such nonprofit entities must conduct periodic community health needs assessments and must include an implementation report with their annual Form 990 information returns. They must also adopt formal financial assistance and emergency treatment policies; may not charge more for care to those who qualify for financial assistance and may not pursue certain collection actions without making a determination as to financial assistance eligibility; and must include audited financial statements with their Form 990 annual information returns. Failure of a nonprofit hospital to complete the required community health needs assessment may result in imposition of a \$50,000 excise tax or revocation of its tax-exempt status. Form 990 information is to be reviewed by the Department of the Treasury at least once every three years, and the Department of the Treasury is also required to provide related reports to Congress. ACNW's most recent community health needs assessment was conducted and adopted in May 2025, and the implementation strategy was approved in August 2025. ACH's most recent community health needs assessment was conducted and adopted in May 2025, and the implementation strategy was approved in October 2025.

On December 29, 2014, the Secretary of the Treasury issued final regulations under Section 501(r) of the Code that provide detailed and comprehensive guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to satisfy Section 501(r) requirements. Among the required financial assistance policies is a limitation on the amount charged for emergency or other medically necessary care provided to individuals eligible for assistance under the hospital's financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care and to make reasonable efforts to determine whether an individual is eligible for financial assistance before engaging in extraordinary collection actions. These final regulations are complex and are administratively burdensome to implement. Generally, the regulations provide that a hospital organization may rely on a reasonable, good faith interpretation of the Section 501(r) requirements, which may include compliance with certain prior proposed regulations under Section 501(r).

Taxing authorities in certain state and local jurisdictions have sought to impose or increase property taxes, sales and use taxes, and other taxes related to the property and operations of nonprofit organizations, including health care providers, particularly where such authorities are dissatisfied with the amount of service provided to indigent patients. At the federal level, however, the IRS has ruled that the tax-exempt status of nonprofit hospitals is based on a variety of factors but is not dependent upon their acceptance of patients who cannot pay. It is possible that future administrative or judicial

proceedings or legislation could have the effect of requiring nonprofit institutions to increase their services to indigent patients to retain their tax-exempt status. In the recent past, legislation was introduced in Congress that would make a hospital's tax-exempt status hinge on the extent of its care to indigents, but the bills have not been enacted into law.

The IRS has audit guidelines which implement a policy to scrutinize more closely the activities of health care providers to ensure that they satisfy the requirements for tax-exempt status. Given these audit guidelines and other related pronouncements by the IRS, it may be more difficult for such entities to maintain their tax-exempt status. Health care providers may be forced to forgo otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements to maintain their tax-exempt status or to avoid other sanctions.

Management believes that ACNW and ACH are in compliance with the requirements of sections 501(c)(3) and 501(r) and the regulations applicable thereto. However, ACNW and ACH may be audited as part of the IRS's ongoing enforcement activities. The result of any such audit could potentially impact the tax-exempt status of ACNW or ACH.

*Real Property Tax Exemption.* In recent years, a number of states have challenged the real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices, excessive financial margins and operations that closely resemble for-profit businesses. Management is not aware of any current challenges to the tax-exempt status of the real property of ACNW or ACH that ACNW or ACH claim as being exempt from *ad valorem* taxation under the laws of the State.

*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. Likewise, national publications have highlighted inconsistent billing practices as to the uninsured. Cases are proceeding in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have incurred substantial costs in defending such lawsuits and in some cases have entered into substantial settlements. Neither ACNW nor ACH is currently a defendant in litigation relating to general billing and collection practices.

*Physician Medical Staff.* The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, including antitrust claims, some of which could result in substantial uninsured damages to a hospital. Furthermore, from time to time, actions or decisions of hospital management may cause unrest among certain physician groups or members of the medical staff, which could result in legal or other actions, such as resignation from the medical staff. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties. Management is unaware of any such actions at the present time.

## **Government Regulation of the Health Care Industry**

*State Regulation.* Arkansas has established statutory and regulatory requirements for health care facilities. Failure to comply with laws and rules governing licensure and standards of care could result in the revocation of a hospital's license and operating privileges, including licensure of inpatient facilities and outpatient programs, including hospitals, home health agencies, skilled nursing facilities, hospice programs and basic care facilities. Management believes it is in substantial compliance with all State statutory and regulatory requirements imposed upon it.

*Anti-Kickback Law.* The federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the “Anti-Kickback Law”) make it a criminal felony offense (subject to certain exceptions) to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in order to induce referrals for business that is reimbursable under the Medicare or Medicaid programs or other “federal health care program,” or in return for the purchasing, leasing, ordering or arranging for, or recommending the purchasing, leasing, or ordering of, any good, facility, service or item for which payment is made in whole or in part under a federal health care program. For purposes of the Anti-Kickback Law, a “federal health care program” includes the Medicare and Medicaid programs, as well as any other health plan or program funded directly, in whole or in part, by the United States government. The Affordable Care Act contains provisions relaxing the intent requirements for criminal liability under the Anti-Kickback Law, so that actual knowledge of statutory requirements or specific intent to violate them is not required for a criminal prosecution. The Affordable Care Act also provides that Anti-Kickback Law violations may constitute a basis for False Claims Act liability.

In addition to criminal penalties, violations of the Anti-Kickback Law can lead to civil monetary penalties and suspension or exclusion from participation in Medicare, Medicaid and other federal health care programs. A person who violates the Anti-Kickback Law is subject to damages of up to three times the total amount of remuneration offered, paid, solicited or received. The government may exclude from a federal health care program any individual who has a direct or indirect ownership or control interest in a sanctioned entity and has acted in deliberate ignorance, or is an officer or managing employee of the sanctioned entity, irrespective of whether the individual participated in the wrongdoing. Exclusion from the Medicare or Medicaid programs would have a material adverse impact on the operations and financial condition of ACNW and ACH.

The scope of prohibited payments in the Anti-Kickback Law is broad and has been broadly interpreted by courts in many jurisdictions. Read literally, the statute places at risk many otherwise legitimate business arrangements, potentially subjecting such arrangements to lengthy, expensive investigations and prosecutions initiated by federal and state governmental officials. In particular, the Office of the Inspector General of HHS has expressed concern that the acquisition of physician practices by entities in a position to receive referrals of business reimbursable by Medicare from such practices could violate the Anti-Kickback Law. In addition, the Anti-Kickback Law covers certain economic arrangements involving hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, management and personal services contracts and physician employment contracts. HHS has adopted regulations establishing certain payment practices and arrangements as “safe harbors” which are deemed not to violate the Anti-Kickback Law. The safe harbors are, however, narrow, and do not cover a wide range of economic relationships which many hospitals, physicians and other health care providers have historically considered to be legitimate business arrangements not prohibited by the Anti-Kickback Law. Because the safe harbor regulations do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, it is uncertain whether hospitals and other health care providers that have these arrangements or relationships may need to alter them in order to ensure compliance with the Anti-Kickback Law.

Management of ACNW and ACH believes that ACNW and ACH are in compliance with the Anti-Kickback Law. However, because of the breadth of such law and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the ACNW or ACH will not be found to have violated the Anti-Kickback Law. At the present time, management of ACNW and ACH is not aware of any pending or threatened claim, investigation or enforcement action regarding the Anti-Kickback Statute which, if determined adversely to ACNW or ACH, would have a material adverse effect on ACNW’s or ACH’s financial condition.

*Stark Law.* The Ethics in Patient Referrals Act (the “Stark Law”) prohibits a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including

hospitals) providing “designated health services” from referring Medicare patients to these entities for the furnishing of “designated health services” unless the relationship satisfies an exception. The Stark Law defines “designated health services” to include: physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services, and clinical laboratory 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. The prohibition applies regardless of the reasons for the financial relationship and the referral; no finding of intent to violate the Stark Law is required.

Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts improperly collected, a civil penalty of up to \$15,000 for each service arising out of the prohibited referral, exclusion from participation in the federal health care programs, and a civil penalty of up to \$100,000 against parties that enter into a scheme to circumvent the Stark Law’s prohibition. Case law also potentially extends repayment obligations to Medicaid claims.

The failure to repay amounts billed to the Medicare program as a result of a Stark Law violation in a timely manner is also regarded as a violation under the FCA and may lead to civil monetary penalties, treble damages and permissive exclusion. The types of financial arrangements between a physician (or a physician’s immediate family member) and an entity that trigger the self-referral prohibitions of the Stark Law are broad and include ownership and investment interests and monetary and non-monetary compensation arrangements. Regulations promulgated under the Stark Law are subject to amendment. Depending upon whether any such amendments contain grandfathering provisions, any such amendment may require ACNW and ACH to amend or terminate certain arrangements with physicians to comply with new regulatory requirements.

The Health Reform Law instructed CMS to create a voluntary Self-Referral Disclosure Protocol (“SRDP”) under which providers could disclose the facts and circumstances surrounding an actual or potential Stark Law violation with the intention of negotiating settlements of a violation for less than what was impermissibly billed to the Medicare program. While many thought the SRDP would give some certainty to the industry as to the resolution of actual or potential Stark Law violations, the SRDP process has been more cumbersome than originally anticipated. It is unclear what impact, if any, the Stark Law SRDP will have on the settlement of actual or potential Stark Law violations in the future. 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.

Although management of ACNW and ACH believes that the arrangements of ACNW and ACH with physicians are in compliance with the Stark Law, as currently interpreted, there can be no assurance that regulatory authorities will not take a contrary position or that ACNW or ACH will not be found to have violated the Stark Law in the future. Sanctions under the Stark Law, including repayment of overpayments (both Medicare and potentially Medicaid), civil monetary penalties, FCA prosecutions, and exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of ACNW and ACH.

*False Claims Laws.* There are principally three federal statutes addressing the issue of “false claims.” First, the False Claims Act (FCA) imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. A showing of specific intent to defraud the federal government is not required to establish the requisite knowledge. “Knowingly” is broadly defined to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts. This statute authorizes private persons to file *qui tam* actions

on behalf of the United States. Because *qui tam* lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is impossible to determine at this time whether any such actions are pending against ACNW or ACH and no assurances can be made that such actions will not be filed in the future. A violation of the FCA could lead to treble damages being assessed against the violating party.

The Fraud and Enforcement and Recovery Act (“FERA”), signed into law on May 20, 2009, expands exposure under the civil FCA for a wide range of business transactions involving federal government funds. Pursuant to FERA amendments, the civil FCA may impose liability for false claims with more remote connections to the federal government. FERA has the effect of expanding liability for the retention of money owed to the government, including overpayments by Medicare. The Health Reform Law also requires that providers return identified overpayments within 60 days of identification or the overpayment becomes an “obligation” under the FCA and creates the potential for FCA liability. An overpayment is “identified” when a person has, or should have, through the exercise of reasonable diligence, determined that an overpayment was paid and is quantified.

In addition, the Health Reform Law, among other changes to the civil FCA, eliminated the “public disclosure bar” (which previously required dismissal of a *qui tam* suit where the allegations were publicly disclosed in (i) a criminal, civil or administrative proceeding, (ii) a congressional, administrative or U.S. Government Accountability Office report, hearing, audit or investigation, or (iii) news media) as a jurisdictional defense to *qui tam* suits.

In addition to the civil FCA, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; (6) using a payment intended for a federal health care program beneficiary for another use; or (7) knowingly making or causing to be made a false statement, omission or misrepresentation of material fact in any application, bid or contract to participate in a federal health care program. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Aggressive investigation tactics, negative publicity, and threatened penalties, such as treble damages, can be, and often are, used to force settlements of alleged FCA violations, even when the provider believes there is no merit to the allegation. Likewise, a common prosecutorial position is to threaten exclusion from the Medicare and Medicaid programs unless the hospital agrees to a voluntary settlement, which is often very costly and imposes significant ongoing compliance and monitoring obligations. Because the exclusion from Medicare would have such a material adverse effect, hospitals often times find it necessary to enter into costly settlement agreements, even if they believe they have a meritorious position. As such, multi-million dollar fines and settlements are common with alleged FCA violations and violations of other fraud and abuse laws, and losses resulting from these settlements are generally uninsured. Given the increase in federal Medicare fraud funding, government enforcement programs, and private whistleblower suits, enforcement actions are likely to increase in the future.

Finally, it is a criminal federal health care fraud offense to (1) knowingly and willfully execute or attempt to execute any scheme to defraud any health care benefit program or (2) to obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any health care benefit program. Penalties for a violation of this federal law include fines and/or imprisonment and a forfeiture of any property derived from proceeds traceable to the offense.

At the present time, management of ACNW and ACH is not aware of any pending or threatened claims, investigations or enforcement actions regarding the FCA, the Civil Monetary Penalties Law, or criminal federal health care fraud offenses which, if determined adversely to ACNW or ACH, taking into account current reserves, would have a material adverse effect on their financial condition.

*Exclusions from Medicare or Medicaid Participation.* As partially discussed above in connection with the Anti-Kickback Statute, the Stark Law and the FCA, the federal government has authority to exclude hospitals from Medicare/Medicaid program participation upon conviction of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, an FCA violation, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program, or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The government also has permissive exclusion authority under certain other circumstances, such as an unrelated conviction of fraud or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a hospital would be decertified and no program payments for services rendered to beneficiaries could be made to the hospital. An exclusion of ACNW or ACH on any basis would be a materially adverse event.

*HIPAA; Electronic Transmission of Health Information; Privacy and Security Regulations.* The Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”), added two prohibited practices the commission of which may lead to civil monetary penalties: (i) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate (i.e., upcoding); and (ii) the practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices due to civil neglect could amount to civil monetary penalties ranging from \$50,000 to \$1.5 million for all identical violations in a calendar year and/or imprisonment. Management is not aware of any violations of the prohibited practices provisions of HIPAA.

HIPAA also includes administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of information formats and greater use of electronic technology presents additional privacy and security risks due to the increased likelihood that databases of personally identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information (“Protected Health Information” or “PHI”).

HHS promulgated privacy regulations under HIPAA (the “Privacy Rule”) that protect the privacy of PHI maintained by health care providers (including hospitals), health plans, and health care clearinghouses (collectively, “Covered Entities”) and provide individuals with certain rights regarding their PHI (including, for example, access to PHI, amending PHI, and receiving an accounting of disclosures of PHI). Security regulations have also been promulgated under HIPAA (the “Security Rule”). The Security Rule requires Covered Entities to have certain administrative, technical and physical safeguards in place to ensure the confidentiality, integrity and availability of all electronic PHI they create, receive, maintain or transmit. Additionally, HHS promulgated regulations to standardize the electronic transfer of information pursuant to certain enumerated transactions (the “Transactions and Code Sets Rule”).

In September of 2015, the HHS Office of the Inspector General released two reports that reviewed the Office of Civil Rights’ (“OCR”) enforcement of HIPAA. The first report (the Privacy Report) suggests that OCR strengthen its oversight of covered entities’ compliance with the Privacy Rule. The second report (the “Breach Enforcement Report”) suggests that OCR strengthen its follow-up of reported HIPAA breaches. In response to the reports, there has been a dramatic increase in the number

of HIPAA enforcement actions and settlements, and OCR is empowered to conduct random audits of covered entities and business associates. OCR has stated that the audits will primarily consist of a review of policies and procedures, but if serious compliance issues are identified OCR may initiate a separate compliance review to further investigate which may result in settlements and fines. Despite the implementation of network security measures by the System, its information technology systems may be vulnerable to breaches, ransom malware, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information, could have an adverse effect on the ability of the System to provide health care services, or could result in government civil, criminal or monetary penalties. See “Cybersecurity Risks” below.”

The 2009 Health Information Technology for Economic and Clinical Health (“HITECH”) Act significantly changed the landscape of federal privacy and security laws regarding PHI. The HITECH Act (i) extended the reach of HIPAA, certain provisions of the Privacy Rule, and the Security Rule; (ii) imposed a breach notification requirement on HIPAA covered entities and their business associates; (iii) limited certain uses and disclosures of PHI; (iv) increased individuals’ rights with respect to PHI; and (v) increased enforcement of, and penalties for, violations of the privacy and security of PHI.

The HITECH Act also created a federal breach notification requirement that mirrors protections that many states have passed in recent years. This requirement provides that ACNW and ACH must notify patients of any unauthorized access, acquisition or disclosure of their unsecured PHI that poses significant risk of financial, reputational or other harm to a patient. In addition, a new breach notification requirement was established requiring reporting to the Secretary of HHS and, in some cases, local media outlets, of certain unauthorized access, acquisition or disclosure of unsecured PHI that poses significant risk of financial, reputational or other harm to a patient.

On January 25, 2013, HHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of HITECH, commonly known as the “HIPAA Omnibus Rule.” Key aspects of the HIPAA Omnibus Rule include, but are not limited to: (i) a new standard for what constitutes a breach of PHI, (ii) 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 redistribution of notices of privacy practices, (vii) expanded rights of individuals to receive electronic copies of their PHI, and (viii) stricter requirements regarding the protection of genetic information.

Any violation of HIPAA, the HITECH Act or other regulations promulgated thereunder is subject to HIPAA civil and criminal penalties, including monetary penalties and/or imprisonment. Management believes it is in substantial compliance with HIPAA, the HITECH Act, and the rules promulgated thereunder, but there can be no assurance that ACNW or ACH will not experience a HIPAA privacy or security breach. ACNW and ACH conduct annual security risk assessments and develop corrective action plans to address remediation of any identified risks, threats or vulnerabilities to electronic protected health information or gaps in applicable requirements. In addition, both ACNW and ACH have policies and procedures in place to investigate potential breaches and to comply with the breach notification requirements of HIPAA and the HITECH Act.

*The Emergency Medical Treatment and Active Labor Act (“EMTALA”).* In response to concerns regarding inappropriate hospital transfers of emergency room patients based on the patient’s ability to pay for the services provided, Congress enacted EMTALA, known as the “anti-dumping” statute. This law imposes certain requirements on hospitals prior to discharging an emergency patient or transferring such a patient to another facility. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of ACNW or ACH to meet their responsibilities under EMTALA could adversely affect the financial condition of ACNW or ACH. EMTALA and its implementing regulations are complex, and ACNW’s and ACH’s

compliance is dependent, in part, upon the volition of medical staff members. However, neither ACNW nor ACH utilize community independent physicians in their respective emergency departments. At the NW Hospital, the emergency department is staffed by Arkansas Children's Medical Group, PLLC physicians. See the caption "Affiliated Entities" in Appendix A attached hereto. At the LR Hospital, the emergency department is staffed by University of Arkansas for Medical Sciences (UAMS) physicians pursuant to a contract with UAMS. EMTALA regulations are subject to ongoing revision and interpretive guidance. Management has adopted policies that it believes achieve material compliance with the requirements of EMTALA. There is no assurance that no violation of EMTALA will be found or, if found, that any sanction imposed would not have a material adverse effect on the operations or financial condition of ACNW or ACH.

*Joint Ventures.* The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Statute, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital's participation in a joint venture with for-profit entities must further the hospital's exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does not satisfy these criteria, the hospital's tax exemption may be revoked, the hospital's income from the joint venture may be subject to tax or the parties may be subject to some other sanction. Finally, many hospital joint ventures with physicians may also implicate the Stark Law.

Any evaluation of compliance with the Anti-Kickback Statute or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances, while the Stark Law requires strict compliance with an exception if the prohibition is triggered. While management believes that the joint venture arrangements to which it is a party, if any, are in compliance with the Anti-Kickback Statute, the tax laws governing Section 501(c)(3) organizations, and the Stark Law, there can be no assurance that regulatory authorities will not take a contrary position or that such transactions will not be found to have violated these laws and related regulations. Any determination that ACNW or ACH is not in compliance with these laws and related regulations could have a material adverse effect on ACNW's or ACH's future financial condition.

*Antitrust.* Enforcement of the antitrust laws against health care providers is becoming more common and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, joint ventures, merger, affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to health care is still evolving and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission (the "FTC") has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, ACNW or ACH may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws or may be subject to administrative or judicial action by a federal or state agency or a private party.

The most common areas of potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, hospital mergers and acquisitions and use of a hospital's local market power for entry into related health care businesses. From time to time, ACNW or ACH may be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose ACNW or ACH to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. Physicians who are subject to adverse peer review proceedings may file federal antitrust actions against hospitals, although the Health Care Quality and Improvement Act may provide immunity from such claims if

certain requirements are met. Hospitals regularly have disputes regarding credentialing and peer review and therefore may be subject to liability in this area.

In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case and may have a material adverse impact on ACNW or ACH.

### **Medicare and Medicaid Programs; General**

Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the Social Security Act. Medicare is an exclusively federal program and Medicaid is jointly funded by federal and state government and governed by both federal and state laws. Health care providers have been and will continue to be significantly impacted by changes in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent 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 the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program.

The following is a summary of the Medicare and Medicaid programs, as currently applicable to ACNW and ACH, and certain risk factors related thereto.

### **The Medicare Program**

Medicare is the federal health insurance system under which hospitals are paid for services provided to eligible elderly and disabled persons. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state and/or The Joint Commission. The requirements for Medicare certification are subject to change, and therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services.

Medicare is of limited relevance to children's hospitals since it provides reimbursement only for children with end stage renal disease and certain others qualified for Supplemental Security Income disability. Children's hospitals are also expressly excluded from the Medicare prospective payment system of reimbursement and continue to receive Medicare reimbursement for inpatient hospital on a reasonable cost basis. ACNW and ACH receive a small portion of their gross revenue from reimbursement under Medicare (approximately 0.18% and 1.16%, respectively, for the fiscal year ended June 30, 2025). See the caption "Historical Financial Performance" in Appendix A attached hereto.

*Alternative Health Delivery Models.* Various proposals have been advanced 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.

*Annual Cost Reporting.* ACNW's and ACH's annual cost reports, which are required under the Medicare and Medicaid programs, are subject to audit, which ultimately may result in adjustments to previously-reimbursed amounts.

*Physician Payments.* Physicians may elect to “participate” or enroll in the Medicare program. Medicare Part B provides reimbursement for certain physician services, including employed and provider-based physicians, based upon a national payment schedule referred to as the Medicare Physician Fee Schedule (“MPFS”). To calculate the payment for each service, the MPFS takes into account the service(s) performed, practice expenses, and malpractice expenses, which are adjusted by geographic region to reflect the variations in the costs of furnishing services throughout the United States. This relative value is then multiplied by a conversion factor, which is established by CMS’s Office of the Actuary on an annual basis pursuant to statute. Pursuant to the Medicare Access and CHIP Reauthorization Act of 2015, the conversion factor was adjusted to avoid forecasted compensation cuts to physicians who provide care to Medicare beneficiaries.

*Federal Audit Contractors.* In recent years, the federal government has initiated a series of audit contractors operating within the federal Medicare and Medicaid programs to combat fraud and abuse. Combined, these programs involve both pre-payment and retrospective review of payments from both Medicare and Medicaid. Private contractors are awarded contracts in designated regions or zones, depending upon the program, and are paid differently depending on the program. The goal of audit contractors generally is to find waste, abuse, and fraud in the programs and return those dollars to the federal government. It is predicted that audit contractors will save the Medicare and Medicaid programs millions of dollars through their audit efforts.

*Recovery Audit Contractors (“RACs”).* The Medicare Recovery Audit Contractor program was established by the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MPDIMA). The program was established as a three year demonstration project in three states as a means to identify Medicare overpayments and underpayments to providers. The Tax Relief and Health Care Act of 2006 made the RAC program permanent and required CMS to expand the program nationwide by 2010. RAC contractors are paid on a contingency fee basis by receiving a percentage of the improper overpayments they collect from providers, thus increasing the incentive to find improper payments. RAC audits can be automated (claims selection solely based on data from CMS without human review of the medical record) or complex (human review of the medical record required to identify discrepancies between the medical record at the claim). Beginning January 1, 2012, state Medicaid agencies were also required to implement a recovery audit program to identify underpayments and overpayments.

*Zone Program Integrity Contractors (“ZPICs”).* Section 202 of HIPAA authorized CMS to contract with entities to fulfill Medicare integrity functions. ZPICs specifically identify cases of fraud and abuse and are authorized to take immediate action to ensure that Medicare Trust Fund monies are not inappropriately paid out and that any mistaken payments are recouped. Consequences of a ZPIC review include payment denials, recoupment of overpayments, referral to other law enforcement agencies and termination of participation in the Medicare program. While ACNW’s and ACH’s facilities are not located in a “hot zone” where the majority of ZPIC activity is presently focused, ACNW or ACH could be subject to a ZPIC review at any time.

Management does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition or results of operations of ACNW or ACH, nor does it believe that ACNW or ACH has improperly submitted claims; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that a significant adverse impact will not occur in the future. While management believes its claims to the Medicare and Medicaid programs are in accordance with program requirements, ACNW or ACH may be subject to challenge by one or more audit contractors at any time. If ever subject to audit, the result could have a material adverse effect on ACNW and ACH as a result of any required repayment by ACNW or ACH of funds received under Medicare and Medicaid.

## **The Medicaid Program**

Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain needy individuals and their dependents. Under Medicaid, the federal government

provides limited funding to states that have medical assistance programs that meet federal standards. Within broad guidelines established by federal statutes, regulations and policies, each state (1) establishes its own eligibility standards; (2) determines the type, amount, duration and scope of services; (3) sets the rate of payment for services; and (4) administers its own program. State legislatures are permitted to change Medicaid eligibility, services and/or reimbursement at any time. Medicaid does not provide medical assistance for all poor persons: only those who fall into specific categories are eligible. In order to receive federal funds, states are required to provide Medicaid assistance to certain individuals who receive federally-assisted income maintenance payments, e.g., Supplemental Security Income (SSI).

The federal government pays a share of the medical assistance expenditures under each state's Medicaid program. That share, known as the Federal Medical Assistance Percentage ("FMAP"), is determined annually by a formula that compares the state's average *per capita* income level with the national income average. The higher the *per capita* income, the lower the federal share. In Arkansas, the federal government's share is approximately seventy percent (70%) of the program's costs and is adjusted on an annual basis. Reimbursement for hospital and long-term care services by the Arkansas Department of Human Services, which administers the Medicaid program, is determined in accordance with procedures and standards established by State law under federal guidelines and is based on the methods used for reimbursement under the Medicare program using statewide cost data. Inpatient hospital services are reimbursed to ACNW and ACH on a per diem basis with a year-end cost settlement.

The Balanced Budget Act of 1997 required that provider payment issues are to be determined exclusively by the states with no federal right of action for providers. States must provide public notice of proposed payment rates and the methods used to establish those rates. Further, states will be allowed to use Medicaid rates as payment in full for Qualified Medicare Beneficiaries and persons eligible both for Medicaid and Medicare, thus preventing physicians from claiming Medicare cost sharing. Under the Act, states can mandate Medicaid managed care without a waiver.

Medicaid funding may continue to be affected by further health care reform legislation and general governmental budgetary concerns. It is impossible to predict the effect such changes might have on ACNW or ACH. Such changes may reduce payments made to ACNW and ACH under Medicaid, and future Medicaid payment rates may not be sufficient to cover increases in providing services to Medicaid patients.

Approximately 52.69% of ACNW's gross revenue and approximately 62.13% of ACH's gross revenue came from Medicaid for the fiscal year ended June 30, 2025. See the caption "Historical Financial Performance" in Appendix A attached hereto.

*Medicaid Integrity Program ("MIP").* The federal Medicaid Integrity Program was created by the Deficit Reduction Act ("DRA") in 2005. The MIP 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 wild variations in state Medicaid enforcement efforts. The MIPs' 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.

*Office of the Medicaid Inspector General.* On April 23, 2013, Arkansas Act 1499 was signed into law creating the Arkansas Medicaid Inspector General's Office ("OMIG"), with a starting date for the new state agency of July 1, 2013. The legislative purpose of the law was to: create a new state agency in

order to consolidate staff and other Medicaid fraud detection prevention and recovery functions into a single office; create a more efficient and accountable structure; reorganize and streamline the State's process for detecting and combating Medicaid fraud and abuse; and to maximize the recovery of improper Medicaid payments. With the creation of the OMIG, the Program Integrity Unit of the Arkansas Department of Human Services and its staff was transferred under the supervision and direction of the Arkansas Medicaid Inspector General. The Program Integrity Unit was formally a function of the Arkansas Department of Human Services as required by the Center for Medicaid Services ("CMS"). All states that participate in the federal Medicaid program and receive funding are required to have a program integrity division that conducts Medicaid fraud investigations and audits and the OMIG fulfills that federal requirement.

### **Medicare/Medicaid Compliance and Reimbursement**

Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory conditions of participation. ACNW and ACH are surveyed by the Arkansas Department of Human Services to determine whether it is in compliance with the Conditions of Participation. A significant failure to comply with the Conditions of Participation could result in loss of Medicare provider status which would materially affect the revenues of ACNW and ACH.

The Medicare and Medicaid programs are subject to judicial interpretations, administrative rulings, governmental funding restrictions and requirements for utilization review (such as second opinions for surgery and preadmission criteria). Such matters, as well as more general governmental budgetary concerns, may reduce payments made to ACNW and ACH, and future payment rates may not be sufficient to cover increases in the cost of providing services to Medicare and Medicaid beneficiaries. At this time, management cannot predict the full impact that any future legislation or regulation will have on ACNW's or ACH's revenues, but it is possible that any Medicare and Medicaid program changes of the future will have a material adverse effect on ACNW and ACH.

### **Private Third Party Reimbursement**

Apart from reimbursement by the federal government under Medicare and the federal and state governments under Medicaid (Medical Assistance), a substantial portion of ACNW's and ACH's revenue is provided by private third-party payors, such as commercial insurers and various types of "managed care" programs such as preferred provider organizations ("PPOs"). Generally, reimbursement received from PPOs is lower than rates charged to patients covered by commercial insurance. Future contract negotiations between such third-party payors and ACNW or ACH, and other efforts of these third-party payors and of employers to limit hospitalization and health care costs, could adversely affect the level of utilization of ACNW's and ACH's services, or reimbursement to ACNW and ACH, or both. In addition, it is possible that competitive pricing of plan premiums could cause a PPO to operate at a loss and expose ACNW and ACH to delays in payment or nonpayment of claims for services to plan participants.

Changes in sources of revenue and case mix intensity may also adversely affect ACNW's and ACH's operating revenue. For example, if patients formerly covered by commercial insurance programs that pay full hospital and physician charges shift to PPOs or other third-party payors that pay lower negotiated rates, the discounts reflected in ACNW's and ACH's financial statements as contractual allowances will proportionately increase and income will proportionately decrease.

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 or preferred providers of care for participants in the program. If significant numbers of persons living in ACNW's or ACH's service areas participated in exclusive or preferred provider programs not involving ACNW or ACH, ACNW's or ACH's revenues and cash flow could be adversely impacted.

## **Malpractice and General Liability Claims**

In recent years, the number of malpractice and 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 ACNW and ACH. Litigation may also arise against ACNW and ACH from their corporate and business activities, such as their status as employers. While ACNW and ACH maintain malpractice and general liability insurance coverage which management and its independent consultants consider adequate, management 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 the captions “LITIGATION - ACNW and the Guarantors” herein and “Miscellaneous – *Insurance and Employee Benefits*” and “– *Litigation*” in Appendix A hereto.

## **Additional Bonds and Alternative Indebtedness**

The Indenture permits the issuance of Additional Bonds secured by and payable from the Gross Receipts of ACNW and guaranteed by ACH under a guaranty agreement secured by the Gross Revenues of ACH on a parity basis with the security for the Series 2016 Bonds, Series 2025 Bond and Series 2026 Bonds. The trust indenture securing the Pulaski County Bonds permits the issuance of additional bonds thereunder secured by and payable from the Gross Revenues of ACH and guaranteed by ACNW under a guaranty agreement secured by the Gross Receipts of ACNW on a parity basis with the Series 2016 Bonds, Series 2025 Bond and Series 2026 Bonds. Under certain conditions, the Indenture and Loan Agreement also permit ACNW (and the indenture and lease agreement relating to the Pulaski County Bonds permit ACH) to incur Alternative Indebtedness secured on a parity basis with the Series 2016 Bonds, Series 2025 Bond, Series 2026 Bonds, Pulaski County Bonds and other outstanding Alternative Indebtedness. See the subcaptions “THE SERIES 2026 BONDS - Additional Bonds” and “- Alternative Indebtedness” and “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness” herein for a description of the limitations on the issuance of such Additional Bonds and the incurrence of such Alternative Indebtedness. The issuance of Additional Bonds and the incurrence of Alternative Indebtedness which does not result in a comparable increase in the Gross Receipts of ACNW or the Gross Revenues of ACH would result in a dilution of the security for the Series 2026 Bonds.

## **Damage or Destruction**

Although ACNW and ACH are required to obtain certain kinds of insurance, there can be no assurance that ACNW or ACH will not suffer uninsured losses in the event of damage to or destruction of ACNW’s or ACH’s facilities due to fire or other calamity or in the event of other unforeseen calamities.

## **Infectious Disease Outbreak**

Hospitals’ and health care providers’ business and financial results may be harmed by an international, national or localized outbreak of a highly contagious or epidemic disease, including, but not limited to, COVID-19 or similar corona type viruses, influenza, the Zika Virus, the Ebola Virus, or similar high mortality viruses, bacteria and fungi, that could occur and result in abnormally high demand for health care services, damage or put stress on hospitals facilities and work force, interrupt utility and other services to the facilities, disrupt supply chains, increase costs or otherwise impair revenues from the facilities.

## **Covenant to Maintain Tax-Exempt Status of the Series 2026 Bonds**

The tax-exempt status of the Series 2026 Bonds is based on the continued compliance by the Issuer and ACNW with certain covenants contained in the Loan Agreement and the Indenture. These covenants relate generally to arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with proceeds of the Series 2026 Bonds, and maintenance of ACNW’s tax-exempt status. Failure to comply with any of these

covenants may cause interest on the Series 2026 Bonds to be includable in gross income retroactive to their date of issuance.

### **Event of Taxability**

If ACNW fails to comply with certain covenants set forth in the Loan Agreement, or if certain representations or warranties made by ACNW in the Loan Agreement, or certain certifications of ACNW are false and misleading, the interest payable on the Series 2026 Bonds may become subject to federal income taxation retroactive to the date of issuance of the Series 2026 Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2026 Bonds should become subject to federal income taxation, the Indenture does not provide for the redemption of the Series 2026 Bonds, the acceleration of the payment of debt service on the Series 2026 Bonds, or for the payment of any additional interest on the Series 2026 Bonds. Notwithstanding the foregoing, ACNW's failure to comply with any of such covenants may constitute an event of default under the Loan Agreement with the effect of causing an acceleration of payments due with respect to the Series 2026 Bonds.

### **Risk of Redemption**

The Series 2026 Bonds are subject to redemption or acceleration prior to maturity in certain circumstances. See the caption "THE SERIES 2026 BONDS – Extraordinary Redemption" herein. Bondholders may not realize their anticipated yield on investment to maturity because the Series 2026 Bonds may be redeemed or accelerated prior to maturity at par or at a redemption price that results in the realization of less than the anticipated yield to maturity.

### **Bond Ratings**

There is no assurance that the ratings assigned to the Series 2026 Bonds at the time of issuance (see the caption "RATINGS" herein) will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2026 Bonds.

### **Secondary Market**

Subject to prevailing market conditions and applicable securities laws, the Underwriter presently intends, but are not obligated, to make a market in the Series 2026 Bonds. Consequently, investors may not be able to resell the Series 2026 Bonds purchased should they wish to do so for emergency purposes or otherwise.

### **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 with respect to 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 remediating any hazardous substances that have come to be located on the property, including any such substances that may have migrated off of 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 ACNW or ACH will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of ACNW and ACH.

### **Cybersecurity Risks**

Like many other large organizations, ACNW and ACH rely on digital technologies to conduct their customary operations. Despite ACNW's and ACH's implementation of network security measures, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Cyber-attacks specifically targeted at health systems have been occurring more frequently, and in some cases, have resulted in the disruption or temporary cessation of facility operations. HHS, the Federal Bureau of Investigation and the Cybersecurity and Infrastructure Agency ("*CISA*") have expressed concern that U.S. hospitals and health care providers are a prime target for cyber-attacks and that such cyber-attacks could result in data theft and disruption of health care services. The Cyber Incident Reporting for Critical Infrastructure Act ("*CIRCA*") was signed into law in March 2022, and it contains a provision that would require hospitals and health systems to report cyber breaches within 72 hours and any ransomware payments made within 24 hours to the CISA at the U.S. Department of Homeland Security. The CISA is developing implementing regulations for CIRCA, so the potential impact of CIRCA's reporting provisions is unknown at this time.

Any breach or cyber-attack that limits ACNW's and ACH's ability to access their information systems or otherwise compromises patient data could result in the disruption or cessation of facility operations, patient safety issues, the loss of patient records, the payment of significant ransoms, negative press and/or the imposition of substantial fines or penalties for violation of HIPAA or similar state privacy laws, any of which may adversely affect ACNW's and ACH's business or financial condition.

As cybersecurity threats continue to evolve, ACNW and ACH may not be able to anticipate certain attack methods in order to implement effective protective measures and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. Additionally, ACNW's and ACH's information and payment systems routinely interface with and rely on third-party systems that are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information or prevent cyber-attacks. A breach or attack affecting a third-party service provider or payor could harm ACNW's and ACH's financial condition, operations and reputation. Any insurance for cyber risks that may be carried from time to time may not be sufficient to offset the impact of a material loss event and could result in a material adverse impact on ACNW's and ACH's financial condition.

### **Other Factors Generally Affecting ACNW and ACH**

In the future, the following factors, among others, may affect the operations and financial performance of ACNW and ACH to an extent that cannot be determined at this time:

1. Future medical and scientific advances, preventive medicine, improved occupational health and safety, and improved outpatient care could result in decreased usage of inpatient hospital facilities.
2. Difficulties in increasing charges and fees, while at the same time maintaining scope and quality of health services, may affect the ability of ACNW and ACH to maintain sufficient operating margins.
3. A shortage of qualified professional personnel, including registered nurses, could significantly increase payroll costs. ACNW and ACH cannot control the prevailing wage rates in their

respective service areas, and any increase in such rates will directly affect their costs of operations.

4. ACNW and ACH has been successful in recent years in maintaining the desired complement of physicians on their medical staffs; however, no assurance can be given that such physician staffing will be continuously maintained by ANW or ACH in the future. Changes in the number, composition or admitting practices of the medical staffs could affect ACNW's or ACH's reputation or services and thus their operations and revenues.
5. ACNW and ACH could be adversely affected by economic trends and changes in the demographics of their service areas, such as decreases in population or birth rates.
6. Nonprofit hospitals and their employees are under the jurisdiction of the National Labor Relations Board, which has adopted rules permitting collective bargaining units among a hospital's employees. There are presently no ACNW or ACH employees represented by a union. Any future unionization of employees could cause an increase in payroll costs. Moreover, work stoppages, slowdowns or lockouts could reduce, interrupt or otherwise adversely affect operations of ACNW and ACH.
7. ACNW and ACH could be adversely affected by changes in law or rulings expanding indigent care requirements as a condition of maintaining state or federal tax-exempt status, or by other efforts of taxing authorities to impose taxes related to the property or operations of nonprofit organizations.
8. Substantial liabilities under federal and state antitrust laws and other trade regulations may arise in connection with a wide variety of activities, including joint ventures; merger, acquisition and affiliation activities; payer contracting; certain pricing and salary setting activities; and relationships with physicians, including medical staff credentialing. The application of antitrust laws to health care is still evolving, and enforcement activity appears to be increasing. Antitrust violations may be subject to criminal and/or civil enforcement actions by government agencies as well as by private litigants.
9. The inability of, or the cost to, ACNW and ACH to continue to insure costs in excess of the coverage provided by Sacova, the System's insurance captive, or to otherwise protect themselves against malpractice and general liability claims. See the caption "Miscellaneous – *Insurance and Employee Benefits*" in "APPENDIX A – ACH, ACNW and the Hospitals" attached hereto.

Increased unemployment or other adverse economic conditions, natural disasters and acts of war and terrorism, including bioterrorism, could result in ACNW and ACH providing significant unreimbursed services.

#### **SUMMARY OF PORTIONS OF THE LOAN AGREEMENT**

The following is a summary of certain portions of the Loan Agreement. The summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete description of its terms.

#### **Construction**

*Construction of Additional Facility.* Other than as set forth in the Written Request described in Sections 3.03 and 3.04 of the Indenture, the proceeds of Additional Bonds shall be deposited and applied to pay Costs of any Additional Facility as set forth in the supplement to the Loan Agreement or Indenture with respect to such Additional Bonds. No Additional Facility shall be constructed which would result in the NW Hospital being used for any purpose prohibited by the Loan Agreement or which would adversely affect the ability of ACNW to meet its obligations under the Loan Agreement. Subject to the provisions of the Loan Agreement, ACNW, or any Guarantor on behalf of ACNW, may make, authorize or permit such changes or amendments in the Plans and Specifications furnished with respect to any Additional

Facility as ACNW or any Guarantor may reasonably determine necessary or desirable, provided that no single change or amendment calling for additional Costs in excess of \$1,000,000 for materials, supplies or equipment shall be made unless (i) ACNW or any Guarantor, as the case may be, has all appropriate health planning and other legally required approvals, subject to the right to contest set forth in the Loan Agreement, or files an Opinion of Counsel with the Trustee to the effect that such approvals are not necessary; (ii) in the case of construction, ACNW receives from an Independent Architect his or her recommendation for approval; and (iii) ACNW and the Guarantor determine that the proposed change or amendment will not cause the total estimated cost of the Additional Facility not theretofore paid to exceed the amount on hand available from the proceeds of such Bonds plus (a) reasonably expected investment income available from the proceeds of Bonds, and (b) amounts of current assets of ACNW or any Guarantor which ACNW or any Guarantor represents by written or stamped notation on the change order will be available for payment of such excess amount. A copy of each change in or amendment to the Plans and Specifications shall be on file with ACNW and available for inspection by the Issuer and Trustee.

ACNW agrees to make all contracts and do all things necessary for the acquisition, furnishing, equipping and construction of any Additional Facility, and ACNW agrees that it shall cause such Additional Facility to be acquired, constructed, installed and equipped in substantial compliance with the Plans and Specifications, as the same may be modified from time to time in accordance with the provisions of the Loan Agreement, and shall provide all other improvements, access roads, utilities, equipment, furnishings and other items required for a health care facility fully operable for the purpose of which the NW Hospital will be used. All of such acquisition, furnishing, equipping, construction and installation shall be made in accordance with Plans and Specifications approved by ACNW.

In the event of a material default of a Contractor under a Construction Contract or any other contract made in connection with an Additional Facility, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, ACNW will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of ACNW and the Trustee against the Contractor or any subcontractor in default and against each surety on a bond securing the performance of such contract.

No changes or modifications in the Plans and Specifications and no deletions from or substitutions or additions to an Additional Facility may be made without prior approval of the Contractor's sureties if required by the terms of any indemnity bond. No change or modification, or substitution, deletion or addition shall be made if it would disqualify the NW Hospital as an authorized facility under the Act.

A payment and performance bond shall be secured from the Contractor, executed by a responsible surety company, in a penal sum equal to the entire amount to become payable under any Construction Contract (but excluding therefrom any amount which represents materials, equipment or supplies to be purchased by ACNW or any Guarantor), and conditioned for the completion of an Additional Facility in accordance with the Plans and Specifications and for the payment of all claims of suppliers, subcontractors and laborers. The bonds required by the Loan Agreement shall contain a provision that they shall be assigned to the Trustee or be made payable to the Trustee upon request by the Trustee.

*Completion Date.* The Completion Date shall be the date on which the Trustee shall acknowledge, in writing to the Issuer and ACNW, receipt of the following items in form satisfactory to the Trustee, which items ACNW shall furnish to the Trustee within ninety days after the substantial completion of the Additional Facility:

- (a) A certificate signed by the Administrator stating (i) that the acquisition, construction, installation and equipping of the Additional Facility has been completed substantially in accordance with the Plans and Specifications then in effect and that the entire

Cost of the Additional Facility has been paid or is then due and payable (provided, that money may be specified by ACNW to be held in the Construction Fund to be used to correct minor defects in the Additional Facility which ACNW has ordered to be remedied and minor items of work and materials awaiting seasonable completion may be specified, which specifications shall include (aa) the amount required to remedy such defects or to be seasonably completed and (bb) a representation that such amounts will be sufficient to pay when due the Cost of such items; (ii) that no claim or claims exist arising out of the Construction Contract out of which a lien based on furnishing labor or materials exist or might ripen; provided, however, there may be excepted from the foregoing statement any construction claim or claims out of which a lien exists or might ripen in the event that ACNW intends to contest such construction claim or claims, in which event such claim or claims shall be described; provided, further, that in that event ACNW shall state that moneys are on deposit in the Construction Fund or are available to ACNW sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims; and (iii) that the Additional Facility conforms to all applicable zoning, planning and building regulations and is suitable and sufficient for efficient operation for the purpose for which the Additional Facility will be used; provided, however, that such certificate may be given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being;

(b) In the case of facilities for which an Independent Architect has been engaged, a certificate of an Independent Architect:

(i) stating that the construction of the Additional Facility has been completed substantially in accordance with the Plans and Specifications then in effect or, if the Additional Facility is substantially complete, detailing such minor defects or minor items of work and materials awaiting seasonable completion as required for full completion of the Additional Facility; and

(ii) stating that he or she has made such investigation of such sources of information as are deemed by him to be necessary, and that it is his or her opinion that the Contractor has been paid by ACNW in the amounts recommended by the Independent Architect pursuant to the Construction Contract (excepting any work or materials specified pursuant to paragraph (a) awaiting seasonable completion); and

(c) A certificate stating that all permits necessary for the occupancy and use of the Additional Facility have been obtained and are in full force and effect; and

(d) A consent by the surety on each payment and performance bond to final payment if such payment and performance bond secures the work to be done under the Construction Contract.

### **Monthly Note Payments**

*Monthly Note Payments.* ACNW agrees to pay to the Trustee, in such manner as shall be acceptable to the Trustee, for the account of the Issuer without notice or demand, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, Note Payments which are designed to be made in monthly amounts sufficient to provide fully for each payment of the principal of, premium, if any, and interest on the Bonds from time to time Outstanding under the Indenture. Note Payments shall be made by ACNW to the Trustee as follows: (i) monthly payments equal to one-sixth (1/6) of the next installment of interest on the Bonds and one-twelfth of the next installment of principal of the Bonds due under the provisions of the Indenture, payable on or before the 25<sup>th</sup> day of each month, and (ii) such additional amounts as necessary for there to be on deposit in the Bond Fund the amount payable as principal (whether at maturity, upon redemption or otherwise) of and premium, if any, and interest on the Bonds as provided in the Indenture on any date any such payment is due.

*Additional Payments.* ACNW further agrees to pay without limitation:

- (a) Any other moneys necessary to pay principal of, premium, if any, and interest on the Bonds as the same become due and payable or are subject to redemption, as the case may be;
- (b) To the Trustee and Paying Agent, their reasonable fees for services rendered and for expenses reasonably incurred by them as Trustee and Paying Agent under the Indenture; and
- (c) To the Issuer, its reasonable costs and expenses, directly related to the Bonds.

In the event of any failure on the part of ACNW to pay any such amounts, liabilities or obligations, the Issuer shall have all rights, powers and remedies provided for in the Loan Agreement or by law or equity or otherwise in the case of nonpayment of the Note Payments. ACNW agrees to pay to the Trustee, for the credit of the Interest Account, on demand, interest (to the extent permitted by law) at the rate borne by the respective Bonds on all overdue Note Payments from the due date thereof until payment.

All payments required of ACNW pursuant to subsections (a) and (b) above shall be net of amounts on deposit in the Bond Fund.

### **Covenants of ACNW**

*Maintenance of the NW Hospital.* Until all the Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by ACNW under the Loan Agreement shall have been paid, or sufficient funds as provided in the Indenture are held in trust for the payment of all such obligations, ACNW shall, at its sole cost and expense, keep and maintain the NW Hospital, both inside and outside, in a good state of repair and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted, and subject to any necessary regulatory approvals, will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times. ACNW will not knowingly use or permit the use of the NW Hospital, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. Subject to obtaining any necessary regulatory approvals, ACNW shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the NW Hospital in an economical and efficient manner, consistent with generally acceptable accredited medical facilities comparable to the NW Hospital. ACNW will properly operate and maintain the NW Hospital while the Bonds are Outstanding and make all equipment replacements and repairs which ACNW in the exercise of its good faith business judgment deems necessary and appropriate to ensure the security for the Bonds shall not be impaired.

*Rates and Charges.* ACNW has covenanted that during each Fiscal Year, ACNW will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, rentals, fees and charges for the use of the NW Hospital and for the services furnished or to be furnished by ACNW which will be sufficient in each Fiscal Year to produce Income Available for Debt Service equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. **It is understood and agreed that Income Available for Debt Service is calculated on a consolidated basis and ACNW does not have to produce all revenues included in the income Available for Debt Service calculation.**

ACNW covenants that, from time to time and as often as shall be necessary, it will revise, or cause to be revised, subject to applicable requirements or restrictions imposed by law, the rates, rentals, fees and charges as may be necessary or proper so that the Income Available for Debt Service in each Fiscal Year shall be equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. ACNW further covenants that if in any Fiscal Year the ratio of Income Available for Debt Service to Maximum Annual Debt Service is less than 1.10:1.00, ACNW will, before the sixtieth (60<sup>th</sup>) day after the receipt of the first available financial statement (audited or unaudited), employ a Management Consultant to report the rates, rentals, fees and charges, together with any recommendations regarding methods of

operation and other factors affecting financial condition, the Management Consultant believes are necessary to enable ACNW to produce Income Available for Debt Service in such following Fiscal Year equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. The recommendations of the Management Consultant will be filed with the Trustee. ACNW covenants and agrees that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its rates, rentals, fees and charges or its methods of operation and shall take such other action as shall be in conformity with such recommendations.

If in the judgment of the Management Consultant it is not possible for ACNW to produce the required ratio of Income Available for Debt Service to Maximum Annual Debt Service of 1.10:1.00, the report of the Management Consultant shall so indicate and shall further indicate the ratio anticipated if the recommendations of the Management Consultant are followed.

If ACNW employs a Management Consultant as required above, ACNW's first default of failing to maintain the required 1.10:1.00 ratio of Income Available for Debt Service to Maximum Annual Debt Service shall be cured. If ACNW employs a Management Consultant from time to time as required above and follows the Management Consultant's recommendations, it shall for each Fiscal Year in which the Management Consultant is employed, and in each subsequent Fiscal Year in which it is not required to again employ a Management Consultant, be excused from maintaining the 1.10:1.00 ratio of Income Available for Debt Service to Maximum Annual Debt Service, provided, however, that failure of ACNW for any Fiscal Year to produce Income Available for Debt Service equal to at least one hundred percent (100%) of Maximum Annual Debt Service for such Fiscal Year shall constitute an Event of Default under the Loan Agreement.

Failure of ACNW to appoint a Management Consultant or to follow the recommendations of an appointed consultant shall constitute an Event of Default under the Loan Agreement.

The Trustee agrees that the rendering of service by, or the use of, the NW Hospital free of charge or at discounted or reduced rates may be permitted by ACNW to the extent it will not prevent ACNW from complying with the terms and provisions of the Loan Agreement.

*Taxes, Permits and Other Charges.* ACNW agrees to pay, in addition to payment of the Note Payments and Additional Payments, promptly as and when the same shall become due and payable, each and every lawful, reasonable and prudent cost, expense and obligation of every kind and nature, foreseen or unforeseen, for the payment of which the Issuer, ACNW or the Trustee is or shall become liable by reason of its estate or interest in the NW Hospital, or any portion thereof, by reason of any right or interest of the Issuer, ACNW or the Trustee in or under the Notes, the Loan Agreement, the Indenture or by reason of or in any manner connected with or rising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the NW Hospital or any part thereof. ACNW shall pay and discharge, promptly as and when the same shall become due and payable, all lawful real estate taxes, personal property taxes, business and occupation taxes, occupational license taxes, water charges, garbage disposal charges, hospital license fees, assessments, including, but not limited to, assessments for public improvements or benefits imposed on NW Hospital, or for which ACNW or the Issuer is liable and all other governmental taxes, impositions, and charges of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties, if any, which at any time during the term of the Loan Agreement shall be or become due and payable by the Issuer or ACNW because of their respective rights or obligations under the Loan Agreement and which shall be lawfully levied, assessed or imposed under or by virtue of any present or future law, statute, ordinance, regulation or other requirement of any governmental authority, whether federal, State, county, city, municipal, school or otherwise, provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, ACNW shall be obligated to pay only such installments as are required to be paid during the term of the Loan Agreement.

ACNW, upon written notice thereof to the Issuer and the Trustee, may contest in good faith any such tax, imposition, charge or assessment levied by any governmental authority, and in such event may permit such tax, imposition, charge or assessment to remain unsatisfied during the period of such contest and any appeal therefrom unless or until by such action the NW Hospital shall be endangered, or any material part thereof shall become subject to imminent loss or forfeiture, in which event such tax, imposition, charge or assessment shall be paid by ACNW. ACNW shall, at its sole cost and expense, procure or cause to be procured any and all necessary building permits, hospital licenses, other permits, licenses and other authorizations required for the lawful and proper construction, use, occupation, operation and management of the NW Hospital. ACNW also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light, heat, power, telephone, oxygen, and any other utility and service used, rendered or supplied to, upon or in connection with the NW Hospital. ACNW shall furnish to the Trustee promptly upon request proof of the payment of any such tax, assessment or other governmental or similar charge, or any utility charge which is payable by ACNW or the Issuer as set forth above.

*Liens and Encumbrances.* ACNW covenants that, except for Permitted Encumbrances, it will not create or suffer to be created any lien, encumbrance or charge upon the NW Hospital, or any part thereof, or its interest in the NW Hospital, and that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall occur, all claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon the NW Hospital, or any part thereof, or its interest in the NW Hospital. Nothing in the Loan Agreement shall require that ACNW satisfy or discharge any such claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings without cost or expense to the Issuer or the Trustee, and ACNW's failure to satisfy or discharge such claim or demand will not adversely affect the Gross Receipts of ACNW.

*Pledge of Gross Receipts of ACNW; Security Interest.* Subject to Permitted Encumbrances, ACNW pledges and assigns the Gross Receipts of ACNW to the Issuer to secure ACNW's obligations to make Note Payments, Additional Payments and payment of any other sums payable under the Loan Agreement. Such pledge is on a parity of security with the pledge of Gross Receipts of ACNW granted pursuant to the ACNW Guaranty as security for the Pulaski County Bonds. ACNW agrees and consents to the exercise by the Trustee of any right of the Issuer respecting the Gross Receipts of ACNW, as the Trustee may deem necessary from time to time to protect the interests of the Holders of the Bonds. To secure performances of ACNW's obligations under the Loan Agreement, ACNW grants to the Issuer a security interest in the Gross Receipts of ACNW, subject to Permitted Encumbrances.

## **Insurance**

*Insurance Required.* ACNW shall maintain insurance with respect to the NW Hospital of such type and in such amounts as are customarily carried, and against such risks as are customarily insured against, by hospitals of like size and character, paying as the same become due all premiums in respect thereto, including without limitation:

(i) Insurance against direct physical loss or damage caused by any of the perils customarily insured under the standard fire insurance policy with extended broad form coverage, sprinkler leakage and vandalism and malicious mischief endorsements added thereto covering the NW Hospital in the amount of its full insurable value on a replacement cost basis, net of customary deductible amounts.

(ii) During the construction of any Additional Facility, builder's risk insurance insuring direct physical loss of or damage to the Additional Facility in the amount of its completed value. ACNW may at its option cause the Contractor under the Construction Contract to maintain such insurance.

(iii) Business interruption insurance covering loss of profits and continuing fixed expenses in the event of direct physical loss of or damage to NW Hospital in the amount of

projected future and continuing fixed expenses of the NW Hospital for a period of at least one year succeeding such damage or destruction. In any event the amount of the business interruption insurance required shall not be less than the amount necessary to pay (1) the Total Principal and Interest Requirements for a period of one year and (2) an amount which ACNW has reasonably determined, in writing, upon the request of ACNW or the Trustee, to be adequate to pay for the salaries of the officers and employees whose continued employment is necessary to insure the prompt and efficient renewal of the operations of the NW Hospital after the completion of the repairs or replacement.

(iv) Comprehensive general liability insurance in amounts not less than \$200,000 per Person, \$600,000 per occurrence for bodily injury liability, \$100,000 per occurrence for damage to property, including loss of use thereof arising out of the ownership, maintenance or use of the NW Hospital and \$2,000,000 in annual aggregate claims.

(v) Workers' compensation insurance with respect to the NW Hospital as required by the laws of the State and employer's liability insurance, provided that, the provisions of this subsection may be satisfied by ACNW or any Guarantor acting as a self-insurer pursuant to applicable State law.

(vi) A commercial blanket bond in a minimum amount of \$500,000 on all officers and employees of ACNW or any Guarantor having access to or custody of revenues of the NW Hospital.

ACNW covenants to review each year the insurance carried with respect to the NW Hospital and, to the extent feasible, will carry insurance insuring against the risks and hazards specified in (i) through (vi) above to the same extent that other entities comparable to ACNW and leasing, owning or operating facilities of the size and type comparable to the NW Hospital carry such insurance.

Any determination of replacement cost required by the Loan Agreement shall be made by a recognized appraiser or insurer selected by ACNW and reasonably acceptable to the Trustee.

### **Damage, Destruction, Condemnation and Other Loss of Title**

*ACNW to Repair, Replace, Rebuild or Restore.* If there are any Outstanding Bonds, when all or any part of the NW Hospital is destroyed or damaged or title to the NW Hospital is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, unless ACNW exercises its option or its obligations to direct the Issuer to call Outstanding Bonds for redemption as provided below under the subcaption "*Obligation and Right of ACNW to Direct Redemption of Bonds*" below:

(i) Subject to obtaining any necessary regulatory approvals, ACNW shall proceed promptly, subject to the provisions of subsection (ii), to replace, repair, rebuild and restore the NW Hospital to substantially the same condition as existed before the taking or acquisition or event causing the damage or destruction, with such changes, alterations or modifications (including substitution or addition of other property) as may be desired by ACNW and as will be suitable for continued operation of the NW Hospital for the business purposes of ACNW, and ACNW will pay all costs thereof and be entitled to retain all Net Proceeds of the condemnation award or insurance claim.

(ii) If the condemnation award or insurance claim exceeds \$1,000,000, all Net Proceeds of the condemnation award or insurance claim shall be paid directly to the Trustee. The amount paid to the Trustee shall be deposited in the Repair and Replacement Fund. The Trustee shall apply the Net Proceeds to payment of the costs of repair, replacement, rebuilding or restoration of the NW Hospital as provided in the Indenture. If the Net Proceeds are not sufficient to pay such costs in full, ACNW will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of the Net Proceeds.

(iii) ACNW shall not, by reason of the payment of any costs of repair, rebuilding, replacement or restoration, be entitled to any reimbursement from the Issuer or any abatement or diminution of the Note Payments, Additional Payments or the other sums payable by ACNW and any Guarantor under the Loan Agreement. Any balance of Net Proceeds remaining after payment of all costs of any repair, rebuilding or placement or restoration shall be used, to the extent required by Section 805 of the Loan Agreement, to redeem Bonds at par in accordance with the Loan Agreement, and, then, shall be paid to ACNW.

(iv) All buildings, improvements and equipment acquired in the repair, rebuilding, replacement or restoration of the NW Hospital, together with any interests in real property acquired by ACNW as necessary for such restoration, shall be deemed a part of the NW Hospital, available for use and occupancy by ACNW without the payment of any additional amounts other than those provided in the Loan Agreement, to the same extent as if they had been specifically described in the Loan Agreement; provided that no land, interest in land, buildings, improvements or equipment shall be acquired subject to any lien or encumbrance other than Permitted Encumbrances.

*Obligation and Right of ACNW to Direct Redemption of Bonds.* ACNW shall have the right to prepay Note Payments in full, and to terminate the Loan Agreement pursuant to the provisions of Section 1401 of the Loan Agreement, if substantially all of the NW Hospital has been damaged, destroyed or title to the NW Hospital is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, to such extent that (i) in the opinion of a Management Consultant, the Income Available for Debt Service will be materially adversely affected, and (ii) in the opinion of an Independent Architect, the completion time for repair, rebuilding, replacement or restoration of the NW Hospital is estimated to extend one year beyond the term of the business interruption insurance carried by ACNW. In the event that the NW Hospital has been damaged or destroyed or title to the NW Hospital has been taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain to the extent described in clauses (i) and (ii) of this subsection and ACNW does not otherwise elect to rebuild, replace, repair and restore the NW Hospital, ACNW shall be required to prepay Note Payments in full and terminate the Loan Agreement pursuant to Section 1401 of the Loan Agreement unless in the opinion of a Management Consultant the projected annual Income Available for Debt Service for the 12-month period immediately following one year after the expiration of the term of the business interruption insurance carried by ACNW will equal at least an amount which will enable ACNW to be in compliance with the 110% coverage ratio described above under the subcaption “Covenants of ACNW – Rates and Charges.”

ACNW shall have the right to prepay Note Payments in part (i) in an amount equal to the Net Proceeds remaining after the required repair, replacement, rebuilding or restoration described under the subcaption “ACNW to Repair, Replace, Rebuild or Restore” above, or (ii) in an amount not in excess of the Net Proceeds of the insurance claim or condemnation award, if part, but not substantially all, of the NW Hospital is destroyed, damaged or title to part, but not substantially all, of the NW Hospital is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, and ACNW presents to the Issuer and the Trustee a certificate of a Management Consultant stating that (a) the property forming a part of the NW Hospital which was taken, destroyed or damaged was not essential to the use of the NW Hospital as a complete and operational medical facility, and (b) in his opinion the Income Available for Debt Service will not be materially adversely affected.

To perform its obligations or exercise its rights as described above, ACNW must: (i) give the Issuer and the Trustee written notice of its obligation to perform or exercise its right within 180 days (unless extended for any additional period in the reasonable judgment of the Trustee) following the event which is the basis thereof (the event causing the damage or destruction or the completion of the proceeding, by which title is taken by the exercise or threat of the exercise of the power of eminent domain), describing the event; and (ii) deposit with the Trustee the sum necessary in order to redeem the Outstanding Bonds to be redeemed at their principal amount plus accrued interest in accordance with the

Indenture. Notwithstanding the foregoing, if Bonds are to be redeemed pursuant to subsection (i) of the preceding paragraph, notice of the exercise of the obligation may be given within ninety (90) days following completion of the repair, replacement, rebuilding or restoration required by the Loan Agreement.

### **Remodeling, Improvements and Additions**

ACNW shall have the privilege of remodeling the NW Hospital or making additions, modifications or improvements thereon or thereto from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, provided that such action will not significantly alter the character or purpose or detract from the value or operating efficiency thereof and will not significantly impair the revenue-producing capability of the NW Hospital or adversely affect the ability of ACNW to comply with the provisions of the Notes, the Loan Agreement or the Indenture. The cost of remodeling the NW Hospital and additions, modifications or improvements thereto shall be paid by ACNW, and the same shall become a part of the NW Hospital and be included under the terms of the Loan Agreement and the Indenture.

### **Removal from the NW Hospital; Gifts**

ACNW shall not dispose of its cash or demolish, remove or dispose of any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter existing as part of the NW Hospital.

(a) ACNW, free of any obligation to make any replacement thereof, may demolish, remove or dispose of any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter existing as part of the NW Hospital, and may make any donation, gift or transfer of its cash without fair and adequate consideration or compensation to any individual, partnership, corporation or other entity, provided the aggregate net book value as shown on the books of ACNW of all such demolitions and removals plus the donations, gifts or transfers of cash made pursuant to this provision during any Fiscal Year shall not exceed an amount equal to fifteen percent (15%) of the total assets of ACNW, on a consolidated basis, as shown on its books as of the beginning of such Fiscal Year. The Net Proceeds, if any, arising from any such actions may be used by ACNW as it shall in its sole discretion determine.

(b) Except as provided in (a) above, if ACNW in its sole discretion determines that (i) any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter constituting a part of the NW Hospital has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, or its disposal, as hereinafter provided, is in the best interests of ACNW's operation of the NW Hospital, or (ii) a donation, gift or transfer of its cash to another entity is desirable, ACNW may give written notice thereof to the Trustee, and then demolish or remove such property from the NW Hospital, and may, to the extent permitted by law, sell, trade-in, exchange or otherwise dispose of same, in whole or in part, or may donate, gift or transfer such cash provided that either:

(1) ACNW shall, at its own cost and expense, acquire, construct or install replacement or substitute real property, structures, furnishings, machinery, equipment or other improvements having a usefulness, as determined by ACNW, to the operations of ACNW (but not necessarily the same functions) at least equal to the usefulness, prior to demolition, removal or disposal of the property demolished, removed or disposed of; or

(2) ACNW shall demolish, remove or dispose of any such property from time to time at its own cost and expense, without any obligation on the part of ACNW to provide any property in replacement of or substitution for that demolished, removed or disposed of or may donate, gift or transfer such cash upon the following terms and conditions:

(i) prior to such demolition, removal or disposal, or donation, gift or transfer, ACNW must give to the Trustee written notice thereof, setting forth a brief description of the property to be demolished, removed or disposed of and the net book value thereof as shown on the books of ACNW, or the amount of cash to be donated, gifted or transferred; and

(ii) ACNW must submit to the Trustee a copy of a report by a Management Consultant and acceptable to the Trustee determining that the property to be demolished, removed or disposed of has become obsolete, inadequate, worn out, unsuitable, undesirable or unnecessary or its disposal is in the best interests of ACNW's operation of the NW Hospital and that its demolition, removal or disposal will not impair the structural soundness, efficiency or the economic value of the NW Hospital and to the effect that the demolition, removal or disposal of the property to be demolished, removed or disposed of, or the donation, gift or transfer of cash will not cause the Income Available for Debt Service (on a consolidated basis) in the Fiscal Year following the Fiscal Year in which the demolition, removal or disposal of such property occurs to be less than 1.10 times the Maximum Annual Debt Service for any subsequent Fiscal Year.

### **Transfers to Affiliates**

ACNW may transfer cash, real property, structures, furnishings, machinery, equipment or other improvements to one or more Affiliates without complying with any of the restrictions set forth under the subcaption - "Removal from the NW Hospital; Gifts" above.

### **Lease and Operating Contracts**

Subject to the provisions of the subcaption "Merger, Consolidation or Transfer of Assets of ACNW" below, ACNW may lease any part of the NW Hospital, or contract for the performance by others of operations or services on or in connection with the NW Hospital, or any part thereof, for any lawful purpose, provided that (i) no such lease or contract shall be materially inconsistent with the provisions of the Notes, the Loan Agreement or the Indenture, (ii) ACNW shall remain fully obligated and responsible under the Notes and the Loan Agreement to the same extent as if such lease or contract had not been executed, (iii) no assignee or lessee shall be allowed to utilize a substantial portion of the NW Hospital primarily for an activity which would not itself qualify as a health care facility as outlined in the Act, and (iv) except as otherwise permitted by the Loan Agreement, no assignment shall be for security purposes. In addition, any such lease and any contract which has the effect of conveying to any Person an interest in a portion of the NW Hospital comparable to a leasehold interest (unless a Permitted Encumbrance) or a management or service contract (other than in favor of a Tax-Exempt Organization) shall be expressly conditioned upon, and shall by its terms not be effective until a signed opinion of Bond Counsel shall be rendered that the exemption from federal income tax of the interest on the Outstanding Bonds shall not be adversely affected by any such lease or contract. Whenever any Event of Default shall have happened and for so long as it shall be continuing, the Trustee may, by writing addressed to ACNW and to any assignee or lessee known to the Trustee, direct that future rents or other moneys due to ACNW pursuant to any such lease or assignment be paid directly to the Trustee for deposit in the Bond Fund, and any lease or assignment shall contain a provision recognizing the rights of the Trustee in this regard. Any sums received by the Trustee pursuant hereto shall be credited against the Note Payments due from ACNW.

ACNW shall not lease the NW Hospital substantially as an entirety except in accordance with the provisions of the Loan Agreement described under the caption "Merger, Consolidation or Transfer of Assets by ACNW" below.

ACNW shall furnish to the Issuer and to the Trustee within twenty (20) days prior to the effective date thereof a true and correct copy of any lease or contract hereinabove mentioned and any change thereof or supplement thereto and a signed counterpart of the hereinabove described opinions.

### **Merger, Consolidation or Transfer of Assets by ACNW**

During the term of the Loan Agreement, ACNW will maintain its corporate existence and will not dissolve or otherwise dispose of all or the major portion of the NW Hospital or its other assets (except as set forth above under the subcaptions “Removal from the NW Hospital; Gifts” and “Disposition of Assets”) and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; except that ACNW may, without violating the foregoing, consolidate with or merge into another non-profit corporation qualified to do business in the State, which is an organization described in Section 501(c)(3) of the Code, and exempt from federal income taxes under Section 501(a) of the Code, or permit one or more other such corporations to consolidate with or merge into it, or transfer all or the major portion of the NW Hospital or of its assets to another such corporation or corporations (and thereafter dissolve or not dissolve as ACNW may elect) if the following requirements are complied with and there has been delivered to the Issuer and the Trustee an Opinion of Counsel acceptable to the Trustee stating that there has been said compliance:

(i) A corporation (the “Surviving Corporation”) surviving such merger or resulting from such consolidation or transfer of assets will own (or lease from ACNW) and operate the NW Hospital, has expressly assumed in writing all of the obligations of ACNW contained in the Loan Agreement;

(ii) The Trustee shall have received a report by an Accountant determining that such Surviving Corporation will have a fund balance (excluding restricted fund balances) as determined in accordance with GAAP of not less than ninety percent (90%) of the fund balances (excluding restricted fund balances) as determined in accordance with GAAP of ACNW prior to the consolidation, merger, or sale of assets, all calculated on a consolidated basis;

(iii) The Trustee shall have received a certificate of the chief executive officer of ACNW, which indicates that the Surviving Corporation will be able to meet its obligations under the Loan Agreement;

(iv) The pledge of Gross Receipts of ACNW contemplated by the Loan Agreement will not in any manner be affected thereby;

(v) The Surviving Corporation operating the NW Hospital has met all hospital licensing requirements; and

(vi) Immediately after giving effect to such transaction, no Event of Default hereunder shall have occurred and be continuing.

Upon compliance with the foregoing conditions and delivery to the Issuer of the required Opinion of Counsel, the Issuer shall deliver to the predecessor corporation an instrument releasing the predecessor corporation from its obligations under the Loan Agreement.

### **Permitted Indebtedness**

ACNW covenants and agrees that during the term of the Loan Agreement ACNW will not hereafter incur any indebtedness (which term shall include, without limitation, obligations for borrowed money, guarantees, leases of real or personal property, installment purchase agreements for real or personal property, obligations under any agreement or agreements substantially similar in effect to a lease of real or personal property, and all liabilities which would appear on a balance sheet, including any of the foregoing entered into by any joint venture in which ACNW may participate or by any partnership in which it may be general partner), secured or unsecured, except the following:

(1) Unsecured indebtedness, for other than borrowed money, incurred in the ordinary course of business.

(2) Liabilities incurred by endorsement for collection or deposit of checks or drafts received by ACNW in the ordinary course of its business and liabilities under leases used in the ordinary course of business, having a term including any renewal period of not more than five (5) years and which are true operating leases and not financing leases.

(3) Obligations pursuant to the Loan Agreement and the Indenture, as amended or supplemented pursuant to the Indenture.

(4) Short-Term Indebtedness, provided that the total of Short-Term Indebtedness outstanding at any one time shall never exceed an amount equal to 10% of Operating Revenues on a consolidated basis, and provided further that for one period of thirty (30) consecutive days during each Fiscal Year there shall be no unrepaid balance of Short-Term Indebtedness in excess of an amount equal to 6% of Operating Revenues on a consolidated basis.

(5) Other Obligations.

(6) Indebtedness incurred for any purpose, which indebtedness may not be secured by a lien on the NW Hospital or the Gross Receipts of ACNW. Such indebtedness may be unsecured, or secured by other security as may be available.

(7) Alternative Indebtedness incurred for any purpose, which Alternative Indebtedness may share on a parity with and be entitled to the same benefit and security as the Issuer, the Trustee, and the holders of the Bonds in the Gross Receipts of ACNW, and be entitled to such other security as ACNW may deem necessary or desirable; provided, however, the Issuer, the Trustee, and the holders of the Bonds shall share on a parity with and shall be entitled to the same benefit and security as the security for such Alternative Indebtedness and the instruments evidencing such Alternative Indebtedness and the security therefor shall reflect the interest of the Issuer, the Trustee and the holders of the Bonds in such security; provided, however, ACNW covenants and agrees that it will not incur any Alternative Indebtedness unless in the case of any Alternative Indebtedness incurred for any purpose other than refunding Outstanding Bonds or refinancing Alternative Indebtedness:

(a) The additional Alternative Indebtedness when combined with all other Alternative Indebtedness issued and outstanding (and not incurred in compliance with the provision of (b) or (c) below) and Additional Bonds issued in accordance with Article IV of the Indenture does not exceed twenty-five percent (25%) of Operating Revenues on a consolidated basis; or

(b) ACNW shall have delivered to the Trustee a certificate of ACNW stating that the ratio of Income Available for Debt Service, on a consolidated basis, as of the end of the most recent Fiscal Year for which audited financial statements are available to Maximum Annual Debt Service immediately after the issuance of the proposed Alternative Indebtedness, including the proposed Alternative Indebtedness as if it had been incurred at the beginning of such Fiscal Year, is at least 1.20:1.00; or

(c) ACNW shall have delivered to the Trustee a certificate of ACNW stating that the ratio of Income Available for Debt Service, on a consolidated basis, to Total Principal and Interest Requirements was at least 1.10:1.00 for the most recent Fiscal Year for which audited financial statements are available; and a report of a Management Consultant stating that the ratio of Income Available for Debt Service, on a consolidated basis, to Maximum Annual Debt Service is projected to be at least 1.20:1.00 during each of the immediately succeeding two Fiscal Years or, if the Permitted Indebtedness is incurred to finance the construction of an Additional Facility, such ratio shall be

projected to be at least 1.20:1.00 during each of the two Fiscal Years immediately succeeding the completion of the Additional Facility;

and in the case of Alternative Indebtedness incurred for the purpose of refunding Outstanding Bonds or refinancing Alternative Indebtedness:

(d) Provision is made for the redemption or retirement of the Outstanding Bonds being refunded or the Alternative Indebtedness being refinanced; and

(e) If the Maximum Annual Debt Service shall be increased by more than 10% by such refunding or refinancing during the life of any Bonds issued prior to such refunding or refinancing and not refunded, ACNW complies with either subparagraph (a), (b) or (c) of this paragraph (7).

(8) Interim Indebtedness in anticipation of long term indebtedness and maturing within five years if one of the conditions under (7)(a), (b) and (c) above is met assuming that such Interim Indebtedness was being issued as Alternative Indebtedness with a term of twenty-five (25) years, level annual debt service payments, and an interest rate equal to the average prime rate charged by the Trustee for the past twelve months or at a rate available to ACNW as confirmed in writing by a financial institution.

(9) Existing indebtedness of ACNW on the date of issuance of the Series 2016 Bonds.

(10) Secured Indebtedness, provided that the total of Secured Indebtedness outstanding at any one time shall never exceed an amount equal to 25% of Operating Revenues on a consolidated basis.

## **Events of Default**

The following shall be “Events of Default” under the Loan Agreement whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) if default shall be made in the due and punctual payment of any Note Payment or Additional Payment which would result in a failure to pay interest on, required premium, if any, or principal on the Bonds;

(b) if default shall be made by ACNW in the due performance of or compliance with any of the terms of the Loan Agreement, other than those referred to in the foregoing subdivision (a), and such default shall continue for thirty (30) days after the Issuer or the Trustee or the Holders of at least 25% in aggregate principal amount of Bonds Outstanding shall have given ACNW written notice of such default and requiring it to be remedied; provided; however, that if ACNW shall fail to make any repair, restoration or replacement which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days then such period shall be increased to such extent as shall be necessary to enable ACNW to begin and complete such repair, restoration or replacement through the exercise of due diligence;

(c) if any event of default occurs under the ACNW Guaranty, any Guaranty Agreement or the Pulaski County Lease;

(d) except as otherwise expressly provided in the Loan Agreement, the abandonment by ACNW of the NW Hospital or any substantial part thereof, or the operations thereof contemplated by the Loan Agreement, continued for a period of five days after there has been given, by registered or certified mail, written notice to ACNW by the Issuer, the Trustee or the Holders of at least 25% in aggregate principal amount of Bonds then Outstanding;

(e) if ACNW shall file a voluntary petition in bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, imposition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of ACNW or of all or any substantial part of its properties or of the NW Hospital, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; and

(f) if a petition shall be filed against ACNW, seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation and shall remain undismissed or unstayed for an aggregate of ninety (90) days (whether or not consecutive) or if any trustee, receiver or liquidator of ACNW or of all or any substantial part of the properties of ACNW or of the NW Hospital shall be appointed without the consent or acquiescence of ACNW and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) days (whether or not consecutive).

Provided, however, that if after any Event of Default shall have occurred and prior to the Trustee exercising any of the remedies provided for in the Loan Agreement, ACNW shall have completely cured such default by depositing with the Trustee sufficient moneys or by performing such other acts or things in respect of which it may have been in default under the Loan Agreement as the Trustee shall determine, then in every such case such default shall be waived, rescinded and annulled by the Trustee by written notice given to ACNW, but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

## **Remedies**

If any Event of Default shall occur and be continuing, the Trustee may, or if requested in writing by the Holders of 25% or more of the principal amount of Bonds then Outstanding shall, exercise any one or more of the following remedies:

(a) Declare all Note Payments, Additional Payments and any other payments required under the Loan Agreement to be immediately due and payable (being an amount equal to that necessary to pay in full the principal of and interest accrued on all Bonds then Outstanding, assuming acceleration of the Bonds under the Indenture, and to pay all other payments required under the Loan Agreement or the Indenture), whereupon the same shall become immediately due and payable by ACNW;

(b) Direct ACNW to employ a Management Consultant and other experts and personnel and give to ACNW any and all directions which ACNW has covenanted to follow under Section 1303(b) of the Loan Agreement;

(c) Through its duly authorized agents have access to and inspect, examine and make copies of, the books, records and accounts of ACNW and any Guarantor (other than records which are protected by any State or federal law relating to privacy or confidentiality);

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the NW Hospital and the assets of ACNW for the benefit of the Issuer and the Holders of the Bonds then Outstanding;

(e) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of ACNW under any Note or the Loan Agreement; and

(f) Exercise any remedy afforded a "secured party" under the Uniform Commercial Code of the State.

## **Rights to Terminate Loan Agreement and Prepay Notes**

ACNW shall have the following rights to terminate the Loan Agreement:

(i) At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), ACNW may terminate the Loan Agreement by prepaying the Notes in full, which shall be done by making provisions satisfactory to the Trustee for payment of the Outstanding Bonds in accordance with the provisions of the Indenture, including the payment to the Trustee of an amount which, when added to the amount on deposit in the Bond Fund and the Bond Redemption Fund, will be sufficient to pay, retire and redeem all the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption and Trustee's and paying agent's fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and by paying to the Issuer any and all sums then due to the Issuer under the Loan Agreement.

(ii) Upon full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Loan Agreement shall terminate.

ACNW shall also have the right to prepay the Notes prior to the full payment of all of the Bonds (or provision for payment thereof having been made in accordance with provisions of the Indenture), if the NW Hospital shall have been damaged or destroyed or title to the NW Hospital shall have been taken under the exercise of or power of eminent domain to the extent and under the circumstances described Section 805(a) of the Loan Agreement and summarized above under the subcaption "*Damage, Destruction, Condemnation and Other Loss of Title - Obligation and Right of ACNW to Direct Redemption of Bonds.*"

## **SUMMARY OF PORTIONS OF THE INDENTURE**

The Indenture is a contract between the Issuer and the Trustee for the benefit of Holders of any Bonds issued pursuant to the Indenture. Under the Indenture, the Issuer has assigned to the Trustee all of the Issuer's right, title and interest in the Notes and the Loan Agreement (except for certain rights to payment of expenses and indemnification). Set forth below is a summary of certain provisions of the Indenture which does not purport to be comprehensive. Reference is made to the full text of the Indenture for a complete description of its terms.

### **Creation of Funds**

The following funds and accounts are created by the Indenture and the Trust Moneys deposited therein shall be held by the Trustee in trust for the purposes set forth in the Indenture:

- (a) Bond Fund, including therein a Principal Account and an Interest Account,
- (b) Construction Fund, including therein a Cost of Issuance Account and a Construction Account,
- (c) Bond Redemption Fund, and therein an Excess Proceeds Account, and
- (d) Repair and Replacement Fund.

*Interest Account.* The Trustee shall credit to the Interest Account the initial deposit of interest, if any, to be made upon the delivery of the Series 2026 Bonds. There shall be deposited in the Interest Account as received the Note Payments required to be made by ACNW with respect to interest pursuant to the Loan Agreement. The Trustee shall also deposit into the Interest Account any other amounts deposited with the Trustee for deposit in the Interest Account.

On or before each interest payment date, the Trustee shall withdraw from the Interest Account an amount sufficient to pay the interest coming due on the Bonds on such interest payment date, and shall use such amounts to pay interest on the Bonds on such interest payment date.

If on any interest payment date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on the Bonds on such interest payment date, the Trustee shall transfer any moneys then on deposit in the Principal Account to the Interest Account sufficient to pay the interest coming due on the Bonds on such interest payment date.

Amounts on deposit in the Interest Account in excess of the requirements thereof shall be used on any principal payment date to make up any deficiency in the Principal Account.

All interest income derived from the investment of Trust Moneys on deposit in the Interest Account shall be credited to the Interest Account.

*Principal Account.* There shall be deposited in the Principal Account as received, the total Note Payments required to be made by ACNW with respect to principal pursuant to the Loan Agreement and any other amounts deposited with the Trustee for deposit in the Principal Account.

Amounts on deposit to the credit of the Principal Account in excess of the requirements thereof shall be used on any interest payment date to make up any deficiency in the Interest Account.

On or before each principal payment date, whether by reason of the stated maturity of Bonds or through the operation of mandatory sinking fund redemption, the Trustee shall withdraw from the Principal Account an amount sufficient to pay the principal coming due on the Bonds on such principal payment date, and shall use such amounts to pay principal on the Bonds on such date.

All interest income derived from the investment of amounts on deposit in the Principal Account shall be credited to the Principal Account.

*Construction Fund.* The Trustee shall credit to the Construction Fund and the Accounts therein, such portions of the proceeds of each series of Bonds and the additional payments by ACNW, if any, as specified in the Written Request of the Issuer. All income and profit from the investment of funds held in the Construction Fund shall be credited to the Construction Fund - Construction Account. All moneys in the Construction Fund shall be held by the Trustee in trust and, subject to the provisions of the Indenture, shall be applied to the payment of the Cost of any Additional Facility and, pending such application, shall be subject to a lien and charge in favor of the holders of the Outstanding Bonds of the related series for the further security of the holders until paid out or transferred as provided in the Indenture.

The Trustee shall use moneys in the Construction Fund - Cost of Issuance Account to pay Issuance Expenses or to reimburse ACNW to the extent of payments for such Issuance Expenses previously paid.

Except as otherwise provided in the Indenture, the Trustee shall use moneys in the Construction Fund - Construction Account solely to pay the Costs of an Additional Facility. Before any payment shall be made from the Construction Fund - Construction Account for payment of such Costs (other than Issuance Expenses), there shall be filed with the Trustee:

- (1) A Written Request of ACNW stating:
  - (A) the name of the Person, firm or corporation to whom the payment is due or if such payment is to be made as reimbursement to ACNW for qualified expenditures made by it;
  - (B) the amount to be paid;
  - (C) the purpose in reasonable detail for which the obligation to be paid was incurred;
  - (D) that the obligation stated in the Written Request has been incurred in or about the constructing, equipping or furnishing of the Additional Facility for which the particular series of Bonds was issued and each item is a proper charge against the Construction Fund - Construction

Account and the obligation has not been the basis for a prior Written Request which has been paid;

(E) that no written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such Written Request to any of the Persons, firms or corporations named therein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the Written Request;

(F) that such Written Request contains no items representing payment on account of any percentage entitled to be retained at the date of the Written Request;

(G) that no default by either the Issuer or ACNW has occurred and is continuing; and

(H) that the amount remaining in the Construction Fund - Construction Account, plus reasonably expected investment income to be credited to the Construction Fund - Construction Account, plus the sums of any grants, donations or other sums of cash which ACNW reasonably expects to receive prior to the Completion Date or have available, will, after payment of the amount requested in the Written Request, be sufficient to pay the Cost of any Additional Facility to become due and payable thereafter.

Upon receipt of each Written Request of ACNW the Trustee shall make payment from the Construction Fund - Construction Account in accordance with such Written Request.

When an Additional Facility shall have been completed and the Completion Date established, the Trustee shall transfer any Trust Moneys then remaining in the Construction Fund - Construction Account to the Bond Redemption Fund - Excess Proceeds Account.

Notwithstanding the provisions of the preceding paragraph, the Trustee shall not transfer any Trust Moneys remaining in the Construction Account to the extent that ACNW requests that the moneys be retained in the Construction Account and used to pay the Costs of the Additional Facility specified in the request, the Administrator certifies that the remaining moneys to be retained plus available additional moneys of ACNW will be sufficient to pay the Cost thereof, and the Trustee receives an opinion of Bond Counsel that such use is a permitted use under the Act and will not adversely affect the exemption of interest on any of the Bonds from gross income for regular federal income tax purposes. Moneys so retained shall be paid out upon the submission of Written Requests as provided above.

*Bond Redemption Fund.* There shall be deposited in the Bond Redemption Fund as received the Trust Moneys required to be deposited therein pursuant to Article VIII and Article XIV and Section 502(a) of the Loan Agreement and Section 5.05 and Section 6.05 of the Indenture. Moneys on deposit in the Bond Redemption Fund shall be used by the Trustee to redeem Bonds in the manner provided in Article V of the Indenture. Interest derived from the investment of Trust Moneys on hand in the Bond Redemption Fund shall be deposited in the Bond Redemption Fund.

Moneys deposited in the Excess Proceeds Account of the Bond Redemption Fund shall not be invested at a yield in excess of the yield on the Bonds of the series to which allocated, calculated and set forth in writing by an Accountant unless, and to the extent that, the Trustee shall have been provided with an opinion of Bond Counsel satisfactory to the Trustee to the effect that such yield restriction is not necessary to cause the interest payable on such Bonds to remain exempt from regular federal income tax.

*Repair and Replacement Fund.* There shall be deposited in the Repair and Replacement Fund the Net Proceeds of casualty losses and condemnation award and other amounts required to be deposited therein pursuant to Article VIII of the Loan Agreement. Moneys on deposit in the Repair and Replacement Fund shall be disbursed by the Trustee to pay the cost of replacement, repair, reconstruction or restoration of the NW Hospital as provided in the Loan Agreement or transferred to the Bond Redemption Fund in accordance with the Loan Agreement and used to redeem Bonds pursuant to Section 5.10 of the Indenture. Any amounts remaining in the Repair and Replacement Fund after payment of all

costs of replacement, repair, reconstruction or restoration relating to the condemnation, damage or destruction to which such amounts relate, and/or after the transfer of all amounts required to be transferred to the Bond Redemption Fund in accordance with the Loan Agreement, shall be transferred to ACNW.

All interest income derived from the investment of amounts on deposit in the Repair and Replacement Fund shall be deposited in the Interest Account.

## **Investments**

The Trustee shall invest to the extent reasonably possible all Trust Moneys on hand from time to time in the funds and accounts established in the Indenture as specified in a Written Request of ACNW in Permitted Investments.

Such Permitted Investments shall be made so as to mature or be subject to redemption at the option of the holder thereof on or prior to the date or dates that ACNW anticipates that moneys therefrom will be required. The Trustee may trade with itself or its affiliates in the purchase and sale of such Permitted Investments, and the Trustee shall not be liable or responsible for any loss resulting from any such investment. Such Permitted Investments shall be registered in the name of the Trustee. The Trustee may invest in Permitted Investments through its own trust department, and Trust Moneys may be deposited in time deposits, or in certificates of deposit issued by the Trustee or its affiliates.

The Trustee shall without further direction from the Issuer or ACNW sell such Permitted Investments as and when required to make any payment for the purpose of which such investments are held. Each investment shall be credited to the fund or account for which it is held, subject to any other provision of the Indenture directing some other credit, but income on such Permitted Investments shall be held or transferred, as received, in accordance with the Indenture.

In determining the value of any fund or account under the Indenture, the Trustee shall credit Permitted Investments at market value, as determined by the Trustee by any method selected by the Trustee in its reasonable discretion. No less frequently than annually, and in any event within thirty (30) days prior to the end of each Fiscal Year, the Trustee shall determine the value of each fund and account held under the Indenture and shall report such determination to ACNW and any Holder of the Bonds who shall have made written request therefor.

The Trustee shall sell or present for redemption any investment whenever it shall be necessary in order to provide money to make any payment required under the Indenture, and the Trustee shall not be liable or responsible for any loss resulting from such sale. Any loss on investments in any fund or account created by the Indenture shall be charged to the fund or account in which such investment was held. To the extent any loss on investments in any fund or account reduces the amount of Trust Moneys or the value of Permitted Investments in such fund or account below the amount of Trust Moneys or the value of Permitted Investments then required to be on hand in such fund or account pursuant to the Loan Agreement or the Indenture, such loss is to be made up by ACNW in the manner set forth in the Loan Agreement. Any moneys paid to the Trustee by ACNW for such purpose shall be deposited in the fund or account with respect to which, and to the extent that, such loss was incurred.

## **Additional Bonds; Alternative Indebtedness**

*General Provisions.* In addition to the principal amount of Series 2016 Bonds and the Series 2026 Bonds, whose authentication and delivery is provided for in the Indenture, so long as no Event of Default shall be continuing thereunder, the Issuer may issue Additional Bonds under the Indenture, pursuant to the provisions and limitations set forth therein, provided, however, that in no event shall the Issuer issue any Additional Bonds if as a result of the issuance thereof the tax-exempt nature of any Bonds then Outstanding will be adversely affected. Additional Bonds may be issued for any one or more of the following purposes: (A) financing the acquisition, equipping and/or construction of any Additional Facility; (B) completing any Additional Facility; (C) refunding or refinancing any Alternative

Indebtedness or any Bonds or other Debt; and (D) paying and funding, in connection with the issuance of any Additional Bonds for any of the purposes described in (A), (B) or (C), the costs of issuance and sale of any such Additional Bonds, funded interest for such period as shall be determined by ACNW, and deposits to any reserve fund required to be established as a consequence of the issuance of such Additional Bonds.

*Additional Bonds to Pay the Cost of Additional Facility.* Additional Bonds may be issued under the Indenture, at one time or from time to time, subject to the conditions hereinafter provided, for financing the acquisition, equipping and/or construction of any Additional Facility, if prior to authentication and delivery of any such Additional Bonds under the Indenture, there shall be filed with the Trustee the following:

(i) a written report of the Administrator setting forth the amount, if any, to be provided or already provided by ACNW or any Guarantor, from sources other than Additional Bonds, for payment of the acquisition and construction of the Additional Facility and stating the manner in which such funds will be provided and are committed;

(ii) a written report of an Independent Architect setting forth the estimated cost of such Additional Facility;

(iii) a written report of the Administrator stating that the amount of Additional Bonds proposed to be issued, together with other funds available to and committed or reserved by ACNW or any Guarantor for use in connection with financing the acquisition and construction of the Additional Facility as set forth in the report of the Administrator referred to in the above clause (i), is not less than the amount required to acquire and construct the Additional Facility and place the same in service and to pay all costs of the Additional Facility; and

(iv) (A) an Officer's Certificate of ACNW stating that the Additional Bonds when combined with all other Outstanding Additional Bonds incurred to finance Additional Facilities and Alternative Indebtedness incurred in compliance with Section 1101(7) of the Loan Agreement does not exceed twenty-five percent (25%) of the Operating Revenues of ACNW on a consolidated basis; or

(B) an Officer's Certificate of ACNW stating that the ratio of the Income Available for Debt Service as of the end of the most recent Fiscal Year for which audited financial statements are available to the Maximum Annual Debt Service immediately after the issuance of the proposed Additional Bonds, including the proposed Additional Bonds as if they had been issued at the beginning of such Fiscal Year, is at least 1.20:1.00; or

(C) an Officer's Certificate of ACNW stating that the ratio of Income Available for Debt Service to Total Principal and Interest Requirements was at least 1.10:1.00 for the most recent Fiscal Year for which audited financial statements are available, and a report of a Management Consultant stating that the ratio of the Income Available for Debt Service, on a consolidated basis, to Maximum Annual Debt Service is projected to be at least 1.20:1.00 during each of the immediately succeeding two Fiscal Years immediately succeeding the completion of any Additional Facility.

If the Issuer does not issue the Additional Bonds described in this Section within six (6) months following the filing of the documents described in this Section with the Trustee, the authority to issue the Additional Bonds on the basis of the documents previously furnished the Trustee shall lapse.

*Additional Bonds for Completion of an Additional Facility.* If and to the extent necessary to provide funds to complete any Additional Facility, Additional Bonds may be issued under the Indenture, at one time or from time to time; provided there is filed with the Trustee by ACNW an Officer's Certificate stating that the Additional Bonds proposed to be issued, together with other funds available to and committed to or reserved by ACNW or any Guarantor for use in connection with the cost of

completing the Additional Facility is not less than the amount required to complete the acquisition and construction of such Additional Facility; and provided, further, that the maximum principal amount of Alternative Indebtedness and any Additional Bonds issued for such purpose may not in the aggregate exceed 10% of the aggregate principal amount of the Outstanding Bonds and Alternative Indebtedness originally issued or incurred to finance the Cost of such Additional Facilities.

*Additional Bonds for Refunding or Refinancing Purposes.* Additional Bonds may be issued at any time or from time to time, subject to the conditions hereinafter stated, for the purpose of refunding or refinancing any Alternative Indebtedness or any Bonds or other Debt. Prior to authentication and delivery of any Additional Bonds under the Indenture, there shall be filed with the Trustee such documents as shall be required by the Trustee to show that provision has been duly made for the payment or redemption of all of the Outstanding Bonds, Alternative Indebtedness or other Debt to be refunded or refinanced. ACNW shall also cause to be prepared and/or filed with the Issuer and the Trustee the Officer's Certificate described in subparagraph (iv)(A) or (iv)(B) under the subcaption "*Additional Bonds to Pay the Cost of Additional Facility*" above or an opinion of an Independent Accountant to the effect that the Total Principal and Interest Requirements with respect to the Additional Bonds to be issued under the conditions described in this paragraph for any Fiscal Year following the issuance of such Additional Bonds shall not exceed the Total Principal and Interest Requirements for such Fiscal Year with respect to the Bonds, Alternative Indebtedness or other Debt which would have been outstanding in that Fiscal Year had the same not been refunded or refinanced.

*Alternative Indebtedness.* ACNW is permitted to incur Alternative Indebtedness pursuant to Section 1101(7) of the Loan Agreement, and the Trustee agrees to take all action required to be taken by the Trustee thereunder. Such Alternative Indebtedness may be secured on a parity basis with the Bonds upon compliance with the conditions required by Section 1101(7) of the Loan Agreement (and described above under numbered subparagraph (7) under the caption "SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness").

## **Events of Default and Remedies**

*Events of Default.* The term "Event of Default," whenever used in the Indenture, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

A. Default in the payment of any interest upon any Bond when it becomes due and payable;  
or

B. Default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable; or

C. Default in the performance, or breach, of any covenant or warranty or representation of the Issuer contained in the Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is described in clause A, B, D, E or F); or

D. The occurrence and continuation of an "Event of Default" as defined in Section 1301 of the Loan Agreement; or

E. The occurrence of an Event of Default under the ACNW Guaranty, any Guaranty Agreement or the Pulaski County Lease; or

F. The occurrence of an Event of Default under any document or instrument securing Alternative Indebtedness.

*Acceleration of Maturity.* If an Event of Default occurs and is continuing, then and in every such case the Trustee may, and upon the written request by registered or certified mail to the Trustee by the Holder or Holders of not less than twenty-five percent (25%) in aggregate principal amount of the

Bonds then Outstanding shall declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by a notice in writing to the Issuer, ACNW and the Guarantors, and upon such declaration such principal shall become immediately due and payable; provided, however, that no Bonds shall be accelerated under the Indenture unless and until the Trustee shall have accelerated the maturity of all Note Payments, as specified in subsection (a) of Section 1302 of the Loan Agreement.

At any time after such a declaration of acceleration has been made, but before the Trustee has exercised any other remedy specified in the Loan Agreement, the Trustee, by written notice to the Issuer, ACNW and the Guarantors, shall rescind and annul such declaration and its consequences if:

A. there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- (1) all overdue installments of interest on all Bonds,
- (2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds,
- (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate borne by the Bonds, and
- (4) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel up to the date of the written notice; and

B. all Events of Default, other than nonpayment of the principal of Bonds which have become due solely by such acceleration, have been cured, or, as to an Event of Default described in paragraphs D, E or F above, waived.

No such rescission and amendment shall affect any subsequent default or impair any right consequent thereon.

*Additional Remedies.* The Trustee, in case of the happening of an Event of Default specified in the Indenture, may, and upon the written request of the Holders of not less than a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, shall:

- (1) exercise any and all rights of the Issuer and the Trustee under the Loan Agreement; and
- (2) proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in the Bonds or in aid of the execution of any power in the Indenture or in the Bonds granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee may deem most effectual to protect and enforce any of the rights or interests of the Holders of the Bonds under the Bonds or the Indenture.

*Notice of Defaults; Opportunity to Cure Defaults.* No default (other than a default in payment of interest or principal) shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding to ACNW, the Guarantors and the Issuer, and ACNW, the Guarantors and the Issuer shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of

Default if corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

*Limitations on Suits.* No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture or the Loan Agreement, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless:

A. such Holder shall previously have given written notice to the Trustee of a continuing Event of Default;

B. the Holder or Holders of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding shall have made written request to the Trustee to institute proceedings in respect to such Event of Default in its own name as Trustee;

C. such Holder or Holders shall have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

D. the Trustee for sixty (60) days after its receipt of such written request and offer of indemnity fails to institute any such proceeding; and

E. no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Holder or Holders of a majority in principal amount of Bonds then Outstanding; it being understood and intended that no one or more Holders of Bonds shall have any right, in any manner whatever, by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of Bonds or to obtain or seek to obtain priority or preferences over any other Holders of Bonds or to enforce any right under the Indenture or the Loan Agreement, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Holders of Bonds then Outstanding.

*Control by Bondholders.* The Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding shall have the right, during the continuance of an Event of Default:

A. to require the Trustee to proceed to enforce the Indenture, the Loan Agreement or any Guaranty Agreement, either by judicial proceedings for the enforcement of the payment of the Bonds or the enforcement of any other remedy; and

B. to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, or under the Loan Agreement; provided that

(1) such direction shall not be in conflict with any rule of law or with the Indenture, the Loan Agreement or any Guaranty Agreement,

(2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

### **Concerning the Trustee**

The Trustee shall, prior to such an Event of Default under the Indenture and after the curing of all such Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, the Loan Agreement and the Guaranty Agreements.

In case at any time any of the following shall occur:

(1) The Trustee shall cease to be eligible in accordance with the provisions of the Indenture and shall fail to resign after written request therefor by the Issuer or any Bondholder who has been a bona fide Holder of a Bond or Bonds for at least six months; or

(2) The Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer, with the written consent of ACNW and the Guarantors, may remove the Trustee and appoint a successor trustee who shall succeed the Trustee under the Indenture by an instrument in writing executed pursuant to resolution of its membership, or any such Bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribed, remove the Trustee and appoint a successor trustee who shall also succeed the Trustee under the Indenture.

The Holders of a majority in aggregate principal amount of all the Bonds at the time Outstanding, or the Issuer (at the direction of ACNW) may (subject to the disapproval of the Holders of such majority), at any time remove the Trustee and appoint a successor trustee who shall also succeed the Trustee under the Indenture by an instrument or concurrent instruments in writing signed by such Bondholders.

Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of the Indenture shall become effective upon acceptance of appointment by the successor trustee as provided in the Indenture.

### **Supplemental Indentures**

*Supplemental Indentures Not Requiring Consent of Bondholders.* The Issuer and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into a supplemental indenture or indentures, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Issuer contained in the Indenture such other covenants and agreements thereafter to be observed, or to surrender any right or power reserved or conferred upon the Issuer in the Indenture;

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

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Indenture;

(d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any supplemental indenture such other terms, conditions or provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) to provide for Additional Bonds in accordance with Article IV of the Indenture;

(f) to provide for Alternative Indebtedness in accordance with Section 1101(7) of the Loan Agreement;

(g) to provide for the exchange of Bonds of one series for Bonds of another series, or the exchange of Bonds of one denomination or kind for Bonds of another denomination or kind, of the same series; and

(h) to modify or eliminate any of the terms of the Indenture; provided, however, that:

(1) any such modifications or eliminations shall be expressly provided in such supplemental indenture to become effective only when there are no Bonds Outstanding of any series created prior to the execution of such supplemental indenture; and

(2) the Trustee may, in its discretion, decline to enter into any such supplemental indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective.

Any supplemental indenture described above may be executed by the Issuer and the Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture.

*Supplemental Indentures Requiring Consent of Bondholders.* With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Issuer, when authorized by a resolution of its board, and the Trustee may from time to time and at any time enter into a supplemental indenture or indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holders of each Bond Outstanding affected thereby,

(1) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected, or

(2) reduce the aforesaid percentage of Holders of Bonds required to approve any such supplemental indenture, or

(3) modify any of the provisions of the Indenture, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

For all purposes of supplemental indentures as described above, Bonds shall be deemed to be "affected" by a supplemental indenture, if such supplemental indenture adversely affects or diminishes the rights of Holders thereof against the Issuer or the Trust Estate. The Trustee may in its discretion determine whether any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith.

If at any time the Issuer, ACNW or any Guarantor shall request that the Trustee enter into any such supplemental indenture for any of the aforementioned purposes, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be sent to each owner of Bonds then Outstanding, by registered or certified mail, to the address of such Bondholder as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental, indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved the execution thereof, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

It shall not be necessary for the consent of the Bondholders to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

### **Amendments of Loan Agreement or Guaranty Agreements**

*Amendments of Loan Agreement or Guaranty Agreements Not Requiring Consent of Bondholders.* The Issuer and the Trustee, at any time and from time to time, shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement or any Guaranty Agreement as may be required:

- (a) by the provisions of the Loan Agreement or the Indenture; or
- (b) to correct or amplify the description of any property at any time subject to the Loan Agreement or any Guaranty Agreement or better to assure, convey and confirm unto the Trustee any property subject or required to be subject to the Loan Agreement or any Guaranty Agreement, or to subject to the Loan Agreement or any Guaranty Agreement additional revenues, property or other collateral; or
- (c) to add to the conditions, limitations and restrictions of ACNW or any Guarantor, other conditions, limitations and restrictions thereafter to be observed; or
- (d) to consent to the creation of any series of Additional Bonds, as provided in the Indenture, including therein any amendment of the Loan Agreement to provide for Additional Notes and to provide terms and conditions relating to the acquisition, construction, installation and equipping of any Additional Facility financed with the proceeds of such series of Additional Bonds; or
- (e) to modify or eliminate any of the terms of the Loan Agreement or any Guaranty Agreement; provided, however, that
  - (1) any such modification or elimination shall be expressly provided in such amendment to the Loan Agreement or any Guaranty Agreement to become effective only when there are not Bonds Outstanding of any series created prior to the execution of such amendment to the Loan Agreement or any Guaranty Agreement; and
  - (2) the Trustee may, in its discretion, decline to enter into any such amendment which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective; or
- (f) to evidence the succession of another corporation to ACNW or any Guarantor in accordance with the provisions of the Loan Agreement or the applicable Guaranty Agreement, and the assumption by any such successor of the covenants contained in the Loan Agreement or the applicable Guaranty Agreement or to evidence the succession of any successor Trustee under the provisions of the Indenture; or
- (g) to add to the covenants of ACNW and/or any Guarantor; or
- (h) to cure any ambiguity, to correct or supplement any provision of the Loan Agreement or any Guaranty Agreement that may be inconsistent with any other provision of the Loan Agreement or any Guaranty Agreement or to make any other provisions with respect to matters or questions arising under the Loan Agreement or any Guaranty Agreement, provided such action shall not adversely affect the interests of the Holders of the Bonds then Outstanding.

*Amendments of Loan Agreement or Guaranty Agreements Requiring Consent of Bondholders.* Except for amendments, changes or modifications as provided above under the subcaption "*Amendments of Loan Agreement or Guaranty Agreements Not Requiring Consent of Bondholders*", but only with the consent of the Holders of not less than a majority in principal amount of the Bonds of all series then

Outstanding which are affected by such amendment to the Loan Agreement or any Guaranty Agreement, by action of such Holders delivered to the Issuer and the Trustee, the Issuer, when authorized by a resolution of the Issuer, and the Trustee, may enter into an amendment or amendments to the Loan Agreement or any Guaranty Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Loan Agreement or any Guaranty Agreement; provided, however, that no such amendment shall, without the consent of the Holder of each Outstanding Bond affected thereby,

A. reduce the aggregate amount of Note Payments payable under the Loan Agreement, or allow any installment of Note Payments to be paid subsequent to the time needed for the payment of principal, premium, if any, and interest on the Bonds, or

B. modify any of the provisions of the Loan Agreement or any Guaranty Agreement to eliminate the requirement that the Trustee consent to every amendment thereto, or

C. release from the lien of the Loan Agreement or any Guaranty Agreement any of the property providing security therefor except as expressly permitted by the Loan Agreement or Guaranty Agreement.

For all purposes of the amendments described above, Bonds shall be deemed to be “affected” by an amendment, if such amendment adversely affects or diminishes the rights of Holders thereof to be assured of the payment of principal, premium, if any, and interest on the Bonds. The Trustee may in its discretion determine whether or not any Bonds would be affected by any amendment and any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith.

If at any time the Issuer, ACNW or any Guarantor shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by the Indenture with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders.

It shall not be necessary for any action of Bondholders under the Indenture to approve the particular form of any proposed amendment or supplement to the Loan Agreement or any Guaranty Agreement, but it shall be sufficient if such action shall approve the substance thereof. The Trustee may, but shall not be obligated to, enter into any such consent or amendment or supplement that affects the Trustee’s own rights, duties or immunities under the Loan Agreement, any Guaranty Agreement or otherwise.

*Amendment by Unanimous Consent.* Notwithstanding any other provision of the Indenture, the Issuer, ACNW, the Guarantors and the Trustee may consent to any amendment, change or modification of the Loan Agreement or any Guaranty Agreement upon receipt of the consent of the Holders of all Bonds then Outstanding.

## **SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS**

As additional security for the Series 2026 Bonds, the Parent, ACH and the Foundation (collectively, the “Guarantors”) will each execute and deliver a First Supplemental Guaranty Agreement dated as of June 30, 2026 (together with Guaranty Agreements dated as of June 1, 2016, the “Guaranty Agreements”), to the Trustee pursuant to which the Guarantors will severally and unconditionally guarantee payment of the debt service on the unrefunded Series 2016 Bonds and the Series 2026 Bonds. The Parent and ACH will further guarantee the performance of the obligations of ACNW under the Loan

Agreement. The obligations of ACH under its Guaranty Agreement are secured by a pledge of and security interest in the Gross Revenues of ACH.

The following is a summary of certain provisions of the Guaranty Agreements. The summary does not purport to be complete and reference is made to the full text of the Guaranty Agreement for a complete description of its terms.

### **Guarantee of Payment and Performance**

Each Guarantor unconditionally guarantees to the Trustee for the benefit of the registered owners from time to time of the Series 2016 Bonds and the Series 2026 Bonds (i) the full and prompt payment of the principal of and premium, if any, on each of the Series 2016 Bonds and Series 2026 Bonds when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (ii) the full and prompt payment of the interest on each of the Series 2016 Bonds and Series 2026 Bonds when and as the same shall become due. In each and every case, the Guarantor agrees, in the event of the failure of the Issuer to make such payments of principal, premium, if any, or interest, to make or cause to be made such payments to the Trustee. All such payments shall be paid in lawful money of the United States of America. Each and every default in payment of the principal of, premium, if any, or interest on any Series 2016 Bond or Series 2026 Bond shall give rise to a separate cause of action under the Guaranty Agreement, and separate suits may be brought as each cause of action arises.

Each Guaranty Agreement is a guarantee of payment, as opposed to collection, of principal of and interest on the Series 2016 Bonds and Series 2026 Bonds, and it shall not be necessary that any proceedings be instituted against ACNW or any Guarantor of the Series 2016 Bonds or Series 2026 Bonds prior to the institution of proceedings against a particular Guarantor.

The Parent and ACH (but not the Foundation) additionally each unconditionally guarantees the prompt and complete performance by ACNW (and any assignee that assumes the obligations of ACNW pursuant to the provisions of the Loan Agreement) of all the covenants and obligations of ACNW under the Loan Agreement, as it may be supplemented and amended at any time. If ACNW should at any time default in the making of any Note Payments when due, the Parent and ACH (but not the Foundation) have agreed to make such payments within two (2) Business Days after receipt by such Guarantor of written notice of such default from either the Issuer or the Trustee. If an event of default shall at any time occur in the performance of any other obligation of ACNW contained in the Loan Agreement, the Parent and ACH (but not the Foundation) have agreed to perform, or will cause ACNW to perform, such obligation, and will pay all additional costs that may arise in consequence of any such event of default, within thirty (30) Business Days after receipt of written notice of such event of default from either the Issuer or the Trustee.

The obligations of each Guarantor under its Guaranty Agreement shall be absolute and unconditional and shall remain in full effect until the entire principal of, premium, if any, and interest on the Series 2016 Bonds and Series 2026 Bonds shall have been paid or provided for under the Indenture, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of, the Guarantor:

- (a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer under the Indenture or the Loan Agreement;
- (b) the failure to give notice to the Guarantor of the occurrence of an event of default under the terms and provisions of the Guaranty Agreement, the Indenture or the Loan Agreement;
- (c) the waiver by the Trustee or the Issuer of the payment, performance or observance by the Issuer, ACNW or the Guarantor of any of the obligations, covenants or agreements of any of them contained in the Loan Agreement, the Indenture or the Guaranty Agreement;

(d) the extension of the time for payment of any principal of, premium, if any, or interest on any Series 2016 Bond or Series 2026 Bond or of the time for performance of any obligation, covenant or agreement under or arising out of the Loan Agreement, the Indenture or the Guaranty Agreement or the extension or the renewal of any thereof;

(e) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or the Loan Agreement, as authorized by the respective terms thereof;

(f) the taking or the omission of any of the actions under or referred to in the Indenture or the Guaranty Agreement;

(g) any failure, omission, delay or lack on the part of the Issuer or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Trustee in the Guaranty Agreement or the Indenture, or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Series 2016 Bonds or Series 2026 Bonds;

(h) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceeding affecting ACNW, the Guarantor or the Issuer or any of the assets of any of them, or any allegation or contest of the validity of the Guaranty Agreement in any such proceeding;

(i) to the extent permitted by law, the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in the Guaranty Agreement by operation of law;

(j) the issuance by the Issuer of any additional indebtedness pursuant to the Indenture;

(k) the default or failure of the Guarantor fully to perform any of its obligations set forth in the Guaranty Agreement; or

(l) the invalidity or unenforceability of the Loan Agreement or the Series 2016 Bonds or Series 2026 Bonds or any part thereof;

provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this paragraph that the obligation of the Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment of the principal, of premium, if any, and interest on the Series 2016 Bonds and Series 2026 Bonds in accordance with the terms of the Indenture, and then only to the extent of such payments. Without limiting any of the other terms or provisions of the Guaranty Agreement, it is understood and agreed that, in order to hold the Guarantor liable thereunder, there shall be no obligation on the part of the Trustee or any holder of any Series 2016 Bond or Series 2026 Bond to resort in any manner or form for payment to the Issuer, ACNW or to any other person, firm or corporation or to their properties or estates.

No set-off, counterclaim, reduction or diminution of any obligation, or any defense of any kind or nature which the Guarantor has or may come to have against the Issuer, the Trustee, ACNW or any other Guarantor shall be available to the Guarantor against the Trustee. The Guarantor waives subrogation with regard to any payment made by the Guarantor under its Guaranty Agreement.

In the event of a default in the payment of principal of or premium, if any, on any Series 2016 Bond or Series 2026 Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Series 2016 Bond or Series 2026 Bond when and as the same shall become due, the Trustee may, and if requested so to do by the holders of not less than 25% in aggregate principal amount

of the Series 2016 Bonds and Series 2026 Bonds then Outstanding, and upon indemnification as provided below shall, proceed under a Guaranty Agreement, and the Trustee, in its sole discretion, shall have the right to proceed first and directly against any Guarantor under its Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Issuer or the Trustee.

Before taking any action under a Guaranty Agreement, the Trustee may require that satisfactory indemnity be furnished by the owners of the Series 2016 Bonds and Series 2026 Bonds for the reimbursement of all expenses and to protect the Trustee from all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The duties, obligations and rights of the Trustee under each Guaranty shall be governed by Article IX of the Indenture and any moneys received by the Trustee under a Guaranty Agreement shall be held and applied subject to Article VIII of the Indenture.

### **Corporate Existence**

The Parent and the Foundation each covenants and agrees that it will maintain its corporate existence and will not dispose of all or substantially all of its assets nor consolidate with or merge into another corporation, except (a) if such merger or consolidation, or transferee is with ACNW or an Affiliate of the Guarantor or (b) if such disposal of all or substantially all of its assets is to ACNW or an Affiliate of the Guarantor, and in each case the successor resulting entity or transferee assumes the obligations of the Guarantor under its Guaranty Agreement.

During the term of its Guaranty Agreement, ACH will maintain its corporate existence and will not dissolve or otherwise dispose of all or the major portion of its assets (except as described below under the subcaption “ – ACH Covenants – *Disposal of Property*”) and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; except, that ACH may, without violating the foregoing, consolidate with or merge into another non-profit corporation qualified to do business in the State of Arkansas, which is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and exempt from federal income taxes under Section 501(a) of such Code, or permit one or more other such corporations to consolidate with or merge into it, or transfer all or the major portion of the ACH Facilities or its assets to another such corporation or corporations (and thereafter dissolve or not dissolve as ACH may elect) if the following requirements are complied with and there has been delivered to the Issuer and the Trustee an opinion of counsel acceptable to the Trustee stating that there has been said compliance and:

(i) A corporation (the “Surviving Corporation”) surviving such merger or resulting from such consolidation or sale of assets will own (or lease from Pulaski County) and operate the ACH Facilities, has expressly assumed in writing all of the obligations of ACH contained in the Guaranty Agreement of ACH, including but not limited to its covenants and obligations with respect to incurring indebtedness, and

(A) The Trustee shall have received a report by a certified public accountant or firm of certified public accountants determining that such Surviving Corporation will have a fund balance (excluding restricted fund balances), as determined in accordance with GAAP, of not less than ninety percent (90%) of the fund balances (excluding restricted fund balances), as determined in accordance with GAAP, of ACH prior to the consolidation, merger, or sale of assets, all calculated on a consolidated basis, and

(B) The Trustee shall have received a certificate of the chief executive officer of the Guarantor which indicates that the Surviving Corporation will be able to meet its obligations under the Pulaski County Lease and its Guaranty Agreement.

(ii) The pledge of Gross Revenues of ACH contemplated by its Guaranty Agreement will not in any manner be affected thereby;

(iii) The Surviving Corporation operating the ACH Facilities has met all hospital licensing requirements; and

(iv) Immediately after giving effect to such transaction, no default under the Guaranty Agreement shall have occurred and be continuing.

### **ACH Covenants**

Set forth below are covenants of ACH only contained in its Guaranty Agreement.

*ACH Facilities.* ACH shall, at its sole cost and expense, keep and maintain the ACH Facilities both inside and outside, in a good state of repair and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted. ACH covenants that it will not use or permit the use of the ACH Facilities or any part thereof for any unlawful purpose or permit any nuisance to exist thereon. ACH further covenants and agrees that it will at all times use its best efforts to maintain and operate the ACH Facilities in compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the ACH Facilities or to the repair and alteration thereof, or to the use or manner of use of the ACH Facilities, and to meet standards and requirements and provide health care of such quality and in such manner as shall enable ACH to participate in, and provide services in connection with, recognized health and hospital insurance programs. ACH represents that it presently complies therewith and agrees that, so long as it shall remain a participating hospital under the Medicare, Medicaid, or other programs, it will use its best efforts to comply with the standards and requirements for remaining a participating hospital thereunder. ACH also covenants that it will comply with its covenants in the Pulaski County Lease, as it may from time to time be amended, so long as any Pulaski County Bonds secured thereby are Outstanding.

*Rate Covenant.* ACH covenants that during each Fiscal Year it will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, rentals, fees and charges for the use of the ACH Facilities and for the services furnished or to be furnished by ACH which will be sufficient in each Fiscal Year to produce Income Available for Debt Service equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. It is understood and agreed that Income Available for Debt Service is calculated on a consolidated basis, and ACH does not have to produce all revenues included in the Income Available for Debt Service calculation.

ACH covenants that, from time to time and as often as shall be necessary, it will revise, or cause to be revised, subject to applicable requirements or restrictions imposed by law, the rates, rentals, fees and charges as may be necessary or proper so that the Income Available for Debt Service in each Fiscal Year shall be equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. ACH further covenants that if in any Fiscal Year the ratio of Income Available for Debt Service to Maximum Annual Debt Service is less than 1.10:1.00, ACH will, before the 60th day after receipt of the first available financial statement (audited or unaudited), employ a Management Consultant to report the rates, rentals, fees and charges, together with any recommendations regarding methods of operation and other factors affecting financial condition, the Management Consultant believes are necessary to enable ACH to produce Income Available for Debt Service in such following Fiscal Year equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service. The recommendations of the Management Consultant shall be filed with the Trustee. ACH covenants and agrees that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its rates, rentals, fees and charges or its method of operation and shall take such other action as shall be in conformity with such recommendations. If in the judgment of the Management Consultant it is not possible for ACH to produce the required ratio of Income Available for Debt Service to Maximum Annual Debt Service of 1.10:1.00, the report of the Management Consultant shall so indicate and shall further indicate the ratio anticipated if the recommendations of the Management Consultant are followed.

If ACH employs a Management Consultant as required by preceding paragraph, ACH's first default of failing to maintain the required 1.10:1.00 ratio of Income Available for Debt Service to Maximum Annual Debt Service shall be cured. If ACH employs a Management Consultant from time to time as required by the preceding paragraph and follows the Management Consultant's recommendations, it shall for each Fiscal Year in which the Management Consultant is employed, and in each subsequent Fiscal Year in which it is not required to again employ a Management Consultant, be excused from maintaining the 1.10:1.00 ratio of Income Available for Debt Service to Maximum Annual Debt Service, provided, however, that failure of ACH for any Fiscal Year to produce Income Available for Debt Service equal to at least one hundred percent (100%) of Maximum Annual Debt Service for such Fiscal Year shall constitute an event of default under the Guaranty Agreement. Failure of ACH to appoint a Management Consultant or to follow the recommendations of an appointed consultant shall constitute an event of default under the Guaranty Agreement. The Trustee agrees that the rendering of service by, or the use of, the ACH Facilities free of charge or at discounted or reduced rates may be permitted by ACH to the extent it will not prevent ACH from complying with the terms and provisions of the Guaranty Agreement.

*Disposal of Property.* Except as described below, ACH shall not dispose of its cash or demolish, remove or dispose of any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter existing as part of the ACH Facilities.

ACH, free of any obligation to make any replacement thereof, may demolish, remove or dispose of any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter existing as part of the ACH Facilities, and may make any donation, gift or transfer of its cash without fair and adequate consideration or compensation to any individual, partnership, corporation or other entity, provided the aggregate net book value as shown on the books of ACH of all such demolitions and removals plus the donations, gifts or transfers of cash made pursuant to this provision during any Fiscal Year shall not exceed an amount equal to fifteen percent (15%) of the total assets of ACH, on a consolidated basis, as shown on its books as of the beginning of such Fiscal Year. The net proceeds, if any, arising from any such actions may be used by ACH as it shall in its sole discretion determine.

Except as provided in the preceding paragraph, if ACH in its sole discretion determines that (a) any real property, structure, furnishings, machinery, equipment or other improvement now or hereafter constituting a part of the ACH Facilities has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, or its disposal, as hereinafter provided, is in the best interests of ACH's operation of the ACH Facilities, or (b) a donation, gift or transfer of its cash to another entity is desirable, ACH may give written notice thereof to the Trustee, and then demolish or remove such property from the ACH Facilities, and may, to the extent permitted by law, sell, trade-in, exchange or otherwise dispose of same, in whole or in part, or may donate, gift or transfer such cash provided that either:

(i) ACH shall, at its own cost and expense, acquire, construct or install replacement or substitute real property, structures, furnishings, machinery, equipment or other improvements having a usefulness, as determined by ACH, to the operations of ACH (but not necessarily the same functions) at least equal to the usefulness, prior to demolition, removal or disposal of the property demolished, removed or disposed of; or

(ii) ACH shall demolish, remove or dispose of any such property from time to time at its own cost and expense, without any obligation on the part of ACH to provide any property in replacement of or substitution for that demolished, removed or disposed of, or may donate, gift or transfer such cash upon the following terms and conditions:

(1) prior to such demolition, removal or disposal, or donation, gift or transfer, ACH must give to the Trustee written notice thereof, setting forth a brief description of the property to be demolished, removed or disposed of and the net book value thereof as shown on the books of ACH, or the amount of cash to be donated, gifted or transferred; and

(2) ACH must submit to the Trustee a copy of a report by a Management Consultant and acceptable to the Trustee determining that the property to be demolished, removed or disposed of has become obsolete, inadequate, worn out, unsuitable, undesirable or unnecessary or its disposal is in the best interests of ACH's operation of the ACH Facilities and that its demolition, removal or disposal will not impair the structural soundness, efficiency or the economic value of the ACH Facilities and to the effect that the demolition, removal or disposal of the property to be demolished, removed or disposed of, or the donation, gift or transfer of cash will not cause the Income Available for Debt Service, on a consolidated basis, in the Fiscal Year following the Fiscal Year in which the demolition, removal or disposal of such property occurs to be less than 1.10 times the Maximum Annual Debt Service for any subsequent Fiscal Year.

ACH may transfer cash, real property, structures, furnishings, machinery, equipment or other improvements to the Parent or to an Affiliate without complying with any of the provisions above.

*Incurrence of Indebtedness.* ACH covenants and agrees that during the term of its Guaranty Agreement, it will not thereafter incur any indebtedness (which term shall include, without limitation, obligations for borrowed money, guarantees, leases of real or personal property, installment purchase agreements for real or personal property, obligations under any agreement or agreements substantially similar in effect to a lease of real or personal property, and all liabilities which would appear on a balance sheet, including any of the foregoing entered into by any joint venture in which ACH may participate or by any partnership in which it may be general partner), secured or unsecured, except the following:

(1) Unsecured indebtedness, for other than borrowed money, incurred in the ordinary course of business.

(2) Liabilities incurred by endorsement for collection or deposit of checks or drafts received by ACH in the ordinary course of its business and liabilities under leases used in the ordinary course of business, having a term including any renewal period of not more than five (5) years and which are true operating leases and not financing leases.

(3) Obligations pursuant to the Pulaski County Lease and the Pulaski County Indenture, as amended or supplemented pursuant to the Pulaski County Indenture.

(4) Short-Term Indebtedness, provided that the total of Short-Term Indebtedness outstanding at any one time shall never exceed an amount equal to 10% of Operating Revenues on a consolidated basis, and provided further that for one period of thirty (30) consecutive days during each Fiscal Year there shall be no unrepaid Short-Term Indebtedness in excess of an amount equal to 6% of Operating Revenues.

(5) Other Obligations.

(6) Indebtedness incurred for any purpose, which indebtedness may not be secured by a lien on the ACH Facilities or the Gross Revenues of ACH. Such indebtedness may be unsecured, or secured by other security as may be available, including a pledge of the gross revenues of any ACH Facilities which may be financed with the proceeds of such indebtedness.

(7) Alternative Indebtedness incurred for any purpose, which Alternative Indebtedness may share on a parity with and be entitled to the same benefit and security as the Issuer, the Trustee, and the holders of the unrefunded Series 2016 Bonds and the Series 2026 Bonds in the Gross Revenues of ACH, and be entitled to such other security as ACH may deem necessary or desirable; provided, however, the Issuer, the Trustee, and the holders of the unrefunded Series 2016 Bonds and the Series 2026 Bonds shall share on a parity with and shall be entitled to the same benefit and security as the security for such Alternative Indebtedness, and the instruments evidencing such Alternative Indebtedness and the security therefor shall reflect the interest of the Issuer, the Trustee and the holders of the unrefunded Series 2016 Bonds and the Series 2026 Bonds in such security; provided, however, ACH covenants and agrees that it will not incur any

Alternative Indebtedness unless in the case of any Alternative Indebtedness incurred for any purpose other than refunding Outstanding Pulaski County Bonds or refinancing Alternative Indebtedness:

(a) The additional Alternative Indebtedness when combined with all other Alternative Indebtedness issued and outstanding (and not incurred in compliance with the provision of (b) or (c) below) and Additional Pulaski County Bonds issued in accordance with Section 3.06(f)(i) of the Pulaski County Indenture does not exceed twenty-five percent (25%) of Operating Revenues on a consolidated basis; or

(b) ACH shall have delivered to the Trustee a certificate of ACH stating that the ratio of Income Available for Debt Service, on a consolidated basis, as of the end of the most recent Fiscal Year for which audited financial statements are available to Maximum Annual Debt Service immediately after the issuance of the proposed Alternative Indebtedness, including the proposed Alternative Indebtedness as if it had been incurred at the beginning of such Fiscal Year, is at least 1.20:1.00; or

(c) ACH shall have delivered to the Trustee a certificate of ACH stating that the ratio of Income Available for Debt Service, on a consolidated basis, to Total Principal and Interest Requirements was at least 1.10:1.00 for the most recent Fiscal Year for which audited financial statements are available; and a report of a Management Consultant stating debt service is projected to be at least 1.20:1.00 during each of the immediately succeeding two Fiscal Years or, if the Permitted Indebtedness is incurred to finance the construction of a project, such ratio shall be projected to be at least 1.20:1.00 during each of the two Fiscal Years immediately succeeding the completion of the project;

and in the case of Alternative Indebtedness incurred for the purpose of refunding Outstanding Pulaski County Bonds or refinancing Alternative Indebtedness:

(d) Provision is made for the redemption or retirement of the Outstanding Pulaski County Bonds being refunded or the Alternative Indebtedness being refinanced; and

(e) If the Maximum Annual Debt Service shall be increased by more than 10% by such refunding or refinancing during the life of any Pulaski County Bonds issued prior to such refunding or refinancing and not refunded, ACH complies with either subparagraph (a), (b) or (c) of this paragraph (7).

(8) Interim Indebtedness in anticipation of long term indebtedness and maturing within five years if one of the conditions under (7)(a), (b) and (c) above is met assuming that such Interim Indebtedness was being issued as Alternative Indebtedness with a term of twenty-five (25) years, level annual debt service payments, and an interest rate equal to the average prime rate charged by the Trustee for the past twelve months or at a rate available to ACH as confirmed in writing by a financial institution.

(9) Existing indebtedness of ACH on the date of issuance of the Series 2016 Bonds.

(10) Secured Indebtedness, provided that the total of Secured Indebtedness outstanding at any one time shall never exceed an amount equal to 25% of Operating Revenues on a consolidated basis.

### **Pledge of ACH Revenues**

In order to secure its obligations under its Guaranty Agreement, ACH pledges and grants a security interest in all Gross Revenues of ACH. Such pledge is on a parity of security with the pledge of Gross Revenues of ACH in favor of the Pulaski County Bonds and the Series 2025 Bond. ACH has not

heretofore made a pledge of or granted a security interest in the Gross Revenues of ACH that ranks on a parity with or prior to the pledge granted by its Guaranty Agreement, except for the pledge and security interest securing the Pulaski County Bonds and the Series 2025 Bond. ACH shall not hereafter make or suffer to exist any pledge or security interest in the Gross Revenues of ACH, except as permitted by the Guaranty Agreement, the 2025 Guaranty Agreement and the Series 2025 Bond.

Upon the occurrence of an event of default under the Guaranty Agreement of ACH, ACH shall pay over to the Trustee the Gross Revenues of ACH. The Guarantor shall assist the Trustee in the collection of checks, drafts, cash and other remittances to ACH with respect to the Gross Revenues of ACH and shall deposit daily with the Trustee, either at an office of the Trustee or at another bank designated by the Trustee, all checks, drafts, cash and other remittances with respect to the Gross Revenues of ACH.

If the Gross Revenues of ACH are insufficient, along with other available funds, at any time to make both the Pulaski County Lease Payments and any payment required to be made under the Guaranty Agreement of ACH relating to the unrefunded Series 2016 Bonds and Series 2026 Bonds and the 2025 Guaranty Agreement relating to the Series 2025 Bond, the Gross Revenues of ACH shall be shared between the owners of the Pulaski County Bonds and the Trustee, as the Pulaski County Bond Trustee, and the owners of the unrefunded Series 2016 Bonds and the Series 2026 Bonds, the owner of the Series 2025 Bond, and the Trustee, as trustee for the unrefunded Series 2016 Bonds and the Series 2026 Bonds, in a *pari passu* manner. Upon the occurrence of an event of default under either the Pulaski County Lease or the Loan Agreement, all realizations or proceeds derived from the Gross Revenues of ACH shall be shared pro rata between the owners of the Pulaski County Bonds and the Trustee, as the Pulaski County Bond Trustee, and the owners of the unrefunded Series 2016 Bonds and the Series 2026 Bonds and the Trustee, as trustee for the owners of the unrefunded Series 2016 Bonds and the Series 2026 Bonds and the owner of the Series 2025 Bond, in accordance with the principal amounts of the respective indebtedness outstanding represented by the Pulaski County Bonds, the unrefunded Series 2016 Bonds, the Series 2025 Bond and the Series 2026 Bonds.

## **Defaults and Remedies**

The following shall constitute an event of default under the Guaranty Agreements:

(a) Any failure of the Guarantor to make payment of the principal of or interest on the Series 2016 Bonds or Series 2026 Bonds as and when required by the respective Guaranty Agreement;

(b) The dissolution or liquidation of a Guarantor or the filing by a Guarantor of a voluntary petition in bankruptcy, or failure by a Guarantor promptly to lift any execution, garnishment or attachment of such consequence as will impair its ability to carry out its obligation under its Guaranty Agreement, or the commission by a Guarantor of any act of bankruptcy, or adjudication of a Guarantor as a bankrupt, or assignment by a Guarantor for the benefit of its creditors, or the entry by a Guarantor into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to a Guarantor in any proceeding for its reorganization instituted under the provisions of the bankruptcy laws of the United States. The term “dissolution or liquidation of Guarantor,” as used in this subsection, shall not be construed to include the cessation of the corporate existence of a Guarantor resulting either from a merger or consolidation of such Guarantor into or with another corporation or dissolution or liquidation of a Guarantor following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions contained in the applicable Guaranty Agreement;

(c) The default by a Guarantor in the performance or observance of any of the other covenants, agreements or conditions on its part in its respective Guaranty Agreement and the continuance thereof for a period of ninety (90) days after written notice to the Guarantor by the

Trustee, the Issuer or the holders of not less than 10% in aggregate principal amount of Series 2016 Bonds and Series 2026 Bonds outstanding under the Indenture; provided, however, that if such default be such that it cannot be corrected within ninety (90) days, it shall not constitute an event of default if corrective action is instituted within said ninety (90) day period and diligently pursued until the default is corrected; and

(d) With respect to the Guaranty Agreement of ACH only, the occurrence of an event of default under the Pulaski County Lease or the 2025 Guaranty Agreement.

If an event of default shall occur and be continuing, then the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Guaranty Agreements or any related instrument and enforce any obligation, agreement or covenant of the Guarantors under the Guaranty Agreements. Such remedies shall not be considered exclusive of any other remedies available, but such remedies shall be cumulative and shall be in addition to any other remedies given under the Guaranty Agreements or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

The Trustee may in its discretion waive any event of default under a Guaranty Agreement and its consequences and rescind any declaration of maturity of principal and shall do so upon the written request of the holders of fifty percent (50%) in principal amount of all Series 2016 Bonds and Series 2026 Bonds Outstanding under the Indenture; provided, however, that there shall not be waived any event of default in the failure of a Guarantor to make payment of the principal of or interest on the Series 2016 Bonds and Series 2026 Bonds as and when required by its Guaranty Agreement; but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

The obligations of each Guarantor under its respective Guaranty Agreement are its separate and several obligations, and any person seeking to enforce the same need not pursue any remedies which such person may have against ACNW or any other Guarantor of the Series 2016 Bonds and Series 2026 Bonds or exhaust any remedy against ACNW or any other Guarantor of the Series 2016 Bonds and Series 2026 Bonds before proceeding under a particular Guaranty Agreement but may proceed at once against and Guarantor alone upon its default as set forth above.

## **SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT**

ACNW and the Guarantors have entered into an undertaking in the form of the Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2026 Bonds to cause certain financial and operating information to be sent annually to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA") and to cause notice to be sent to EMMA of certain specified events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule"). ACNW, the Guarantors and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Continuing Disclosure Agreement, and has no liability to any person, including any Beneficial Owner, with respect to any such reports, notices or disclosures.

ACNW and the Guarantors are parties to prior undertakings pursuant to the Rule requiring them to file certain financial and operating information and financial statements and notice of the occurrence of certain listed events with the MSRB through its EMMA system. During the past five years, ACNW and the Guarantors have not identified any instances in which filings were not made as required by such undertakings.

The Continuing Disclosure Agreement contains the following covenants and provisions:

(a) ACNW and the Guarantors covenant that they will disseminate, or will cause the Dissemination Agent to disseminate, not later than 150 days after the end of each Fiscal Year (presently June 30 in each year), commencing with the Fiscal Year ending June 30, 2026, provide to the MSRB, through its continuing disclosure service portal provided through EMMA or any similar system that is acceptable to the Securities and Exchange Commission, an Annual Report containing the information described in paragraph (c) below. ACNW and the Guarantors are required to deliver or cause delivery of such information in an electronic format as prescribed by the MSRB.

(b) Not later than fifteen (15) Business Days prior to the date specified in the preceding paragraph for providing Annual Reports to the MSRB, ACNW and the Guarantors shall provide a copy of such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative to verify that the appropriate party will provide the Annual Report in sufficient time to comply with the filing requirements described in the preceding paragraph. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in the preceding paragraph, the Dissemination Agent shall file notice thereof with the MSRB.

(c) Annual Reports shall contain or include by reference the following:

(i) The principal amount of outstanding bond obligations of ACNW and the Guarantors;

(ii) The following general categories of financial information and operating data with respect to the NW Hospital:

(1) Statistical information regarding the operating beds at the NW Hospital as of the end of the prior Fiscal Year of the type presented with respect to the NW Hospital under the caption “History & General” in Appendix A to this Official Statement;

(2) Statistical information concerning the medical staff of the NW Hospital of the type presented with respect to the NW Hospital under the caption “Medical Staffs” in Appendix A to this Official Statement;

(3) Utilization data regarding the NW Hospital for the prior Fiscal Year of the type presented with respect to the NW Hospital under the caption “Historical Utilization” in Appendix A to this Official Statement;

(4) Statistical information regarding inpatient and outpatient discharges from the NW Hospital for the prior Fiscal Year of the type presented under the caption “NW Hospital Service Area” in Appendix A to this Official Statement; and

(5) Statistical information regarding sources of patient revenues at the NW Hospital for the prior Fiscal Year of the type presented with respect to the NW Hospital under the caption “Historical Financial Performance” in Appendix A to this Official Statement.

(iii) The following general categories of financial information and operating data with respect to the LR Hospital:

(1) Statistical information regarding the operating beds at the LR Hospital as of the end of the prior Fiscal Year of the type presented with respect to the LR Hospital under the caption “History & General” in Appendix A to this Official Statement;

(2) Statistical information regarding collections of the County Hospital Tax (as defined under the caption “County Hospital Maintenance Tax Support” in Appendix A to this Official Statement) for the immediately preceding five Fiscal Years;

(3) Statistical information regarding the State's appropriations for the support of the LR Hospital for the immediately preceding five Fiscal Years of the type presented under the caption "State Support" in Appendix A to this Official Statement;

(4) Statistical information concerning the medical staff of the LR Hospital of the type presented with respect to the LR Hospital under the caption "Medical Staffs" in Appendix A to this Official Statement;

(5) Utilization data regarding the LR Hospital for the prior Fiscal Year of the type presented with respect to the LR Hospital under the caption "Historical Utilization" in Appendix A to this Official Statement;

(6) Statistical information regarding inpatient and outpatient discharges from the LR Hospital for the prior Fiscal Year of the type presented under the caption "LR Hospital Service Area" in Appendix A to this Official Statement; and

(7) Statistical information regarding sources of patient revenues at the LR Hospital for the prior Fiscal Year of the type presented with respect to the LR Hospital under the caption "Historical Financial Performance" in Appendix A to this Official Statement.

(iv) The Audited Financial Statements for the prior Fiscal Year. If the Audited Financial Statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the Audited Financial Statements attached as Appendix C to this Official Statement, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available.

(d) After the occurrence of a Listed Event (excluding the event described in subsection (viii) of the definition of Listed Event below), Arkansas Children's, Inc., one of the Guarantors (the "Parent"), shall file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA or any similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). In the event of a Listed Event described in subsection (viii) of the definition of Listed Event below, the Trustee shall make the filing in compliance with the Indenture and notice thereof need not be given under the Continuing Disclosure Agreement any earlier than the notice for the underlying event is given to the registered owners of affected Series 2026 Bonds pursuant to the terms of the Indenture.

(e) The Continuing Disclosure Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, the Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, ACNW, the Guarantors, the Dissemination Agent, if any, the Participating Underwriter and the Beneficial Owners of the Series 2026 Bonds, and shall create no rights in any other person or entity. In the event of a failure of ACNW, the Guarantors or the Dissemination Agent (if the Trustee is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, any Beneficial Owner of the Trustee may (and, at the request of the holders of at least 25% aggregate principal amount of the Series 2026 Bonds shall), take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause ACNW, the Guarantors or the Dissemination Agent, as the case may be, to comply with its respective obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Loan Agreement or any other agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of ACNW, the Guarantors or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

(f) The respective obligations of ACNW and the Guarantors under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2026 Bonds. If such termination occurs prior to the final maturity of the Series 2026 Bonds, notice thereof shall be given in the same manner as for a Listed Event. If the obligations of ACNW under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with the Continuing Disclosure Agreement in the same manner as if it were ACNW, and ACNW shall have no further responsibility under the Continuing Disclosure Agreement. If the obligations of a Guarantor under a Guaranty Agreement are assumed in full by some other entity, such person shall be responsible for compliance with the Continuing Disclosure Agreement in the same manner as if it were such Guarantor, and the Guarantor shall have no further responsibility under the Continuing Disclosure Agreement.

(g) ACNW, the Guarantors and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, if (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an “Obligated Person” (as defined in the Rule) with respect to the Series 2026 Bonds or the type of business conducted; (ii) the Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2026 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstance; and (iii) the amendment or waiver either (1) is approved by the holders of the Series 2026 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders of the Series 2026 Bonds, (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or the Beneficial Owners of the Series 2026 Bonds.

(h) The following terms used under this caption shall have the meanings set forth below:

“*Annual Report*” shall mean any Annual Report provided by ACNW and/or the Guarantors pursuant to, and as described in paragraphs (a), (b) and (c) above.

“*Audited Financial Statements*” shall mean the consolidated financial statements of the Parent, ACNW, ACH, the Foundation and other related entities for the preceding Fiscal Year, which shall be prepared pursuant to GAAP, as in effect from time to time (except for any departures from GAAP that result in the inability to conform to future changes in GAAP), and which shall be accompanied by an audit report, if available at the time of submission of the Annual Report, resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants, in conformity with generally accepted auditing standards (except for departures from generally accepted auditing standards disclosed from time to time in the audit report).

“*Beneficial Owner*” of a Series 2026 Bond shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2026 Bonds (including persons holding Series 2026 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2026 Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean for each of ACNW and the Guarantors, the Chief Financial Officer of the Parent, or his or her designee, or such other person as ACNW and the Guarantors shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean Bank OZK, with offices in Little Rock, Arkansas, acting in its capacity as a dissemination agent under the Continuing Disclosure Agreement, or any successor dissemination agent designated in writing by the Parent and which has filed with the Trustee a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“*Fiscal Year*” shall mean any period of twelve (12) consecutive months adopted by ACNW and the Guarantors as their fiscal year for financial reporting purposes.

“*Financial Obligation*” shall mean a

- (i) debt obligation
- (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (iii) guarantee of obligations described in (i) or (ii).

“*GAAP*” shall mean accounting principles generally accepted in the United States of America, as promulgated by the Financial Accounting Standards Board.

“*Listed Event*” means the occurrence of any of the following events with respect to the Series 2026 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment-related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls (excluding mandatory sinking fund redemptions), if material;
- (ix) Defeasances and tender offers;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation or the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” shall mean any of the original underwriter of the Series 2026 Bonds required to comply with the Rule in connection with the offering of the Series 2026 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as modified by Rule 15c2-12(d)(2), as the same may be amended from time to time.

## UNDERWRITING

Under a bond purchase agreement entered into by and among the Issuer, ACNW, the Guarantors and Stephens Inc. (the “Underwriter”), the Series 2026 Bonds are being purchased at a purchase price of \$ \_\_\_\_\_ (which represents the stated principal amount of the Series 2026 Bonds [less][plus] an original offering [discount][premium] of \$ \_\_\_\_\_ and less an underwriting discount of \$ \_\_\_\_\_), for reoffering by the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all of the Series 2026 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2026 Bonds is subject to various conditions contained in the bond purchase agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2026 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or operating condition of ACNW or the Guarantors.

The Underwriter intends to offer the Series 2026 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which offering prices (or bond yields establishing such offering prices) may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2026 Bonds to the public, and may offer and sell Series 2026 Bonds to such dealers and other underwriters at prices lower than the public offering price.

ACNW and the Guarantors have agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2026 Bonds, including certain liabilities under federal securities laws.

The Underwriter and its affiliates are multi-service financial institutions engaged in various activities, which may include securities trading, investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities, and other financial and non-financial activities and services. Such activities may involve or relate to assets, securities and/or instruments of ACNW and its affiliates (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) ACNW and/or its affiliates. The Underwriter and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for ACNW and/or its affiliates for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against ACNW and/or its affiliates thereof in connection with such transactions and/or services. In addition, the Underwriter and its affiliates may currently have and may in the future have investment and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, ACNW and/or its affiliates. The Underwriter and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **FINANCIAL ADVISOR**

ACH has retained Kaufman, Hall & Associates, LLC (“Kaufman Hall”), Chicago, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission and the MSRB, as financial advisor in connection with the issuance of the Series 2026 Bonds. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **TAX MATTERS**

### **Federal Tax Exemption**

In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Series 2026 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer and ACNW comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements generally relate to arbitrage, the use of proceeds of the Series 2026 Bonds, and restrictions on the ownership and use of the capital improvements being refinanced with proceeds of the Series 2026 Bonds. The Issuer and ACNW have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2026 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026 Bonds.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2026 Bonds.

Purchasers of the Series 2026 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States); property and casualty insurance companies, banks, thrifts or other financial institutions; certain recipients of Social Security or Railroad Retirement benefits; taxpayers otherwise entitled to claim the earned income tax credit; and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors concerning their tax consequences of purchasing and holding the Series 2026 Bonds.

As shown on the inside front cover page of this Official Statement, certain of the Series 2026 Bonds are being sold at an original issue premium (collectively, the “Premium Bonds”). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

As shown on the inside front cover page of this Official Statement, certain of the Series 2026 Bonds are being sold at an original issue discount (collectively, the “Discount Bonds”). The difference between the initial public offering prices, as set forth on the inside cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2026 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the 2026 Bonds from realizing the full current benefit of the tax status of such interest. It cannot be predicted whether or in what form any such proposals or clarifications might be enacted or approved or whether, if enacted or approved, it would apply to bonds issued before enactment or approval. 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 Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their own tax advisors regarding any enacted, pending or proposed federal or state tax legislation, regulations, clarifications or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2026 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

## **State Taxes**

Bond Counsel is of the opinion that, under existing law, the Series 2026 Bonds and interest thereon are exempt from all state, county, and municipal taxes in the State of Arkansas and that the Series 2026 Bonds are further exempt from property taxation in the State of Arkansas.

## RATINGS

Moody's Investors Service Inc. ("Moody's") has assigned a rating of "A1" (positive outlook) to the Series 2026 Bonds. S&P Global Ratings ("S&P") has assigned a rating of "AA-" (stable outlook) to the Series 2026 Bonds. Such ratings reflect only the views of such rating agencies at the time such ratings were given, and the Issuer, ACH and the Guarantors make no representation as to the appropriateness of such ratings. An explanation as to the significance of the above ratings may be obtained only from the respective rating agency furnishing the same.

ACH and the Guarantors have furnished the above rating agencies certain information and materials relating to the Series 2026 Bonds, ACH and the Guarantors, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it may not be lowered, raised or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. None of the Issuer, ACH, the Guarantors or the Underwriter have undertaken any responsibility to oppose any such revision or withdrawal. Any downward change in or withdrawal of a rating may have an adverse effect on the market price and marketability of the Series 2026 Bonds.

## LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2026 Bonds and with regard to the tax-exempt status thereof are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, whose approving opinion will be delivered with the Series 2026 Bonds, and the form of which is attached as Appendix D to this Official Statement. Certain matters will be passed upon for ACNW and the Guarantors by their counsel, Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, and certain matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Little Rock Arkansas.

Tom Baxter, a partner at Friday, Eldredge & Clark, LLP, Bond Counsel, is a member of the Board of Directors of the Parent, a Guarantor of the Series 2026 Bonds.

Katie Stephens, the spouse of an officer of Stephens Inc., the Underwriter, is a member of the Board of Directors of the Foundation, a Guarantor of the Series 2026 Bonds.

## LITIGATION

### **The Issuer**

There is not now pending nor to the knowledge of the Issuer, threatened, any litigation restraining or enjoining the issuance or delivery of the Series 2026 Bonds or questioning or affecting the validity of the Series 2026 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present officers of the Issuer to their respective offices is being contested. There is no litigation pending or, to the knowledge of the Issuer, threatened which in any manner questions the right of the Issuer to enter into the Lease Agreement or the Indenture or to secure the Series 2026 Bonds in the manner provided in the Indenture.

### **ACNW and the Guarantors**

Neither ACNW nor the Guarantors have any litigation or proceedings pending, or, to their knowledge, threatened against them which may not be adequately covered by ACNW's and the Guarantors' reserves and insurance policies, or which, in the opinion of management of ACNW and the Guarantors and their defense counsel, could have a material adverse effect on ACNW's or the Guarantors' respective operating or financial positions. See the caption "Miscellaneous - *Litigation*" in Appendix A hereto.

## **FINANCIAL STATEMENTS**

The consolidated financial statements of Arkansas Children's, Inc. as set forth in Appendix C to this Official Statement, have been audited by KPMG LLP, independent certified public accountants, for the period indicated in their report thereon, which report is also included in Appendix C. The notes set forth in Appendix C are an integral part of such consolidated financial statements, and the statements and notes should be read in their entirety. KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report, included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

## **FORWARD-LOOKING STATEMENTS**

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by ACNW and/or the Guarantors concerning anticipated results. No representations or warranties are made by ACNW or the Guarantors as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward-looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of ACNW or the Guarantors. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate," "believe," "estimate," "project," "predict," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although ACNW and the Guarantors believe that the expectations reflected in such forward-looking statements are reasonable, neither ACNW nor the Guarantors can give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and ACNW and the Guarantors undertake no obligations to update such statements in light of new information, future events or otherwise.

## **MISCELLANEOUS**

ACNW and the Guarantors have furnished the information in this Official Statement and in the Appendices hereto relating to ACNW and the Guarantors and their operations and relating to the NW Hospital and the LR Hospital. The Underwriter has furnished the information in this Official Statement with respect to the public offering prices of the Series 2026 Bonds and the information under the caption "UNDERWRITING."

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned, this Official Statement does not include any untrue statement of a material fact; nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The summaries in this Official Statement of certain provisions of the Indenture, the Loan Agreement, the Guaranty Agreements, the Series 2026 Bonds, the Continuing Disclosure Agreement and other documents do not purport to be complete, and reference is made to such documents for a complete statement of their provisions.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Issuer, ACNW and the Guarantors have authorized and approved the execution and delivery of this Official Statement and its use by the Underwriter in connection with the offering and sale of the Series 2026 Bonds.

**CITY OF SPRINGDALE PUBLIC  
FACILITIES BOARD**

By: \_\_\_\_\_  
Chair

APPROVED BY:

**ARKANSAS CHILDREN’S NORTHWEST, INC.**

By: \_\_\_\_\_  
President and Chief Executive Officer

**ARKANSAS CHILDREN’S, INC.**

By: \_\_\_\_\_  
President and Chief Executive Officer

**ARKANSAS CHILDREN’S HOSPITAL**

By: \_\_\_\_\_  
President and Chief Executive Officer

**ARKANSAS CHILDREN’S FOUNDATION, INC.**

By: \_\_\_\_\_  
President

**APPENDIX A**

**ACNW, ACH AND THE HOSPITALS**

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## APPENDIX A

### ACH, ACNW AND THE HOSPITALS

#### History & General

Arkansas Children's Hospital (the "LR Hospital") is a pediatric hospital located at 1 Children's Way near the State Capitol in Little Rock, Arkansas. It is the only quaternary healthcare facility operated exclusively for children in the State of Arkansas (the "State"). The LR Hospital is operated by Arkansas Children's Hospital, an Arkansas not-for-profit corporation ("ACH"). Arkansas Children's, Inc., an Arkansas not-for-profit corporation (the "Parent"), is the parent and sole member of ACH and ACNW (defined below). The Parent, ACH, ACNW and their Affiliates are referred to collectively as the "System." See the caption "Affiliated Entities" below.

The LR Hospital is a Magnet-recognized facility and includes the State's only Level I Pediatric Trauma Center; the State's only burn center (serving children and adults); the State's only Level IV neonatal intensive care unit; the State's only pediatric intensive care unit; the State's only pediatric surgery program with Level 1 verification from the American College of Surgeons; and the State's only nationally recognized pediatric transport system. Additionally, the LR Hospital is nationally ranked by U.S. News & World Report in seven pediatric subspecialties (2025-2026): Cancer; Cardiology & Heart Surgery; Nephrology; Neurology & Neurosurgery; Orthopedics; Pulmonology & Lung Surgery; and Urology.

The LR Hospital was founded in 1912 as the Arkansas Home Finding Society to locate homes for orphaned and abandoned children. In 1924, construction began on a hospital in order to provide healthcare facilities for the children of Arkansas. Following the commencement of full operation in 1926, the Society became known as the Arkansas Children's Home and Hospital. As various state and federal agencies gradually assumed the responsibility for dependent childcare and placement, and as the need to provide additional hospital services increased, the Home was phased out of operation. In 1955, the name of the facility was officially changed to Arkansas Children's Hospital.

In 1978, the voters of Pulaski County, Arkansas (the "County") approved the levy of a one mill property tax authorized under State law for the purpose of maintaining, operating and supporting the LR Hospital as a county hospital. In order to implement the levy of the tax, legal title to the LR Hospital was conveyed by ACH to the County and the LR Hospital was leased back by ACH pursuant to a long-term operating lease placing complete responsibility for management of the LR Hospital in the ACH Board of Directors. See the caption "County Hospital Maintenance Tax Support" below.

The LR Hospital has undergone many expansion and renovation projects over the years, with most of the physical growth of the LR Hospital occurring since 1980, with a major project commencing in 2008 when construction began on a Utility Project and South Wing Project. The Utility Project, completed in 2010, increased capacity, reliability, redundancy and safety and included major infrastructure improvements in sewer, oxygen system rework, fire and life safety, electrical, and HVAC, including an expansion of the energy building and thermal link. The total cost of the Utility Project was approximately \$36 million. The South Wing Project opened in July 2012 and added approximately 258,000 square feet to the LR Hospital facility. The South Wing building included a 38-room Emergency Department (net addition of 15 rooms), outpatient clinic areas of 80 new exam rooms (net addition of 56 new rooms), 42 procedural/diagnostic areas (net addition of 19 new areas), and a net addition of 54 new inpatient beds for the NICU, CVICU, Hematology/Oncology, and Infant and Toddler patients. The total cost of the South Wing Project was approximately \$95 million. A portion of the costs of the Utility Project and the South Wing Project was financed with proceeds of the \$111,175,000 Pulaski County, Arkansas Hospital Revenue Bonds (Arkansas Children's Hospital Project), Series 2006, which bonds were refunded by the Series 2026 Bonds.

In 2013, ACH purchased two new Sikorsky S76 D model helicopters for medical transport use at a cost of approximately \$28 million. A portion of the cost (\$19.8 million) was financed through the issuance of bonds by the Arkansas Development Finance Authority, which bonds were directly placed with Bank of the Ozarks, and which bonds matured in September 2023.

Most recently, a new three-level Outpatient Building of approximately 146,700 square feet was completed on the LR Hospital campus at a cost of approximately \$129 million. This addition provides space for an Orthopedic Clinic with twenty-four (24) exam rooms, a Sports Medicine Clinical Suite and Sports Lawn, ten (10) ambulatory outpatient surgery operating rooms (with eight (8) of the rooms initially equipped for use), space for the relocation and enlargement of the Clinical Laboratory, a Pediatric Clinical Research Unit with sixteen (16) rooms (with ten (10) of the rooms initially equipped for use), and flexible and shell space for future program refinement. Operations in the

new Outpatient Building commenced in May 2026. In addition, the main entry to the LR Hospital is being realigned to provide a central access point for inpatient, surgery, patient services and outpatient clinics. A three-story addition to the front of the existing Sturgis Building will serve as a public and staff concourse connecting the new main entry and the new Outpatient Building. Upon relocation of outpatient procedure areas to the new Outpatient Building, the Department of Surgery will be completely renovated in phases for primarily inpatient and trauma cases, and will contain ten (10) operating rooms and two (2) procedure rooms. In addition, an Acute Crisis Unit (sized to accommodate 4-8 patients) will be developed as an addition to the existing building and co-located with the Emergency Department. The aforementioned improvements add approximately 193,050 square feet of newly finished space and approximately 6,150 of new shell space and will renovate approximately 118,500 square feet of existing space. The total costs of all of these improvements are expected to be approximately \$235 million and are being funded in part with proceeds of the Series 2023 Bonds. The project is expected to be completed in August 2028.

As part of the System’s long-range plan, the LR Hospital’s master facility plan redesign is aimed at expanding access to pediatric care to the area, enhancing the patient experience consistent with recent System designs across the State, growing market share, and effectively securing the pediatric healthcare market for the State. Anchored in the information yielded by the System’s industry, market and organizational analysis, the LR Hospital facility plan and investment focuses on the following: (i) providing centralized and highly efficient on-campus ambulatory care through renovation of the Sturgis outpatient clinics; (ii) improving efficiency of surgery by relocating outpatient surgery to a new three-level ambulatory surgery building of approximately 146,700 square feet, and (iii) improving access to the campus as well as patient circulation and wayfinding within the LR Hospital by creating a new main entrance to the facility.

Effective March 31, 2026, the LR Hospital is licensed for 336 beds. The following table summarizes the LR Hospital's current operating bed complement:

<b>Type of Service</b>	<b>Current Number of Beds Operating</b>
Neonatal intensive care (NICU)	104
Pediatric intensive care (PICU)	26
Cardiovascular intensive care (CVICU)	30
Burn intensive care (BURN)	<u>9</u>
<b>Total intensive care beds</b>	169
Intermediate care beds	13
Medical/Surgical	<u>147</u>
<b>Total operating beds as of 3/31/2026</b>	<u>329</u>

In 2015, two new Arkansas nonprofit corporations were formed – Arkansas Children’s, Inc. (the “Parent”) and Arkansas Children’s Northwest, Inc. (“ACNW”). ACNW was organized to own and operate the 24-bed Arkansas Children’s Northwest pediatric healthcare facility (the “NW Hospital”) located in Springdale, Arkansas, which was financed in part with proceeds of \$75,465,000 City of Springdale Public Facilities Board Hospital Revenue Bonds, Series 2016 (Arkansas Children’s Northwest Project) (the “2016 Northwest Bonds”). The NW Hospital opened on February 27, 2018, as the first and only pediatric hospital in the Northwest Arkansas region providing: a Level IV Pediatric Trauma Center; a 24-bed inpatient unit; a 4-bed clinical decision unit; a surgical unit with five operating rooms; outpatient clinics offering over 20 subspecialties; an infusion center; diagnostic services; imaging capabilities; physical, occupational and speech therapy services; and Northwest Arkansas’ only pediatric emergency department, equipped with 30 exam rooms. An expansion consisting of the addition of fifteen (15) additional inpatient rooms; the addition of two (2) new operating rooms and eight (8) prep and recovery rooms; increasing pharmacy space; increasing laboratory space; renovating physical therapy space; increasing space for infusion and blood draw services; and expanding clinic space is being financed in part with a proceeds of \$24,000,000 City of Springdale Public Facilities Board Hospital Revenue Bond, Series 2025 (Arkansas Children’s Northwest Project) (the “2025 Northwest Bond”). The total cost of the expansion is approximately \$82.7 million, and it is currently anticipated that the expansion will be completed in the fourth quarter of calendar year 2026. The NW Hospital serves more than 200,000 children residing in the fifteen county Northwest Arkansas region.

As part of the System’s long-range plan, Phase 2 of the NW Hospital’s master facility plan redesign is aimed at expanding care close to the home of its service area population, elevating patient experience and growing market share. Anchored in the information yielded by the System’s industry, market and organizational analysis, the NW

Hospital facility plan and investment focuses on growing facility capacity to meet the expanding needs of Northwest Arkansas, enhancing the design and location of ancillary spaces to accommodate growth and improve flow, and building capacity for higher acuity care.

Effective March 31, 2026, the NW Hospital is licensed for 24 routinely operational beds. The following table summarizes the NW Hospital's current operating bed complement:

<b>Type of Service</b>	<b>Current Number of Beds Operating</b>
Medical/Surgical	<u>24</u>
<b>Total operating beds as of 3/31/2026</b>	<u>24</u>

**Affiliated Entities**

Arkansas Children’s Foundation, Inc. (the “Foundation”) was incorporated in 1982, and operates as the not-for-profit fundraising organization for the Parent and its affiliates. Arkansas Children’s Research Institute, Inc. (“ACRI”) was incorporated in 1990 to conduct and promote medical research programs leading to improved prevention, treatment and care of childhood diseases through basic, clinical and applied research. See the caption “Arkansas Children’s Research, Institute, Inc. and Arkansas Children’s Foundation, Inc.” below.

Arkansas Children’s Care Network, a not-for-profit pediatric statewide clinically integrated network (“ACCN”), was formed in 2017. Arkansas Children’s Medical Group, PLLC (“ACMG”) is a physician medical group formed in 2017 to provide physician services to ACH and ACNW. ACMG is managed by a board of managers. Sacova Insurance Company, Ltd., a single parent captive insurance company domiciled in the Cayman Islands (“SCV”), was formed in 2018.

Arkansas Children’s Professional Services Organization, LLC, an Arkansas limited liability company (“APSCO”), was formed in December 2024 to provide services to the Parent and its owned or controlled affiliates. Specifically, APSCO helps manage and support healthcare providers at the System’s hospital-based and outpatient medical practices. APSCO is controlled by ACH, its sole member.

The Parent functions as the parent corporation and sole member of ACH, ACNW, the Foundation, ACRI, ACCN and SCV. ACH is the sole member of APSCO. The Parent, ACH, ACNW and the Foundation are guarantors of the Series 2016 Bonds, the Series 2023 Bonds, the 2016 Northwest Bonds and the 2025 Northwest Bond and would also be guarantors of the Series 2026 Bonds and the 2026 Northwest Bonds. See the caption “SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS” in the Official Statement to which this Appendix A is attached. The Parent maintains a separate budget for each of its affiliates, which is consolidated at the Parent level. The affiliate corporations retain control of their own revenues and expenditures, if budgeted. The Parent must approve expenditures in excess of certain defined limits. The Foundation is charged with soliciting donations for all affiliate entities.

**Proton Therapy Joint Venture**

The Parent, the University of Arkansas for Medical Sciences (UAMS), Baptist Health, an Arkansas nonprofit corporation (BH), and Proton International, LLC, a proton therapy developer (PI), have formed a joint venture limited liability company (the “Proton JV”) with respect to the development of a proton therapy treatment center (the “Proton Center”), the first of its kind in Arkansas and one of only 48 in the United States, located on the main campus of UAMS in Little Rock, Arkansas. Proton therapy is a radiation-based technology for cancer treatment that has the capability to deliver high-dose radiation to cancer patients. It limits a patient’s radiation exposure by using a beam of protons designed to deliver a majority of its energy directly to a patient’s tumor, which reduces damage to the patient’s healthy tissue and reduces the side effects of radiation treatment. It is widely used to treat children with cancer, as children are particularly sensitive to the effects of radiation therapy. The cost of developing the Proton Center was in excess of \$65 million. Financing was obtained through the issuance of \$56,845,000 principal amount of bonds by the Public Finance Authority, a conduit issuer, which bonds are secured by the revenues of the Proton JV. The Proton Center was completed and commenced operations in third quarter of 2025. The Parent holds a minority (10%) ownership position in the Proton JV, but is not involved in operating the Proton Center. On March 16, 2026, the Proton JV filed a notice of default on its outstanding bonds based on a failure to achieve the required debt service coverage and to maintain sufficient days’ cash on hand.

In early May 2026, UAMS made a demand for payment to the Proton JV in an effort to collect delinquent amounts owed by the Proton JV to UAMS under a physician services agreement and an ancillary personnel and support services agreement. UAMS demanded that payment be received by May 28, 2026. While the amount due under the physician services agreement was paid in full, payment was not made by the Proton JV with respect to amounts due under the ancillary personnel and support services agreement. As a result, on May 29, 2026, UAMS terminated the ancillary personnel and support services agreement. UAMS has announced that it will continue providing care to existing patients at the Proton Center and that it will evaluate new patient requests for care on a case-by-case basis. UAMS also announced that if and when balances owed to UAMS are paid in full by the Proton JV, UAMS will resume proton treatment to all new patients. At this time, the Parent is unable to assess the impact that these actions will have on the Proton JV, its operations, and its ability to pay debt service on the Proton JV's bonds, but such impact will likely be adverse and may be material.

**Neither the Parent nor any of its affiliated entities are guarantors of the Proton JV bonds.** In its position as a minority member, the Parent continues to monitor the performance of the Proton JV.

### **Education Programs and Affiliations**

The LR Hospital serves as the pediatric teaching facility for the University of Arkansas for Medical Sciences ("UAMS"). UAMS was established in 1879 as the Medical Department of the Arkansas Industrial University. Today, it is a comprehensive health center with five colleges (medicine, nursing, pharmacy, health-related professions and public health) and a graduate school. UAMS education, service and research programs are closely integrated with ACH, the McClellan Veterans Administration Hospital adjacent to UAMS, and the North Little Rock Veterans Administration Hospital. The mission of UAMS is to provide exemplary and comprehensive education and training programs for the health professions, to offer health and medical services in order to meet the needs of patients in the State and region, and to conduct programs of research on human health and disease.

UAMS is the only health sciences university in the State. In July 1975, it was designated as one of the campuses within the University of Arkansas System, including the University of Arkansas at Fayetteville, the University of Arkansas at Little Rock, the University of Arkansas at Pine Bluff, the University of Arkansas at Monticello, the University of Arkansas at Fort Smith, and the Clinton School of Public Service.

In 1982, the Board of Directors of ACH and the Board of Trustees of the University of Arkansas, on behalf of UAMS, entered into an affiliation agreement to advance institutional academic programs as well as the health of the children of the State. The agreement recognizes that education and research programs comprise integral parts of a comprehensive healthcare program. The Parent's Chief Executive Officer and the UAMS Chancellor serve as the responsible officials of the two institutions in the administration of the affiliation agreement. An Affiliation Oversight Council ("AOC") serves as the single point of authority and accountability for the affiliation between the parties and provides joint governance of the strategic initiatives developed in order to achieve their common goal. The AOC is co-chaired by the CEO and Chancellor and consists of no more than eight (8) individuals mutually agreed upon by the co-chairs. It is intended that AOC members should collectively represent the leadership talents necessary to achieve the stated goals of the affiliation and strategic collaborations.

All active members of the UAMS medical faculty who deal with professional services for children are encouraged to apply for LR Hospital privileges. Patients seen in the LR Hospital inpatient and outpatient facilities are the clients of the LR Hospital and not of UAMS. ACH has agreed to provide space and adequate support functions for the student teaching programs and for the office and research needs of the assigned faculty.

The ACH Chief Medical Officer ("ACH CMO") is jointly appointed by the Parent's Chief Executive Officer and the Dean of the UAMS College of Medicine and is a UAMS faculty member. The ACH CMO is responsible to the Board of Directors through the Chief Clinical and Academic Officer and Chief Executive Officer for providing continuous overall medical perspective to operations of the LR Hospital. Medical perspective is the assessment and critique of patient care activities to determine whether the LR Hospital is achieving healthcare objectives, keeping scientifically competent and current, and evaluating medical staff performance within the context of meeting hospital accreditation requirements.

The ACNW Chief Medical Officer ("ACNW CMO") is appointed by the Parent's Chief Executive Officer. The ACNW CMO is responsible to the Board of Directors through the Chief Clinical and Academic Officer and Chief Executive Officer for providing continuous overall medical perspective to operations of the NW Hospital. Medical perspective is the assessment and critique of patient care activities to determine whether the NW

Hospital is achieving healthcare objectives, keeping scientifically competent and current, and evaluating medical staff performance within the context of meeting hospital accreditation requirements.

In 2026, ACNW entered into a clinical training affiliation agreement with the Alice L. Walton School of Medicine (AWSOM) to provide high-quality clinical learning experiences for medical students registered at AWSOM. ACNW will retain full authority and responsibility for patient care and quality standards and will maintain a level of care that meets generally accepted standards conducive to satisfactory instruction. While in ACNW's facilities, students will have the status of trainees, are not to replace ACNW staff, and are not to render unsupervised patient care and/or services. All services rendered by students must have educational value and meet the goals of the medicine education program. ACNW and its staff will provide such supervision of the educational and clinical activities as is reasonable and appropriate to the circumstances and to the student's level of training.

### **County Hospital Maintenance Tax Support**

In October 1978, a petition was filed with the County Clerk of Pulaski County, Arkansas (the "County"), pursuant to Amendment 32 to the Arkansas Constitution ("Amendment 32") to levy a one mill tax (which was later adjusted to approximately .6 of a mill as the result of a tax "roll-back") against taxable real and personal property located in the County for the purpose of maintaining, operating and supporting the LR Hospital as a county hospital (the "County Hospital Tax"). At the general election held in November 1978, the proposal for the County Hospital Tax was approved by a favorable vote of approximately 70% of the voters participating in the election. Following the approval of the County Hospital Tax, the County and ACH implemented the procedure for levy and collection of the tax by conveyance of legal title to the LR Hospital to the County and by leasing the LR Hospital back to ACH under a long-term operating lease placing complete responsibility for management of the LR Hospital in the ACH Board of Directors.

During the past five fiscal years, the following revenues from the County Hospital Tax were remitted to Arkansas Medicaid, on behalf of ACH, to be used as a match for supplemental Medicaid payments:

<b>Fiscal Year</b>	<b>Revenues</b>
2021	\$4,759,649
2022	\$4,780,792
2023	\$5,099,624
2024	\$5,456,673
2025	\$5,833,685

Under Section 3 of Amendment 32, the County Hospital Tax may be reduced or abolished at any time if (1) 100 electors of the County file a petition requesting such reduction or abolition and (2) a majority of the electors of the County approve such reduction or abolition at the next general election. Unless and until such action is taken, however, the tax will continue to be levied at the same rate and collected annually.

Management of ACH is not aware of any other facts or circumstances indicating that any unfavorable action with respect to the County Hospital Tax is likely, but no prediction or assurances can be given in that regard.

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**State Support**

Since 1929, the State has supported the LR Hospital with an annual appropriation. Beginning with \$29,000 the first year, the yearly total has grown to substantial amounts during the past years as described below. This support has been applied towards ACH's operating and capital needs.

*Operating Support.* The State's annual operating appropriations for the benefit of the LR Hospital are currently given to defray costs of delivery of healthcare services to indigents, to fund costs associated with the operation of the LR Hospital's Neonatal Intensive Care Unit, to fund costs of operating the Arkansas Reproductive Health Monitoring System, and to defray some general operating costs. The following table details revenues received by ACH from the State for operating support, other than provision of indigent healthcare, for the fiscal years indicated, which were remitted to Arkansas Medicaid, on behalf of the LR Hospital, to be used as a match for supplemental Medicaid payments:

<b>Fiscal Year</b>	<b>Operating Revenues Received</b>
2021	\$3,322,715
2022	\$3,382,486
2023	\$3,495,388
2024	\$3,209,759
2025	\$3,322,432

Beginning in 1983, the State has made additional annual appropriations to support ACH's provision of healthcare services to indigents. The following table details revenues from the State for indigent healthcare for the years indicated, which were remitted to Arkansas Medicaid, on behalf of the LR Hospital, to be used as a match for supplemental Medicaid payments:

<b>Fiscal Year</b>	<b>Revenues Received For Indigent Care</b>
2021	\$1,811,789
2022	\$1,994,758
2023	\$1,861,789
2024	\$1,991,435
2025	\$1,937,001

There can be no assurance that the State will continue to appropriate funds for the benefit of the LR Hospital in the future.

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## Goals and Strategic Initiatives

The 2025–2030 strategic planning process reflects the System’s continued commitment to advancing child health through bold innovation, expanded access, and exceptional care delivery. This process engaged a broad and diverse group of stakeholders across the System, incorporating leadership insight, clinical expertise, and community perspective to define the organization’s next phase of impact.

Guided by the mission to champion children by making them better today and healthier tomorrow, and the vision of unprecedented child health — defined, discovered and delivered, executive leadership established a strategic direction focused on transforming how pediatric care is discovered, delivered, and experienced across Arkansas and the broader region.

The System will advance its mission through three core enterprise priorities, supported by foundational operational enablers:

1. Revolutionize Medicine - The System will lead in advancing pediatric science and clinical innovation to address the most complex and critical child health needs. This includes:

- Expanding research in genomics, gene and cellular therapies, and biologics
- Advancing specialized programs in heart, neuroscience, maternal-fetal, and surgical care
- Integrating behavioral and mental health across care settings
- Accelerating discovery in areas such as critical illness, injury prevention, nutrition, and substance use

This priority ensures the System’s facilities remain a leading destination for cutting-edge pediatric care and research.

2. Regionalize Care - The System will expand access to high-quality pediatric care by building a comprehensive, connected regional care network. Key initiatives include:

- Expanding outpatient and specialty services across a multi-state region
- Strengthening critical care and neonatology capabilities statewide
- Launching virtual health and telehealth-enabled care models
- Establishing community-based partnerships to anchor services closer to home
- Developing a clinical trials network to ensure access to emerging therapies

This approach ensures that every child—regardless of geography—can access specialized pediatric care.

3. Realize Our Promise - The System will deliver exceptional value by improving outcomes, enhancing patient experience and reducing the burden of care. Core initiatives include:

- Standardizing clinical pathways and evidence-based care
- Improving care coordination and transition programs
- Expanding education and health literacy resources for families and communities
- Optimizing cost efficiency and resource utilization
- Strengthening a culture centered on compassion, quality, and patient experience

This priority reinforces a commitment to delivering the best outcomes with the lowest burden to patients and families.

To support these priorities, the System will invest in critical System-wide capabilities:

Workforce Excellence (Rely on Each Other):

- Recruitment, retention, training, and workforce well-being initiatives to support a high-performing, mission-driven team
- Operational Transformation (Remove Barriers)
- Strategic investments in digital infrastructure, artificial intelligence, facility expansion, and system efficiency
- Partnerships, Advocacy and Technology
- Strengthening external partnerships, advancing child health policy, and leveraging digital transformation to expand reach and impact

The System will measure success through five overarching aims:

- Lead in clinical outcomes, discovery, and resource stewardship
- Expand specialized services for complex and critically ill children
- Strengthen market presence and access across all regions
- Deliver care earlier, closer, and more efficiently
- Advance child health knowledge through research and education

Through execution of this strategic plan, the System will achieve:

- Improved quality and outcomes of care
- Reduced cost and burden of care delivery
- Expanded access and decreased patient travel
- Increased number of children served
- Accelerated research and innovation impact
- Sustained financial strength and strategic investment capacity

This strategic plan positions the System to lead the next generation of pediatric healthcare by combining innovation, access, and experience to meet the evolving needs of children and families. Through focused investment in people, programs, and infrastructure, the System will continue to deliver on its promise to improve child health outcomes across Arkansas and beyond.

### **Patient Care**

The LR Hospital is organized into inpatient and outpatient services to respond to a full range of patient needs, from well-baby checkups and immunizations to treatment of critically ill or injured children.

Inpatient units consist of:

- Neonatal Intensive Care
- Pediatric Intensive Care
- Heart Center
- Burn Center
- Cancer and Blood Disorders Center
- Medical/Surgical Units

Surgical services consist of:

- Operating Rooms
- Ambulatory Surgery
- Post Anesthetic Care Unit

Outpatient services consist of:

- Day Medicine
- Emergency Department
- More than 65 outpatient clinics, including the General Pediatric Clinic, Evening General Pediatric Clinic, and many Specialty Clinics (see below for the list of specialized clinics)
- Clinics in Southwest Little Rock, Jonesboro and Pine Bluff, Arkansas
- Kids Care: After-Hours Resource Line

Patient care services, which support inpatient and outpatient care at the LR Hospital, are:

- Imaging Capabilities (Diagnostic radiology, Magnetic Resonance Imaging (MRI), Computed Tomography (CT), Interventional - Radiology, Ultrasound and Nuclear Medicine)
- Magnetoencephalography (MEG) system
- Pathology and clinical laboratory services
- Extracorporeal Membrane Oxygenation (ECMO) program
- Cardiac diagnostic services and transplantation
- Clinical nutrition and dietetic services

- Pharmacy
- Anesthesia
- Rehabilitation (physical, occupational, orthotics, speech-language pathology and audiology)
- Respiratory/Pulmonary care
- Transport\*\*
- Renal Dialysis
- Sedation services
- Autologous and allogenic bone marrow transplantation

Patient support services, which support inpatient and outpatient care at the LR Hospital, are:

- Social work
- Interpreters
- Child life and education
- Pastoral care and palliative care
- Patient/family representatives
- Discharge planning
- Financial Counselors

\*\* ACH's transport system consists of five specialized ambulances designed for neonatal and pediatric transport, two Sikorsky S76 D helicopters which have been fitted out as mobile intensive care units, and access to fixed wing air ambulances as needed. The transport system serves a region with nearly a 300-mile radius and has transported patients from all over the United States for specialized treatment at the LR Hospital.

ACH operates over 150 clinics in the primary care, specialty and sub-specialty service lines described below. These clinics are located on the LR Hospital campus, in Pine Bluff, Jonesboro, West Little Rock, Southwest Little Rock, and school-based. Clinics are staffed by attending physicians and medical residents.

Adolescent Medicine	Nephrology
Allergy & Immunology	Neurology
Cardiology	Neurosurgery
Dental	Ophthalmology
Dermatology	Orthopaedics
Developmental Pediatrics	Otolaryngology
Endocrinology	Pediatrics
Gastrointestinal	Psychology
Genetics	Pulmonary
Gynecology	Rehab Medicine
Hematology & Oncology	Rheumatology
Infectious Disease	Surgery
Neonatology	Urology

The NW Hospital is organized into inpatient and outpatient services to respond to a full range of patient needs, from well-baby checkups and immunizations to treatment of injured children.

Inpatient units consist of:

- Medical/Surgical Units

Surgical services consist of:

- Operating Rooms
- Ambulatory Surgery
- Post Anesthetic Care Unit

Outpatient services consist of:

- Infusion Center

Patient care services, which support inpatient and outpatient care at the NW Hospital, are:

- Imaging Capabilities (Diagnostic radiology, Magnetic Resonance Imaging (MRI), Computed Tomography (CT), Interventional – Radiology, and Ultrasound)
- Pathology and clinical laboratory services
- Cardiac diagnostic services
- Clinical nutrition and dietetic services
- Pharmacy
- Anesthesia
- Rehabilitation (physical, occupational, speech-language pathology and audiology)
- Respiratory/Pulmonary care

Patient support services, which support inpatient and outpatient care at the NW Hospital, are:

- Social work
- Interpreters
- Child life and education
- Pastoral care
- Patient/family representatives
- Discharge planning
- Financial Counselors

ACNW operates over 30 clinics in the service lines described below on the main campus of the NW Hospital and at ACNW's Harvey Clinic location. Clinics are staffed by attending physicians and medical residents.

Adolescent Medicine	Neurosurgery
Allergy	Orthopaedics
Cardiology	Otolaryngology
Developmental Pediatrics	Pediatrics
Endocrinology	Psychology
Gastroenterology	Pulmonary
Genetics	Radiology
Gynecology	Rehab Medicine
Hematology & Oncology	Rheumatology
Infectious Disease	Surgery
Nephrology	Urology
Neurology	

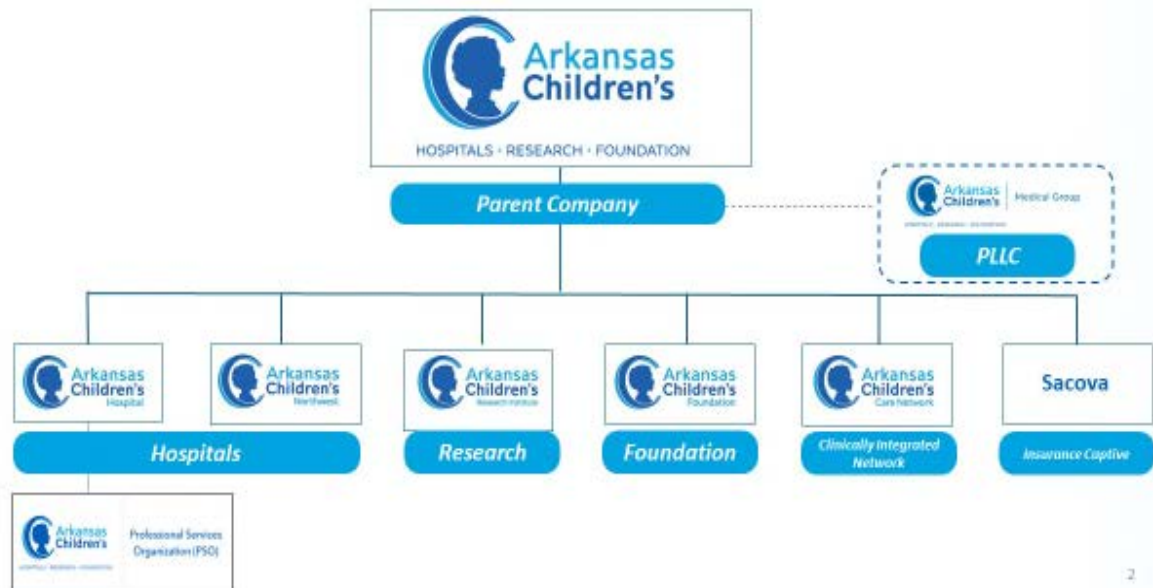
### **Community Network**

The LR Hospital interacts with various community organizations and State agencies involved with children, including the Arkansas Heart Association, Centers for Youth and Families, Cystic Fibrosis Foundation, Breakthrough T1D, Juvenile Diabetes Foundation, Epilepsy Foundation, Camp Aldersgate, Women and Children First, Arkansas Department of Human Services, Spinal Cord Commission, Arkansas Department of Health, Arkansas Minority Health Commission, Ronald McDonald House, Arkansas Department of Elementary and Secondary Education and most Arkansas school districts, Arkansas Hunger Relief Alliance and various Arkansas food banks, the City of Little Rock, Child Advocacy Centers of Arkansas, and Arkansas Advocates for Children & Families.

The NW Hospital also interacts with various community organizations and State agencies involved with children, including the Arkansas Heart Association, Cystic Fibrosis Foundation, Breakthrough T1D, Juvenile Diabetes Foundation, Epilepsy Foundation, Camp Aldersgate, Compassion House, Arkansas Department of Human Services, Spinal Cord Commission, Arkansas Department of Health, Arkansas Minority Health Commission, Ronald McDonald House, Arkansas Department of Elementary and Secondary Education and most Arkansas school districts, Arkansas Hunger Relief Alliance and the Northwest Arkansas Foodbank, Apple Seeds, Inc., the City of Springdale, Child Advocacy Centers of Arkansas, and Arkansas Advocates for Children & Families.

## Governing Body and Organization

The organizational chart below illustrates the governing structure of the Parent and ACH, ACNW, ACRI, the Foundation, ACCN, ACMG, SCV and APSCO.



### Arkansas Children's, Inc. (the "Parent")

The Articles of Incorporation and By-laws of the Parent provide that its business and affairs shall be conducted solely by a Board of Directors. The Board consists of fifteen (15) members, including the Chief Executive Officer of the Parent, but excluding Emeritus members. Directors are elected annually from among the citizens of the State for three-year terms. The present members of the Board of Directors, their principal occupations, and their years of service on the Board are as follows:

Name	Occupation/Affiliation	Date of Joining Board <sup>(1)</sup>
Mark McCaslin, Chair	Independent Consultant	October 1, 2009
Patrick Schueck, Vice Chair	President, Lexicon, Inc.	October 1, 2013
Sharilyn Gasaway, Treasurer	Public Company Board Member	August 1, 2012
John H. Bale, Jr.	Owner, Bale Automotive Group	October 1, 1974
Tom Baxter <sup>(2)</sup>	Partner, Friday, Eldredge & Clark, LLP	October 1, 1994
Ron Clark	General Counsel, The Stephens Group, LLC	October 1, 2003
Harry C. Irwin, III	Partner, Erwin & Company	October 1, 1990
Gary C. George	Chairman, George's Inc.	December 2, 2015
Paul Hart	Executive Vice Chairman, McLarty Auto Group; EVP/CFO, McLarty Companies	October 1, 2006
Sonja Yates Hubbard	Partner, Yates Group, Inc.	April 1, 2018
James L. "Skip" Rutherford, III	Former Dean, University of Arkansas Clinton School of Public Service	October 1, 1988
Jeff Nolan	Independent Director, Murphy Oil Corporation	October 1, 2009
Phillip Jett	CEO, Encore Bank	October 1, 2014
Jason LaFrance	Dale Capital Partners, President	April 1, 2013
Marcella L. Doderer	President & CEO, Arkansas Children's, Inc.	July 15, 2013
Charles Whiteside, Emeritus	Self-employed (investments)	October 1, 1974

(1) Including service on an Affiliate Board of Directors.

(2) Mr. Baxter is a partner with Friday, Eldredge & Clark, LLP, which firm is serving as Bond Counsel in connection with the issuance of the Series 2026 Bonds.

*Governance and Nominating Committee.* The Governance and Nominating Committee shall consist of the Chair of the Board of Directors and three or four additional members to be appointed annually by the Chair, subject to approval by the Board, or by the Board. The Governance and Nominating Committee shall advise the Board of Directors as to issues relating to the governance and corporate administration of the Parent and the remainder of the Arkansas Children’s health system.

*Financial Planning and Oversight Committee.* The Financial Planning and Oversight Committee shall consist of the Treasurer, as Chairman, and three other members of the Board of Directors appointed annually by the Chair of the Board, subject to approval by the Board, or by the Board. No director who receives compensation from the Parent or an Affiliate may serve as a member of the Financial Planning and Oversight Committee. Each member of the Committee shall be both independent and financially literate. At least one member shall qualify as a “financial expert,” as defined in Section 407 of the Sarbanes-Oxley Act of 2002 and the regulations thereunder. The Committee causes to be prepared and submitted to the Board of Directors the capital and operating budgets of the Parent and the other Affiliates, examines the monthly financial reports of each Affiliate, reviews internal auditing functions, engages the external audit firm, provides oversight for the corporate compliance program, among other finance-related duties.

*Investment Committee.* The Investment Committee consists of three or four members of the Board of Directors appointed annually by the Chair of the Board, subject to approval by the Board, or by the Board, as well as each of the Treasurers of the Parent, ACH, ACNW, the Foundation and ACRI Boards of Directors. The Investment Committee performs the following functions: (1) advises the Board of Directors on setting investment policies that define risk and return objectives, identify permitted investments and asset classes and any restrictions thereon, and provide guidelines on asset allocation; (2) authorizes the purchase and sale of securities and other investments; (3) advises the Board of Directors on the selection of investment managers and advisors; and (4) monitors the performance of investment managers and their compliance with policy. The Investment Committee also selects and monitors investment options and through its Administrative (ERISA) Committee and Plan Investment Committee, establishes investment policy for the employee pension plans of the Parent, ACH, ACNW and the other Affiliates.

*Strategy and Analytics Committee.* The Strategy and Analytics Committee consists of four or five members of the Board of Directors appointed annually by the Chair of the Board, subject to approval by the Board, or by the Board. The duties of the Strategy and Analytics Committee include (1) overseeing the standard of care, including coordinating the clinical and quality assurance activities of the System; (2) establishing the strategic orientation of the System, including goals related to growth and development; (3) overseeing efforts to improve the System’s data and analytics capabilities and adopt technological improvements; (4) interfacing with the fundraising efforts and marketing programs of the System; and (5) overseeing advocacy efforts, marketing and advertising, and government relations efforts for the System.

*Human Resources and Compensation Committee.* The Human Resources and Compensation Committee consists of three or four members of the Board of Directors appointed annually by the Chair of the Board, subject to approval by the Board, or by the Board. The Human Resources and Compensation Committee has authority and responsibility for reviewing and approving compensation policies, base salary and incentive compensation levels, executive retirement and other executive benefit plans for senior management.

**Arkansas Children’s Hospital (“ACH”)**

The Articles of Incorporation and By-laws of ACH provide that its business and affairs shall be conducted solely by a Board of Directors. The Board consists of fifteen (15) members, including the Chief Executive Officer of the Parent and the Chief of the LR Hospital’s Medical Staff, but excluding Emeritus Members. Directors are elected annually from among the citizens of the State for three-year terms. The present members of the Board of Directors, their principal occupations, and their years of service on the Board are as follows:

<b>Name</b>	<b>Occupation/Affiliation</b>	<b>Date of Joining Board</b>
Douglas Jackson, Chair	First Vice President, Wealth Management Advisor, Merrill Lynch	March 30, 2016
Trav Baxter, Vice Chair	Attorney, Mitchell Williams	January 1, 2021
Phillip Jett, Treasurer	Vice Chair and Chief Banking Officer, Encore Bank	October 1, 2014
Hunter Bale	Vice President, Bale Automotive Group	April 1, 2023
Missy Graham, MD	Community Physician, Allergy & Immunology	October 1, 2013

Richard F. Jacobs, MD	Retired Physician	January 1, 2006
Beverly Morrow	Owner, TLM Management	October 1, 2005
Holly Marr	Retired Executive	October 1, 2009
Pat McClelland	Professional Volunteer	October 1, 1993
Darrin Williams	CEO, Southern Bancorp, Inc.	January 1, 2021
Lynn Parker	Director, Parker Family Investment	January 1, 2025
Ruth Whitney	CEO, inVeritas	April 1, 2025
Bob Gunderman	CEO, BEG Advisory, LLC	January 1, 2026
Marcella L. Doderer	President & CEO, Arkansas Children's, Inc.	July 15, 2013
Aru Reddy, MD	Chief, Medical Staff, Arkansas Children's Hospital	July 1, 2025
Barbara Moore, Emeritus	Retired Accountant	October 1, 1986

*Quality and Safety Committee.* The Quality and Safety Committee shall consist of at least four directors appointed annually by the Chair of the Board of Directors, subject to approval by the Board, and shall also include the Chief of the Medical Staff, the Chief Medical Officer and the Chief Nursing Officer of ACH. The Quality and Safety Committee shall be responsible for providing oversight for quality improvement activities as related to quality and safety of patient care.

*Planning and Development Committee.* The Planning and Development Committee shall consist of at least four directors appointed annually by the Chair of the Board of Directors, subject to approval by the Board, and shall also include the Chief Financial Officer and the Chief Strategy Officer of the Parent. The Planning and Development Committee shall (1) cause to be prepared, and submit to the Board for its review and approval, an operating budget and a capital budget for the ensuing year; (2) oversee the development, implementation and updating of the LR Hospital's capital plans and programs; (3) review, provide oversight and make recommendations to the Board regarding new strategic initiatives and review and evaluate performance against ACH's business development goals; and (4) oversee the conduct of the ACH community health needs assessment.

#### **Arkansas Children's Northwest, Inc. ("ACNW")**

The Articles of Incorporation and By-laws of ACNW provide that its business and affairs shall be conducted solely by a Board of Directors. The Board consists of not less than twelve (12) nor more than fifteen (15) members, including the Chief Executive Officer of the Parent and the Chief of the NW Hospital's Medical Staff. Directors are elected annually from among the citizens of the State for three-year terms. The present members of the Board of Directors, their principal occupations, and their years of service on the Board are as follows:

<b>Name</b>	<b>Occupation/Affiliation</b>	<b>Date of Joining Board</b>
K.C. Tucker, Chair	Owner, The Law Group of Northwest Arkansas, LLP	April 1, 2019
Aaron J. Marshall, Vice Chair	Founder/CEO, Team Marshall Angus	April 1, 2023
Steve Stafford, Treasurer	President & CEO, Anstaff Bank	January 1, 2023
Noel White	Retired Executive	January 1, 2020
Ron Clark	Senior Advisor, The Stephens Group, LLC	December 2, 2015
Gary C. George	Chairman, George's Inc.	December 2, 2015
Pat McClelland	Professional Volunteer	December 2, 2015
Celia Swanson	Owner, The Swanson Group	January 1, 2023
Barbara Tyson	Retired Executive	July 1, 2017
Silvia Azrai Kawas	EVP Merchandising, Consumables, Walmart	May 1, 2025
John Spollen, MD	Associate Dean for NW Arkansas College of Medicine	October 1, 2025
Naccaman Williams	Retired Director, Walton Family Foundation	April 1, 2026
Nick Hobbs	COO, JB Hunt Transport Services	April 1, 2024
Marcella L. Doderer	President & CEO, Arkansas Children's, Inc.	December 2, 2015
Kevin Hinkle, MD	Chief, Medical Staff, Arkansas Children's Northwest	July 1, 2024

*Quality and Safety Committee.* The Quality and Safety Committee shall consist of at least four directors appointed annually by the Chair of the Board of Directors, subject to approval by the Board, and shall also include the Chief of the Medical Staff, the Chief Medical Officer and the Chief Nursing Officer of ACNW. The Quality and Safety Committee shall be responsible for providing oversight for quality improvement activities as related to quality and safety of patient care.

*Planning and Development Committee.* The Planning and Development Committee shall consist of at least four directors appointed annually by the Chair of the Board of Directors, subject to approval by the Board, and shall also include the Chief Financial Officer and the Chief Strategy Officer of the Parent. The Planning and Development Committee shall (1) cause to be prepared, and submit to the Board for its review and approval, an operating budget and a capital budget for the ensuing year; (2) oversee the development, implementation and updating of the NW Hospital's capital plans and programs; (3) review, provide oversight and make recommendations to the Board regarding new strategic initiatives and review and evaluate performance against ACNW's business development goals; and (4) oversee the conduct of the ACNW community health needs assessment.

*Business Transactions with Members of the Boards of Directors.* The Parent, ACH, ACNW and the other Affiliates may from time to time invest certain funds with, and procure goods and services from, institutions and companies affiliated with or controlled by various members of their Boards of Directors, where the Parent, ACH, ACNW or an Affiliate has a need for the goods or services offered by any such persons, institutions or companies, and where the terms and conditions of such transactions and the compensation paid would be as favorable in all material respects as the Parent, ACH, ACNW or the Affiliate could obtain from unaffiliated or unrelated persons. All members of the Boards of Directors disclose any conflicts of interest on an annual basis. All members of the Boards of Directors also abstain from discussing or voting on any matters in which they may have a conflict of interest. Determination of whether a listed conflict is material is determined by the corporate compliance officer, with advice from legal counsel if uncertain. During the year, while members of the Boards of Directors may participate in initial discussion, members who have a conflict are prohibited from participating in deliberations and decisions in related transactions and abstain from voting, which is noted in the Board minutes.

### **Arkansas Children's Research Institute, Inc. and Arkansas Children's Foundation**

The Arkansas Children's Research Institute, Inc. ("ACRI") was incorporated in 1990 to provide both the research infrastructure and facilities for faculty members who practice at the LR Hospital, most of whom are also members of the faculty of UAMS. Research studies at ACRI address a broad spectrum of children's health concerns and aim to improve the health of children, families and their communities through clinical, basic science, translational, health promotion, health outcomes, health services, and prevention research. The entire research enterprise is part of a three-fold mission in efforts to provide (1) the best in clinical care to the children of Arkansas, (2) excellent medical education, and (3) research capabilities to expand the boundaries of child healthcare. The Board of Directors of the Parent recognizes that research is the cornerstone of every world-class health science center as it is essential in making state-of-the-art clinical treatments available to patients and advances knowledge of the disease process.

Over 200,000 square feet of space is currently available for research activities on the LR Hospital campus. This space encompasses the ACRI building, the Arkansas Children's Nutrition Center (ACNC), approximately 5,340 square feet of research space in the Sturgis building, approximately 10,000 square feet in Professional Building II, approximately 3,000 square feet in Professional Building I, and approximately 14,000 square feet in the Pediatric Clinical Research Unit located in the Arkansas Children's Hospital Champions Pavillion. Animal research facilities, as well as laboratories and office space, are provided for research. There are presently over 175 investigators on the LR Hospital campus.

The Arkansas Children's Foundation, Inc. (the "Foundation") was incorporated in 1982 with the exclusive mission of developing and implementing plans to meet fund-raising requirements for the System. The Foundation is responsible for raising private support for ACH, ACNW and ACRI, including restricted and unrestricted gifts for operations, capital needs and endowment. Over the last five fiscal years, the Foundation has raised approximately \$188 million in donations to benefit ACH, ACNW and ACRI. In December 2025, Arkansas Children's received a \$50 million unrestricted gift from philanthropist, entrepreneur and child health advocate, B. Thomas Golisano, through the Golisano Foundation. In honor of his investment, the Arkansas Children's Little Rock campus will be named the Arkansas Children's Golisano Campus.

## **Administrative**

The day-to-day management of the System is the responsibility of the Chief Executive Officer and her executive leadership team. The Chief Executive Officer is hired by the Parent's Board of Directors and has the authority to select the members of the executive staff. Key members of the executive staff and a brief biography of each follow:

*Marcella L. Doderer, FACHE*, is President and Chief Executive Officer of the System. Ms. Doderer became President and Chief Executive Officer on July 15, 2013. Prior to her role at Arkansas Children's, she served as a member of senior leadership for CHRISTUS Santa Rosa Health System in various capacities since 2002. Ms. Doderer became Administrator for CHRISTUS Santa Rosa Children's Hospital in 2008 and led the effort to transform the facility into the free standing Children's Hospital of San Antonio. Her previous leadership experience includes positions at CHRISTUS St. Joseph's Health System and McCuiston Regional Medical Center, both in Paris, Texas, and at Presbyterian Hospital of Dallas, Dallas, Texas.

Ms. Doderer is a Fellow in the American College of Health Care Executives (ACHE), is active in numerous professional organizations, and currently serves on the Board of Directors of the Children's Hospital Association. Within Arkansas, Ms. Doderer is a member of Fifty for the Future and the Little Rock Regional Chamber Board of Directors. Ms. Doderer's leadership has been recognized both locally and nationally, and she was recently named one of Becker's "Women hospital and health system presidents and CEOs to know" in 2025. She obtained her Bachelor of Science degree in Finance from Trinity University, San Antonio, Texas, and Master of Arts degree in Hospital and Health Administration from the University of Iowa.

*Jamie Wiggins Ph.D., MBA, RN, NEA-BC, FACHE*, serves as the Executive Vice President/Chief Operating Officer for Arkansas Children's. Prior to his role at Arkansas Children's, Dr. Wiggins served as Senior Vice President, Chief Clinical Officer & Chief Nursing Officer at Children's Hospital New Orleans. He earned his Associate degree in Nursing from Pitt Community College, Bachelor of Science degree in Nursing from the University of San Francisco, Master of Science degree in Nursing and Health Systems Leadership from the University of California San Francisco, Master of Business Administration degree from Nicholls State University, and PhD in Nursing from LSU Health Sciences Center in New Orleans.

*Brandon Yoder, CPA (inactive), MBA*, serves as Executive Vice President and Chief Financial Officer for Arkansas Children's Hospital. Prior to joining Arkansas Children's, Mr. Yoder served as Vice President of Finance for Children's Healthcare of Atlanta in Atlanta, Georgia. He earned his Bachelor of Science degree in Accounting at Purdue University and Master of Business Administration degree from Indiana University.

*Brent Thompson, J.D.*, serves as Arkansas Children's Executive Vice President/Chief Legal Officer. Prior to joining Arkansas Children's, he served as Chief Legal Officer for Cape Fear Valley Health System in Fayetteville, North Carolina. Mr. Thompson earned his law degree at the University of Tulsa College of Law and is an alum of the University of Oklahoma in Norman.

*Karen Farst, MD, MPH*, is the Chief Medical Officer of the LR Hospital. Dr. Farst is Chief of Child Maltreatment services and holder of the Jerry G. Jones Endowed Chair in Child Maltreatment. She is Professor of Pediatrics at UAMS and serves as the Medical Director of the inpatient and outpatient units for the Team for Children at Risk at ACH. Dr. Farst received a Bachelor of Arts degree in Psychology from Texas Tech University and earned her medical degree from Texas Tech University Health Sciences Center. She completed a residency in Internal Medicine and Pediatrics at UAMS. Following three years of primary care practice, she completed a fellowship in Child Abuse Pediatrics with the Mayerson Center for Safe and Healthy Children at Cincinnati Children's Hospital. Dr. Farst is board certified by the American Board of Pediatrics in both General Pediatrics as well as Child Abuse Pediatrics.

*Fred Scarborough, CFRE*, serves as Executive Vice President/Chief Development Officer for Arkansas Children's. Previously, Mr. Scarborough served as President of Arkansas Children's Foundation, as Senior Vice President for Major Gifts – ACF, as Director of Development for the Arkansas Symphony Orchestra, and as Director of Development for Meals on Wheels (CareLink). He holds a Bachelor of Arts degree in Communications from the College of the Ozarks, Point Lookout, Missouri, and a Master of Arts degree from the Fulbright College of Fine Arts at the University of Arkansas at Fayetteville.

*Crystal Kohanke, MS, PHR, SHRM-CP, ACC*, serves as Executive Vice President/Chief People Officer for Arkansas Children's. She most recently served as Group Vice President of Human Resources for CHRISTUS Health

South Texas, where her responsibilities included the Children's Hospital of San Antonio. Ms. Kohanke earned a Bachelor of Business Administration degree in Accounting from St. Mary's University and a Master of Science degree in Human Resource Management Systems from Chapman University.

*Ashlie Hilbun, Ed.D., FACHE, CFRE*, serves as Executive Vice President/Chief Strategy & Communications Officer for Arkansas Children's. Previously, Ms. Hilbun served in the Arkansas Children's Foundation as Vice President of Philanthropy. She has also served as a Senior Development Officer and as Executive Director of Philanthropy for Arkansas Children's Foundation. Before joining the Arkansas Children's team, she led development and external relations for the University of Arkansas J. William Fulbright College of Arts and Sciences. Ms. Hilbun earned a doctorate of education from the University of Arkansas, holds a Master's degree in social work from Tulane University, and is a graduate of Centenary College of Louisiana in Shreveport.

*Erin Parker, FACHE, CHCIO, MBA, CHC, CHPC, CHRC*, serves as the Executive Vice President/Chief Information Officer for Arkansas Children's. She most recently served as Vice President/System Compliance Officer for Arkansas Children's. Ms. Parker holds a Master of Business Administration degree from the University of Arkansas at Little Rock and a Bachelor's degree in Professional Accountancy from Ouachita Baptist University.

*Jason Williams, Psy.D., M.S. Ed.*, serves as Senior Vice President/Chief Mental and Behavioral Health Officer at Arkansas Children's and Division Chief of Child and Adolescent Psychiatry at the University of Arkansas for Medical Sciences (UAMS). Prior to joining Arkansas Children's, Dr. Williams served as Associate Professor of Psychiatry at the University of Colorado School of Medicine, and as the Director of Operations in the Pediatric Mental Health Institute at Children's Hospital Colorado. He received his Master's degree in education from the University of Southern California, and his Doctoral degree from the California School of Professional Psychology in Los Angeles, California. He completed an internship and postdoctoral training program at the Children's Hospital in Los Angeles.

*Ryan Solomon, JD, MPS*, serves as Senior Vice President of Hospital Operations for Arkansas Children's Hospital. Previously Mr. Solomon served as interim SVP and Chief Administrator at Arkansas Children's Northwest and Vice President and General Counsel for Arkansas Children's prior to that. Mr. Solomon holds a B.A. in Political Science and a Juris Doctor from the University of Arkansas, a Master's Degree in Public Service from the Clinton School of Public Service and has received the National Diversity Council's DiversityFIRST™ Certified Diversity Executive (DFCDE) designation.

*Bridget Norton, MD, MBA*, serves as Vice President/Chief Quality and Safety Officer for Arkansas Children's. In addition to her extensive clinical experience, specialized in Cardiac Critical Care, she has exceptional experience in Quality and Safety leadership, Clinical Quality Improvement, Clinical Risk and Patient Safety, Patient Safety Data Systems, Accreditation and Regulatory functions, Infection Prevention, Physician Engagement and Retention and Medical Staff functions. Dr. Norton received her medical degree from the Saint Louis University School of Medicine, completed her Pediatric Residency at Children's Memorial, Northwestern in Chicago and completed her Pediatric Critical Fellowship at Rainbow Babies and Children's Hospital in Cleveland. She subsequently joined the Children's Nebraska faculty in Omaha and held many leadership positions there, including Director of Cardiac Critical Care and Director of ECMO. While in Nebraska, she also completed an Executive MBA in Healthcare Management at Creighton University.

*William Steinbach, MD*, serves as Pediatrician in Chief for Arkansas Children's Hospital and holds the Robert H. Fiser, Jr. MD Endowed Chair in Pediatrics. He also serves as the Chair of Pediatrics and Associate Dean for Child Health at the University of Arkansas for Medical Sciences College of Medicine. Prior to arriving in Arkansas, Dr. Steinbach was the Samuel L. Katz Distinguished Professor of Pediatrics, Vice Chair of Research, Director of the Children's Clinical Research Unit, and Chief of Pediatric Infectious Diseases at Duke University. He holds a Bachelor of Science degree from the University of Notre Dame, a medical degree from the University of North Carolina, and completed a pediatric residency at Stanford University and a pediatric infectious diseases fellowship at Duke University.

*Todd Maxon, MD*, serves as Surgeon in Chief for Arkansas Children's Hospital and holds the Rachel Fuller Endowed Chair in Burn. He also serves as a Professor of Surgery at the University of Arkansas for Medical Sciences. He led the creation of the first Level I Pediatric Trauma Centers in the south-central US, in Dallas and Austin Texas. Returning to Arkansas in 2009, he led the creation of the Level I Center at ACH as well as the Arkansas Trauma System. He completed a biochemistry degree from Texas A&M University, medical school at the University of Texas

Medical Branch in Galveston, general surgical residency at the University of Arkansas for Medical Sciences and a Pediatric Surgical Fellowship at Baylor College of Medicine.

*Rustin Morse, MD, MBA*, serves as Senior Vice President/Chief Administrator for Arkansas Children's Northwest. Prior to Arkansas Children's, Dr. Rustin served as Chief Medical Officer at Nationwide Children's Hospital. He was also the Chief Quality Officer at Children's Medical Center of Dallas, now part of Children's Health, and served as Medical Director for Quality at Phoenix Children's Hospital. He received his bachelor's degree from the State University of New York at Oswego and his Medical Degree from the State University of New York Health Science Center at Syracuse (now Upstate Medical University). He then completed his pediatric residency at Children's Hospital of Pittsburgh and his pediatric emergency medicine fellowship at Children's Memorial Hospital (now Ann & Robert H. Lurie Children's Hospital of Chicago). In 2012, he received a Master of Medical Management degree from the University of Southern California, Marshall School of Business.

*Ryan McDonough, DO, FAAP*, is the Chief Medical Officer and Vice President at Arkansas Children's Northwest. Dr. McDonough received his undergraduate Bachelor of Arts Degree from Creighton University in 2006. After finishing his medical school training at Des Moines University in 2010, he completed a general pediatrics residency, and pediatric endocrinology & diabetes fellowship at Children's Mercy Kansas City. He then served as the Medical Director of Diabetes, and the Chief Medical Informatics Officer. He is triple board certified in General Pediatrics, Pediatric Endocrinology & Diabetes, and Clinical Informatics.

*Mark Ranatza, MHA, BSN, RN*, serves as Chief Nursing Officer for Arkansas Children's Northwest. Before joining Arkansas Children's, Mr. Ranatza served as assistant vice president of hospital operations at Manning Family Children's (formerly Children's Hospital New Orleans), where he played a key role in expanding behavioral health services, including leading the development of a 70,000-square-foot behavioral health center. He graduated from Louisiana State University in 2010 with a Bachelors of Science degree, and then went on to Louisiana State University Health Science Center to obtain a Bachelors in Nursing degree. Additionally Mr. Ranatza received a Masters in Health Care Administration degree from Louisiana State University - Shreveport.

*Tamara T. Perry, MD, FAAP, FAAAAI*, serves as Interim President for Arkansas Children's Research Institute and is a Professor of Pediatrics at the University of Arkansas for Medical Sciences and Arkansas Children's Hospital. Dr. Perry holds the Dr. and Mrs. Leeman King Endowed Chair in Pediatric Allergy. Dr. Perry is a researcher at the Arkansas Children's Hospital Research Institute and the Medical Director of Telehealth at Arkansas Children's Hospital. She received her M.D. in 1997 from the University of Arkansas for Medical Sciences and completed a combined Internal Medicine and Pediatrics residency at the University of Arkansas for Medical Sciences and Arkansas Children's Hospital in 2001. She completed Allergy and Immunology Fellowship training at Johns Hopkins Hospital in Baltimore, Maryland. She joined the faculty of UAMS in August 2004 where she is a member of the Division of Pediatric Allergy/Immunology.

*Enid Olvey, CFRE*, serves as Senior Vice President of Philanthropy for Arkansas Children's/President for Arkansas Children's Foundation. A member of the Arkansas Children's team since 2003, Ms. Olvey has held many roles in the Foundation. Olvey holds a Bachelor of Arts degree in Psychology from Lyon College.

*Heather Haerberle, MHA, RN, NE-BC, DNP*, serves as the Senior Vice President and Chief Nursing Officer for Arkansas Children's Hospital. Previous positions held include the Assistant Vice President Nursing and Director, Newborn Center and Vascular Access Services, Texas Children's Hospital, Houston TX. Dr. Cherry holds a Doctor of Nursing Practice from the Cizik School of Nursing, The University of Texas Health Science Center, a Master of Health Administration, Saint Louis University School of Public Health, and a Bachelor of Science degree in Nursing, Jewish Hospital College of Nursing and Allied Health, Saint Louis, Missouri.

*Alison Ziari, M.D., M.S.*, serves as senior vice president of the Arkansas Children's Practice Plan and president of the Arkansas Children's Professional Services Organization (ACPSO). Dr. Ziari is a pediatrician and physician executive with more than 20 years of leadership experience across large, multi-specialty medical groups and integrated health systems. Dr. Ziari received her M.D. from University of Texas Health Science Center at San Antonio. She completed a Pediatric Residency at University of Texas Houston Medical School. Dr. Ziari also has an M.S. degree in Healthcare Management from the University of Texas at Dallas.

## **Medical Administration**

Physicians practicing at the LR Hospital are formally organized as a Medical Staff under Medical Staff by-laws. The LR Hospital Medical Staff officers and a brief biography of each follow:

*Aru Reddy, MD*, is the elected Chief of the Medical Staff of the LR Hospital. Dr. Reddy is the Professor of Anesthesiology at UAMS. Dr. Reddy trained originally as an Obstetrician/ Gynecologist in India. She completed her residency in anesthesiology at University of Kentucky followed by a fellowship in Pediatric Anesthesiology at Cincinnati Children's Hospital in Ohio in 2003. Dr. Reddy received her Masters of Business Administration degree from the Gatton College of Business and Economics at the University of Kentucky in 2018. She is a board certified pediatric anesthesiologist and is the Chief of Pediatric Anesthesia at the LR Hospital.

*Steve Schexnayder, MD*, is the Immediate Past Chief of Staff at the LR Hospital and is a Professor of Pediatrics and Internal Medicine at UAMS/ACH. As a UAMS med/peds-trained physician who now practices pediatric critical care, emergency medicine, and procedural sedation at ACH, he also practiced outpatient internal medicine at UAMS for the first 20 years of his academic career. He remains board-certified in pediatric critical care, general pediatrics, and internal medicine. He held a number of leadership positions in the UAMS Dept. of Pediatrics through most of his career, including Section Chief of Critical Care for 20 years, Vice Chair of Education for approximately a decade, and has been the department's Executive Vice Chair since 2017.

Physicians practicing at ACNW are formally organized as a Medical Staff under Medical Staff by-laws. The NW Hospital Medical Staff officers and a brief biography of each follow:

*Kevin Hinkle, MD*, is the elected Chief of the Medical Staff of the NW Hospital and is the Director of Pediatric Cardiology at the NW Hospital and an Associate Professor of Pediatrics at the University of Arkansas for Medical Sciences (UAMS). Dr. Hinkle earned his undergraduate degree in Biology at Hendrix College and his medical degree at UAMS. He completed his Pediatric residency at Children's Mercy Kansas City and a Pediatric Cardiology Fellowship at Primary Children's Hospital in Salt Lake City, Utah where he served as Pediatric Cardiology Chief Fellow. He serves as an American College of Cardiology Fellow/Diplomat and is board-certified in both General Pediatrics and Pediatric Cardiology.

*Robert L. Saylor III, MD*, is the Immediate Past Chief of the Medical Staff of the NW Hospital and is the Medical Director of the Hematology and Oncology service and of the Infusion Center at the NW Hospital. He is a Professor of Pediatrics in the Department of Pediatrics at the University of Arkansas for Medical Sciences and is the distinguished recipient of the Jaxon C. Lee and Robert L. Saylor III, MD, Endowed Chair in Pediatric Hematology and Oncology at Arkansas Children's. Dr. Saylor received his undergraduate degree at Louisiana State University in Shreveport and his medical degree at Louisiana State University School of Medicine in Shreveport. He completed his residency in Pediatrics at Arkansas Children's Hospital and the University of Arkansas for Medical Sciences and his fellowship in Pediatric Hematology and Oncology at St. Louis Children's Hospital and Washington University School of Medicine in St. Louis, Missouri.

## **Medical Staffs**

The Active Medical Staff of the LR Hospital consists of physicians who admit patients at the LR Hospital; provide care in the LR Hospital's Emergency Department; provide consultation at an Arkansas Children's Hospital site; or are assigned call coverage at the LR Hospital on a regular basis. They must attend at least one Medical Staff General meeting during the year, have a right to vote and to hold office, and may be asked to serve on Medical Staff committees. The Courtesy Medical Staff consists of physicians or dentists qualified for staff membership but who may not admit, treat or write orders. They may visit their patients and document in the progress notes. They may order outpatient diagnostic testing; are eligible to vote but not hold office; are eligible for membership on the Executive Committee but are not required to serve on Medical Staff committees; and are not required to attend the mandatory Medical Staff General meeting. The Medical Staff has an Executive Committee, which meets monthly. The Executive Committee represents and acts on behalf of the Medical Staff.

46. As of April 20, 2026, there were 673 physicians on the LR Hospital's medical staff with an average age of

Staff Classification	Number of Physicians
Active	536
Courtesy	60
Limited Active Staff	26
Consulting	28
Coverage	<u>23</u>
Total:	<u>673</u>

Physicians on the LR Hospital's Medical Staff are classified by specialty and board certification as of April 20, 2026, and are as follows:

Physician Primary Specialty	Number of Physicians	Number of Board Certified Physicians
Adolescent Medicine	4	4
Allergy & Immunology	14	14
Anesthesiology	74	67
Burn Surgery	2	2
Cardiology	44	44
Cardiovascular Surgery	3	3
Children at Risk	6	5
Critical Care Medicine	15	15
Dentistry	25	17
Dermatology	2	2
Developmental & Behavioral Pediatrics	6	5
Emergency Medicine	47	44
Endocrinology	9	8
Gastroenterology & Nutrition	13	13
General Pediatrics	87	77
General Surgery	18	17
Gynecology	3	3
Hematology/Oncology	16	16
Hospitalist	29	29
Infectious Diseases	9	8
Medical Genetics	5	5
Neonatology	46	45
Nephrology	9	9
Neurology	16	14
Neurosurgery	6	6
Ophthalmology	17	11
Orthopedic Surgery	22	19
Otolaryngology	14	12
Pathology	40	38
Plastic & Reconstructive Surgery	5	4
Psychiatry	12	7
Pulmonology	11	11
Radiology	33	24
Rehabilitation & Physical Medicine	3	3
Rheumatology	5	5
Urology	<u>3</u>	<u>3</u>
Total:	<u>673</u>	<u>609</u>

Set forth below are tables detailing the service and admission volume of the LR Hospital's top ten physicians based on their respective percentage of net revenues, along with their percentage of total admissions during the fiscal years ended June 30, 2025 and 2024.

Physician Specialty	Percent of FY 2025 Admissions	Percent of Total FY 2025 Net Revenue
Pediatrics	3.53%	1.02%
Pediatrics	3.42%	1.13%
Pediatrics	2.77%	0.79%
Pediatrics	2.56%	0.70%
Pediatrics	2.55%	0.61%
Pediatrics	2.43%	0.78%
Pediatrics	2.36%	0.75%
Pediatrics	2.20%	0.94%
Pediatrics	2.19%	0.58%
Internal Medicine	2.19%	0.73%
Total:	<u>26.20%</u>	<u>8.03%</u>

Physician Specialty	Percent of FY 2024 Admissions	Percent of Total FY 2024 Net Revenue
Pediatrics	3.44%	0.88%
Pediatrics	3.14%	0.91%
Pediatrics	2.88%	1.08%
Pediatrics	2.58%	0.82%
Pediatrics	2.55%	0.74%
Pediatrics	2.51%	0.64%
Pediatrics	2.36%	0.63%
Internal Medicine	2.30%	0.81%
Pediatrics	2.19%	0.58%
Pediatrics	1.99%	0.55%
Total:	<u>25.94%</u>	<u>7.64%</u>

No single physician has accounted for more than 3.53% of LR Hospital admissions during either of the last two fiscal years.

The Active Medical Staff of the NW Hospital consists of physicians who admit patients at the NW Hospital; provide care in the NW Hospital's Emergency Department; provide consultation at an Arkansas Children's Northwest site; or are assigned call coverage at the NW Hospital on a regular basis. They must attend at least one Medical Staff General meeting during the year, have a right to vote and to hold office, and may be asked to serve on Medical Staff committees. The Courtesy Medical Staff consists of physicians or dentists qualified for staff membership but who may not admit, treat or write orders. They may visit their patients and document in the progress notes. They may order outpatient diagnostic testing; are eligible to vote but not hold office; are eligible for membership on the Executive Committee but are not required to serve on Medical Staff committees; and are not required to attend the mandatory Medical Staff General meeting. The Medical Staff has an Executive Committee, which meets monthly. The Executive Committee represents and acts on behalf of the Medical Staff.

As of April 20, 2026, there were 409 physicians on the NW Hospital's medical staff with an average age of 45.

Staff Classification	Number of Physicians
Active	208
Courtesy	6
Limited Active Staff	86
Consulting	15
Coverage	<u>94</u>
Total:	<u>409</u>

Physicians on the NW Hospital's Medical Staff are classified by specialty and board certification as of April 20, 2026, and are as follows:

<b>Physician Primary Specialty</b>	<b>Number of Physicians</b>	<b>Number of Board Certified Physicians</b>
Adolescent Medicine	3	3
Allergy & Immunology	9	9
Anesthesiology	27	24
Cardiology	29	29
Children at Risk	5	5
Critical Care Medicine	14	14
Dentistry	17	15
Emergency Medicine	28	27
Endocrinology	9	8
Gastroenterology	11	11
General Pediatrics	34	31
General Surgery	19	19
Gynecology	3	3
Hematology/Oncology	15	15
Hospice & Palliative Care	1	1
Hospitalist	27	27
Infectious Diseases	9	8
Medical Genetics	4	4
Nephrology	8	8
Neurology	15	13
Neurosurgery	3	3
Ophthalmology	7	5
Orthopedic Surgery	23	19
Otolaryngology	15	13
Pathology	15	15
Plastic Surgery	2	2
Psychiatry	7	7
Pulmonology	10	10
Radiology	24	17
Rehabilitation & Physical Medicine	4	4
Rheumatology	4	4
Sports Medicine	5	5
Urology	3	3
<b>Total:</b>	<b><u>409*</u></b>	<b><u>381</u></b>

\* Of the 409 physicians on the medical staff, 99 are on the medical staff of the NW Hospital only and 310 are on the medical staffs of both the NW Hospital and the LR Hospital.

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Set forth below are tables detailing the service and admission volume of the NW Hospital's top ten physicians based on their respective percentage of net revenues, along with their percentage of total admissions during the fiscal years ended June 30, 2025 and 2024.

Physician Specialty	Percent of FY 2025 Admissions	Percent of Total FY 2025 Net Revenue
Hospitalist/Pediatrics	13.63%	3.60%
Hospitalist/Pediatrics	12.21%	2.80%
Hospitalist/Pediatrics	11.83%	2.49%
Hospitalist/Pediatrics	10.74%	3.06%
Hospitalist/Pediatrics	10.65%	2.50%
Hospitalist/Pediatrics	10.07%	2.55%
Hospitalist/Pediatrics	9.82%	1.96%
Hospitalist/Pediatrics	8.18%	1.71%
General Surgery	1.64%	0.48%
Hematology & Oncology	1.55%	0.34%
Total:	<u>90.32%</u>	<u>21.49%</u>

Physician Specialty	Percent of FY 2024 Admissions	Percent of Total FY 2024 Net Revenue
Pediatrics	13.65%	3.14%
Pediatrics	12.60%	2.84%
Pediatrics	11.06%	2.48%
Pediatrics	7.55%	1.55%
Hematology & Oncology	6.41%	1.44%
Pediatrics	5.09%	1.09%
Pediatrics	5.05%	1.21%
Emergency Medicine	3.51%	0.79%
Pediatrics	2.15%	0.46%
General Surgery	1.84%	0.52%
Total:	<u>68.91%</u>	<u>15.52%</u>

### Nursing Staffs

The nursing complement of the LR Hospital, as of March 31, 2026, consisted of 1,575 direct care registered nurses, 40 direct care licensed practical nurses, and 276 direct care patient care technicians/care partners. There were 138 indirect care and management registered nurses.

The nursing complement of the NW Hospital, as of March 31, 2026, consisted of 299 direct care registered nurses, 6 direct care licensed practical nurses, and 35 direct care patient care technicians/care partners. There were 18 indirect care and management registered nurses.

Together with the support of the Board of Directors and the implementation of aggressive recruitment strategies, the LR Hospital and the NW Hospital continue to remain competitive in RN salaries, benefits and professional development. Recruiting efforts include, but are not limited to, the following: robust online recruiting which includes videos and direct response e/mailings; partnerships with various job boards and resume data warehouses; partnerships with various candidate sourcing platforms; mailers to home addresses; and deepened recruiting/relationships at nursing schools across the southern states. In addition, nursing/clinical job fairs are hosted throughout the year both on site and virtually to target experienced staff. Significant referral bonuses have been offered for experienced clinical staff. Additionally, an international recruiting strategy has been implemented, with seven international RNs presently employed at the LR Hospital and one international RN presently employed at the NW Hospital.

The LR Hospital has a Versant Nursing Residency Program. The NW Hospital also has a Nurse Residency Program. These programs have resulted in tremendous growth in both the number and quality of applicants from within and outside the State. The number of new graduate nurses starting at the LR Hospital increased by 11% between 2022 and 2026, and the number of new graduate nurses starting at the NW Hospital increased by 92%.

The LR Hospital was re-designated as a Magnet facility in 2022, recognizing nursing excellence. In addition, both the LR Hospital and the NW Hospital continue to place high value on important recognition programs such as the DAISY Award for Extraordinary Nurses as well as the annual Excellence in Nursing Awards.

The LR Hospital and NW Hospital have experienced higher RN turnover rates post-COVID than previously. FY24 ended at 18.7%, FY25 ended at 13.4% and FY26 YTD is at 17.5%.

**Other System Employees**

As of March 31, 2026, the System employed 4,657 full-time equivalent employees. A breakdown of the employees, by area of service, is as follows:

<b>Area of Service</b>	<b>Number of Full-Time Equivalents</b>
Administrative Services	1,298
General Services	426
Medical Services	779
Nursing Services	1,675
Other	<u>479</u>
Total:	<u>4,657</u>

Administrative Services includes those employees in the administrative, business office, social services, admissions, pastoral care and patient care technicians of the System. General Services includes maintenance, communication services, pharmacy, guards and security employees. Medical Services includes those employees involved in laboratory, cardiology, audiology, dental, neurophysiology, radiology, respiratory therapy, transport, physical therapy and occupational therapy services. Nursing Services includes all nurses and nurse's aides. Other refers to unit secretaries and surgical non-nursing, medical records, materials management, personnel, public relations and quality management employees.

The System continually evaluates its regional competitiveness in the employment market through wage and salary surveys on annual basis. Merit increases have been in place each year with appropriate market salary adjustments implemented when needed to maintain market competitiveness. Management believes that the wages, salaries and benefits presently paid to its employees are average to above average of those paid by other hospitals in its service areas. In January of 2023, a tiered insurance premium plan based upon income was introduced, with some employees being eligible for \$0 premiums. In 2025, the System launched parental bonding leave, allowing new parents up to an additional 4 weeks of time off at 100% salary support.

Over the past three years, Arkansas Children’s has received consistent national and state recognition as a leading employer in healthcare. The organization has been recognized multiple times by Forbes, including America’s Best Large Employers (2026), Best Employers by State (2025), Best Employers for Women (2025), Best Employers for Healthcare Professionals (2025), and Best Employers for Company Culture (2025), reflecting strong performance in employee engagement and workplace culture. In addition, Newsweek has recognized Arkansas Children’s across several categories, including America’s Greatest Workplaces for Diversity (2024), America’s Greatest Workplaces for Women (2024), and America’s Greatest Workplaces for Mental Wellbeing (2024), highlighting its commitment to inclusion and employee wellbeing. The organization has also been included by Becker's Hospital Review as one of the 150 Top Places to Work in Healthcare (2024). Collectively, these recognitions reflect Arkansas Children’s sustained investment in workforce experience, culture, and leadership, reinforcing its position as an employer of choice both regionally and nationally.

There are no collective bargaining agreements presently in effect with System employees nor, to management's knowledge, are there any ongoing efforts to seek organized employee representation. Since 1999, the System has hired an external company to conduct employee opinion surveys. In these years, the System scored well compared to other healthcare institutions surveyed and has shown significant improvement, primarily due to the System's ability to address and effectively implement changes based on employees' concerns. The System achieved top decile performance in the latest Employee Engagement survey in accordance with the Viva Glint Healthcare benchmark.

## Historical Utilization

The following table summarizes historical utilization at the LR Hospital for the fiscal years ended June 30, 2021 through June 30, 2025:

	2021	2022	2023	2024	2025
Admissions	13,388	15,374	15,637	15,834	15,743
Average Stay (days)	5.56	5.68	5.79	5.84	5.84
Patient Days	71,395	85,024	89,010	89,910	89,929
Average Daily Census	195.6	232.9	243.9	245.7	246.4
No. of Operating Beds	336	322	326	328	328
Occupancy Percentage <sup>1</sup>	58.2%	72.4%	74.8%	74.8%	75.3%
Outpatient Visits	231,228	256,816	263,576	272,686	300,859
ER Visits <sup>2</sup>	48,852	62,600	67,375	65,579	63,644
Total Surgeries	14,525	14,926	16,115	15,743	16,722

<sup>1</sup> Based on operating beds

<sup>2</sup> Not included in Outpatient Visits above

The following table summarizes historical utilization at the NW Hospital for the fiscal years ended June 30, 2021 through June 30, 2025:

	For Years Ended June 30				
	2021	2022	2023	2024	2025
Admissions	2,173	3,088	4,035	4,249	4,715
Average Stay (days)	1.86	2.09	2.01	1.96	1.97
Patient Days	3,880	6,137	7,661	7,950	8,624
Average Daily Census	10.6	16.8	21.0	21.7	23.6
No. of Operating Beds	24	24	28	28	28
Occupancy Percentage <sup>1</sup>	44.3%	70.0%	75.0%	77.6%	82.3%
Outpatient Visits	42,298	50,266	79,451	83,867	92,768
ER Visits <sup>2</sup>	22,594	38,205	45,913	44,950	46,164
Total Surgeries	3,397	3,889	5,285	5,868	6,749

<sup>1</sup> Based on 24 operating beds and 4-bed clinical decision unit opened in fiscal year 2023

<sup>2</sup> Not included in Outpatient Visits above

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**LR Hospital Market Share**

The LR Hospital's primary care service area (PCSA) is Pulaski County in central Arkansas, the location of the LR Hospital. The secondary care service area (SCSA) is seen as the entire State.

The most recent estimates show that the LR Hospital has a 98.2% market share for "pediatric inpatient services" in the PCSA and a 81.7% market share in the SCSA.

**LR Hospital Service Area**

The LR Hospital serves patients from throughout the State and, on occasion, from other states and countries. In the fiscal year ended June 30, 2025, the LR Hospital drew approximately 72.0% of its outpatients and 58.7% of its inpatients from Pulaski County and the surrounding counties of Saline, Faulkner, Lonoke and Jefferson, as well as from White County in north central Arkansas, Garland County in west central Arkansas, Benton and Washington Counties in the northwest corner of the State, and Pope County in northwest central Arkansas. Approximately 34.5% of outpatient discharges and 23.7% of inpatient discharges in fiscal year 2025 came from Pulaski County.

Fiscal Year 2025 inpatient and outpatient discharges from the LR Hospital are summarized as follows:

<b>Service Area</b>	<b>Inpatient Discharges Fiscal Year 2025</b>	<b>Percent of Inpatient Discharges</b>	<b>Outpatient Discharges Fiscal Year 2025</b>	<b>Percent of Outpatient Discharges</b>
Pulaski County	3,612	23.7%	125,681	34.5%
Saline County	969	6.4%	26,984	7.4%
Faulkner County	871	5.7%	45,804	12.6%
Lonoke County	706	4.6%	24,603	6.7%
White County	538	3.5%	7,116	2.0%
Garland County	525	3.4%	3,187	0.9%
Washington County	504	3.3%	8,468	2.3%
Benton County	457	3.0%	1,790	0.5%
Jefferson County	422	2.8%	13,044	3.6%
Pope County	348	2.3%	5,515	1.5%
Other Counties in Arkansas	5,602	36.9%	97,461	26.7%
Outside Arkansas	<u>664</u>	<u>4.4%</u>	<u>4,850</u>	<u>1.3%</u>
<b>Totals:</b>	<u>15,218</u>	<u>100.0%</u>	<u>364,503</u>	<u>100.0%</u>

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## NW Hospital Market Share

The NW Hospital's primary care service area (PCSA) is seen as the three-county northwest Arkansas region comprised of Washington, Benton and Madison Counties. The secondary care service area (SCSA) is seen as the twelve county area of northwest Arkansas comprised of Baxter, Boone, Carroll, Crawford, Franklin, Johnson, Logan, Marion, Newton, Pope, Scott and Sebastian counties.

The most recent estimates show that the NW Hospital has a 76.9% market share for "pediatric inpatient services" in its PCSA. The market share for the twelve county SCSA is absorbed into the System calculation for the State.

## NW Hospital Service Area

In the fiscal year ended June 30, 2025, the NW Hospital drew approximately 76.9% of its outpatients and 66.0% of its inpatients from Washington and Benton Counties in northwest Arkansas.

Fiscal Year 2025 inpatient and outpatient discharges from the NW Hospital are summarized as follows:

Service Area	Inpatient	Percent of	Outpatient	Percent of
	Discharges	Inpatient	Discharges	Outpatient
	Fiscal Year 2025	Discharges	Fiscal Year 2025	Discharges
Washington County	1,811	41.0%	44,128	31.8%
Benton County	1,103	25.0%	62,691	45.1%
Sebastian County	378	8.6%	6,811	4.9%
Crawford County	230	5.2%	5,936	4.3%
Madison County	90	2.0%	4,289	3.1%
Franklin County	81	1.8%	1,880	1.4%
Logan County	74	1.7%	827	0.6%
Boone County	67	1.5%	733	0.5%
Carroll County	50	1.1%	1,986	1.4%
Stone County	34	0.8%	416	0.3%
Other Counties in Arkansas	141	3.3%	3,695	2.6%
Outside Arkansas	<u>354</u>	<u>8.0%</u>	<u>5,540</u>	<u>4.0%</u>
Totals:	<u>4,413</u>	<u>100.0%</u>	<u>138,932</u>	<u>100.0%</u>

## Demographic Data

The following population data for selected Arkansas counties is provided by the United States Census Bureau.

Primary Service Area	2000	2010	2020	Percent Change	
	Census	Census	Census	2000-2010	2010-2020
Pulaski County	361,474	382,748	399,125	5.9%	4.3%
Faulkner County	86,014	113,237	123,498	31.7%	9.1%
Saline County	83,529	107,118	123,416	28.2%	15.2%
Lonoke County	52,828	68,356	74,015	29.4%	8.3%
Jefferson County	84,278	77,435	67,260	-8.1%	-13.2%
Washington County	157,715	203,065	245,065	28.8%	20.7%
Benton County	153,406	221,339	284,333	44.3%	28.5%

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Arkansas has a relatively diversified employment base. State government and medical care providers employ a significant number of the State's employees. The top 20 largest employers in the State for 2024 are shown below (Source: *Arkansas Business*).

<b>Employer</b>	<b>Employees</b>
Wal-Mart Stores, Inc.	55,660
University of Arkansas System	31,000
State of Arkansas	24,979
Tyson Foods Inc.	24,000
U.S. Government	21,900
Baptist Health	11,309
University of Arkansas for Medical Sciences	10,894
Mercy Health System	6,422
J.B. Hunt Transport Services Inc.	6,100
Dollar General Corp.	5,360
Arkansas Children's Inc.	5,252
Simmons Foods Inc. & Affiliates	4,900
George's Inc.	4,800
St. Bernard's Healthcare Inc.	4,675
Harps Food Stores Inc.	4,271
Amazon.com Inc.	4,000
Arvest Bank Group Inc.	3,893
FedEx Corp.	3,886
CHI St. Vincent	3,713
Arkansas State University System	3,414

The following statistics summarize recent employment trends for the calendar years 2024 and 2025 (Source: Arkansas Division of Workforce Services and St. Louis Federal Reserve):

<b>Area</b>	<b>2024</b>		<b>2025</b>	
	<b>Number Employed</b>	<b>Rate of Unemployment</b>	<b>Number Employed</b>	<b>Rate of Unemployment</b>
Pulaski County	192,152	3.5%	195,994	4.3%
Washington County	131,814	2.7%	137,904	3.2%
Benton County	158,537	2.7%	165,945	3.1%
State of Arkansas	1,362,381	3.5%	1,377,756	4.1%
United States	161,348,000	4.0%	163,551,000	4.3%

The following table, for the most recent years available, indicates the total reported value of new privately-owned residential building permits issued within the Little Rock-North Little Rock-Conway MSA (encompassing Pulaski County) and the Fayetteville-Springdale-Rogers MSA (encompassing Benton and Washington Counties) for the calendar years indicated (Source: U.S. Census Bureau):

	<b>2022</b>	<b>2023</b>	<b>2024</b>
LR-NLR-Conway MSA	\$ 605,051,000	\$ 567,166,000	\$ 621,027,000
Fayetteville-Springdale-Rogers MSA	\$1,883,685,000	\$1,753,069,000	\$2,101,989,000

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The following table, for the most recent years available, provides per capita personal income for Pulaski County, Washington County, the State, and the United States for the calendar years indicated (Source: St. Louis Federal Reserve):

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Pulaski County	\$ 55,853	\$ 61,313	\$ 60,467	\$ 64,790	\$ 67,740
Washington County	\$ 44,910	\$ 49,802	\$ 49,314	\$ 51,419	\$ 54,752
Benton County	\$ 83,109	\$105,578	\$108,539	\$116,244	\$120,594
State of Arkansas	\$ 47,000	\$ 52,872	\$ 55,299	\$ 57,603	\$ 59,663
United States	\$ 59,159	\$ 64,659	\$ 66,257	\$ 69,965	\$ 73,231

**Historical Financial Performance**

The System maintains its financial records on the basis of a fiscal year ending June 30. Set forth in Appendix C to the Official Statement to which this Appendix A is attached are the consolidated financial statements of the Parent for the fiscal years ended June 30, 2025 and June 30, 2024. All of the consolidated entities are under common control. Certain assets of ACH were transferred to the Foundation in 1985 and to ACRI in 1990, which represented the initial years of operation for each entity. The Parent, ACH, ACNW, the Foundation, ACRI and ACMG are each tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code.

The notes set forth in Appendix C are an integral part of the consolidated financial statements, and the statements and notes should be read in their entirety.

The following consolidated statements of operations for the fiscal years ended June 30, 2025, 2024 and 2023, are derived from the audited consolidated financial statements set forth in Appendix C.

The consolidated statements of operations should be read in conjunction with the audited consolidated financial statements and notes in Appendix C and the other financial information included herein.

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## CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended June 30		
	2023	2024	2025
Revenues, gains and other support:			
Net patient service revenue	\$841,191,482	\$870,188,806	\$957,941,560
Specific purpose grants	47,175,941	54,568,587	60,999,523
Supplemental Medicaid reimbursement	44,985,196	45,296,820	46,603,401
Other	36,063,758	34,890,027	43,948,455
Net assets released from restrictions and used for operations	<u>12,633,548</u>	<u>16,398,598</u>	<u>14,636,027</u>
Total revenues, gains and other support	<u>982,049,925</u>	<u>1,021,342,838</u>	<u>1,124,128,966</u>
Expenses:			
Salaries and wages	401,762,690	410,784,632	433,765,387
Employee benefits	69,666,735	74,990,193	80,688,916
Supplies and pharmaceuticals	156,114,099	171,440,664	197,880,816
Professional fees	112,751,170	122,331,250	137,753,744
Purchased services	106,987,287	119,084,650	130,720,710
Depreciation	49,855,193	49,306,333	46,441,126
Interest	6,440,792	6,292,993	5,990,177
Utilities	6,583,160	6,132,807	5,687,759
Insurance	4,819,774	8,238,001	7,263,497
Other	<u>14,586,977</u>	<u>16,716,859</u>	<u>17,923,664</u>
Total expenses	<u>929,567,877</u>	<u>985,318,382</u>	<u>1,064,115,796</u>
Income from operations	<u>52,482,048</u>	<u>36,024,456</u>	<u>60,013,170</u>
Nonoperating revenues, gains, expenses and losses:			
Contributions	12,011,065	14,545,826	12,331,232
Investment income	21,846,347	31,702,801	34,464,043
Gain on sales of investments	942,886	7,243,076	11,181,593
Other (loss)/gain on investments	(1,101,394)	18,851,771	28,413,451
Other gains/(losses)	537,844	556,102	272,296
Fundraising expenses	<u>(8,281,961)</u>	<u>(9,119,869)</u>	<u>(9,635,778)</u>
Net nonoperating revenues, gains, expenses and losses	<u>25,954,787</u>	<u>63,779,707</u>	<u>77,026,837</u>
Excess of revenues and gains over expenses and losses	78,436,835	99,804,163	137,040,007
Other changes in net assets without donor restrictions:			
Net unrealized gain on investments – available for sale	4,375,398	6,340,115	16,008,227
Net assets released from restrictions used for purchase of property and equipment	3,147,821	6,361,629	21,748,515
Grant funds used to purchase capital assets	2,065,968	892,142	4,263,875
Gift Annuity reserve	(105,798)	(18,640)	-
Transfer of net assets	<u>27,449</u>	<u>(185,405)</u>	<u>(260,109)</u>
Increase in net assets without donor restrictions	<u>\$ 87,947,673</u>	<u>\$ 113,194,004</u>	<u>\$ 178,800,515</u>

*Management's Discussion of Operating Results.* The following is a brief discussion by management concerning the consolidated revenue and expenses of the consolidated System for the fiscal years ended June 30, 2025 and 2024:

**Revenue:** Net patient service revenue for the consolidated System in fiscal year 2025 was \$957,941,560, an increase of 10.1% over fiscal year 2024 net patient service revenue of \$870,188,806.

The volumes at the LR Hospital for fiscal year 2025 as compared to fiscal year 2024 reflected (i) a decrease of 0.6% in admissions, (ii) an increase of 0.2% in patient days, (iii) an increase of 10.3% in outpatient visits, (iv) a decrease of 3.0% in emergency department visits, and (v) an increase of 6.2% in total surgeries. Total occupancy increased 0.7% and the average length of stay remained constant at 5.84 days.

The volumes at the NW Hospital for fiscal year 2025 as compared to fiscal year 2024 reflected (i) an increase of 11.0% in admissions, (ii) an increase of 8.5% in patient days, (iii) an increase of 10.6% in outpatient visits, (iv) an increase of 2.7% in emergency department visits, and (v) an increase of 15.0% in total surgeries. Total occupancy increased 6.1% and the average length of stay increased from 1.96 days to 1.97 days.

The System is committed to working with others to achieve high quality, cost-effective, fully accessible services for all children in Arkansas and maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for the services furnished under the System's financial assistance policy, which is applicable to both the LR Hospital and the NW Hospital. The following information estimates the level of charity care provided by the LR Hospital and the NW Hospital, based on gross charges and costs, during the fiscal years ended June 30, 2025 and 2024.

	<b>FY 2025</b>	<b>FY 2024</b>
Charity discounts for patient care	\$50,332,110	\$33,843,790
Cost of charity care	\$31,600,000	\$18,500,000

During the fiscal years ended June 30, 2025 and 2024, the System's consolidated gross patient service revenue at established rates less third-party payor contractual adjustments consisted of the following:

	<b>FY 2025</b>	<b>FY 2024</b>
Patient service revenue	\$1,938,445,814	\$1,705,848,543
Less contractual allowances and implicit price concessions	<u>(980,504,254)</u>	<u>(835,659,737)</u>
Net patient service revenue	<u>\$ 957,941,560</u>	<u>\$ 870,188,806</u>

As of April 2026, the System's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through the year ended June 30, 2022. Any differences between estimated settlements and actual settlements will be recorded in the year the cost report is settled by the intermediary, typically after the fiscal intermediary's audit, or when information is available to management that a change in the estimate is warranted. During the fiscal year ended June 30, 2025, net patient service revenue increased approximately \$6,700,000, and during the fiscal year ended June 30, 2024, net patient service revenue increased approximately \$2,600,000, each as a result of changes in prior year estimates, from final Medicaid settlements, and from changes in management estimates for related reserves.

Total other operating revenue for the System was \$166,187,406 for fiscal year 2025 as compared to \$151,154,032 for fiscal year 2024, which was an increase of approximately 10.0%. 340B Contract Pharmacy revenue increased \$7,161,632 primarily due to a ruling handed down by the U.S. Court of Appeals for the Eighth Circuit that upheld the State's 340B Drug Pricing Non-discrimination Act. As a result of this ruling, claims that were previously ineligible were qualified and claims that were not previously eligible of \$3.2 million from fiscal year 2022 through fiscal year 2024 were reprocessed and received in fiscal year 2025. Other operating revenue also includes an increase in specific grant revenue of \$6,430,936.

**Expenses:** Total operating expenses for the System increased approximately 8.0% in fiscal year 2025 as compared to fiscal year 2024, mainly due to higher patient volumes which resulted in increased salary and benefit costs, supply costs and professional fees. Salary and benefit costs increased approximately 5.9% and FTEs increased by 186. Consolidated FTE's/Adjusted Occupied Bed were 8.94 in fiscal year 2025 compared to 8.76 in fiscal year 2024. Supplies, including pharmaceuticals, increased 15.4% due in part to a full year of the availability of the ACH specialty pharmacy, which had an increase in drug expenses of \$9,562,323 in fiscal year 2025 compared to fiscal year 2024. Professional fees increase 12.6%. In addition, the increase in specific purpose grant revenue of \$6,430,936 had offsetting expenses of the same amount.

**Income from Operations:** The System's income from operations for fiscal year 2025 was \$60,013,170 compared to \$36,024,456 for fiscal year 2024.

**Excess of Revenue and Gains over Expenses and Losses:** The consolidated System's excess of revenues and gains over expenses and losses was \$137,040,007 in fiscal year 2025 as compared to \$99,804,163 in fiscal year 2024, due in part to recording net market gains on investments of \$28,413,451 in fiscal year 2025, compared to net market gains on investments of \$18,851,771 in fiscal year 2024. The consolidated System had an operating margin of 5.3% and an excess margin of 11.4% in fiscal year 2025, compared to the fiscal year 2024 operating margin of 3.5% and excess margin of 9.2%.

**Net Unrealized Investment Gains and Losses without Donor Restriction:** For internally managed available-for-sale debt securities, which are excluded from the excess of revenues and gains over expenses and losses, the consolidated System reported an increase in unrealized gains of \$16,008,227 for fiscal year 2025 compared to unrealized gains of \$6,340,115 for fiscal year 2024.

The following information provides the portfolio structure of the System for the fiscal years ended June 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Cash (Treasury MM mutual fund)	12.56%	13.00%
Fixed	59.16%	58.93%
Equity	22.72%	22.48%
International	4.71%	4.73%
Other	<u>0.85%</u>	<u>0.86%</u>
Total:	<u>100.00%</u>	<u>100.00%</u>

ACH is currently reimbursed for allowable costs for both inpatient and outpatient services provided to Arkansas Medicaid and Medicare recipients at the LR Hospital. Following is an analysis of ACH's sources of gross revenue for fiscal year 2025:

	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
Medicaid	67.02%	54.14%	62.13%
Medicare	1.53%	0.55%	1.16%
Managed Care	28.52%	38.96%	32.49%
Self-Pay	0.81%	3.40%	1.79%
Other	<u>2.12%</u>	<u>2.95%</u>	<u>2.43%</u>
Total:	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

ACNW is currently reimbursed for allowable costs for both inpatient and outpatient services provided to Arkansas Medicaid and Medicare recipients at the NW Hospital. Following is an analysis of ACNW's sources of gross revenue for fiscal year 2025:

	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
Medicaid	53.44%	52.51%	52.69%
Medicare	0.06%	0.20%	0.18%
Managed Care	42.80%	42.84%	42.83%
Self-Pay	2.16%	2.91%	2.76%
Other	<u>1.54%</u>	<u>1.54%</u>	<u>1.54%</u>
Total:	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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## Miscellaneous

*Budgeting Process.* The budgeting process is designed to control and monitor the financial operation of the Parent and its subsidiaries. Projecting the patient volumes for the upcoming year is the initial step in the budgeting process because volumes determine the revenue and the salary expense for the hospitals, which are based primarily on productivity benchmarks for the units of service. The leadership team makes this determination based on several factors. The Strategy department provides an environmental scan of the current market data, the Chief Strategy Officer and the Vice President of Practice Plan review the existing provider workforce and the recruitment of providers for the upcoming budget year and the Chief Operating Officer, the Chief Nursing Officer, Chief Medical Officer and other operational leaders review historical, current and forecasted volume trends. After extensive review of this data and other relevant factors, the Chief Executive Officer, the Executive Vice Presidents and the Senior Vice Presidents set the budget volumes and other assumptions for the upcoming budget year. Once these assumptions have been determined, the finance departments begin working with each department in the preparation of a detailed budget of revenues and expenses for the next fiscal year, primarily utilizing a zero based budgeting approach. The initial drafts of these departmental budgets, along with the budget assumptions, are then distributed to the department directors. The department directors, in turn, confer with physicians and supervisory staff to assess the adequacy of existing equipment, facilities and staff in light of these projections. Upon review of their departmental budgets, department directors may submit requests for budget amendments to senior administration for review and approval. During the time between the initial preparation of a budget and its final approval, the Chief Executive Officer, Executive Vice Presidents and Senior Vice Presidents, in close cooperation with Finance, review the budget. Management then presents a completed budget to each Affiliate's Board of Directors, which is then recommended to the Parent's Board of Directors for final approval.

The administrative staff is required to review and monitor the performance of each department in compliance with the budget approved by the Parent's Board of Directors for the fiscal year. Monthly comparisons between budgeted and actual performance are reviewed by department directors and administrative staff. Significant variances are reported to the Chief Executive Officer, Executive Vice Presidents and Senior Vice Presidents for review and evaluation and, where indicated, remedied.

*Insurance and Employee Benefits.* The System is self-insured with respect to claims paid for employee health care and dental care. Estimates of health insurance claims incurred but unpaid are accrued based on the System's past experience, as well as other considerations, including the nature of claims and relevant trends. The System actively promotes, through programs and plan design, a culture of wellness among its employees to impact medical claim cost through medical claim prevention and claim reduction. The System recoups some of the cost of health insurance benefits through premium charges to employees and maintains stop-loss insurance coverage with respect to the employer share of medical insurance claims costs. See Note 10 to the audited consolidated financial statements of the Parent for the fiscal years ended June 30, 2025 and 2024, attached as Appendix C to the Official Statement to which this Appendix A is attached.

Sacova Insurance Company, Ltd., a single parent captive insurance company domiciled in the Cayman Islands ("SCV"), was formed in 2018 to provide professional and general liability and workers' compensation insurance coverage to the System effective July 1, 2018. All claims incurred from July 1, 2018 forward are covered under the captive entity, and the tail liability for professional and general claims not reported prior to July 1, 2018, remains \$25,000. Under the terms provided by the captive entity, coverage for professional and general liability is \$2,000,000 and \$1,000,000, respectively, indemnity and expense limit on a mature claims made basis. The System carries an umbrella liability policy in the amount of \$25,000,000 to cover professional and general liability claims in excess of \$2,000,000 and \$1,000,000, respectively. The System also maintains excess worker's compensation insurance which will reimburse 100% of the cost of each employee's claim in excess of \$500,000, up to the policy limits. The System also maintains Directors & Officers liability insurance. See Note 10 to the audited consolidated financial statements of the Parent for the fiscal years ended June 30, 2025 and 2024, attached as Appendix C to the Official Statement to which this Appendix A is attached.

The System maintains commercial property insurance coverage in the amount of approximately \$1.25 billion (including real and personal property as well as business income protection).

The Parent has a contributory 403(b) tax-sheltered annuity plan for the benefit of substantially all of its employees. Employer contributions are made based on the employees' respective contributions, and are vested based on the years of service of the individual employees. Since July 2002, the System has sponsored a defined contribution retirement plan covering substantially all employees meeting certain eligibility requirements. Employer contributions

are made at the direction of the Parent's Board of Directors. In fiscal years 2025 and 2024, the Board authorized a contribution to the discretionary defined contribution plan equal to 1% and 2% of eligible employee compensation, respectively, for such years. The Parent has also established nonqualified deferred compensation plans under Internal Revenue Code Section 457(b) and Internal Revenue Code Section 457(f). See Note 11 to the audited consolidated financial statements of the Parent for the fiscal years ended June 30, 2025 and 2024, attached as Appendix C to the Official Statement to which this Appendix A is attached.

The System provides fully-insured basic group term life insurance with accidental death and dismemberment benefits to eligible employees. Employer provided group short-term and long-term disability insurance coverage for eligible employees is in place to provide employees partial income replacement for non-occupational medical disabilities. Both disability plans are fully-insured with rates determined by the insurance carrier and based on actuarial and underwriting considerations.

*Accreditation and Licenses.* The LR Hospital and the NW Hospital are fully accredited under the DNV – NIAHO Hospital Accreditation Program, licensed by the Arkansas Department of Health, and approved for participation in the Medicare and Medicaid programs by the United States Department of Health and Human Services and the State. The LR Hospital and the NW Hospital are also accredited by the College of American Pathologists. In addition, the LR Hospital is accredited by the Centers for Medicare and Medicaid Services for the Organ Transplant Program and the Renal Dialysis Program. The LR Hospital and the NW Hospital are members of the American Hospital Association, the Arkansas Hospital Association and the Children's Hospital Association.

*Volunteer Programs.* The Volunteer Engagement and Child Health Services Department coordinates the activities of a diverse group of volunteers at the LR Hospital and the NW Hospital. As of April 23, 2026, 130 persons at the LR Hospital and 186 persons at the NW Hospital volunteered a collective 16,142 hours. In-service volunteers are required to be at least 14 years of age and agree to serve a regular placement of at least 36 hours a year as juniors and 72 hours a year as adults. Volunteers who supported Child Life and Education programming contributed the largest amounts of volunteer hours. Volunteers serve in a variety of roles. Volunteers assist the staff in playrooms, gift shops, in patient areas, the ambulatory surgery area, classrooms, and assist with wayfinding. Junior Volunteers (ages 14-18) serve in gift shops, in art carts in waiting areas, in the ACH Family Resource Center, and with wayfinding. In-service volunteers meet all Occupational Safety and Health Administration (OSHA), Arkansas State Department of Health, and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) regulations. The System's Volunteer Engagement Department is directed and managed by a director, two volunteer managers, and three coordinators.

The Volunteer Engagement and Child Health Resources Department is also responsible for processing in-kind donations. Donations of toys, educational materials, arts and crafts, and other handmade items are processed and distributed strategically throughout the System. In-kind donors are also stewarded through this department. As of April 23, 2026, for fiscal year 2026, ACH and ACNW had received items valued at approximately \$860,000 from 1,282 individual donors and groups.

The Foundation directs the following volunteer programs which are primarily responsible for fundraising events and activities: Arkansas Children's Hospital Auxiliary (approximately 550 members); and the Arkansas Children's Northwest Auxiliary (approximately 150 members). The Arkansas Children's Hospital Auxiliary raised approximately \$1.65 million, and the Arkansas Children's Northwest Auxiliary raised approximately \$418,000 for the Foundation during the fiscal year ended June 30, 2025.

*Litigation.* The System is insured by several claims-made liability policies, including medical malpractice, general liability and Directors & Officers liability insurance. Estimated liabilities of \$7,083,000 and \$5,979,000 were accrued as of June 30, 2025 and 2024, respectively. At March 31, 2026, estimated liabilities were approximately \$7,560,000.

Under Arkansas law, the Parent and its affiliate entities have been recognized as charitable institutions immune from tort liability or execution in the enforcement of a judgment in a tort action. There is no assurance that the doctrine of charitable immunity will be held to apply to the System in future litigation, but previously decided case law would support such a holding.

There are no proceedings pending against the System, or to its knowledge, threatened against it, which may not be adequately covered by SCV or the System's reserves and insurance policies or which, in the opinion of management, could have a materially adverse effect on the System's financial position. See Note 10 to the audited consolidated financial statements of the Parent for the fiscal years ended June 30, 2025 and 2024, attached as Appendix C to the Official Statement to which this Appendix A is attached.

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## **APPENDIX B**

### **DEFINITIONS**

Set forth below are the definitions of certain terms used in this Official Statement, the Loan Agreement, the Indenture and the Guaranty Agreements.

“Accountant” or “Accountants” shall mean an Independent certified public accountant or a firm of Independent certified public accountants to whom the Trustee makes no reasonable objection.

“ACH” shall mean Arkansas Children’s Hospital, an Arkansas nonprofit corporation, an Affiliate of ACNW and one of the Guarantors of the Series 2026 Bonds.

“ACH Facilities” shall mean the health care facilities operated by ACH, including land, buildings and equipment.

“ACNW” or “Corporation” shall mean Arkansas Children’s Northwest, Inc., a nonprofit corporation organized and existing under the laws of the State, and its successors and assigns.

“ACNW Guaranty” shall mean collectively, the Guaranty Agreements dated as of June 1, 2016 and June 15, 2023, and June 30, 2026, by and between ACNW and Bank OZK (formerly Bank of the Ozarks), Little Rock, Arkansas, pursuant to which ACNW guarantees the payment of the Pulaski County Bonds and pledges and grants a security interest in the Gross Receipts of ACNW as security for the Pulaski County Bonds.

“ACNW Representative” shall mean any Person or Persons designated to act on behalf of ACNW by an Officer’s Certificate.

“Act” shall mean Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated, as amended and enacted from time to time.

“Additional Bonds” shall mean Bonds authorized to be issued by the Issuer on a parity with the Series 2016 Bonds and the Series 2026 Bonds pursuant to the provisions of Article IV of the Indenture.

“Additional Facility” shall mean (1) any additional real property, including real property not contiguous to or connected to the Facility as it then exists, provided that such real property must be functionally integrated to the use to which the Facility is put, with any equipment and other personalty located thereon or therein, or (2) any improvement, addition, enlargement, extension or alteration of or to the Facility.

“Additional Notes” shall mean Notes of ACNW issued under the Loan Agreement on a parity with the Series 2016 Note and the Series 2026 Note issued by ACNW, and purchased by the Issuer to secure Additional Bonds.

“Additional Payments” shall mean payments to be made by ACNW pursuant to Section 502 of the Loan Agreement.

“Additional Pulaski County Bonds” shall mean Pulaski County Bonds authorized pursuant to the provisions of Sections 3.05 and 3.06 of the Pulaski County Indenture.

“Administrator” shall mean the officer or officers performing functions of the president, chief executive officer, chief operating officer or chief financial officer of ACNW or chief operating officer or officers of the Facility and so designated by ACNW and any additional Person authorized by ACNW to act as Administrator for purposes of the Loan Agreement and the Indenture.

“Affiliate” shall mean any entity more than 50% of which is owned or controlled by the Parent, or its successors and assigns, directly or indirectly (by way of stock ownership, board of directors, partnership, membership or otherwise).

“Agreement” or “Loan Agreement” shall mean the Loan Agreement and Security Agreement dated as of June 1, 2016, as supplemented and amended by a First Supplemental Loan Agreement and

Security Agreement dated as of June 30, 2026, between the Issuer and ACNW, as from time to time supplemented and amended.

“Alternative Indebtedness” shall mean, (i) for purposes of the Loan Agreement, the Permitted Indebtedness defined in Section 1101(7) of the Loan Agreement and described as Alternative Indebtedness under the caption “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness” herein, (ii) for purposes of the Guaranty Agreement of ACH, the Alternative Indebtedness defined in Section 3.13(7) thereof, and (iii) for purposes of the 2025 Guaranty Agreement, the Alternative Indebtedness defined in Section 3.12(7) thereof described as Alternative Indebtedness under the caption “SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS - ACH Covenants – *Incurrence of Indebtedness*” herein.

“Architect” shall mean such architect or architects duly registered in the State employed by ACNW and reasonably acceptable to the Issuer and the Trustee.

“Bond Counsel” shall mean Friday, Eldredge & Clark, LLP, or such other nationally recognized bond counsel as may be designated by the Issuer or the Trustee.

“Bond Fund” shall mean the Bond Fund created pursuant to Section 6.01 of the Indenture.

“Bond Redemption Fund” shall mean the Bond Redemption Fund created pursuant to Section 6.01 of the Indenture.

“Bonds” shall mean the Series 2016 Bonds, the Series 2026 Bonds and any Additional Bonds.

“Business Day” or “business day” shall mean any day other than a Saturday or Sunday or a day on which banks in the State or in the state in which the Trustee is located are not open for business.

“City” shall mean the City of Springdale, Arkansas.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated or otherwise effective thereunder.

“Completion Date” shall mean the date of completion of any Additional Facility established in accordance with Section 402 of the Loan Agreement.

“Construction Contract” shall mean with respect to any Additional Facility, any contract of ACNW providing for the acquisition, construction, equipping, furnishing or installation of any part of the Additional Facility, including any amendment thereof

“Construction Fund” shall mean the Construction Fund created in Section 6.01 of the Indenture.

The word “continuing” as applied to an Event of Default shall mean any Event of Default not cured or waived.

“Contractor” shall mean a Person with whom ACNW enters into a Construction Contract.

“Cost” or “Costs” as applied to any Additional Facility financed with the proceeds of Additional Bonds, shall mean, without intending thereby to limit or restrict any proper definition of such term under the provisions of law, all costs of acquisition, construction and equipping (including acquisition of necessary furnishings) and all obligations and expenses and all items of cost which are permitted by the Act, including, without limitation, Issuance Expenses and capitalized interest.

“Counsel” shall mean an attorney duly admitted to practice law before the highest court of any state.

“Event of Default” shall mean an event of default as set forth in Section 1301 of the Loan Agreement or an event of default as set forth in Section 8.01 of the Indenture (as modified or qualified in the reference thereto).

“Facility” or “NW Hospital” shall mean the pediatric hospital facility acquired, constructed and equipped with a portion of the proceeds of the Series 2016 Bonds and the Series 2025 Bond and every Additional Facility.

“Fiscal Year” shall mean any period of twelve (12) consecutive months adopted by ACNW as its fiscal year for financial reporting purposes, and initially means the period beginning July 1 of each year and ending on June 30 of the following year.

“Foundation” shall mean Arkansas Children’s Foundation, Inc., a nonprofit corporation organized and existing under the laws of the State, and its successors and assigns.

“GAAP” shall mean accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

“Government Obligations” shall mean direct general obligations of, or obligations the prompt payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America or any agency thereof (including obligations in book-entry form).

“Gross Receipts of ACNW” shall mean all revenues, income, receipts and money received in any period by or on behalf of ACNW from any and all sources whatsoever (other than proceeds of borrowing, and other than interest earned on such proceeds if and to the extent such interest is required to be excluded by the terms of the borrowing and other than revenues, income, receipts and money received by ACNW as agent of someone other than ACNW) including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions to ACNW exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Note Payments, and (c) proceeds derived from (i) insurance, except to the extent the use thereof is otherwise required by the Loan Agreement, (ii) condemnation awards or sales under a reasonably apprehended threat of condemnation, except to the extent the use thereof is otherwise required by the Loan Agreement, (iii) accounts receivable, (iv) securities and other investments, (v) inventory and other tangible and intangible property, (vi) medical or hospital expense reimbursement or insurance programs or agreements, and (vii) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of ACNW.

“Gross Revenues of ACH” shall mean all revenues, income, receipts, cash and negotiable instruments received in any period by or on behalf of ACH including, but without limiting the generality of the foregoing, (a) cash receipts derived from its operations, and (b) proceeds derived from (i) insurance and condemnation awards except to the extent the use thereof is otherwise required by the Pulaski County Lease, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital expense reimbursement or insurance programs or agreements, (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of ACH, (vii) any hospital maintenance tax levied by Pulaski County pursuant to Amendment 32 to the Arkansas Constitution, (viii) unrestricted gifts, grants, bequests, donations and contributions, and (ix) appropriations by the Quorum Court of Pulaski County, excluding however, (a) the gross revenues from ACH Facilities financed with Permitted Indebtedness described in Section 3.13(6) of the Guaranty Agreement of ACH and Section 3.12(6) of the 2025 Guaranty Agreement to the extent pledged to such Permitted Indebtedness, (b) the proceeds of borrowing other than a borrowing evidenced by Pulaski County Bonds, and interest earned thereon, (c) revenues, income, receipts and money received by ACH as agent for and on behalf of someone other than ACH, and (d) restricted gifts, grants, bequests, donations and contributions.

“Guaranty Agreements” shall mean (i) those certain Guaranty Agreements dated as of June 1, 2016, as amended and supplemented by First Supplemental Guaranty Agreements dated as June 30, 2026, pursuant to which the Guarantors unconditionally guarantee payment of the principal of and interest on the Series 2016 Bonds and the Series 2026 Bonds and (ii) those certain Guaranty Agreements dated as of

November 12, 2025, pursuant to which the Guarantors unconditionally guarantee payment of the principal of and interest on the Series 2025 Bond.

“Guarantors” shall mean ACH, the Foundation and the Parent, each of whom have executed a Guaranty Agreement pursuant to which each Guarantor unconditionally guarantees payment of the principal of and interest on the Series 2016 Bonds, the Series 2025 Bond and the Series 2026 Bonds.

“Holder” or “holder” or “Bondholder” shall mean, (i) with respect to Bonds, the registered owner of a Bond, and (ii) with respect to Alternative Indebtedness, the lawful owner thereof, as established to the satisfaction of the Trustee. Notwithstanding the foregoing, in the context of any amendment, request, direction or consent by or on behalf of the owners of the Bonds, the terms “Holder,” “holder” or “bondholder” shall refer to the Person or Persons authorized by law to make investment decisions with respect to the Bonds affected thereby, but only as the Trustee may determine, or decline to determine, in the sole discretion of the Trustee.

“Income Available for Debt Service” shall mean the excess of revenues of ACNW or ACH, as the case may be, over expenses determined in accordance with GAAP, to which shall be added depreciation, amortization and interest expenses; provided, however, that no determination thereof shall take into account any extraordinary gains or losses, unrealized gains or losses resulting from the periodic valuation of investments, interest rate swap agreements or similar agreements. Income Available for Debt Service shall, however, include “other-than-temporary” impairment losses recorded pursuant to FAS 115 and FAS 124 but shall exclude refinancing gains and losses. Income Available for Debt Service shall be calculated for ACNW and ACH on a consolidated basis.

“Indenture” shall mean the Trust Indenture dated as of June 1, 2016, as supplemented and amended by a First Supplemental Trust Indenture dated as of June 30, 2026, between the Issuer and the Trustee, securing the Bonds, as from time to time further supplemented and amended.

“Independent,” when used with respect to any specified Person, means, except as set forth in the last sentence hereof, such a Person who (i) does not have any direct financial interest or any material indirect financial interest in ACNW or any Guarantor, other than the payment to be received under a contract for services to be performed by such Person; and (ii) is not connected with the Issuer, ACNW, any Guarantor or any contractor as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or person performing a similar function. Whenever it is provided in the Loan Agreement or the Indenture that any Independent Person’s opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by the Issuer, ACNW, any Guarantor or the Trustee, as the case may be, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof. In the case of any Accountant, “Independent” shall mean “independent” within the meaning of generally accepted auditing standards.

“Interest Account” shall mean the Interest Account in the Bond Fund created pursuant to Section 6.01 of the Indenture.

“Interim Indebtedness” shall mean (i) for purposes of the Loan Agreement, the Permitted Indebtedness defined in Section 1101(8) of the Loan Agreement and described as Interim Indebtedness under the caption “SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness” herein, and (ii) for purposes of the Guaranty Agreement of ACH, the Permitted Indebtedness defined in Section 3.13(8) thereof, and (iii) for purposes of the 2025 Guaranty Agreement of ACH, the Permitted Indebtedness defined in Section 3.12(8) thereof and described as Interim Indebtedness under the caption “SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS - ACH Covenants – *Incurrence of Indebtedness*” herein.

“Issuance Expenses” shall mean legal, accounting and underwriting fees and expenses, hospital and Management Consultant fees, economic feasibility consultant fees, recording expenses, printing costs, state license fees, rating agency fees, Trustee’s and depositary’s fees, title insurance costs, administrative and other charges of the Issuer and other reasonable fees and expenses incurred or to be

incurred by or on behalf of ACNW or any Guarantor as may be necessary or incident to financing the preparation of documents, and the issuance and sale of the Bonds.

“Issuer” shall mean the City of Springdale Public Facilities Board, a public body politic and corporate and organized and existing under the Act and the Ordinance, in its capacity as issuer of the Bonds, and its successors and assigns in such capacity.

“Issuer Representative” shall mean any Person or Persons designated to act by or on behalf of the Issuer by an Officers’ Certificate.

“LR Hospital” shall mean the 336 licensed-bed pediatric hospital known as Arkansas Children’s Hospital, located in the City of Little Rock, Arkansas, and operated by ACH.

“Management Consultant” shall mean an Independent management consulting firm, which may be a firm of certified public accountants, qualified to pass upon questions relating to the financial affairs of facilities of the type operated by ACNW or ACH, selected by ACNW or ACH.

“Maximum Annual Debt Service” shall mean maximum Total Principal and Interest Requirements in the current or any subsequent Fiscal Year.

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

“Net Proceeds,” when used with respect to any insurance claims, condemnation award or proceeds from a sale under a reasonably apprehended threat of condemnation, means the gross proceeds from the insurance claims, condemnation award or sale price remaining after payment of all expenses (including attorneys’ fees and any expenses of the Issuer, ACNW, any Guarantor and the Trustee) incurred in the collection of such gross proceeds.

“Note” or “Notes” shall mean the Series 2016 Note, the Series 2026 Note and any Additional Notes. Any Note shall be substantially in the form attached as Exhibit B to the Loan Agreement.

“Note Payments” shall mean payments made by ACNW on the Note or Notes pursuant to the terms thereof.

“Officer’s Certificate” with reference to ACNW or any Guarantor shall mean a certificate signed by the President, the Senior Vice President or any Vice President of ACNW or any Guarantor, as the case may be, and with reference to the Issuer shall mean a certificate in writing signed by the Chairman or Vice Chairman and the Secretary of the Issuer.

“Operating Revenues” shall mean the gross patient revenues plus other operating revenues as currently defined by GAAP and income from all investments derived from all sources for the last Fiscal Year immediately preceding the year in which such determination is made for which ACNW’s or ACH’s final certified financial audits are available, less bad debt allowances, contractual adjustments for third party payors and other adjustments for such preceding Fiscal Year. Operating Revenues of ACNW and ACH shall be calculated on a consolidated basis.

“Opinion of Counsel” means a written opinion of Counsel who may (except as otherwise specifically provided in the Loan Agreement or the Indenture) be Counsel for the Issuer, ACNW or any Guarantor.

“Ordinance” shall mean Ordinance No. 3815 of the City, adopted January 10, 2006, as amended.

“Other Obligations” (i) with respect to ACNW, shall mean installment purchase contracts, loans secured by purchase money mortgages or purchase money security interests, lease purchase agreements or leases entered into by ACNW for the purpose of acquiring and leasing real property, equipment, fixtures,

inventory and other personal property, but shall not include obligations incurred in connection with leases described in Section 1101(2) of the Loan Agreement, Short-Term Indebtedness, Alternative Indebtedness, Permitted Indebtedness described in Section 1101(6) of the Loan Agreement, or obligations of ACNW related to Bonds, and (ii) with respect to ACH, shall mean installment purchase contracts, loans secured by purchase money mortgages or purchase money security interests, lease purchase agreements or leases entered into by the ACH for the purpose of acquiring and leasing real property, equipment, fixtures, inventory and other personal property, but shall not include obligations incurred in connection with leases described in Section 3.13(2) of the Guaranty Agreement of ACH and Section 3.12(2) of the 2025 Guaranty Agreement, Short-Term Indebtedness, Alternative Indebtedness, Permitted Indebtedness described in Section 3.13(6) of the Guaranty Agreement of ACH and Section 3.12(6) of the 2025 Guaranty Agreement, or obligations of ACH related to Pulaski County Bonds.

“Outstanding” or “outstanding,” when used with reference to Bonds, shall mean as of any particular time, all of the Bonds authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee canceled or for cancellation;
- (b) Bonds or portions of Bonds for the payment or redemption of which moneys or Government Obligations shall have been deposited in trust with the Trustee pursuant to Section 14.01 of the Indenture, provided that if such Bonds or portions of Bonds are to be redeemed prior to maturity thereof notice of such redemption shall have been given pursuant to the Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Indenture.

“Outstanding” or “outstanding” when used with reference to Pulaski County Bonds, shall, subject to the provisions of Section 9.04 of the Pulaski County Indenture, mean, as of any particular time, all of the Pulaski County Bonds authenticated and delivered by the Parity Bond Trustee under the Pulaski County Indenture, except:

- (a) Pulaski County Bonds theretofore canceled by the Pulaski County Bond Trustee or delivered to the Pulaski County Bond Trustee canceled or for cancellation;
- (b) Pulaski County Bonds or portions of Pulaski County Bonds for the payment or redemption of which moneys or Government Obligations shall have been deposited in trust with the Pulaski County Bond Trustee pursuant to Section 11.01 of the Pulaski County Indenture, provided that if such Pulaski County Bonds or portions of Pulaski County Bonds are to be redeemed prior to maturity thereof notice of such redemption shall have been given pursuant to the Pulaski County Indenture or provisions satisfactory to the Pulaski County Bond Trustee shall have been made for the giving of such notice; and
- (c) Pulaski County Bonds in substitution for which other Pulaski County Bonds shall have been authenticated and delivered pursuant to the terms of the Pulaski County Indenture.

“Parent” shall mean Arkansas Children’s, Inc., a nonprofit corporation organized and existing under the laws of the State, and its successors and assigns.

“Paying Agent” shall mean the Paying Agent or Agents, or any successors from time to time, under the Indenture.

“Permitted Encumbrances” shall mean:

- (a) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Loan Agreement;

(b) utility, access and other easements and rights of way, restrictions, restrictive covenants and exceptions that ACNW certifies to the Trustee will not interfere with or impair the operation of the Facility;

(c) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Loan Agreement;

(d) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facility and do not materially impair the property affected thereby for the purposes for which it was intended;

(e) zoning laws;

(f) liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in a permitted contest and such other liens and charges at the time required by law as a condition precedent to the transaction of the health care activities of ACNW or the exercise of any privileges or licenses necessary to the Facility;

(g) liens securing Other Obligations;

(h) statutory rights under Section 291, Title 42 of the United States Code (as a result of what are commonly known as Hill-Burton grants) and any other similar rights under other federal or state law;

(i) the Indenture and the Loan Agreement;

(j) liens on the Gross Receipts of ACNW, which are subordinate to the lien granted by the Loan Agreement and the Indenture;

(k) interests of co-owners in personal property the acquisition of which is not financed by Bonds;

(l) liens on the Gross Receipts of ACNW securing Alternative Indebtedness (including the indentures securing such Alternative Indebtedness);

(m) liens securing Alternative Indebtedness (including the indentures securing such Alternative Indebtedness); and

(n) the ACNW Guaranty.

"Permitted Indebtedness" shall mean, (i) with respect to ACNW, the indebtedness described in Article XI of the Loan Agreement, and (ii) with respect to ACH, the indebtedness authorized pursuant to Section 3.13 of the Guaranty Agreement of ACH. See the captions "SUMMARY OF PORTIONS OF THE LOAN AGREEMENT – Permitted Indebtedness" and "SUMMARY OF PORTIONS OF THE GUARANTY AGREEMENTS - ACH Covenants – *Incurrence of Indebtedness*" herein.

"Permitted Investments" shall mean any of the following:

(a) Government Obligations;

(b) Money market funds comprised exclusively of Government Obligations or obligations described in (c) below;

(c) Direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government;

(d) Bonds, notes and other evidences of indebtedness to which is pledged the full faith and credit of, or which are unconditionally guaranteed as to payment of principal and interest by, any state or political subdivision, and which carry a rating of at least “AA” by S&P or “Aa” by Moody’s;

(e) (i) U.S. dollar denominated certificates of deposit, federal funds, or banker’s acceptances, maturing in not more than 360 days, issued or accepted by commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” by S&P or “P-1” by Moody’s, (ii) U.S. dollar denominated time deposits in or certificates of deposit issued by commercial banks or savings and loans and fully insured by the Federal Deposit Insurance Corporation, (iii) U.S. dollar denominated time deposits in or certificates of deposit issued by commercial banks or savings and loans, provided (a) the payment of principal of and interest on the deposit is fully secured by a pledge of Government Obligations or obligations described in (f) below and (b) the Trustee receives an Opinion of Counsel satisfactory to the Trustee to the effect that the depositor holds a valid and legally effective security interest in the pledged obligations, or (iv) repurchase agreements with commercial banks or savings and loans insured by the Federal Deposit Insurance Corporation, or with primary broker-dealers or other entities, provided such repurchase agreements in excess of the insured amount are secured as described in (iii);

(f) Senior debt obligations and mortgage-backed securities of the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal National Mortgage Association, and the Government National Mortgage Association;

(g) Investment agreements with financial institutions or insurance companies which are rated (in the case of an insurance company, with respect to its claims paying ability) not lower than the following categories by S&P, Moody’s or A.M. Best, respectively: if the investment agreement has a term of one year or less, A-1, P-1 or A+; or if the investment agreement has a term of more than one year AA- and A-1, Aa3 and P-1, or A+; and

(h) For purposes of the Bond Fund only, money market funds that, to the extent in excess of Federal Deposit Insurance Corporation coverage, are comprised of bonds, notes and other evidences of indebtedness of any state or political subdivision which carry a rating of at least “AA” by S&P or “Aa” by Moody’s, or any combination of the foregoing with Government Obligations and/or obligations described in (c) above.

“Person” shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Plans and Specifications” shall mean the plans and specifications approved by ACNW and filed with the Trustee.

“Principal Account” shall mean the Principal Account in the Bond Fund created pursuant to Section 6.01 of the Indenture.

“Pulaski County Bonds” shall mean the (i) Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2016, (ii) Pulaski County, Arkansas Hospital Revenue Bonds (Arkansas Children’s Hospital), Series 2023, and (iii) Pulaski County, Arkansas Hospital Revenue Refunding Bonds (Arkansas Children’s Hospital), Series 2026, and (iv) any Additional Pulaski County Bonds issued under the Pulaski County Indenture.

“Pulaski County Bond Trustee” shall mean Bank OZK (formerly Bank of the Ozarks), Little Rock, Arkansas, or its successor or successors as trustee under the Pulaski County Indenture.

“Pulaski County Indenture” shall mean the Trust Indenture dated as of October 1, 1985, as heretofore or hereafter amended and supplemented, by and between Pulaski County, Arkansas, as issuer of the Pulaski County Bonds, and the Pulaski County Bond Trustee.

“Pulaski County Lease” shall mean the Lease Agreement dated as of October 1, 1985, as heretofore or hereafter amended and supplemented, by and between ACH and Pulaski County, Arkansas.

“Pulaski County Lease Payments” shall mean the amount required to be paid by ACH under the Pulaski County Lease as set forth in Article V therein.

“Rating Agency” shall mean Moody’s if the Bonds are then rated by Moody’s and S&P if the Bonds are then rated by S&P and any other rating agency.

“Repair and Replacement Fund” shall mean the Repair and Replacement Fund created pursuant to Section 6.01 of the Indenture.

“Refunded Bonds” means the portion of the Series 2016 Bonds being refunded with proceeds of the Series 2026 Bonds and other available moneys.

“S&P” shall mean Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, 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, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by an Officer’s Certificate of ACNW.

“Secured Indebtedness” shall mean (i) with respect to ACNW, indebtedness secured by a lien on or security interest in any properties of ACNW, other a lien on the land and buildings that comprise the Facility, or by a pledge of all or any part of the Gross Receipts of ACNW, and (ii) with respect to ACH, indebtedness secured by a lien on or security interest in any of the ACH Facilities or by a pledge of all or any part of the Gross Revenues of ACH.

“Series 2016 Bondholders” shall mean the owners of the Series 2016 Bonds.

“Series 2026 Bondholders” shall mean the owners of the Series 2026 Bonds.

“Series 2016 Bonds” shall mean the Issuer’s Hospital Revenue Bonds, Series 2016 (Arkansas Children’s Northwest Project), in the original principal amount of \$75,465,000.

“Series 2025 Bond” shall mean the Issuer’s Hospital Revenue Bond, Series 2025 (Arkansas Children’s Northwest Project), in the original principal amount of \$24,000,000.

“Series 2026 Bonds” shall mean the Issuer’s Hospital Revenue Refunding Bonds, Series 2026 (Arkansas Children’s Northwest), in the original principal amount of \$27,920,000\*.

“Series 2016 Note” shall mean the secured note of ACNW to the Issuer dated as of June 1, 2016, in the original principal amount of \$75,465,000.

“Series 2026 Note” shall mean the secured note of ACNW to the Issuer dated as of June 30, 2026, in the original principal amount of \$27,920,000\*.

“Short-Term Indebtedness” shall mean unsecured indebtedness of ACNW or ACH now existing or hereinafter incurred, maturing, including any renewal period, not more than 365 days after it is incurred.

“State” shall mean the State of Arkansas.

“Tax-Exempt Organization” shall mean a nonprofit corporation organized and existing under the laws of one of the states of the United States which is (i) an organization described in Section 501(c)(3) of the Code, exempt from Federal income taxes under Section 501(a) of the Code or any successor provision

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\* Preliminary; subject to change.

of similar import hereafter enacted, or (ii) a “governmental unit” within the meaning of Section 141 of the Code.

“Total Principal and Interest Requirements” shall mean, for any Fiscal Year or other twelve-month period, the total principal (including mandatory redemption) and interest (except to the extent that such interest is payable from the proceeds of such indebtedness), then coming due on Outstanding Bonds, Outstanding Pulaski County Bonds, Other Obligations, Alternative Indebtedness, Secured Indebtedness and the Permitted Indebtedness of ACH and ACNW described in Section 1101(6) of the Loan Agreement and Section 3.13(6) of the Guaranty Agreement of ACH; provided, however, that for purposes of such computation (i) if fifty percent (50%) or more of the original principal amount of any single series of Outstanding Bonds, any single series of Pulaski County Bonds, any single obligation included in Other Obligations, any single instrument constituting Alternative Indebtedness, any single instrument constituting Secured Indebtedness, or any single debt incurred pursuant to Section 1101(6) of the Loan Agreement, Section 3.13(6) of the Guaranty Agreement of ACH or Section 3.12(6) of the 2025 Guaranty Agreement, matures, or is payable at the option of the holder, on the same date and is not required to be amortized by redemption prior to such date, the original principal amount of indebtedness represented by such series, such obligation, such instrument or such debt shall be assumed to mature over a term of twenty-five (25) years from date of issue with substantially level annual debt service at the actual interest rate on such indebtedness: and (ii) if interest on any indebtedness is payable pursuant to a variable interest rate formula, the interest rate for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the average annual rate of interest (calculated in the manner in which interest for such periods is required to be calculated) which was in effect (or that would have been in effect if the indebtedness had been outstanding) for the twelve month immediately preceding the date of calculation; provided further, however, if there has been made an irrevocable deposit of moneys, Government Obligations or any other security or obligation which, at the time of investment therein, is rated by S&P in the highest rating category of such rating agency, sufficient to pay the principal of or interest on any Outstanding Bonds, Outstanding Pulaski County Bonds, Other Obligations, Alternative Indebtedness, Secured Indebtedness or Permitted Indebtedness described in Section 1101(6) of the Loan Agreement, Section 3.13(6) of the Guaranty Agreement of ACH, or Section 3.12(6) of the 2025 Guaranty Agreement, as it becomes due, such principal or interest, as the case may be, shall not be included in the calculation of Total Principal and Interest Requirements. Section 1101 of the Loan Agreement sets forth limitation on the incurrence of indebtedness by ACNW, including guarantees by ACNW of indebtedness of others (guaranteed party). Section 3.13 of the Guaranty Agreement of ACH and Section 3.12 of the 2025 Guaranty Agreement set forth limitations on the incurrence of indebtedness by ACH, including guarantees by ACH of indebtedness of others (guaranteed party). A percentage of the principal and interest coming due in any Fiscal Year on indebtedness guaranteed by ACNW or ACH shall be included in the computation of Total Principal and Interest Requirements based upon the guaranteed party’s ratio of Income Available for Debt Service, as of the end of the most recent Fiscal Year for which audited financial statements are available, to Maximum Annual Debt Service (with such terms having the same meanings with respect to a guaranteed party as such terms have in the Loan Agreement with respect to ACNW and in the Guaranty Agreement of ACH with respect to ACH) in accordance with the following table:

<u>Ratio</u>	<u>Percentage</u>
1:1 or less	100%
Greater than 1:1, but not more than 1.1:1	50%
Greater than 1.1:1, but not more than 1.5:1	25%
Greater than 1.5:1	20%

In calculating Total Principal and Interest Requirements, there need not be included any debt guaranteed by ACNW or ACH if the debt was incurred by ACNW or ACH and the debt is already in the calculation.

“Trust Estate” or “trust estate” shall have the meaning stated in the Granting Clauses of the Indenture.

“Trust Moneys” shall mean all moneys received by the Trustee:

A. as compensation for, or proceeds of sale of, any part of the Facility or ACNW’s interest in the Facility taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;

B. as proceeds of insurance with respect to any part of the Facility;

C. as elsewhere provided to be held and applied under the Indenture, or required to be paid to the Trustee and whose disposition is not elsewhere in the Indenture otherwise specifically provided for, including, but not limited to, the investment income of all funds and accounts held by the Trustee under the Indenture;

D. as proceeds from the sale of the Series 2016 Bonds, the Series 2026 Bonds and any Additional Bonds, including, but not limited to, moneys and/or Government Obligations received by the Trustee from the proceeds of Additional Bonds issued under the Indenture;

E. as Note Payments, Additional Payments (except as to moneys payable for Trustee’s and Paying Agent’s fees or similar charges and for the Issuer’s fees and similar charges) or as otherwise payable under the Loan Agreement;

F. as proceeds received by the Trustee from the lease or sale of any portion of the Facility in an Event of Default; and

G. all moneys on deposit in funds and accounts created under the Indenture.

“Trustee” shall mean the Trustee or its successor trustee or successors from time to time under the Indenture.

“Written Request” with reference to the Issuer shall mean a request in writing signed by an Issuer Representative; and with reference to ACNW shall mean a request in writing signed by an ACNW Representative.

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**APPENDIX C**

**Audited Consolidated Financial Statements of  
Arkansas Children's, Inc.  
as of and for the Fiscal Years ended  
June 30, 2025 and June 30, 2024**

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**ARKANSAS CHILDREN'S**

Consolidated Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

# ARKANSAS CHILDREN'S

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KPMG LLP  
Triad Centre III  
Suite 450  
6070 Poplar Avenue  
Memphis, TN 38119-3901

## Independent Auditors' Report

The Board of Directors  
Arkansas Children's:

### *Opinion*

We have audited the consolidated financial statements of Arkansas Children's (Arkansas Children's), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arkansas Children's as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Arkansas Children's and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkansas Children's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arkansas Children's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Memphis, Tennessee  
October 24, 2025

**ARKANSAS CHILDREN'S**  
Consolidated Balance Sheets  
June 30, 2025 and 2024

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 170,482,552	162,199,500
Net patient accounts receivable	162,495,596	128,235,629
Other current receivables	43,999,488	42,674,094
Investments	695,931,040	631,400,344
Assets limited as to use – current	12,954,421	12,667,754
Estimated third-party payor settlements – current	121,509,853	119,631,697
Inventories	15,478,260	12,975,512
Prepays and other current assets	17,106,378	15,456,102
Total current assets	1,239,957,588	1,125,240,632
Assets limited as to use – noncurrent	587,425,115	576,883,322
Pledges receivable, net – noncurrent	38,986,807	34,038,027
Property, plant, and equipment, net	443,367,005	372,344,942
Operating right of use assets, net	16,638,983	14,797,098
Other noncurrent assets	95,828,198	92,892,699
Total assets	\$ 2,422,203,696	2,216,196,720
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 71,611,320	59,276,107
Accrued interest	3,924,421	4,067,754
Accrued expenses and other liabilities	67,550,797	72,777,597
Operating leases – current	2,511,947	1,786,711
Current portion of long-term debt	9,030,000	8,600,000
Total current liabilities	154,628,485	146,508,169
Noncurrent liabilities:		
Other long-term payables	1,335,096	1,508,361
Operating leases – noncurrent	14,127,035	13,010,387
Deferred grant revenue	34,459,036	13,142,755
Long-term debt – net of current portion	260,776,421	270,300,966
Total liabilities	465,326,073	444,470,638
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,699,371,997	1,520,571,482
With donor restrictions	257,505,626	251,154,600
Total net assets	1,956,877,623	1,771,726,082
Total liabilities and net assets	\$ 2,422,203,696	2,216,196,720

See accompanying notes to the consolidated financial statements.

**ARKANSAS CHILDREN'S**  
Consolidated Statements of Operations  
Years ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>
Revenues, gains and other support:		
Net patient service revenue	\$ 957,941,560	870,188,806
Specific purpose grants	60,999,523	54,568,587
Supplemental Medicaid reimbursement	46,603,401	45,296,820
Other	43,948,455	34,890,027
Net assets released from restrictions and used for operations	14,636,027	16,398,598
Total revenues, gains and other support	1,124,128,966	1,021,342,838
Expenses:		
Salaries and wages	433,765,387	410,784,632
Employee benefits	80,688,916	74,990,193
Supplies and pharmaceuticals	197,880,816	171,440,664
Professional fees	137,753,744	122,331,250
Purchased services	130,720,710	119,084,650
Depreciation	46,441,126	49,306,333
Interest	5,990,177	6,292,993
Utilities	5,687,759	6,132,807
Insurance	7,263,497	8,238,001
Other	17,923,664	16,716,859
Total expenses	1,064,115,796	985,318,382
Income from operations	60,013,170	36,024,456
Nonoperating revenues, gains, expenses and losses:		
Contributions	12,331,232	14,545,826
Investment income	34,464,043	31,702,801
Gain on sales of investments	11,181,593	7,243,076
Net unrealized gain on investments - trading	28,413,451	18,851,771
Other gains	272,296	556,102
Fundraising expenses	(9,635,778)	(9,119,869)
Net nonoperating revenues, gains, expenses and losses	77,026,837	63,779,707
Excess of revenues and gains over expenses and losses	137,040,007	99,804,163
Other changes in net assets without donor restrictions:		
Net unrealized gain on investments - available for sale	16,008,227	6,340,115
Net assets released from restrictions used for purchase of property and equipment	21,748,515	6,361,629
Grant funds used to purchase capital assets	4,263,875	892,142
Gift annuity reserve	—	(18,640)
Transfer of net assets	(260,109)	(185,405)
Increase in net assets without donor restrictions	\$ 178,800,515	113,194,004

See accompanying notes to the consolidated financial statements.

**ARKANSAS CHILDREN'S**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2025 and 2024

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance – June 30, 2023	\$ 1,407,377,478	232,902,374	1,640,279,852
Excess of revenues and gains over expenses and losses	99,804,163	—	99,804,163
Net assets released from donor restrictions and used for operations	—	(16,398,598)	(16,398,598)
Unrealized gains on investments, net	6,340,115	80,075	6,420,190
Contributions with donor restrictions	—	27,050,894	27,050,894
Income from investments with donor restrictions	—	2,266,719	2,266,719
Gain on sale of investments with donor restrictions	—	2,264,874	2,264,874
Unrealized gains on investments with donor restrictions	—	9,164,486	9,164,486
Net assets released from donor restrictions and used for purchase of property and equipment	6,361,629	(6,361,629)	—
Grant funds used to purchase capital assets	892,142	—	892,142
Gift annuity reserve	(18,640)	—	(18,640)
Transfer of net assets	(185,405)	185,405	—
Change in net assets	<u>113,194,004</u>	<u>18,252,226</u>	<u>131,446,230</u>
Balance – June 30, 2024	<u>1,520,571,482</u>	<u>251,154,600</u>	<u>1,771,726,082</u>
Excess of revenues and gains over expenses and losses	137,040,007	—	137,040,007
Net assets released from donor restrictions and used for operations	—	(14,636,027)	(14,636,027)
Unrealized gains on investments, net	16,008,227	533,328	16,541,555
Contributions with donor restrictions	—	28,893,986	28,893,986
Income from investments with donor restrictions	—	2,538,034	2,538,034
Gain on sale of investments with donor restrictions	—	3,314,361	3,314,361
Unrealized gains on investments with donor restrictions	—	7,195,750	7,195,750
Net assets released from donor restrictions and used for purchase of property and equipment	21,748,515	(21,748,515)	—
Grant funds used to purchase capital assets	4,263,875	—	4,263,875
Transfer of net assets	(260,109)	260,109	—
Change in net assets	<u>178,800,515</u>	<u>6,351,026</u>	<u>185,151,541</u>
Balance – June 30, 2025	<u>\$ 1,699,371,997</u>	<u>257,505,626</u>	<u>1,956,877,623</u>

See accompanying notes to the consolidated financial statements.

**ARKANSAS CHILDREN'S**

Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>
Cash flows from operating activities:		
Change in net assets	\$ 185,151,541	131,446,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,508,152	49,306,333
Net realized and unrealized gains on investments	(71,172,503)	(47,947,568)
Loss on disposition of property, plant and equipment	779,908	7,203
Contributions for restricted endowments and capital assets	(16,337,495)	(15,085,775)
Amortization/accretion of bond premium/discount and bond issuance costs	(494,545)	(475,856)
Changes in operating assets and liabilities:		
Patient and other receivables	(34,505,934)	(9,463,944)
Estimated third-party payor settlements	(2,905,006)	37,732,597
Pledges receivable	(6,028,207)	(3,701,170)
Inventories	(2,502,748)	742,378
Other assets	(3,558,926)	(25,431,096)
Accounts payable	610,066	699,371
Accrued expenses, interest, grant carryover, and other liabilities	15,946,148	23,796,808
Net cash provided by operating activities	111,490,451	141,625,511
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(106,584,976)	(46,885,425)
Purchases of investments and assets limited as to use	(214,320,798)	(277,775,068)
Proceeds from sales of investments and assets limited as to use	253,081,693	213,476,920
Net cash used in investing activities	(67,824,081)	(111,183,573)
Cash flows from financing activities:		
Contributions for restricted endowments and capital assets	16,337,495	15,085,775
Principal payments on long-term debt	(8,600,000)	(7,986,678)
Payments on other long-term payables	(173,265)	(987,405)
Net cash provided by financing activities	7,564,230	6,111,692
Net increase in cash and cash equivalents	51,230,600	36,553,630
Cash and cash equivalents:		
Beginning of year	201,124,971	164,571,341
End of year	\$ 252,355,571	201,124,971
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 170,482,552	162,199,500
Restricted cash for self-insurance funding	1,330,784	2,702,154
Restricted cash equivalents held by trustee under bond agreements	80,542,235	36,223,317
	\$ 252,355,571	201,124,971
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 12,203,263	10,537,077
Noncash operating and investing activities – purchases of property, plant, and equipment in accounts payable	12,811,779	1,086,632
Purchase of property, plant, and equipment through vendor financing and finance lease	—	337,445
Noncash operating and investing activities – lease liability on right of use assets	2,157,814	1,945,148

See accompanying notes to the consolidated financial statements.

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

#### (1) Organization

Arkansas Children's, which was incorporated during December 2015, is the not-for-profit parent entity consisting of Arkansas Children's Hospital (ACH), Arkansas Children's Northwest (ACNW), Arkansas Children's Foundation (ACF), Arkansas Children's Research Institute (ACRI), Arkansas Children's Care Network (ACCN), Arkansas Children's Medical Group, PLLC (ACMG), Sacova Insurance Company, Ltd. (SCV) and Arkansas Children's Professional Services Organization, LLC (ACPSO). ACH is a not-for-profit pediatric hospital located in Little Rock, Arkansas and serves as the only quaternary healthcare facility for children in the state of Arkansas. ACNW is a not-for-profit pediatric hospital located in Springdale, Arkansas, which serves as the only exclusively pediatric healthcare facility for children in the northwest region of the state. ACF is a not-for-profit organization that exists as the fundraising branch of Arkansas Children's. ACRI operates to support, through charitable, scientific, and educational means, the mission of Arkansas Children's. ACCN is a not-for-profit pediatric statewide clinically integrated network. ACMG was formed in March 2017 to provide physician services to ACNW and ACH. SCV, formed in May 2018, is a single parent captive insurance company, domiciled in the Cayman Islands, and wholly owned by Arkansas Children's. SCV provides professional and general liability and workers' compensation insurance coverage as of July 1, 2018. In December 2024, ACH created ACPSO, an Arkansas limited liability company. ACPSO is controlled by its sole member, ACH. ACPSO provides services to Arkansas Children's and its owned or controlled affiliates, including, but not limited to ACH, ACNW and ACMG. Specifically, ACPSO helps manage and support healthcare providers at ACH's hospital-based and outpatient medical practices, with a focus on: quality improvement; payor contracting; fiscal management and revenue integrity.

Arkansas Children's is the only healthcare system in the state solely dedicated to caring for Arkansas's more than 850,000 children. The private, nonprofit organization includes two pediatric hospitals with 361 licensed beds, a pediatric research institute and USDA nutrition center, a philanthropic foundation, a nursery alliance, statewide clinics, and many education and outreach programs – all focused on fulfilling a promise to define and deliver unprecedented child health. ACH is a Magnet-recognized facility in Little Rock operating the state's only Level I pediatric trauma center; the state's only burn center; the state's only Level IV neonatal intensive care unit; the state's only pediatric intensive care unit; the state's only pediatric surgery program with Level 1 verification from the American College of Surgeons (ACS); and the state's only nationally recognized pediatric transport program. Arkansas Children's is nationally ranked by US News & World Report in seven pediatric subspecialties (2024 – 2025): Cancer, Cardiology & Heart Surgery, Neonatal Care, Nephrology, Neurology & Neurosurgery, Orthopedics and Pulmonology & Lung Surgery. ACNW, the first and only pediatric hospital in the Northwest Arkansas region, is a Level IV pediatric trauma center. ACNW operates an inpatient unit that will expand in 2026; a surgical unit with five operating rooms; outpatient clinics offering over 20 subspecialties; diagnostic services; imaging capabilities; occupational therapy services; and northwest Arkansas' only pediatric emergency department. Generous philanthropic and volunteer engagement has sustained Arkansas Children's Hospital since it began as an orphanage in 1912 and today ensures the Arkansas Children's system can deliver on its promise of unprecedented child health.

Arkansas Children's carries out its mission through its entities' core business and through community benefit work that focuses on creating "unprecedented child health" for children in Arkansas. Work to improve child health outcomes is driven by community health needs assessments (CHNA) and implementation strategies (IS) for both ACH and ACNW. CHNAs provide each hospital the opportunity to understand and prioritize community health needs through the input gathered from community members, public health experts, stakeholders, as well as existing data sets. CHNAs also satisfy the requirements of

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the Internal Revenue Service for triannual needs assessments for nonprofit hospitals. ACH and ACNW completed their most recent CHNA in fiscal year 2025. For each hospital, these CHNAs help inform the implementation strategy documents, which are the three-year plans that direct the strategic community benefit work of each hospital. ACH and ACNW each have implementation strategies with goals and actions to address child health priorities for fiscal year 2026 through fiscal year 2028.

Arkansas Children's is the cornerstone organization for the Natural Wonders Partnership Council (NWPC). NWPC is a coalition of stakeholders that works in strategic partnership to define pressing child health issues in our state and organize and mobilize efforts in order to improve children's health. NWPC's collective work is focused on improving the state of child health in Arkansas.

## **(2) Summary of Significant Accounting Policies**

### **(a) Principles of Consolidation**

The consolidated financial statements include the accounts of Arkansas Children's, ACH, ACNW, ACF, ACRI, ACCN, ACMG, SCV, and ACPSO (collectively referred to as Arkansas Children's). All significant transactions among these entities have been eliminated in consolidation.

### **(b) Use of Estimates**

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

Significant items subject to such estimates and assumptions include the determination of the useful lives of property and equipment, the allowances for implicit and explicit price concessions, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, and other contingencies. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

### **(c) Cash, Cash Equivalents, and Restricted Cash**

Arkansas Children's considers all highly liquid investments, including money market mutual funds, with a maturity of less than three months to be cash equivalents.

Restricted cash includes funds restricted as to withdrawal or use. Restricted cash consists of cash held under self-insurance funding arrangements, and cash held by trustee under bond agreements, within the consolidated financial statements. Arkansas Children's applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230 – *Statement of Cash Flows*, which requires that Arkansas Children's consolidated statement of cash flows reflect the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

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**(d) Concentration of Credit Risk**

Arkansas Children's grants credit without collateral to its patients, most of whom are Arkansas residents and are insured under Medicaid or other third-party payor agreements. Arkansas Children's must comply with various reporting and operating regulations mandated by the state Medicaid program. Failure to comply with these regulations could result in Arkansas Children's losing its eligibility to receive these funds. Management is not aware of any operations or activities that would jeopardize Arkansas Children's eligibility under this program.

The mix of net patient receivables as of June 30, 2025 and 2024, was as follows:

	2025	2024
Medicaid and Medicare	24 %	26 %
Other third-party payors (insurance and managed care)	72	68
Patients	4	6
Total mix of net patient receivables	100 %	100 %

**(e) Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income (including interest and dividends), realized gains (losses) on the sale of investments, and unrealized gains (losses) on trading securities are included in excess of revenues and gains over expenses and losses in the consolidated statements of operations. Unrealized gains (losses) on available-for-sale (AFS) debt securities due to circumstances other than credit loss are included in other changes in net assets.

Arkansas Children's may record an allowance for credit losses (ACL) under FASB ASC Subtopic 326-30 – *Financial Instruments-Credit Losses – Available-for-Sale Debt Securities*. For AFS debt securities in an unrealized loss position, Arkansas Children's first evaluates whether it intends to sell, or more likely than not will be required to sell the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is reduced to fair value and recognized within other gains (losses) on investments within the consolidated statements of operations.

For AFS debt securities that management has no intention to sell and believes that it more likely than not will not be required to sell prior to recovery, Arkansas Children's determines if the decline in fair value is due to credit losses or other factors. In making the assessment of whether a loss is from credit or other factors, Arkansas Children's considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. Arkansas Children's uses an individual security-level, discounted cash flow model based on past events, current conditions, as well as reasonable and supportable forecasts of economic conditions. The single best estimate of projected cash flows is discounted at the security's effective interest rate.

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If the present value of cash flows is less than the amortized cost basis, a credit loss exists and an allowance is recognized, limited by the amount that the fair value is less than the amortized cost basis. Any impairment not recorded through an allowance for credit loss is recorded directly to net assets.

Subsequent changes (favorable or unfavorable) in expected credit losses each period are recognized immediately in excess of revenues and gains over expenses and losses in the consolidated statements of operations as a credit loss expense or a reversal of credit loss expense. However, the allowance for credit losses cannot be reduced below zero. Any change in the allowance due to the passage of time is recognized as credit loss expense (benefit). Write-offs are charged against the allowance when amounts are deemed uncollectible.

Impairment for AFS debt securities is determined on an individual security basis. Individual security means the level and method of aggregation used by the entity to measure realized and unrealized gains and losses on its debt securities.

**(f) Assets Limited as to Use**

Assets limited as to use include assets whose use is restricted by donors, assets held by trustees under indenture agreements, assets held by Arkansas Children's wholly owned captive insurance company, and assets set aside by the Board of Directors for board-created endowments over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of Arkansas Children's are classified as current assets in the accompanying consolidated balance sheets.

**(g) Inventories**

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (average cost method) or net realizable value.

**(h) Costs of Borrowing**

Bond discounts, premiums, and issuance costs are presented net of the associated long-term debt and amortized over the terms of the related bond issues using the effective interest method.

Arkansas Children's capitalizes interest costs on qualified construction projects as a component of the cost of related projects.

**(i) Property, Plant, and Equipment**

Property, plant, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method based on estimated useful lives of 3 to 20 years for equipment and 10 to 40 years for buildings and land improvements.

Gifts of long-lived assets used in operations, such as land, buildings, or equipment, if contributed, are reported as support without donor restrictions, and are included in excess of revenues and gains over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be

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maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions restricted to the purchase of property and equipment for which restrictions are met within the same year as the contributions are received are reported as increases in net assets without donor restrictions in the accompanying consolidated financial statements.

#### **(j) Impairment of Long-lived Assets**

The carrying value of long-lived assets (including property, plant, and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that the net book value of an asset may not be recoverable from the estimated undiscounted future cash flows expected to result from its use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. As a result of Arkansas Children's review of long-lived assets, no impairments were recorded for the years ended June 30, 2025 and 2024.

#### **(k) Gifts and Bequests**

Arkansas Children's applies FASB ASC 958 – *Not-for-Profit Entities* (Topic 958), which requires an entity to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance. Additionally, an entity must determine whether a contribution is conditional and the related impact on revenue recognition.

Gifts and bequests that are not restricted by donors are classified in nonoperating revenues, gains, expenses, and losses. Gifts and bequests that are restricted for specific purposes by donors are recorded as additions to net assets with donor restrictions in the period the unconditional promise to give or gift is made. Expirations of donor-imposed restrictions are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions.

#### **(l) Pledges Receivable**

Unconditional pledges are recognized as revenue and a pledge receivable in the period the promise is received. Conditional pledges are recognized as revenue once the underlying obligation has been met by Arkansas Children's. Promises to give, less an allowance for uncollectible amounts, are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved as a measure of fair value of unconditional promises to give.

#### **(m) Net Assets**

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of Arkansas Children's and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

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Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are available for use either by the passage of time or for specific purposes; certain of these net assets are subject to donor-imposed stipulations that they be maintained permanently by Arkansas Children's. Generally, the donors of these assets permit Arkansas Children's to use all or part of the income earned on related investments for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions are recorded, are reported as increases in net assets without donor restrictions.

#### **(n) Endowments**

Arkansas Children's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board to function as endowments. As discussed in note 9(a), the net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Where the Board designates funds to function as endowments, they are classified as net assets without donor restrictions. Net assets with donor restrictions include endowments whose use by Arkansas Children's has been limited by donors to a specific time period or purpose and donor-restricted endowments that have been restricted by donors, according to Arkansas Code Section 28-69-607 of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), to be maintained by Arkansas Children's in perpetuity.

In accordance with Topic 958, Arkansas Children's classifies as net assets with donor restrictions, (a) the original value of gifts donated to an endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in the donor-restricted endowment is available for appropriation for expenditure by Arkansas Children's in a manner consistent with the standard of prudence prescribed by UPMIFA.

Arkansas Children's long-term investment objective is to invest all available assets in a manner that will allow them to grow to a level that can provide a total return sufficient to meet the financial needs of Arkansas Children's and to support its mission. The Arkansas Children's Investment Committee (the Investment Committee) determines a spend rate percentage for each fiscal year on all donor-restricted endowment funds and Board-designated endowment funds without donor restriction that may be set aside for expenditure. If the market value of the donor-restricted endowment fund or the Board-designated endowment without donor restriction is less than the original gift amount, only the interest and dividends will be expended up to the approved spend rate; however, the Investment Committee, at its discretion, may approve to fund the remaining spend rate with earnings without donor restriction. However, if the market value is greater than the original gift amount, the Investment

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Committee may appropriate for expenditure the interest and dividends plus appreciation in the market value of the endowment funds over the original gift amount to fund the spend rate for that year.

To achieve its long-term rate of return objectives, Arkansas Children's relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Arkansas Children's targets a diversified asset allocation to achieve its long-term objectives within conservative risk constraints.

#### **(o) Income Taxes**

Arkansas Children's, ACH, ACNW, ACF, ACRI, and ACMG are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Once qualified as tax-exempt entities, Arkansas Children's, ACH, ACNW, ACF, ACRI, and ACMG are required to operate in conformity with the IRC and their tax-exempt purposes to maintain their qualification.

Arkansas Children's applies FASB ASC 740 (Topic 740), *Income Taxes*. Topic 740 clarifies the accounting for uncertainty in income tax positions and provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. Management has analyzed the tax positions taken by Arkansas Children's and has concluded that as of June 30, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

ACCN is a nonstock membership organization organized in 2017 under the Arkansas Nonprofit Corporation Act of 1993. Its primary purpose is to operate a clinically integrated network. Arkansas Children's is the sole member of ACCN, and as such, ACCN is included in these consolidated financial statements. For income tax purposes, ACCN is a taxable entity.

ACCN accounts for income taxes in accordance with Topic 740, in which deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements and tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement amounts and the tax basis of assets and liabilities using currently enacted tax rates. In addition, valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Income taxes are not material to Arkansas Children's.

SCV is not subject to income or other taxes due to being domiciled in the Cayman Islands.

ACPSO is a single member LLC that was formed in December 2024. ACH is the sole member of this company, and as such, ACPSO is a disregarded entity for income tax purposes.

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**(p) Excess of Revenues and Gains over Expenses and Losses**

The consolidated statements of operations include excess of revenues and gains over expenses and losses, which is an indicator of financial performance. Changes in net assets without donor restrictions, which are excluded from excess of revenues and gains over expenses and losses, consistent with industry practice, include unrealized gains (losses) on internally managed available-for-sale debt securities, assets acquired using grants restricted for capital purposes by the granting agency, and contributions, that are restricted by donors for the purpose of acquiring such assets.

**(q) Consolidated Statements of Operations**

For purposes of presentation within the consolidated statements of operations, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

**(r) Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value amounts have been determined by Arkansas Children's using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data and develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts Arkansas Children's could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

**(3) Liquidity and Availability**

Financial assets available for general expenditure within one year of June 30, 2025 and 2024 include the following:

	2025	2024
Cash and cash equivalents	\$ 170,482,552	162,199,500
Net patient accounts receivable	162,495,596	128,235,629
Other current receivables	16,647,789	16,189,150
Supplemental Medicaid receivable	8,994,085	8,916,716
Investments	695,931,040	631,400,344
Estimated third-party payor settlements – current	121,509,853	119,631,697
	\$ 1,176,060,915	1,066,573,036

As part of Arkansas Children's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in debt and equity securities. Arkansas Children's investment portfolio contains money market funds and other liquid investments that can be drawn upon, if necessary, to meet the liquidity needs of Arkansas Children's.

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#### (4) Other Current Receivables

The composition of other current receivables is as follows:

	<u>2025</u>	<u>2024</u>
Supplemental Medicaid receivable	\$ 8,994,085	8,916,716
Pledges receivable – current portion	11,213,338	10,133,911
Grant receivables	7,144,276	7,434,317
Other receivables	<u>16,647,789</u>	<u>16,189,150</u>
	<u>\$ 43,999,488</u>	<u>42,674,094</u>

#### (5) Net Patient Service Revenue and Charity Care

Patient service revenue is reported at the amount that reflects the consideration to which Arkansas Children's expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Generally, Arkansas Children's bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Arkansas Children's. Generally, Arkansas Children's performance obligations are satisfied over time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) receipts. Arkansas Children's believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. For patients in the hospital receiving inpatient acute care services, Arkansas Children's measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For patients receiving outpatient services, the performance obligation is measured over the duration of the outpatient procedure. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Arkansas Children's does not believe it is required to provide additional goods or services to the patient.

Because its performance obligations relate to contracts with a duration of less than one year, Arkansas Children's has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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Arkansas Children's determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Arkansas Children's policy, and/or implicit price concessions provided to uninsured patients. Arkansas Children's determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. Arkansas Children's determines its estimate of implicit price concessions based on its historical collection experience with this class of patients, adjusted for current and future expected market conditions.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicaid:** Certain inpatient and outpatient services are reimbursed based on an allowable cost reimbursement methodology. Interim reimbursements for Medicaid services are generally paid at prospectively determined rates per patient day, and outpatient and physician services are paid based on a fee schedule.
- **Medicare:** Certain inpatient and outpatient services are reimbursed based on an allowable cost reimbursement methodology. Interim reimbursements for inpatient services are paid based on cost-reimbursement methodologies subject to certain limits, physician services are paid based upon established fee schedules and outpatient services are paid using prospectively determined rates.
- **Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and contracted outpatient fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Arkansas Children's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Arkansas Children's. In addition, the contracts Arkansas Children's has with commercial payors also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Arkansas Children's also provides services to uninsured patients, and offers those uninsured patients a discount, by policy, from standard charges. Arkansas Children's estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally

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recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024.

**(a) Net Patient Service Revenue**

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

Patient service revenue at established rates less third-party payor contractual allowances and implicit price concessions for the years ended June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Patient service revenue	\$ 1,938,445,814	1,705,848,543
Less contractual allowances and implicit price concessions	<u>(980,504,254)</u>	<u>(835,659,737)</u>
Net patient service revenue	<u>\$ 957,941,560</u>	<u>870,188,806</u>

Contractual allowances represent the difference between Arkansas Children's standard charges and the amounts paid by the Medicaid and Medicare programs and other contractual payors.

Arkansas Children's has determined that the nature, amount, and uncertainty of revenue and cash flows are affected by the following factors: payors and lines of business. The following tables provide details on these factors.

Arkansas Children's net patient service revenues were derived from the following payor sources for the years ended June 30, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Medicaid and Medicare	53.1 %	56.2 %
Other third-party payors	46.7	43.5
Patients	<u>0.2</u>	<u>0.3</u>
	<u>100 %</u>	<u>100 %</u>

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The composition of net patient service revenue based on Arkansas Children's lines of business for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Inpatient	\$ 533,271,679	507,187,208
Outpatient	382,825,346	324,394,148
Professional fees	41,844,535	38,607,450
	\$ 957,941,560	870,188,806

#### **(b) Estimated Third-Party Payor Settlements**

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and Arkansas Children's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Arkansas Children's provides care to patients under Medicaid, Medicare, and other contractual arrangements. Certain inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed by the State of Arkansas based on an allowable cost reimbursement methodology. Regulations require annual retroactive settlements for these costs based on cost reports filed by Arkansas Children's. These net settlements are estimated and recorded in the consolidated financial statements in the year the service is provided. The estimated net settlements at June 30, 2025, for open cost report periods from 2020 to the current year is \$197,194,879, net of a reserve of \$33,415,776, which could differ from actual settlements. Of the total net receivable of \$197,194,879 recorded as of June 30, 2025, \$75,685,026 is considered noncurrent and is, therefore, included in other noncurrent assets in the accompanying 2025 consolidated balance sheet. The estimated net settlements at June 30, 2024, for open cost report periods from 2020 to 2024 was \$194,289,873, net of a reserve of \$37,843,658, which could differ from actual settlements. Of the total net receivable of \$194,289,873 recorded as of June 30, 2024, \$74,658,176 was considered noncurrent and was, therefore, included in other noncurrent assets in the accompanying 2024 consolidated balance sheet. ACH's Medicaid cost reports for fiscal years ended June 30, 2020, 2022, 2023, 2024 and 2025 are pending audit by the Medicaid fiscal intermediary. ACNW's Medicaid cost reports for fiscal years ended June 30, 2021, 2022, 2023, 2024 and 2025 are pending audit by the Medicaid fiscal intermediary. Any differences between estimated settlements and actual settlements will be recorded in the year the cost report is settled by the intermediary, typically after the fiscal intermediary's audit, or when information is available to management that a change in the estimate is warranted. During the years ended June 30, 2025 and 2024, the net patient service revenue in the accompanying consolidated statements of operations increased by approximately \$6,700,000 and \$2,600,000, respectively, as a result of changes to prior year estimates from final Medicaid settlements and changes in management estimates for related reserves.

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#### **(c) Supplemental Medicaid Reimbursement**

State Medicaid programs incur costs for payments to healthcare providers that provide medical services to Medicaid recipients, and the federal government pays a portion of those costs to each state based on a formula. Under these federal rules, states are permitted to pay hospitals up to a reasonable estimate of the amount that would have been paid using Medicare payment principles. This is known as the upper payment limit (UPL). The amount of supplemental Medicaid reimbursement recorded as revenue, gains, and other support for the years ended June 30, 2025 and 2024, was approximately \$46,600,000 and \$45,300,000, respectively.

#### **(d) Charity Care**

Arkansas Children's provides care to patients who meet certain criteria under its charity care policy. Arkansas Children's charity care policy provides for free or discounted care for individuals with household incomes up to 250% of poverty levels. There are financial counselors available at all registration areas of Arkansas Children's to assist in completing Medicaid, Tefra Program, Children's Medical Services, Supplemental Security Income intents and financial assistance applications. Arkansas Children's allows interest free payments to be made until the outstanding balance is paid without time constraints and also does not report to external collection agencies or take other extraordinary collection efforts. Because Arkansas Children's does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Records are maintained to identify and monitor the level of charity care Arkansas Children's provides. These records include the amount of gross charges foregone for services under its charity care policy. Arkansas Children's estimated cost of caring for charity care patients for the years ended June 30, 2025 and 2024, was approximately \$31,600,000 and \$18,500,000, respectively. Subsequent to year-end, Arkansas Children's performs a cost accounting analysis to calculate the cost of service per type of procedure. The 2025 cost will be calculated based on the audited financial statement data; therefore, it was not available at the time of the issuance of the consolidated financial statements in order to disclose the 2025 amount. Therefore, Arkansas Children's calculated the 2025 charity cost by using the 2024 actual allocated cost to charge ratio for charity care adjusted for overall changes in the current year cost profile and applying it to current year charity care charges.

Arkansas Children's applies the provisions of FASB ASC 954 – *Healthcare Entities: Measuring Charity Care for Disclosure* (Topic 954), whereby cost is used as the measurement basis for charity care disclosure purposes.

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**(6) Investments and Assets Limited as to Use**

At June 30, 2025 and 2024, investments and assets limited as to use consisted of the following:

	<u>2025</u>	<u>2024</u>
Investments	\$ <u>695,931,040</u>	<u>631,400,344</u>
Assets limited as to use:		
Board-designated investments	\$ 321,102,294	296,803,502
Restricted cash for self-insurance funding arrangements	1,330,784	2,702,154
Restricted cash equivalents held by trustee under bond agreements	80,542,235	36,223,317
Restricted investments:		
Endowments with donor restrictions	157,673,710	144,961,470
Other investments with donor restrictions	929,566	1,138,261
Other investments for self-insurance funding arrangements	6,360,603	3,080,311
Investments held by trustee under bond agreements	<u>32,440,344</u>	<u>104,642,061</u>
Total assets limited as to use	600,379,536	589,551,076
Less amounts classified as current	<u>(12,954,421)</u>	<u>(12,667,754)</u>
Assets limited as to use – noncurrent	\$ <u>587,425,115</u>	<u>576,883,322</u>

Included within the investments and assets limited as to use balances disclosed above are US government obligations of approximately \$746,433,000 and \$665,254,000 as well as federal government obligation mutual funds of approximately \$112,983,000 and \$140,865,000, which are considered AFS as of June 30, 2025 and 2024, respectively. These investments are managed internally and are not actively traded. The remaining amounts within the investments and assets limited as to use above are externally managed and are actively traded.

Maturities of debt securities classified as AFS were as follows at June 30, 2025 and 2024:

	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
Due within one year	\$ 226,053,449	226,352,559	212,279,215	211,504,987
Due after one year through five years	421,288,178	410,898,018	465,619,509	439,545,805
Due after five years through ten years	217,483,767	219,727,181	158,267,884	155,068,867
Due after ten years	<u>2,839,215</u>	<u>2,438,288</u>	<u>—</u>	<u>—</u>
	\$ <u>867,664,609</u>	<u>859,416,046</u>	<u>836,166,608</u>	<u>806,119,659</u>

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

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The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of AFS debt securities by major security type and class of security at June 30, 2025 and 2024 were as follows:

	Amortized cost basis	Unrealized holding gains	Unrealized holding (losses)	Allowance for credit losses	Aggregate fair value
At June 30, 2025:					
U.S. Government obligations	\$ 755,840,742	26,371,535	(35,778,810)	—	746,433,467
Mutual funds	111,823,867	1,158,712	—	—	112,982,579
Total	<u>\$ 867,664,609</u>	<u>27,530,247</u>	<u>(35,778,810)</u>	<u>—</u>	<u>859,416,046</u>
At June 30, 2024:					
U.S. Government obligations	\$ 696,660,265	9,906,728	(41,312,712)	—	665,254,281
Mutual funds	139,506,343	1,359,035	—	—	140,865,378
Total	<u>\$ 836,166,608</u>	<u>11,265,763</u>	<u>(41,312,712)</u>	<u>—</u>	<u>806,119,659</u>

For federal government obligations classified as AFS, Arkansas Children's does not record an allowance for credit loss because the decline in fair value below amortized cost is not related to credit losses.

The trust indentures related to the outstanding bonds (note 8) require the establishment of certain funds to be held and controlled by an independent trustee as long as the bonds remain outstanding. Such funds are to be used to pay principal and interest on the debt and to finance construction.

Funds held by trustee under bond indenture agreements as of June 30, 2025 and 2024, were invested in federal government obligations, which are mutual funds backed by US Treasury securities, State and Local Government Series (SLGS) and US Treasury securities and consisted of the following:

	<u>2025</u>	<u>2024</u>
Series 2016 Refunding Bond Fund (ACH)	\$ 2,627,054	2,580,791
Series 2016 Bond Fund (ACNW)	1,836,450	1,829,613
Series 2023 Bond Fund Construction (ACH)	105,532,829	133,590,844
Series 2023 Bond Fund (ACH)	2,986,246	2,864,130
Total	<u>\$ 112,982,579</u>	<u>140,865,378</u>

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**(7) Property, Plant, and Equipment, net**

A summary of property, plant, and equipment, net, is as follows:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 47,327,192	47,393,376
Buildings	552,336,241	561,075,975
Equipment	297,951,336	289,957,788
Construction in progress	<u>110,090,660</u>	<u>30,034,463</u>
Total property, plant and equipment	1,007,705,429	928,461,602
Less accumulated depreciation	<u>(564,338,424)</u>	<u>(556,116,660)</u>
Property, plant, and equipment, net	<u>\$ 443,367,005</u>	<u>372,344,942</u>

Construction in progress as of June 30, 2025 primarily consists of routine replacement and expansion projects at various Arkansas Children's facilities. The estimated total remaining cost to complete these projects as of June 30, 2025 is approximately \$304,893,674. Depreciation expense was \$46,441,126 and \$49,306,333 in 2025 and 2024, respectively.

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**(8) Long-Term Debt**

A summary of long-term debt as of June 30, 2025 and 2024, is as follows:

	<b>2025</b>	<b>2024</b>
Pulaski County, Arkansas Hospital Revenue Refunding Bonds, Series 2016, due in variable amounts through March 1, 2039, bearing interest at fixed rates ranging from 2% to 5%, collateralized by ACH revenues	\$ 77,115,000	80,985,000
City of Springdale Public Facilities Board Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project), due in variable amounts through March 1, 2036, bearing interest at fixed rates ranging from 2% to 5%, collateralized by Arkansas Children's revenue	56,555,000	59,225,000
Pulaski County, Arkansas Hospital Revenue Bonds, Series 2023, due in variable amounts through March 1, 2053, bearing interest at fixed rates ranging from 2% to 5%, collateralized by Arkansas Children's revenue	124,815,000	126,875,000
	258,485,000	267,085,000
Plus unamortized premium	13,331,278	13,903,169
Less unamortized bond issuance costs	(2,009,857)	(2,087,203)
Total	269,806,421	278,900,966
Less amounts due within one year	(9,030,000)	(8,600,000)
Long-term debt less current maturities	\$ 260,776,421	270,300,966

Scheduled maturities of long-term debt for the years ending June 30 are as follows:

2026	\$ 9,030,000
2027	9,340,000
2028	9,805,000
2029	10,270,000
2030	10,700,000
Thereafter	209,340,000
Total	\$ 258,485,000

Arkansas Children's long-term debt agreements include certain restrictive covenants with which ACH and ACNW must comply, including the debt service coverage ratio and total debt to capitalization.

**ARKANSAS CHILDREN'S**

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**(9) Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2025 and 2024, are available for the following:

	<b>2025</b>	<b>2024</b>
Healthcare services:		
Capital expenditures	\$ 2,818,687	3,898,412
Arkansas Children's Northwest	3,510,253	4,348,018
Research funding	6,451,265	7,740,874
Land receivable	6,590,000	6,590,000
Pine Bluff Clinic	10,949	558,938
ACH Expansion	5,705,121	2,325,920
ACNW Expansion	25,168,232	27,964,561
Other spendable gifts, trusts, and pledges	49,577,409	52,766,407
Endowments with donor restrictions	157,673,710	144,961,470
Total	\$ 257,505,626	251,154,600

Net assets with donor restrictions are classified on the accompanying consolidated balance sheets in cash and cash equivalents, other current receivables, pledges receivable – noncurrent, and assets limited as to use – noncurrent.

During 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$14,636,027 and \$16,398,598, respectively. In addition, net assets were released from donor restrictions and used for the purchase of property and equipment in the amount of \$21,748,515 and \$6,361,629 for June 30, 2025 and 2024, respectively.

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**(a) Endowment Net Assets**

The following table summarizes the changes in endowment net assets for the fiscal years ended June 30, 2025 and 2024:

	<b>Without donor restrictions – board designated</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2023	\$ 279,746,118	130,657,294	410,403,412
Investment return:			
Investment income	5,929,821	2,266,719	8,196,540
Net gains (realized and unrealized)	<u>15,549,156</u>	<u>11,505,999</u>	<u>27,055,155</u>
Total investment return	21,478,977	13,772,718	35,251,695
Contributions	—	3,533,522	3,533,522
Transfers	—	140,599	140,599
Appropriation of endowment asset for expenditures	<u>(4,421,593)</u>	<u>(3,142,663)</u>	<u>(7,564,256)</u>
Endowment net assets, June 30, 2024	296,803,502	144,961,470	441,764,972
Investment return:			
Investment income	6,059,108	2,538,034	8,597,142
Net gains (realized and unrealized)	<u>25,541,808</u>	<u>11,038,055</u>	<u>36,579,863</u>
Total investment return	31,600,916	13,576,089	45,177,005
Contributions	—	2,391,128	2,391,128
Transfers	(1,000,000)	195,082	(804,918)
Appropriation of endowment asset for expenditures	<u>(6,302,124)</u>	<u>(3,450,059)</u>	<u>(9,752,183)</u>
Endowment net assets, June 30, 2025	<u>\$ 321,102,294</u>	<u>157,673,710</u>	<u>478,776,004</u>

**(10) Insurance and Legal**

Arkansas Children's is self-insured with respect to claims paid for employee healthcare. Estimates of health claims incurred but unpaid as of June 30, 2025 and 2024 are accrued based on Arkansas Children's past experience, as well as other considerations including the nature of claims and relevant trends. As of June 30, 2025 and 2024, Arkansas Children's has accrued a liability in the accrued expenses and other liabilities caption within the accompanying consolidated balance sheets for estimated incurred but unpaid claims of approximately \$2,731,000 and \$2,585,000, respectively. The expenses related to claims paid during the years ended June 30, 2025 and 2024, were approximately \$27,625,000 and \$24,461,000, respectively, and are included in employee benefits expense. Arkansas Children's maintains stop-loss insurance coverage with respect to the employer share of medical insurance claim costs. Under the terms of the stop-loss insurance plan, the stop-loss insurance carrier is to reimburse 100% of the cost of each

## ARKANSAS CHILDREN'S

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covered person's paid claims in excess of \$750,000 for both plan years ended June 30, 2025 and 2024, with no maximum annual benefit per person; however, a plan level deductible called an "aggregating specific deductible" must be satisfied by the whole group medical insurance plan before any reimbursements are paid to Arkansas Children's by the stop-loss carrier for an individual stop-loss claim. The plan level aggregating specific deductible amount was \$70,000 for the fiscal years ended June 30, 2025 and 2024. The purpose of the aggregating specific deductible is to reduce annual fixed stop-loss premium costs during the plan year where the group medical insurance plan experiences low volume or no high dollar medical claims.

SCV, a captive insurance company, was formed to provide professional and general liability and workers' compensation insurance coverage to Arkansas Children's effective July 1, 2018. All claims incurred from July 1, 2018 forward are covered under the captive, and the tail coverage liability deductible for professional and general liability claims incurred but not reported prior to July 1, 2018 remains \$25,000. Under the terms of the captive, coverage for professional and general liability is \$2,000,000 and \$1,000,000, respectively, indemnity and expense limit on a mature claims made basis. Workers' compensation coverage is limited to \$500,000 per claim. An estimated liability of \$6,626,000 and \$457,000 was accrued in the accrued expenses and other liabilities caption within the consolidated balance sheet as of June 30, 2025 for professional and general liability and workers' compensation insurance coverage, respectively. An estimated liability of \$5,689,000 and \$290,000 was accrued in the accrued expenses and other liabilities caption within the consolidated balance sheet as of June 30, 2024 for professional and general liability and workers' compensation insurance coverage, respectively. Arkansas Children's carries umbrella liability policies in the amount of \$25,000,000 to cover professional and general liability claims in excess of \$2,000,000 and \$1,000,000, respectively. Arkansas Children's also maintains excess workers' compensation coverage, which will reimburse 100% of the cost of each employee's claim in excess of \$500,000, up to the policy limits.

Arkansas Children's maintains Directors & Officers liability insurance with estimated liabilities of approximately \$106,000 and \$130,000 accrued at June 30, 2025 and 2024, respectively, for deductibles.

Under Arkansas law, Arkansas Children's has been recognized as a charitable institution that is immune from tort liability or execution in the enforcement of a judgment in a tort action. There is no assurance that this doctrine of charitable immunity will be held to apply to Arkansas Children's in future litigation, but previously decided case law would support such a holding.

There are no proceedings pending against Arkansas Children's, or to its knowledge, threatened against it, which may not be adequately covered by Arkansas Children's reserves and insurance policies or which, in the opinion of management, could have a materially adverse effect on Arkansas Children's consolidated financial statements.

#### **(11) Employee Benefit Plans**

Arkansas Children's has a 403(b) plan for the benefit of substantially all of its employees. Employer contributions are made based on the employee's respective contributions and are vested based on the years of service of the individual employees. Plan expense recorded in employee benefits expense in the accompanying consolidated statements of operations was approximately \$9,333,000 and \$9,295,000 for the years ended June 30, 2025 and 2024, respectively.

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

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Arkansas Children's has a defined contribution retirement plan covering substantially all employees meeting certain eligibility requirements. Employer contributions to the plan are made at the discretion of the Arkansas Children's Board of Directors. Arkansas Children's made contributions of 1% and 2% of eligible employees' compensation for fiscal years 2025 and 2024, respectively. Contributions accrued for the plan for the years ended June 30, 2025 and 2024, were approximately \$2,822,000 and \$5,153,000, respectively, with the related liability included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

Arkansas Children's has a nonqualified deferred compensation plan under IRC Section 457(b). Arkansas Children's reports a liability in accrued expenses and other liabilities in the accompanying consolidated balance sheets with a corresponding investment asset of approximately \$6,342,000 and \$5,375,000 as of June 30, 2025 and 2024, respectively. The assets in the plan remain the property of the employer until paid or made available to participants, subject only to the claims of Arkansas Children's general creditors.

Arkansas Children's established a nonqualified deferred compensation plan under IRC Section 457(f) effective June 30, 2014. The plan is a defined contribution plan, which covers certain executive employees. The net expense charged to earnings for fiscal years 2025 and 2024 was approximately \$798,000 and \$787,000, respectively, with the related liability included in accrued expenses and other liabilities in the accompanying consolidated balance sheets. The expense is generally calculated based on a percentage of the annual base pay of the covered executive employees plus an amount of interest as determined in the plan.

#### **(12) Related-Party Transactions**

Several Arkansas Children's board members are employed by the University of Arkansas for Medical Sciences (UAMS). During the years ended June 30, 2025 and 2024, contracts for professional services between Arkansas Children's and UAMS resulted in Arkansas Children's incurring expenses of approximately \$125,322,000 and \$111,258,000, respectively, to UAMS. During the years ended June 30, 2025 and 2024, Arkansas Children's also recorded revenue of approximately \$6,007,000 and \$5,716,000, respectively, from UAMS. In addition, ACH bills and collects physician outpatient professional fees for patient care performed at ACH and ACNW, which resulted in ACH and ACNW recording approximately \$32,158,000 of net revenue for the fees billed with approximately \$30,419,000 of collected fees, net of expenses, being remitted to UAMS for the year ended June 30, 2025, and approximately \$29,634,000 of net revenue for the fees billed with approximately \$28,079,000 of collected fees, net of expenses, being remitted to UAMS for the year ended June 30, 2024. As of June 30, 2025, and 2024, the Arkansas Children's payable due to UAMS was approximately \$8,360,000 and \$9,091,000, respectively. As of June 30, 2025, and 2024, the Arkansas Children's receivable due from UAMS was approximately \$397,000 and \$411,000, respectively.

During the years ended June 30, 2025 and 2024, Arkansas Children's also paid approximately \$70,548,000 and \$18,673,000, respectively, to a company affiliated with a member of the ACF Board of Directors for construction projects. Arkansas Children's also paid approximately \$1,000,000 during the year ended June 30, 2025 to a company affiliated with a member of the AC, ACF and ACNW Board of Directors for building rental fees. During the years ended June 30, 2025 and 2024, Arkansas Children's paid approximately \$1,047,000 and \$1,311,000, respectively, for goods and services from various other related parties.

## ARKANSAS CHILDREN'S

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A physician hospital organization (PHO), Children's Healthcare System, Inc., established in 1994, is 50% owned by ACH and participating physicians, respectively. The PHO identifies contract opportunities for its members. Also, the Arkansas Children's Hospital Auxiliary raises funds for and renders services to ACH and its patients. The activities of these entities are not considered material in relation to the consolidated financial statements of Arkansas Children's.

#### (13) Fair Value Hierarchy of Financial Instruments

In accordance with FASB ASC Topic 820 (Topic 820), *Fair Value Measurement*, Arkansas Children's has categorized its financial instruments, based on priority of inputs used in valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within multiple levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

*Level 1* – Valuations based on quoted prices in active markets for identical assets or liabilities that Arkansas Children's has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, as expanded by the previously described Topic 820. For cash and cash equivalents, accounts receivable, accrued interest, estimated third-party payor settlements, accounts payable, and accrued interest payable, the carrying amount is a reasonable estimate of fair value due to the short-term nature of these assets and liabilities, as such these amounts are considered to be level 1 financial instruments.

Investments and assets limited as to use are carried on the consolidated balance sheets at estimated fair value. Estimated fair values of investments and assets limited as to use are based on quotes from published market sources. Mineral interests, which are reported within other noncurrent assets in the consolidated balance sheets, are reported at fair value as determined by an independent appraiser using the income approach method.

Pledge receivables are reported at the net present value of expected future cash flows. Pledge receivables were \$50,200,145 and \$44,171,938 as of June 30, 2025 and 2024, respectively, and have not been included in the fair value tables that follow as these assets are carried at the net present value of expected future cash flows.

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

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The following tables set forth, by level within the fair value hierarchy, a summary of Arkansas Children's assets measured at fair value on a recurring basis at June 30, 2025 and 2024.

Fair value measurements at June 30, 2025				
	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments and assets limited as to use:				
Cash restricted for self-insurance	\$ 1,330,784	—	—	1,330,784
US government obligations	—	746,433,467	—	746,433,467
Corporate stocks:				
Consumer staples	24,534,117	—	—	24,534,117
Consumer discretionary	15,254,893	—	—	15,254,893
Energy	25,931,310	—	—	25,931,310
Financials	66,663,233	—	—	66,663,233
Healthcare	25,903,203	—	—	25,903,203
Industrials	37,093,922	—	—	37,093,922
Information technology	72,270,407	—	—	72,270,407
Materials	24,622,473	—	—	24,622,473
Telecommunication services	26,762,109	—	—	26,762,109
Utilities	5,961,228	—	—	5,961,228
Real estate	2,713,791	—	—	2,713,791
Other	296,779	—	—	296,779
Mutual funds:				
Equities	44,311,163	—	—	44,311,163
Federal government obligations	112,982,579	—	—	112,982,579

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Notes to the Consolidated Financial Statements

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<b>Fair value measurements at June 30, 2025</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
Corporate debt:				
Banks	—	14,946,279	—	14,946,279
Consumer goods	—	8,383,415	—	8,383,415
Energy power	—	2,824,740	—	2,824,740
Energy company	—	3,807,629	—	3,807,629
Industrials	—	2,562,020	—	2,562,020
Other financials	—	3,165,097	—	3,165,097
Technology	—	6,430,783	—	6,430,783
Telephone	—	4,589,286	—	4,589,286
Healthcare	—	1,669,137	—	1,669,137
Other	—	2,889,328	—	2,889,328
Agencies	—	11,770,011	—	11,770,011
Certificates of deposit	—	200,393	—	200,393
Total investments and assets limited as to use	\$ <u>486,631,991</u>	<u>809,671,585</u>	<u>—</u>	<u>1,296,303,576</u>
Other noncurrent assets:				
Mineral interests	\$ —	146,500	—	146,500

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

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Fair value measurements at June 30, 2024				
	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments and assets limited as to use:				
Cash restricted for self-insurance	\$ 2,702,154	—	—	2,702,154
US government obligations	—	675,593,206	—	675,593,206
Corporate stocks:				
Consumer staples	19,446,124	—	—	19,446,124
Consumer discretionary	13,131,134	—	—	13,131,134
Energy	28,815,094	—	—	28,815,094
Financials	50,082,795	—	—	50,082,795
Healthcare	30,365,871	—	—	30,365,871
Industrials	31,540,710	—	—	31,540,710
Information technology	63,450,044	—	—	63,450,044
Materials	21,997,881	—	—	21,997,881
Telecommunication services	21,036,153	—	—	21,036,153
Utilities	4,594,470	—	—	4,594,470
Real estate	2,548,425	—	—	2,548,425
Other	119,010	—	—	119,010
Mutual funds:				
Equities	52,093,119	—	—	52,093,119
Federal government obligations	140,865,378	—	—	140,865,378

**ARKANSAS CHILDREN'S**

Notes to the Consolidated Financial Statements

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Fair value measurements at June 30, 2024				
	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Corporate debt:				
Banks	—	12,113,216	—	12,113,216
Consumer goods	—	11,194,811	—	11,194,811
Energy power	—	2,882,570	—	2,882,570
Energy company	—	2,926,536	—	2,926,536
Industrials	—	2,093,369	—	2,093,369
Other financials	—	2,882,570	—	2,882,570
Technology	—	6,659,747	—	6,659,747
Telephone	—	4,939,296	—	4,939,296
Transportation	—	296,472	—	296,472
Healthcare	—	1,464,503	—	1,464,503
Other	—	1,293,049	—	1,293,049
Agencies	—	13,623,320	—	13,623,320
Certificates of deposit	—	200,393	—	200,393
Total investments and assets limited as to use	\$ 482,788,362	738,163,058	—	1,220,951,420
Other noncurrent assets:				
Mineral interests	\$ —	499,000	—	499,000

**ARKANSAS CHILDREN'S**

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

**(14) Functional Expense**

Total operating expenses, including nonoperating fundraising expenses, classified by their natural classification on the consolidated statements of operations are presented in their functional classifications as follows for the years ended June 30:

	<b>2025</b>							
	<b>Program activities</b>			<b>Supporting activities</b>				
	<b>Healthcare services</b>	<b>Research</b>	<b>Total program</b>	<b>General and administrative</b>	<b>Non- Healthcare services</b>	<b>Fundraising</b>	<b>Total supporting</b>	<b>Total</b>
Salaries and wages	\$ 380,482,715	29,520,627	410,003,342	23,053,142	24,770	5,769,583	28,847,495	438,850,837
Employee benefits	69,717,849	6,338,378	76,056,227	4,478,529	5,202	1,169,997	5,653,728	81,709,955
Supplies and pharmaceuticals	192,833,913	4,501,198	197,335,111	533,374	2,538	541,897	1,077,809	198,412,920
Professional fees	137,750,621	1,275	137,751,896	1,523	—	325	1,848	137,753,744
Purchased services	111,486,739	14,217,585	125,704,324	4,522,748	193,250	2,262,479	6,978,477	132,682,801
Depreciation	41,840,377	3,756,553	45,596,930	760,793	—	150,429	911,222	46,508,152
Interest	5,916,975	51,078	5,968,053	16,677	—	136,549	153,226	6,121,279
Utilities	5,015,350	485,556	5,500,906	136,958	—	49,895	186,853	5,687,759
Insurance	714,185	—	714,185	4,087,632	2,461,681	—	6,549,313	7,263,498
Other	13,772,876	2,310,700	16,083,576	1,789,058	26,411	861,584	2,677,053	18,760,629
<b>Total</b>	<b>\$ 959,531,600</b>	<b>61,182,950</b>	<b>1,020,714,550</b>	<b>39,380,434</b>	<b>2,713,852</b>	<b>10,942,738</b>	<b>53,037,024</b>	<b>1,073,751,574</b>

**ARKANSAS CHILDREN'S**

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

	2024							
	Program activities			Supporting activities				
	Healthcare services	Research	Total program	General and administrative	Non- Healthcare services	Fundraising	Total supporting	Total
Salaries and wages	\$ 363,080,806	25,462,508	388,543,314	21,622,993	21,936	5,679,455	27,324,384	415,867,698
Employee benefits	65,194,338	5,426,906	70,621,244	4,236,087	4,607	1,151,398	5,392,092	76,013,336
Supplies and pharmaceuticals	167,869,708	3,153,124	171,022,832	404,384	2,275	406,895	813,554	171,836,386
Professional fees	122,319,108	10,483	122,329,591	1,383	—	276	1,659	122,331,250
Purchased services	100,279,626	13,668,932	113,948,558	4,763,393	122,876	1,939,631	6,825,900	120,774,458
Depreciation	44,789,872	3,514,799	48,304,671	919,817	—	146,384	1,066,201	49,370,872
Interest	6,211,910	55,204	6,267,114	20,209	—	136,265	156,474	6,423,588
Utilities	5,280,594	631,644	5,912,238	169,341	—	51,228	220,569	6,132,807
Insurance	799,432	2,500	801,932	3,844,315	3,591,754	—	7,436,069	8,238,001
Other	13,373,303	1,565,324	14,938,627	1,701,494	54,235	755,499	2,511,228	17,449,855
<b>Total</b>	<b>\$ 889,198,697</b>	<b>53,491,424</b>	<b>942,690,121</b>	<b>37,683,416</b>	<b>3,797,683</b>	<b>10,267,031</b>	<b>51,748,130</b>	<b>994,438,251</b>

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocations are primarily based on total revenues and full-time equivalent employees of the related program activities, supporting activities, and fundraising. Fundraising expenses functional classification in the tables above differs from its natural classification on the statement of operations by \$1,306,960 and \$1,147,162 as of June 30, 2025 and 2024, respectively, due to the aforementioned allocations.

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

#### (15) Commitments and Contingencies

##### (a) Federal Awards

ACRI receives federal awards to support its research efforts. These grants are subject to financial and compliance audits by the granting agencies. The amount of expenditures, if any, which may be disallowed by the granting agency cannot be determined at this time; however, management expects such amounts, if any, to be immaterial.

##### (b) Leases

Arkansas Children's has entered into noncancelable operating leases for equipment and facilities. Arkansas Children's has determined whether each arrangement is a lease at the inception of the contract. Leases with an initial term of 12 months or less are not recorded on the accompanying consolidated balance sheets.

Arkansas Children's has lease agreements that require payments for lease and nonlease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of FASB ASC 842 – *Leases* (Topic 842), Arkansas Children's elected the permitted practical expedients upon adoption of the standard to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use (ROU) assets represent Arkansas Children's right to use an underlying asset during the lease term and lease liabilities represent Arkansas Children's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. Arkansas Children's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of Arkansas Children's leases do not provide an implicit rate, Arkansas Children's uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Arkansas Children's considers recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Fixed lease expense is recognized on a straight-line basis over the lease term, while variable payments are recognized in the period incurred.

Operating lease expense for the years ended June 30, 2025 and 2024 was approximately \$4,945,000 and \$4,190,000, respectively. The undiscounted future lease payments under noncancelable operating

**ARKANSAS CHILDREN'S**

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

leases and reconciliation to the corresponding liability included in the accompanying 2025 consolidated balance sheet follow:

Year ending June 30:		
2026	\$	3,496,830
2027		3,203,119
2028		3,067,956
2029		2,060,321
2030		1,276,089
Thereafter		<u>8,846,485</u>
Total lease payments		21,950,800
Less interest		<u>(5,311,818)</u>
Present value of lease liabilities	\$	<u><u>16,638,982</u></u>

At June 30, 2025, the weighted-average remaining lease term is 8.54 years and the weighted average discount rate is 6.63%. At June 30, 2024, the weighted-average remaining lease term was 10.39 years and the weighted average discount rate was 6.28%.

**(16) Donor-Restricted Gifts and Pledges Receivable**

Amounts of net pledges receivable (at net present value discounted at a rate of 8.5% and 8.25% for the years ended June 30, 2025 and 2024, respectively) as of June 30, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
	<b>Net pledges receivable with donor restrictions</b>	<b>Net pledges receivable with donor restrictions</b>
Due in less than one year	\$ 11,213,338	10,133,911
Due in one to five years	23,440,828	19,984,727
Due in more than five years	<u>1,792,913</u>	<u>1,030,401</u>
Total	<u><u>\$ 36,447,079</u></u>	<u><u>31,149,039</u></u>

Land receivable, valued at \$6,590,000 included in pledges receivable as of June 30, 2025 and 2024, is not shown above as the various properties are held in trust for an expected period of between 10 to 25 years.

## ARKANSAS CHILDREN'S

### Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

Maturities of trusts receivable are not shown above as the maturities of these receivables are dependent upon the life expectancies of the related income beneficiaries. Pledges receivable include donor-restricted trust receivables (at net present value), which totaled approximately \$7,163,000 and \$6,433,000 at June 30, 2025 and 2024, respectively.

The allowance for uncollectible pledges receivable totaled approximately \$658,000 and \$556,000 as of June 30, 2025 and 2024, respectively. The discount relating to pledges receivable totaled approximately \$6,488,000 and \$4,454,000 as of June 30, 2025 and 2024, respectively.

#### **(17) Subsequent Events**

Arkansas Children's has evaluated subsequent events through October 24, 2025 the date on which the consolidated financial statements were issued, and determined that there are no subsequent events identified that would warrant any adjustments, or disclosure in, the consolidated financial statements.

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## APPENDIX D

### Form of Bond Counsel Opinion

Upon delivery of the Series 2026 Bonds in definitive form, Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, proposes to deliver its approving opinion in substantially the following form:

\_\_\_\_\_, 2026

Bank OZK  
Little Rock, Arkansas

Stephens Inc.  
Little Rock, Arkansas

Re: \$\_\_\_\_\_ City of Springdale Public Facilities Board Hospital  
Revenue Refunding Bonds, Series 2026 (Arkansas Children's Northwest)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Springdale Public Facilities Board (the "Issuer") of its Hospital Revenue Refunding Bonds, Series 2026 (Arkansas Children's Northwest) (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

The Bonds are being issued for the purpose of refunding a portion of the Issuer's Hospital Revenue Bonds, Series 2016 (Arkansas Children's Northwest Project) (the "2016 ACNW Bonds") and paying certain expenses of issuing the Bonds. The Bonds are all issued under and are all equally and ratably secured and entitled to the protection given by a Trust Indenture dated as of June 1, 2016, as amended and supplemented by a First Supplemental Trust Indenture dated as of June 30, 2026 (collectively, the "Indenture"), between the Issuer and Bank OZK, as trustee. Various terms for the security of the Bonds and the payment of certain amounts thereunder are contained in a Loan Agreement and Security Agreement dated as of June 1, 2016, as amended and supplemented by a First Supplemental Loan Agreement and Security Agreement dated as of June 30, 2026 (collectively, the "Loan Agreement"), by and between the Issuer and Arkansas Children's Northwest, Inc. an Arkansas nonprofit corporation (the "Corporation").

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, particularly Arkansas Code of 1987 Annotated, Title 14, Chapter 137 (the "Act") and a Resolution of the Issuer, which authorized the execution and delivery of the Indenture (the "Bond Resolution"). The Bonds and the interest thereon do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation. The

Bonds are obligations only of the Issuer, and in no event shall they constitute an indebtedness for which the faith and credit of the City of Springdale, Arkansas or any of its revenues are pledged. The Issuer has no taxing power.

The Bonds are special obligations of the Issuer, payable solely from revenues derived from the Loan Agreement and otherwise as described herein. No covenant or agreement in the Bonds or in the Indenture and no obligation therein imposed upon the Issuer and no breach thereof shall constitute or give rise to or impose upon the Issuer a general liability or a charge upon its general credit or property other than the Trust Estate (as defined in the Indenture). The Loan Agreement provides for payments by the Corporation in amounts sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds as due and payable. Provision has been made in the Loan Agreement for such payments to be paid directly to the Trustee and deposited in a special account designated "Bond Fund" and such payments have been duly assigned to the Trustee for that purpose. In addition, the Corporation has delivered to the Issuer its secured note in the principal amount of \$\_\_\_\_\_ (the "Note"). All the rights and interest of the Issuer in and to the Loan Agreement (except for certain rights specified in the Indenture) and the Note have been assigned under the Indenture to the Trustee to secure the payment of the principal of and interest on the Bonds.

The Bonds are further secured by Guaranty Agreements dated as of June 1, 2016, as supplemented and amended by First Supplemental Guaranty Agreements, dated as of June 30, 2026 between Arkansas Children's Inc., an Arkansas nonprofit corporation, Arkansas Children's Hospital, an Arkansas nonprofit corporation ("ACH"), and Arkansas Children's Foundation, Inc., an Arkansas nonprofit corporation, all as guarantors (collectively, the "Guarantors"), and the Trustee (the "Guaranty Agreements").

The obligations of the Corporation under the Loan Agreement are secured by a pledge of the Gross Receipts of the Corporation (as defined in the Loan Agreement) on a parity with the pledge of the Gross Receipts of the Corporation in favor of the unrefunded 2016 ACNW Bonds, the Issuer's Hospital Revenue Bond, Series 2025 (Arkansas Children's Northwest Project) (the "2025 ACNW Bond"), the Pulaski County, Arkansas Hospital Refunding Revenue Bonds (Arkansas Children's Hospital Project), Series 2016 (the "2016 ACH Bonds"), the Pulaski County, Arkansas Hospital Revenue Bonds (Arkansas Children's Hospital Project), Series 2023 (the "2023 ACH Bonds") and the Pulaski County, Arkansas Hospital Refunding Revenue Bonds, Series 2026 (Arkansas Children's Hospital) (collectively with the 2016 ACH Bonds and the 2023 ACH Bonds, the "ACH Bonds").

The obligations of ACH under its Guaranty Agreement (the "ACH Guaranty") are secured by a pledge of the Gross Revenues of the Hospital (as defined in the ACH Guaranty) on a parity with the pledge of the Gross Revenues of the Hospital in favor of the unrefunded 2016 ACNW Bonds, the 2025 ACNW Bond and ACH Bonds.

With respect to (i) the incorporation and existence of the Corporation and Guarantors, (ii) the power of the Corporation to authorize, execute and deliver the documents and instruments to which the Corporation is a party, consisting of particularly, without limitation, the Loan Agreement and the Note, and to assume the obligations represented thereby, (iii) the execution

and delivery by the Corporation of such documents and instruments, consisting of particularly, without limitation, the Loan Agreement and the Note, (iv) the power of the Guarantors to authorize, execute and deliver the documents and instruments to which the Guarantors are party, consisting of particularly, without limitation, the Guaranty Agreements, and to assume the obligations represented thereby, (v) the execution and delivery by the Guarantors of such documents, consisting of particularly, without limitation, the Guaranty Agreements, (vi) the tax-exempt status of the Corporation and the Guarantors, and (vii) the enforceability of such documents and instruments, consisting of particularly, without limitation, the Loan Agreement and the Note, against the Corporation, and the enforceability of such documents and instruments, consisting of particularly, without limitation, the Guaranty Agreements, against the Guarantors, reference is made to the opinion as to such matters rendered by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, as counsel to the Corporation and the Guarantors.

Based upon the laws in force on this date, we are of the opinion that:

1. The Bonds have been lawfully authorized and issued under the Constitution and laws of the State of Arkansas, including the Act, the Bond Resolution, the Indenture and the Loan Agreement.

2. The Bonds are valid and binding special obligations of the Issuer and enforceable in accordance with their terms and the terms of the Indenture and are payable and are secured solely as described above.

3. The Indenture is a valid, binding and legally enforceable agreement under the laws of the State of Arkansas in accordance with its terms and creates a valid lien on the Trust Estate as defined therein.

4. The Loan Agreement is a valid, binding and legally enforceable agreement under the laws of the State of Arkansas in accordance with its terms.

5. The Bonds are secured by a pledge of the Gross Revenues of the Hospital and the Gross Receipts of the Corporation on a parity with the pledge thereof in favor of the unrefunded 2016 ACNW Bonds, the 2025 ACNW Bond, the ACH Bonds and any additional indebtedness of the Corporation and ACH authorized by the Loan Agreement and the ACH Guaranty to be issued as parity indebtedness.

6. The interest on the Bonds (including any original issue discount properly allocable to the Bonds) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause the inclusion of interest on the Bonds in gross income for federal income tax

purposes, retroactive to the date of issuance of the Bonds. The Corporation has covenanted to comply with such requirements and has the power to perform its obligations in that regard. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Interest on the Bonds is exempt from all state, county and municipal taxation in the State of Arkansas.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Loan Agreement, the Note, the Guaranty Agreements, the Indenture and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours very truly,

FRIDAY, ELDREDGE & CLARK, LLP





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