ORIGINAL

(Agency Use Only)
Fee Received Y ____ N ____
Exemption # E-007-11

2

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR EXEMPTION FOR THE CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED
MAR 10 2011
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Rockford Memorial Hospital
Address 2400 North Rockton Avenue
City Rockford Zip Code 61103 County Winnebago County
Name of current licensed entity for the facility Rockford Memorial Hospital
Does the current licensee: own this facility X OR lease this facility ____ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
X Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify
Illinois State Senator for the district where the facility is located: Sen. Dave Syverson
State Senate District Number 34 Mailing address of the State Senator 200 S. Wyman Street, Suite 302, Rockford, IL 61101
Illinois State Representative for the district where the facility is located: Rep. David Winters
State Representative District Number 68 Mailing address of the State Representative 3444 North Main, Suite 80 Rockford, IL 61103

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☒. If yes, refer to Section 1130.520(f), and indicate the projects by Project #

3. **FACILITY'S BED OR DIALYSIS STATION CAPACITY BY CATEGORY OF SERVICE** (Complete "APPENDIX A" attached to this application)

4. **FACILITY'S OTHER CATEGORIES OF SERVICE AS DEFINED IN 77 IAC 1100** (Complete "APPENDIX A" attached to this application)

5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant OSF Healthcare System
Address 800 N.E. Glen Oak Avenue
City, State & Zip Code Peoria, Illinois 61603
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
X Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify

6. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed OSF Rockford Memorial Hospital
Address 2400 North Rockton Avenue
City, State & Zip Code Rockford, Illinois, 61103
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
X Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify

7. **BUILDING/SITE OWNERSHIP.** NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site OSF Rockford Memorial Hospital
Address 2400 North Rockton Avenue
City, State & Zip Code Rockford, Illinois 61103
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
X Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify

/

(Agency Use Only)			
Fee Received	Y ____	N ____	2
Exemption #	E-		

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name _____
Address _____
City _____ Zip Code _____ County _____
Name of current licensed entity for the facility _____
Does the current licensee: own this facility _____ OR lease this facility _____ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. _____
State Senate District Number _____ Mailing address of the State Senator _____
_____
Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____
_____

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project #
_____

3. **FACILITY'S BED OR DIALYSIS STATION CAPACITY BY CATEGORY OF SERVICE** (Complete "APPENDIX A" attached to this application)

4. **FACILITY'S OTHER CATEGORIES OF SERVICE AS DEFINED IN 77 IAC 1100** (Complete "APPENDIX A" attached to this application)

5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Rockford Health System
Address 2400 North Rockton Avenue
City, State & Zip Code Rockford, Illinois 61103
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
X Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

6. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**
Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

7. **BUILDING/SITE OWNERSHIP.** NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY
Exact Legal Name of Entity That Will Own the Site _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name _____
Address _____
City _____ Zip Code _____ County _____
Name of current licensed entity for the facility _____
Does the current licensee: own this facility _____ OR lease this facility _____ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. _____
State Senate District Number _____ Mailing address of the State Senator _____

_____
Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____

_____

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project #

_____

3. **FACILITY'S BED OR DIALYSIS STATION CAPACITY BY CATEGORY OF SERVICE** (Complete "APPENDIX A" attached to this application)

4. **FACILITY'S OTHER CATEGORIES OF SERVICE AS DEFINED IN 77 IAC 1100** (Complete "APPENDIX A" attached to this application)

5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Rockford Memorial Hospital
Address 2400 North Rockton Avenue
City, State & Zip Code Rockford, Illinois 61103
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
X Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

6. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

7. **BUILDING/SITE OWNERSHIP.** NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

8. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**

- ☐ Purchase resulting in the issuance of a license to an entity different from current licensee;
- ☐ Lease resulting in the issuance of a license to an entity different from current licensee;
- ☐ Stock transfer resulting in the issuance of a license to a different entity from current licensee;
- ☐ Stock transfer resulting in no change from current licensee;
- ☐ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
- ☐ Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
- ☒ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
- ☐ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
- ☐ Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
- ☐ Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
- ☐ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

9. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

10. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

11. **ANTICIPATED ACQUISITION PRICE:** See Attachment Response 11

12. **FAIR MARKET VALUE OF THE FACILITY:** See Attachment Response 12
(to determine fair market value, refer to 77 IAC 1130.140)

13. **DATE OF PROPOSED TRANSACTION:** See Attachment Response 13

14. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

15. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Partnerships must provide the name and address of each partner and specify whether each is a general or limited partner. Append this information to the application as **ATTACHMENT #4.**

16. **TRANSACTION DOCUMENTS.** Provide a copy of the document(s) which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities Planning Board. Append this document(s) to the application as **ATTACHMENT #5.**

17. **FINANCIAL INFORMATION** (co-applicants must also provide this information). Per 77 IAC 1130.520(b)(3), an applicant must demonstrate it has sufficient funds to finance the acquisition **and** to operate the facility for 36 months by providing evidence of a bond rating of "A" or better (that must be less than two years old) from Fitch, Moody or Standard and Poor's rating agencies or evidence of compliance with the financial viability review criteria (as applicable) to the type of facility being acquired (as specified at 77 IAC 1120). Append as **ATTACHMENT #6.**

18. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name Mark E. Hohulin, OSF Healthcare System, Senior Vice President
Address 800 N.E. Glen Oak Avenue
City, State & Zip Code Peoria, IL 61603
Telephone (309) 624-2360 Ext.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name Amee Patel
Address Hinshaw & Culbertson LLP, 222 North LaSalle Street, Suite 300
City, State & Zip Code Chicago, IL 60601
Telephone (312) 704-3023 Ext:

20. CERTIFICATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer K. D. Schoeplein
Typed or Printed Name of Authorized Officer Kevin Schoeplein
Title of Authorized Officer: Chief Executive Officer
Address 800 Glen Oak Avenue
City, State & Zip Code Peoria, Illinois 61603
Telephone (309) 655-4982 Date: 3/8/2011

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name Brian Hucker
Address McDermott, Will & Emery, 227 West Monroe Street
City, State & Zip Code Chicago, Illinois 60606
Telephone (312) 984-7732 Ext:

20. CERTIFICATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer
Typed or Printed Name of Authorized Officer Gary E. Kaatz
Title of Authorized Officer: President and Chief Executive Officer of Rockford Health System
Address 2400 North Rockton Avenue
City, State & Zip Code Rockford, Illinois 61103
Telephone (815) 971-7250 Date: 3/8/11

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name	Brian Hucker
Address	McDermott, Will & Emery, 227 West Monroe Street
City, State & Zip Code	Chicago, Illinois 60606
Telephone	(312) 984-7732 Ext:

20. CERTIFICATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer	
Typed or Printed Name of Authorized Officer	~~Gary~~ E. Kaatz
Title of Authorized Officer:	President and Chief Executive Officer of Rockford Memorial Hospital
Address	2400 Rockton Avenue
City, State & Zip Code	Rockford, Illinois 61103
Telephone	(815) 971-7250 Date: 3/8/11

NOTE: complete a separate signature page for each co-applicant and insert following this page.

APPENDIX A

FACILITY BED AND DIALYSIS STATION CAPACITY AND CATEGORIES OF SERVICE

Complete the following for the facility for which the change of ownership is requested. The facility's bed and dialysis station capacity must be consistent with the State Board's Inventory of Health Care Facilities.

FACILITY NAME Rockford Memorial Hospital CITY: Rockford

1. Indicate (by placing an "X") the type of facility for which the change of ownership is requested:
   ☒ Hospital; ☐ Long-term Care Facility; ☐ Dialysis Facility; ☐ Ambulatory Surgical Treatment Center.

2. Provide the bed capacity by category of service:

SERVICE	# of Beds	SERVICE	# of Beds
Medical/Surgical	231	Nursing Care	0
Obstetrics	35	Shelter Care	0
Pediatrics	35	DD Adults*	0
Intensive Care	29	DD Children**	0
Acute Mental Illness	20	Chronic Mental Illness	0
Rehabilitation	0	Children's Medical Care	0
Neonatal Intensive Care	46	Children's Respite Care	0

*Includes ICF/DD 16 and fewer bed facilities; **Includes skilled pediatric 22 years and under

3. Chronic Renal Dialysis: Enter the number of ESRD stations: _____

4. Indicate (by placing an "X") those categories of service for which the facility is approved.

X	Cardiac Catheterization	X	Open Heart Surgery
	Subacute Care Hospital Model		Kidney Transplantation
	Selected Organ Transplantation		Postsurgical Recovery Care Center Model

5. Non-Hospital Based Ambulatory Surgery and Ambulatory Surgical Treatment Centers
   Indicate (by placing an "X") if the facility is a □ limited or □ multi-specialty facility and indicate the surgical specialties provided.

	Cardiovascular		Ophthalmology
	Dermatology		Oral/Maxillofacial
	Gastroenterology		Orthopedic
	General/Other (includes any procedure that is not included in the other specialties)		Otolaryngology
			Plastic Surgery
	Neurological		Podiatry
	Obstetrics/Gynecology		Thoracic
			Urology

10. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

NOT APPLICABLE

There is no acquisition price for this transaction (see Attachment Response 11). OSF Healthcare System has an "A" bond rating (see Attachment #6) and is committed to supporting any future capital projects of Rockford Memorial Hospital.

Attachment #2

11. ANTICIPATED ACQUISITION PRICE.

There is no acquisition price for this transaction.

1. Following the Closing Date, Rockford Health System, Rockford Memorial Hospital, Rockford Health Physicians, Visiting Nurses Association of the Rockford Area, Rockford Health Insurance Ltd. and Rockford Health System Ventures LLC ("RHS Entities") shall have access to OSF capital consistent with the access to capital afforded all OSF hospitals in accordance with OSF's capital budget and allocation process in order to sustain and enhance the delivery of high quality health care services by and through the OSF Northern Region Facilities and Services. OSF agrees to allocate to the OSF Northern Region Facilities and Services, during the eight fiscal years following the Closing Date, at least Thirty Five Million Dollars ($35,000,000) in the aggregate per fiscal year for the recurring and replacement capital needs of the OSF Northern Region Facilities and Services. OSF"s capital commitment may in good faith be revised by OSF in the event it institutes a system-wide reduction in recurring and replacement capital expenditures in a particular fiscal year or years.

2. Current RHS debt of approximately $100 million will be paid off in cash or replaced by debt of equal amount issued by the OSF obligated group which will include RHS.

3. OSF will fund capital and cash flow requirements for the purchase and installation of an enterprise-wide integrated, Epic set of application software comprised of: (a) an integrated inpatient and ambulatory electronic medical record system (including prerequisite clinical systems such as those required in the operating rooms, emergency department and pharmacy); (b) revenue cycle systems for ambulatory and hospital, including scheduling, admission, registration, billing, and collection modules; (c) MyChart, Epic's individual private patient folder; and (d) other Epic-related and third party software vendor systems required by RHS Entities to support their operations.

12. FAIR MARKET VALUE OF FACILITY.
(to determine fair market value, refer to 77 IAC 1130.140)

As previously noted there is no acquisition price for this transaction. On the transaction date, Rockford Health System will become a part of OSF Healthcare. For purposes of valuing the Rockford Health System, the parties undertook an estimated Net Asset Value analysis based on audited and interim financials of Rockford Health System. To derive the value, the parties took the following steps:

1. Used the audited Balance Sheet of Rockford Health System (RHS) excluding Rockford Memorial Development Foundation (RMDF) as of December 31, 2009.
2. Rollforward the activity of RHS and RMDF from the 2009 audit report to the 2010 year end interim value as reflected on the interim financial statements.
3. Identified the assets of RMDF that are unrestrieted and donor restricted assets.
4. Identified the value of specific vacant property to be transferred from Rockford Memorial Hospital to RMDF, which is excluded from the transaction.
5. Calculated the estimated value of 50% of the unrestricted assets of RMDF that will not be transferred to OSF Healthcare.

Based upon the foregoing, the estimated Net Asset Value was calculated as more fully set out in the pages that follow. The estimated Net Asset Value is $212,658,000.

Attachment Response 12

Summary of Value of Net Assets of Rockford Health System to be controlled by OSF Healthcare

		(000's)
Total Book Value of Assets of RHS excluding RMDF as of 12/31/10 - Unaudited	$	450,020 (A)
Total Book Value of Assets of RMDF as of 12/31/10 - Unaudited	$	108,988
Less - Assets remaining in Independent Foundation		
50% of Unrestricted Foundation assets	$	(46,343) (B) (1)
Less Liabilities to be assumed by OSF		
Current Liabilities	$	(89,454) (C)
Long Term Debt	$	(96,559) (D)
Other Liabilities	$	(107,915) (E)
Less - Vacant Property transferred from RMH to RMDF	$	(6,079)
Estimated Net Book Value of RHS Assets included in OSF HealthCare if transaction is approved	**$**	**212,658**

Notes:

Net Book Value is an estimate of assets using December 31, 2010 values as an estimate. Actual Net Book Value will be based on date of final transaction. Asset value will change based on actual performace between December 31, 2010 and closing of the transaction.

(1) Under the Affiliation Agreement Rockford Memorial Development Foundation will transfer 50% of unrestricted assets to the OSF Northern Region Foundation.

ROCKFORD HEALTH SYSTEM
BALANCE SHEETS
(000s omitted)

	DECEMBER 31, 2009			2010 CHANGES			DECEMBER 31, 2010			
	RHS EXCLUDING RMDF	RMDF	CONSOLIDATED	RHS EXCLUDING RMDF	RMDF	CONSOLIDATED	RHS EXCLUDING RMDF	RMDF	CONSOLIDATED	
CURRENT ASSETS:										
Cash & Equivalents	$29,625	$517	$30,142	$34,897	$194	$35,091	$64,522	$711	$65,233	
Short-term Investments	0	2,677	2,677	0	243	243	0	2,920	2,920	
Patient Receivables less allowances for dout	44,320	0	44,320	3,486	0	3,486	47,806	0	47,806	
Affiliate Receivables	(22)	22	0	22	(22)	0	0	0	0	
Other Receivables	5,626	229	5,855	(757)	(1)	(758)	4,869	228	5,097	
Current portion of investmts externally restric	8,151	2,610	10,761	0	252	252	8,151	2,862	11,013	
Inventories	6,380	0	6,380	433	0	433	6,813	0	6,813	
Prepaid expenses and other	5,138	8	5,146	4,995	(3)	4,992	10,133	5	10,138	
	99,218	6,063	105,281	43,076	663	43,739	142,294	6,726	149,020	
ASSETS LIMITED AS TO USE:										
Investments, Board Designated	50,951	82,402	133,353	2,665	8,105	10,770	53,616	90,507	144,123	
Investments, Board Designated PLTF	89,863	0	89,863	5,415	0	5,415	95,278	0	95,278	
Donor restricted endowment funds	2,280	837	3,117	0	320	320	2,280	1,157	3,437	
	143,094	83,239	226,333	8,080	8,425	16,505	151,174	91,664	242,838	
PROPERTY AND EQUIPMENT:										
Land and Improvements	14,806	9	14,815	102	0	102	14,908	9	14,917	
Buildings	115,278	61	115,339	51	0	51	115,329	61	115,390	
Equipment	240,108	84	240,192	16,538	0	16,538	256,646	84	256,730	
Construction in progress	2,820	0	2,820	2,618	0	2,618	5,438	0	5,438	
	373,012	154	373,166	19,309	0	19,309	392,321	154	392,475	
Less: Accumulated Depreciation	(242,353)	(150)	(242,503)	(16,570)	0	(16,570)	(258,923)	(150)	(259,073)	
	130,659	4	130,663	2,739	0	2,739	133,398	4	133,402	
OTHER ASSETS:										
Deferred financing costs	1,116	0	1,116	(99)	0	(99)	1,017	0	1,017	
Land held for future expansion	7,961	0	7,961	1	0	1	7,962	0	7,962	
Interest in beneficial trusts	0	9,342	9,342	0	691	691	0	10,033	10,033	
Note receivable & other	5,636	625	6,261	(528)	(84)	(592)	5,108	561	5,669	
Investment in joint ventures	8,958	0	8,958	109	0	109	9,067	0	9,067	
	23,671	9,967	33,638	(517)	627	110	23,154	10,594	33,748	
TOTAL ASSETS	$396,642	$99,273	$495,915	$53,378	$9,715	$63,093	$450,020	$108,988	$559,008	(A)
CURRENT LIABILITIES:										
Accounts payable	10,809	876	11,485	13,359	52	13,411	24,168	728	24,896	
Accrued expenses	43,585	50	43,635	3,479	(6)	3,473	47,064	44	47,108	
Current Portion of long-term debt	3,040	0	3,040	368	0	368	3,408	0	3,408	
Due to third-party payors	11,866	0	11,866	2,176	0	2,176	14,042	0	14,042	
Due to affiliates	(141)	141	0	115	(115)	0	(26)	26	0	
Total Current Liabilities	69,159	867	70,026	19,497	(69)	19,428	88,656	798	89,454	(C)
LONG TERM DEBT, less current maturities	99,103	0	99,103	(2,544)	0	(2,544)	96,559	0	96,559	
	99,103	0	99,103	(2,544)	0	(2,544)	96,559	0	96,559	(D)
OTHER LIABILITIES:										
Accrued liabilities under self insurance progr	75,694	0	75,694	(5,217)	0	(5,217)	70,477	0	70,477	
Accrued pension	24,759	0	24,759	918	0	918	25,677	0	25,677	
Postretirement benefits, less current portion	5,038	0	5,038	494	0	494	5,532	0	5,532	
Interest rate swap	0	0	0	571	0	571	571	0	571	
Other Liabilities	5,155	49	5,204	442	12	454	5,597	61	5,658	
	110,646	49	110,695	(2,792)	12	(2,780)	107,854	61	107,915	(E)
ASSETS/SHAREHOLDER'S EQUITY:										
Unrestricted	113,374	84,920	198,294	38,967	8,573	47,540	152,341	93,493	245,834	
Temporarily restricted	2,080	8,626	10,706	250	644	894	2,330	9,270	11,600	
Permanently restricted	2,280	4,811	7,091	0	555	555	2,280	5,366	7,646	
	117,734	98,357	216,091	39,217	9,772	48,989	156,951	108,129	265,080	
TOTAL LIABILITIES AND NET ASSETS	$396,642	$99,273	$495,915	$53,378	$9,715	$63,093	$450,020	$108,988	$559,008	

NOTES:
2009 amounts per PricewaterHouseCoopers audited financial statements
2010 CHANGES reflect the impact of financial performance during 2010 including operations, investment income and changes to Balance Sheet
2010 amounts are Interim and

14

Attachment Response 12

Rockford Memorial Development Foundation
Summary of Cash, Investments and Receivables
December 31, 2010
(000's)

CURRENT ASSETS:	TOTAL	Unrestricted UNR RMDF	VNA VNA	Donor Restricted Internally Managed	Donor Restricted Externally Managed
Cash & Equivalents	711	673	38		
Short-term Investments	2,920	1,395	1,525		
Patient Receivables less allowances for doubtful accts	-				
Affiliate Receivables	-				
Other Receivables	190	111	4	75	
Current portion of investmts externally restricted	2,862		317	2,545	
Inventories	-				
Prepaid expenses and other	-				
	6,683	2,179	1,884	2,620	0
ASSETS LIMITED AS TO USE:					
Investments, Board Designated	90,507	90,507			
Investments, Board Designated PLTF	-				
Investments, Externally Restricted	-				
Donor restricted	-				
Donor restricted endowment funds	1,157		189	968	
	91,664	90,507	189	968	0
PROPERTY AND EQUIPMENT:					
Land and Improvements	-				
Buildings	-				
Equipment	-				
Construction in progress	-				
	0	0	0	0	0
Less: Accumulated Depreciation	-				
	0	0	0	0	0
OTHER ASSETS:					
Prepaid pension	-				
Deferred financing costs	-				
Land held for future expansion	-				
Interest in beneficial trusts	10,033		278		9,755
Note receivable & other	500			500	
Investment in joint ventures	-				
	10,533	-	278	500	9,755
TOTAL ASSETS	$108,880	$92,686	$2,351	$4,088	$9,755
50% of Unrestricted Assets		$ 46,343 (B)			

Attachment Response 12

ROCKFORD HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET-PER BOARD REPORT
DECEMBER 2010
(000s omitted)

	RMH	RHPH	RMDF	Obligated Group ELIMINATIONS	Obligated Group Subtotal	RHS	VNA	NON-OBLIGATED ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:									
Cash & Equivalents	$54,610	$3,647	$711	$0	$58,968	$3,701	$2,564	$0	$65,233
Short-term Investments	0	0	2,920	0	2,920	0	0	0	2,920
Patient Receivables less allowances for doul	40,945	6,998	0	(1,982)	45,961	0	1,991	(146)	47,806
Affiliate Receivables	502	0	0	(14)	488	211	428	(1,127)	0
Other Receivables	3,987	128	228	(600)	3,743	247	1,107	0	5,097
Current portion of investmts externally restric	8,151	0	2,862	0	11,013	0	0	0	11,013
Inventories	6,057	628	0	0	6,685	0	128	0	6,813
Prepaid expenses and other	6,992	599	5	0	7,596	2,435	107	0	10,138
	121,244	12,000	6,726	(2,596)	137,374	6,594	6,325	(1,273)	149,020
ASSETS LIMITED AS TO USE:									
Investments, Board Designated	53,616	0	90,507	0	144,123	0	0	0	144,123
Investments, Board Designated PLTF	95,278	0	0	0	95,278	0	0	0	95,278
Donor restricted endowment funds	2,280	0	1,157	0	3,437	0	0	0	3,437
	151,174	0	91,664	0	242,838	0	0	0	242,838
PROPERTY AND EQUIPMENT:									
Land and Improvements	9,099	5,612	9	0	14,720	0	197	0	14,917
Buildings	53,871	59,640	61	0	113,572	590	1,228	0	115,390
Equipment	201,866	14,385	84	0	216,335	37,688	2,707	0	256,730
Construction in progress	1,569	1,942	0	0	3,511	1,927	0	0	5,438
	266,405	81,579	154	0	348,138	40,205	4,132	0	392,475
Less: Accumulated Depreciation	(186,981)	(41,207)	(150)	0	(228,338)	(27,991)	(2,744)	0	(259,073)
	79,424	40,372	4	0	119,800	12,214	1,388	0	133,402
OTHER ASSETS:									
Deferred financing costs	670	347	0	0	1,017	0	0	0	1,017
Land held for future expansion	6,422	1,540	0	0	7,962	0	0	0	7,962
Interest in beneficial trusts	3,587	0	10,033	(3587)	10,033	0	2070	(2070)	10,033
Note receivable & other	1,601	2,853	559	-	5,013	637	19	-	5,669
Investment in joint ventures	8,742	325	0	0	9,067	0	0	0	9,067
	21,022	5,065	10,592	(3,587)	33,092	637	2,089	(2,070)	33,748
TOTAL ASSETS	$372,864	$57,437	$108,986	($6,183)	$533,104	$19,445	$9,802	($3,343)	$559,008
CURRENT LIABILITIES:									
Accounts payable	20,379	1,210	728	($600)	21,717	$2,852	362	($35)	24,896
Accrued expenses	26,952	17,206	44	(1,982)	42,220	4,054	945	(111)	47,108
Current Portion of long-term debt	3,408	0	0	0	3,408	0	0	0	3,408
Due to third-party payors	14,042	0	0	0	14,042	0	0	0	14,042
Due to affiliates	0	428	26	(14)	440	0	687	(1,127)	0
Total Current Liabilities	64,781	18,844	798	(2,596)	81,827	6,906	1,994	(1,273)	89,454
LONG TERM DEBT, less current maturities	68,604	27,955	0	0	96,559	0	0	0	96,559
	68,604	27,955	0	0	96,559	0	0	0	96,559
OTHER LIABILITIES:									
Accrued liabilities under self insurance progr	44,611	25,692	0	0	70,303	0	174	0	70,477
Accrued pension	23,665	1,269	0	0	24,934	0	743	0	25,677
Postretirement benefits, less current portion	4,351	927	0	0	5,278	0	254	0	5,532
Interest rate swap	571				571				571
Other Liabilities	1,858	3,010	59	0	4,927	612	119	0	5,658
	75,056	30,898	59	0	106,013	612	1,290	0	107,915
ASSETS/SHAREHOLDER'S EQUITY:									
Unrestricted	156,226	(20,260)	93,493	0	229,459	11,927	6,011	(1,563)	245,834
Temporarily restricted	5,572	0	9,270	(3,242)	11,600	0	318	(318)	11,600
Permanently restricted	2,625	0	5,366	(345)	7,646	0	189	(189)	7,646
	164,423	(20,260)	108,129	(3,587)	248,705	11,927	6,518	(2,070)	265,080
TOTAL LIABILITIES AND NET ASSETS	$372,864	$57,437	$108,986	($6,183)	$533,104	$19,445	$9,802	($3,343)	$559,008

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Attachment Response 12

ROCKFORD HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET-PER AUDITED FINANCIAL STATEMENTS EXCLUDING RHIL
DECEMBER 2009
(000s omitted)

	RMH	RHPH	RMDF	Obligated Group ELIMINATIONS	Obligated Group Subtotal	RHS	VNA	NON-OBLIGATED ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:									
Cash & Equivalents	$20,558	$2,592	$517	$0	$23,667	$4,183	$2,292	$0	$30,142
Short-term Investments	0	0	2,677	0	2,677	0	0	0	2,677
Patient Receivables less allowances for doub	37,416	7,214	0	(2,168)	42,462	0	2,023	(165)	44,320
Affiliate Receivables	140	1	22	(141)	22	95	21	(138)	0
Other Receivables	5,155	101	229	(550)	4,935	154	766	0	5,855
Current portion of investmts externally restricl	8,151	0	2,610	0	10,761	0	0	0	10,761
Inventories	5,807	474	0	0	6,281	0	99	0	6,380
Prepaid expenses and other	2,844	1,122	8	0	3,974	1,019	153	0	5,146
	80,071	11,504	6,063	(2,859)	94,779	5,451	5,354	(303)	105,281
ASSETS LIMITED AS TO USE:									
Investments, Board Designated	50,951	0	82,402	0	133,353	0	0	0	133,353
Investments, Board Designated PLTF	89,863	0	0	0	89,863	0	0	0	89,863
Donor restricted endowment funds	2,280	0	837	0	3,117	0	0	0	3,117
	143,094	0	83,239	0	226,333	0	0	0	226,333
PROPERTY AND EQUIPMENT:									
Land and Improvements	9,080	5,529	9	0	14,618	0	197	0	14,815
Buildings	53,503	60,045	61	0	113,609	502	1,228	0	115,339
Equipment	216,549	14,702	84	0	231,335	6,179	2,678	0	240,192
Construction In progress	2,455	104	0	0	2,559	253	8	0	2,820
	281,587	80,380	154	0	362,121	6,934	4,111	0	373,166
Less: Accumulated Depreciation	(192,319)	(41,652)	(150)	0	(234,121)	(5,759)	(2,623)	0	(242,503)
	89,268	38,728	4	0	128,000	1,175	1,488	0	130,663
OTHER ASSETS:									
Deferred financing costs	752	364	0	0	1,116	0	0	0	1,116
Land held for future expansion	6,422	1,539	0	0	7,961	0	0	0	7,961
Interest in beneficial trusts	2,962	0	9,342	(2962)	9,342	0	1923	(1923)	9,342
Note receivable & other	2,454	2,554	625	-	5,633	611	17	-	6,261
Investment in joint ventures	8,625	333	0	0	8,958	0	0	0	8,958
	21,215	4,790	9,967	(2,962)	33,010	611	1,940	(1,923)	33,638
TOTAL ASSETS	$333,648	$55,022	$99,273	($5,821)	$482,122	$7,237	$8,782	($2,226)	$495,915
CURRENT LIABILITIES:									
Accounts payable	7,459	1,657	676	($550)	9,242	$1,814	458	($29)	11,485
Accrued expenses	25,747	16,453	50	(2,168)	40,082	2,652	1,037	(136)	43,635
Current Portion of long-term debt	3,040	0	0	0	3,040	0	0	0	3,040
Due to third-party payors	11,866	0	0	0	11,866	0	0	0	11,866
Due to affiliates	2	19	141	(141)	21	22	95	(138)	0
Total Current Liabilities	48,114	18,129	867	(2,859)	64,251	4,488	1,590	(303)	70,026
LONG TERM DEBT, less current maturities	71,151	27,952	0	0	99,103	0	0	0	99,103
	71,151	27,952	0	0	99,103	0	0	0	99,103
OTHER LIABILITIES:									
Accrued liabilities under self insurance progra	47,139	28,387	0	0	75,526	0	168	0	75,694
Accrued pension	22,797	1,257	0	0	24,054	0	705	0	24,759
Postretirement benefits, less current portion	4,001	820	0	0	4,821	0	217	0	5,038
Other Liabilities	1,747	2,704	49	0	4,500	588	116	0	5,204
	75,684	33,168	49	0	108,901	588	1,206	0	110,695
ASSETS/SHAREHOLDER'S EQUITY:									
Unrestricted	131,377	(24,227)	84,920	0	192,070	2,161	5,503	(1,440)	198,294
Temporarily restricted	4,697	0	8,626	(2,617)	10,706	0	294	(294)	10,706
Permanently restricted	2,625	0	4,811	(345)	7,091	0	189	(189)	7,091
	138,699	(24,227)	98,357	(2,962)	209,867	2,161	5,986	(1,923)	216,091
TOTAL LIABILITIES AND NET ASSETS	$333,648	$55,022	$99,273	($5,821)	$482,122	$7,237	$8,782	($2,226)	$495,915

3/8/2011 9:01 AM

17

Attachment Response 12

13. DATE OF PROPOSED TRANSACTION.

The Affiliation Agreement was executed on January 31, 2011, contingent upon receipt of all necessary regulatory approvals. (See Attachment 5 –Affiliation Agreement, Articles XI and XII). Closing will occur as soon as practical after receipt of all necessary corporate and regulatory approvals. The Affiliation Agreement can be terminated by OSF or RHS if closing does not occur by January 31, 2012, unless the expiration date is extended by agreement of the parties. The parties request the exemption provide that it shall expire 12 months from the date of issuance.

Attachment Response 13

14. NARRATIVE DESCRIPTION. Provide a narrative description explaining the transaction, and appended to the application as **ATTACHMENT #3.**

OSF Healthcare System ("OSF"), Rockford Health System ("RHS") and Rockford Memorial Hospital ("RMH") seek approval of this Certificate of Exemption ("COE") to allow for an affiliation among OSF, RHS, RMH, Rockford Health Physicians ("RHPH"), Visiting Nurses Association of the Rockford Area ("RVA") and the Rockford Memorial Development Foundation (the "Foundation"), all Illinois not--for-profit corporations.

Upon the Closing Date, OSF will serve as the sole corporate member of RHS and shall hold reserved powers with respect to the governance and operations of RHS. RHS will continue to be the sole corporate member of RMH, RHPH and VNA. RHS shall, however, hold reserved powers identical to the reserved powers held by OSF with respect to the governance and operations. RMH will continue to be the sole member of its subsidiaries, Rockford Health System Ventures, LLC ("RHSV") and Rockford Health Insurance, Ltd. and shall hold reserve powers identical to the reserved powers held by OSF with respect to the governance and operations of RHS. RHS will be renamed "OSF Northern Region." RMH will be renamed and licensed as "OSF Rockford Memorial Hospital" and Saint Anthony Medical Center ("SAMC") will be operated as part of the OSF Northern Region.

RHSV and HealthSouth Corporation shall each maintain its 50% ownership interest in Van Matre Rehabilitation Center LLC d/b/a Van Matre HealthSouth Rehabilitation Hospital ("Van Matre"). The members of Van Matre will not change. Van Matre's license holder will not change. Its board of managers will not change as a result of the affiliation and the management agreement under which HealthSouth Corporation manages the facility will not change. Based upon discussions with the state board staff, no "change of control", resulting in a change of ownership, will occur and no Certificate of Exemption for Van Matre is required as a result of this affiliation.

Effective as of the Closing Date, RMDF will become independent from RHS and OSF and its Board will be reconstituted. Prior to the Closing, RHS will establish the OSF Northern Region Foundation (the "Foundation"), a new Illinois not-for-profit corporation, which will act as a supporting organization and will, among other things, fundraise for OSF and RHS facilities and services collectively and promote health-related organizations in the Northern Region. The majority of Foundation's Board members shall be comprised of residents of the Northern Region. After the Closing, the Foundation Board will be responsible for nominating individuals to serve as directors of the Foundation. RHS shall hold reserved powers over the Foundation identical to the reserved powers held by OSF with respect to the governance and operations of RHS.

A copy of a pre and post closing chart is included in this attachment along with letters of support for this affiliation.

Attachment #3

Humana Inc.
550 West Adams Street
7th Floor
Chicago, IL 60661
www.humana.com

HUMANA.
Guidance when you need it most

February 15, 2011

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Ms. Avery:

I am writing to express our support for the proposed affiliation of OSF Healthcare System and the Rockford Health System. Our organization has a strong relationship with OSF Healthcare System. The affiliation will greatly benefit the people of the City of Rockford, Winnebago County and surrounding areas by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary health care services.

We believe this affiliation makes sense for Northern Illinois, especially in light impending health care reform. Therefore, I encourage the Review Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Dave Reynolds

David T. Reynolds
President, Illinois Commercial Market
312.441.5065
312.601.0629
dreynolds@humana.com

THE CITY OF ROCKFORD ILLINOIS, USA

Lawrence J. Morrissey
Mayor
Office of the Mayor

February 8, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As mayor of the City of Rockford, I am writing to express my full support of the proposed affiliation of OSF Healthcare System and the Rockford Health System.

This affiliation will greatly benefit the people of the City of Rockford, Winnebago County and surrounding areas by providing them with cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system.

Therefore, I am offering this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Very truly yours,

Lawrence J. Morrissey
Mayor
City of Rockford

LJM/ss

Kelley Williamson Company
1132 Harrison Avenue
Rockford, IL 61104
(815) 397-9410
www.kw-oil.com

February 18, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As a lifelong resident of Rockford, IL and President/CEO of the Kelley Williamson Company, I am writing to express my support of the proposed affiliation of the OSF Healthcare System and the Rockford Health System.

The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and will foster a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our regional economy.

The Kelley Williamson Company has been in business in Rockford for more than 80 years and we have had a long and productive relationship with both of these institutions. Bearing that in mind, we have witnessed the effects that decreased patient income and skyrocketing medical costs have left on our trio of community hospitals. I wholeheartedly support the unification of OSF St. Anthony and Rockford Memorial hospital and am certain that combining the resources of these two providers will benefit the citizens of this community.

Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

John C. Griffin

John C. Griffin
President & CEO
Kelley Williamson Company

DISTRICT OFFICE:
STATE OF IL BUILDING
200 S. WYMAN, STE. 302
ROCKFORD, IL 61101
815/987-7555
FAX 815/987-7563
E-MAIL: info@senatordavesyverson.com

CAPITOL OFFICE:
M103D STATE HOUSE
SPRINGFIELD, IL 62706
217/782-5413
FAX 217/782-9586

SENATOR DAVE SYVERSON
ILLINOIS SENATE • 34TH DISTRICT
SENATE REPUBLICAN CAUCUS CHAIR

COMMITTEES:
REPUBLICAN SPOKESMAN
PUBLIC HEALTH
HUMAN SERVICES
GAMING

MEMBER:
INSURANCE
APPROPRIATIONS I
ENERGY
COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY

February 11, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery,

As an Illinois State Senator, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our local economy.

Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

DAVE SYVERSON
State Senator

DS:jg

RECYCLED PAPER • SOYBEAN INKS

Health Alliance

February 15, 2011

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Ms. Avery:

I am writing to express our support for the proposed affiliation of OSF Healthcare System and the Rockford Health System. Our organization has a strong relationship with OSF Healthcare System for many years. The affiliation will greatly benefit the people of the City of Rockford, Winnebago County and surrounding areas by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary health care services and enable a higher quality health care delivery system.

We believe this affiliation makes sense for Northern Illinois, especially in light impending health care reform. Therefore, I encourage the Review Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Jeffrey C. Ingrum
President and CEO

301 S. Vine St., Urbana, Illinois 61801-3347 • 800-851-3379 • 217-337-8100 • TTY: 866-883-8551 • www.healthalliance.org
Si Usted necesita ayuda para interpretar la información sobre sus beneficios, por favor llamar al teléfono gratis 800-851-3379 y pregunte por la "Language Line."

ECOH
EMPLOYERS' COALITION ON HEALTH

Edgebrook Court • 1639 North Alpine Road • Rockford, IL 61107-1449
Phone: 815-397-0790 • Fax: 815-397-2790
www.ecoh.com

February 25, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson St. 2nd Fl.
Springfield, IL 62761

Dear Ms. Avery:

The Employers' Coalition on Health serves employers in the Rock River Valley with group healthcare purchasing. Our service area is similar to the catchment area for Rockford Health System and OSF-St Anthony Healthcare System. Both of these organizations are valued trading partners.

We have begun a dialogue at the leadership level about the potential benefits to the community and local employers of their proposed affiliation. In general, we are supportive of the concept.

We wish to see the affiliation proposal advance so that we may deepen our dialogue with the two health systems regarding the strategic benefit to the employers and the community as a whole. There are many unaddressed opportunities at this point. We are told that they need to move forward in the process before we can begin those earnest discussions.

The goals of higher efficiency, enhanced quality, and greater access to primary, secondary and tertiary care are worthy. We intend work with the health systems to translate those goals into measurable benefits and meaningful metrics in order to be accountable to the community for progress.

Please feel free to contact me if you wish any additional information regarding our support for the proposed change in ownership of the Rockford Health System.

Sincerely,

Paul W. Brand

Paul W. Brand, Executive Director

Rochelle
Community Hospital
900 N. Second Street • Rochelle, IL 61068
Ph. (815) 562-2181 • Fax. (815) 561-3120

February 9, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As CEO of Rochelle Community Hospital, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our regional economy.

Rochelle Community Hospital has had a long and productive relationship with both of these institutions. Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Bruce D Peterson FACHE
President and Chief Executive Officer
Rochelle Community Hospital

Leading Business Growth
ROCKFORD Chamber of Commerce

February 11, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As President and CEO of the Rockford Chamber of Commerce, I am writing to express my full support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford, Winnebago County and surrounding areas by providing them with cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our local economy and impending health care reform.

Therefore, I respectfully request that this proposed affiliation receive the utmost favorable consideration. Thank you very much for considering my letter of support.

Sincerely,

Einar Forsman
President/CEO

100 YEARS STRONG

27

308 West State Street, Suite 190, Rockford, Illinois 61101 USA rockfordchamber.com 815.987.8100 815.987.8122 Fax

UNIVERSITY OF ILLINOIS
COLLEGE OF MEDICINE
AT ROCKFORD

World Health Organization
Collaborating Center in Educational
Development of Health Professionals
and Health Care Systems

Martin S. Lipsky, MD
Office of the Regional Dean
1601 Parkview Avenue · Rockford, Illinois 61107-1897
Tel: 1.815.395.5600 · Fax: 1.815.395.5887
E-mail: mlipsky@uic.edu

February 21, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As Regional Dean for the University of Illinois College of Medicine at Rockford, I am writing to express my support of the proposed affiliation of OSF Healthcare System and Rockford Health System. I believe the affiliation will benefit both our College and the community. OSF and Rockford Health System each have a long record of supporting medical education. The proposed affiliation will enable this partnership to grow by providing an opportunity to develop new programs in graduate medical education that will benefit our area by providing both direct patient care training to the next generation of physicians.

I also think an affiliation will benefit the region by creating greater access to an integrated primary, secondary and advanced tertiary healthcare services. The affiliation makes sense for Northern Illinois, especially in light of the struggles of our local economy and impending health care reform.

Therefore, I am submitting this letter of support to the Planning Board to approve the Certificate of Exemption of ownership of Rockford Health System. Thank you very much for considering my letter of support.

Sincerely,

Martin Lipsky
Regional Dean

KSB HOSPITAL
KATHERINE SHAW BETHEA HOSPITAL

February 9, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As President/CEO of Katherine Shaw Bethea (KSB) Hospital, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our regional economy.

KSB Hospital has had a long and productive relationship with both of these institutions. Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Darryl L. Vandervort
President/CEO

DLV:mc

KishHealth System

One Kish Hospital Drive • P.O. Box 707 • DeKalb, IL 60115
815.756.1521 • Fax: 815.756.7665 • www.kishhealth.org

February 15, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Ms. Avery:

As President and Chief Executive Officer of the Kish*Health* System in DeKalb, I am writing to express my support of the proposed affiliation between the OSF Healthcare System and the Rockford Health System. The affiliation should benefit those served in the region by building upon the collective strengths of the two organizations, creating a more efficient and cost effective delivery system and improving access to an integrated network of providers, services and programs. Given the challenges and uncertainty facing our industry, this affiliation makes sense for Northern Illinois, even more so in light of the economic environment of the region.

Our organization has had a long and productive working relationship with both of these fine institutions. Therefore, on behalf of Kish*Health* System I am offering our support and would respectfully encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Kevin Poorten

Kevin Poorten, FACHE
President & CEO

eliminating racism
empowering women
ywca

February 15, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As the CEO of the YWCA of Rockford, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for northern Illinois, especially in light of the struggles of our local economy and impending health care reform.

Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Thank you very much for considering my letter of support.

Sincerely,

Kris L. Kieper
CEO

YWCA of Rockford ▪ 4990 East State Street ▪ Rockford, IL 61108
(815) 968-9681 ▪ Fax (815) 968-9858
Email: info@ywca-rockford.org ▪ www.ywca.org/rockford

Funding provided in whole or in part by the Illinois Department of Human Services

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Caring Tradition

CGH MEDICAL CENTER

www.cghmc.com

100 E. LeFevre Road
Sterling, IL 61081-1279
(815) 625-0400
Fax: (815) 625-4825
Website:www.cghmc.com

14 February 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As President & CEO of CGH Medical Center, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of the City of Rockford and surrounding region by providing them with more cost effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our regional economy.

CGH Medical Center has had a long and productive relationship with both of these institutions. Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Edward A. Andersen
President & CEO

Scott H. Christiansen

County Board Chairman

County of Winnebago

February 9, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery:

As Chairman of the Winnebago County Board, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people and community of Winnebago County and the surrounding region by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our local economy.

Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Scott H. Christiansen, Chairman
Winnebago County Board

404 Elm Street • Room 504 • Rockford, IL 61101 Phone (815) 319-4225 • Fax (815) 319-4226

E-mail: countyboardchairmansoffice@co.winnebago.il.us WEBSITE: www.co.winnebago.il.us

It is our mission to provide high quality services and promote a safe community for all people in Winnebago County.

ADMINISTRATION

FEB 14 2011

St. Anthony Med. Cntr.

STATE CAPITOL
HOUSE POST OFFICE
SPRINGFIELD, ILLINOIS 62706

STATE OF ILLINOIS
97TH GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

JOE SOSNOWSKI
STATE REPRESENTATIVE
69TH DISTRICT

February 10, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery,

As an elected official, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will greatly benefit the people of Boone County and surrounding region by providing them with more cost-effective health care services, greater access to integrated primary, secondary and advanced tertiary healthcare services and enable a higher quality health care delivery system. This affiliation makes sense for Northern Illinois, especially in light of the struggles of our local economy.

Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Joe Sosnowski
State Representative
69th District

Beloit Health System

Operated by Beloit Memorial Hospital

1969 West Hart Road • Beloit, Wisconsin 53511-2230 • (608) 364-5011
www.BeloitHealthSystem.org

Physician Clinics

Beloit Clinic
1905 E. Huebbe Pkwy.
Beloit, WI 53511-1842
608-364-2200

Clinton Clinic
307 Ogden Ave.
Clinton, WI 53525-9007
608-676-2206

Darien Clinic
300 N. Walworth St.
Darien, WI 53114-1534
262-882-1151

Family Health Clinic
1904 E. Huebbe Pkwy.
Beloit, WI 53511-1843
608-365-7767

Janesville Clinic
1321 Creston Park
Janesville, WI 53545-1126
608-757-1217

NorthPointe Clinic
5605 E. Rockton Rd.
Roscoe, IL 61073-7601
815-525-4500

South Beloit Clinic
1701 Blackhawk Blvd.
South Beloit, IL 61080-2407
815-389-2268

West Side Clinic
1735 Madison Rd.
Beloit, WI 53511-3216
608-363-7510

February 16, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

Dear Ms. Avery:

As President and CEO of Beloit Health System, I am writing to express my support of the proposed affiliation of OSF Healthcare System and the Rockford Health System. The affiliation will benefit the people of the City of Rockford and surrounding region by providing them with more cost effective health care services, greater access to integrated primary, secondary, and advanced tertiary healthcare services, and enable a higher quality health care delivery system.

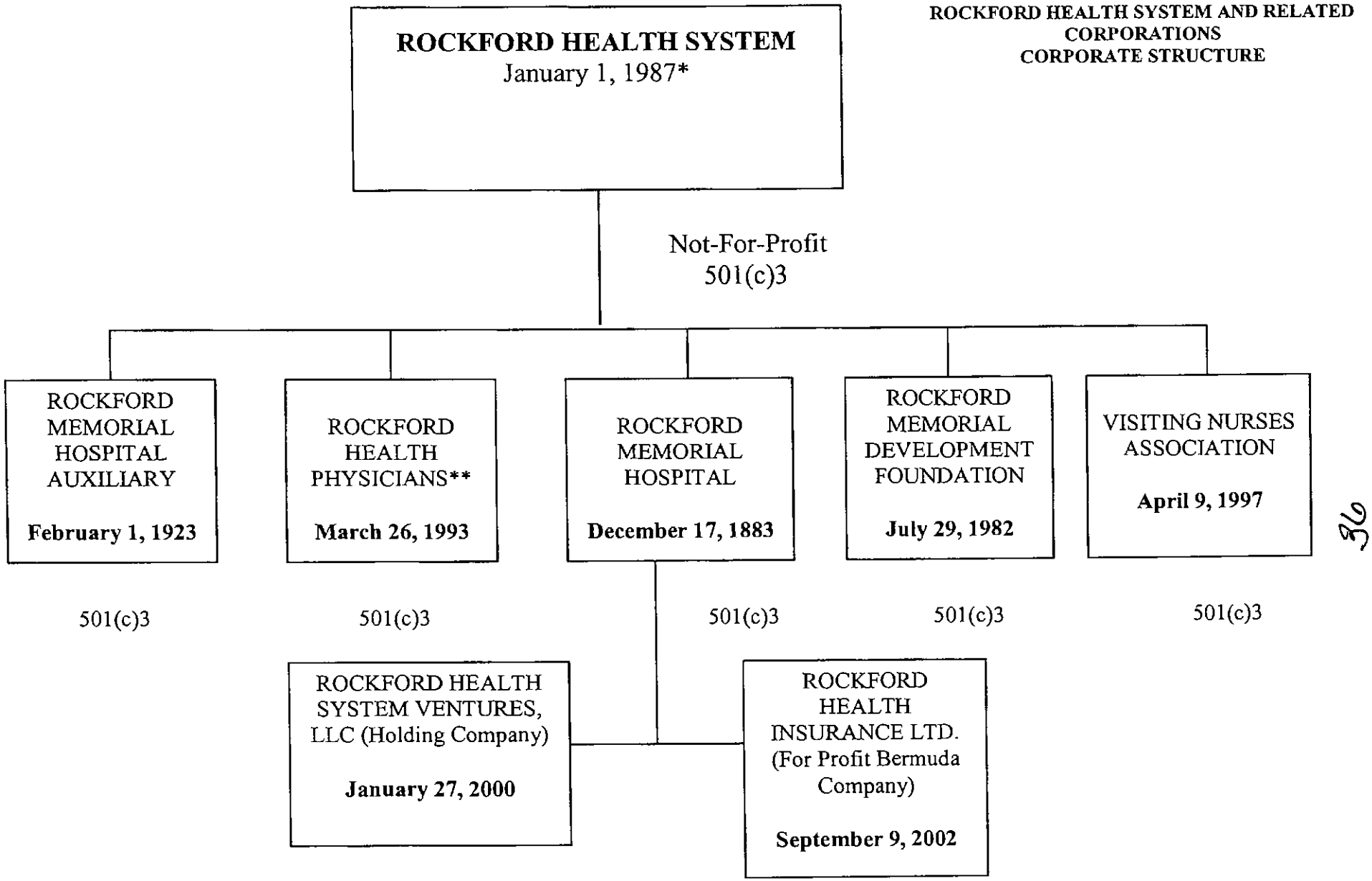
Beloit Health System has had a productive relationship with both of these institutions. Therefore, I am submitting this letter of recommendation and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Rockford Health System.

Sincerely,

Gregory K. Britton
President & CEO

GKB:lg

PRE-AFFILIATION
ROCKFORD HEALTH SYSTEM AND RELATED CORPORATIONS
CORPORATE STRUCTURE



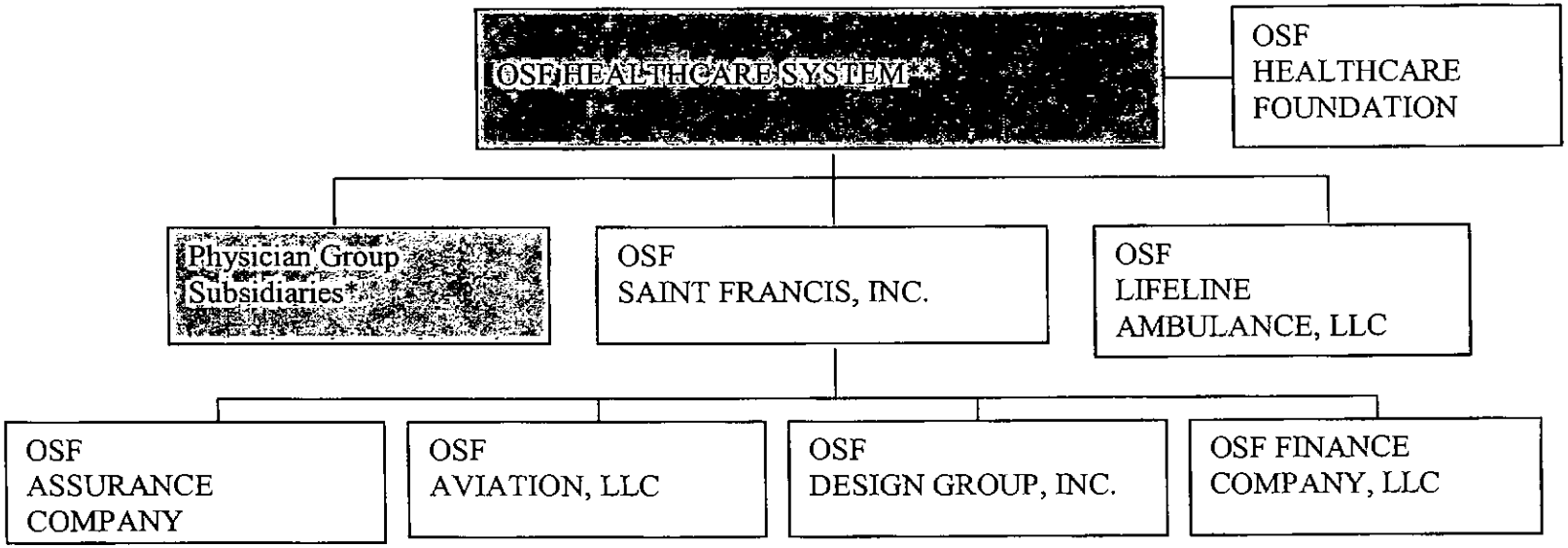
Rockford Health System Ventures LLC is 100% owned by Rockford Memorial Hospital
Rockford Health System Ventures LLC has a 50% ownership in Van Matre Rehabilitation Center, LLC

*f/k/a Rockford Memorial Corporation
**f/k/a Rockford Clinic

Attachment #3

130041609v1 0907107 14040

PRE-AFFILIATION
OSF HEALTHCARE SYSTEM AND RELATED CORPORATIONS
CORPORATE STRUCTURE



***Physician Group Subsidiaries**

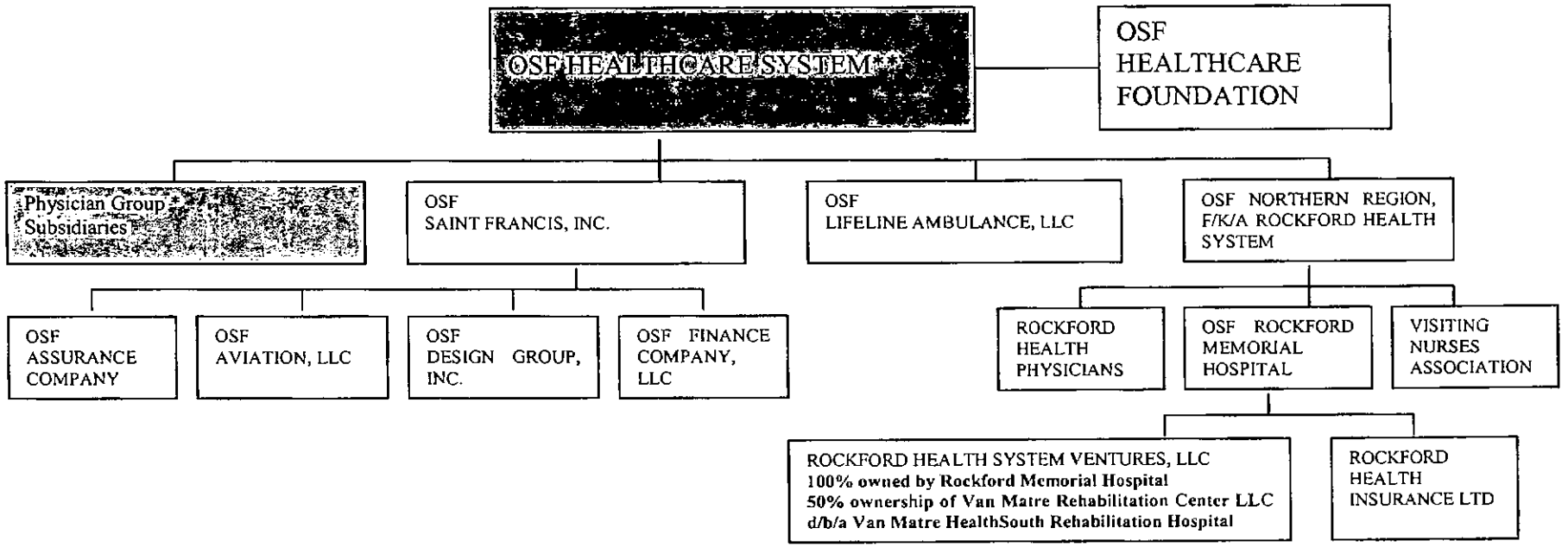
Cardiovascular Institute at OSF, LLC
OSF Multispecialty Group – Peoria, LLC
Illinois Neurological Institute – Physicians, LLC
Heartcare Midwest, Ltd.
Illinois Pathologist Services, LLC
Illinois Specialty Physician Services at OSF, LLC
OSF Multispecialty Group – Eastern Region, LLC
OSF Perinatal Associates, LLC
OSF Multispecialty Group – Western Region, LLC

****OSF Healthcare System**

Saint Francis Medical Center
Saint Anthony Medical Center
St. Joseph Medical Center
Saint James-John W. Albrecht Medical Center
St. Mary Medical Center
OSF Holy Family Medical Center
St. Francis Hospital
St. Clare Home
OSF Home Care Services
OSF Medical Group

Attachment #3

POST-AFFILIATION
OSF HEALTHCARE SYSTEM AND RELATED CORPORATIONS
CORPORATE STRUCTURE



38

***Physician Group Subsidiaries**

Cardiovascular Institute at OSF, LLC
OSF Multispecialty Group – Peoria, LLC
Illinois Neurological Institute – Physicians, LLC
Heartcare Midwest, Ltd.
Illinois Pathologist Services, LLC
Illinois Specialty Physician Services at OSF, LLC
OSF Multispecialty Group – Eastern Region, LLC
OSF Perinatal Associates, LLC
OSF Multispecialty Group – Western Region, LLC

****OSF Healthcare System**

Saint Francis Medical Center
Saint Anthony Medical Center
St. Joseph Medical Center
Saint James-John W. Albrecht Medical Center
St. Mary Medical Center
OSF Holy Family Medical Center
St. Francis Hospital
St. Clare Home
OSF Home Care Services
OSF Medical Group

Attachment #3

File Number 0107-414-8

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

OSF HEALTHCARE SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 02, 1880, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* FEBRUARY *A.D.* 2011 .

Jesse White

SECRETARY OF STATE

Authentication #: 1104901593
Authenticate at: http://www.cyberdriveillinois.com

Attachment #4

File Number 5280-599-6

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ROCKFORD HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 29, 1982, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* FEBRUARY *A.D.* 2011 .

Jesse White

SECRETARY OF STATE

Authentication #: 1104901589
Authenticate at: http://www.cyberdriveillinois.com

40

Attachment #4

File Number 0215-546-0

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ROCKFORD MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 15, 1883, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* FEBRUARY *A.D.* 2011 .

Jesse White

SECRETARY OF STATE

Authentication #: 1104901591
Authenticate at: http://www.cyberdriveillinois.com

Attachment #4

16. **TRANSACTION DOCUMENTS.** Provide a copy of the document(s) which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities Planning Board. Append this document(s) to the application as **ATTACHMENT #5.**

Very limited, sensitive information was redacted from the schedules to protect, patient, physician or employee identities as well as to protect information not within the public domain.

Attachment #5

AFFILIATION AGREEMENT

BY AND AMONG

OSF HEALTHCARE SYSTEM,

ROCKFORD HEALTH SYSTEM,

ROCKFORD MEMORIAL HOSPITAL,

ROCKFORD HEALTH PHYSICIANS,

VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA,

AND

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

JANUARY 31, 2011

TABLE OF CONTENTS

Page

ARTICLE I AFFILIATION GOALS AND OBJECTIVES 2
1.1. Affiliation Goals and Objectives 2

ARTICLE II IMPLEMENTATION OF AFFILIATION 2
2.1. Reorganization of RHS and the RHS Affiliates 2
2.2. Reorganization and Independence of RMDF 2
2.3. Ownership 3
2.4. New OSF Northern Region Foundation 3
2.5. Management Agreement 4
2.6. Master Indenture Financings 4

ARTICLE III GOVERNANCE 5
3.1. Amendment of RHS Entity Governing Documents 5
3.2. Reconstitution of Boards 6
3.3. Reserved Powers 7

ARTICLE IV MANAGEMENT 7
4.1. Senior Management 7

ARTICLE V CAPITAL COMMITMENTS AND SYSTEM INITIATIVES 7
5.1. Capital Commitments 7
5.2. Epic Project 9
5.3. Clinical Services at RMH 9
5.4. Integration of Clinical and Non-Clinical Operations 9
5.5. Medical Staff 10
5.6. Employment of RHS and OSF Employees 10

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE RHS PARTIES 10
6.1. Organization; Good Standing; Power 11
6.2. Corporate Authorization 11
6.3. No Violation; Approvals 11
6.4. Financial Statements 12
6.5. Accounts Receivable 13
6.6. Interim Changes 13
6.7. Legal Proceedings 13
6.8. Licenses and Permits 14
6.9. No Material Omissions 14
6.10. Compliance with Law 14
6.11. Title to Owned Real Property and Other Assets 14
6.12. Title to Assets 17
6.13. Affiliates and Subsidiaries 17
6.14. Tax Exempt Status 18
6.15. Insurance 18

TABLE OF CONTENTS
(continued)

Page

6.16. Taxes 18
6.17. Employee Benefits 18
6.18. Labor Relations 21
6.19. Payment Programs 21
6.20. Accreditation 22
6.21. Contracts and Other Commitments 22
6.22. Compliance Program 23
6.23. Exclusion from Health Care Programs 23
6.24. Medical Staff Matters 23
6.25. Experimental Procedures 24
6.26. Intellectual Property; Computer Software 24
6.27. Hill-Burton Loan 24

ARTICLE VII REPRESENTATIONS AND WARRANTIES OF RMDF 24
7.1. Organization; Good Standing; Power 24
7.2. Corporate Authorization 24
7.3. No Violation; Approvals 25
7.4. Interim Changes 25
7.5. Legal Proceedings 25
7.6. No Material Omissions 26
7.7. Compliance with Law 26
7.8. Title to Assets 26
7.9. Tax Exempt Status 26

ARTICLE VIII REPRESENTATIONS AND WARRANTIES OF OSF 27
8.1. Organization; Good Standing; Power 27
8.2. Corporate Authorization 27
8.3. No Violation; Approvals 27
8.4. Licenses and Permits 28
8.5. No Material Omissions 28
8.6. Compliance with Law 28
8.7. Tax Exempt Status 28
8.8. Compliance Program 29
8.9. Exclusion from Health Care Programs 29
8.10. Legal Proceedings 29
8.11. Financial Statements 29
8.12. Interim Changes 30
8.13. Accounts Receivable 31
8.14. Title to Owned Real Property and Other Assets 31
8.15. Title to Assets 33
8.16. Insurance 33
8.17. Taxes 33
8.18. Employee Benefits 33

TABLE OF CONTENTS
(continued)

Page

8.19. Labor Relations 35
8.20. Payment Programs 36
8.21. Accreditation 37
8.22. Medical Staff Matters 37
8.23. Experimental Procedures 37
8.24. Intellectual Property; Computer Software 37
8.25. Contracts and Other Commitments 38

ARTICLE IX PRE-CLOSING COVENANTS OF RMDF AND THE RHS PARTIES 38
9.1. Interim Conduct of Business 38
9.2. Preserve Accuracy of Representations and Warranties 39
9.3. Access to Information 40
9.4. Maintain Books and Accounting Practices 40
9.5. Compliance with Laws 40
9.6. No Merger or Consolidation 41
9.7. Third Party Authorizations 41
9.8. Confidentiality of OSF's Information 41

ARTICLE X PRE-CLOSING COVENANTS OF OSF 41
10.1. Interim Conduct of Business 41
10.2. Preserve Accuracy of Representations and Warranties 43
10.3. Access to Information 43
10.4. Maintain Books and Accounting Practices 43
10.5. Compliance with Laws 43
10.6. Third Party Authorizations 44
10.7. Confidentiality of RHS Entities' Information 44

ARTICLE XI CONDITIONS PRECEDENT TO OBLIGATIONS OF THE RHS PARTIES AND RMDF 44
11.1. Regulatory Approvals 44
11.2. Accuracy of Warranties; Performance of Covenants 44
11.3. No Pending Action 44
11.4. No Bankruptcy 44
11.5. Material Consents 45
11.6. Exhibits and Schedules 45
11.7. Delivery of OSF Closing Documents 45
11.8. Financing; Entry Into OSF Obligated Group 45
11.9. Bond Counsel Opinion 45
11.10. Delivery of Other Agreements 45

ARTICLE XII CONDITIONS PRECEDENT TO OBLIGATIONS OF OSF 45
12.1. Regulatory Approvals 45
12.2. Accuracy of Warranties; Performance of Covenants 46
12.3. No Pending Action 46

TABLE OF CONTENTS
(continued)

Page

12.4. No Bankruptcy 46
12.5. Material Consents 46
12.6. Exhibits and Schedules 46
12.7. Amendment of RHS Medical Staff Bylaws 46
12.8. Delivery of RHS Closing Documents 46
12.9. Delivery of RMDF Closing Documents 46
12.10. Entry Into OSF Obligated Group 47
12.11. Bond Counsel Opinion 47
12.12. Unrestricted Cash and Investments on Hand 47
12.13. Delivery of Other Agreements 47

ARTICLE XIII CLOSING 47
13.1. Closing Date; Closing 47
13.2. Pre-Closing Actions 47
13.3. Closing Document Deliveries 48
13.4. Modification of Schedules and Exhibits 48

ARTICLE XIV POST-CLOSING COVENANTS OF RHS ENTITIES 48
14.1. Compliance with Governing Documents 48
14.2. Exercise of Reserved Powers 49
14.3. Catholic Teachings 49
14.4. Catholic Identity 49
14.5. Employee Benefit Plans and Compensation Arrangements 50
14.6. Name Changes 52
14.7. Membership in OSF Obligated Group 52
14.8. Participation in System Initiatives 52
14.9. System Initiatives 54
14.10. Provider Agreements 54

ARTICLE XV POST-CLOSING COVENANTS OF RMDF 54
15.1. RMDF Governing Documents 54
15.2. Initial RMDF Board 55
15.3. RMDF Operations 55
15.4. RMDF Liabilities 56

ARTICLE XVI POST-CLOSING COVENANTS OF OSF 56
16.1. Capital Commitments and System Initiatives 56
16.2. RHS Entity Organization, Merger, Dissolution, Consolidation 56
16.3. RHS Board Composition 57
16.4. RMDF Option to Purchase OSF Northern Region Facilities and Services 58

ARTICLE XVII TERMINATION 58
17.1. Termination Upon Certain Events 58

TABLE OF CONTENTS
(continued)

Page

17.2. Effect of Termination 59

ARTICLE XVIII INDEMNIFICATION AND REMEDIES FOR BREACH 59
18.1. General 59
18.2. RMDF's Indemnification Obligations 59
18.3. OSF's Indemnification Obligations 60
18.4. Claims by Indemnified Parties 60
18.5. Survival of Agreements, Representations 61
18.6. Remedies for Breach 62

ARTICLE XIX GENERAL PROVISIONS 63
19.1. No Shop Clause 63
19.2. Performance of Undertakings 63
19.3. Consummation of Transactions 63
19.4. Notices 63
19.5. Cost of Transaction 65
19.6. Reimbursement of Costs 65
19.7. No Brokerage 65
19.8. Non-Assignment 65
19.9. No Third Party Beneficiaries 65
19.10. Third Party Authorizations 65
19.11. Consents, Approvals and Discretion 65
19.12. Additional Assurances 65
19.13. Severability 66
19.14. Applicable Law 66
19.15. Headings; Cross References 66
19.16. Construction 66
19.17. Waiver of Terms 66
19.18. Counterparts; Signatures 67
19.19. Time is of the Essence 67
19.20. Access to Records and Information 67
19.21. Cooperation 67
19.22. Communications 67
19.23. Publicity 67
19.24. Entire Agreement; Amendment 67

ARTICLE XX GLOSSARY 68
20.1. Glossary 68

LIST OF SCHEDULES

SCHEDULE	DESCRIPTION
2.2.3(b)	Assets Transferred from RMH to RMDF
2.4.1	Board Members and Officers of OSF Northern Region Foundation
3.2.3	Board Members and Officers of RHS Entities
6.3.1	RHS Liens and Defaults under Material Contracts
6.3.2	RHS Required Approvals
6.4.2	RHS Exceptions To GAAP
6.4.3	RHS Material Changes
6.4.4	RHS Liabilities
6.4.5	RHS Donor Restricted Funds
6.6	RHS Interim Changes
6.7	RHS Legal Proceedings
6.8.2	RHS Limitations on Licenses and Permits
6.11.1	RHS Owned Real Property and Leases
6.11.2	RHS Compliance with Environmental Laws
6.12	RHS Title Exceptions
6.13	RHS Affiliates and Subsidiaries
6.15	RHS Insurance Coverage
6.16	RHS Tax Returns
6.17.1	RHS Employee Benefit Plans
6.17.3	RHS Benefit Plans without IRS Determinations
6.17.6	RHS Benefit Plan Exceptions
6.17.7	RHS Changes in Legal and Beneficial Ownership
6.18	RHS Labor Relations
6.19	RHS Payment Programs
6.19.5	RHS Open Cost Reports
6.20	RHS Accreditation
6.21	RHS Material Contract Defaults
6.22	RHS Compliance
6.24	RHS Medical Staff
7.3.1	RMDF Liens and Defaults Under Material Contracts
7.3.2	RMDF Required Approvals
7.4	RMDF Interim Changes
7.5	RMDF Legal Proceedings
7.8	RMDF Title Exceptions
8.3.1	OSF Liens and Defaults Under Material Contracts
8.3.2	OSF Required Approvals
8.4.2	OSF Licenses and Permits
8.8	OSF Compliance
8.10	OSF Legal Proceedings
8.11.2	OSF Exceptions to GAAP
8.11.3	OSF Material Changes
8.11.4	OSF Liabilities
8.12	OSF Interim Changes

LIST OF SCHEDULES
(continued)

8.14.1	OSF Owned Real Property
8.14.2	OSF Compliance with Environmental Laws
8.15	OSF Title Exceptions
8.16	OSF Insurance Coverage
8.17	OSF Tax Returns
8.18.1	OSF Benefit Plans
8.18.3	OSF Benefit Plans without IRS Determinations
8.18.6	OSF Benefit Plan Exceptions
8.18.7	OSF Changes in Legal and Beneficial Ownership Status
8.19	OSF Labor Relations
8.20	OSF Payment Programs
8.20.5	OSF Open Cost Reports
8.21	OSF Accreditation
8.22	SAMC Medical Staff
8.25	OSF Material Contract Defaults
12.7	Amendments to RHS Medical Staff Bylaws
20.1.39	Foundation Restricted Assets
20.1.40	Foundation Unrestricted Assets
20.1.76	Material Consents
20.1.99	OSF Northern Region Balance Sheet
20.1.129(f)	Lease Amendments

Attachment #5

LIST OF EXHIBITS

EXHIBIT	DESCRIPTION
A	Forms of Amended and Restated Governing Documents of RMDF
B	Forms of OSF Northern Region Foundation Governing Documents
C	Form of Management Agreement
D	Forms of Amended and Restated Governing Documents of RHS
E	Forms of Amended and Restated Governing Documents of RMH
F	Forms of Amended and Restated Governing Documents of RHPH
G	Forms of Amended and Restated Governing Documents of VNA
H	Forms of Amended and Restated Governing Documents of Ventures
J	Forms of Amended and Restated Governing Documents of RHI
J	Form of Amended and Restated Bylaws of OSF
K	RHS Entity Board Member Position Description
L	Terms and Conditions of RMDF Purchase of Certain OSF Northern Region Facilities and Services
M	Terms and Conditions of RMDF Purchase of RHS Facilities and Services
N	Terms and Conditions of RMDF Purchase of All OSF Northern Region Facilities and Services

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT is made and entered into as of the Execution Date, to be effective as of the Closing Date, by and among OSF HEALTHCARE SYSTEM, an Illinois not-for-profit corporation, ROCKFORD HEALTH SYSTEM, an Illinois not-for-profit corporation, ROCKFORD MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, ROCKFORD HEALTH PHYSICIANS, an Illinois not-for-profit corporation, VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA, an Illinois not-for-profit corporation, and ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION, an Illinois not-for-profit corporation. Article XX contains a glossary of all capitalized terms used in this Agreement.

RECITALS

A. OSF owns and operates SAMC and certain other general acute care hospitals and institutions providing health care services, and is the controlling member or shareholder of certain affiliated health care organizations and businesses.

B. RHS is the controlling member of certain affiliated health care organizations, and as such currently exercises governance and control of RMH, a general acute care hospital located in Rockford, Illinois, and other health care organizations and businesses.

C. The Parties have engaged in discussions to explore the possibility of the RHS Entities affiliating with OSF to support and further their common and unifying health care missions and to better serve the Northern Region and to explore the possibility of RMDF becoming an independent entity to support and promote health-related organizations in the Northern Region.

D. OSF and the RHS Entities consider it to be consistent with their purposes, including, where applicable, their charitable purposes, and in the best interests of the Northern Region, to become affiliated as described herein and for RHS to manage SAMC and the other OSF Facilities and Services, pursuant to a management agreement, and RMDF considers it to be consistent with its charitable purposes and in the best interests of the Northern Region to become an independent entity.

E. As a result of such discussions, OSF and RHS entered into a Letter of Intent, pursuant to which OSF and RHS set forth their preliminary understandings and agreements regarding the nature and terms of a potential Affiliation.

F. As contemplated by the Letter of Intent, the Parties wish to set forth the full and complete binding terms of their agreement with respect to the Affiliation between and among them and related matters.

NOW, THEREFORE, for and in consideration of the premises, and the agreements, covenants, representations and warranties hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged and confessed, and in reliance upon the recitals set forth above, which are incorporated herein by reference, the Parties agree as follows:

ARTICLE I
AFFILIATION GOALS AND OBJECTIVES

1.1. **Affiliation Goals and Objectives.** The Parties wish to continue to improve health care quality and enhance patient access in the Northern Region through the combination of the RHS Entities with OSF. The Affiliation provides both the OSF System and the RHS Entities the opportunity to continue the historical missions of OSF and the RHS Entities, and benefit residents of the Northern Region, by: (a) enabling a sustainable and higher quality health care delivery system; (b) promoting greater patient access to integrated primary, secondary, and advanced tertiary health care services; (c) achieving excellence in clinical innovations, services, quality, costs, and outcomes; and (d) achieving maximum efficiencies in the delivery of health care services.

ARTICLE II
IMPLEMENTATION OF AFFILIATION

2.1. **Reorganization of RHS and the RHS Affiliates.** Following the Closing Date, OSF will serve as the sole corporate member of RHS. The corporate bylaws of RHS shall specify the Reserved Powers.

2.1.1. Following the Closing Date RHS will continue to be the sole corporate member of RMH, RHPH, and VNA. The respective corporate bylaws of RMH, RHPH, and VNA shall set forth reserved powers of RHS identical to the Reserved Powers. Following the Closing Date RMH will continue to be the sole member of Ventures and the sole shareholder of RHI. The respective organizational documents of Ventures and RHI (as long as consistent with Bermudian law) shall set forth reserved powers of RMH identical to the Reserved Powers. The RHS Affiliates will continue as operating entities. Notwithstanding the foregoing, OSF and the RHS Parties acknowledge that the corporate structure described in this Section may be altered following the Closing Date in accordance with the Integration Plan and upon approval of the applicable boards of the RHS Entities.

2.2. **Reorganization and Independence of RMDF.**

2.2.1. Amendment of Governing Documents. Effective as of the Closing Date, RMDF shall amend its Governing Documents, and RHS shall approve such amendments, in order to make RMDF independent of RHS and OSF and to otherwise fulfill the terms and conditions of this Agreement. The amendments will be in the forms attached hereto as Exhibit A.

2.2.2. RMDF Board. Effective as of the Closing Date, RMDF shall reconstitute its Board in accordance with its amended and restated Governing Documents, all as approved by RHS, so that the RMDF Board will include a majority of residents of the Northern Region including: (a) two members nominated by the OSF Board; (b) two members nominated by the RHS Board; and (c) the Northern Region CEO, who shall serve *ex officio* with vote. The RMDF Board shall have the right to appoint or reject the nominees, but its decision shall not be made arbitrarily.

2.2.3. Transfer of Assets.

(a) In the event the OSF Northern Region Foundation is not a Tax Exempt Organization on the Closing Date, or the transfer of the Foundation Restricted Assets and the Foundation Unrestricted Assets would violate the terms of the RHS Master Indenture as in effect on the Closing Date, RMDF shall transfer at Closing the Foundation Restricted Assets and the Foundation Unrestricted Assets to RMH, free and clear of all liens and encumbrances.

(b) RMH shall convey to RMDF at Closing the parcels of real property described in Schedule 2.2.3(b), free and clear of all liens and encumbrances other than Permitted Encumbrances and as otherwise set forth in Schedule 2.2.3(b).

2.3. **Ownership.** Except as otherwise set forth in Section 2.2.3(b), or except as agreed upon by OSF and the RHS Parties to achieve post-Closing operating or clinical efficiencies (as may be provided for in the Integration Plan): (a) the transactions contemplated hereby shall not affect the ownership, or result in the transfer or conveyance, of any asset owned as of the Closing Date by the RHS Entities; and (b) all assets, including all cash, cash equivalents, and other assets (tangible or intangible, real or personal), owned or held in the name of the respective RHS Entities shall remain the property of the respective RHS Entities.

2.4. **New OSF Northern Region Foundation.**

2.4.1. Establishment of New OSF Northern Region Foundation. Prior to Closing, RHS will establish a new Illinois not-for-profit corporation, referred to herein as "OSF Northern Region Foundation," and shall take reasonable steps to obtain recognition from the IRS that such foundation is a Tax Exempt Organization. The OSF Northern Region Foundation Governing Documents shall be in the forms attached hereto as Exhibit B. OSF Northern Region Foundation shall be a supporting organization which will, among other things, fundraise for the OSF Northern Region Facilities and Services and invest and manage the Committed Principal. The supported organizations will include RHS, RMH, VNA, OSF (with respect to the OSF Facilities and Services) and other exempt OSF Northern Region Facilities and Services named in the Governing Documents. A majority of the members of the OSF Northern Region Foundation Board shall be residents of the Northern Region. The initial officers and members of the OSF Northern Region Foundation Board shall be mutually agreed upon by OSF and RHS prior to Closing and listed on Schedule 2.4.1. A simple majority of the members of the OSF Northern Region Foundation Board shall be appointed by RHS and the remainder shall be appointed by OSF (*e.g.*, if the board is comprised of 17 people, 9 shall be appointed by RHS and 8 by OSF, with equitably distributed staggered terms). Thereafter, in accordance with the OSF Northern Region Foundation Governing Documents, the OSF Northern Region Foundation Board shall nominate for approval by the RHS Board individuals to serve as members of the OSF Northern Region Foundation Board. RHS shall hold reserved powers over the OSF Northern Region Foundation identical to the Reserved Powers.

2.4.2. Funding of OSF Northern Region Foundation. As of the date on which the OSF Northern Region Foundation is recognized by the IRS as a Tax Exempt Organization, or the Closing Date, whichever shall occur later, OSF Northern Region Foundation will be capitalized as follows: (a) RMDF, or RMH, as applicable, shall transfer the Foundation Restricted Assets and the Foundation Unrestricted Assets to the OSF Northern Region Foundation; and (b) OSF shall transfer, or cause OSF Healthcare Foundation to transfer, the SAMC Contribution to the OSF Northern Region Foundation. The OSF Northern Region Foundation Governing Documents shall set forth the restrictions on use of Committed Principal and Investment Yield set forth in this Section 2.4.2. The Investment Yield shall be used, on an unrestricted basis, in support of programs, capital improvements, and services of the OSF Northern Region Facilities and Services approved by the RHS Board, as deemed appropriate or necessary by the OSF Northern Region Foundation Board. Expenses associated with managing and operating OSF Northern Region Foundation and its Committed Principal (which expenses shall be managed by the OSF Northern Region Foundation Board so as to be reasonable and customary for foundations of similar size) shall be paid out of Investment Yield. All Committed Principal shall be used for the benefit of the programs, services, and capital improvements of the supported organizations as restricted upon transfer and may not be used/transferred to any other entity or for any other operations. All Committed Principal shall be invested in accordance with the OSF Investment Policy, as amended by OSF from time to time, a copy of which has been provided to RHS prior to the Execution Date. Expenditures of any Committed Principal shall require the approval of the OSF Northern Region Foundation Board.

2.5. **Management Agreement**. RHS and OSF shall enter into a Management Agreement in the form attached hereto as Exhibit C for the operation and management by RHS of the OSF Facilities and Services following the Closing Date, so that the OSF Northern Region Facilities and Services are operated in an integrated manner and as part of the OSF System.

2.6. **Master Indenture Financings.**

2.6.1. RHS Master Indenture. The RHS Master Indenture Indebtedness that is outstanding on the Closing Date will either be redeemed or defeased at Closing in accordance with the Plan of Finance. All documents of RHS, the RHS Affiliates, and RMDF related to the RHS Master Indenture Indebtedness (including, but not limited to, the RHS Master Indenture) will be discharged and terminated; and the trust estate securing all obligations issued pursuant to the RHS Master Indenture and any liens granted thereunder will be released and discharged at Closing. OSF shall fund the redemption or defeasance of the RHS Master Indenture Indebtedness in accordance with the Plan of Finance.

2.6.2. OSF Master Indenture.

(a) **Entry into OSF Obligated Group.** Upon closing of the financing under the Plan of Finance, RHS, RMH, RHPH, and VNA shall, and RHS shall cause the OSF Northern Region Foundation to, become Members of the OSF

Obligated Group under the OSF Master Indenture, and RHS, RMH, RHPH and VNA shall, and RHS shall cause the OSF Northern Region Foundation to, take all actions and execute and deliver any and all agreements, documents, certificates, and other instruments as may be desirable and appropriate to become Members of the OSF Obligated Group.

(b) **OSF Obligated Group Representative**. Upon closing of the financing under the Plan of Finance, RHS, RMH, RHPH and VNA shall, and RHS shall cause the OSF Northern Region Foundation to, designate OSF as the Group Representative and the Obligated Group Agent under the terms and provisions of the OSF Master Indenture. RHS, RMH, RHPH and VNA acknowledge and agree, and RHS shall cause the OSF Northern Region Foundation to acknowledge and agree, that OSF, as the Obligated Group Agent or otherwise, shall have the exclusive power and authority on behalf of the OSF Obligated Group (which power and authority shall be irrevocable and coupled with an interest for so long as any Person is a Member of the OSF Obligated Group) to take any action permitted under the OSF Master Indenture, to execute supplemental master trust indentures and issue Obligations on behalf of the OSF Obligated Group, to amend any Related Loan Document, to consent to the amendment of any Related Bond Indenture, to issue any Additional Indebtedness, to grant additional security, to approve, authorize, and direct any and all such actions on behalf of each Member of the OSF Obligated Group, to approve and execute all Related Loan Documents in the name of and on behalf of each Member of the OSF Obligated Group, and to exercise all corporate authority and take any action in connection therewith as may be necessary or appropriate on behalf of the OSF Obligated Group and each Member thereof to implement any recommendation or commitment made by OSF as Group Representative and Obligated Group Agent.

ARTICLE III
GOVERNANCE

3.1. **Amendment of RHS Entity Governing Documents.**

3.1.1. RHS. Effective as of the Closing Date, RHS shall amend and restate its Governing Documents in the forms attached hereto as Exhibit D.

3.1.2. RHS Affiliates. Effective as of the Closing Date, each of RMH, RHPH and VNA shall amend and restate its Governing Documents in the forms attached hereto as Exhibits E, F and G, respectively, and RHS shall approve such amendment and restatement, and RMH, RHPH and VNA shall otherwise fulfill the terms and conditions of this Agreement. Further, RMH shall cause Ventures and RHI to amend and restate their Governing Documents, as applicable, in the forms attached hereto as Exhibits H and I, respectively, and RMH shall approve such amendment and restatement (and, with respect to RHI, as limited by Bermudian law), and RMH shall cause Ventures and RHI to otherwise fulfill the terms and conditions of this Agreement.

3.2. **Reconstitution of Boards.** The Boards of OSF and the RHS Parties shall take all necessary and desirable corporate actions to reconstitute as follows:

3.2.1. OSF Board. As of the Closing Date, the RHS Board shall nominate for appointment, and the OSF Board shall approve in its reasonable discretion, an individual who is a member of the RHS Board to serve on the OSF Board in accordance with the OSF bylaws and policies and procedures of OSF applicable to all OSF Board members. From the Closing Date until the tenth (10th) anniversary of the Closing Date, the individual nominated by the RHS Board shall be one of the two directors named by RMDF to serve on the RHS Board. Thereafter, the RHS Board shall nominate any individual from its board who is a Community Board Member, as such term is defined in the Governing Documents of RHS attached hereto as Exhibit D. If RHS ceases to exist as a legal entity at any time following the Closing Date, then for so long as RMDF exists as a legal entity the RMDF Board shall nominate a resident of the Northern Region for such appointment to the OSF Board. If RMDF ceases to exist, OSF shall appoint an individual who meets the criteria and preferences of a Community Board Member to serve on the OSF Board. OSF shall amend and restate its bylaws in the form attached hereto as Exhibit J.

3.2.2. SAMC Advisory Board. Effective as of the Closing Date, the SAMC Advisory Board shall be dissolved by OSF and its members shall resign; provided, however, certain individuals from the SAMC Advisory Board may be appointed as members of the RHS Board and/or the OSF Northern Region Foundation Board.

3.2.3. RHS Entity Boards, Committees and Officers. Effective as of the Closing Date, the RHS Parties shall reconstitute, and RMH shall cause RHI and Ventures to reconstitute, their respective Boards in accordance with each RHS Entity's respective amended and restated Governing Documents (and, with respect to RHI, as limited by Bermudian law). The newly appointed members of the boards, committees, and officers of the RHS Entities as of the Closing Date are set forth on Schedule 3.2.3 and: (a) all such directors and officers are individuals who meet the criteria for appointment as established in the Position Description substantially in the form attached hereto as Exhibit K, as amended from time to time by the RHS Board with approval of OSF, and in the amended and restated Governing Documents of each respective RHS Entity; and (b) each director and officer shall be elected to serve in accordance with the amended and restated Governing Documents of the applicable RHS Entity. The Governing Documents of VNA shall provide that the chief executive officer of OSF HomeCare Services shall be an *ex officio* member of the VNA Board, with vote.

3.2.4. Written Resignations. On or before the Closing Date, the RHS Parties shall request, and RMH shall cause RHI and Ventures to request, that all directors, officers, and committee members of the RHS Entities other than those who will by agreement of OSF and RHS continue to serve in such capacities following the Closing Date submit their written resignations to the Secretary of the applicable RHS Entity, effective as of the Closing Date, or otherwise resign in accordance with the resignation provisions of the applicable RHS Entity Governing Documents.

3.3. **Reserved Powers.** Notwithstanding anything to the contrary but subject to the terms of this Agreement, OSF shall have all rights granted to the member or shareholder of a business organization under the Applicable Law of the state of formation, including, with respect to RHS, the right to exercise the Reserved Powers set forth in the amended and restated Governing Documents attached hereto as Exhibit D.

ARTICLE IV
MANAGEMENT

4.1. **Senior Management.** As of the Closing Date: Gary E. Kaatz shall be the initial Northern Region CEO, and will report to the chief executive officer of OSF and shall be accountable to the RHS Board with respect to the OSF Northern Region Facilities and Services; David A. Schertz shall be the Northern Region COO, and shall report to the Northern Region CEO; and the Northern Region CMO shall report to the Northern Region CEO and to the System CMO. The Northern Region CEO, Northern Region COO, and Northern Region CMO shall be employees of OSF pursuant to a written employment agreement for a term of three (3) years from the Closing Date pursuant to a job description developed by OSF in consultation with RHS. Following interviews conducted by the Northern Region CEO and the Northern Region COO, the Northern Region CEO shall select the Northern Region CMO, taking into consideration the recommendations of the Northern Region COO. The Northern Region CEO, in consultation with the Northern Region COO, shall select the other senior managers of the OSF Northern Region Facilities and Services, after considering all qualified candidates without regard to such candidates' employment prior to the Affiliation, in a transparent process designed to maximize the opportunity for the successful integration of the RHS Facilities and Services with the OSF Facilities and Services. Provided, however, in consultation with the Northern Region CEO, the chief executive officer of the HomeCare division of OSF shall select the Home Health Director, who shall be an employee of the HomeCare division of OSF, shall exercise direct management authority over Home Health Services, and shall report to the chief executive officer of the HomeCare division of OSF and be accountable to the Northern Region CMO and the VNA Board.

ARTICLE V
CAPITAL COMMITMENTS AND SYSTEM INITIATIVES

5.1. **Capital Commitments.**

5.1.1. Transfer of Funds; Balance Sheet Recognition. In furtherance of OSF's and the RHS Entities' desire to establish a stable, stand-alone virtual balance sheet for the OSF Northern Region Facilities and Services following the Closing Date, as of the Closing Date, the pro forma OSF Northern Region Balance Sheet shall reflect the following: (a) all the assets and liabilities of the OSF Facilities and Services, reflected on the OSF Interim Financial Statements (to be adjusted as of the Closing Date); (b) an allocation to SAMC in OSF's financial statements of One Hundred Million Dollars ($100,000,000) in cash or investments and One Hundred Million Dollars ($100,000,000) in debt; and (c) all of the assets and liabilities of the RHS Entities reflected on the RHS Interim Financial Statements (to be adjusted as of the Closing Date), provided that the liabilities booked therein shall be reduced to

reflect the defeasance of the RHS Master Indenture Indebtedness. Following the Closing Date, any increase or decrease in net assets or liabilities of the RHS Entities or related to the OSF Facilities and Services will be reflected and remain on the OSF Northern Region Balance Sheet.

5.1.2. Recurring and Replacement Capital Expenditures. Following the Closing Date, the RHS Entities shall have access to OSF capital consistent with the access to capital afforded all OSF hospitals in accordance with OSF's capital budget and allocation process in order to sustain and enhance the delivery of high quality health care services by and through the OSF Northern Region Facilities and Services. Notwithstanding the foregoing, OSF agrees to allocate to the OSF Northern Region Facilities and Services, during the eight fiscal years following the Closing Date, at least Thirty Five Million Dollars ($35,000,000) in the aggregate per fiscal year for the recurring and replacement capital needs of the OSF Northern Region Facilities and Services; provided that, in the event the OSF Northern Region Facilities and Services spend or obligate less than Thirty Five Million Dollars ($35,000,000) in annual recurring and replacement capital expenditures in a fiscal year, the difference between Thirty Five Million Dollars ($35,000,000) and the actual amount spent or obligated may be carried forward to the next fiscal year. The RHS Board shall have the discretion on how to allocate such funds within the OSF Northern Region Facilities and Services, subject to Reserved Powers and approved budgets and strategic plans. The Parties agree that OSF's capital commitment set forth in this Section 5.1.2 may in good faith need to be revised by OSF in the event it institutes a system-wide reduction in recurring and replacement capital expenditures in a particular fiscal year or years, due to: (a) a material fundamental change in the provision of health care services or the reimbursement therefore in the United States health care industry during the commitment period; (b) circumstances that would materially negatively affect OSF's access to capital for the entire OSF System; or (c) such other circumstances that would otherwise lead OSF to determine that a reduction in recurring and replacement capital expenditures would be in the best interest of the OSF System, so long as such reduction in recurring and replacement capital expenditures for the OSF Northern Region Facilities and Services does not serve to divert capital to other OSF facilities. In such case, the aggregate amount funded to support the OSF Northern Region Facilities and Services during such year or years may be reduced by a percentage equal to the percentage by which recurring and replacement capital expenditures are reduced in all other OSF regions taken as a whole. OSF shall notify RHS in the event of such a reduction, which notice shall be provided sufficiently in advance of such reduction and include the rationale for such reduction. Such a reduction shall not create an obligation to fund in a subsequent fiscal year recurring and replacement capital needs in excess of Thirty Five Million Dollars ($35,000,000), and shall not constitute a breach of this Agreement.

5.1.3. Development and Funding for Master Strategic Plan. Prior to the Closing Date, RHS shall, in consultation with OSF, engage a consultant to assist RHS in developing a Master Strategic Plan following the Closing Date, which plan shall be considered a strategic priority of the OSF System. The Master Strategic Plan shall address, at a minimum: (a) the strategic programs, services, and capital projects of the

OSF Northern Region Facilities and Services, giving priority to the needs of RHS' Rockton Avenue campus and SAMC's State Street campus; (b) financial projections, funding sources, and deployment of capital; and (c) process and timeframes within which to achieve the plan. RHS shall report to the OSF Board from time to time regarding its progress in developing the Master Strategic Plan. The RHS Board shall approve the Master Strategic Plan (such approval to be by seventy-five percent (75%) of the RHS Board), and recommend such plan to the OSF Board no later than twelve (12) months following the Closing Date, and the OSF Board shall review and act upon such plan without undue delay. Immediately following approval of the Master Strategic Plan by both the OSF and RHS Boards, OSF and RHS shall promptly seek to implement the approved Master Strategic Plan, including seeking any necessary regulatory approvals and obtaining any financing for the plan or the applicable approved phases thereof. Further, following approval by the OSF Board, RHS will present the Master Strategic Plan to the RMDF Board for its consideration of funding programs, services, and projects identified in the Master Strategic Plan.

5.2. **Epic Project**. In addition to the routine capital commitments set forth in Section 5.1.2, OSF will fund capital and cash flow requirements for the purchase and installation of an enterprise-wide, integrated, Epic set of application software comprised of: an integrated inpatient and ambulatory electronic medical record system (including prerequisite clinical systems such as those required in the operating rooms, emergency department and pharmacy); revenue cycle systems for ambulatory and hospital, including scheduling, admission, registration, billing, and collections modules; MyChart, Epic's individual private patient folder; and other Epic-related and third party vendor systems required by RHS Entities. The Parties acknowledge that certain components of the Epic Project are underway at RHS (*e.g.*, ambulatory EMR and OR component) and may have to be redesigned following the Closing Date so as to be interoperable with OSF's Epic electronic medical record system in use at the OSF Facilities and Services. The Epic Project shall commence promptly following the Closing Date and shall be implemented in a manner consistent with the implementation of the Epic enterprise solution at SAMC and other OSF facilities.

5.3. **Clinical Services at RMH**. During the ten year period following the Closing Date, OSF shall commit to health care on the West Side of Rockford and shall maintain RMH as a general acute care hospital. Notwithstanding the foregoing, following the end of the fifth year following the Closing Date, OSF may cease to maintain RMH as a general acute care hospital with the approval of seventy-five percent (75%) of the RHS Board.

5.4. **Integration of Clinical and Non-Clinical Operations**. OSF and the RHS Parties understand and agree that integration of the clinical and non-clinical operation and management of the RHS Facilities and Services with the OSF Facilities and Services, consolidation of the RHPH and OSF physician practices, consolidation of the VNA and OSF HomeCare services in the Northern Region, and the integration of the management and governance of the combined physician practices, are expected to present opportunities for beneficial cost savings, improved service and operating efficiencies. Prior to the Closing Date, the OSF and RHS Parties shall use their best efforts to agree upon a preliminary high-level Integration Plan, such plan to be updated following the Closing Date by OSF and RHS (so as to be consistent with the Master Strategic Plan). Following the Closing Date, OSF and the RHS

Parties shall review the operations of the RHS Facilities and Services and the OSF Facilities and Services with respect to further integration of clinical and non-clinical services pursuant to the Integration Plan. The RHS Parties shall take such actions as OSF and the RHS Parties determine appropriate to consolidate such clinical and non-clinical services in accordance with the Integration Plan.

5.5. **Medical Staff.** The Closing shall not affect or change the medical staff status or clinical privileges held by members of the medical staff of RHS or SAMC on the Closing Date or any agreements with members of the medical staff, whether the physicians be employed or contracted; provided, however, that practitioners shall not be permitted to exercise any clinical privileges that contravene the Ethical and Religious Directives; and provided further that any statements in this Section 5.5 shall not be deemed to preclude SAMC and RHS from amending or adopting new medical staff bylaws, rules, or regulations following the Closing Date consistent with the approval processes set forth therein and establishing new procedures consistent with customary practices of SAMC or RHS. The consummation of the Affiliation shall not result in a need for any reapplications of current members of RHS medical staff, except as otherwise required by RHS medical staff bylaws with respect to expiration of medical staff appointments or credentials. Prior to and after the Closing Date, the Northern Region CEO and Northern Region CMO, along with OSF Corporate Office and OSF Clinical Service Line CEOs, shall work with the medical staffs of SAMC and RHS to evaluate and, where feasible, pursue opportunities for medical staff/clinical integration to establish one standard of clinical quality in order to improve the quality of care and to improve access to care. Prior to and after the Closing Date, RHS shall develop a standardized privileging policy for implementation by SAMC and RMH.

5.6. **Employment of RHS and OSF Employees.** As of the Closing Date, employees of the RHS Entities (other than Gary E. Kaatz and the Northern Region CMO if an RHS employee) in good standing as of the Closing Date, shall continue to be employed following the Closing Date by the same RHS Entity, and the employees of OSF and its Affiliates shall continue to be employed by OSF or one of its Affiliates, as applicable. Employees of the RHS Entities who fall within the categories of Local Corporate Personnel, in good standing as of a date or dates after the Closing Date determined by OSF, shall be eligible to become employees of OSF or one of its Affiliates as of such date or dates. Nothing herein is intended to restrict the right of (a) an RHS Entity to terminate any employee or engage in staff reductions or consolidations prior to, on, or following the Closing Date (to the extent such actions are consistent with the then current applicable policies and procedures, any collective bargaining and other employment agreements, and Applicable Law); or (b) OSF or any of its Affiliates to terminate any employee or engage in staff reductions or consolidations prior to, on, or following the Closing Date (to the extent such actions are consistent with the then current applicable policies and procedures, any collective bargaining and other employment agreements, and Applicable Law).

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF THE RHS PARTIES

The RHS Parties, jointly and severally give, as of the Execution Date, and shall give, as of the Closing Date, the following representations and warranties to OSF:

6.1. **Organization; Good Standing; Power.**

6.1.1. Each RHS Entity other than Ventures and RHI is duly formed as an Illinois not-for-profit corporation. Ventures is duly formed as an Illinois limited liability company. RHI is duly formed as a Bermuda corporation.

6.1.2. Each RHS Entity other than RHI is validly existing and in good standing under the laws of the State of Illinois, and has the corporate power and authority to own, operate or hold under lease its properties and assets and to carry on its business and operations as presently conducted. RHI is validly existing and in good standing under the laws of Bermuda, and has the corporate power and authority to own, operate or hold under lease its properties and assets and to carry on its business and operations as presently conducted. Each of the RHS Entities has registered with the proper governmental authorities all assumed names under which each of the RHS Entities operates its businesses and continuously maintained all such filings in good standing.

6.2. **Corporate Authorization.**

6.2.1. Each of the RHS Parties has the full corporate power and authority to enter into and to perform its respective obligations under this Agreement.

6.2.2. The execution, delivery and performance of this Agreement by each of the RHS Parties has been duly and properly authorized by all necessary corporate action in accordance with its respective Governing Documents.

6.2.3. This Agreement constitutes the valid and legally binding obligation of each of the RHS Parties, enforceable against each of them in accordance with its terms, except as enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; (b) bankruptcy, insolvency, reorganization, moratorium, or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally; and (c) requirements for defeasance of the RHS Master Indenture and all obligations, loan agreements, tax agreements, credit agreements, and all other related loan documents of RHS and the RHS Affiliates under the RHS Master Indenture.

6.3. **No Violation; Approvals.**

6.3.1. Except to the extent specified in Schedule 6.3.1, the execution, delivery and performance of this Agreement shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any indebtedness or other obligation of any RHS Entity, and is not prohibited by, does not violate or conflict with any provision of, and does not constitute a default under or breach of any Material Contract, indenture, mortgage, material permit or license, approval or other commitment to which any RHS Entity is a party or is subject or by which any such corporation is bound, or any Applicable Law.

6.3.2. Except to the extent specified in Schedule 6.3.2, no approval, authorization, registration, consent, order, filing, or other action that has not occurred or been obtained with or from any person, including any court, administrative agency, or other governmental authority, is required for the execution and delivery by the RHS Parties of this Agreement or the consummation by the RHS Parties of the transactions contemplated or required hereby, except for filings required pursuant to the HSR Act and the Illinois Health Facilities Planning Act and listed on Schedule 6.3.2.

6.4. **Financial Statements.**

6.4.1. RHS has delivered to OSF true and correct copies of: (a) the RHS Audited Financial Statements; and (b) the RHS Unaudited Financial Statements. From the Execution Date to the Closing Date, by the fifteenth Business Day of the following month, the RHS Parties shall provide, and RMH shall cause RHI and Ventures to provide, OSF with the RHS Interim Financial Statements.

6.4.2. The RHS Financial Statements are: (a) true and correct in all material respects and present fairly the financial position of the RHS Entities, respectively, and the results of the respective operations of the RHS Entities at the dates and for the periods indicated; and (b) are in conformity with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology, except: (i) as otherwise disclosed on Schedule 6.4.2; and (ii) that the RHS Unaudited Financial Statements and the RHS Interim Financial Statements need not contain any of the footnotes or other year-end adjustments required to comply with GAAP.

6.4.3. Except as set forth in Schedule 6.4.3 from and after January 1, 2010, the RHS Entities have not made any material changes to their accounting methods or practices, including methods or practices used to:

(a) Establish reserves on any patient, notes and accounts receivable;

(b) Establish estimates of any third-party settlements;

(c) Determine the value of any other accounts that require subjective determinations; and

(d) Establish malpractice, general liability or other self-insurance reserves, including claims incurred but not reported.

6.4.4. Except as disclosed on Schedule 6.4.4, the RHS Entities have no liabilities or obligations of any kind, whether contingent or absolute, direct or indirect, or matured or unmatured, that are not shown or provided for in the RHS Financial Statements provided to OSF prior to the Execution Date, other than: (a) claims covered by insurance, or reserved by a specific or general reserve, and any individual liability or obligation of less than $100,000, provided such liabilities and obligations in the aggregate do not exceed $250,000; or (b) liabilities arising in the

ordinary course of business that are reflected on the RHS Interim Financial Statements.

6.4.5. Except as disclosed on Schedule 6.4.5, none of the assets of the RHS Entities are subject to restrictions imposed by the donors of specific funds or other assets.

6.5. **Accounts Receivable.** All accounts receivable of the RHS Entities represent and constitute *bona fide* indebtedness owing to the RHS Entities for services actually performed or for goods or supplies actually provided in the amounts indicated on the RHS Financial Statements with no known set offs, deductions, compromises or reductions other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of the RHS Entities and that are taken into consideration in the preparation of the RHS Financial Statements. The RHS Parties have made available to OSF a complete and accurate aging report of all such accounts receivable and a schedule of all accounts receivable, whether recorded or unrecorded, that have been assigned to collection agencies or are otherwise held or assigned for collection.

6.6. **Interim Changes.** Except for matters expressly permitted or authorized by this Agreement and except as set forth on Schedule 6.6, there has not been, after the date of the most recent RHS Audited Financial Statements:

6.6.1. Any Material Adverse Change to the RHS Entities in the aggregate;

6.6.2. Any disposition by the RHS Entities of any property, rights or other assets owned by or employed in the RHS Entities, except for dispositions in the usual and ordinary course of the business;

6.6.3. Any amendment or termination of any Material Contract that has had or could reasonably be expected to have, in the aggregate, a material and adverse effect on the RHS Entities; and

6.6.4. Any adoption or material amendment of any bonus, profit sharing, incentive or severance agreement or arrangement, or any Benefit Plan, involving any officer, director or employee of the RHS Entities.

6.7. **Legal Proceedings.** Except as disclosed on Schedule 6.7, no RHS Entity is a defendant in, or, to the Knowledge of the RHS Entities, threatened with any action, suit, proceeding, complaint, charge, hearing, or arbitration that could reasonably be expected to materially and adversely affect its business or financial condition or its ability to perform its obligations under this Agreement. Except as disclosed on Schedule 6.7, no RHS Entity has received notice of any investigation or threatened investigation by any Federal, state, or local governmental or regulatory agency, including those involving its business practices and policies, that could result in a Material Adverse Change in the RHS Entities in the aggregate.

6.8. **Licenses and Permits.**

6.8.1. Each of the RHS Entities holds and is in compliance with all Licenses and Permits, noncompliance with which could result in a Material Adverse Change in its business and operations. The Licenses and Permits are current, unrestricted and valid.

6.8.2. Except as set forth on Schedule 6.8.2, no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards, or other conditions or any revocation, termination, suspension, or limitation of any of the Licenses and Permits has been issued, received, proposed or, to the Knowledge of the RHS Entities, threatened, for which any actual or potential payment or other obligation exists, nor does any RHS Entity have any Knowledge of any basis for any such action.

6.9. **No Material Omissions.**

6.9.1. The RHS Parties have responded in all material respects to all requests for information and documentation made by OSF in connection with its due diligence review of the business, operations, assets and liabilities of the RHS Entities. The RHS Parties have not Knowingly omitted any material information relating to the businesses, operations, assets, or liabilities of the RHS Entities in their responses to OSF's requests. Since the delivery of such responses to OSF, no RHS Party has received and not disclosed any information that would render untrue or misleading in any material respect any information previously disclosed to OSF in response to its requests for information.

6.9.2. The representations and warranties of the RHS Parties contained in this Agreement, and each Exhibit, Schedule, certificate, or other document delivered at Closing by the RHS Parties pursuant to this Agreement, are accurate, correct, and complete in all material respects, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

6.10. **Compliance with Law.** Each of the RHS Entities is in compliance with all Applicable Laws, including, without limitation, all Health Care Laws, in all material respects.

6.11. **Title to Owned Real Property and Other Assets.**

6.11.1. Schedule 6.11.1 lists all RHS Owned Real Property by common address and property identification number. Except as set forth on Schedule 6.11.1, one or more of the RHS Entities is the sole and exclusive owner of all right, title and interest in and has good and marketable fee simple title to the RHS Owned Real Property free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than Permitted Encumbrances. Except as set forth in Schedule 6.11.1 the RHS Entities have not assigned, transferred, conveyed,

mortgaged, deeded in trust, or encumbered any interest in any leasehold or subleasehold under any lease or agreement to which any RHS Entity is a party and under which it is a lessee of any real property. The RHS Owned Real Property is accurately described on Schedule 6.11.1 and includes all real estate owned by the RHS Entities and used in connection with their current operations. Except as set forth in Schedule 6.11.1, no RHS Entity has leased or otherwise granted to any person or entity the right to use any RHS Owned Real Property or any portion thereof. There are no outstanding options, rights of first refusal or rights of first offer to purchase any RHS Owned Real Property or any portion thereof or interest therein. Except as described on Schedule 6.11.1, with respect to the RHS Owned Real Property:

(a) During the past three (3) years, no RHS Entity has received notice of a violation of any Applicable Law, and no RHS Entity has received notice of condemnation, lien, assessment or the like relating to any part of the RHS Owned Real Property or the operation thereof;

(b) There are no tenants or other persons or entities occupying any space in the RHS Owned Real Property, or claiming any possession, adverse or not, to any portion of the RHS Owned Real Property, other than pursuant to written tenant leases with an RHS Entity;

(c) Each parcel of RHS Owned Real Property is either: (i) exempt from real property or *ad valorem* taxation pursuant to Section 15-65 of the Property Tax Code (35 ILCS 200/15-65), the RHS Entities have furnished OSF with true and complete copies of determinations of exempt status and annual certification thereafter for such RHS Owned Real Property and the RHS Entities have received no notice and have no Knowledge that the status of such RHS Owned Real Property will change from exempt to taxable; or (ii) separately assessed for real estate tax purposes and is not combined with any land or real estate that is not a part of the RHS Owned Real Property for real estate tax assessment purposes for each parcel of RHS Owned Real Property that is not exempt from real property taxation, the RHS Entities have not received any notice of change in assessed value that is not reflected in RHS Owned Real Property tax bills furnished to OSF;

(d) No RHS Owned Real Property is located within a 100-year flood plain or an area identified by the Secretary of Housing and Urban Development as having "special flood hazards," as such term is used in the National Flood Insurance Act of 1968, as amended and supplemented by The Flood Disaster Protection Act of 1973, and in regulations, interpretations and rulings thereunder;

(e) All permanent certificates of occupancy and all other licenses, permits, authorizations, consents, certificates, and approvals required by all governmental authorities having jurisdiction and the requisite certificates of the local board of fire underwriters (or other body exercising similar functions), which, if not obtained, would result in a Material Adverse Change in any RHS Entity, have been issued for the RHS Owned Real Property (and all individual

items constituting the RHS Owned Real Property), have been paid for, are in full force and effect, and, to the Knowledge of the RHS Entities, will not be invalidated, violated or otherwise adversely affected by any change of control or ownership of any RHS Entity;

(f) The RHS Entities have made available to OSF complete copies of all engineering assessments and construction contracts that have been prepared by or at the direction of the RHS Entities within the last three (3) years relating to any of the RHS Owned Real Property;

(g) No RHS Entity has received any notice of any existing, proposed or contemplated plans to modify or realign any street or highway or any existing, proposed or contemplated eminent domain proceeding that would result in the taking of all or any part of the RHS Owned Real Property or that would adversely affect the current use of any part of the RHS Owned Real Property;

(h) Upon consummation of the transactions contemplated by this Agreement, the current owners of the RHS Owned Real Property will be entitled to continue to use any Owned Real Property that is currently employed by the RHS Entities in the conduct of their operations as currently conducted; and

(i) The RHS Owned Real Property is subject to no easements, conditions, restrictions, ordinances, or other limitations that would make such property unusable for its current use or the title to such property unmarketable or materially restrict or impair the current use or operation of the business in a manner consistent with the current use, or that would require the removal of any improvements, except for such Permitted Encumbrances.

6.11.2. Except as set forth on Schedule 6.11.2: the RHS Owned Real Property is not in material violation of any Environmental Laws; the RHS Entities have not received any notice within the past three years alleging or asserting either a material violation of any Environmental Law or a legal obligation to investigate, assess, respond to, remove, or remediate a condition involving Hazardous Substances from any part or all of the RHS Owned Real Property under or pursuant to any Environmental Law; the RHS Entities have not possessed, managed, processed, released, handled, or disposed of or discharged Hazardous Substances at, on, or from the RHS Owned Real Property (including groundwater), except in material compliance with applicable Environmental Law; the RHS Entities have no Knowledge that any prior owners, operators, or occupants of the RHS Owned Real Property have caused or allowed any Hazardous Substances to be discharged, possessed, managed, processed, released, or otherwise handled on the RHS Owned Real Property in material violation of any Environmental Law; the RHS Entities are complying and, for the previous three years, have complied in all material respects with all applicable Environmental Laws; to the Knowledge of the RHS Entities, the RHS Owned Real Property does not contain material amounts of asbestos in such form or condition for which investigation, assessment, abatement, repair, response, or removal is required by applicable Environmental Law; and there are no, nor to the

Knowledge of the RHS Entities have there ever been any dumps, pits, surface impoundments, or other areas located on the RHS Owned Real Property which were or are maintained or utilized for the disposal or containment of Hazardous Substances. The RHS Parties shall promptly notify OSF, and RMH shall cause RHI and Ventures to promptly notify OSF, should the RHS Entities obtain Knowledge, prior to the Closing Date, of any lien, written notice, litigation, or threat of litigation relating to any alleged or actual unauthorized release of any Hazardous Substance with respect to any part of the RHS Owned Real Property. Except as set forth on Schedule 6.11.2, none of the RHS Entities has sent, arranged for disposal or treatment, arranged with a transporter for transport for disposal or treatment, transported, or accepted for transport any Hazardous Substances, to a facility, site or location, that, pursuant to CERCLA or any similar state or local law: (i) has been placed or has been publicly proposed by authorities having jurisdiction to be placed, on the National Priorities List or its state equivalent; or (ii) is subject to a claim, administrative order or other demand to take removal or remedial action by any person having jurisdiction and authority in any such matter. Except as set forth on Schedule 6.11.2 none of the RHS Entities has received any written requests for information, potentially responsible party letters, general or special notices or violation notices alleging that any of the RHS Entities is or may be liable under CERCLA or any other Environmental Law(s). Without in any way limiting the generality of the foregoing: (y) all current or former underground storage tanks located on the RHS Owned Real Property of which the RHS Entities have Knowledge and all information in RHS Entities' possession relating to the capacity, uses, dates of installation and contents of such underground storage tanks located on the RHS Owned Real Property are identified in Schedule 6.11.2; and (z) all existing underground storage tanks used by the RHS Entities to store Hazardous Substances are in compliance in all material respects with applicable Environmental Law.

6.12. **Title to Assets.** Except as disclosed on Schedule 6.12, other than RHS Owned Real Property that is provided for in Section 6.11.1, each of the RHS Entities has good and defensible title to all of its assets of every kind, character and description, whether personal, tangible or intangible, used in connection with the operation of the businesses of the respective RHS Entities, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than liens and encumbrances which are Permitted Encumbrances.

6.13. **Affiliates and Subsidiaries.** Schedule 6.13 sets forth an accurate and complete list of all entities that, directly or indirectly, through one or more intermediaries, owns or Controls, or is Controlled by, or is under common Control with, RHS. RMH has the requisite power and authority with respect to RHI and Ventures to cause RHI and Ventures to comply with all of the responsibilities and obligations imposed upon RHI and Ventures by this Agreement. RMH shall take all steps necessary to ensure that RHI and Ventures comply with the responsibilities and obligations, if any, imposed upon them by this Agreement. RMH gives to OSF all the representations and warranties of RHI and Ventures on behalf of RHI and Ventures.

6.14. **Tax Exempt Status**. Each RHS Entity other than Ventures and RHI is exempt from Federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code and is not a "private foundation" within the meaning of Section 509(a) of the Code. The IRS has not taken, or to the Knowledge of the RHS Entities, proposed to take, any action to revoke the tax exemption of any of the tax exempt RHS Entities, and has not determined in writing or, to the Knowledge of the RHS Entities, proposed to announce, that any of the RHS Entities is a "private foundation" within the meaning of Section 509(a) of the Code. None of the RHS Entities has Knowledge of any change in the organization or operation of any of the tax exempt RHS Entities that could reasonably result in a loss of an RHS Entity's status as an organization described in Section 501(c)(3) of the Code or that could cause an RHS Entity to be treated as a "private foundation" within the meaning of Section 509(a) of the Code.

6.15. **Insurance**. Schedule 6.15 sets forth an accurate, correct and complete list (including the name of the insurer, coverage, premium and expiration date) of all Insurance Policies. Except as set forth on Schedule 6.15, the Insurance Policies are in full force and effect and shall remain in full force and effect through the Closing Date.

6.16. **Taxes**. The RHS Entities have filed, or shall file, and RMH shall cause RHI and Ventures to file, all Returns for all periods ending on or before the Closing Date. Except as set forth on Schedule 6.16, as of the time of filing, the Returns correctly reflected, and Returns prepared or being prepared but not yet filed as of the Execution Date, shall correctly reflect, the income, business, assets, operations, activities and status of the RHS Entities and any other information required to be shown therein. Each RHS Entity has timely paid or made provision for all Taxes shown as due and payable on its Returns required to be filed or sent prior to the Execution Date and has made provision for timely payment of all Taxes that shall be shown as due and payable on its Returns required to be filed or sent by it after the Execution Date and relating to any period prior to the Closing Date.

6.17. **Employee Benefits.**

6.17.1. Schedule 6.17.1 sets forth an accurate, correct and complete list of all RHS Benefit Plans. Prior to the Execution Date, the RHS Parties have delivered to OSF, the following for each Benefit Plan established or maintained by any RHS Entity: (a) the text of each Benefit Plan and any trust, insurance, or annuity contracts maintained in connection therewith, including all amendments thereto; (b) the most recently filed annual report (Form 5500), including all schedules and attachments and any financial statements required by Section 103(a)(3) of ERISA or, for each top-hat plan, a copy of all registration statements filed with the Department of Labor pursuant to 29 C.F.R. § 2520.104-23(b)(1); (c) the most recent actuarial valuation report, if any; (d) the most recent summary plan description and all modifications thereto; (e) the most recent determination letter or ruling letter issued by the IRS and any outstanding applications for a determination letter or request for ruling; and (f) the most recent actuarial valuation, study, or estimate of the obligations under any retiree medical benefits plans or supplemental retirement benefits plans.

6.17.2. All contributions to, and payments from, the RHS Benefit Plans required to be made in accordance with the terms of the RHS Benefit Plans and Applicable Law have been timely made.

6.17.3. All RHS Benefit Plans (and all related trust agreements or annuity contracts or any funding instruments) have been administered in accordance with their terms and comply currently, and have complied in the past, both as to form and operation, with the provisions of applicable tax laws, the Code and Applicable Law in all material respects. To the extent that any RHS Benefit Plan is intended to be qualified under Section 401(a) of the Code, it has been maintained and administered in material accordance with its terms and the provisions of applicable tax laws and the Code, where required for the RHS Benefit Plan to be tax qualified under Sections 401(a) and 501(a) of the Code and all other Applicable Laws. Except as set forth on Schedule 6.17.3, the RHS Benefit Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters or private letter rulings from the IRS to the effect that such RHS Benefit Plans are qualified and exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code. Except as set forth on Schedule 6.17.3, no such determination letter or private letter ruling has been revoked nor, to the Knowledge of any RHS Entity, has revocation been threatened, nor has any such Benefit Plan been amended or experienced any change in facts or circumstances since the date of its most recent determination letter or private letter ruling or application therefor in any respect that would adversely affect its qualification.

6.17.4. All reports, returns and similar documents with respect to the RHS Benefit Plans required to be filed with any government agency or distributed to any Benefit Plan participant have been duly and timely filed or distributed. To the Knowledge of the RHS Entities, there are no threatened or pending investigations by any governmental agency, termination proceedings or other claims (except claims for benefits payable in the normal operation of the RHS Benefit Plans), suits or proceedings against or involving any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan that could reasonably be expected to give rise to any material liability.

6.17.5. No "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 of ERISA) has occurred that involves the assets of any RHS Benefit Plan and that could reasonably be expected to subject any of the RHS Entities, or any of their respective employees, or a trustee, administrator or other fiduciary of any trust created under any RHS Benefit Plan, to the tax or penalty on prohibited transactions imposed by Section 4975 of the Code or the sanctions imposed under Title I of ERISA. No RHS Benefit Plan that has been terminated has or may cause liability to any of the RHS Entities.

6.17.6. Except as disclosed on Schedule 6.17.6: (i) at all times on and after the effective date of ERISA, neither any RHS Entity nor any ERISA Affiliate has contributed to any "multiemployer plan" within the meaning of Section 3(37) of ERISA; (ii) neither any RHS Entity nor any ERISA Affiliate has withdrawn from any

multiemployer plan or has any outstanding withdrawal liability with respect to any such multiemployer plan been assessed against any RHS Entity or any ERISA Affiliate; (iii) no event has occurred or circumstance exists that present a risk of the occurrence of any withdrawal from, participation in, or termination, reorganization, or insolvency of, any multiemployer plan that could result in any liability to any RHS Entity or any ERISA Affiliate; (iv) no RHS Entity has engaged in any transaction within the scope of Section 4212(c) of ERISA; (v) no RHS Entity provides, nor has any liability for, health or welfare benefits with respect to any retired or former employees of any RHS Entity, nor with respect to any activc employees of any RHS Entity following such employee's retirement or termination of service, except to the extent unsubsidized coverage is required to be made available under the continuation of coverage provisions of COBRA or a similar state law; (vi) neither any RHS Entity nor any ERISA Affiliate has ever sponsored, participated in or had any obligation to contribute to a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA; (vii) neither any RHS Entity nor any ERISA Affiliate has sponsored, maintained, or had any obligation to contribute to a "voluntary employees' beneficiary association" within the meaning of Section 501(c)(9) of the Code; (viii) neither any RHS Entity nor any ERISA Affiliate has ever sponsored, maintained, or been a participating employer in any employee benefit plan that is subject to Title 1, Subtitle B, Part 3 of ERISA or Section 412 of the Code; (ix) at all times on and after the effective date of ERISA, neither any RHS Entity nor any ERISA Affiliate has sponsored, maintained, or been a participating employer in any employee benefit plan that is subject to Title IV of ERISA; (x) at all times on and after January 1, 2005, neither any RHS Entity nor any ERISA Affiliate has maintained any "nonqualified deferred compensation plans" within the meaning of Section 409A(d)(1) of the Code or any plan subject to the provisions of Section 457(f) of the Code; (xi) with respect to each "nonqualified deferred compensation plan" within the meaning of Section 409A(d)(1) of the Code under which current employees have benefited, are benefiting, or are eligible to benefit, each such plan has been administered in good faith compliance with Section 409A of the Code (and the published guidance issued thereunder); (xii) with respect to each RHS Benefit Plan, there has been duly and timely furnished, in compliance in all material respects with applicable laws, all notices required under applicable laws to be given to participants, beneficiaries, and alternate payees, or to any governmental authorities, including any notification required by COBRA, by Section 101(i) of ERISA, or by Field Assistance Bulletin 2006-03; (xiii) with respect to each Benefit Plan required to file Form 5500, complete and accurate Forms 5500 have been timely filed for all applicable years; (xiv) to the Knowledge of the RHS Entities there are no claims, proceedings, or liens (other than routine claims for benefits) pending or threatened with respect to any RHS Benefit Plan as to which any RHS Entity or any ERISA Affiliate have or could reasonably be expected to have any direct or indirect actual or contingent liability; (xv) neither the execution and delivery of this Agreement nor the consummation of the Affiliation will accelerate vesting, increase any benefits otherwise payable, or result in any payment (whether of severance pay, change-of-control benefits, or otherwise) under any RHS Benefit Plan; and (xvi) except as prohibited under Section 411(d)(6) of the Code and Section 204(g) of ERISA, the RHS Entities have the right under each RHS Benefit

Plan to terminate each such RHS Benefit Plan or amend each such RHS Benefit Plan so as to reduce benefits, cease accruals, or increase employee cost-sharing.

6.17.7. Except as set forth on Schedule 6.17.7, prior to the Closing Date, no RHS Entity has taken, or caused or permitted to be taken, any action that would change the legal or beneficial ownership status of the accounts in which funds of or attributable to employee pension plans of all RHS Entities are invested or otherwise held.

6.18. **Labor Relations.** Except as set forth on Schedule 6.18, each RHS Entity has complied in all material respects with all Applicable Laws relating to the employment of its employees and independent contractors, including provisions relating to wages, hours, equal opportunity, collective bargaining, and the payment of Social Security and other taxes, as applicable. No RHS Entity has entered into any collective bargaining agreements or received notice that any of its employees are represented by, or notice of any claim that any of its employees are entitled to be represented by, a collective bargaining agent.

6.19. **Payment Programs.** The RHS Entities have provided to OSF a list of all of the Payment Programs. Except as set forth on Schedule 6.19:

6.19.1. No RHS Entity is engaged in termination proceedings as to its respective participation in any Payment Program, nor has any RHS Entity received notice that its current participation in any Payment Program is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements;

6.19.2. No RHS Entity has taken or committed to any action, entered into any agreement, contract or undertaking, or taken or omitted to take any other action of any nature whatsoever that was or is in violation of any applicable Payment Program condition of participation, contract, standard, policy, rule, regulation, procedure or other requirement, that individually or in the aggregate would result in a Material Adverse Change in the RHS Entity's business and operations;

6.19.3. All billing and collection practices of each RHS Entity and, of any billing and/or collection agent acting on behalf of any RHS Entity, have been in compliance with all Health Care Laws and the conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements of all Payment Programs, except for noncompliance that would not result in a Material Adverse Change in its business and operations;

6.19.4. All cost reports and cost statements submitted by the RHS Entities to any Payment Program are true, accurate and complete in all material respects and have been prepared and submitted in accordance with cost and accounting principles consistently applied that comply with all applicable Payment Program conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements, including, without limitation, Payment Program interpretations and guidance;

6.19.5. Except as set forth on Schedule 6.19.5, no cost reports or cost statements are open and unresolved;

6.19.6. No RHS Entity has taken any of the following actions, if any such action would result in a Material Adverse Change in its business and operations: submitted to any Payment Program any false, fraudulent, abusive or improper claim for payment, billed any Payment Program for any service not rendered or not rendered as claimed, or received and retained any payment or reimbursement from any Payment Program in excess of the proper amount allowed by Applicable Law and applicable contracts or agreements with the Payment Programs;

6.19.7. There is no audit, investigation, adverse action, or civil, administrative, or criminal proceeding pending or, to the Knowledge of any RHS Entity, threatened relating to participation in any Payment Program by any RHS Entity; and, to the Knowledge of any RHS Entity, there is no basis for any such adverse action by the Payment Program against any RHS Entity;

6.19.8. No Payment Program has requested or, to the Knowledge of any RHS Entity, threatened any recoupment, refund, or set off from any RHS Entity, or imposed any fine, penalty or other sanction on any RHS Entity; and

6.19.9. The RHS Entities have complied, or will comply, in a timely manner with any notice, approval, application, submission, filing or other requirements of the Payment Programs with respect to the transactions contemplated by this Agreement, including, without limitation, any transfer or change of ownership requirements.

6.20. **Accreditation**. The RHS Entities have provided to OSF a list of each RHS Entity's current Accreditations. Except as set forth on Schedule 6.20: (a) all of the RHS Entities' Accreditations have been duly obtained, are held by the respective RHS Entities, are current and valid, and are in full force and effect; (b) to the Knowledge of the RHS Entities, no event has occurred or other fact exists with respect to the Accreditations that allows, or after notice or lapse of time or both would allow, revocation, suspension, restriction, limitation or termination of any of the Accreditations or would result in any other impairment of the rights of the holder of any of the Accreditations that individually or in the aggregate would be material; (c) no notice from any accreditation organization in respect to the revocation, suspension, restriction, limitation or termination of any Accreditations has been issued, received or, to the Knowledge of the RHS Entities, proposed or threatened; and (d) no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions of any Accreditation has been issued, received or, to the Knowledge of the RHS Entities, proposed or threatened by any accreditation organization, for which any actual or potential payment or other obligation exists.

6.21. **Contracts and Other Commitments**. The RHS Parties have provided to OSF one or more lists of all Material Contracts with total or projected expenditure of $250,000 and a term of at least one year as of execution, and have provided and will continue to provide to OSF copies of those contracts contained on such lists as requested by OSF (unless the terms of such contracts cannot be shared due to confidentiality or legal concerns) which lists shall be

updated periodically prior to the Closing Date. Each Material Contract is a valid and binding obligation of the RHS Entity and is a valid and binding obligation of the other party or parties thereto, enforceable in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except for limitations upon the availability of equitable remedies, including specific performance). None of the transactions contemplated by this Agreement creates in any party to any such Material Contract the right to revise the terms of, to terminate, to accelerate any obligation of any RHS Entity, or otherwise to declare that such Material Contract has been breached. Except as listed on Schedule 6.21, no RHS Entity is in breach or default in any material respect under any term or provision of any Material Contract or the RHS Master Indenture or any related loan, tax, or swap agreement.

6.22. **Compliance Program**. The RHS Entities have provided to OSF a copy of RMH's, RHPH's, and VNA's current Compliance Program materials. Except as set forth on Schedule 6.22, neither RMH, RHPH, nor VNA: (a) is a party to a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services; (b) has reporting obligations pursuant to any settlement agreement entered into with any Federal, state or local government entity; (c) to the Knowledge of RMH, RHPH, or VNA, as applicable, has been the subject of any government payer program investigation conducted by any Federal or state enforcement agency within the past three years; (d) has been a defendant in any unsealed qui tam/False Claims Act litigation within the past three years; (e) has been served with or received, within the past three years, any search warrant, subpoena, civil investigative demand, contact letter, or, to the Knowledge of RMH, RHPH, and VNA, as applicable, telephone or personal contact by or from any Federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by the RHS Entities); and (f) has received, to the Knowledge of RMH, RHPH, and VNA, as applicable, any complaints within the past three years from employees, independent contractors, vendors, physicians, or any other person that resulted in a claim being filed with a Federal, state or local government entity alleging that RMH, RHPH, or VNA has violated any law or regulation.

6.23. **Exclusion from Health Care Programs.** Each RHS Entity has a program in place to determine whether any of its employees, agents or independent contractors has been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere* or to sufficient facts, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury.

6.24. **Medical Staff Matters.** RHS has provided to OSF true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of RHS, as well as a list of all current members of the medical staff. Except as set forth in Schedule 6.24: (a) there are no adverse actions with respect to any medical staff members of RHS or any applicant thereto for which a medical staff member or applicant has requested a hearing that has not been

scheduled or has been scheduled but has not been completed; (b) there are no pending or, to the Knowledge of RHS, threatened disputes with applicants, staff members, or health professional affiliates, and RHS knows of no basis therefor; and (c) all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Notwithstanding the foregoing provisions of this Section 6.24, RHS shall not be required to disclose any information pursuant to this Section 6.24 where such disclosure is prohibited by state law or where such disclosure would, in RHS's reasonable discretion, potentially jeopardize any applicable privilege that would protect the disclosure of such information to third parties.

6.25. **Experimental Procedures**. The RHS Entities have not performed or permitted the performance of any experimental or research procedures or studies involving RMH, RHPH, or VNA patients unless authorized and conducted in accordance with the procedures of the applicable Institutional Review Board.

6.26. **Intellectual Property; Computer Software**. No proceedings are pending or, to the Knowledge of the RHS Entities, threatened that challenge the validity of the ownership by the RHS Entities of any Intellectual Property. The RHS Entities have not licensed anyone to use such Intellectual Property and have no Knowledge of the use or the infringement of any such Intellectual Property by any other person. The RHS Entities own (or possesses adequate and enforceable licenses or other rights to use) all Intellectual Property and all computer software programs and similar systems used in the conduct of their businesses.

6.27. **Hill-Burton Loan**. RMH does not have any outstanding obligation to repay any loans, grants, or loan guarantees, or to provide uncompensated care in consideration thereof, pursuant to the Hill-Burton Act (42 U.S.C. §291a, *et seq.*).

ARTICLE VII
REPRESENTATIONS AND WARRANTIES OF RMDF

RMDF gives, as of the Execution Date, and shall give, as of the Closing Date, the following representations and warranties to OSF:

7.1. **Organization; Good Standing; Power**. RMDF is duly formed as an Illinois not-for-profit corporation. RMDF is validly existing and in good standing under the laws of the State of Illinois and has the corporate power and authority to own, operate or hold under lease its properties and assets and to carry on its business and operations as presently conducted. RMDF has registered with the proper governmental authorities all assumed names under which RMDF operates its businesses and continuously maintained all such filings in good standing.

7.2. **Corporate Authorization**. RMDF has the full corporate power and authority to enter into and to perform its obligations under this Agreement.

7.2.2. The execution, delivery and performance of this Agreement by RMDF has been duly and properly authorized by all necessary corporate action in accordance with its Governing Documents.

7.2.3. This Agreement constitutes the valid and legally binding obligation of RMDF enforceable against it in accordance with its terms, except as enforceability

may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally; and (c) requirements for defeasance of the RHS Master Indenture and all obligations, loan agreements, tax agreements, credit agreements, and all other related loan documents of RHS and the RHS Affiliates under the RHS Master Indenture.

7.3. **No Violation; Approvals.**

7.3.1. Except to the extent specified in Schedule 7.3.1, the execution, delivery and performance of this Agreement shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any indebtedness or other obligation of RMDF, and is not prohibited by, does not violate or conflict with any provision of, and does not constitute a default under or breach of any Material Contract, indenture, mortgage, material permit or license, approval or other commitment to which RMDF is a party or is subject or by which it is bound, or any Applicable Law.

7.3.2. Except to the extent specified in Schedule 7.3.2, no approval, authorization, registration, consent, order, filing or other action that has not occurred or been obtained with or from any person, including any court, administrative agency or other governmental authority, is required for the execution and delivery by RMDF of this Agreement or the consummation by RMDF of the transactions contemplated or required hereby, except for filings required pursuant to the HSR Act and the Illinois Health Facilities Planning Act.

7.4. **Interim Changes.** Except for matters expressly permitted or authorized by this Agreement and except as set forth on Schedule 7.4, there has not been, after the date of the most recent RHS Audited Financial Statements:

7.4.1. Any Material Adverse Change in RMDF;

7.4.2. Any disposition by RMDF of any property, rights or other assets owned by or employed in RMDF, except for dispositions in the usual and ordinary course of the business;

7.4.3. Any change in the chief executive officer of RMDF or the RMDF Board other than in the ordinary course of business and upon written notice to OSF; or

7.4.4. Any amendment or termination of any Material Contract that has had or could reasonably be expected to have, in the aggregate, a material and adverse effect on RMDF.

7.5. **Legal Proceedings.** Except as disclosed on Schedule 7.5, RMDF is not a defendant in, or, to the Knowledge of RMDF, threatened with any action, suit, proceeding, complaint, charge, hearing or arbitration that could reasonably be expected to materially and

adversely affect its business or financial condition or its ability to perform its obligations under this Agreement. Except as disclosed on Schedule 7.5, RMDF has not received notice of any investigation or threatened investigation by any Federal, state or local governmental or regulatory agency, including those involving its business practices and policies, that could result in a Material Adverse Change in RMDF.

7.6. **No Material Omissions.**

7.6.1. RMDF has responded in all material respects to all requests for information and documentation made by OSF in connection with its due diligence review of the business, operations, assets and liabilities of RMDF. RMDF has not Knowingly omitted any material information relating to the businesses, operations, assets or liabilities of RMDF in its responses to OSF's requests. Since the delivery of such responses to OSF, RMDF has not received and not disclosed any information that would render untrue or misleading in any material respect any information previously disclosed to OSF in response to its requests for information.

7.6.2. The representations and warranties of RMDF contained in this Agreement, and each Exhibit, Schedule, certificate or other document delivered at Closing by RMDF pursuant to this Agreement, are accurate, correct and complete in all material respects, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

7.7. **Compliance with Law.** RMDF is in compliance with all Applicable Laws in all material respects.

7.8. **Title to Assets.** Except as disclosed on Schedule 7.8, RMDF has good and defensible title to all of the assets of every kind, character and description, whether personal, tangible or intangible, listed in Schedule 20.1.39 and Schedule 20.1.40, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever.

7.9. **Tax Exempt Status.** RMDF is exempt from Federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code and is not a "private foundation" within the meaning of Section 509(a) of the Code. The IRS has not taken, or to the Knowledge of RMDF, proposed to take, any action to revoke the tax exemption of RMDF, and has not determined in writing or, to the Knowledge of RMDF, proposed to announce, that RMDF is a "private foundation" within the meaning of Section 509(a) of the Code. RMDF has no Knowledge of any change in the organization or operation of RMDF that could reasonably result in a loss of RMDF's status as an organization described in Section 501(c)(3) of the Code or that could cause RMDF to be treated as a "private foundation" within the meaning of Section 509(a) of the Code.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES OF OSF

OSF hereby gives, as of the Execution Date, and shall give, as of the Closing Date, the following representations and warranties to RMDF and the RHS Parties:

8.1. **Organization; Good Standing; Power.** OSF is a duly formed Illinois not-for-profit corporation. OSF is validly existing and in good standing under the laws of the State of Illinois and has the corporate power and authority to own, operate or hold under lease its properties and assets and to carry on its business and operations as presently conducted. OSF has registered with the proper governmental authorities all assumed names under which it operates its businesses and continuously maintained all such filings in good standing.

8.2. **Corporate Authorization.**

8.2.1. OSF has the full corporate power and authority to enter into and to perform its obligations under this Agreement.

8.2.2. The execution, delivery and performance of this Agreement by OSF has been duly and properly authorized by all necessary corporate action in accordance with its Governing Documents.

8.2.3. This Agreement constitutes the valid and legally binding obligation of OSF, enforceable against it in accordance with its terms, except as enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally; and (c) applicable requirements of the OSF Master Indenture and Related Agreements.

8.3. **No Violation; Approvals.**

8.3.1. Except to the extent specified in Schedule 8.3.1, the execution; delivery and performance of this Agreement shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any indebtedness or other obligation of OSF, and is not prohibited by, does not violate or conflict with any provision of, and does not constitute a default under or breach of any Material Contract, indenture, mortgage, material permit or license, approval or other commitment to which OSF is a party or is subject or by which it is bound, or any Applicable Law.

8.3.2. Except to the extent specified in Schedule 8.3.2, no approval, authorization, registration, consent, order, filing or other action that has not occurred or been obtained with or from any person, including any court, administrative agency or other governmental authority, is required for the execution and delivery by OSF of this Agreement or the consummation by OSF of the transactions contemplated or required hereby, except for filings required pursuant to the HSR Act and the Illinois Health Facilities Planning Act and listed on Schedule 8.3.2.

8.4. **Licenses and Permits.**

8.4.1. OSF holds and is in compliance with all Licenses and Permits, noncompliance with which would result in a Material Adverse Change in its business and operations, and all such Licenses and Permits are current, unrestricted and valid.

8.4.2. Except as set forth Schedule 8.4.2, no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions or any revocation, termination, suspension or limitation of any of the Licenses and Permits has been issued, received, proposed or, to the Knowledge of OSF, threatened, for which any actual or potential payment or other obligation exists, nor does OSF have any Knowledge of any basis for any such action.

8.5. **No Material Omissions.**

8.5.1. OSF has responded in all material respects to all requests for information and documentation made by RHS in connection with its due diligence review of the business, operations, assets and liabilities of OSF. OSF has not Knowingly omitted any material information relating to the businesses, operations, assets or liabilities of OSF in its responses to RHS' requests. Since the delivery of such responses to the RHS Entities, OSF has not received and not disclosed any information that would render untrue or misleading in any material respect any information previously disclosed to the RHS Entities in response to their requests for information.

8.5.2. The representations and warranties of OSF contained in this Agreement, and each Exhibit, Schedule, certificate or other document delivered at Closing by OSF pursuant to this Agreement, are accurate, correct and complete in all material respects, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

8.6. **Compliance with Law.** OSF is in compliance with all Applicable Laws, including, without limitation, all Health Care Laws, in all material respects.

8.7. **Tax Exempt Status.** OSF is exempt from Federal income taxation under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code and is not a "private foundation" within the meaning of Section 509(a) of the Code. The IRS has not taken, or, to the Knowledge of OSF, proposed to take, any action to revoke the tax exemption of OSF, and has not determined in writing or, to the Knowledge of OSF, proposed to announce, that OSF is a "private foundation" within the meaning of Section 509(a) of the Code. OSF does not have Knowledge of any change in the organization or operation of OSF that would result in a loss of OSF's status as an organization described in Section 501(c)(3) of the Code or that could cause OSF to be treated as a "private foundation" within the meaning of 509(a) of the Code.

8.8. **Compliance Program**. OSF has provided to RHS a copy of its current Compliance Program. Except as set forth on Schedule 8.8, OSF: (a) is not a party to a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services; (b) does not have reporting obligations pursuant to any settlement agreement entered into with any Federal, state or local government entity; (c) to the Knowledge of OSF, has not been the subject of any government payer program investigation conducted by any Federal or state enforcement agency within the past three years; (d) has not been a defendant in any unsealed *qui tam*/False Claims Act litigation within the past three years; (e) has not been served with or received, within the past three years, any search warrant, subpoena, civil investigative demand, contact letter, or, to OSF's Knowledge, telephone or personal contact by or from any Federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by OSF); and (f) has not received, to OSF's Knowledge, any complaints within the past three years from employees, independent contractors, vendors, physicians, or any other person that resulted in a claim being filed with a Federal, state or local government entity alleging that OSF has violated any law or regulation and such claim has not been resolved.

8.9. **Exclusion from Health Care Programs**. OSF has a program or programs in place to determine whether any of its employees, agents or independent contractors has been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere* or to sufficient facts, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury.

8.10. **Legal Proceedings**. Except as disclosed on Schedule 8.10, OSF is not a defendant in, or, to the Knowledge of OSF threatened with, any action, suit, proceeding, complaint, charge, hearing, arbitration or state or Federal governmental investigation that could reasonably be expected to materially and adversely affect its ability to perform its obligations under this Agreement. Except as disclosed on Schedule 8.10, OSF has not received notice of any investigation or threatened investigation by any Federal, state or local governmental or regulatory agency, including those involving its business practices and policies, that could result in a Material Adverse Change.

8.11. **Financial Statements**.

8.11.1. OSF has delivered to RHS true and correct copies of: (a) the OSF Audited Financial Statements; and (b) the OSF Unaudited Financial Statements. From the Execution Date to the Closing Date, by the fifteenth Business Day of the following month, OSF shall provide RHS with the OSF Interim Financial Statements.

8.11.2. The OSF Financial Statements are: (a) true and correct in all material respects and present fairly the financial position of OSF, and the results of the operations of OSF at the dates and for the periods indicated; and (b) are in conformity

with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology, except: (1) as otherwise disclosed on Schedule 8.11.2; and (ii) that the OSF Unaudited Financial Statements and the OSF Interim Financial Statements need not contain any of the footnotes or other year-end adjustments required to comply with GAAP.

8.11.3. Except as set forth in Schedule 8.11.3 from and after October 1, 2009, OSF has not made any material changes to its accounting methods or practices, including methods or practices used to:

(a) Establish reserves on any patient, notes and accounts receivable;

(b) Establish estimates of any third-party settlements;

(c) Determine the value of any other accounts that require subjective determinations; or

(d) Establish malpractice, general liability or other self-insurance reserves, including claims incurred but not reported.

8.11.4. Except as disclosed on Schedule 8.11.4, OSF has no liabilities or obligations of any kind, whether contingent or absolute, direct or indirect, or matured or unmatured, that are not shown or provided for in the OSF Financial Statements provided to RHS prior to the Execution Date, other than: (a) covered by commercial insurance or self insurance, or reserved by a specific or general reserve and any individual liability or obligation of less than $2,000,000, provided such liabilities and obligations in the aggregate do not exceed $4,000,000; or (b) liabilities arising in the ordinary course of business that are reflected on the OSF Interim Financial Statements.

8.12. **Interim Changes**. Except for matters expressly permitted or authorized by this Agreement and except as set forth on Schedule 8.12, there has not been, after the date of the OSF Audited Financial Statements:

8.12.1. Any Material Adverse Change;

8.12.2. Any disposition by OSF of any property, rights or other assets owned by or employed in OSF, except for dispositions in the usual and ordinary course of the business;

8.12.3. Any change in the chief executive officer of OSF or SAMC or the OSF Board, other than in the ordinary course of business;

8.12.4. Any amendment or termination of any Material Contract that has had or could reasonably be expected to have, in the aggregate, a material and adverse effect on OSF or the OSF Facilities and Services; and

8.12.5. Any adoption or material amendment of any bonus, profit sharing, incentive or severance agreement or arrangement, or any OSF Benefit Plan, involving any officer, director or employee of SAMC.

8.13. **Accounts Receivable**. All accounts receivable of the OSF Facilities and Services represent and constitute *bona fide* indebtedness owing to OSF for services actually performed or for goods or supplies actually provided in the amounts indicated on the OSF Financial Statements with no known set offs, deductions, compromises or reductions other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of the OSF Facilities and Services and that are taken into consideration in the preparation of the OSF Financial Statements. OSF has made available to RHS a complete and accurate aging report of all such accounts receivable and a schedule of all accounts receivable, whether recorded or unrecorded, that have been assigned to collection agencies or are otherwise held or assigned for collection.

8.14. **Title to Owned Real Property and Other Assets**. Schedule 8.14.1 lists all OSF Owned Real Property by common address and property identification number. Except as set forth on Schedule 8.14.1, OSF is the sole and exclusive owner of all right, title and interest in and has good and marketable fee simple title to the OSF Owned Real Property free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than Permitted Encumbrances. Except as set forth in Schedule 8.14.1, OSF has not assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in any leasehold or subleasehold under any lease or agreement to which OSF is a party and under which it is a lessee of any real property. The OSF Owned Real Property is accurately described on Schedule 8.14.1 and includes all real estate owned by OSF and used in connection with its current operations in the Northern Region. Except as set forth in Schedule 8.14.1, OSF has not leased or otherwise granted to any person or entity the right to use any OSF Owned Real Property or any portion thereof. There are no outstanding options, rights of first refusal or rights of first offer to purchase any OSF Owned Real Property or any portion thereof or interest therein. Except as described on Schedule 8.14.1, with respect to the OSF Owned Real Property:

(a) During the past three years, OSF has not received notice of a violation of any Applicable Law or notice of condemnation.

(b) There are no tenants or other persons or entities occupying any space in the OSF Owned Real Property, or claiming any possession, adverse or not, to any portion of the OSF Owned Real Property, other than pursuant to written tenant leases with OSF; and

(c) Each parcel of OSF Owned Real Property is either: (i) exempt from real property or *ad valorem* taxation pursuant to Section 15-65 of the Property Tax Code (35 ILCS 200/15-65), OSF has furnished RHS with true and complete copies of determinations of exempt status and annual certification thereafter for such OSF Owned Real Property and OSF has not received any

notice and has no Knowledge that the status of such OSF Owned Real Property will change from exempt to taxable; or (ii) separately assessed for real estate tax purposes and is not combined with any land or real estate that is not a part of the OSF Owned Real Property for real estate tax assessment purposes, and OSF has not received any notice of change in assessed value that is not reflected in OSF Owned Real Property tax bills furnished to RHS.

8.14.2. Except as set forth on Schedule 8.14.2: the OSF Owned Real Property is not in material violation of any Environmental Laws; OSF has not received any notice within the past three years alleging or asserting either a material violation of any Environmental Law or a legal obligation to investigate, assess, remove, or remediate-Hazardous Substance from any part or all of the OSF Owned Real Property under or pursuant to any Environmental Law; OSF has not possessed, managed, processed, released, handled or disposed of or discharged Hazardous Substances at, on or from the OSF Owned Real Property (including groundwater), except in material compliance with applicable Environmental Law; OSF has no Knowledge that any prior owners, operators or occupants of the OSF Owned Real Property have caused or allowed any Hazardous Substances to be discharged, possessed, managed, processed, released, or otherwise handled on the OSF Owned Real Property in material violation of any Environmental Law; OSF is complying and, for the previous three years, has complied in all material respects with all applicable Environmental Laws; to the Knowledge of OSF , the OSF Owned Real Property does not contain material amounts of asbestos in such form or condition for which abatement, repair or removal is required by applicable Environmental Law; and there are no, nor to the Knowledge of OSF, have there ever been any, dumps, pits, or surface impoundments located on the OSF Owned Real Property for the disposal or containment of Hazardous Substances. OSF shall promptly notify RHS should OSF obtain Knowledge, prior to the Closing Date, of any lien, written notice, litigation, or threat of litigation relating to any alleged or actual unauthorized release of any Hazardous Substance with respect to any part of the OSF Owned Real Property. Except as set forth on Schedule 8.14.2, to the Knowledge of OSF, OSF has not sent, arranged for disposal or treatment, arranged with a transporter for transport for disposal or treatment, transported, or accepted for transport any Hazardous Substances, to a facility, site or location, that, pursuant to CERCLA or any similar state or local law: (i) has been placed or has been publicly proposed by authorities having jurisdiction to be placed, on the National Priorities List or its state equivalent; or (ii) is subject to a claim, administrative order or other demand to take removal or remedial action by any person having jurisdiction and authority in the matter. Except as set forth on Schedule 8.14.2 within the past three years, OSF has not received any written requests for information, potentially responsible party letters or general or special notices alleging that OSF is or may be liable under CERCLA. Without in any way limiting the generality of the foregoing: (y) all current underground storage tanks located on the OSF Owned Real Property of which OSF has Knowledge and information relating to the capacity, uses, dates of installation and contents of such underground storage tanks located on the OSF Owned Real Property are identified in Schedule 8.14.2; and (z) all existing underground storage tanks used by OSF to store

Hazardous Substances are in compliance in all material respects with applicable Environmental Law.

8.15. **Title to Assets.** Except as disclosed on Schedule 8.15, other than OSF Owned Real Property that is provided for in Section 8.14.1, OSF has good and defensible title to all of its assets of every kind, character and description, whether personal, tangible or intangible, used in connection with the operation of the OSF Facilities and Services, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than liens and encumbrances which are Permitted Encumbrances.

8.16. **Insurance.** Schedule 8.16 sets forth an accurate, correct and complete list (including the name of the insurer, coverage, premium and expiration date) of all OSF Insurance Policies. Except as set forth on Schedule 8.16, the OSF Insurance Policies are in full force and effect and shall remain in full force and effect through the Closing Date.

8.17. **Taxes.** OSF has filed, or shall file, all Returns for all periods ending on or before the Closing Date. Except as set forth on Schedule 8.17, as of the time of filing, the Returns correctly reflected, and Returns prepared or being prepared but not yet filed as of the Execution Date, shall correctly reflect, the income, business, assets, operations, activities and status of OSF and any other information required to be shown therein. OSF has timely paid or made provision for all Taxes shown as due and payable on its Returns required to be filed or sent prior to the Execution Date and has made provision for timely payment of all Taxes that shall be shown as due and payable on its Returns required to be filed or sent by it after the Execution Date and relating to any period prior to the Closing Date.

8.18. **Employee Benefits.**

8.18.1. Schedule 8.18.1 sets forth an accurate, correct and complete list of all OSF Benefit Plans.

8.18.2. To the Knowledge of OSF, all contributions to, and payments from, the OSF Benefit Plans required to be made in accordance with the terms of the OSF Benefit Plans and Applicable Law have been timely made.

8.18.3. To the Knowledge of OSF, all OSF Benefit Plans (and all related trust agreements or annuity contracts or any funding instruments) have been administered in accordance with their terms and comply currently, and have complied in the past, both as to form and operation, with the provisions of applicable tax laws, the Code and Applicable Law in all material respects. To the Knowledge of OSF, to the extent that any OSF Benefit Plan is intended to be qualified under Section 401(a) of the Code, it has been maintained and administered in material accordance with its terms and the provisions of applicable tax laws and the Code, where required for the OSF Benefit Plan to be tax qualified under Sections 401(a) and 501(a) of the Code and all other Applicable Laws. Except as set forth on Schedule 8.18.3, the OSF Benefit Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters or private letter rulings from the IRS to the effect that such OSF

Benefit Plans are qualified and exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code. Except as set forth on Schedule 8.18.3, no such determination letter or private letter ruling has been revoked nor, to the Knowledge of OSF, has revocation been threatened, nor has any sucb OSF Benefit Plan been amended or experienced any change in facts or circumstances since the date of its most recent determination letter or private letter ruling or application therefore in any respect that would adversely affect its qualification.

8.18.4. All reports, returns and similar documents with respect to the OSF Benefit Plans required to be filed with any government agency or distributed to any OSF Benefit Plan participant have been duly and timely filed or distributed. To the Knowledge of OSF, there are no threatened or pending investigations by any governmental agency, termination proceedings or other claims (except claims for benefits payable in the normal operation of the OSF Benefit Plans), suits or proceedings against or involving any OSF Benefit Plan or asserting any rights or claims to benefits under any OSF Benefit Plan that could reasonably be expected to give rise to any material liability.

8.18.5. No "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 of ERISA) has occurred that involves the assets of any OSF Benefit Plan and that could reasonably be expected to subject OSF, or any of its employees, or a trustee, administrator or other fiduciary of any trust created under any OSF Benefit Plan, to the tax or penalty on prohibited transactions imposed by Section 4975 of the Code or the sanctions imposed under Title 1 of ERISA. No OSF Benefit Plan that has been terminated has or may cause liability to OSF.

8.18.6. Except as disclosed on Schedule 8.18.6: (i) at all times on and after the effective date of ERISA, neither OSF nor any ERISA Affiliate has contributed to any "multiemployer plan" within the meaning of Section 3(37) of ERISA; (ii) neither OSF nor any ERISA Affiliate has withdrawn from any multiemployer plan or has any outstanding withdrawal liability with respect to any such multiemployer plan been assessed against any OSF or any ERISA Affiliate; (iii) no event has occurred or circumstance exists that present a risk of the occurrence of any withdrawal from, participation in, or termination, reorganization, or insolvency of, any multiemployer plan that could result in any liability to OSF or any ERISA Affiliate; (iv) OSF has not engaged in any transaction within the scope of Section 4212(c) of ERISA; (v) OSF does not provide, nor has any liability for, health or welfare benefits with respect to any retired or former employees of OSF, nor with respect to any active employees of OSF following such employee's retirement or termination of service, except to the extent unsubsidized coverage is required to be made available under the continuation of coverage provisions of COBRA or a similar state law; (vi) neither OSF nor any ERISA Affiliate has ever sponsored, participated in or had any obligation to contribute to a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA; (vii) neither OSF nor any ERISA Affiliate has sponsored, maintained, or had any obligation to contribute to a "voluntary employees' beneficiary association" within the meaning of Section 501(c)(9) of the Code; (viii) neither OSF nor any ERISA Affiliate has ever sponsored, maintained, or been a

participating employer in any employee benefit plan that is subject to Title I, Subtitle B, Part 3 of ERISA or Section 412 of the Code; (ix) at all times on and after the effective date of ERISA, neither OSF nor any ERISA Affiliate has sponsored, maintained, or been a participating employer in any employee benefit plan that is subject to Title IV of ERISA; (x) at all times on and after January 1, 2005, neither OSF nor any ERISA Affiliate has maintained any "nonqualified deferred compensation plans" within the meaning of Section 409A(d)(1) of the Code or any plan subject to the provisions of Section 457(f) of the Code; (xi) with respect to each "nonqualified deferred compensation plan" within the meaning of Section 409A(d)(1) of the Code under which current employees have benefited, are benefiting, or are eligible to benefit, each such plan has been administered in good faith compliance with Section 409A of the Code (and the published guidance issued thereunder); (xii) with respect to each OSF Benefit Plan, there has been duly and timely furnished, in compliance in all material respects with applicable laws, all notices required under applicable laws to be given to participants, beneficiaries, and alternate payees, or to any governmental authorities, including any notification required by COBRA, by Section 101(i) of ERISA, or by Field Assistance Bulletin 2006-03; (xiii) with respect to each OSF Benefit Plan required to file Form 5500, complete and accurate Forms 5500 have been timely filed for all applicable years; (xiv) to the Knowledge of OSF there are no claims, proceedings, or liens (other than routine claims for benefits) pending or threatened with respect to any OSF Benefit Plan as to which OSF or any ERISA Affiliate have or could reasonably be expected to have any direct or indirect actual or contingent liability; (xv) neither the execution and delivery of this Agreement nor the consummation of the Affiliation will accelerate vesting, increase any benefits otherwise payable, or result in any payment (whether of severance pay, change-of-control benefits, or otherwise) under any OSF Benefit Plan and (xvi) except as prohibited under Section 411(d)(6) of the Code and Section 204(g) of ERISA, OSF has the right under each OSF Benefit Plan to terminate each such OSF Benefit Plan or amend each such OSF Benefit Plan so as to reduce benefits, cease accruals, or increase employee cost-sharing.

8.18.7. Except as set forth on Schedule 8.18.7, prior to the Closing Date, OSF has not taken, or caused or permitted to be taken, any action that would change the legal or beneficial ownership status of the accounts in which funds of or attributable to employee pension plans of OSF are invested or otherwise held.

8.19. **Labor Relations.** Except as set forth on Schedule 8.19, OSF has complied in all material respects with all Applicable Laws relating to the employment of its employees and independent contractors, including provisions relating to wages, hours, equal opportunity, collective bargaining, and the payment of Social Security and other taxes, as applicable, with respect to the ownership or operation of the OSF Facilities and Services. OSF has not entered into any collective bargaining agreements or received notice that any of its employees are represented by, or notice of any claim that any of its employees are entitled to be represented by, a collective bargaining agent with respect to the ownership or operation of the OSF Facilities and Services.

8.20. **Payment Programs.** OSF has provided to RHS a list of all of the OSF Payment Programs for the OSF Facilities and Services. Except as set forth on Schedule 8.20:

8.20.1. OSF is not engaged in termination proceedings as to its respective participation in any Payment Program, nor has OSF or any of the OSF Facilities and Services received notice that its current participation in any Payment Program is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements;

8.20.2. None of the OSF Facilities and Services has taken or committed to any action, entered into any agreement, contract or undertaking, or taken or omitted to take any other action of any nature whatsoever that was or is in violation of any applicable Payment Program condition of participation, contract, standard, policy, rule, regulation, procedure or other requirement, that individually or in the aggregate would result in a Material Adverse Change in the OSF Facilities and Services' business and operations;

8.20.3. All billing and collection practices of each of the OSF Facilities and Services and, of any billing and/or collection agent acting on behalf of any of the OSF Facilities and Services, have been in compliance with all Health Care Laws and the conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements of all Payment Programs, except for noncompliance that would not result in a Material Adverse Change in its business and operations;

8.20.4. All cost reports and cost statements submitted by the OSF Facilities and Services to any Payment Program are true, accurate and complete in all material respects and have been prepared and submitted in accordance with cost and accounting principles consistently applied that comply with all applicable Payment Program conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements, including, without limitation, Payment Program interpretations and guidance;

8.20.5. Except as set forth on Schedule 8.20.5, no cost reports or cost statements for the OSF Facilities and Services are open and unresolved;

8.20.6. None of the OSF Facilities and Services has taken any of the following actions, if any such action would result in a Material Adverse Change in its business and operations: submitted to any Payment Program any false, fraudulent, abusive or improper claim for payment, billed any Payment Program for any service not rendered or not rendered as claimed, or received and retained any payment or reimbursement from any Payment Program in excess of the proper amount allowed by Applicable Law and applicable contracts or agreements with the Payment Programs;

8.20.7. There is no audit, investigation, adverse action, or civil, administrative, or criminal proceeding pending or, to the Knowledge of OSF, threatened relating to participation in any Payment Program by any of the OSF Facilities and Services; and,

to the Knowledge of OSF, there is no basis for any such adverse action by the Payment Program against any of the OSF Facilities and Services; and

8.20.8. No Payment Program has requested or, to the Knowledge of OSF, threatened any recoupment, refund, or set off from any of the OSF Facilities and Services, or imposed any fine, penalty or other sanction on any of the OSF Facilities and Services.

8.21. **Accreditation.** The OSF Facilities and Services have provided to RHS a list of each of the OSF Facilities and Services current Accreditations. Except as set forth on Schedule 8.21: (a) all of the OSF Facilities and Services' Accreditations have been duly obtained, are held by the respective OSF Facilities and Services, are current and valid, and are in full force and effect; (b) to the Knowledge of OSF, no event has occurred or other fact exists with respect to the Accreditations that allows, or after notice or lapse of time or both would allow, revocation, suspension, restriction, limitation or termination of any of the Accreditations or would result in any other impairment of the rights of the holder of any of the Accreditations that individually or in the aggregate would be material; (c) no notice from any accreditation organization in respect to the revocation, suspension, restriction, limitation or termination of any Accreditations has been issued, received or, to the Knowledge of OSF, proposed or threatened; and (d) no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions of any Accreditation has been issued, received or, to the Knowledge of OSF, proposed or threatened by any accreditation organization, for which any actual or potential payment or other obligation exists.

8.22. **Medical Staff Matters.** OSF has provided to RHS true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of SAMC, as well as a list of all current members of the SAMC medical staff. Except as set forth in Schedule 8.22: (a) there are no adverse actions with respect to any medical staff members of SAMC or any applicant thereto for which a medical staff member or applicant has requested a hearing that has not been scheduled or has been scheduled but has not been completed; (b) there are no pending or, to the Knowledge of OSF, threatened disputes with applicants, staff members, or health professional affiliates, and OSF knows of no basis therefor; and (c) all appeal periods in respect of any SAMC medical staff member or applicant against whom an adverse action has been taken have expired. Notwithstanding the foregoing provisions of this Section 8.22, OSF shall not be required to disclose any information pursuant to this Section 8.22 where such disclosure is prohibited by state law or where such disclosure would, in OSF's reasonable discretion, potentially jeopardize any applicable privilege that would protect the disclosure of such information to third parties.

8.23. **Experimental Procedures.** The OSF Facilities and Services have not performed or permitted the performance of any experimental or research procedures or studies involving patients unless authorized and conducted in accordance with the procedures of the applicable Institutional Review Board.

8.24. **Intellectual Property; Computer Software.** No proceedings are pending or, to the Knowledge of OSF, threatened that challenge the validity of the ownership by OSF of

any Intellectual Property. OSF has not licensed anyone to use such Intellectual Property and has no Knowledge of the use or the infringement of any such Intellectual Property by any other person. OSF or the OSF Facilities and Services own (or possesses adequate and enforceable licenses or other rights to use) all Intellectual Property and all computer software programs and similar systems used in the conduct of their businesses.

8.25. **Contracts and Other Commitments**. OSF has provided to RHS one or more lists of all Material Contracts relating to the OSF Facilities and Services with annual payments of $250,000 or more in the prior Fiscal Year, and has provided and will continue to provide to the RHS Entities copies of those contracts contained on such lists as requested by RHS (unless the terms of such contracts cannot be shared due to confidentiality or legal concerns) which lists shall be updated periodically prior to the Closing Date. Each such Material Contract is a valid and binding obligation of OSF and is a valid and binding obligation of the other party or parties thereto, enforceable in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except for limitations upon the availability of equitable remedies, including specific performance). None of the transactions contemplated by this Agreement creates in any party to any such Material Contract the right to revise the terms of, to terminate, to accelerate any obligation of OSF, or otherwise to declare that such Material Contract has been breached. Except as listed on Schedule 8.25, OSF is not in breach or default in any material respect under any term or provision of any Material Contract or the OSF Master Indenture or any related loan, tax, or swap agreement.

ARTICLE IX
PRE-CLOSING COVENANTS OF RMDF AND THE RHS PARTIES

RMDF and each RHS Party hereby agrees to keep, perform and fully discharge, or to cause to be kept, performed and fully discharged, as applicable, the following covenants and agreements, as applicable:

9.1. **Interim Conduct of Business**. From the Execution Date to the Closing Date:

9.1.1. RMDF and each RHS Party shall, and RMH shall cause RHI and Ventures to:

(a) Preserve, protect and maintain its business, properties and assets;

(b) Operate its business as a going concern, consistent with prior practices and not other than in the ordinary course of business;

(c) Preserve the goodwill of all individuals and entities having business or other relations with it or them, including, without limitation, physicians, employees, patients, customers and suppliers;

(d) Obtain all documents called for by this Agreement and required to facilitate the consummation of the transactions contemplated by this Agreement; and

(e) Cooperate with OSF to implement the Plan of Finance, including any swap termination or allocation, and cooperate with OSF's counsel to deliver opinions necessary to market bonds in accordance with the Plan of Finance.

9.1.2. The RHS Parties shall provide OSF with the RHS Interim Financial Statements as set forth in Section 6.4.1.

9.1.3. RMDF and the RHS Parties shall not do, and RMH shall cause RHI and Ventures not to do, any of the following without the prior written consent of OSF, which consent shall not be unreasonably withheld or delayed:

(a) Make any changes, or permit any changes to be made, in the Governing Documents of RMDF or the RHS Entities, except for changes expressly authorized by this Agreement;

(b) Enter into (or amend existing) agreements for employment, indemnity, retention, severance, change-in-control, employee lease, deferred compensation, or incentive compensation with, or agreements regarding loans or advances to Key Management Personnel;

(c) Make any change in the chief executive officer of an RHS Entity or the Boards of the RHS Entities, other than in the ordinary course of business and with written notice to OSF;

(d) Enter into any Debt Transaction or issue any obligations under the RHS Master Indenture;

(e) Enter into any new or amend any existing Material Contract, unless such Material Contract is included in RHS's operating and capital budget for 2011, as disclosed to OSF prior to the Execution Date; or

(f) Enter into any transaction or contractual obligation that would materially adversely impact RMDF's or an RHS Party's ability to perform its obligations under this Agreement.

9.2. **Preserve Accuracy of Representations and Warranties.** From the Execution Date to the Closing Date:

9.2.1. RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, take no action that would render any representation or warranty contained in this Agreement inaccurate or untrue as of the Closing Date.

9.2.2. RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, promptly notify OSF of any lawsuits, claims, administrative actions or other proceedings asserted or commenced against RMDF or any RHS Entity, or its officers, directors or member involving in any material way the ability of RMDF or the RHS Entities to consummate the transactions contemplated or required by this

Agreement, or materially affecting RMDF's or an RHS Entity's business, properties or its assets.

9.2.3. RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, promptly notify OSF in writing of any facts or circumstances that come to their attention and that cause, or through the passage of time may cause, any of the representations and warranties made by them and contained in this Agreement to be untrue or misleading at any time from the Execution Date to the Closing Date.

9.3. **Access to Information**.

9.3.1. From the Execution Date to the Closing Date, RMDF and each of the RHS Parties shall, and RMH shall cause RHI and Ventures to, give to OSF and to its representatives full and free access, during normal business hours, to all properties, books, records and contracts and other materials pertaining to the businesses, properties and assets of RMDF and the RHS Entities, as may be reasonably requested and appropriate in order for OSF to perform its obligations hereunder (and in accordance with guidelines approved by the Parties' antitrust counsel), subject to reasonable advance notice and provided that OSF shall not exercise such rights of access in such manner as would unduly interfere with the operations of RMDF and the RHS Parties' personnel or the activities of RMDF's or the RHS Entities' patients or guests.

9.3.2. RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, cooperate in keeping OSF fully informed and shall promptly notify OSF of any Material Adverse Change in the normal course of business or prospects of any RHS Entity.

9.4. **Maintain Books and Accounting Practices**. From the Execution Date to the Closing Date, RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, maintain the books of account of RMDF and the RHS Entities in the usual, regular and ordinary manner in accordance with GAAP consistently applied and on a basis consistent with prior years, including, without limitation, the consistent use of assumptions, practices, procedures and terminology, and, except as otherwise required by GAAP, and RMDF and the RHS Parties shall not, and RMH shall cause RHI and Ventures not to, make or cause to be made any material changes in the accounting methods or practices of RMDF or the RHS Entities, including, without limitation, as applicable, methods or practices:

9.4.1. Establishing reserves on any patient, notes and accounts receivable;

9.4.2. Establishing reserves for all third-party settlements; and

9.4.3. Determining the value of any other accounts that are subjectively determined.

9.5. **Compliance with Laws**. From the Execution Date to the Closing Date, RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to:

9.5.1. Comply with all Applicable Laws affecting RMDF and the RHS Entities; and

9.5.2. Keep, hold and maintain all certificates, certificates of need, certificates of exemption, accreditation, licenses and other permits necessary for the conduct and operation of RMDF and the RHS Entities.

9.6. **No Merger or Consolidation.** From the Execution Date to the Closing Date, RMDF and the RHS Parties shall not, and RMH shall cause RHI and Venture not to, merge or consolidate with any other entity, and RMDF and the RHS Parties shall not, and RMH shall cause RHI and Ventures not to, acquire any of the assets of any other corporation, business or person except: (a) in the ordinary course of business; or (b) with respect to confidential transactions underway at the time of execution of this Agreement that: (i) have been disclosed in writing to OSF and (ii) that OSF has not provided to RHS a written notice of objection to such transaction prior to the Execution Date of this Agreement.

9.7. **Third Party Authorizations.** From the Execution Date to the Closing Date, RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, obtain expeditiously all consents, approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under Applicable Laws and under all contracts, agreements and commitments to which RMDF or an RHS Entity is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement by RMDF and the RHS Parties.

9.8. **Confidentiality of OSF's Information.** The Confidentiality Agreement shall remain in full force and effect, except to the extent necessary to implement the provisions of this Agreement, including but not limited to the Plan of Finance.

ARTICLE X
PRE-CLOSING COVENANTS OF OSF

OSF hereby agrees to keep, perform and fully discharge the following covenants and agreements:

10.1. **Interim Conduct of Business.** From the Execution Date to the Closing Date:

10.1.1. OSF shall:

(a) Preserve, protect and maintain its business, properties and assets.

(b) Operate its businesses as a going concern, consistent with prior practices and not other than in the ordinary course of business.

(c) Preserve the goodwill of all individuals and entities having business or other relations with it or them, including, without limitation, physicians, employees, patients, customers and suppliers; and

(d) Obtain all documents called for by this Agreement and required to facilitate the consummation of the transactions contemplated by this Agreement.

10.1.2. OSF shall provide RHS with the OSF Interim Financial Statements as set forth in Section 8.11.

10.1.3. OSF shall not do any of the following without the prior written consent of RHS, which consent shall not be unreasonably withheld or delayed:

(a) Make any changes, or permit any changes to be made, in its Governing Documents (except for immaterial changes or changes expressly authorized by this Agreement); or

(b) Enter into (or amend existing) agreements for employment, indemnity, retention, severance, change-in-control, employee lease, deferred compensation, or incentive compensation with, or agreements regarding loans or advances to Key Management Personnel in the Northern Region; or

(c) Enter into any transaction, contractual obligation or Material Contract that would materially adversely impact OSF's ability to perform its obligations under this Agreement (specifically including any transaction or contractual obligation with Ottawa Regional Hospital and Healthcare Center that would materially adversely impact OSF's ability to perform its obligations under this Agreement); or

(d) Merge into or consolidate with any other entity or sell or transfer substantially all of its assets to any other entity; or

(e) Acquire any general acute care hospital, whether by asset acquisition, merger, membership substitution or otherwise (other than Ottawa Regional Hospital and Healthcare Center), without prior notice to RHS, which notice shall include the identity of the hospital to be acquired, OSF's determination of the effect the transaction would have on OSF's ability to satisfy all applicable ratios in the OSF Master Indenture, and the key terms of the proposed transaction (e.g., capital and post-closing commitments by OSF, corporate structure, governance, assumed liabilities, etc.) that OSF is able to provide to RHS (taking into consideration the stage of the proposed transaction); or

(f) Acquire any other corporation or business pursuant to a transaction not in the ordinary course of business that provides for a purchase price or value in excess of five percent (5%) of OSF's total assets; or

(g) Issue New Debt in an amount in excess of Fifty Million Dollars ($50,000,000) during the six (6) month period following the Execution Date, and in an amount in excess of One Hundred Million Dollars ($100,000,000) in the aggregate during the time period between the Execution Date and the Closing Date.

10.2. **Preserve Accuracy of Representations and Warranties.** From the Execution Date to the Closing Date:

10.2.1. OSF shall take no action that would render any representation or warranty contained in this Agreement inaccurate or untrue as of the Closing Date.

10.2.2. OSF shall promptly notify RHS of any lawsuits, claims, administrative actions or other proceedings asserted or commenced against OSF, or its officers, directors or members involving in any material way the ability of OSF to consummate the transactions contemplated or required by this Agreement, or materially affecting OSF's business, properties or its assets.

10.2.3. OSF shall promptly notify RHS in writing of any facts or circumstances that come to its attention and that cause, or through the passage of time may cause, any of the representations and warranties contained in this Agreement to be untrue or misleading at any time from the Execution Date to the Closing Date.

10.3. **Access to Information.**

10.3.1. From the Execution Date to the Closing Date, OSF shall give RHS and its representatives full and free access, during normal business hours, to all properties, books, records and contracts and other materials pertaining to the businesses, properties and assets of OSF, as may be reasonably requested (and in accordance with guidelines approved by the Parties' antitrust counsel), subject to reasonable advance notice and provided that RHS shall not exercise such rights of access in such manner as would unduly interfere with the operations of OSF or the work of OSF's personnel or the activities of the patients or guests of the OSF Facilities and Services.

10.3.2. OSF shall cooperate in keeping RHS fully informed and shall promptly notify RHS of any Material Adverse Change in the normal course of business or prospects of OSF.

10.4. **Maintain Books and Accounting Practices.** From the Execution Date to the Closing Date, OSF shall maintain the books of account of OSF in the usual, regular and ordinary manner in accordance with GAAP consistently applied and on a basis consistent with prior years, including, without limitation, the consistent use of assumptions, practices, procedures and terminology, and, except as otherwise required by GAAP, and OSF shall not make or cause to be made any material changes in the accounting methods or practices of OSF.

10.5. **Compliance with Laws.** From the Execution Date to the Closing Date, OSF shall:

10.5.1. Comply with all Applicable Laws affecting OSF and the OSF Facilities and Services; and

10.5.2. Keep, hold and maintain all certificates, certificates of need, certificates of exemption, accreditation, licenses and other permits necessary for the conduct and operation of OSF and the OSF Facilities and Services.

10.6. **Third Party Authorizations.** From the Execution Date to the Closing Date, OSF shall obtain expeditiously all consents, approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under Applicable Laws and under all contracts, agreements and commitments to which OSF is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement by OSF.

10.7. **Confidentiality of RHS Entities' Information.** The Confidentiality Agreement shall remain in full force and effect, except to the extent necessary to implement the provisions of this Agreement, including but not limited to the Plan of Finance. Notwithstanding the foregoing, after the Closing Date, OSF shall no longer be bound by the confidentiality obligations set forth in the Confidentiality Agreement, with respect to any and all information which constitutes or pertains to confidential information of or regarding the RHS Entities.

ARTICLE XI
CONDITIONS PRECEDENT TO OBLIGATIONS OF THE RHS PARTIES AND RMDF

The obligations of the RHS Parties and RMDF to consummate the transaction contemplated by this Agreement are, at the option of RHS, subject to the satisfaction by OSF, on or prior to the Closing Date, of the following conditions:

11.1. **Regulatory Approvals.** All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained on or before the Closing Date, including, without limitation:

11.1.1. Hart Scott Rodino. The Parties shall have submitted their respective filings under the HSR Act and all required waiting periods under the HSR Act shall have expired.

11.1.2. Health Planning. The Parties shall have obtained any necessary certificates of exemption and/or certificates of need, as applicable, from the IHFSRB to consummate the Affiliation.

11.2. **Accuracy of Warranties; Performance of Covenants.** The representations and warranties of OSF contained in this Agreement shall be accurate in all material respects as if made on and as of the Closing Date. OSF shall have performed all of the obligations and complied with each and all of the covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

11.3. **No Pending Action.** No action or proceeding before any court or governmental body shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded.

11.4. **No Bankruptcy.** OSF shall not: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in

voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the Federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against OSF.

11.5. **Material Consents**. All Material Consents shall have been obtained on or before the Closing Date.

11.6. **Exhibits and Schedules**. It is not a condition precedent for this Agreement to be binding upon the Parties that all Exhibits and Schedules required under this Agreement be attached in a final form on the Execution Date. Notwithstanding the foregoing, all Exhibits and Schedules required under this Agreement shall be complete and otherwise in final form acceptable to the Parties at Closing.

11.7. **Delivery of OSF Closing Documents**. OSF shall have delivered, on or before the Closing Date, the OSF Closing Documents.

11.8. **Financing; Entry Into OSF Obligated Group**. The RHS Master Indenture and all obligations, loan agreements, tax agreements, credit agreements, and all other related loan documents of RMDF and the RHS Entities thereunder shall have been defeased, satisfied, and released in accordance with the Plan of Finance and RHS, RMH, and RHPH shall have, and RHS shall have caused the OSF Northern Region Foundation to, become Members of the OSF Obligated Group; provided this condition shall not relieve such parties from their obligations under Section 2.6.2(a).

11.9. **Bond Counsel Opinion**. OSF shall have confirmed with its Bond Counsel that its entry into the Management Agreement will not violate the OSF Master Indenture, related loan documents, tax agreements, or any other covenants or agreements relating to any OSF Master Indenture.

11.10. **Delivery of Other Agreements**. OSF shall have executed and delivered all other agreements determined by the Parties to be necessary or appropriate to be entered into as of the Closing Date, relating to the Affiliation.

ARTICLE XII
CONDITIONS PRECEDENT TO OBLIGATIONS OF OSF

The obligations of OSF to consummate the transaction contemplated by this Agreement are, at the option of OSF, subject to the satisfaction by the RHS Parties and RMDF, on or prior to the Closing Date, of the following conditions:

12.1. **Regulatory Approvals**. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained on or before the Closing Date, including, without limitation:

12.1.1. Hart Scott Rodino. The Parties shall have submitted their respective filings under the HSR Act, and all required waiting periods under the HSR Act shall have expired.

12.1.2. Health Planning. The Parties shall have obtained any necessary certificates of exemption and/or certificates of need, as applicable, from the IHFSRB to consummate the Affiliation.

12.2. **Accuracy of Warranties; Performance of Covenants.** The representations and warranties of the RHS Parties contained in this Agreement and of RMDF contained in this Agreement shall be accurate in all material respects as if made on and as of the Closing Date. RMDF and each of the RHS Parties shall have, and RMH shall have caused RHI and Ventures to have, performed all of the obligations and complied with each of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing Date.

12.3. **No Pending Action.** No action or proceeding before any court or governmental body shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded.

12.4. **No Bankruptcy.** Neither any RHS Entity nor RMDF shall: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the Federal bankruptcy law or any other similar law or statute of the United States or any state; and nor shall any such petition have been filed against any RHS Entity or RMDF.

12.5. **Material Consents.** All Material Consents shall have been obtained on or before the Closing Date.

12.6. **Exhibits and Schedules.** It is not a condition precedent for this Agreement to be binding upon the Parties that all Exhibits and Schedules required under this Agreement be attached in a final form on the Execution Date. Notwithstanding the foregoing, all Exhibits and Schedules required under this Agreement shall be complete and otherwise in final form acceptable to the Parties at Closing.

12.7. **Amendment of RHS Medical Staff Bylaws.** The medical staff bylaws, rules and regulations, and credentialing procedures of RHS shall be amended as of the Closing Date to include the provisions set forth on Schedule 12.7, prohibiting the performance of any procedures and the provision of any service in violation of the Ethical and Religious Directives at the RHS Facilities and Services.

12.8. **Delivery of RHS Closing Documents.** The RHS Parties shall have delivered, on or before the Closing Date, the RHS Closing Documents.

12.9. **Delivery of RMDF Closing Documents.** RMDF shall have delivered, on or before the Closing Date, the RMDF Closing Documents.

12.10. **Entry Into OSF Obligated Group**. RHS, RMH, and RHPH shall have, and RHS shall have caused the OSF Northern Region Foundation to, become Members of the OSF Obligated Group.

12.11. **Bond Counsel Opinion**. OSF shall have confirmed with OSF's Bond Counsel that OSF's entry into the Management Agreement will not violate the OSF Master Trust Indenture, Related Loan Documents, Tax Agreements, or any other covenants or agreements relating to any OSF Obligated Group financing.

12.12. **Unrestricted Cash and Investments on Hand**. RHS, RMH, RHPH and VNA in the aggregate, shall have on hand at least One Hundred Fifty-Nine Million Dollars ($159,000,000) in Unrestricted Cash and Investments, such amount to be calculated five (5) Business Days prior to Closing. If such amount is on hand on the date of calculation, this condition shall have been satisfied as of such date.

12.13. **Delivery of Other Agreements**. RMDF and the RHS Parties shall have, and RMH shall have caused RHI and Ventures to have, executed and delivered all other agreements determined by the Parties to be necessary or appropriate to be entered into as of the Closing Date, relating to the Affiliation.

ARTICLE XIII
CLOSING

13.1. **Closing Date; Closing**. The Parties shall close the Affiliation and the other transactions contemplated by the Agreement on the Closing Date. The Closing shall occur two (2) Business Days immediately prior to the Closing Date, at the offices of Hinshaw & Culbertson LLP, 100 Park Avenue, Rockford, Illinois or any other date or location agreed to by the Parties. All documents to be executed and actions to be taken, pursuant to this Agreement, at the Closing, shall be deemed to have been executed and to have been taken substantially concurrently, and no action shall be deemed to be complete until all are completed. Unless the Parties otherwise agree in writing, the Affiliation and other transactions contemplated herein to become effective as of the Closing Date, shall become so effective, provided that, as of the Closing Date, all of the Closing conditions (except for any Closing condition which has been waived in writing by the Party(ies) entitled to do so) have occurred, including the delivery by each Party of each of the Closing documents required to be delivered by such Party hereunder.

13.2. **Pre-Closing Actions**. Prior to the Closing, the Parties shall take and cause to be taken all actions necessary or appropriate on their respective parts to implement the transactions contemplated herein on the Closing Date, including the following:

13.2.1. Actions by OSF. Prior to the Closing Date, the OSF Board shall approve the execution of any and all agreements and other documents and the taking of any and all other actions necessary or appropriate to consummate the transactions contemplated or required by this Agreement to be taken by OSF on or before the Closing Date.

13.2.2. Actions by the RHS Parties. Prior to the Closing Date, the Boards of the RHS Parties shall approve the execution on behalf of the RHS Parties of any and

all agreements and other documents, and the taking of any and all other actions necessary or appropriate to consummate the transactions contemplated or required by this Agreement to be taken by the RHS Parties on or before the Closing Date, including approval of the amended and restated Governing Documents.

13.2.3. Actions by RMDF. Prior to the Closing Date, the RMDF Board shall approve the execution on behalf of RMDF of any and all agreements and other documents, and the taking of any and all other actions necessary or appropriate to consummate the transactions contemplated or required by this Agreement to be taken by RMDF on or before the Closing Date, including approval of the amended and restated Governing Documents.

13.3. **Closing Document Deliveries.** At the Closing, the Parties shall deliver the documents described below.

13.3.1. OSF Closing Documents. At the Closing, OSF shall deliver the OSF Closing Documents.

13.3.2. RHS Closing Documents. At the Closing, RMDF and the RHS Parties shall deliver the RHS Closing Documents.

13.3.3. RMDF Closing Documents. At the Closing, RMDF shall deliver the RMDF Closing Documents.

13.4. **Modification of Schedules and Exhibits.** During the period from the Execution Date until the Closing, either OSF or RHS may amend any one or more of the Schedules or Exhibits delivered at the Execution Date by delivering an updated Schedule or Exhibit to the other. Upon receipt of the updated document, the Receiving Party shall promptly review such document and either approve or disapprove it. If the Receiving Party approves the updated document, such document shall become the final Schedule or Exhibit. If the Receiving Party fails to approve the Amending Party's updated document(s), the Amending Party refuses to cure the items of disagreement, or the Parties are unable to agree upon an appropriate cure, or if the agreed-upon cure has not been completed by Closing, the Receiving Party may: (a) elect to close over the issue; or (b) may elect to terminate this Agreement pursuant to Section 17.1.4 by providing notice to the Amending Party. If the Receiving Party elects to close over the issue, the updated document shall be deemed a modification to the Schedule or Exhibit delivered by the Amending Party prior to the Closing Date. Upon agreement of the Parties, either Party may set forth any disclosures required by a Schedule in a separate writing delivered to the other Parties that specifically makes reference to the applicable Section of the Agreement and the required schedule thereto.

ARTICLE XIV
POST-CLOSING COVENANTS OF RHS ENTITIES

14.1. **Compliance with Governing Documents.** The RHS Parties shall at all times comply, and RMH shall cause RHI and Ventures at all times to comply, with the terms and conditions of their respective amended and restated Governing Documents.

14.2. **Exercise of Reserved Powers.** RHS shall, subject to the Reserved Powers held by OSF, exercise all the powers reserved to it in its amended and restated Governing Documents with respect to RMH, RHPH, and VNA, and shall not waive any power reserved to it. RMH shall, subject to the Reserved Powers held by RHS, exercise all the powers reserved to it in its amended and restated Governing Documents with respect to RHI and Ventures, and shall not waive any power reserved to it.

14.3. **Catholic Teachings.**

14.3.1. The RHS Parties shall, and RMH shall cause RHI and Ventures to, at all times and without exception comply with, and manage and operate the RHS Facilities and Services in accordance with, the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives and Canon Law and in a manner which, as determined by OSF in good faith after reasonable investigation, does not bring Scandal upon OSF. The RHS Parties shall, and RMH shall cause RHI and Ventures to, use their best efforts to ensure that their respective agents and independent contractors do not engage in conduct which, as determined by OSF in good faith after reasonable investigation, brings Scandal upon OSF.

14.3.2. The RHS Parties shall, and RMH shall cause RHI and Ventures to, maintain at all times their respective amended and restated Governing Documents in compliance with the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives and Canon Law.

14.3.3. The RHS Parties shall, and RMH shall cause RHI and Ventures to, prohibit the performance of any procedures or the provision of any services in violation of the Ethical and Religious Directives, within the scope of employment, by a physician or other health care worker employed by an RHS Entity by adoption of a policy or policies, or amendments to employment agreements, in form and substance acceptable to OSF in its sole discretion.

14.3.4. The RHS Parties may enter into, and RMH shall cause RHI and Ventures to enter into, agreements for the lease of space to third party health care providers only if such lease agreements expressly prohibit the delivery in the leased premises of items and services that contravene the Ethical and Religious Directives.

14.4. **Catholic Identity.** As directed by OSF, so as to establish the RHS Entities' Catholic identity, the RHS Parties shall, and RMH shall cause RHI to:

14.4.1. Operate the RHS Facilities and Services pursuant to OSF's Mission, Philosophy and Values in a manner which respects the individual beliefs and spiritual values of the patients of the RHS Facilities and Services and honors and permits freely the outward expression of such patients' individual beliefs and spiritual values;

14.4.2. Display, in the tradition of OSF, religious icons or symbols of religious identification at the RMH facilities and all other facilities used by the RHS Entities in the delivery of health care services;

14.4.3. Designate in the RMH facilities a chapel that meets the requirements of the Catholic Diocese of Rockford for use in Roman Catholic worship and for other Christian services;

14.4.4. Permit the assignment by OSF of women religious to work at the RMH facilities and at all other facilities used by the RHS Entities in the delivery of health care services, and to permit such persons to work in positions to which they are assigned by OSF, provided those assigned meet the job qualifications for positions they are filling;

14.4.5. Nominate, through the RHS Board, persons to serve as chairman and members of one or more ethics committees established by OSF to serve the RHS Facilities and Services other than home health and hospice services, which will be served by OSF's existing system-wide HomeCare Ethics Committee. The HomeCare Ethics Committee will include one or more representatives from the OSF Northern Region Facilities and Services who will be nominated by the members of the Home Care Ethics Committee. The OSF Board will have the sole power to appoint or reject any nominee, but its decision shall not be made arbitrarily, and the OSF Board shall have the right to appoint one or more ethicists to advise the ethics committees on interpretations of Roman Catholic ethical principles; and

14.4.6. Permit the appointment by OSF of the director of pastoral care services for the OSF Northern Region Facilities and Services, which director shall meet the requirements of the Catholic Diocese of Rockford and shall supervise and coordinate the activities of all persons performing pastoral care services in connection with the RHS Facilities and Services, which persons may be appointed by the RHS Board, subject to the approval of the OSF Board.

14.5. **Employee Benefit Plans and Compensation Arrangements.**

14.5.1. Transition to OSF Benefit Plans and Compensation. It is the intent of OSF and the RHS Parties that, following the Transition Period, the employee benefits and compensation arrangements provided by each respective RHS Entity, and applicable RHS Entity human resources policies, will be substantially comparable to or identical to the corresponding arrangements and policies applicable to OSF employees working in the OSF Facilities and Services. In carrying out this intent, OSF contemplates that all or many of its employee benefits and compensation arrangements and applicable human resources policies will be made applicable to all employees the RHS Entities in addition to OSF employees working in the OSF Facilities and Services. At the direction of OSF, therefore, the RHS Parties shall, and RMH shall cause RHI and Ventures to: (i) amend and modify, with an effective date not later than the day after the Transition Period, the employee benefits and compensation arrangements provided by each respective RHS Entity, and applicable RHS Entity human resources policies, to match or become comparable to those then provided and applicable to employees of OSF working in the OSF Facilities and Services; or (ii) terminate such arrangements or particular human resources policy or procedures, as the case may be, provided or maintained by the particular RHS Entity

so that those arrangements, policies, or procedures may be replaced with the arrangements, policies, or procedures applicable to employees of OSF working in the OSF Facilities and Services. As may be directed by OSF from time to time thereafter, the RHS Parties shall, and RMH shall cause RHI and Ventures to: (i) amend and modify the employee benefits and compensation arrangements provided by each respective RHS Entity, and applicable RHS Entity human resources policies, to match or become comparable with those then provided and applicable to employees of OSF working in the OSF Facilities and Services; or (ii) terminate such arrangements or particular human resources policy or procedures, as the case may be, provided or maintained by the particular RHS Entity so that those arrangements, policies, or procedures may be replaced with OSF arrangements, policies, or procedures that are applicable to OSF employees working in the OSF Facilities and Services. Notwithstanding the foregoing, OSF shall have sole authority for the design, administration, and determination of coverage of all existing and future executive compensation programs, including, by way of illustration and not of limitation, incentive compensation and deferred compensation arrangements; provided, any changes required to be implemented by an RHS Entity shall be consistent with the Management Agreement. Further, OSF shall have the sole authority to continue, terminate, or modify the RHS Executive Compensation Program, or to integrate such Program with any OSF executive compensation programs with an overlapping performance period, except that the RHS Executive Compensation Program shall continue in effect following the Closing Date through the end of its performance period that includes the Closing Date. The compensation and benefits of individuals covered under such programs shall not be established, modified, terminated, or supplemented by any RHS Entity. However, the RHS Entities shall have authority to establish specific metrics or measures as may be provided within incentive compensation programs established by OSF.

14.5.2. Service Credits. With respect to employees of the RHS Entities who continue in the employment of an RHS Entity following the Closing Date, subject to Section 14.5.1 regarding standardization of compensation and benefits, the terms of employment with OSF for all employees of the RHS Entities, either as a result of a change in employment relationship such that the individual employee is no longer employed by an RHS Entity or through the employee's continued employment with the RHS Entity, shall be in accordance with OSF's usual and customary practices for its own employees. Except as set forth below, OSF shall recognize the existing seniority and tenure of employment for individuals who are employed by an RHS Entity immediately prior to the Closing Date, and OSF shall recognize service credited by the RHS Entities and shall apply such credit for all purposes under all employee benefit plans and programs maintained by OSF or the RHS Entity, as the case may be, including all qualified and nonqualified retirement, savings programs, vacation, sick leave, holiday, and severance benefits for purposes of: (i) eligibility to participate, (ii) vesting, (iii) availability of options, rights and features, and (iv) accrual of benefits with respect to service performed for OSF or its affiliates after the Closing Date (to the extent length of service is relevant to the rate of future accruals), under each employee benefit arrangement established, maintained, or contributed to by OSF (*e.g.*, the 401(k) plan and the group health plan); provided, however, that this

provision shall not require the accrual of past service benefits with respect to any service with the RHS Entities prior to the Closing Date. Individuals who are employed by an RHS Entity immediately prior to the Closing Date, then terminate employment and subsequently are rehired by any OSF or RHS Entity shall be credited with service on the same terms as individuals who terminate employment with OSF and then are rehired by OSF. Individuals who were employed by an RHS Entity and terminated employment prior to the Closing Date and who are subsequently rehired by OSF or an RHS Entity on or after the Closing Date shall be eligible for credit for prior service with the RHS Entity in accordance with OSF's policies and usual and customary practices for its own employees. OSF agrees to waive all pre-existing condition limitations and waiting periods under its employee welfare benefit plans and any waiting period under any qualified retirement plan maintained by OSF at or following the Closing Date in which employees of the RHS Entities participate or become eligible to participate.

14.6. **Name Changes**. Each RHS Party shall, and RMH shall cause RHI and Ventures to, change its name and the names of all RHS Facilities and Services owned and operated by it, as directed by OSF from time to time; provided that OSF shall consult with the RHS Board prior to directing an RHS Entity to change its name; and further provided that the hospital known as Rockford Memorial Hospital prior to the Closing shall be renamed "OSF Rockford Memorial Hospital" as of the Closing Date, and thereafter may be renamed only upon the approval of seventy-five percent (75%) of the members of the RHS Board and the approval of the OSF Board.

14.7. **Membership in OSF Obligated Group**. RHS, RMH, RHPH and VNA shall, and RHS shall cause the OSF Northern Region Foundation to, take no action to amend or revoke the designation of OSF as the Group Representative and the Obligated Group Agent under the terms of the OSF Master Indenture, to otherwise hinder OSF's exclusive exercise of the power and authority described in Section 2.6.2(b), or to cease to be a Member of the OSF Obliged Group without the express written approval of OSF.

14.8. **Participation in System Initiatives.**

14.8.1. Corporate Office Services. The RHS Parties acknowledge that OSF has established certain programs and initiatives that create value in terms of scale, leverage and/or superior operating performance on behalf of OSF as a whole, including but not limited to Corporate Office Services. In their management and operation of the RHS Facilities and Services, and subject to the Integration Plan, the RHS Parties shall, and RMH shall cause RHI and Ventures to, make use of all the services provided by Local Corporate Personnel, the Corporate Office Services, and the advice and assistance of the various divisions of the Corporate Office. The RHS Parties shall, and RMH shall cause RHI and Ventures to, involve the appropriate Corporate Office senior vice-presidents, or their designees, in the planning, development and implementation of proposed activities to be undertaken by the RHS Entities in the management and operation of the RHS Facilities and Services. The comments, if any, of such corporate senior vice-presidents, or their designees, shall be considered by the applicable RHS Entity Board before such RHS Entity undertakes or

implements such proposed activities. The services provided by Local Corporate Personnel shall not be provided by employees of the RHS Entities. The following services will be provided by employees of the RHS Entities with oversight by the appropriate Corporate Office senior vice presidents, or their designees: accounting, engineering, quality, care management, compliance, risk management, credentialing, managed care contacting, strategic planning, relations with local governmental authorities, and local human resource administration. During the first twelve (12) month period following the Closing Date, no costs for Corporate Office Services provided to RHS Entities will be allocated to any RHS Entity. During the second twelve (12) month period following the Closing Date, one-third (1/3) of the costs for Corporate Office Services provided to RHS Entities will be allocated to such RHS Entities. During the third twelve (12) month period following the Closing Date, two-thirds (2/3) of the costs for Corporate Office Services provided to RHS Entities will be allocated to such RHS Entities. Thereafter, the full costs for Corporate Office Services provided to RHS Entities will be allocated to such RHS Entities. Notwithstanding the foregoing, the costs for Corporate Office Services related to the installation of the Epic Project; the salaries, wages, and benefits of Local Corporate Personnel; and one-half (1/2) of the salaries, wages, and benefits associated with the Northern Region CEO, Northern Region COO, Northern Region CMO, and the Home Health Director will be fully allocated as direct expenses to the RHS Entities as incurred. Further, the RHS Parties shall, and RMH shall cause RHI and Ventures to, participate in the development and implementation of certain system-wide clinical and management programs and initiatives, including but not limited to Clinical Service Lines, and system-wide contracts, in accordance with the Integration Plan.

14.8.2. Supply Chain Management; Corporate Engineering. To the extent that materials, supplies, and services are available through the supply chain management or the corporate engineering division of the Corporate Office, each RHS Party shall, and RMH shall cause RHI and Ventures to, obtain, subject to the Integration Plan, such materials, supplies, and services from or through the supply chain management or corporate engineering division, as applicable.

14.8.3. Information Systems. OSF and the RHS Parties acknowledge that OSF maintains a common Information System, serving all of OSF's health care facilities and services, in which relevant management, financial and clinical information from all of OSF's operations share a common data repository and thereby become accessible for use by all authorized parties. OSF and the RHS Parties acknowledge the importance to OSF of shared financial information, wherein financial information and data generated by the operations of the RHS Facilities and Services become part of the common OSF financial data repository. Accordingly, as of the Closing Date the RHS Parties shall, and RMH shall cause RHI and Ventures to, use the Information Systems used by and serving the RHS Facilities and Services as needed to transmit electronically to OSF's Information System the financial data maintained in RHS Facilities and Services databases from time to time in accordance with communications standards and protocols compatible with OSF's Information System, which financial data shall be transmitted electronically to OSF's data repository at the times, containing the information, and in the reporting format

requested by OSF. As of the Closing Date, non-financial data shall be transmitted to OSF's data repository by the means, at the times, containing the information, and in the reporting format requested by OSF. OSF and the RHS Parties acknowledge that, as of the Closing Date, the Information Systems serving the RHS Facilities and Services and OSF's Information Systems will not be interoperable. Upon implementation of the Epic Project, the data described in this Section shall be transmitted via Epic as directed by OSF.

14.8.4. Compliance with Corporate Policies. All Corporate Policies not in conflict with this Agreement shall apply with respect to each RHS Entity's governance, management and operation of the RHS Facilities and Services. The RHS Parties shall not, and RMH shall cause RHI and Ventures not to, enact any policy that conflicts with or purports to nullify the effect of a non-conflicting Corporate Policy without the approval of OSF. An RHS Entity may adopt policies with respect to the RHS Facilities and Services over which it exercises sole management authority which are not in conflict with existing or future Corporate Policies.

14.9. **System Initiatives.** Following the Closing Date, the RHS Parties shall, and RMH shall cause RHI and Ventures to, take all actions necessary to comply with the covenants under Article V.

14.10. **Provider Agreements.** The Closing shall not affect or change the status of any RHS Entity's participation in any Payment Program as of the Closing Date. So long as an RHS Party first consults with and considers the recommendations of OSF, after the Closing Date it may enter into Payment Program agreements committing the RHS Facilities and Services. Upon OSF's request after consultation with RHS, the RHS Parties shall, and RMH shall cause RHI and Ventures to, enter into Payment Program agreements committing the RHS Facilities and Services, so long as such agreements commit OSF facilities located in two or more regions, one of which is located in the Northern Region.

ARTICLE XV
POST-CLOSING COVENANTS OF RMDF

15.1. **RMDF Governing Documents.** RMDF shall maintain its Governing Documents such that they:

15.1.1. Prohibit use of the name "Rockford Memorial Development Foundation" or any other name that includes the words "Rockford Memorial";

15.1.2. Prohibit RMDF from having any members;

15.1.3. Contain a statement of purpose that includes supporting and promoting directly or indirectly health-related organizations within the Northern Region, consistent with maintaining tax exempt status;

15.1.4. Prohibit RMDF from providing health care services (meaning those services that are covered services under the Medicare program) or being affiliated with or having a direct or indirect ownership or investment interest in any person,

corporation, limited liability company, partnership, or other entity that provides health care services;

15.1.5. Require the RMDF Board to include two members nominated by the OSF Board and two members nominated by the RHS Board, provided that RMDF may appoint or reject the nominees in its reasonable discretion;

15.1.6. Require the RMDF Board to include the Northern Region CEO, who shall serve *ex officio* with vote; and

15.1.7. Require a majority of the members of the RMDF Board to be residents of the Northern Region.

15.2. **Initial RMDF Board.** As of the Closing Date a majority of the voting members of the RMDF Board shall be persons who were voting members of the RHS Board as of the Execution Date.

15.3. **RMDF Operations.**

15.3.1. Use of Name. RMDF shall not use the name "Rockford Memorial Development Foundation" or any other name that includes the words "Rockford Memorial."

15.3.2. Use of Assets. RMDF shall use the assets to which it holds a legal or beneficial interest immediately following the Closing, and any investment yield thereon, for the purpose of supporting the OSF Northern Region Facilities and Services. However, RMDF may internally restrict assets having a value as of the Closing Date of $5,000,000, and any investment yield thereon ("**Community Fund**"), for charitable purposes consistent with its Governing Documents, except that it may not: (i) provide financial support for the performance of Abortion or Euthanasia; or (ii) directly or indirectly (including by making a donation or providing other financing) (A) engage in the construction or operation of any Competing Business within the Northern Region or (B) acquire, lease, own, or be a shareholder, partner, member, exercise management control of or acquire or maintain any interest in a Competing Business in the Northern Region. Notwithstanding the foregoing, RMDF may provide grants from the Community Fund to a Competing Business so long as funds are used for (i) the ownership, operation or funding of programs for the provision of charity care to the poor, indigent and uninsured residents of the Northern Region (which may include operation of indigent care clinics and physician employment); (ii) community outreach services that meet the health care needs of the residents of the Northern Region (e.g., health screenings, health education programs, support for vaccination and other disease prevention programs, and funding provision of specialty care services to underserved or rural communities in the Northern Region); (iii) conduct of or support for wellness, nutrition, health and environmental health programs and services; or (iv) support of education and training programs for physicians, nurses and medical technical professionals, all of which are consistent with the charitable purposes and mission of RMDF. RHS shall periodically submit to

RMDF, for consideration by and approval of the RMDF Board in its sole discretion, requests for grants of funds for use in programs, services, and projects approved by the RHS Board supporting the OSF Northern Region Facilities and Services. Following the tenth (10th) anniversary of the Closing Date and in perpetuity thereafter, RMDF shall use its remaining assets, including any funds in the Community Fund, for supporting and promoting directly or indirectly health-related organizations within the Northern Region (meaning the geographic area, but not limited to the OSF Northern Region Facilities and Services); provided, however, no such funds shall be used to support a Competing Business of the OSF Northern Region Facilities and Services.

15.3.3. Donor Restrictions. Bequests, gifts and endowments of RMDF that are restricted as to use or manner of investment shall continue to be so restricted following the Closing Date, and RMDF shall honor donative intent with respect thereto.

15.3.4. Fundraising. RMDF shall not engage in fundraising activities.

15.4. **RMDF Liabilities.** Each RMDF Liability outstanding immediately prior to the Closing Date shall remain the liability and obligation of RMDF, from and after the Closing Date, except RHS Master Indenture Indebtedness, which shall be discharged as provided in Section 2.6.1. From and after the Closing Date, neither OSF nor the RHS Entities shall be obligated to pay or assume, and none of their respective assets shall be or become liable for or subject to, any RMDF Liability, and OSF and each of the RHS Entities is hereby expressly released by RMDF from any such RMDF Liabilities.

ARTICLE XVI
POST-CLOSING COVENANTS OF OSF

16.1. **Capital Commitments and System Initiatives.** Following the Closing Date, OSF shall take all actions necessary to comply with the covenants under Article V. Within ninety (90) days following the end of each RHS fiscal year following the Closing Date for so long as OSF is obligated to comply with the covenants in Section 5.1 and Section 5.2, OSF shall provide RMDF a report setting forth in reasonable detail how it has complied with such Sections, and a summary spreadsheet compiling details, including a specific accounting of capital expenditures OSF has agreed to fund in accordance with such Sections. RMDF shall be entitled to seek information, clarification and underlying detail regarding the information contained in the annual reports to its reasonable satisfaction. OSF's obligation to provide the information described in this Section is contingent upon RMDF's execution and delivery of a confidentiality agreement satisfactory to OSF.

16.2. **RHS Entity Organization, Merger, Dissolution, Consolidation.** During the five (5) year period following the Closing Date, OSF will not take any action to amend the Governing Documents of any RHS Entity, or to merge, dissolve or consolidate any RHS Entity, without the approval of seventy-five percent (75%) of the RHS Board, unless (a) OSF determines based on an opinion of Independent Counsel that such action is necessary to protect and preserve the tax exempt status and public charity status of OSF and RHS and any tax exempt

affiliate of OSF and RHS (including Federal and state income tax exemptions, property tax exemptions, and sales tax exemptions); provided the OSF Board has given a written request to the RHS Board to take action or refrain from taking action, which would have sufficiently protected and preserved such tax exempt and public charity status, and the RHS Board has failed to promptly take such action or refrain from taking such action; (b) OSF determines based on an opinion of Bond Counsel that such action is necessary to comply, on behalf of any or all members of the OSF Obligated Group, with the OSF Master Indenture, Related Loan Documents, Tax Agreements, and all other covenants and agreements relating to any Obligated Group financing, provided the OSF Board has given a written request to the RHS Board to take action or refrain from taking action, to so comply, and the RHS Board has failed to promptly take such action or refrain from taking such action, and provided further that, in the event of the RHS Board's failure to take such action or refrain from taking such action, OSF has consulted with Bond Counsel regarding the possibility of amending one or more of the agreements relating to any Obligated Group financing so as to avoid the need to merge, dissolve, or consolidate an RHS Entity; (c) OSF determines that such action is necessary to comply with the moral teachings of the Roman Catholic Church, Ethical and Religious Directives, and/or Canon Law, as interpreted by the appropriate ecclesiastical authority; or (d) such merger, dissolution, or consolidation is undertaken pursuant to the Integration Plan.

16.3. **RHS Board Composition**. Until the end of the fifth year following the Closing Date, OSF shall not amend the Governing Documents of RHS to change any provisions setting forth the composition, appointment and reappointment of RHS Board members without the approval of seventy-five percent (75%) of the RHS Board and, so long as RMDF does not engage in the provision of health care services, OSF shall not amend the provisions in the Governing Documents of RHS granting to RMDF authority to nominate RHS Board members without RMDF's consent, unless: (a) OSF determines based on an opinion of Independent Counsel that such amendment is necessary to protect and preserve the tax exempt status and public charity status of OSF and RHS and any tax exempt affiliate of OSF and RHS (including Federal and state income tax exemptions, property tax exemptions, and sales tax exemptions); provided the OSF Board has given a written request to the RHS Board to take action or refrain from taking action, which would have sufficiently protected and preserved such tax exempt and public charity status, and the RHS Board has failed to promptly take such action or refrain from taking such action; (b) OSF determines based on an opinion of Bond Counsel that such amendment is necessary to comply, on behalf of any or all members of the OSF Obligated Group, with the OSF Master Indenture, Related Loan Documents, Tax Agreements, and all other covenants and agreements relating to any Obligated Group financing, provided the OSF Board has given a written request to the RHS Board to take action or refrain from taking action, to so comply, and the RHS Board has failed to promptly take such action or refrain from taking such action, and provided further that, in the event of the RHS Board's failure to take such action or refrain from taking such action, OSF has consulted with Bond Counsel regarding the possibility of amending one or more of the agreements relating to any Obligated Group financing so as to avoid the need to amend provisions of the RHS Governing Documents regarding composition, appointment, and reappointment of RHS Board members; (c) OSF determines that such amendment is necessary to comply with the moral teachings of the Roman Catholic Church, Ethical and Religious Directives, and/or Canon Law, as interpreted by the appropriate ecclesiastical authority; or (d) such amendment is undertaken pursuant to the Integration Plan.

16.4. **RMDF Option to Purchase OSF Northern Region Facilities and Services.** Except as provided in the following paragraph, in the event that OSF decides that some or all of the OSF Northern Region Facilities and Services need to undergo a change of control or ownership because OSF, RHS or one or more of the RHS Affiliates is legally compelled to provide Abortion services or some other health care service at the OSF Northern Region Facilities and Services which contravenes the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives and Canon Law, then OSF shall first deliver a Transfer Notice to RMDF. The Transfer Notice shall identify the OSF Northern Region Facilities and Services involved, and the Transfer Notice shall offer to RMDF the option to acquire all (but not less than all) of the OSF Northern Region Facilities and Services identified in the Transfer Notice pursuant to the terms and conditions set forth in Exhibit L. If RMDF gives notice of exercise of the option in accordance with Exhibit L and its acquisition of the involved OSF Northern Region Facilities and Services closes, the Management Agreement shall terminate. If RMDF fails to give notice of exercise of the option in accordance with Exhibit L, then OSF shall be free to undergo a change or control or ownership of the OSF Northern Region Facilities and Services and dispose of the OSF Northern Region Facilities and Services by any manner or means it may in its sole discretion determine appropriate, in which event the Management Agreement shall terminate.

The provisions of this Section 16.4 shall not apply in the event OSF and the OSF Northern Region Facilities and Services join or amalgamate with another Catholic-sponsored health care provider or transfer ownership or control of the OSF Northern Region Facilities and Services to another nonprofit health care provider, so long as the Management Agreement does not terminate as a consequence of such a transaction and the successor health care provider preserves the corporate structure of the OSF Northern Region Facilities and Services and assumes all of OSF's post-Closing covenants under this Agreement that remain in effect as of such date.

ARTICLE XVII
TERMINATION

17.1. **Termination Upon Certain Events.** OSF or RHS may, at or prior to the time set for Closing, terminate this Agreement under any one of the following circumstances:

17.1.1. Legal Proceeding. If at the time of Closing: (a) a *bona fide* action or proceeding shall be pending against any Party wherein an unfavorable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated by this Agreement; or (b) any governmental agency shall have notified any Party of its position that the consummation of the transactions contemplated herein would constitute a violation of Applicable Law and that it has commenced or intends to commence proceedings to restrain the consummation of the transactions contemplated herein, and such agency has not withdrawn such notice prior to such termination; provided however, that no Party may without the written agreement of the other Party terminate this Agreement because of the absence of approval of the transaction by the United States Department of Justice or the Federal Trade Commission; or

17.1.2. Conditions Precedent to Closing. If the conditions of this Agreement to be complied with or performed by any other Party at or before the Closing shall not have been complied with or performed on or before the Closing Date or such later date upon which the Parties shall mutually agree, and such noncompliance or nonperformance shall have not been waived by the Party giving notice of termination; or

17.1.3. Material Adverse Change. If at any time prior to the Closing, there has been a Material Adverse Change to the businesses of the RHS Entities or OSF, as applicable, and such change shall have not been waived by the Party giving notice of termination; or

17.1.4. Schedules and Exhibits. A Party, in its sole discretion, determines that it should not consummate the transactions contemplated by this Agreement because of any information contained in a Schedule or Exhibit required under this Agreement that is delivered to such Party after the Execution Date (in accordance with the process set forth in Section 13.4); or

17.1.5. Closing Date Deadline. If, for any reason, the Closing shall not have occurred on or before January 31, 2012.

17.2. **Effect of Termination.** If there has been a termination under Section 17.1, this Agreement shall be deemed terminated, and all further obligations of the Parties hereunder shall terminate, except those obligations specifically identified in this Agreement as surviving termination. Any termination under Section 17.1 shall be without liability to the Parties, except that such termination shall be without prejudice to the rights and remedies which any Party seeking to terminate this Agreement may have if: (a) a default shall be made by any other Party in the observance or in the due and timely performance by such Party of any of the covenants herein contained; or (b) there shall have been a breach by such other Party of any of the warranties and representations herein contained, and except for fraudulent acts by a Party, the remedies for which shall not be limited by this Agreement. Notwithstanding anything to the contrary, if a Party shall have made such default or breach, the other Parties need not terminate this Agreement but may seek to specifically enforce the defaulting or breaching Party's obligations hereunder.

ARTICLE XVIII
INDEMNIFICATION AND REMEDIES FOR BREACH

18.1. **General.** From and after the Closing Date, RMDF shall indemnify OSF, and OSF shall indemnify RMDF, as provided in this Article XVIII. For the purposes of this Article XVIII, RMDF, the RHS Parties, and OSF shall be deemed to have remade all of their representations and warranties contained in this Agreement on the Closing Date with the same effect as if originally made on the Closing Date.

18.2. **RMDF's Indemnification Obligations.** RMDF shall indemnify, save and keep the OSF Indemnitees forever harmless against and from all Damages sustained or incurred by any OSF Indemnitee, as a result of or arising out of or by virtue of:

18.2.1. Any inaccuracy in or breach of any representation and warranty made by RMDF to OSF herein or in any closing document delivered by RMDF to OSF in connection herewith; or

18.2.2. The breach by RMDF of, or failure of RMDF to comply with, any of the covenants or obligations under this Agreement to be performed by RMDF.

18.3. **OSF's Indemnification Obligations**. OSF shall indemnify, save, and keep the RMDF Indemnitees forever harmless against and from all Damages sustained or incurred by any RMDF Indemnitee, as a result of or arising out of or by virtue of:

18.3.1. Any inaccuracy in or breach of any representation and warranty made by OSF to RMDF and the RHS Parties herein or in any closing document delivered to RMDF and the RHS Parties in connection herewith; or

18.3.2. Any breach by OSF of, or failure by OSF to comply with, any of the covenants or obligations under this Agreement to be performed by OSF.

18.4. **Claims by Indemnified Parties.**

18.4.1. Notice of Claim. If any matter shall arise which, in the opinion of any Indemnified Party, constitutes or may give rise to an Indemnity Claim, the Indemnified Party shall promptly give a Notice of Claim to the Indemnifying Party, setting forth the relevant facts and circumstances of such Indemnity Claim in reasonable detail and the amount of indemnity sought from the Indemnifying Party with respect thereto, and shall give continuing notice promptly thereafter as to developments coming to any Indemnified Party's attention materially affecting any matter relating to such Indemnity Claim. The Indemnified Party shall use commercially reasonable efforts to mitigate the loss resulting from an Indemnified Claim.

18.4.2. Third Party Claim. If any Indemnity Claim is based upon a Third Party Claim, then the Indemnified Party, at the time it delivers the Notice of Claim with respect to such Third Party Claim, shall offer to the Indemnifying Party the option to assume the defense of the Third Party Claim, which option may be exercised by the Indemnifying Party by written notice to the Indemnified Party, acknowledging its indemnification obligation under this Article XVIII with respect to such Third Party Claim and assuming the defense thereof, within fifteen (15) days after the Indemnified Party gives written notice thereof. If the Indemnifying Party exercises the option, then it shall at its own expense assume the defense of the Third Party Claim, shall upon the final determination thereof fully discharge at its own expense all liability of the Indemnified Party with respect to the Third Party Claim, and shall be entitled, at its sole expense but without any liability of the Indemnified Party therefor, to compromise or settle the Third Party Claim. From the time the Indemnifying Party so assumes such defense and while such defense is pursued diligently in good faith, the Indemnifying Party shall have no liability for attorneys' fees or other costs of defense incurred by the Indemnified Party in connection with

the Third Party Claim. If the Indemnifying Party does not exercise the option to defend a Third Party Claim, or fails to diligently defend such Third Party Claim, then the Indemnified Party may undertake to defend such Third Party Claim at the expense of the Indemnifying Party. Notwithstanding the foregoing, however: (i) if the Indemnified Party reasonably determines that there may be a conflict between the positions of the Indemnifying Party and of the Indemnified Party in connection with the defense of an action, suit, investigation, inquiry or other proceeding, or that there may be legal defenses available to the Indemnified Party different from or in addition to those available to the Indemnifying Party, then counsel for the Indemnified Party shall be entitled to conduct a defense to the extent it reasonably determines necessary to protect the interest of the Indemnified Party, and (ii) in any event, the Indemnified Party shall be entitled to have counsel of its choice participate in, though not to conduct, the defense. No Indemnifying Party, in the defense of any claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term the giving by the claimant or plaintiff to the Indemnified Party of a release from all liability in respect to the claim or litigation.

18.5. **Survival of Agreements, Representations.** All warranties and representations made by a Party herein, or in any certificate or other instrument required to be delivered by or on behalf of a Party in connection with this Agreement, shall survive the Closing for a period of twelve (12) months following the Closing Date, regardless of any investigation made by any Party or information about any breach known to any Party prior to the Closing; shall continue in full force and effect during such time period; and shall provide during such time period a basis for the remedies provided for herein or otherwise available to the non-breaching Party. All agreements and covenants made by a Party herein shall survive the Closing, except that the agreements and covenants running to RMDF from either OSF or an RHS Party, and the agreements or covenants made by RMDF to OSF or an RHS Party, shall expire on the tenth (10th) anniversary of the Closing Date; provided, however, the covenants set forth in Section 15.1.1, Section 15.3.1 and the last sentence of Section 15.3.2 shall survive in perpetuity. Thereafter, OSF and the RHS Parties on one hand, and RMDF on the other, shall have no obligations with respect to each other (except for the covenants set forth in Section 15.1.1, Section 15.3.1 and the last sentence of Section 15.3.2), and shall have no rights that would provide a basis for any remedies provided for herein (except for remedies for breach by RMDF of the covenants set forth in Section 15.1.1, Section 15.3.1 and the last sentence of Section 15.3.2). No representation or warranty contained herein shall be deemed to have been waived, affected or impaired by any investigation made by or knowledge of any Party to this Agreement. All statements in any certificate or other instrument delivered at or in connection with the Closing shall constitute representations and warranties. Each agreement, covenant, representation, and warranty contained herein is independent of all other agreements, covenants, representations, and warranties contained herein (whether or not covering an identical or a related subject matter) and must be independently and separately complied with and satisfied. Exceptions or qualifications to any agreement, covenant, representation, or warranty contained herein shall not be construed as exceptions or qualifications to any other agreement, covenant, warranty, or representation.

18.6. **Remedies for Breach.**

18.6.1. Breach by OSF.

(a) **Breach by OSF During First Three Years Post-Closing.** If during the period between the Closing Date and the third (3rd) anniversary of the Closing Date, OSF fails to cure within sixty (60) days (or fails thereafter to diligently pursue such cure to completion in no more than an additional one hundred twenty (120) days) of receipt of written notice by RMDF of a material breach by OSF of the covenants set forth in Section 5.1, Section 5.2, Section 5.3, Section 16.2 or Section 16.3 of this Agreement, which notice shall be given not later than sixty (60) days following the date RMDF has Knowledge of the breach, then RMDF shall have the option upon written notice to OSF to purchase all (but not less than all) of the RHS Facilities and Services, pursuant to the terms and conditions set forth in Exhibit M.

(b) **Breach by OSF During Fourth Through Eighth Years Post-Closing.** If during the period beginning on the third (3rd) anniversary of the Closing Date and ending on the eighth (8th) anniversary of the Closing Date, OSF fails to cure within sixty (60) days (or fails thereafter to diligently pursue such cure to completion in no more than an additional one hundred twenty (120) days) of receipt of written notice by RMDF of a material breach by OSF of the covenants set forth in Section 5.1, Section 5.2, Section 5.3, Section 16.2 or Section 16.3 of this Agreement, which notice shall be given not later than sixty (60) days following the date RMDF has Knowledge of the breach, then RMDF shall have the option upon written notice to OSF to purchase all (but not less than all) of the OSF Northern Region Facilities and Services, pursuant to the terms and conditions set forth in Exhibit N.

(c) **Termination of Management Agreement.** The Management Agreement will terminate automatically upon RMDF's acquisition of the RHS Facilities and Services or the OSF Northern Region Facilities and Services pursuant to Section 18.6.1(a) or Section 18.6.1(b).

(d) **Specific Performance or Injunctive Relief.** RMDF shall have the right to enforce OSF's covenants under Section 5.1, Section 5.2, Section 5.3, Section 16.2, and Section 16.3 by an action for specific performance or injunctive relief if OSF fails to cure within sixty (60) days (or fails thereafter to diligently pursue such cure to completion in no more than an additional one hundred twenty (120) days) of receipt of written notice by RMDF of a material breach by OSF of any such covenant, which notice shall be given not later than sixty (60) days following the date RMDF has Knowledge of the breach, but if an action for specific performance or injunctive relief is brought with respect to a material breach by OSF of covenants under Section 5.1, Section 5.2, Section 5.3, Section 16.2 or Section 16.3, such action shall be in lieu of the rights and alternate remedies of RMDF under Section 18.6.1(a) and Section 18.6.1(b), notwithstanding the language of such Sections.

ARTICLE XIX
GENERAL PROVISIONS

19.1. **No Shop Clause.** RMDF and the RHS Parties agree that, from and after the Execution Date of this Agreement until the earlier to occur of the Closing or the termination of this Agreement, the RMDF and RHS Parties will not, without the prior consent of OSF, explore, meet, discuss, negotiate, directly or indirectly, or enter into an agreement with any third party for the purpose of discussing, organizing, formulating, designing, developing, investing in or implementing an arrangement that could lead to a change in control, sale of equity, lease of assets, sale of assets, joint operating agreement/joint operating company, merger, consolidation, liquidation, academic affiliation or any other business relationship similar to the transactions contemplated by this Agreement. RMDF and the RHS Parties shall promptly notify OSF by telephone and thereafter confirm in writing, if any such discussions or negotiations are sought to be initiated with RMDF or any RHS Party or any such proposal or possible proposal is received directly or indirectly by RMDF or any RHS Party. In the event RMDF or an RHS Party or any of its representatives receives an unsolicited offer relating to a type of transaction described above, RMDF or the RHS Party shall promptly inform the person or organization making such unsolicited offer of the existence of the restrictions of this Section 19.1, but not the other contents of this Agreement (including OSF's identity unless such disclosure has been previously made to the public by joint press releases or filing with a governmental agency), and RMDF and the RHS Parties shall reject such offer.

19.2. **Performance of Undertakings.** The Parties agree that the standard that shall apply to the Parties' performance of all covenants and undertakings contained in this Agreement and in any and every document executed and delivered hereunder is a commercially reasonable standard.

19.3. **Consummation of Transactions.** The Parties shall use, and cause their Affiliates to use, commercially reasonable efforts to consummate the transactions contemplated by this Agreement by July 1, 2011, or in the event Closing the Affiliation by such date is not practicable, by January 31, 2012, and shall take, or cause their Affiliates to take, no action which is inconsistent with its obligations hereunder or which could materially delay the consummation of the transactions contemplated hereby.

19.4. **Notices.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) Business Day after mailing; (c) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, upon delivery; (d) if sent by facsimile transmission or electronic mail after 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, on the following Business Day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as any Party shall provide by like notice to the other Parties:

RMDF or an RHS Party:	Gary E. Kaatz President and Chief Executive Officer Rockford Health System 2400 North Rockton Avenue Rockford, IL 61103 Fax: (815) 968-4908 Email: gkaatz@rhsnet.org
and:	James P. Evans, Esq. Vice President and General Counsel Rockford Health System 2400 North Rockton Avenue Rockford, IL 61103 Fax: (815) 961-1449 Email: jpevans@rhsnet.org
with a simultaneous copy to:	Kerrin Slattery, Esq. McDermott Will & Emery LLP 227 West Monroe Street, Suite 4400 Chicago, IL 60606 Fax: (312) 276-4238 Email: kslattery@mwe.com
OSF:	James M. Moore Chief Executive Officer OSF Healthcare System 800 N.E. Glen Oak Avenue Peoria, IL 61603 Fax: (309) 655-6869 Email: james.moore@osfhealth care.org
and:	Vance C. Parkhurst Senior Vice President, Legal Services OSF Healthcare System 800 N.E. Glen Oak Avenue Peoria, IL 61603 Fax: (309) 655-6869 Email: vance.c.parkhurst@osfhealth care.org
with a simultaneous copy to:	Stephen T. Moore, Esq. Hinshaw & Culbertson LLP 100 Park Avenue Rockford, IL 61101 Fax: (815) 490-4901 Email: smoore@hinshawlaw.com

19.5. **Cost of Transaction.** Each Party shall be responsible for and bear all of its own respective costs and expenses, including without limitation expenses of its legal counsel, accountants and other representatives, incurred at any time in connection with pursuing the Affiliation. However, if the Parties agree to oppose a legal challenge which may be made to the Affiliation and enter into a joint defense agreement related thereto, then legal fees and expenses incurred by the Parties relating to a challenge, if any, will be borne fifty percent (50%) by OSF and fifty percent (50%) by RHS. In addition, the Parties shall share equally the fees and costs of CRA International, Inc., FTI Consulting, Inc. d/b/a FTI Healthcare, and Compass Lexecon, a wholly owned subsidiary of FTI Consulting, Inc., the fees charged by any governmental agency in connection with notices or other filings as may be required under the HSR Act, public relations consultants, and other consultants retained by or for the Parties with the consent and approval of both Parties. OSF shall pay any fees associated with the certificate of exemption or certificate of need process with the IHFSRB.

19.6. **Reimbursement of Costs.** If either OSF or RMDF brings an action to enforce the provisions of this Agreement, the prevailing party in any such action, on trial or appeal, shall be entitled to its reasonable attorney's fees to be paid by the losing party as fixed by the court.

19.7. **No Brokerage.** The Parties represent to each other that no broker has in any way been contacted in connection with the transactions herein contemplated. Each Party agrees to indemnify the other Parties from and against all loss, cost, damage or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by such indemnifying Party.

19.8. **Non-Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns and legal representatives, but no Party may assign its rights in this Agreement or delegate its duties under this Agreement to a third party by any means without first obtaining the prior written consent of the other Parties.

19.9. **No Third Party Beneficiaries.** Except as expressly set forth herein, this Agreement shall not confer any rights or remedies upon any person or other third party other than the Parties and their respective successors and permitted assigns.

19.10. **Third Party Authorizations.** From the Execution Date to the Closing Date, each of the Parties shall use commercially reasonable efforts to obtain expeditiously all consents, authorizations and other approvals of third parties necessary for the valid execution, delivery and performance of this Agreement by the Party.

19.11. **Consents, Approvals and Discretion.** Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by a Party or a Party must or may exercise discretion, the Parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

19.12. **Additional Assurances.** The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties except as may be herein

specifically provided to the contrary; provided, however, at the request of a Party, the other Party or Parties shall execute such additional instruments and take such additional actions as the requesting Party may deem necessary to effectuate this Agreement. Additionally, each Party shall cooperate and use commercially reasonable efforts to have its present directors, officers and employees cooperate with one or more of the other Parties on and after Closing in furnishing information, evidence, testimony and other assistance in connection with any action, proceeding, arrangement or dispute of any nature with respect to matters pertaining to all periods prior to Closing in respect of the items subject to this Agreement; provided that each Party shall pay the reasonable out of pocket costs incurred by its respective directors, officers and employees.

19.13. **Severability**. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or in part, for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of any remaining provision of this Agreement, which shall be and remain in full force and effect, and binding and enforceable in accordance with its terms.

19.14. **Applicable Law**. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Illinois; provided, however, that the conflicts of law principles of the State of Illinois shall not apply to the extent they would operate to apply the laws of another state. The Parties hereby consent to the jurisdiction of Illinois courts located in Winnebago County over all matters relating to this Agreement.

19.15. **Headings; Cross References**. Headings of Articles and Sections in this Agreement and the table of contents hereof are solely for convenience or reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless indicated otherwise, references in this Agreement to Articles, Sections, Schedules and Exhibits are to articles, sections, schedules and exhibits of this Agreement.

19.16. **Construction**. Each Party has engaged separate independent legal counsel and independent advisors to provide advice and guidance to such Party. This Agreement and all documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting Party shall not be applicable to this Agreement.

19.17. **Waiver of Terms**. The failure of any Party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or thereunder or of the future performance of any such term, covenant or condition, but the obligations of the Parties with respect thereto shall continue in full force and effect. A waiver by one Party of the performance of any covenant, condition, representation or warranty of the other Party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any Party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

19.18. **Counterparts; Signatures.** The Parties agree that this Agreement may be executed in multiple originals, each of which shall be considered an original for all purposes and, collectively, shall be considered to constitute this Agreement. The Parties further agree that signatures transmitted by facsimile or in Portable Document Format (pdf) may be considered an original for all purposes, including, without limitation, the execution of this Agreement and enforcement of this Agreement.

19.19. **Time is of the Essence.** Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement and any other agreements determined by the Parties to be necessary or appropriate to be entered into in connection with the transactions contemplated by this Agreement.

19.20. **Access to Records and Information.** If and to the extent applicable to this Agreement and to any agreement contemplated hereunder or entered into pursuant hereto between or among the Parties, the Parties agree to comply with the requirements of Public Law 96-499, Section 952 (Section 1861(v)(1)(1) of the Social Security Act) and regulations promulgated thereunder.

19.21. **Cooperation.** The Parties shall cooperate and use commercially reasonable efforts to obtain as promptly as possible all consents, approvals and agreements of, and to give and make as promptly as practicable all notices and filings with, any governmental and regulatory authorities necessary to authorize, approve, or permit the consummation of the transactions contemplated herein. In the event the Closing is scheduled to occur prior to the completion of the audit of RMDF's and the RHS Entities' financial statements for the 2010 fiscal year, RMDF and the RHS Parties shall, and RMH shall cause RHI and Ventures to, cooperate in the preparation of interim financial statements for RMDF and the RHS Entities in order to facilitate the Plan of Finance.

19.22. **Communications.** The Parties shall promptly advise the other Parties of all material communications received by a party pertaining to the transactions contemplated by this Agreement, including such communications which it receives from governmental agencies or authorities.

19.23. **Publicity.** Except as required by law, all press releases or other public communications of any sort regarding the transactions contemplated herein, and the method of the release for publication thereof, will be subject to the approval of all Parties, such approval shall not be unreasonably withheld.

19.24. **Entire Agreement; Amendment.** This Agreement, including all Schedules and Exhibits required hereunder, supersedes all previous agreements, oral or written, and constitutes the entire agreement among the Parties respecting the subject matter of this Agreement, and no Party shall be entitled to benefits other than those specified herein. Each Exhibit and Schedule referenced in this Agreement shall be considered a part hereof as if set forth herein in full. As among the Parties, oral statements or prior written materials which are not specifically incorporated herein shall not be of any force and effect. The Parties specifically acknowledge that in entering into and executing this Agreement, the Parties rely solely upon the

representations and agreements contained in this Agreement and no others. This Agreement may be amended or modified only by an agreement in writing signed by all the Parties.

ARTICLE XX
GLOSSARY

20.1. **Glossary.** For convenience, set forth below is a glossary of defined terms used in this Agreement:

20.1.1. "**Abortion**" means the directly intended termination of pregnancy by any means (whether surgical, chemical, or other means) before viability or the directly intended destruction of a viable fetus and includes such actions in the interval between conception and implantation of the embryo.

20.1.2. "**Accreditations**" means accreditations by various accreditation organizations, including, without limitation, The Joint Commission.

20.1.3. "**Additional Indebtedness**" means any Indebtedness incurred by a Member of the OSF Obligated Group on or after the Closing Date.

20.1.4. "**Affiliate**" means any entity which is under the Control of, or which is under common Control with, the subject entity.

20.1.5. "**Affiliation**" means the corporate affiliation whereby the RHS Entities become part of OSF in order to create an integrated health care delivery system, RMDF becomes an independent entity, and RHS will continue to operate the RHS Facilities and Services along with managing the OSF Facilities and Services pursuant to the Management Agreement.

20.1.6. "**Agreement**" means this Affiliation Agreement among the Parties.

20.1.7. "**Amending Party**" means OSF or RHS, as the case may be, when delivering an Amended Document or Amended Documents.

20.1.8. "**Applicable Law**" means all applicable Federal, state and local laws, statutes, ordinances, rules, regulations, codes and any judgment, decree, order, writ or injunction of any court or regulatory authority.

20.1.9. "**Benefit Plans**" means "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), "employee pension benefit plans" (as defined in Section 3(2) of ERISA), and all other employee benefit plan agreements and arrangements and employee benefit policies, whether funded or unfunded, qualified or nonqualified, subject to ERISA or not, maintained or contributed to (or required to be contributed to) by OSF or any RHS Entity, as applicable, or any ERISA Affiliate of OSF or any RHS Entity, as applicable, for the benefit of any of its officers, employees or other persons.

20.1.10. "**Board**" means the board of directors of OSF, OSF Northern Region Foundation, RMDF, or an RHS Entity.

20.1.11. "**Bond Counsel**" means an attorney or firm of attorneys, satisfactory to OSF, of nationally recognized standing in the fields of law relating to the valid authorization of state and local government obligations and the exemption of the interest on such obligations from federal income taxation. Such attorney or firm of attorneys may be the attorney or firm of attorneys that has approved tax exempt bonds with respect to which OSF is obligor but shall not have provided legal and other services to OSF a regular basis.

20.1.12. "**Business Day**" means any day excluding Saturday, Sunday and any day that is a legal holiday in the State of Illinois.

20.1.13. "**Canon Law**" means the Code of Canon Law of the Roman Catholic Church.

20.1.14. "**CERCLA**" means the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

20.1.15. "**Clinical Service Lines**" means those clinical services provided by OSF and its Affiliates and RHS and its Affiliates which are now and in the future will be organized across the OSF System and managed centrally in order to promote clinical consistency, broad geographic access, and operational efficiencies; currently included in the OSF Northern Region Facilities and Services are the cardiovascular and neurosciences services lines.

20.1.16. "**Closing**" means the delivery of the documents required to be delivered on the Closing Date by the respective Parties.

20.1.17. "**Closing Date**" means (a) the Business Day established for closing of the financing transactions described in the Plan of Finance, following receipt of all regulatory approvals and satisfaction of all conditions precedent to Closing set forth herein; or (b) such other date agreed to by the Parties following the receipt of all regulatory approvals and satisfaction of all conditions precedent to Closing set forth herein, with the transaction to be effective at 12:01 a.m., Central Standard Time, on such date.

20.1.18. "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

20.1.19. "**Code**" means the Internal Revenue Code of 1986, as amended.

20.1.20. "**Committed Principal**" means the aggregate of the Foundation Restricted Assets and the SAMC Contribution.

20.1.21. "**Competing Business**" means a general acute care hospital, specialty hospital, outpatient facilities, surgery center, urgent care centers, physician

practices, skilled nursing facilities, home health operations and other businesses that provide health care of the kind provided by the OSF Northern Region Facilities and Services.

20.1.22. "**Compliance Program**" means provider programs of the type described in the compliance guidance published by the Office of Inspector General of the Department of Health and Human Services.

20.1.23. "**Confidentiality Agreement**" means the Confidentiality and Standstill Agreement by and between OSF and RHS, dated December 23, 2009, as amended, and agreed to by OSF and RHS in the Letter of Intent.

20.1.24. "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or otherwise.

20.1.25. **"Corporate Office"** means the central corporate office of OSF.

20.1.26. "**Corporate Office Services**" means supply chain, marketing, engineering, information technology including data warehousing and analytics, architecture, legal, human resources, managed care contracting and insurance.

20.1.27. "**Corporate Policies**" means the system-wide policies adopted, modified and repealed from time to time by the OSF Board for the governance and administration of OSF and its facilities, services, and operations, including but not limited to human resources, supportive care, nursing care policies, and all policies contained in the OSF Corporate Administrative Manual, including the Compliance and Information Security HIPAA Policies.

20.1.28. "**Damages**" means all liabilities, demands, claims, actions or causes of action, regulatory, legislative or judicial proceedings or investigations, assessments, levies, losses, fines, penalties, damages, costs and expenses, including, without limitation, reasonable attorneys', accountants', investigators' and experts' fees and expenses, sustained or incurred in connection with the defense or investigation of any such claim.

20.1.29. "**Debt Transaction**" shall have the meaning set forth in Section 20.1.77(l).

20.1.30. "**Environmental Law**" means all Federal, state or local statutes and ordinances, and all rules and regulations promulgated thereunder, common law, orders, consent decrees, permits, and binding judicial and administrative interpretations thereof, pertaining or relating to: (a) natural resources and the environment; (b) public and worker health, safety and welfare; (c) the identification, assessment, reporting, generation, manufacture, processing, distribution, use, treatment, storage, disposal, emission, discharge, release, transport or other handling of any Hazardous Substances, including, without limitation, CERCLA and RCRA, and (d) conditions caused by such activities relating to Hazardous Substances.

20.1.31. "**Epic Project**" means the project described in Section 5.2.

20.1.32. "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

20.1.33. "**ERISA Affiliate**" means any employer that is treated as a single employer with OSF or any RHS Entity, as applicable, under Section 414 of the Code.

20.1.34. "**Ethical and Religious Directives**" means the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the United States Conference of Catholic Bishops, as interpreted and applied by the appropriate ecclesiastical authority.

20.1.35. "**Euthanasia**" means an action or omission that of itself or by intention causes death in order to alleviate suffering and includes physician assisted suicide.

20.1.36. "**Execution Date**" means January 31, 2011.

20.1.37. "**Facilities**" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Illinois Uniform Commercial Code or equivalent statute) of a Person.

20.1.38. "**Fiscal Year**" means: (i) with respect to the RHS Entities prior to the Closing Date any twelve-month period beginning on January 1 of any calendar year and ending on December 31 of such year; (ii) with respect to OSF prior to the Closing Date any twelve-month period beginning on October 1 of any calendar year and ending on September 30 of the following calendar year; and (iii) with respect to the OSF Obligated Group and all Members thereof after the Closing Date any twelve-month period beginning on October 1 of any calendar year and ending on September 30 of the following calendar year or such other twelve-month period selected by the Group Representative.

20.1.39. "**Foundation Restricted Assets**" means all of the restricted assets held by RMDF as of the Closing Date and identified on Schedule 20.1.39 (approximately $14,000,000 as of September 30, 2010).

20.1.40. "**Foundation Unrestricted Assets**" means an amount in cash or investments equal to fifty percent (50%) of the total RMDF unrestricted assets as of the Closing Date and identified on Schedule 20.1.40.

20.1.41. "**GAAP**" means Generally Accepted Accounting Principles.

20.1.42. "**Governing Documents**" shall mean the articles of incorporation, certificate of incorporation, bylaws, partnership agreement, operating agreement or other documents by and through which a business organization is formed and governed.

20.1.43. "**Group Representative**" means OSF or such other Member of the OSF Obligated Group as is designated in a written notice delivered by all of the Members of the OSF Obligated Group to the Master Trustee.

20.1.44. "**Guaranty or Guaranties**" means all obligations of a Person guaranteeing or, in effect, guaranteeing any Indebtedness, dividend or other obligations of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefore; (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (3) to purchase securities or either Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

20.1.45. "**Hazardous Substances**" shall mean petroleum or petroleum products, polychlorinated biphenyls, asbestos containing materials, lead-based paint, radon, radioactive materials, toxic mold or fungus of any kind or species or other microbial matter, medical wastes, and any substances, materials, chemicals, pollutants, constituents, wastes or noxious substances regulated by any Environmental Law.

20.1.46. "**Health Care Laws**" shall mean all Federal, state and local laws, statutes, rules, regulations, ordinances and codes applicable to health care providers and facilities; Federal and state health care program conditions of participation, standards, policies, rules, procedures and other requirements; and accreditation standards of any applicable accrediting organization. Health Care Laws include, without limitation, the following laws: the Federal (Title XIX of the Social Security Act) and state Medicaid programs and their implementing regulations, the Medicare Program (Title XVIII of the Social Security Act) and its implementing regulations, the Federal False Claims Act (31 U.S.C. §§3729 et seq.), the Federal Health Care Program Anti Kickback Statute (42 U.S.C. §1320a 7b(b)), the Federal Physician Self Referral Law (42 U.S.C. §1395nn), the Federal Administrative False Claims Law (42 U.S.C. §1320a 7b(a)), HIPAA and the HIPAA Privacy Rule, the HIPAA Security Rule and the HIPAA Standards for Transactions and Code Sets (42 U.S.C. 1320d 1329d 8; 45 CFR Parts 160 and 164), the Federal Confidentiality of Alcohol and Drug Abuse Patient Records Act (42 U.S.C. 290ee 3), the Rehabilitation Act, the Americans with Disabilities Act, the Occupational Safety and Health Administration statutes and regulations for blood borne pathogens and workplace risks, and any state and local laws that address the same or similar subject matter. Health Care Laws also include Federal, state and local laws applicable to health care provider and facilities, including, without limitation, laws related to: Federal and state health care program billing, cost reporting, revenue reporting, payment and reimbursement; Federal and state health care program fraud, abuse, theft or embezzlement; procurement of health care services, human and social services, and other health related services; employee

background checks and credentialing of employees; credentialing and licensure of facilities or providers of such services; zoning, maintenance, safety and operations of group homes, residential facilities and day programs, and other building health and safety codes and ordinances; certificate of need laws; state law restrictions on the corporate practice of medicine (or the corporate practice of any other health related profession); eligibility for Federal and state health care program contracting, including any requirements limiting contracting to nonprofit or tax exempt entities; patient information and medical record confidentiality, including psychotherapy and mental health records; splitting of health care fees; patient brokering, patient solicitation, patient capping, and/or payment of inducements to recommend or refer, or to arrange for the recommendation or referral of, patients to health care providers or facilities; standards of care, quality assurance, risk management, utilization review, peer review, and/or mandated reporting of incidents, occurrences, diseases and events; advertising or marketing of health care services; and the enforceability of restrictive covenants on health care providers.

20.1.47. "**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996, as amended.

20.1.48. "**Home Health Director**" means the executive director of Home Health Services.

20.1.49. "**Home Health Services**" means the products and services provided in the Northern Region by VNA and the HomeCare division of OSF in an integrated fashion.

20.1.50. "**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act.

20.1.51. "**IHFSRB**" means the Illinois Health Facilities and Services Review Board.

20.1.52. "**Indebtedness**" means, for any Person, (a) all Guaranties of such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes) recorded or required to be recorded as such on the audited financial statements of such Person as of the end of the then most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available and (c) all obligations for payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessees, rendering of services by others or otherwise, and shall include, without limitation, Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one Member of the OSF Obligated Group to another Member of the OSF Obligated Group, any Guaranty by any Member of the OSF Obligated Group of Indebtedness of any other Member of the OSF Obligated Group, the joint and several liability of any Member of the OSF Obligated Group on Indebtedness

issued by another Member of the OSF Obligated Group, Interest Rate Agreements or any obligation to repay moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds by or on behalf of such residents.

20.1.53. "**Indemnified Party**" means an OSF Indemnitee or an RMDF Indemnitee, as the case may be, that experiences an Indemnity Claim or a Third Party Claim.

20.1.54. "**Indemnifying Party**" means OSF or RMDF, as the case may be, when obliged to cover losses resulting from an Indemnity Claim or a Third Party Claim.

20.1.55. "**Indemnity Claim**" means any loss which is indemnifiable pursuant to Section 18.2 or Section 18.3 hereof, as the case may be.

20.1.56. "**Independent Counsel**" means an attorney or firm of attorneys that (a) is satisfactory to OSF, (b) is of nationally recognized standing in the field of law relating to exemption from federal income taxation by organizations described in Section 501(c)(3) of the Code, (c) is licensed to practice law in the State of Illinois, (d) is not employed by OSF, and (e) does not provide legal and other services to OSF on a regular basis.

20.1.57. "**Information System(s)**" means both computer hardware and software applications based on mainframe, mini , personal or hand held computers generally connected through a network and designed to provide access to and management of a health care organization's financial and clinical information.

20.1.58. "**Institutional Review Board**" means a specially constituted review body established or designated by an entity to protect the welfare of human subjects recruited to participate in biomedical or behavioral research.

20.1.59. "**Insurance Policies**" means binders and policies of insurance maintained by OSF or an RHS Entity, under which OSF or an RHS Entity, as applicable, is a named insured or that otherwise insure assets used primarily in connection with its operation.

20.1.60. "**Integration Plan**" means the plan approved by the OSF Board and the RHS Board, as may be amended from time to time, to: (a) integrate the management and operation of, and clinical services provided by, the OSF Facilities and Services and RHS Facilities and Services, (b) delineate the services (including Corporate Office Services) provided and oversight exercised by the Corporate Office, (c) develop recommendations on the merger, dissolution, consolidation or other corporate reorganization of RHS, RMH, RHPH, or VNA and the OSF Facilities and Services, or (d) develop recommendations for the transfer of assets, liabilities, or

employees of the OSF Facilities and Services and RHS Facilities and Services among RHS, RMH, RHPH, VNA and OSF and its Affiliates.

20.1.61. "**Intellectual Property**" means material trademarks, service marks, trade names, patents, copyrights, and applications therefore (whether registered or common law) currently owned or used by the RHS Entities.

20.1.62. "**Interest Rate Agreement**" means an interest rate exchange, hedge or similar agreement, expressly identified in an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee as having been entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar).

20.1.63. "**Investment Yield**" shall mean the sum of dividend and interest income and realized gains and losses on all Committed Principal.

20.1.64. "**IRS**" means the Internal Revenue Service.

20.1.65. "**Joint Commission**" shall mean The Joint Commission.

20.1.66. "**Key Management Personnel**" means officers, directors, and vice-president level and above employees of any RHS Entity, RMDF, or OSF.

20.1.67. "**Knowledge**", "**known**", "**knowingly**", "**to the Knowledge**" or any variant thereof shall, when qualifying any representation, warranty or other statement in this Agreement, means: (i) all information of which Key Management Personnel of any Party is actually aware; (ii) all information Key Management Personnel of any Party could be expected to discover or otherwise become aware of in the course of conducting a reasonably comprehensive investigation concerning the existence of such information; and (iii) all information that would with reasonable diligence in the ordinary course of the performance of their normal duties come to the attention of Key Management Personnel of any Party responsible for verifying the accuracy thereof for purposes of this Agreement.

20.1.68. "**Land**" means the RHS Owned Real Property upon which any operations of the RHS Entities which are integral to the operation of their Facilities or the production of revenues by the RHS Entities are conducted, together with all buildings, improvements and fixtures located thereon.

20.1.69. "**Letter of Intent**" means the letter of intent between OSF and RHS, dated May 13, 2010, as amended September 20, 2010, November 19, 2010 and December 30, 2010.

20.1.70. "**Licenses and Permits**" means governmental licenses, permits, certificates, consents, or approvals required to own or operate the OSF Facilities and Services and the RHS Facilities and Services, as applicable.

20.1.71. "**Local Corporate Personnel**" means personnel working in the OSF Northern Region Facilities and Services who are employed by the Corporate Office to provide information technology, data warehousing/analytics, supply chain, finance, investment, OSF system-wide human resource, and legal services.

20.1.72. "**Management Agreement**" means the Management Agreement between OSF and RHS, dated as of the Closing Date.

20.1.73. "**Master Strategic Plan**" means a combined strategic and master facility plan which shall set forth the strategic vision for the operations of the OSF Northern Region Facilities and Services in order to: (a) enable a sustainable and higher quality health care delivery system; (b) promote greater patient access to integrated primary, secondary, and advanced tertiary health care services; (c) achieve excellence in clinical innovations, services, quality, costs and outcomes; and (d) achieve maximum efficiencies in the delivery of heath care services.

20.1.74. "**Master Trustee**" means Wells Fargo Bank, National Association, as successor master trustee in respect to the OSF Master Indenture or any successor master trustee hereafter appointed pursuant to the OSF Master Indenture.

20.1.75. "**Material Adverse Change**" means any condition, change, event, violation, inaccuracy, circumstance or effect that:

(a) Individually or in the aggregate, could reasonably be expected to result in: (i) liabilities with respect to Applicable Laws, including, without limitation, Health Care Laws, or Payment Programs in excess of $10,000,000, in the case of the RHS Entities as a whole, in excess of $500,000, in the case of RMDF, or in excess of $40,000,000, in the case of OSF; or (ii) the inability of any of the Parties to maintain their respective Code Section 501(c)(3) status; (iii) the inability of any of the Parties' entities that operates as a licensed health care facility as of the execution of this Agreement to continue to operate as such licensed health care facility; or (iv) the debarment or exclusion of any entity from participation in the Medicare or Medicaid programs; or

(b) Could reasonably be expected to result in a change during any rolling twelve (12) month period, in the assets, results of operation or the financial condition of the RHS Entities, taken as a whole, RMDF, or OSF: (i) as to any reduction in the total net assets of such entities in an amount in the aggregate greater than five (5) percent of such entities' aggregate total net assets as reflected on the respective Parties' interim unaudited balance sheet for the initial month of the 12-month period; or (ii) as to any change in the financial condition of such entities, taken as a whole, has resulted in or is reasonably likely to result, on a normalized basis (*i.e.*, after taking into account whether the effects of such change or event are reasonably likely to continue over such period), in a reduction in earnings before deductions for interest, taxes, depreciation and amortization of such entities, taken as a whole, over the 12-month period ending in the month in which the change or event occurs, in an amount greater than five (5) percent of

such entities' aggregate total net assets (as reflected on the respective Parties' interim unaudited balance sheets for the initial month of that 12 month period); or

(c) With respect to RHS Entities, results in more than twenty percent (20%) of all employed community physicians, other than physicians specializing in obstetrics, gynecology, and maternal-fetal medicine (or such other specialists acceptable to OSF) giving notice of termination or non-renewal of their respective employment agreements with RHPH prior to the Closing Date; or

(d) Notwithstanding anything to the contrary, "Material Adverse Change" shall not include: (i) changes in the financial or operating performance due to or caused by the announcement of the transactions contemplated by this Agreement or seasonal changes; (ii) changes or proposed changes to any Applicable Law, reimbursement rates or policies of governmental agencies or bodies that are generally applicable to hospitals or health care facilities; (iii) requirements, reimbursement rates, policies or procedures of third party payors or accreditation commissions or organizations that are generally applicable to hospitals or health care facilities; (iv) general business, industry or economic conditions, including such conditions related to the business of the RHS Entities, taken as a whole, RMDF, or OSF, that do not disproportionately affect the applicable entities; (v) local, regional, national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack, that do not disproportionately affect the RHS Entities, taken as a whole, RMDF, or OSF; (vi) changes in financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index) that do not disproportionately affect the RHS Entities, taken as a whole, RMDF, or OSF; or (vii) changes in GAAP.

20.1.76. "**Material Consents**" means any consents, approvals or authorizations of third parties required for the consummation of the transactions contemplated or required by this Agreement and set forth on Schedule 20.1.76.

20.1.77. "**Material Contracts**" means the following contracts, leases (capital and operating), and other agreements entered into by or on behalf of any one or more of the RHS Entities, RMDF, or OSF (with respect to the OSF Facilities and Services) which are in effect and involve a material aspect of the operations of such entity, as applicable:

(a) any management contracts whereby any RHS Entity, RMDF, or OSF, or any of its officers or employees provide management services to other hospitals, educational, or other health care institutions with (1) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $250,000 annually;

(b) all management or consulting agreements with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually;

(c) all service contracts, shared service agreements, joint purchasing agreements, or similar agreements with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually;

(d) all leases of space and/or equipment with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $500,000 annually;

(e) all agreements for the sale or acquisition of capital assets involving assets of more than $2,000,000 in the aggregate;

(f) all construction agreements with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually;

(g) all service agreements, maintenance agreements and warranties with respect to assets of any RHS Entity, RMDF, or OSF with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually;

(h) all installment payment agreements with (1) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $250,000 annually;

(i) all agreements with third party administrators with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $250,000 annually;

(j) all supply agreements with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually;

(k) all collection agency, brokers' or finders' agreements with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $250,000 annually;

(l) all debt, bond, credit, mortgage, pledge, or other lien or encumbrance agreements and all documents evidencing negative pledges or other covenant or transfer restrictions on the assets of any RHS Entity, RMDF, or OSF with (i) a dollar value or liability greater than (or expected to be greater than) $5,000,000, in the aggregate; (ii) a term of greater than one (1) year and payments in excess of $2,000,000 annually; or (iii) with respect to the RHS Entities and RMDF, covenants in excess of those in the Series 2008 Variable Rate Revenue Bonds from the Illinois Finance Authority and the Series 2008-1 Direct Note Obligation to JP Morgan Chase, National Association, or, with respect to OSF, covenants in excess of those in the OSF Master Indenture (each a "**Debt Transaction**");

(m) all leases of real property in which any RHS Entity, RMDF, or OSF is either a lessor or lessee, including, without limitation, all agreements pursuant to which any department of any RHS Entity, RMDF, or OSF is operated under a lease arrangement, with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $250,000 annually;

(n) all physician employment agreements and all contracts with physicians to provide administrative or professional services that cannot be terminated without cause or penalty upon one hundred twenty (120) or fewer days prior written notice;

(o) all joint venture agreements or shareholder agreements to which any RHS Entity, RMDF, or OSF is a party or involving any RHS Entity's, RMDF's, or OSF's program or operations;

(p) all agreements or commitments related to physician hospital organizations (PHOs), medical services organizations (MSOs), physician networks, community care networks, integrated delivery networks, or other health care delivery systems or networks;

(q) all agreements (excluding any agreements entered into in the ordinary course of business with at-will employees) for employment, indemnity, retention, severance, change-in-control, employee lease, deferred compensation, or incentive compensation with, and agreements regarding loans or advances to, Key Management Personnel of any RHS Entity, RMDF, or OSF;

(r) all Payment Program contracts with a term greater than two (2) years and payments in excess of $250,000 annually;

(s) all insurance policies, trust agreements and other related agreements, including, without limitation, stop-loss and self insurance arrangements, with (i) premium payments greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and

payments in excess of $250,000 annually (excluding renewals of existing polices at the normal renewal date and with the same or substantially similar terms);

(t) license and sublicense agreements with respect to any computer software with (i) a dollar value or liability greater than (or expected to be greater than) $1,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $500,000 annually; and

(u) any other agreement with (i) a dollar value or liability greater than (or expected to be greater than) $2,000,000, in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of $1,000,000 annually.

20.1.78. "**Member**" or "**Members**" refers to the members of the OSF Obligated Group.

20.1.79. "**National Priorities List**" means the USEPA's list of the most serious uncontrolled or abandoned hazardous waste sites identified for possible long-term remedial action under CERCLA, which is updated each year.

20.1.80. "**New Debt**" means the amount, if any, by which the aggregate amount of long-term debt of OSF exceeds the aggregate amount of long-term debt of OSF outstanding on the Execution Date, as determined under GAAP.

20.1.81. "**Non-Recourse Indebtedness**" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Land) and the income therefrom not less than 80% of the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member.

20.1.82. "**Northern Region**" means the geographic area bounded by the Fox River and Illinois Route 31 on the East, the Mississippi River on the West, the Wisconsin border on the North, and Interstate 80 on the South, and also includes the Wisconsin Counties of Green, Grant, Lafayette, Rock, and Walworth.

20.1.83. "**Northern Region CEO**" means the chief executive officer of the OSF Northern Region Facilities and Services.

20.1.84. "**Northern Region CMO**" means the chief medical officer OSF Northern Region Facilities and Services.

20.1.85. "**Northern Region COO**" means the chief operating officer OSF Northern Region Facilities and Services.

20.1.86. "**Notice of Claim**" means written notice by an Indemnified Party to an Indemnifying Party of an Indemnity Claim or a Third Party Claim, as the case may be.

20.1.87. "**Obligated Group Agent**" means the Group Representative.

20.1.88. "**Obligations**" means any evidence of Indebtedness or evidence of any repayment obligation under an Interest Rate Agreement issued on or after the Closing Date which is authorized to be issued by a Member pursuant to the OSF Master Indenture and which has been authenticated by the Master Trustee pursuant to the OSF Master Indenture.

20.1.89. "**Officer's Certificate**" means a certificate signed, in the case of a certificate delivered by a corporation, by the President or any Vice-President (or such other officer of the corporation holding an office described in the corporate bylaws or other organizing documents of such corporation and having authority to bind the corporation) or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Master Trustee.

20.1.90. "**OSF**" means OSF Healthcare System, an Illinois not-for-profit corporation.

20.1.91. "**OSF Audited Financial Statements**" means audited consolidated financial statements of OSF for the two (2) fiscal years ended immediately prior to the Execution Date, for which audited financial statements are available.

20.1.92. "OSF Closing Documents" means:

(a) A certificate of the President of OSF, dated as of the Closing Date, certifying as to the continued accuracy and completeness of representations and warranties of OSF, and its performance of the covenants and conditions precedent, set forth in this Agreement;

(b) A certificate of the Chief Financial Officer of OSF, dated as of the Closing Date, certifying as of the date thereof, as to the accuracy of the financial representations and warranties relating to OSF set forth at Section 8.11;

(c) A certificate of the Secretary of OSF, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of, the resolutions of the OSF Board approving the actions and transactions required or contemplated by this Agreement;

(d) All documents required to be delivered by OSF for closing of the financing transactions described in the Plan of Finance;

(e) Amended OSF bylaws;

(f) An executed copy of the Management Agreement; and

(g) Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

20.1.93. "**OSF Facilities and Services**" means all inpatient and outpatient health care facilities and services owned and operated by OSF and its Affiliates (excluding RHS and RHS Affiliates) in the Northern Region.

20.1.94. "**OSF Financial Statements**" means the OSF Audited Financial Statements, the OSF Unaudited Financial Statements, and the OSF Interim Financial Statements, collectively.

20.1.95. "**OSF Healthcare Foundation**" means OSF Healthcare Foundation, an Illinois not-for-profit corporation.

20.1.96. "**OSF Indemnitee**" and "**OSF Indemnitees**" means OSF and its successors and permitted assigns.

20.1.97. "**OSF Interim Financial Statements**" means monthly unaudited financial statements of OSF and SAMC for the immediately preceding month.

20.1.98. "**OSF Master Indenture**" means that certain Amended and Restated Master Trust Indenture dated as of September 15, 1999 between OSF and Wells Fargo Bank, National Association, as successor master trustee, as heretofore or hereafter supplemented and amended.

20.1.99. "**OSF Northern Region Balance Sheet**" means the detailed virtual balance sheet for the OSF Northern Region Facilities and Services, a template of which is attached hereto as Schedule 20.1.99, and which shall be populated at Closing using the OSF Interim Financial Statements and the RHS Interim Financial Statements.

20.1.100. "**OSF Northern Region Facilities and Services**" means the OSF Facilities and Services and RHS Facilities and Services, collectively.

20.1.101. "**OSF Northern Region Foundation**" means the Illinois not-for-profit corporation to be formed as a Tax Exempt Organization supporting RHS and its Affiliates, OSF, and OSF's Affiliates that provide health care services in the Northern Region.

20.1.102. "**OSF Obligated Group**" means OSF and any other Persons who become Members pursuant to the OSF Master Indenture.

20.1.103. "**OSF Owned Real Property**" means real property owned by OSF or any Affiliate and related to the OSF Facilities and Services.

20.1.104. "**OSF System**" means the integrated health care delivery system owned and operated by OSF, currently consisting of: seven (7) acute care facilities;

one (1) long-term care facility; two (2) colleges of nursing; a physician organization that employs more than six hundred (600) physicians and mid-level providers in over fifty (50) office locations; a home health network that provides hospice, home health, home medical equipment, home infusion pharmacy, physician house calls, private home care, a personal response system, and a diabetes supply program; other health care-related businesses; and a foundation to provide resources for community outreach.

20.1.105. "**OSF Unaudited Financial Statements**" means unaudited financial statements of OSF and SAMC for the interim period from October 1, 2009, through the most recent month-end date for which financial statements were available prior to the Execution Date.

20.1.106. "**Party**" means OSF, RHS, RMH, RHPH, VNA, or RMDF.

20.1.107. "**Parties**" means OSF, RHS, RMH, RHPH, VNA, and RMDF collectively.

20.1.108. "**Payment Programs**" means the private, commercial and governmental payment and procurement programs in which the applicable Parties are participating providers (including, without limitation, Medicare and Medicaid).

20.1.109. "**Permitted Encumbrances**" means encumbrances for Taxes not yet due and payable or being diligently contested in good faith and for which appropriate reserves have been established in accordance with GAAP (provided that Permitted Encumbrances shall not apply to omitted or reassessed Taxes imposed due to incorrect, false or misleading real estate tax exemption applications or annual exemption certifications filed); liens for inchoate mechanics' and materialmen's liens for construction in progress and workmen's, repairmen's, warehousemen's and carriers' liens arising in the ordinary course of business; easements, restrictive covenants, rights of way and other similar restrictions of record that do not impair in any material respect the value of the assets or the continued conduct of the business of an RHS Entity or its continued use of its assets in the manner currently used; zoning, building and other similar restrictions that do not impair in any material respect the value the asset or the continued conduct of the business of an RHS Entity or its continued use of its assets in the manner currently used; encumbrances, encroachments and other imperfections of title, licenses or encumbrances, if any, of record that do not impair in any material respect the value of the asset or the continued conduct of the business of an RHS Entity or its continued use of its assets in the manner currently used; encumbrances arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and in the case of leased property, all matters, whether or not of record, affecting the title of the lessor (and any underlying lessor) of the leased property do not impair in any material respect the value of its asset or the continued conduct of the business of an RHS Entity or its continued use of its assets in the manner currently used.

20.1.110. "**Person**" means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

20.1.111. "**Plan of Finance**" means the issuance of a sufficient amount of new debt by OSF and the OSF Obligated Group, or otherwise funding the redemption or defeasance of all RHS Master Indenture Indebtedness through a bridge loan or cash (of OSF and not from RHS or any of its Affiliates) (such plan to be determined by OSF in consultation with RHS).

20.1.112. "**PLTF Funds**" means the amount of any excess funds ("**Total Excess PLTF Funds**") in that certain trust created pursuant to the Self-Insurance Trust Agreement by and between RHS and Amcore Investment Group, N.A., effective January 1, 2001 ("**PLTF Trust**"), as determined by RHS' actuary ("**RHS Actuary**") at least sixty (60) days prior to the Closing Date; to the extent such Total Excess PLTF Funds can be transferred from the PLTF Trust to RHS on or before the Closing Date in conformance with applicable laws and regulations, in a manner described in a letter from McDermott Will & Emery LLP addressed to RHS dated January 25, 2011 in form and substance reasonably satisfactory to OSF. If the Total Excess PLTF Funds can not be so transferred and the Total Excess PLTF Funds exceeds the recommended funding of the PLTF Trust for a one year period as determined by the RHS Actuary at least sixty (60) days prior to the Closing Date ("**One Year Funding Requirement**"), then PLTF Funds means the One Year Funding Requirement. In no event shall the aggregate PLTF Funds exceed the Total Excess PLTF Funds for purposes of this determination.

20.1.113. "**Primary Obligor**" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

20.1.114. "**Property**" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible, and wherever situated, except where otherwise specifically provided.

20.1.115. "**Property, Plant and Equipment**" means all Property of the RHS Entities which is classified as property, plant and equipment under GAAP.

20.1.116. "**Rating Agency**" means Fitch Inc., Standard & Poor's Ratings Service, a division of the McGraw Hill Companies, Inc., Moody's Investor's Services, Inc., their successors and assigns, and any other nationally recognized securities rating agency or service which issues or maintains a rating for any OSF Obligated Group Indebtedness or is designated by the Group Representative.

20.1.117. "**RCRA**" means the Resource Conservation and Recovery Act, as amended.

20.1.118. "**Receiving Party**" means OSF or RHS, as the case may be, when receiving an Amended Document or Amended Documents.

20.1.119. "**Related Bonds**" means any revenue bonds or similar obligations issued by any Member or any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to a Member of the OSF Obligated Group in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to such governmental issuer.

20.1.120. "**Related Bond Indenture**" means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

20.1.121. "**Related Loan Document**" means any document or documents (including without limitation any lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to a Member of the OSF Obligated Group (or any Property financed or refinanced with such proceeds is leased, subleased or sold to a Member).

20.1.122. "**Reserved Powers**" means the powers reserved to OSF with respect to the governance and operations of RHS to be reflected in the amended and restated Governing Documents.

20.1.123. "**Returns**" means returns, declarations, and reports and all information returns and statements required to be filed or sent with respect to all Taxes.

20.1.124. "**RHI**" means Rockford Health Insurance, Ltd., a Bermuda corporation.

20.1.125. "**RHPH**" means Rockford Health Physicians, an Illinois not-for-profit corporation.

20.1.126. "**RHS**" means Rockford Health System, an Illinois not-for-profit corporation.

20.1.127. "**RHS Affiliates**" means RMH, RHPH, VNA, RHI, and Ventures.

20.1.128. "**RHS Audited Financial Statements**" means the audited consolidated financial statements of RHS for the two (2) fiscal years ended immediately prior to the Execution Date for which audited financial statements are available.

20.1.129. "**RHS Closing Documents**" means:

(a) A certificate of the President of RHS, dated as of the Closing Date, certifying as to the continued accuracy and completeness of representations and warranties of the RHS Parties and their respective performance of the covenants and conditions precedent, set forth in this Agreement;

(b) A certificate of the Chief Financial Officer of RHS, dated as of the Closing Date, certifying as of the date thereof, as to the accuracy of the financial representations and warranties relating to the RHS Entities set forth at Section 6.4 and Section 6.5;

(c) A certificate of the Secretary of RHS, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of: (i) the resolutions of the RHS Board approving the actions and transactions required or contemplated by this Agreement, including the amended and restated RHS Entity and RMDF Governing Documents; and (ii) in its capacity as member of the RHS Entities and RMDF, the resolutions approving the amended and restated Governing Documents for the RHS Entities and RMDF and any transactions contemplated hereunder which are required for the RHS Entities and RMDF, pursuant to the RHS Governing Documents in effect as of the Execution Date, to be approved by RHS;

(d) A copy of the amended and restated RHS Entity Governing Documents, as filed as of a recent date with the Secretary of State of Illinois, to be effective as of the Closing Date;

(e) Evidence of the resignations of certain officers, directors and committee members of the RHS Entities;

(f) Evidence of the amendment of all lease agreements identified in Schedule 20.1.129(f) under which it leases space to third party health care providers to prohibit the use of the leased premises in the delivery of items and services that contravene the Ethical and Religious Directives to be effective as of the Closing Date (or terminations thereof if such tenants refuse to amend the lease to contain such provisions);

(g) Evidence of the amendment of the RHS medical staff bylaws, rules and regulations, and credentialing procedures pursuant to Section 12.7, to be effective as of the Closing Date;

(h) Evidence of compliance with the Ethical and Religious Directives, including (i) the amendment of all physician and health care worker employment agreements, pursuant to Section 14.3.3 or adoption of a policy prohibiting the performance of any procedure or delivery of any service by an employed physician or other health care worker that contravenes the Ethical and Religious Directives, pursuant to Section 14.3, and (ii) proper disposition of any human embryos or gametes; all in form and substance acceptable to OSF in its sole discretion, to be effective as of the Closing Date;

(i) Certificates of insurance or other evidence that the RHS Entities' professional liability insurance will be in full force and effect as of the Closing Date;

(j) All documents required to be delivered by the RHS Entities for entry of RHS, RMH, RHPH, and the OSF Northern Region Foundation into the OSF Obligated Group and for closing of the financing transactions described in the Plan of Finance;

(k) An executed copy of the Management Agreement; and

(l) Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated or required by this Agreement and to comply with the terms hereof.

20.1.130. "**RHS Entities**" means RHS, RMH, RHPH, VNA, RHI, and Ventures.

20.1.131. "**RHS Facilities and Services**" means the facilities and services owned and operated by the RHS Entities.

20.1.132. "**RHS Financial Statements**" means and the RHS Audited Financial Statements, the RHS Unaudited Financial Statements, and the RHS Interim Financial Statements, collectively.

20.1.133. "**RHS Interim Financial Statements**" means monthly unaudited financial statements of the RHS Entities for the immediately preceding month.

20.1.134. "**RHS Master Indenture**" means that certain Master Trust Indenture among RMH, RHPH, and RMDF and US National Bank Association dated August 15, 1991, as amended and supplemented, covering $60,800,000 of tax exempt variable bonds issued in 2008, a letter of credit from JPMorgan Chase Bank, N.A. and $40,755,000 of tax exempt fixed rate bonds issued in 1997.

20.1.135. "**RHS Master Indenture Indebtedness**" means all debt and any debt instrument entitled to the security of the RHS Master Indenture.

20.1.136. "**RHS Owned Real Property**" means real property owned by any RHS Entity, excluding the Riverside Properties.

20.1.137. "**RHS Party**" and "**RHS Parties**" means RHS, RMH, RHPH, and VNA.

20.1.138. "**RHS Unaudited Financial Statements**" means unaudited financial statements of the RHS Entities for the interim period from January 1, 2010, through the most recent month end date for which financial statements were available prior to the Execution Date.

20.1.139. "**Riverside Properties**" means those nine (9) real estate parcels set forth on Schedule 2.2.3(b).

20.1.140. "**RMDF**" means Rockford Memorial Development Foundation, an Illinois not-for-profit corporation.

20.1.141. "**RMDF Closing Documents**" means:

(a) A certificate of the President of RMDF, dated as of the Closing Date, certifying as to the continued accuracy and completeness of representations and warranties of RMDF and its performance of the covenants and conditions precedent, set forth in this Agreement;

(b) A certificate of the Secretary of RMDF, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of the resolutions of the RMDF Board approving the actions and transactions required or contemplated by this Agreement, including the amended and restated RMDF Governing Documents;

(c) A copy of the amended and restated RMDF Governing Documents, as filed as of a recent date with the Secretary of State of Illinois, to be effective as of the Closing Date;

(d) Evidence of the appointment of two members of the OSF Board to the RMDF Board, the appointment of two members nominated by the RHS Board to the RMDF Board, and the appointment of the Northern Region CEO to the RMDF Board, *ex officio*, with vote;

(e) All documents required to be delivered by RMDF to be removed from the RHS Master Indenture and such other documents as may be required by a simultaneous closing of the financing transactions described in the Plan of Finance;

(f) Evidence of transfer, by delivery, wire transfer, indorsement of securities, assignment of interests in property, or otherwise, of the Foundation Restricted Assets and the Foundation Unrestricted Assets;

(g) A document evidencing an option and right of first refusal in favor of RHS to purchase the Riverside Properties from RMDF under mutually agreed-upon terms and conditions; and

(h) Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated or required by this Agreement and to comply with the terms hereof.

20.1.142. "**RMDF Indemnitee**" and "**RMDF Indemnitees**" means RMDF and its successors and assigns.

20.1.143. "**RMDF Interim Financial Statements**" means monthly unaudited financial statements of RMDF for the immediately preceding month.

20.1.144. "**RMDF Liability**" means all liabilities, indebtedness, commitments and other financial and operational obligations of RMDF, whether known or unknown, fixed or contingent, recorded or unrecorded, existing as of the Closing Date or thereafter arising or otherwise.

20.1.145. "**RMH**" means Rockford Memorial Hospital, an Illinois not-for-profit corporation.

20.1.146. "**SAMC**" means OSF Saint Anthony Medical Center, a general acute care hospital located in Rockford, Illinois.

20.1.147. "**SAMC Advisory Board**" means the Advisory Board of SAMC appointed by OSF.

20.1.148. "**SAMC Contribution**" means all assets held by OSF Healthcare Foundation as of Closing that are managed by the OSF Saint Anthony Medical Center Foundation Council, including donor- or Board-restricted for use in support of the facilities or services of SAMC, having an approximate value of $9,350,000 as of September 30, 2010.

20.1.149. "**Scandal**" means any conduct which results in serious impairment of the name or reputation of OSF, either in the general community or among the Catholic faithful, or causes confusion in the minds of members of the general community or Catholic faithful concerning compliance by OSF with the ethical and religious teachings of the Roman Catholic Church, including but not limited to the Ethical and Religious Directives and Canon Law.

20.1.150. "**System CMO**" means the chief medical officer of OSF.

20.1.151. "**Tax Agreements**" means any tax exemption agreement or similar agreement entered into by a Member in respect to the establishment, maintenance and preservation of the tax exempt status of any Indebtedness the interest on which is determined to be exempt from Federal taxation under applicable provisions of the Internal Revenue Code at the time of issuance.

20.1.152. "**Taxes**" means all Federal, state, county, local and other taxes of every kind.

20.1.153. "**Tax Exempt Organization**" means an entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which is exempt from federal income taxation under Section 501(a) of the Code, and, which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

20.1.154. "**Third Party Claim**" means any claim, demand, suit or action of any third party against an Indemnified Party.

20.1.155. "**Transfer Notice**" means the written notice to RMDF in which OSF communicates its decision to change control or ownership of some or all of the OSF Northern Region Facilities and Services for the reasons described in Section 16.4.

20.1.156. "**Transition Period**" means the time period beginning on the Closing Date and ending on December 31 of the year following the year in which the Closing Date occurs.

20.1.157. "**Unrestricted Cash and Investments**" means (1) the amount of unrestricted and unencumbered cash, cash equivalents, and marketable and liquid investments of RHS, RMH, RHPH, and VNA (including board designated funds), on the RHS Interim Financial Statements, as updated by reports of custodians and other financial institutions holding such funds; plus (2) an estimate of the Foundation Unrestricted Assets based on the RMDF Interim Financial Statements, as updated by reports of custodians and other financial institutions holding such funds; plus (3) the PLTF Funds; provided, however, that excluded therefrom shall be the following amounts: (a) the amount of or in any trustee-held funds, debt service funds, debt service reserve funds, construction funds, litigation reserve funds, malpractice funds or other self-insurance or captive insurance funds, pension or retirement funds, and any other funds pledged, set aside or reserved in such a manner so as to restrict the funds so that such funds are not available to RHS, RMH, RHPH and VNA to pay debt service on Indebtedness; (b) any amounts realized from the sale or factoring of receivables during the ninety (90) day period preceding a computation date of Unrestricted Cash and Investments; (c) the principal amount of (i) any borrowed moneys payable in one year or less (excluding amounts to be defeased) and (ii) any demand notes or obligations for which RHS, RMH, RHPH and VNA are obligated to provide payment of principal or the purchase price on demand unless, in each case there exists a binding commitment by a bank, insurance company or other financial institution rated at least "A+" or better by S&P or A1 or better by Moody's which provides refinancing sufficient to pay such obligation when due and any repayment term to such financial institution by RHS, RMH, RHPH and VNA, as applicable, is at least two (2) years; and (d) any amounts pledged or posted, or required to be pledged or posted, to secure obligations under the Interest Rate Agreement, as such term is defined in the OSF Master Indenture. For purposes of this definition of Unrestricted Cash and Investments, if marketable securities are loaned pursuant to a security lending program, either the market value of such securities that are loaned or any cash held as collateral under such lending program shall be included as Unrestricted Cash and Investments, but not both such amounts.

20.1.158. "**Ventures**" means Rockford Health System Ventures LLC, an Illinois limited liability company.

20.1.159. "**VNA**" means Visiting Nurses Association of the Rockford Area, an Illinois not-for-profit corporation.

20.1.160. "**West Side**" means the portion of Rockford, Illinois, west of the Rock River.

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IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Affiliation Agreement as of the Execution Date.

OSF HEALTHCARE SYSTEM

By: _____
James M. Moore
Chief Executive Officer

ROCKFORD MEMORIAL HOSPITAL

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH SYSTEM

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH PHYSICIANS

By: _____
Gary E.Kaatz
President

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____
Gary E. Kaatz
President

VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA

By: _____
Denise R. Schrader
President and CEO

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Affiliation Agreement as of the Execution Date.

OSF HEALTHCARE SYSTEM

By: _____
James M. Moore
Chief Executive Officer

ROCKFORD MEMORIAL HOSPITAL

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH SYSTEM

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH PHYSICIANS

By: _____
Gary E.Kaatz
President

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____
Gary E. Kaatz
President

VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA

By: _____
Denise R. Schrader
President and CEO

Attachment #5

Tab 1

Tab A

Tab B

Tab C

C

EXHIBIT C

MANAGEMENT SERVICES AGREEMENT

BY AND BETWEEN

OSF HEALTHCARE SYSTEM

AND

OSF NORTHERN REGION

_____, 2011

149

TABLE OF CONTENTS

Page

ARTICLE I PURPOSE OF THIS AGREEMENT 2
1.1 Purpose 2

ARTICLE II AGREEMENT TO MANAGE THE OSF FACILITIES AND SERVICES 2
2.1 Appointment 2
2.2 Limitations Imposed by Law or Organizational Documents 2
2.3 Performance Standards 2
2.4 Reserved Powers 3
2.5 Management by OSF 3
2.6 Compensation 4

ARTICLE III RESPONSIBILITIES OF MANAGER 4
3.1 Day-to-Day Operations 4
3.2 Licensure; Accreditation; Certificates of Need and Exemption 5
3.3 Provider Status 5
3.4 Compliance with Applicable Laws 5
3.5 Not for Profit and Exempt Status 5
3.6 Bond Covenants 5
3.7 Philosophy, Vision, Values and Mission 5
3.8 Operating Budget and Capital Budget 5
3.9 Coordination of Management 6

ARTICLE IV CORPORATE SERVICES; OSF SAINT FRANCIS, INC. SERVICES 6
4.1 Use of Corporate Services 6
4.2 Use of OSF Saint Francis, Inc. Services 7

ARTICLE V AGREEMENTS 7
5.1 Provider Agreements 7
5.2 Existing Contracts with Third Parties 7

ARTICLE VI EMPLOYEE COMPENSATION AND BENEFITS PROGRAMS 7
6.1 Compensation of Northern Region Employees 7
6.2 Employee Benefit Plans, Programs and Policies 8
6.3 Incentive Compensation Programs 8

ARTICLE VII CORPORATE POLICIES 8
7.1 Compliance with Corporate Policies 8
7.2 Adoption of Policies by Manager 9

ARTICLE VIII LIMITATIONS ON RESPONSIBILITIES OF MANAGER 9
8.1 Risk of Loss 9

TABLE OF CONTENTS
(continued)

Page

8.2 Liabilities 9
8.3 Expenses 9
8.4 Contracts 9

ARTICLE IX FINANCIAL MATTERS 9
9.1 Handling and Disposition of Funds 9
9.2 Manager Not to Pledge OSF Facilities and Services Credit 10
9.3 Reimbursement for Advances 10

ARTICLE X TERM AND TERMINATION OF THIS AGREEMENT 10
10.1 Term; Automatic Renewal 10
10.2 Termination 10

ARTICLE XI REPRESENTATIONS AND WARRANTIES 13
11.1 Representations and Warranties of OSF 13
11.2 Representations and Warranties Related to OSF Facilities and Services 14
11.3 Representations and Warranties of Manager 14
11.4 Survival of Representations and Warranties 16

ARTICLE XII INDEMNIFICATION 16
12.1 Indemnification of Manager 16
12.2 Indemnification of OSF 16

ARTICLE XIII RELIGIOUS ISSUES 17
13.1 Catholic Teachings 17
13.2 Religious Symbols 17
13.3 Chapels 17
13.4 Assignment of Religious Personnel 17
13.5 Ethics Committees 17
13.6 Pastoral Care Services 17

ARTICLE XIV MEDICAL STAFF ISSUES 18

ARTICLE XV MANAGEMENT STAFF 18

ARTICLE XVI COOPERATION AND ASSISTANCE 18
16.1 Cooperation 18
16.2 Status Reports 19

ARTICLE XVII GENERAL PROVISIONS 19
17.1 Access to Books, Records, and Employees; Confidentiality of Records 19
17.2 Access to Manager Books and Records 19
17.3 Notices 20

TABLE OF CONTENTS
(continued)

Page

17.4 Entire Agreement 21
17.5 Modification 21
17.6 Assignment; Subcontracting 21
17.7 Binding Effect 21
17.8 Third Party Rights 21
17.9 Governing Law 21
17.10 Counterparts 21
17.11 Severability 21
17.12 Waivers 22
17.13 Rules of Interpretation 22

ARTICLE XVIII DEFINITIONS 22
18.1 Definitions 22

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT is made and entered into as of _____, 2011, to be effective as of the Effective Date, by and between **OSF HEALTHCARE SYSTEM**, an Illinois not-for-profit corporation, and **OSF NORTHERN REGION**, an Illinois not-for-profit corporation.

RECITALS

A. OSF is an Illinois not-for-profit corporation organized for the purposes of (1) establishing, acquiring, supporting, erecting, maintaining, owning and equipping healthcare providers and institutions, including (without limitation) hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; (2) conducting, sponsoring, supporting, promoting, developing, owning and operating charitable, educational, scientific and scholastic programs and activities and other activities and programs ancillary to and in support of the foregoing; (3) fostering, supporting, promoting, developing, encouraging, maintaining, receiving and accepting funds, gifts and contributions for and on behalf of such activities; and (4) establishing, conducting, sponsoring, acquiring, owning, maintaining and operating such other entities and activities which, in the opinion of the OSF Board and at its discretion, will support the foregoing;

B. OSF owns and operates, among other health care related assets and operations, SAMC and certain other health care related operations and assets in the Northern Region;

C. Manager is an Illinois not-for-profit corporation organized for charitable health care purposes which owns and operates the Manager Facilities and Services, including RMH, RHPH, and VNA;

D. OSF, Manager, RMH, RHPH, VNA, and RMDF, have entered into the Affiliation Agreement whereby Manager and its Affiliates shall become part of the OSF System;

E. The Affiliation Agreement provides for the management by Manager of the OSF Facilities and Services, in cooperation with OSF and in support of the objectives of OSF and the purposes for which OSF was organized, as described in Recital A;

F. OSF and Manager desire to continue Manager's long term tradition of local community governance and the meaningful involvement of Northern Region residents in the governance of Manager's facilities;

G. Manager, in conjunction with SAMC's executives and other personnel and Manager's executives and other personnel, possesses certain experience and expertise in the development, supervision of operations and administrative aspects of businesses like that of the OSF Facilities and Services, and OSF wishes Manager to perform certain management services for the OSF Facilities and Services, as hereinafter set forth, and to operate the OSF Northern Region Facilities and Services in an integrated manner and as part of the OSF System;

H. OSF and Manager desire to implement certain provisions of the Affiliation Agreement by setting forth in this Agreement the terms and conditions under which Manager will manage the OSF Facilities and Services on behalf of OSF, subject to the full operating authority and ultimate control of OSF; and

I. It is the intent of the Parties that Manager shall manage the OSF Facilities and Services in the same manner and consistent with its management and operation of the Manager Facilities and Services pursuant to the terms and conditions of the Affiliation Agreement and this Agreement, to deliver health care to the residents of the Northern Region in an integrated manner and as part of the OSF System.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending these Recitals to be a part of this Agreement and to be legally bound, the Parties hereto hereby agree as follows:

ARTICLE I

PURPOSE OF THIS AGREEMENT

1.1 Purpose. OSF and Manager are entering into this Agreement and the Affiliation Agreement to provide for the management by Manager of the OSF Facilities and Services on behalf of and in support of OSF as an integral part of the OSF System, and thereby providing meaningful long-term involvement of Northern Region residents in the governance of the OSF Northern Region Facilities and Services in an integrated manner and as part of the OSF System.

ARTICLE II

AGREEMENT TO MANAGE THE OSF FACILITIES AND SERVICES

2.1 Appointment. OSF hereby appoints Manager to serve as the sole and exclusive manager of the OSF Facilities and Services on behalf of and in support of OSF to provide the Day-to-Day Operations and such other duties and obligations hereunder, subject to the terms of this Agreement. Manager hereby accepts such appointment and shall have authority and responsibility for the Day-to-Day Operations of the OSF Facilities and Services, including overall financial and clinical performance, and such other duties and obligations hereunder, subject to and in accordance with the terms of this Agreement.

2.2 Limitations Imposed by Law or Organizational Documents. Except as set forth herein, OSF does not delegate to Manager any of the powers, duties and responsibilities vested in OSF, it members, or the OSF Board, by law or under OSF's articles of incorporation or bylaws. OSF shall retain all authority required to be reserved by OSF by applicable licensing, certification and accreditation requirements and shall retain such other authority as shall not have been specifically delegated by the OSF Board pursuant to this Agreement.

2.3 Performance Standards. Manager shall perform its duties and obligations hereunder in a competent, professional manner, in accordance with generally accepted management, administrative and accounting practices, and shall exercise reasonable judgment in

performing its duties and obligations under this Agreement. OSF shall provide Manager with access to all information, documentation, information systems and other functions and resources of OSF as are necessary to enable Manager to perform its obligations hereunder at a high level of performance.

2.4 Reserved Powers.

(a) Reserved Powers. The Parties acknowledge that the delegation by OSF of authority to Manager under this Agreement is subject to and limited by the Reserved Powers. Manager shall observe the Reserved Powers in the fulfillment of its duties and the exercise of its authority under this Agreement.

(b) Recommendations of Manager. The Manager may make recommendations to OSF regarding those matters subject to Reserved Powers hereunder and, except as provided in Subsection 2.4(c) below, OSF shall consider any such recommendations together with all other facts and circumstances which OSF deems pertinent before taking action with respect to such matter. All recommendations shall be made in writing by the Northern Region CEO and given to the OSF Chief Executive in form and by means satisfactory to OSF. The Manager shall not take any action, other than making recommendations to OSF, with regard to those matters subject to Reserved Powers hereunder, without the Approval of OSF.

(c) Notice to Manager. OSF shall notify the Manager in advance of the exercise of any Reserved Power insofar as the exercise of such power involves Manager's management of the OSF Facilities and Services; provided, however, OSF shall be excused from any obligation to give such advance notice to the Manager if the resulting delay in giving notice would cause an event of default under any agreement to which OSF is a party. All notices shall be in writing and given by the OSF Chief Executive Officer to the Northern Region CEO Executive in form and by means satisfactory to Manager.

2.5 Management by OSF.

(a) Excluded Services; Excluded Employees. Manager shall cooperate with OSF in the management by OSF of the Excluded Services and Excluded Employees in the Northern Region. To the extent that OSF provides the Excluded Services within the Northern Region, OSF shall keep Manager informed on the operations of and any changes in or additions to the Excluded Services and shall coordinate with Manager concerning such services and activities.

(b) Northern Region Physicians. The Northern Region CMO shall manage the Northern Region Physicians, as well as associated local practice management administration, nursing and other clinical support personnel. Manager acknowledges that, pursuant to the Affiliation Agreement, the Northern Region CMO reports to the chief medical officer of OSF in addition to the Northern Region CEO, and that the Parties therefore contemplate joint management by Manager and OSF of the Northern Region Physicians. Manager shall cooperate with OSF in the post-Effective Date consolidation

and integration of the management and governance of the Northern Region Physicians and the Manager Physicians, as contemplated by the Affiliation Agreement. It is anticipated that the Northern Region Physicians and the Manager Physicians will be organized and managed as a single multispecialty group and as such will participate in Council activities. It is anticipated that the Council will include representatives from each region served by OSF, including at least one primary care physician and one specialist physician. Manager further acknowledges that OSF and the Council will establish from time to time certain quality and safety programs and initiatives, a standardized system-wide process for physician credentialing and system-wide standards of care and clinical protocols. Manager shall cooperate with OSF in the implementation of such programs, initiatives, processes and protocols in the OSF Northern Region Facilities and Services.

(c) Home Health Services. The Home Health Director shall manage all Home Health Services provided in the Northern Region, whether by VNA or the HomeCare division of OSF. Manager acknowledges that, pursuant to the Affiliation Agreement, the Home Health Director reports to the chief executive officer of the HomeCare division of OSF and is accountable to the Northern Region CMO and the VNA Board, and that the Parties therefore contemplate joint management by Manager and OSF of Home Health Services. Manager shall cooperate with OSF in the post-Effective Date consolidation and integration of the management and governance of the products and services provided in the Northern Region by VNA and the HomeCare division of OSF.

(d) Future Services. Manager shall manage any future health care businesses or activities of OSF or any wholly owned Affiliate of OSF in the Northern Region pursuant to the terms of this Agreement unless otherwise agreed to by the Parties. However, to the extent that a future healthcare or healthcare-related service will be conducted by or on behalf of OSF partly within and partly outside of the Northern Region, with input from and in consultation with the Manager, OSF shall determine whether the program or activity will be managed in its entirety by Manager, managed in its entirety by OSF itself or another entity chosen by OSF, managed jointly by OSF and Manager, or managed within the Northern Region by Manager and outside of the Northern Region by OSF or another entity chosen by OSF.

2.6 Compensation. Manager shall not receive any compensation, directly or indirectly, for the services performed under this Agreement.

ARTICLE III

RESPONSIBILITIES OF MANAGER

3.1 Day-to-Day Operations. Manager shall have full responsibility, power and authority for managing the Day-to-Day Operations of the OSF Facilities and Services, subject to the Reserved Powers and the terms of this Agreement.

3.2 Licensure; Accreditation; Certificates of Need and Exemption. Manager shall ensure that (1) the OSF Facilities and Services are and continue to be properly licensed to the extent legally required, (2) the OSF Facilities and Services remain accredited by The Joint Commission and other applicable accrediting organizations, and (3) certificates of need or certificates of exemption have been obtained and remain in force with respect to all OSF Facilities and Services for which such certificates are legally required.

3.3 Provider Status. Manager shall ensure that all applicable OSF Facilities and Services remain certified providers under the federal Medicare program and the state Medicaid program. Manager shall exercise its best efforts to ensure that all applicable OSF Facilities and Services remain eligible providers under various applicable managed care plans and private insurance programs.

3.4 Compliance with Applicable Laws. Manager shall ensure that the OSF Facilities and Services remain in material compliance with all applicable federal, state and local laws, regulations, and ordinances, and all applicable federal and state court and administrative orders.

3.5 Not for Profit and Exempt Status. Manager shall maintain its status as a not for profit corporation under the Illinois General Not For Profit Corporation Act of 1986, as amended, and any replacement statute. Manager shall maintain its status as a Tax Exempt Organization and shall notify OSF in writing immediately in the event Manager loses such status.

3.6 Bond Covenants. In the fulfillment of its duties and in the exercise of its authority hereunder, Manager may not take any action or fail to take any action which could reasonably result in a breach of any of the applicable covenants in the OSF Master Indenture and any other of its financing agreements, and particularly (but without limitation) those covenants which require OSF to (i) take actions or refrain from taking actions as may be necessary from time to time to maintain the tax exempt status of the interest on the OSF Bonds, and (ii) continue to qualify as a Tax Exempt Organization. OSF shall provide Manager with all information reasonably necessary to enable Manager to perform its duties under this Section 3.6.

3.7 Philosophy, Vision, Values and Mission. Manager shall manage the OSF Facilities and Services in a manner consistent with the philosophy, vision, values and mission of OSF as communicated to Manager by OSF and shall adhere to the Strategic Plan as applicable to the OSF Northern Region Facilities and Services.

3.8 Operating Budget and Capital Budget. Subject to the terms and conditions of this Agreement and the Affiliation Agreement, Manager shall annually develop and recommend to OSF for approval, a single Operating Budget and Capital Budget for the OSF Northern Region Facilities and Services, and shall implement consistent operations, policies, procedures, and employee compensation arrangements across all OSF Northern Region Facilities and Services. Manager shall manage the OSF Facilities and Services in accordance with and within the financial limits prescribed in the Operating Budget and the Capital Budget. Manager and OSF shall communicate routinely regarding the performance of the OSF Facilities and Services relative to the Operating Budget and Capital Budget, and Manager shall take all reasonable and

necessary steps to assure performance is in conformance with the Operating Budget and Capital Budget.

3.9 Coordination of Management. Manager shall coordinate its management of the OSF Facilities and Services with its management of the Manager Facilities and Services in an integrated manner and as part of the OSF System.

ARTICLE IV

CORPORATE SERVICES; OSF SAINT FRANCIS, INC. SERVICES

4.1 Use of Corporate Services. OSF shall furnish to Manager and the OSF Facilities and Services certain system office functions that OSF makes available to all OSF hospitals from time to time.

(a) Corporate Office. Manager acknowledges that OSF has established certain programs and initiatives that create value in terms of scale, leverage and/or superior operating performance on behalf of OSF as a whole, including, but not limited to, Corporate Office Services. In carrying out its duties under this Agreement, Manager shall make use of all the services provided by Local Corporate Personnel, the Corporate Office Services, and the advice and assistance of the various divisions of the Corporate Office. Manager shall involve the appropriate Corporate Office senior vice-presidents, or their designees, in the planning, development and implementation of proposed activities to be undertaken by Manager in the management of the OSF Facilities and Services. The comments, if any, of such corporate senior vice-presidents, or their designees, shall be considered by the Manager Board before Manager undertakes or implements such proposed activities. The services provided by Local Corporate Personnel shall not be provided by Northern Region Employees. The salaries, wages and benefits of the Local Corporate Personnel will be allocated to the OSF Northern Region Facilities and Services. The following services will be provided by Northern Region Employees with oversight by the appropriate Corporate Office senior vice presidents, or their designees: accounting, engineering, quality, care management, compliance, risk management, credentialing, managed care contacting, strategic planning, relations with local governmental authorities, and local human resource administration.

(b) Supply Chain Management; Corporate Engineering. To the extent that materials, supplies, and services are available through the supply chain management or the corporate engineering division of the Corporate Office, Manager shall obtain such materials, supplies, and services from or through the supply chain management or corporate engineering division, as applicable.

(c) Information Systems. OSF and Manager acknowledge that OSF maintains a common Information System, serving all of OSF's healthcare facilities and services, including the Information Systems used by or serving the OSF Facilities and Services, in which relevant management, financial and clinical information from all of OSF's operations share a common data repository and thereby become accessible for use by all authorized parties. OSF and Manager acknowledge the importance to OSF of

shared financial information, wherein financial information and data generated by the operations of the OSF Facilities and Services become part of the common OSF financial data repository. Accordingly, Manager shall use the Information Systems used by and serving the OSF Facilities and Services as needed to transmit electronically to OSF's Information System the financial data maintained in OSF Facilities and Services databases from time to time in accordance with communications standards and protocols compatible with OSF's Information System, which financial data shall be transmitted electronically to OSF's data repository at the times, containing the information, and in the reporting format requested by OSF. Non-financial data shall be transmitted to OSF's data repository by the means, at the times, containing the information, and in the reporting format requested by OSF.

4.2 Use of OSF Saint Francis, Inc. Services. Manager acknowledges that OSF Saint Francis, Inc., a wholly owned subsidiary of OSF, provides comprehensive services in support of certain of the Northern Region Physician practices, including: (a) practice management services; (b) common business office services including billing and collection of claims and financial reporting; and (c) practice support services, including nursing, scheduling, medical records, quality performance and improvement. All such services are provided pursuant to written agreement between OSF and OSF Saint Francis, Inc., which shall be provided to and honored by Manager, subject to the development and implementation of the Integration Plan.

ARTICLE V

AGREEMENTS

5.1 Provider Agreements. Subject to the authority reserved to OSF below, after first consulting with and considering the recommendations of OSF, Manager may enter into Provider Agreements committing the OSF Facilities and Services. Manager may not enter into Provider Agreements which commit facilities and services owned by OSF outside the Northern Region. OSF may enter into Provider Agreements committing OSF Facilities and Services in two (2) or more regions, one of which is the Northern Region, without the consent of Manager, but only after consultation with Manager.

5.2 Existing Contracts with Third Parties. OSF and Manager acknowledge that there are in existence contracts between OSF and its Affiliates and third parties that provide for the delivery of services and supplies to the OSF Facilities and Services. If the terms of those contracts extend beyond the Effective Date, Manager shall have the responsibility and the authority to supervise the performance of the organizations and persons obligated under those contracts and, in that connection, shall honor the terms of those contracts as presented to Manager by OSF from time to time.

ARTICLE VI

EMPLOYEE COMPENSATION AND BENEFITS PROGRAMS

6.1 Compensation of Northern Region Employees. Manager shall have the power to establish and modify the compensation of Northern Region Employees, subject to Section 6.3,

so long as such compensation arrangements are consistent with Corporate Policies (including without limitation OSF human resource policies and practices and guidance from the OSF Human Resource Committee), do not risk the loss of the exempt status of any Tax Exempt Organization, and do not expose any Tax Exempt Organization to intermediate sanctions under Section 4958 of the Code.

6.2 **Employee Benefit Plans, Programs and Policies**. The employee benefit plans, programs, and policies applicable to all employees of OSF and its Affiliates shall be governed, administered, established or terminated (in the sole discretion of OSF) by OSF and shall be available to all such employees eligible under the terms thereof without any exceptions, unless such exceptions are approved by OSF. The coverage and benefits of employees of OSF and its Affiliates under such employee benefit plans, programs, and policies shall not be modified, supplemented, or terminated by Manager. Manager shall have no authority to establish any employee benefit plan, program, or policy applicable to employees of OSF and its Affiliates without the Approval of OSF.

6.3 **Incentive Compensation Programs**. OSF shall have sole authority for design, administration, and determination of coverage of all existing and future incentive compensation programs, including but not limited to, team awards, management incentive compensation, executive compensation, and deferred compensation arrangements applicable to all employees of OSF and its Affiliates. The compensation and benefits of individuals covered under such programs shall not be established, modified, terminated, or supplemented by Manager. However, Manager shall have authority to establish specific metrics or measures as may be provided within incentive compensation programs established by OSF.

ARTICLE VII

CORPORATE POLICIES

7.1 **Compliance with Corporate Policies**. All Corporate Policies not in conflict with this Agreement shall apply with respect to Manager's management of the OSF Facilities and Services. In the event either Party determines that an existing or future Corporate Policy conflicts with this Agreement, it shall give notice to the other Party, which notice shall set forth the rationale for its determination that the Corporate Policy is in conflict with this Agreement. The Northern Region CEO and the OSF CEO shall consult regarding the matter and use their best efforts to resolve the matter, balancing the importance of the Corporate Policy to OSF in its operation of the OSF System against Manager's rights and obligations under this Agreement. In the event such executives come to agreement, the Northern Region CEO shall recommend to the Manager Board acceptance of the Corporate Policy, or the OSF CEO shall recommend to the OSF Board certain amendments to the Corporate Policy so as to avoid the conflict without unreasonably compromising the OSF System objectives and interests, or both shall recommend and present an amendment to this Agreement so as to avoid the conflict. In the event the executives are unable to come to agreement, the matter shall be submitted to the Manager Board for final determination, which shall take into consideration each Party's goals with respect to the Corporate Policy in making its decision. The Manager Board's acceptance of a policy in conflict with this Agreement shall act as a waiver of the conflict and shall not constitute a breach of this Agreement.

7.2 Adoption of Policies by Manager. Manager may adopt policies with respect to the OSF Facilities and Services over which it exercises sole management authority which are not in conflict with any Corporate Policies. Manager shall not enact any policy that conflicts with or purports to nullify the effect of any Corporate Policy without the Approval of OSF.

ARTICLE VIII

LIMITATIONS ON RESPONSIBILITIES OF MANAGER

8.1 Risk of Loss. At all times during and following the term of this Agreement, the risk of loss with respect to the operations and assets of the OSF Facilities and Services operations and assets shall be borne by OSF.

8.2 Liabilities. Manager shall not be responsible for liabilities incurred by Manager, either in the name of or on behalf of the OSF Facilities and Services, in connection with or as a result of the performance by Manager of Manager's duties under this Agreement. All such liabilities shall be solely the obligations of OSF.

8.3 Expenses. Manager shall not be responsible for the payment of any expenses incurred by Manager on behalf of the OSF Facilities and Service in the performance of the duties of the Manager under this Agreement. All such expenses shall be solely the obligations of OSF.

8.4 Contracts. Manager shall not be responsible for the performance of any act or the payment of any amount, or the forbearance from taking any act or paying any amount, under any contracts, leases, notes, guaranties or other agreements or documents entered into by, for or on behalf of the OSF Facilities and Services, OSF or any of its Affiliates.

ARTICLE IX

FINANCIAL MATTERS

9.1 Handling and Disposition of Funds. Funds originating from the operation of the OSF Facilities and Services and received by Manager shall be received, handled, managed and disposed as set forth in this ARTICLE IX:

(a) Manager shall deposit all funds actually received by it from the operation of the OSF Facilities and Services, and all working capital loans advanced for and on behalf of the OSF Facilities and Services, in a bank account or accounts bearing the name of the applicable OSF Facilities and Services in a bank or trust company approved by OSF and Manager. Such funds shall in no event be commingled with the funds of Manager. Manager shall have no liability or responsibility for any loss resulting from the insolvency, malfeasance or nonfeasance of the bank or banks in which such funds are deposited.

(b) OSF and Manager shall control the OSF Facilities and Services Accounts and have the right to make withdrawals from and use the OSF Facilities and Services Accounts for the purposes of operating the OSF Facilities and Services and

performing their obligations hereunder. From such accounts, Manager may pay to itself any reimbursements due hereunder.

(c) Funds of the OSF Facilities and Services Accounts shall be swept on a daily basis, with complete accounting of principal and earned income to OSF. OSF shall have same-day access to funds through the cash management program for payment of its day-to-day accounts payable, including, without limitation, payroll. Interest and other income earned on cash managed through the cash management program shall be income of OSF.

9.2 Manager Not to Pledge OSF Facilities and Services Credit. Manager shall not, under any circumstance, pledge the credit of the OSF Facilities and Services, nor shall Manager in the name of, or on behalf of, OSF borrow any money or execute any promissory note, bill of exchange or other obligation, or dispose of any asset of the OSF Facilities and Services other than in the ordinary course of business, without the Approval of OSF.

9.3 Reimbursement for Advances. Everything done by Manager in the performance of and pursuant to its obligations and duties hereunder, and all its costs and expenses incurred under and pursuant to this Agreement, shall be for OSF's account. In the event that Manager shall have advanced any funds of its own to third parties in payment of expenses for the OSF Facilities and Services, OSF shall reimburse Manager and Manager is entitled to reimburse itself under Section 9.1(b). Manager shall notify OSF of such advances and shall furnish OSF with receipts evidencing such advancements.

ARTICLE X

TERM AND TERMINATION OF THIS AGREEMENT

10.1 Term; Automatic Renewal. This Agreement shall commence and become effective as of the Effective Date for an initial term ending on the date which is twenty-five (25) years after the Effective Date and shall then automatically renew for successive five (5) year periods unless OSF gives Manager written notice of intent not to renew this Agreement at least one hundred eighty (180) days prior to the expiration of the initial term or the then existing renewal term, subject, however, to termination under Section 10.2.

10.2 Termination. This Agreement may be sooner terminated on the first to occur of any of the following events:

(a) Mutual Agreement. Written agreement by both Parties to terminate this Agreement, following Approval by OSF and a majority of the Manager Board.

(b) Loss of Exempt Status. The loss by Manager or OSF of its status as a Tax Exempt Organization.

(c) Opinion of Bond Counsel. Subject to the provisions of this Subsection, receipt by OSF of: (1) opinion of Bond Counsel that termination of the Agreement is necessary to preserve the tax-exempt status of the interest on any of the OSF Bonds; or (2) Independent Counsel that termination of the Agreement is necessary

to preserve the status of OSF or any of its Affiliates as a Tax Exempt Organization. Originally executed copies of such opinion, addressed to OSF and Manager, shall be delivered by OSF to Manager within ten (10) days of receipt. Upon receipt of any such opinion by Manager, OSF and Manager shall each have the right, exercisable within ten (10) days of Manager's receipt of such opinion, to request that Bond Counsel or Independent Counsel (as the case may be) give consideration to possible amendments to this Agreement or changes in the organizational structure of Manager, which amendments or changes would, if implemented, preserve the tax-exempt status of the interest on any of the OSF Bonds or preserve the status of OSF or any of its Affiliates as a Tax Exempt Organization (as the case may be). OSF and Manager shall each have the right to submit written recommendations and reports (including opinions from other attorneys) to Bond Counsel or Independent Counsel concerning possible amendments or changes. Bond Counsel or Independent Counsel shall thereafter issue an opinion suggesting amendments or changes that would preserve the tax-exempt status of the interest on any of the OSF Bonds or the status of OSF or any of its Affiliates as a Tax Exempt Organization. If any amendments or changes are suggested, then OSF and Manager shall consider the acceptability of such amendments or changes to each of them; and if OSF and Manager agree on any such amendments or changes, they shall be implemented in order to avoid termination of this Agreement. This Agreement shall terminate immediately upon notice from OSF or Manager if they do not agree on any such amendments or changes.

(d) RMDF Option to Purchase. The effective date of RMDF's purchase of all or part of the OSF Northern Region Facilities and Services from OSF pursuant to the option given under Section 16.4 of the Affiliation Agreement, the failure of RMDF to give timely or proper notice of exercise of such option, or the failure of RMDF to close on the purchase of all or a part of the OSF Northern Region Facilities and Services following timely and proper delivery of notice of its exercise of such option for any reason other than breach by OSF.

(e) RMDF Option to Purchase Upon Breach by OSF. The effective date of RMDF's purchase of the Manager Facilities and Services under Section 18.6.1(a) of the Affiliation Agreement, or RMDF's purchase of all of the OSF Northern Region Facilities and Services under Section 18.6.1(b) of the Affiliation Agreement.

(f) Violation by Manager. If OSF, acting in good faith and after reasonable investigation, determines that Manager has violated, proposes to take action which would violate, or refuses to refrain from taking action which would avoid a violation any of its covenants under this Agreement, then OSF shall notify Manager of its determination, specifying the Section or Sections of this Agreement Manager has violated, which would be violated by Manager's proposed action, or which would be violated if Manager refuses or refrains from taking action, and the basis for its determination. Manager shall, prior to the end of the Cure Period, remedy any existing violation, notify OSF that it will refrain from taking any actions which would result in a violation, or take such actions which would avoid a violation of its covenants under this Agreement as specified in the foregoing notice from OSF. If prior to the end of the Cure Period Manager does not remedy any existing violation, notify OSF that it will refrain

from taking any actions which would result in a violation, or take such actions which would avoid a violation of its covenants, the OSF Board shall have the power, by appropriate resolutions, to rescind all actions of Manager constituting existing violations, rescind the delegation to Manager of any power or authority upon which Manager proposed to take action in violation of this Agreement, take any actions which would avoid a violation of Manager's covenants, or terminate this Agreement.

(i) Any rescission by OSF of actions of Manager constituting existing violations shall be limited to rescission of only those actions necessary to remedy the violation. Any rescission by OSF of a delegation to Manager of any power or authority upon which Manager proposed to take action in violation of this Agreement shall be limited to rescission of the delegation of those delegated powers and that delegated authority, and for only that period of time, necessary to prevent the proposed violation.

(ii) If an existing violation cannot by its nature be remedied prior to the end of the Cure Period but Manager begins reasonable efforts to remedy the violation prior to the end of the Cure Period and continues with due diligence its efforts to remedy the violation until such time as the violation is remedied, the Cure Period shall be extended until such time as the violation has been remedied or, if not remedied, could have been remedied with diligent efforts, unless the extension of the Cure Period would cause significant harm to OSF, as determined by OSF in good faith.

(g) Violation by OSF. If Manager, acting in good faith and after reasonable investigation, determines that OSF has violated any of its covenants under this Agreement, then Manager shall notify OSF of its determination, specifying the Section or Sections of this Agreement violated and the basis for its determination. OSF shall prior to the end of the Cure Period remedy any such violation. If prior to the end of the Cure Period OSF does not remedy any such violation, Manager may pursue whatever remedies are available to it at law or in equity to require OSF to comply with this Agreement. If an existing violation cannot by its nature be remedied within the Cure Period but OSF begins reasonable efforts to remedy the violation prior to the end of the Cure Period and continues with due diligence its efforts to remedy the violation until such time as the violation is remedied, the Cure Period shall be extended until such time as the violation has been remedied or, if not remedied, could have been remedied with diligent efforts, unless the extension of the Cure Period would cause significant harm to Manager, as determined by Manager in good faith.

(h) Equitable Relief. The Parties acknowledge that it would not be possible to determine the amount of actual damages sustained in the event of a breach of any term or provision of this Agreement and that there would be no adequate remedy at law for its breach. Accordingly, in the event a Party breaches any term or provision of this Agreement, the other Party shall have the right, in addition to and not in limitation of any other right or remedy afforded it under this Agreement, to seek all judicial remedies available to it in law or in equity, including equitable relief in the form of injunctions or specific performance.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties of OSF. OSF represents and warrants to Manager that the following statements are true and correct as of the date of this Agreement and shall remain true and correct during the term of this Agreement:

(a) OSF is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. OSF is in good standing under the laws of the State of Michigan, the only state other than Illinois in which its properties and operations require qualification as a foreign corporation. OSF has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(b) OSF is a Tax Exempt Organization; OSF has received determination letters from the Internal Revenue Service to the foregoing effect which letters are in full force and effect; and OSF has no "unrelated business taxable income" as defined in Section 512 of the Code, as amended, which could have a material adverse effect on OSF's status as a Tax Exempt Organization, or which, if such income were subject to federal income taxation, would have a material adverse effect on the condition, financial or otherwise, of OSF.

(c) OSF has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by OSF and consummation by OSF of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of OSF. OSF has received all requisite canonical approvals with respect to this Agreement and the transactions contemplated by this Agreement.

(d) This Agreement has been duly executed and delivered by OSF and, assuming that this Agreement constitutes the valid and binding agreement of Manager, constitutes a valid and binding obligation of OSF, enforceable against OSF in accordance with its terms, except that the enforcement of this Agreement may be limited by (1) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditor's rights generally and (2) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(e) The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will not (1) conflict with any of the provisions of the articles of incorporation or bylaws of OSF, (2) conflict with, result in a breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a material benefit under, or require the consent of any person (not previously given) under, any indenture or other agreement, permit, concession, franchise, license or similar instrument or undertaking to which OSF is a party or by which OSF or any of its assets is bound or

affected, or (3) contravene any law, rule or regulation of any state or of the United States or any agency or political subdivision thereof or therein having jurisdiction, or any order, writ, judgment, injunction, decree, determination or award currently in effect.

(f) No consent, approval or authorization of, or declaration of filing with, or notice to, any governmental agency or regulatory authority which has not been received or made is required to be made by OSF or with respect to OSF in connection with the execution and delivery of this Agreement by OSF or the consummation by OSF of the transactions contemplated by this Agreement, except for consents and approvals required in connection with the Affiliation.

(g) There are no suits, actions or legal, administrative, arbitration or other proceedings or governmental investigations pending, filed or initiated by, or threatened against or directly involving OSF that may materially and adversely affect the operations or financial status of OSF or its ability to perform its obligations under this Agreement. OSF is not in material default with respect to any order, writ, injunction, or decree known to or served upon it by any court or any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign.

(h) The business and operations of OSF have been and are being conducted in accordance in all material respects with all applicable laws, ordinances, and rules and regulations of all applicable governmental authorities.

11.2 Representations and Warranties Related to OSF Facilities and Services. OSF represents and warrants to Manager that the following statements are true and correct as of the date of this Agreement and shall be true and correct as of the Effective Date:

(a) The OSF Facilities and Services: (1) are properly licensed to the extent legally required; (2) are accredited by The Joint Commission and other applicable accrediting organizations; and (3) have obtained certificates of need or certificates of exemption, which certificates remain in force, with respect to all OSF Facilities and Services for which such certificates are legally required.

(b) All applicable OSF Facilities and Services remain certified providers under the federal Medicare program and the state Medicaid program.

(c) The OSF Facilities and Services are in material compliance with all applicable federal, state and local laws, regulations and ordinances and all applicable federal and state court and administrative orders.

(d) The OSF Facilities and Services are in compliance with the applicable covenants in the OSF Master Indenture and any other of OSF's financing agreements.

11.3 Representations and Warranties of Manager. Manager represents and warrants to OSF that the following statements are true and correct as of the date of this Agreement and shall continue to be true and correct during the term of this Agreement:

(a) Manager is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. The properties and operations of Manager do not require qualification as a foreign corporation under the laws of any state. Manager has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(b) Manager is a Tax Exempt Organization; Manager has received determination letters from the Internal Revenue Service to the foregoing effect which letters are in full force and effect; and Manager has no "unrelated business taxable income" as defined in Section 512 of the Code, as amended, which could have a material adverse effect on Manager's status as a Tax Exempt Organization, or which, if such income were subject to federal income taxation, would have a material adverse effect on the condition, financial or otherwise, of Manager.

(c) Manager has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by Manager and consummation by Manager of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Manager.

(d) This Agreement has been duly executed and delivered by Manager and, assuming that this Agreement constitutes the valid and binding agreement of OSF, constitutes a valid and binding obligation of Manager, enforceable against Manager in accordance with its terms, except that the enforcement of this Agreement may be limited by (1) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditor's rights generally and (2) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(e) The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will not (1) conflict with any of the provisions of the articles of incorporation or bylaws of Manager, (2) conflict with, result in a breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a material benefit under, or require the consent of any person (not previously given) under, any indenture or other agreement, permit, concession, franchise, license or similar instrument or undertaking to which Manager is a party or by which Manager or any of its assets is bound or affected, or (3) contravene any law, rule or regulation of any state or of the United States or any agency or political subdivision thereof or therein having jurisdiction, or any order, writ, judgment, injunction, decree, determination or award currently in effect.

(f) No consent, approval or authorization of, or declaration of filing with, or notice to, any governmental agency or regulatory authority which has not been received or made is required to be made by Manager or with respect to Manager in connection with the execution and delivery of this Agreement by Manager or the

consummation by Manager of the transactions contemplated by this Agreement, except for consents and approvals required in connection with the Affiliation.

(g) There are no suits, actions or legal, administrative, arbitration or other proceedings or governmental investigations pending, filed or initiated by, or threatened against or directly involving Manager that may materially and adversely affect the operations or financial status of Manager or its ability to perform its obligations under this Agreement. Manager is not in material default with respect to any order, writ, injunction, or decree known to or served upon it by any court or any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign.

(h) The business and operations of Manager have been and are being conducted in accordance in all material respects with all applicable laws, ordinances, and rules and regulations of all applicable governmental authorities.

11.4 Survival of Representations and Warranties. The representations and warranties of OSF and Manager set forth above shall survive the execution and delivery of this Agreement and the consummation of the Affiliation.

ARTICLE XII

INDEMNIFICATION

12.1 Indemnification of Manager. OSF shall indemnify and hold harmless Manager and its agents and employees of and from any claims, losses, liabilities and demands of every kind and nature whatsoever, including, without limitation, the costs of defending any such claims, liabilities and demands, including, without limitation, attorneys' and accountants' fees therefor, arising in connection with Manager's authorized activities set forth herein; provided, however, that OSF shall not be required to indemnify or hold harmless Manager from any claims, losses, liabilities or demands which arise from actions (or failures to act) which are performed in bad faith and which arise out of willful misconduct, gross negligence or fraud by Manager, or any of its agents or employees. For purposes of this Section, the Northern Region Employees shall not be considered to be the agents or employees of OSF.

12.2 Indemnification of OSF. Manager shall indemnify and hold harmless OSF and its agents and employees of and from any claims, losses, liabilities and demands which arise from actions (or failures to act) which are performed by Manager in bad faith and which arise out of willful misconduct, gross negligence or fraud by Manager, or any of its agents or employees, including, without limitation, the costs of defending any such claims, liabilities and demands, including, without limitation, attorneys' and accountants' fees therefore. For purposes of this Section, the Northern Region Employees shall be considered to be the agents or employees of the Manager.

ARTICLE XIII

RELIGIOUS ISSUES

13.1 Catholic Teachings. Manager shall manage the OSF Facilities and Services in accordance with the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives and Canon Law and in a manner which, as determined by OSF in good faith after reasonable investigation, does not bring Scandal upon OSF. Manager shall use its best efforts to ensure that its agents and independent contractors, and the employees, agents and independent contractors of OSF with respect to the OSF Facilities and Services, do not engage in conduct which, as determined by OSF in good faith after reasonable investigation, brings Scandal upon OSF. During the term of this Agreement, Manager shall manage the OSF Facilities and Services pursuant to OSF's philosophy in a manner which respects the individual beliefs and spiritual values of the patients of the OSF Facilities and Services and honors and permits freely the outward expression of such patients' individual beliefs and spiritual values.

13.2 Religious Symbols. OSF may display, in the tradition of OSF, religious icons or symbols of religious identification at any of the OSF Northern Region Facilities and Services.

13.3 Chapels. There shall be at SAMC a chapel that meets the requirements of the Catholic Diocese of Rockford for use in Roman Catholic worship and for other Christian services.

13.4 Assignment of Religious Personnel. OSF may assign women religious to work at OSF Northern Region Facilities and Services, and Manager shall permit such persons to work in positions to which they are assigned by OSF, provided those assigned meet the job qualifications for positions they are filling.

13.5 Ethics Committees. Manager may nominate, through the Manager Board, persons to serve as chairman and members of one or more ethics committees established by OSF to serve the OSF Facilities and Services other than home health and hospice services, which will be served by OSF's existing system-wide Home Care Ethics Committee, which will include one or more representatives from the OSF Northern Region Facilities and Services nominated by the members of the Home Care Ethics Committee. The OSF Board will have the sole power to appoint or reject any nominee, but its decision shall not be made arbitrarily, and the OSF Board shall have the right to appoint one or more ethicists to advise the ethics committees on interpretations of Roman Catholic ethical principles.

13.6 Pastoral Care Services. OSF may appoint the director of pastoral care services for the OSF Facilities and Services and, upon consultation with Manager, all OSF Northern Region Facilities and Services, which director(s) shall meet the requirements of the Catholic Diocese of Rockford and shall supervise and coordinate the activities of all persons performing pastoral care services in connection with the OSF Facilities and Services, which persons may be appointed by the Manager Board, subject to the approval of the OSF Board.

ARTICLE XIV

MEDICAL STAFF ISSUES

OSF shall have the right to approve the SAMC medical staff bylaws, rules, regulations, and policies, and all amendments to such bylaws, rules, regulations, and policies, and the appointment and reappointment of members of the SAMC medical staff, and the grant, revocation, suspension or limitation of clinical privileges exercised at SAMC, giving consideration to the recommendations of the Northern Region CEO.

ARTICLE XV

MANAGEMENT STAFF

The Northern Region CEO, the Northern Region COO, and the Northern Region CMO shall be employees of the Corporate Office and not employees of Manager, with the salary and benefits of such employees charged to the OSF Northern Region Facilities and Services. The Home Health Director shall be an employee of the HomeCare division of OSF and not an employee of Manager, with the salary and benefits of such employee charged to the OSF Northern Region Facilities and Services. The Parties acknowledge that pursuant to the Affiliation Agreement, fifty percent of such employees' salaries and benefits shall be allocated to Manager, and fifty percent shall be allocated to the OSF Facilities and Services. The terms of employment of the Northern Region CEO, Northern Region COO, and the Northern Region CMO shall be set forth in separate employment agreements, which shall set forth those duties and responsibilities each shall have, in addition to those that may be assigned from time to time by OSF. The Northern Region CEO shall report to the chief executive officer of OSF and be accountable to the Manager Board regarding the OSF Facilities and Services. Subject to the other provisions of this Agreement, the Northern Region CEO shall hire, supervise, evaluate and fire Northern Region Employees and the Northern Region Physicians. With the advice of and input from the Manager Board, OSF shall periodically evaluate the performance of the Northern Region CEO, as provided in his or her employment agreement.

ARTICLE XVI

COOPERATION AND ASSISTANCE

16.1 **Cooperation**. OSF agrees to take such action as is necessary or desirable to, and to cause its Affiliates and their employees to: (a) cooperate with Manager in carrying out its duties and responsibilities under this Agreement, and (b) follow the management directions of Manager with respect to the OSF Facilities and Services over which Manager exercises sole management authority. Manager agrees to take such action as is necessary to, and to cause its Affiliates and their employees to: (a) cooperate with OSF in carrying out its duties and responsibilities under this Agreement, and (b) follow the management directions of OSF with respect to the Excluded Services over which OSF exercises sole management authority. Neither Party shall expand or diminish the scope of this Agreement, including the OSF Facilities and Services, the Excluded Services (provided OSF may expand Clinical Service Lines after consultation with Manager) or any other duties or obligations hereunder, without prior

consultation and written consent of the other Party, subject to the exercise of Reserved Powers by OSF in accordance with Section 2.4, or the Third Order, as applicable. The Parties will take reasonable steps to cooperate in the management of the OSF Facilities and Services over which OSF and Manager exercise joint management authority.

16.2 Status Reports. Manager agrees to prepare, cause to be prepared or otherwise make available to OSF reports regarding the operation of the OSF Facilities and Services. Manager shall deliver to OSF periodic narrative reports at scheduled OSF Board meetings, which may be in writing or in oral presentations by the Northern Region CEO or other members of the management team, covering the performance of Manager's duties under this Agreement. Such reports shall include the financial condition, operations and physical condition of the OSF Facilities and Services and steps being taken to implement improvements in the financial condition, progress reports summarizing management actions and results, and such other reports as the OSF Board may request to keep the Board informed about the OSF Facilities and Services business and other affairs. Manager agrees to respond, in writing, to any and all recommendations made by OSF, which response shall either acknowledge that a recommendation has been implemented or, if not, the reasons why not. Manager shall promptly following approval and execution forward to OSF copies of all contracts entered into by Manager in carrying out its duties hereunder. Further, OSF shall provide Manager with such reports and information regarding the Excluded Services or any other operations of OSF that enable Manager to conduct the activities contemplated by this Agreement and in order for Manager to perform its duties and obligations hereunder.

ARTICLE XVII

GENERAL PROVISIONS

17.1 Access to Books, Records, and Employees; Confidentiality of Records. Manager shall permit OSF, through its attorneys, agents or accountants and at OSF's expense, to visit and inspect any of the OSF Facilities and Services, to inspect the books and records of Manager and to interview all employees, agents, attorneys, representatives and independent contractors of Manager. Such visits, inspections and interviews shall be held on reasonable notice and at reasonable hours. During the term hereof, Manager shall be given complete access to the OSF Facilities and Services, its records, offices and facilities, in order that it may carry out its obligations hereunder, subject to the confidentiality requirements relating to patients' records as established by OSF. Manager shall, and shall require all its employees, subcontractors and agents to, comply with and recognize all confidentiality and non-disclosure requirements that apply to the OSF Facilities and Services specifically including privacy requirements of HIPAA and state requirements and to comply with the requirements and safeguards relating to such confidential information of the OSF Facilities and Services. Manager shall comply with the policy adopted by OSF for access to and disclosure of protected health information (as defined by federal regulations implementing HIPAA) and the Business Associate Agreement provisions attached and incorporated herein as Exhibit A.

17.2 Access to Manager Books and Records. To ensure that any payments made hereunder are included to the extent appropriate in determining reasonable costs incurred by a Medicare provider, Manager and OSF shall, if this Agreement is ultimately determined to be one

to which 42 U.S.C. Section 1861(v)(1)(1) applies, perform the obligations as may from time to time be specified for subcontractors in 42 U.S.C. Section 1861 (v)(1)(1) and regulations promulgated in implementation thereof.

17.3 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) business day after mailing; (c) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, when delivered; (d) if sent by facsimile transmission or electronic mail after 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, on the following business day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as a Party shall provide by like notice to the other party:

Manager:
Gary E. Kaatz
President and Chief Executive Officer
OSF Northern Region
2400 North Rockton Avenue
Rockford, IL 61103
Fax: (815) 968-4908
Email: gkaatz@rhsnet.org

and:
James P. Evans, Esq.
Vice President of Legal Affairs and General Counsel
OSF Northern Region
2400 North Rockton Avenue
Rockford, IL 61103
Fax: (815) 961-1449
Email: jpevans@rhsnet.org

OSF:
Kevin D. Schoeplein
Chief Executive Officer
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: Kevin.schoeplein@osfhealthcare.org

and:
Vance C. Parkhurst
Senior Vice President, Legal Services
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: vance.c.parkhurst@osfhealthcare.org

17.4 **Entire Agreement**. This Agreement, including the Recitals and any exhibits and schedules to it along with the Affiliation Agreement, constitutes the complete agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior agreements and understandings, written or oral, between the Parties with respect to such subject matter. The Recitals, schedules and exhibits are incorporated in this Agreement by reference. No oral understanding, statement, promise or inducement contrary to the terms of this Agreement exists. The Parties intend this Agreement to be an exclusive statement of the terms of their agreement, which may not be explained or supplemented by evidence of consistent additional terms.

17.5 **Modification**. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by OSF and Manager.

17.6 **Assignment; Subcontracting**. Neither this Agreement nor any rights or obligations of either of the Parties under this Agreement may be assigned by either Party without the written consent of the other Party to this Agreement; provided that OSF may assign its rights under this Agreement to any of its Affiliates or to any successor. Manager may not enter into any subcontract with any other party for its delivery of services or fulfillment of all or a material portion of Manager's duties and covenants hereunder without the Approval of OSF.

17.7 **Binding Effect**. Subject to Section 17.7, all of the terms, provisions, covenants and conditions of this Agreement shall inure to the benefit of and be binding on and be enforceable by the Parties to this Agreement and their respective permitted successors, assigns and legal representatives.

17.8 **Third Party Rights**. This Agreement shall not confer any rights or remedies on any person or entity (whether as a third party beneficiary or otherwise) other than the Parties to this Agreement and their respective permitted successors, assigns and legal representatives.

17.9 **Governing Law**. This Agreement is entered into, is to be performed, and shall be construed and enforced in accordance with the internal laws of the State of Illinois, without regard to the conflicts of law principles of the law of such state or of any other state. The Parties hereby consent to the jurisdiction of Illinois courts located in Winnebago County over all matters relating to this Agreement.

17.10 **Counterparts**. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17.11 **Severability**. If any provision of this Agreement other than Section 2.4 or ARTICLE XIII shall be held or deemed to be, or in fact shall be, illegal, inoperative, invalid or unenforceable, the same shall not invalidate or render unenforceable any other provision of this Agreement; provided that if Section 2.4 or ARTICLE XIII is in any respect held or deemed to be, or in fact shall be, illegal, inoperative, invalid or unenforceable, this Agreement shall terminate.

17.12 **Waivers**. Any term, provision or condition of this Agreement may be waived in writing at any time by the Party which is entitled to the benefits of such term, provision or condition. No waiver of any term, provision or condition of this Agreement shall be deemed to

be or shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

17.13 Rules of Interpretation.

(a) The words "thereof", "herein", "hereunder" and other words of similar import refer to this Agreement as a whole.

(b) The headings of this Agreement are for convenience of reference only and shall not define or limit or control the interpretation of the provisions of this Agreement.

(c) Unless otherwise specified, references to Sections and other subdivisions of this Agreement are to the designated Sections and other subdivisions of this Agreement as amended from time to time.

(d) References in this Agreement to the masculine gender shall include the feminine gender and the neuter gender and vice versa, and references to the singular shall include the plural and vice versa unless the context or use indicates otherwise.

ARTICLE XVIII

DEFINITIONS

18.1 Definitions. The following terms shall have the following meanings when used in this Agreement, unless the context or usage requires a different meaning:

(a) *Affiliate* means an entity that, directly or indirectly, through one (1) or more intermediaries, owns or controls, or is controlled by, or is under common control with, an entity. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies, whether through the ownership of voting securities, by contract, or otherwise.

(b) *Affiliation* means the transactions described in the Affiliation Agreement, pursuant to which OSF shall become the sole corporate member of Manager as of the Effective Date.

(c) *Affiliation Agreement* means that certain affiliation agreement, dated January 31, 2011, among OSF, Manager, RMH, RHPH, VNA, and RMDF.

(d) *Agreement* means this Management Services Agreement, as from time to time amended.

(e) *Approval of OSF* means the advance, written approval of OSF and/or the Third Order, as applicable, evidenced either by a certified resolution of the OSF Board or by a letter signed by the President or Chief Executive Officer of OSF.

(f) *Bond Counsel* means an attorney or firm of attorneys, satisfactory to OSF, of nationally recognized standing in the fields of law relating to the valid authorization of state and local government obligations and the exemption of the interest on such obligations from federal income taxation. Such attorney or firm of attorneys may be the attorney or firm of attorneys that has approved tax exempt bonds with respect to which OSF is obligor but shall not have provided legal and other services to OSF or Manager on a regular basis.

(g) *Canon Law* means the Code of Canon Law of the Roman Catholic Church.

(h) *Capital Budget* means the capital budget of the OSF Northern Region Facilities and Services (such capital budget including the capital budget for the Manager Facilities and Services) for the current fiscal year of OSF, as approved by the Manager Board and the OSF Board.

(i) *Clinical Service Lines* means those clinical services provided by OSF and its Affiliates and Manager and its Affiliates which are organized across the OSF System and managed centrally in order to promote clinical consistency, broad geographic access, and operational efficiencies; currently included in the Northern Region are the cardiovascular and neurosciences services lines.

(j) *Code* means the Internal Revenue Code of 1986, as amended.

(k) *Corporate Office* means the central corporate office of OSF.

(l) *Corporate Office Services* means supply chain, marketing, engineering, information technology including data warehousing and analytics, architecture, legal, human resources, managed care contracting and insurance.

(m) *Corporate Policies* means the system-wide policies adopted, modified and repealed from time to time by the OSF Board for the governance and administration of OSF and its facilities, services, and operations, including but not limited to human resources, supportive care, nursing care policies, and all polices contained in the OSF Corporate Administrative Manual, including the Compliance and Information Security HIPAA Policies.

(n) *Cure Period* means the thirty (30) day period of time following notice given pursuant to Section 10.2(f) or Section 10.2(g), unless the notice alleges a breach of Section 2.4 or Section 13.1, in which case Cure Period means the fifteen (15) day period of time following such notice.

(o) *Council* means an advisory committee comprised of physician representatives from all of the multi-specialty groups within the OSF System.

(p) *Day to Day Operations* means, subject to the Reserved Powers and terms of this Agreement and Affiliation Agreement, the operational aspects of providing and delivering certain healthcare and healthcare-related products and services to patients,

clients, or customers, and the determination of the scope and extent of such products and services provided and delivered, including but not limited to:

(i) hiring, promoting, demoting, disciplining and firing of all Northern Region Employees, which power and authority shall be exercised by the Northern Region CEO (or his/her designee);

(ii) selecting, retaining and terminating independent contractors to carry out operations within the Northern Region;

(iii) negotiating the terms of and recommending joint ventures and other affiliations to OSF;

(iv) nominating persons to be appointed by OSF to the governing bodies of joint ventures with third parties that operate exclusively within the Northern Region;

(v) supervising and managing all purchasing, leasing, billings and collections for hospital inpatient and outpatient services, payables, accounting, cost reporting and other financial matters;

(vi) making or directing to be made timely deposits in the OSF Facilities and Services Accounts of all receipts and moneys arising from the operation of the OSF Facilities and Services, and making disbursements from such accounts on behalf of the OSF Facilities and Services in such amounts and at such times as the same are required;

(vii) negotiating and preparing service contracts and all other contracts determined by Manager in its reasonable discretion to be necessary or desirable in connection with the operation of the OSF Facilities and Services in the usual course of business, including all physician agreements;

(viii) performing all acts reasonably necessary or required in connection with the operation of the OSF Facilities and Services in accordance approved annual capital and operating budgets;

(ix) preparing or causing to be prepared unaudited monthly financial statements;

(x) preparing and filing of all state and federal cost reports necessary for reimbursement of the OSF Facilities and Services, if applicable to the OSF Facilities and Services;

(xi) creating, implementing and reviewing annual budgets (capital and operating) for the OSF Facilities and Services, which shall be approved annually by OSF and then taking all actions determined by Manager in its reasonable discretion to be necessary to implement such budgets;

(xii) processing, or arranging for the processing, of all payroll checks, including associated reports;

(xiii) entering into, modifying, discharging, making any settlements with respect to or terminating contracts, leases or other documents in the name of the OSF Facilities and Services with vendors, physicians, or any other persons or entities as may be necessary and appropriate to manage and operate the OSF Facilities and Services pursuant to this Agreement;

(xiv) negotiating, contracting for and supervising the repair and maintenance of the physical property and equipment of the OSF Facilities and Services as shall be necessary to keep and maintain the OSF Facilities and Services in good working order and condition;

(xv) maintaining a quality program at the OSF Facilities and Services developed by OSF designed to provide for quality of patient care at the OSF Facilities and Services;

(xvi) maintaining a marketing program designed to inform and educate health care professionals and the general public served by the OSF Facilities and Services of the existence of all services offered by the OSF Facilities and Services;

(xvii) maintaining a risk management program at the OSF Facilities and Services developed by OSF, including periodic safety checks, the installation of and review of the performance of functions of safety committees designed to monitor all incidents involving patients, staff or visitors at the OSF Facilities and Services and the implementation of corrective procedures designed to remedy such incidents;

(xviii) obtaining and maintaining all licenses, permits, certifications, accreditations and other "approvals" necessary for OSF Facilities and Services operations;

(xix) implementing OSF's compliance program, including training Northern Region Employees;

(xx) interacting with public officials and government agencies as necessary;

(xxi) establishing physician and medical staff leadership;

(xxii) buying, selling, and leasing real and personal property to facilitate OSF Northern Region Facilities and Services operations;

(xxiii) developing and implementing plans, with the Approval of OSF, for the expansion, consolidation, and termination of the OSF Facilities and Services; and

(xxiv) taking any other actions necessary and appropriate, in its reasonable opinion and discretion, to manage the OSF Facilities and Services, as long as such action is under the authority of the Manager hereunder.

(q) *Effective Date* means the date and the time specified in the Affiliation Agreement on which the Affiliation and this Agreement shall become effective.

(r) *Ethical and Religious Directives* means the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the United States Conference of Catholic Bishops, as interpreted and applied by the appropriate ecclesiastical authority.

(s) *Excluded Employees* means all employees of OSF and its Affiliates who are not Northern Region Employees.

(t) *Excluded Services* means management of, services provided by employees of, or operations of: (a) the Corporate Office; (b) OSF Healthcare Foundation, an Illinois not-for-profit corporation; (c) OSF Assurance Company, a Vermont general corporation; (d) OSF Aviation, LLC, an Illinois limited liability company; (e) OSF Design Group, Inc., an Illinois corporation; (f) OSF Finance Company, LLC, an Illinois limited liability company; (g) OSF Saint Francis, Inc., an Illinois corporation; (h) Rockford Orthopedic Surgery Center, LLC, an Illinois limited liability company; (i) State and Roxbury, LLC, an Illinois limited liability company; (j) the Common Business Office of SFI; (k) other facilities and services OSF coordinates on a system-wide basis and manages itself, such as Clinical Service Lines, as determined by OSF from time to time; and (l) any other services or operations which are the subject of agreements existing on the date of this Agreement the terms of which would preclude OSF from delegating or assigning management responsibilities or rights to Manager unless appropriate amendments are made or consents are obtained.

(u) *HIPAA* means the Administrative Simplification subtitle of the Health Insurance Portability and Accountability Act of 1996.

(v) *Home Health Director* means the executive director of the Home Health Services.

(w) *Home Health Services* means those products and services provided in the Northern Region by VNA and the HomeCare division of OSF, in an integrated fashion.

(x) *Independent Counsel* means an attorney or firm of attorneys that (a) is satisfactory to OSF, (b) is of nationally recognized standing in the field of law relating to exemption from federal income taxation by organizations described in Section 501(c)(3) of the Code, (c) is licensed to practice law in the State of Illinois, (d) is not employed by OSF, and (e) does not provide legal and other services to OSF on a regular basis.

(y) *Information System(s)* means both computer hardware and software applications based on mainframe, mini, personal or hand held computers generally

connected through a network and designed to provide access to and management of a healthcare organization's financial and clinical information.

(z) *Integration Plan* means the plan approved by the OSF Board and the Manager Board, as may be amended from time to time, to: (a) integrate the management and operation of, and clinical services provided by, the OSF Facilities and Services and Manager Facilities and Services, (b) delineate the services (including Corporate Office Services) provided and oversight exercised by the Corporate Office, (c) develop recommendations on the merger, dissolution, consolidation or other corporate reorganization of Manager, RMH, RHPH, or VNA and the OSF Facilities and Services, or (d) develop recommendations for the transfer of assets, liabilities, or employees of the OSF Facilities and Services and Manager Facilities and Services among Manager, RMH, RHPH, VNA and OSF and its Affiliates.

(aa) *Local Corporate Personnel* means personnel located in the Northern Region who are employed by the Corporate Office to provide information technology, data warehousing/analytics, supply chain, finance, investment, OSF system-wide human resource, and legal services.

(bb) *Manager* means OSF Northern Region.

(cc) *Manager Board* means the Board of Directors of Manager.

(dd) *Manager Facilities and Services* means the healthcare facilities and healthcare-related services of Manager and its Affiliates, including RMH and the Manager Physicians.

(ee) *Manager Physicians* means physicians employed by Manager and its Affiliates, other than physicians whose services will be included in a Clinical Service Line.

(ff) *Members* means members of the OSF Obligated Group.

(gg) *Northern Region* means the geographic area bounded by the Fox River and Illinois Route 31 on the East, the Mississippi River on the West, the Wisconsin border on the North, and Interstate 80 on the South, and also includes the Wisconsin Counties of Green, Grant, Lafayette, Rock, and Walworth.

(hh) *Northern Region CEO* means the chief executive officer of Manager, who shall be the chief executive officer of the OSF Northern Region Facilities and Services as provided in the Affiliation Agreement.

(ii) *Northern Region CMO* means the chief medical officer of Manager, who shall be the chief medical officer of the OSF Northern Region Facilities and Services as provided in the Affiliation Agreement.

(jj) *Northern Region COO* means the chief operating officer of Manager, who shall be the chief operating officer of the OSF Northern Region Facilities and Services as provided in the Affiliation Agreement.

(kk) *Northern Region Employees* means all non physician employees of SAMC other than employees of SAMC whose entire salaries, wages, and benefits are charged to the Corporate Office or to one of OSF's Affiliates, and all other employees of OSF and its Affiliates providing services in the Northern Region who are designated by OSF to be managed by Manager under this Agreement.

(ll) *Northern Region Physicians* means physicians employed by OSF and its Affiliates in the Northern Region, including physicians at SAMC or who are currently organized and operating as OSF Medical Group - Northern Region, other than those providing services on behalf of a Clinical Service Line and those whose entire salaries, wages, and benefits are charged to the Corporate Office or one of OSF's Affiliates.

(mm) ***Operating Budget*** means the operating budget of the OSF Northern Region Facilities and Services (such operating budget including the operating budget for the Manager Facilities and Services) for the current fiscal year of OSF, as approved by the Manager Board and the OSF Board, including financial targets.

(nn) *OSF* means OSF Healthcare System, an Illinois not-for-profit corporation, and its successors and permitted assigns.

(oo) *OSF Board* means the Board of Directors of OSF Healthcare System.

(pp) *OSF Bonds* means any revenue bonds or similar obligations issued by any Member or any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to a Member of the OSF Obligated Group.

(qq) *OSF Facilities and Services* means the healthcare facilities and healthcare-related services of OSF in the Northern Region, including SAMC, the Northern Region Employees and the Northern Region Physicians (other than the Excluded Services).

(rr) *OSF Facilities and Services Accounts* means a bank account or accounts bearing the name of the applicable OSF Facilities and Services in a bank or trust company approved by OSF and Manager.

(ss) *OSF Master Indenture* means that certain Amended and Restated Master Trust Indenture dated as of September 15, 1999 between OSF and Wells Fargo Bank, National Association, as successor master trustee, as heretofore or hereafter supplemented and amended.

(tt) *OSF Northern Region Facilities and Services* means the OSF Facilities and Services and the Manager Facilities and Services, collectively.

(uu) *OSF Obligated Group* means OSF and any other Persons who become Members pursuant to the OSF Master Indenture.

(vv) *OSF System* means the integrated healthcare delivery system owned and operated by OSF, currently consisting of the Manager Facilities and Services, and: seven acute care facilities; one long-term care facility; two colleges of nursing; a physician organization that employs more than 600 physicians and mid-level providers in over fifty office locations; a home health network that provides hospice, home health, home medical equipment, home infusion pharmacy, physician house calls, private home care, a personal response system, and a diabetes supply program; other healthcare-related businesses; and a foundation to provide resources for community outreach.

(ww) *Party* means OSF or Manager.

(xx) *Parties* means OSF and Manager collectively.

(yy) *Person* means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

(zz) *Provider Agreements* means agreements with third party private or commercial managed care plans and insurance programs.

(aaa) *Recitals* means the preliminary statements which begin this Agreement.

(bbb) *Reserved Powers* means (1) with respect to the management and operation of the OSF Facilities and Services, the powers reserved to the Third Order, as set forth in the corporate bylaws of OSF; and (2) with respect to the management and operation of the Manager Facilities and Services, the powers reserved to OSF, as set forth in the corporate bylaws of Manager.

(ccc) *RHPH* means Rockford Health Physicians, an Illinois not-for-profit corporation.

(ddd) *RMDF* means Rockford Memorial Development Foundation, an Illinois not-for-profit corporation.

(eee) *RMH* means OSF Rockford Memorial Hospital, an Illinois not-for-profit corporation.

(fff) *SAMC* means OSF Saint Anthony Medical Center, located in Rockford, Illinois.

(ggg) *Scandal* means any conduct which results in serious impairment of the name or reputation of OSF or the Third Order, either in the general community or among the Catholic faithful, or causes confusion in the minds of members of the general community or Catholic faithful concerning compliance by OSF or the Third Order with the ethical and religious teachings of the Roman Catholic Church, including but not limited to the Ethical and Religious Directives and Canon Law.

(hhh) *Strategic Plan* means the OSF system wide strategic plan and the regional strategic plan for the OSF Northern Region Facilities and Services, in each case as adopted or approved and modified from time to time by action of the OSF Board, including financial and non financial targets.

(iii) *Tax Exempt Organization* means an entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which is exempt from federal income taxation under Section 501(a) of the Code, and, which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

(jjj) *Third Order* means The Sisters of the Third Order of St. Francis, an Illinois not-for-profit corporation, and the sole corporate member of OSF.

(kkk) *VNA* means Visiting Nurses Association of the Rockford Area, an Illinois not-for-profit corporation.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed by their duly authorized representatives effective as of the Effective Date.

OSF HEALTHCARE SYSTEM, an Illinois not-for-profit corporation

By:_____
Kevin D. Schoeplein
Chief Executive Officer

OSF NORTHERN REGION, an Illinois not-for-profit corporation

By:_____
Gary E. Kaatz
President and CEO

Exhibit A

HIPAA BUSINESS ASSOCIATE ADDENDUM
BY AND BETWEEN
OSF HEALTHCARE SYSTEM
AND
OSF NORTHERN REGION

This Business Associate Addendum ("Addendum") is entered into this _____ day of _____, 2011, between each of the entities indicated on the signature page to this Addendum (each hereinafter referred to individually as a "Party" and collectively as the "Parties").

W I T N E S S E T H:

WHEREAS, OSF Healthcare System ("Covered Entity") and OSF Northern Region ("Business Associate") entered into that certain agreement ("Agreement") dated as of January 31, 2011 and captioned or described as Management Services Agreement; and

WHEREAS, pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), regulations (as described below) have been promulgated governing the privacy of individually identifiable health information; and

WHEREAS, the Privacy Rule specifies requirements with respect to the contracts between an entity covered under the Privacy Rule, and its business associates (generally defined as a party which performs certain services on behalf of, or provides certain services for, a covered entity and, in conjunction therewith, gains access to individually identifiable health information, and more specifically defined in 45 C.F.R. §160.103); and

WHEREAS, OSF Healthcare System is the owner and operator of multiple covered entities which collectively function as an organized healthcare arrangement, as defined in the Privacy Rule; and

WHEREAS, in accordance with the Privacy Rule, the Parties seek to enter into an agreement specifying certain of their respective obligations when acting in the capacity of a covered entity and a business associate;

WHEREAS, certain federal regulations at 42 C.F.R., Part 164, Subpart C, entitled "Security Standards for the Protection of Electronic Protected Health Information" and certain definitions in relation thereto at 42 C.F.R. Parts 160, 162 and 164 (collectively, the "Security Rule") have been duly promulgated and adopted; and

WHEREAS, the American Recovery and Reinvestment Act of 2009 (the "ARRA") requires that certain provisions of Title 45 of the Code of Federal Regulations shall apply to business associates of a covered entity and that certain requirements of the ARRA that relate to privacy or security and are made applicable to covered entities by the ARRA be incorporated into business associate agreements between a covered entity and each business associate of the covered entity.

NOW THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

Article I. Definitions

1.1 Incorporation by Reference. Terms used, but not otherwise defined, in this Addendum shall have the same meaning as those terms in the Privacy Rule, the Security Rule, or the ARRA, as applicable.

1.2 Specific Definitions.

"Individual" shall have the same meaning as the term "individual" in 45 C.F.R. §160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. §164.502(g).

"Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 C.F.R. Part 160 and Part 164, Subparts A and E.

"Protected Health Information" shall have the same meaning as the term "protected health information" in 45 C.F.R. §160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

"Required by Law" shall mean as required by applicable law or regulation.

"Secretary" shall mean the Secretary of the Department of Health and Human Services or his designee.

"Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 42 C.F.R., Part 164, Subpart C and certain definitions in relation thereto at 42 C.F.R. Parts 160, 162 and 164.

Article II. Business Associate Provisions

2.1. Protected Health Information. The Parties agree that this Addendum shall specify the terms and conditions governing the handling of Protected Health Information provided by, or created or received by Business Associate when acting as a business associate of the Covered Entity.

2.2. Services and Disclosures. Except as otherwise limited in this Addendum, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

Except as otherwise limited in this Addendum, Business Associate may make any use or disclosure of the Protected Health Information permitted under applicable law, including,

but not limited to, 45 C.F.R. §164.512. Moreover, Business Associate may disclose the Protected Health Information: (1) to its subcontractors and agents in accordance with Section 2.9 below; and (2) as directed by Covered Entity.

2.3. Additional Purposes for Use and Disclosure. Notwithstanding Article II, Section 2.2 above and unless otherwise limited herein:

(1) Business Associate may use the Protected Health Information if necessary for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate provided that any such use is permitted under applicable law; and

(2) Business Associate may disclose the Protected Health Information to third parties for the proper management and administration of Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable written assurances, which shall be available to Covered Entity upon request, from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached; and

(3) Business Associate may use Protected Health Information to report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §164.502(j)(1); and

(4) As permitted by 45 C.F.R. §164.504(e)(2)(i)(B), Business Associate may provide Data Aggregation services to Covered Entity and in providing such services may aggregate the Protected Health Information with such information of other covered entities which Business Associate has received or created in its capacity as a business associate of such other covered entities provided that the purpose of the aggregation is to provide Covered Entity with data analyses relating to Covered Entity's health care operations; provided, however, that under no circumstances may Business Associate disclose Protected Health Information of Covered Entity to another covered entity without the explicit written authorization of Covered Entity and then only for the Health Care Operations of such other covered entity; and

(5) Business Associate may de-identify the Protected Health Information provided that Business Associate satisfies the applicable provisions for de-identification under the HIPAA Privacy Regulations, including, but not limited to, 45 C.F.R. §164.514, and provides Covered Entity with written documentation as required by said provisions and as may be specified by Covered Entity. Any such de-identified information shall not constitute Protected Health Information and shall not be subject to the terms and conditions of this Addendum regarding Protected Health Information.

2.4. Limitations on Use and Disclosure. Business Associate agrees not to use or further disclose the Protected Health Information other than as may be expressly permitted or required by this Addendum or as Required by Law. Business Associate further agrees not to use or further disclose the Protected Health Information in any manner that would violate the

requirements of applicable law, including, but not limited to, the Privacy Rule, if done by Covered Entity, except for management and administrative activities of Business Associate under Sections 2.3 (1) and (2) hereof and except for Data Aggregation services under Section 2.3 (4) hereof. Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule.

2.5. Privacy Notice. Business Associate agrees to comply with Covered Entity's then current notice of privacy practices ("Notice") required by applicable law, including, but not limited to, the Privacy Rule upon Business Associate's receipt of a copy thereof.

2.6. Appropriate Safeguards. Business Associate agrees that it shall utilize physical, administrative and technical safeguards to ensure that the Protected Health Information is not used or disclosed in any manner inconsistent with this Addendum. Such safeguards shall include, but not be limited to: (1) establishing policies and procedures to ensure that any employee of Business Associate who does not have a reasonable need for the Protected Health Information in order to accomplish an authorized use or disclosure is not given access to such information and that all employees of Business Associate whose services may be used to fulfill obligations under this Agreement are appropriately informed of the terms of this Agreement; and (2) disclosing to any agent, subcontractor or other third party and requesting from Covered Entity only the minimum Protected Health Information necessary to accomplish the intended purpose of the use, disclosure or request.

2.7. Report of Inconsistent Use or Disclosure. Business Associate agrees to report, in writing, to Covered Entity's privacy officer any use or disclosure of the Protected Health Information which is inconsistent with the terms of this Addendum and of which Business Associate becomes aware within one (1) business day of Business Associate's discovery of such inconsistent use or disclosure, including, but not limited to, any discovery of an inconsistent use or disclosure by an employee, agent or subcontractor of Business Associate.

2.8. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

2.9. Agents and Subcontractors. Business Associate agrees to ensure that any agent, including a subcontractor to whom it provides Protected Health Information received from, or created or received by Business Associate on behalf of Covered Entity agrees to the same restrictions and conditions that apply through this Addendum to Business Associate with respect to such information.

Business Associate agrees to enter into a written contract with any agent or subcontractor to which Business Associate provides or makes available the Protected Health Information and agrees that such contract shall obligate Business Associate's agent or subcontractor, as applicable, to abide by the same terms and conditions with respect to use and disclosure of the Protected Health Information as are recited in this Addendum. Business Associate further agrees that Covered Entity shall be named an intended third party beneficiary of each such contract with respect to the enforcement and enjoyment of the benefits of such terms and conditions.

2.10. Protected Health Information Access. Business Associate agrees to provide access, at the request of Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in accordance with applicable law, including, but not limited to, 45 C.F.R. §164.524. Business Associate shall provide Covered Entity's privacy officer with a true and correct copy (which may be given electronically with the approval of the privacy officer) of all Protected Health Information so requested within twenty (20) calendar days from receipt of the request.

Business Associate shall immediately notify Covered Entity, in writing, upon Business Associate's receipt of any such request other than from Covered Entity, and upon receipt of any subpoena or other request for Protected Health Information by legal process, and shall provide Covered Entity with a copy of any Protected Health Information so accessed.

2.11. Protected Health Information Amendment. Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to in accordance with applicable law, including, but not limited to, 45 C.F.R. §164.526, at the request of Covered Entity or an Individual. Business Associate shall make any such amendment within thirty (30) calendar days after receipt of direction or agreement of Covered Entity and shall promptly provide Covered Entity with written verification that such amendment has been made.

Business Associate shall immediately notify Covered Entity, in writing, upon Business Associate's receipt of any such request other than from Covered Entity and shall obtain Covered Entity's direction or agreement before making any such requested amendment.

2.12. Protected Health Information Accounting. Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with applicable law, including, but not limited to, 45 C.F.R. §164.528.

Business Associate agrees to provide to Covered Entity or an Individual information collected in accordance with the preceding paragraph to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with applicable law, including, but not limited to, 45 C.F.R. §164.528. Business Associate shall provide such information to Covered Entity within forty-five (45) days after receipt of request.

Business Associate shall immediately notify Covered Entity, in writing, upon Business Associate's receipt of any such request other than from Covered Entity and shall provide Covered Entity with a copy of any such accounting so provided.

2.13. Secretary's Access to Books and Records. Business Associate agrees to make internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to Covered Entity or to the Secretary for the purposes of the Secretary determining Covered Entity's

compliance with the Privacy Rule. Such access shall be provided to Covered Entity within thirty (30) calendar days of the request and to the Secretary in a time and manner designated by the Secretary.

Business Associate shall immediately notify Covered Entity of its receipt of any such request from the Secretary and shall provide Covered Entity with a copy of any such materials so accessed.

2.14. Covered Entity's Access to Books and Records. Business Associate agrees to make its books, records, agreements, policies and procedures with respect to its performance hereunder available to Covered Entity, upon prior written request during normal business hours, for the purposes of determining Business Associate's compliance with this Addendum.

2.15. Covered Entity Responsibilities. With respect to the use and disclosure of the Protected Health Information by Business Associate, Covered Entity agrees to:

(1) Notify Business Associate of any limitation(s) in the notice of privacy practices of Covered Entity in accordance with 45 C.F.R. §164.520, to the extent that such limitation may affect Business Associate's use or disclosure of Protected Health Information, inform Business Associate of any changes in the notice which may affect Business Associate's use or disclosure of Protected Health Information, and provide Business Associate with a copy of the current notice upon request; and

(2) Notify Business Associate of any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, to the extent that such changes may affect Business Associate's use or disclosure of Protected Health Information; and

(3) Notify Business Associate, in writing, of any arrangement permitted or required of Covered Entity under applicable law, including, but not limited to, the Privacy Rules, that may impact in any manner the use or disclosure of the Protected Health Information by Business Associate under this Addendum, including, but not limited to, any agreement by Covered Entity to restrict use or disclosure of any Protected Health Information as permitted by the Privacy Rules, including, but not limited to, 45 C.F.R. §164.522.

2.16. Remedies. Business Associate agrees that Covered Entity shall be entitled to seek immediate injunctive relief as well as to exercise all other rights and remedies which Covered Entity may have at law or in equity in the event of an unauthorized use or disclosure of Protected Health Information by Business Associate or any agent or subcontractor of Business Associate that received Protected Health Information from Business Associate.

2.17. Ownership. The Protected Health Information shall be and remain the property of Covered Entity. Business Associate agrees that it acquires no title or rights to the Protected Health Information as a result of this Addendum.

2.18. Waiver. No forbearance or neglect on the part of Covered Entity nor Business Associate to enforce or insist upon any of the applicable provisions of this Agreement shall be construed as a waiver of Covered Entity's or Business Associate's rights hereunder unless it is in writing and signed by a duly authorized officer of Covered Entity and Business Associate. A

waiver with respect to one event shall not be construed as continuing, or as a bar to or a waiver of any right or remedy as to subsequent events.

Article III. Security Provisions

3.1 Business Associate Obligations. If Business Associate creates, receives, maintains, or transmits any Electronic Protected Health Information on Covered Entity's behalf, Business Associate shall:

(1) Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that it creates, receives, maintains, or transmits on behalf of Covered Entity as required by the Security Rule; and

(2) Ensure that any agent, including a subcontractor, to whom it provides such information agrees to implement reasonable and appropriate safeguards to protect it; and

(3) Promptly report to Covered Entity any Security Incident of which it becomes aware.

3.2 Effective Date. This Article shall take effect on date which is the later of: (a) the effective date of this Addendum; or (b) April 20, 2005.

Article IV. ARRA Provisions

4.1 CFR Provisions. Business Associate shall implement and comply with all provisions of Title 45 of the Code of Federal Regulations which are now applicable to business associates or which hereafter become applicable to business associates, including, without limitation, sections 164.308, 164.310, 164.312, 164.316 , and 164.504(e) thereof.

4.2 ARRA Provisions. Business Associate shall implement and comply with all requirements of the ARRA and regulations thereunder that relate to privacy or security and are made applicable under the ARRA to covered entities; including, without limitation:

(1) Section 13402 of the ARRA regarding notification in the case of breach; provided, however, that Business Associate shall notify Covered Entity within ten (10) calendar days of any event which is the subject of such notice requirement, and Business Associate shall promptly upon request reimburse Covered Entity for the cost of providing any notice to Individuals which is required to be given by Covered Entity as a result of a breach by Business Associate;

(2) Section 13405 of the ARRA regarding restrictions on certain disclosures and sales of health information, accounting of certain protected health information disclosures, and access to certain information in electronic format;

(3) Section 13406 of the ARRA regarding conditions on certain contacts as part of health care operations;

(4) Section 13407 of the ARRA regarding temporary breach notification requirements for vendors of personal health records and other non-HIPAA covered entities (if applicable); and

(5) Section 13408 of the ARRA regarding business associate contracts required for certain entities (if applicable).

4.3 Effective Dates. The provisions in this Article IV shall take effect on the effective date applicable to each provision established under the ARRA or other applicable law or, if later, the effective date of the Agreement between Covered Entity and Business Associate.

Article V. General Provisions

5.1. Original Agreement. The Agreement, as amended hereby, shall remain in full force and effect. In the event of conflict between any provision of the Agreement and any provision of this Addendum, the applicable provisions of this Addendum shall control.

5.2. Counterparts. This Addendum may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

5.3. Term and Termination.

(1) Term. This Addendum shall take effect on the effective date of the Agreement, subject to Sections 3.2 and 4.3 hereof. Thereafter, this Addendum shall remain in full force and effect for the term of the Agreement and any renewals or extensions thereof.

(2) Termination For Cause. Upon Covered Entity's knowledge of a material breach by Business Associate of this Addendum, Covered Entity shall either:

(a) Provide an opportunity for Business Associate to cure the breach or end the violation and terminate the Agreement and this Addendum if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity; or

(b) Immediately terminate the Agreement and this Addendum if Business Associate has breached a material term of this Addendum and cure is not possible; or

(c) If neither termination nor cure are feasible (including by reason of a challenge by Business Associate to the existence of a breach or violation or of Covered Entity's right to terminate), Covered Entity shall report the violation to the Secretary.

(3) Effect of Termination.

(a) Except as provided in subparagraph (b) of this section, upon termination of the Agreement or this Addendum, for any reason (or termination of Covered Entity's or Business Associate's participation thereunder or hereunder),

Business Associate shall return all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. Business Associate shall retain no copies of the Protected Health Information in any form. Covered Entity may request, in writing, that Business Associate destroy all Protected Health Information, including any copies of the Protected Health Information in any form, upon termination of the Agreement or this Addendum rather than returning the Protected Health Information to Covered Entity. Upon Business Associate's destruction of all Protected Health Information, including any copies of the Protected Health Information in any form, Business Associate shall certify in writing to Covered Entity that it has done so. Business Associate agrees to recover any Protected Health Information in the possession of its agents or subcontractors and to return or destroy such Protected Health Information, as applicable.

(b) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity written notification of the conditions that make return or destruction infeasible. Upon receipt of written approval from Covered Entity, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

5.4. Miscellaneous.

(1) Regulatory References. A reference in this Addendum to a section in the Privacy Rule or in the Security Rule means the section as in effect or as amended.

(2) Amendment. The Parties agree to negotiate in good faith any modification of this Addendum that may be necessary or required to ensure consistency with any amendment to or change in applicable law, or for Covered Entity to comply with applicable law, including, but not limited to, the Privacy Rules, the Security Rule and the Health Insurance Portability and Accountability Act of 1996, Pub. L. 104-191. Covered Entity shall have the right to terminate the Agreement and this Addendum in the event that Business Associate fails or refuses to incorporate any provision into this Addendum which Covered Entity believes, upon advice of counsel, is necessary for Covered Entity to comply with any amendment or change in applicable law.

(3) Survival. The respective rights and obligations of Business Associate and Covered Entity under the following section of this Addendum shall survive the termination of the Agreement or this Addendum: Section 5.3(3) (Effect of Termination).

(4) Interpretation. Any ambiguity in the Agreement or this Addendum shall be resolved to permit Covered Entity to comply with the Privacy Rule and the Security Rule.

(5) Independent Contractor. Notwithstanding any other provision or provisions of the Agreement or this Addendum, each party is acting independently of the other party, and the provisions of the Agreement and this Addendum shall not be construed as meaning

that the parties are acting as the agents or employees of the other party but, in fact, each party recognizes that it is acting in the capacity of an independent contractor. Covered Entity shall have no authority to control or direct, nor shall it exercise control or direction over, the manner or method by which Business Associate provides services to Covered Entity.

OSF HEALTHCARE SYSTEM

By: _____

Its: _____

OSF NORTHERN REGION

By: _____

Its: _____

Tab D

D

EXHIBIT D

AMENDED AND RESTATED CORPORATE BYLAWS

OF

OSF NORTHERN REGION

F/K/A ROCKFORD HEALTH SYSTEM

ARTICLE I
NAME, PURPOSES, AND OFFICES

SECTION 1.1. Corporate Name. The name of the corporation is OSF NORTHERN REGION ("**Corporation**"), an Illinois not-for-profit corporation.

SECTION 1.2. Corporate Purposes. The Corporation shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "**Code**") and in furtherance of the purposes of OSF Healthcare System, an Illinois not-for-profit corporation ("**Member**"), in the course of which operation:

(a) No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

(b) No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

(c) The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

(d) Notwithstanding any other provisions of these Bylaws, the Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

(e) Notwithstanding any other provisions of these Bylaws, the Corporation shall, without exception, conduct its business, and shall exercise the powers reserved to it in the governing documents of each Affiliated Corporation to cause each Affiliated Corporation to conduct its business: (a) in accordance with the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S. Conference of Catholic Bishops, as interpreted and applied by the Member ("**Ethical and Religious Directives**"); (b) in accordance with the Code of Canon Law of the Roman Catholic Church, as amended from time to time; and (c) in a manner which, as determined by the Member in good faith after reasonable investigation, does not bring Scandal upon the Member, the Third Order, the Corporation, or any Affiliated Corporation. The term "**Scandal**" means any conduct which results in serious impairment of the name or reputation of the Member, the Third Order, the Corporation, or any Affiliated Corporation, either in the general community or among the Catholic faithful, or causes confusion in the minds of members of the general community or Catholic faithful concerning compliance by the Member, the Third Order, the Corporation, or any Affiliated Corporation with the ethical and religious teachings of the Roman Catholic Church;

and in furtherance thereof, subject to the Reserved Powers, to establish, acquire, support, erect, maintain, own and equip either directly through affiliated organizations, or in cooperation with other organizations, health care providers and institutions, including, without limiting the foregoing, hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; to conduct, sponsor, support, promote, develop, own and operate charitable, scientific, educational, scholastic, and religious programs and activities and other activities and programs ancillary to and in support of the foregoing; and to foster, promote, support, develop, encourage, maintain, receive and accept funds, gifts and contributions for and on behalf of such activities; and to establish, conduct, sponsor, acquire, own, maintain and operate such other entities and activities which, in the opinion of the Board of Directors of this Corporation ("**Board**") and at its discretion, will support the foregoing.

SECTION 1.3. Corporate Offices. The location of the principal office of the Corporation shall be in the City of Rockford, Illinois, and may have other offices within or without the State of Illinois as the Board may from time to time determine. The Corporation shall have and continuously maintain in Illinois a registered office which may, but need not be, the same as its principal office, and a registered agent whose office address is identical with such registered office.

SECTION 1.4. Corporate Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to The Sisters of the Third Order of St. Francis ("Third Order"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated

exclusively for charitable, scientific, educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

ARTICLE II
MEMBER

SECTION 2.1. Sole Corporate Member. The sole member of the Corporation shall be the Member. Any provision of law requiring notice to, the presence of, or the vote, consent, or other action of the Member of the Corporation in connection with such matter shall be satisfied by notice to, the presence of, or the vote, consent, or other action of the board of directors of the Member ("**Member Board**").

SECTION 2.2. Powers Reserved to the Member. In addition to the rights and powers accorded a member under the Illinois General Not For Profit Corporation Act, the Articles of Incorporation of the Corporation, and these Bylaws, the following transactions (the "**Reserved Powers**") shall be authorized only by a vote of the Member of the Corporation, which vote shall be taken only after considering the advice of the Board of this Corporation:

(a) To establish, approve, or modify the philosophy, vision, values and mission of the Corporation;

(b) To interpret and apply to the Corporation and each Affiliated Corporation the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S. Conference of Catholic Bishops, and to determine whether the Corporation's or an Affiliated Corporation's conduct of its business does or would bring Scandal upon the Member, the Third Order, the Corporation, or any Affiliated Corporation;

(c) To lease, sell, encumber or otherwise alienate any real property or interest in real property of the Corporation;

(d) To approve any transfer, lease, sale or encumbrance of personal property of the Corporation except in the ordinary course of business;

(e) To approve any purchase or other acquisition by the Corporation on its own behalf and on behalf of the Member and its affiliates pursuant to the terms of that certain Management Services Agreement between the Corporation and the Member ("**Management Agreement**") that is not included in the combined operating and capital budgets for the Corporation and the facilities and services subject to the terms of the Management Agreement, and exceeds $1.0 million per item and $5.0 million in the aggregate in any fiscal year.

(f) To approve any borrowing or debt financing on behalf of the Corporation, in excess of a specified limit established by resolution of the Member, to structure and restructure indebtedness of the Corporation, and to enter into and amend agreements relating to indebtedness of the Corporation;

(g) To require a certified audit of the finances of the Corporation and to appoint the certified public accountant to perform any audit;

(h) To approve the engagement of and to dismiss any outside legal counsel to represent the Corporation on a regular basis or in connection with any matter deemed by the Member, in good faith, to have significance for the Member as a whole;

(i) To appoint or reappoint the Member Board Members; to elect the members of the Board of the Corporation (provided the Member will not arbitrarily withhold its approval of members nominated by the Board); to remove, for any or no reason, any member of the Board appointed by the Member; to remove any member of the Board nominated by [post-closing name of Rockford Memorial Development Foundation ("[Rockford Foundation]")] in the event [Rockford Foundation] engages in the delivery of health care services; and to remove any member or officer of the Board who the Member determines, in good faith after reasonable investigation, may bring or does bring Scandal upon the Member, the Third Order, or the Corporation, or breaches his or her fiduciary duties as a member of the Board, as applicable, or engages in conduct not in the best interests of the Member or the Corporation;

(j) To merge or consolidate the Corporation with other entities, merging other entities into the Corporation or to dissolve the Corporation, in accordance with applicable law;

(k) To amend the Bylaws and Articles of Incorporation of the Corporation in accordance with applicable law;

(l) To expand, consolidate, terminate or close any of the facilities and services of the Corporation;

(m) To hire, enter into an employment contract with, discipline or terminate the Chief Executive Officer, and to appoint the Chairperson and Vice-Chairperson of the Board, following nomination by the Board;

(n) To approve the strategic plan for the Corporation (such plan combined with the strategic plan for those facilities and services owned by the Member located in the Northern Region and managed by the Corporation pursuant to the Management Agreement), which strategic plan shall be developed by the Board and recommended to the Member. The term "**Northern Region**" means the geographic area bounded by the Fox River and Illinois Route 31 on the East, the Mississippi River on the West, the Wisconsin border on the North, and Interstate 80 on the South, and also includes the Wisconsin Counties of Green, Grant, Lafayette, Rock, and Walworth;

(o) To adopt or modify the operating budget and capital budget for any fiscal year for the Corporation (such operating and capital budget combined with the operating and capital budget for the those facilities and services owned by the Member located in Northern Region and managed by the Corporation pursuant to the Management Agreement), which budgets shall be developed by the Board and recommended to the Member;

(p) To approve the terms of and enter into joint ventures and other affiliations between the Corporation and third parties, and approve the creation, formation, organization, or termination of any legal entity in which the Corporation will have any ownership interest, membership interest, power to elect or appoint board members or officers, or any other formal participation arrangement, whether acting alone or in conjunction with any other person or entity;

(q) To approve appointments to governing bodies of joint ventures between the Corporation and third parties and other legal entities in which the Corporation has any power to elect or appoint board members or officers;

(r) To take any and all actions deemed necessary, in the sole judgment of the Member Board, to protect and preserve the tax-exempt status and public charity status of the Member and any tax-exempt affiliate of the Member (including federal and state income tax exemptions, property tax exemptions, and sales tax exemptions); provided the Member Board has given a written request to the Board to take action or refrain from taking action, which would have sufficiently protected and preserved such tax-exempt and public charity status, and the Board has failed to promptly take such action or refrain from taking such action;

(s) To take any and all actions deemed necessary, in the sole judgment of the Member Board, for any and all members of the Obligated Group to comply with its master trust indenture, loan agreements, tax agreements, and all other covenants and agreements relating to any Obligated Group financing provided the Member Board has given a written request to the Board to take action or refrain from taking action, to so comply, and the Board has failed to promptly take such action or refrain from taking such action. The term "**Obligated Group**" means the Member and any other natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity that becomes a member of the obligated group pursuant to that certain Amended and Restated Master Trust Indenture dated as of September 15, 1999 between the Member and Wells Fargo Bank, National Association, as successor master trustee, as heretofore or hereafter supplemented and amended; and

(t) To name or rename any healthcare facility in the Northern Region, except that the Member may rename OSF Rockford Memorial Hospital only upon the approval of seventy-five percent (75%) of the members of the Board and the approval of the Member Board.

SECTION 2.3. Manner of Acting. The Member shall act by executing and delivering to the Chairperson, Chief Executive Officer, or Secretary of the Corporation a written instrument or instruments, signed by an authorized officer of the Member, setting forth the action taken. The action of the Member shall be deemed to have been taken on the dates the written instruments are so delivered unless the instruments provide otherwise. Any action taken by the Member on any of the matters described in Section 2.2 shall be promptly communicated to the Board of this Corporation.

ARTICLE III
BOARD OF DIRECTORS

SECTION 3.1. Powers. Subject to the Reserved Powers, the management, control, and operation of this Corporation shall vest and be in the Board. The Board shall have the power and authority to do and perform all acts or functions consistent with these Bylaws and the Articles of Incorporation of the Corporation and any amendments thereto, and the laws of the State of Illinois. Among the powers exercised by the Board of Directors shall be the power, subject to the Reserved Powers, to coordinate the activities of the Corporation's various subsidiary and affiliated corporations, including, without limitation, Rockford Memorial Hospital, an Illinois not-for-profit corporation ("**RMH**"), Rockford Health Physicians, an Illinois not-for-profit corporation ("**RHPH**"), and the Visiting Nurses Association of the Rockford Area, an Illinois not-for-profit corporation ("**VNA**") (collectively, the "**Affiliated Corporations**"), all in furtherance of the exempt purposes set forth herein, pursuant to the powers reserved to it in the governing documents of each Affiliated Corporation. The Corporation shall exercise such reserved powers unless the Member grants written permission excusing the Corporation from the exercise of such reserved powers.

SECTION 3.2. Additional Responsibilities. The members of the Board shall also serve as members of the boards of directors of RMH and RHPH. In their capacities as directors of RMH and RHPH, the members of the Board shall manage the affairs of such corporations in accordance with their respective articles of incorporation and bylaws.

SECTION 3.3. Number and Qualifications.

(a) Composition. The Board of the Corporation shall consist of not less than fifteen (15) nor more than seventeen (17) persons (not including the Chief Executive Officer), except when vacancies on the Board occur by reason of death, resignation, or otherwise, in which case the number shall be reduced by such vacancies until qualified replacements are elected or appointed for the unexpired term. The Board shall be composed of the following individuals:

(i) The Chief Executive Officer, who shall be an *ex officio* non-voting member;

(ii) Two persons appointed by the Member ("**Member Board Members**");

(iii) Two persons nominated by [**Rockford Foundation**] ("**Foundation Board Members**");

(iv) Four physicians, two of whom are members of the active medical staff of OSF Saint Anthony Medical Center and two of whom are members of the active medical staff of OSF Rockford Memorial Hospital ("**Physician Board Members**");

(v) Not less than seven persons who are residents of the Northern Region ("Community Board Members").

(b) Preferences. In nominating Physician Board Members, the Board shall give preference to physicians who are members of the active medical staff of both OSF Saint Anthony Medical Center and OSF Rockford Memorial Hospital. In nominating Community Board Members, the Board shall give preference to persons who represent a diversity of geography and skills, rather than persons who have historical loyalties to either the Member or the Corporation's predecessor, Rockford Health System, and shall not nominate persons who are current or former employees of either the Member, the Corporation, or any Affiliated Corporation or who are members of the medical staff of either OSF Saint Anthony Medical Center or OSF Rockford Memorial Hospital. In the event the Board determines to expand the Board to sixteen (16) or seventeen (17) members, each additional director shall be a Community Board Member.

(c) Emeritus Directors. A director who has served on the Board of this Corporation or on the OSF Saint Anthony Advisory Board or OSF Saint Anthony Foundation Council nine or more consecutive years upon expiration of his or her then-current term may be elected to serve as an emeritus director if the individual is at least sixty (60) years old and has chaired a standing committee of the Board or Council, as applicable. Such individual may be elected upon a recommendation from the appropriate Board committee that the individual be elected to serve as an emeritus director in recognition of dedication and outstanding service the affirmative approval of the Board. An emeritus director shall not be entitled to vote on any matter before the Board and shall serve a term of one year. At the expiration of his or her term, an emeritus director may be reelected to a subsequent term of one year only upon the recommendation of the appropriate Board committee and the affirmative approval of the Board. No more than two individuals may serve on the Board as an emeritus director at any one time. The emeritus directors shall not be counted for purposes of determining the total number of directors who may serve on the board pursuant to Section 3.2(a).

(d) Qualifications. All directors shall be persons who:

(i) have a commitment to the Philosophy, Mission, Values, and Vision of the Member;

(ii) have a commitment to uphold the Catholic Code of Ethics in all dealings and deliberations pertaining the Board's responsibilities;

(iii) are distinguished by their achievement and good judgment;

(iv) have knowledge and experience useful to the Corporation in maintaining its values and achieving its mission, such as leadership skills, health care delivery knowledge, legal expertise, or financial skills;

(v) are willing to support the Corporation with a commitment of time necessary to become and remain informed concerning the issues confronting the Corporation and have the ability to regularly attend Board meetings

(vi) have the ability to be discreet in keeping Board discussions and business confidential;

(vii) have the ability to rise above the concerns of a particular constituency and represent the interest of the Corporation as a whole;

(viii) are of respectable character, have an interest in the Catholic health care delivery system, and have a deep concern and willingness to serve; and

(ix) are not members of the governing body or management of a competitor of the Corporation or in roles which, in the sole judgment of the Member, create real or potential conflicts of interest.

SECTION 3.4. Term.

(a) The term of office for each director shall be three years or until his or her successor shall have been duly elected. Notwithstanding the foregoing, for the first term in which these Bylaws are in force and effect: (a) one Member Board Member, one Foundation Board Member, one Physician Board Member and one Community Board Member shall each serve a four year term; (b) one Member Board Member, one Foundation Board Member, one Physician Board Member and two Community Board Members shall each serve a three year term; (c) two Physician Board Members and three Community Board Members shall each serve a two year term; and (d) all other directors shall serve a one year term; in order to initiate staggered terms.

(b) Any director may be elected to succeed himself or herself, without limitation on the number of terms a director may serve, provided that said director continues to satisfy the requirements for qualification specified in Section 3.3(d).

(c) The term of office of all directors shall commence upon approval of their nominations by the Member.

(d) The term of office of any director shall end at the close of the annual meeting held during the year in which said director's term expires, or upon the appointment and qualification of a successor, whichever shall occur last.

SECTION 3.5. Election.

(a) The Member shall have the sole power to appoint or reappoint the Member Board Members.

(b) So long as the [Rockford Foundation] does not engage in the provision of health care services, as determined by the Member, the [Rockford Foundation] shall have the right to submit to the Board, at a time and in a manner specified by the Board, a nominee(s) to fill a seat held by a Foundation Board Member(s) whose term will expire, or request the reappointment of such Foundation Board Member(s), which nominee(s) the Board may accept or deny, provided the Board shall not arbitrarily withhold its acceptance of persons nominated by the [Rockford Foundation].

(c) Upon expiration of the terms of then-current members of the Board, the Board shall submit to the Member nominations to fill the seats previously held by, or seek

reappointment of, the Foundation Board Members, the Physician Board Members, and the Community Board Members, as applicable. Such nominees shall have been presented to the Board by a committee of the Board and approved by an act of the Board at its annual meeting. The Member shall elect or reappoint a nominee(s) as a Foundation Board Member unless the Member determines that a nominee may bring Scandal upon the Member, the Third Order, the Corporation, or an Affiliated Corporation. The Member may approve or deny any other nominee(s) or reappointment(s) in its discretion, provided the Member shall not make its decision arbitrarily.

SECTION 3.6. Vacancies.

(a) A vacancy in a seat held by a Member Board Member due to death, resignation or any cause other than the expiration of a term shall be filled by the Member.

(b) A vacancy in a seat held by a Foundation Board Member due to death, resignation or any cause other than the expiration of a term shall be filled upon submission of a nomination by the **[Rockford Foundation]** to the Board at a time and in a manner specified by the Board, acceptance of such nomination by an act of the Board at any regular or special meeting pursuant to the nomination procedures set forth herein, and submission of such nomination to the Member. The Member shall elect the nominee as a Foundation Board Member unless the Member determines that such nominee may bring Scandal upon the Member, the Third Order, the Corporation, or an Affiliated Corporation.

(c) A vacancy in a seat held by a Physician Board Member or a Community Board Member due to death, resignation or any cause other than the expiration of a term shall be filled upon nomination by an act of the Board at any regular or special meeting pursuant to the nomination procedures set forth herein, and submission of such nomination to the Member. The Member may approve or deny any such nominee(s) in its discretion, provided the Member shall not make its decision arbitrarily.

(d) Nominations to fill vacancies shall be effective upon approval by the Member.

SECTION 3.7. Resignation. Any director may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein. Unexcused absence from more than twenty-five percent (25%) of all regular and special Board meetings without a prior excuse of the Chairperson shall be an automatic resignation.

SECTION 3.8. Removal of Directors. The Member shall have the sole authority to remove a Member Board Member, and shall have the authority to remove any other director pursuant to Section 2.2(i). The Board may remove from office any director other than a Member Board Member by an act of the Board (with or without cause subject to contract rights, if any) upon written notice delivered to the director by the Board. A Physician Board Member who is also an employee of the Corporation, an Affiliated Corporation, or the Member may be removed and a vacancy created when such physician ceases to be an employee of the Corporation, an Affiliated Corporation, or the Member, as applicable.

SECTION 3.9. Voting. Each director, other than those serving *ex officio*, shall have one vote on any matter submitted to the Board.

SECTION 3.10. Compensation. Directors may receive compensation for their services and as such may be reimbursed for *bona fide* expenses incurred arising out of services rendered. Nothing in these Bylaws shall prohibit payment of compensation to an individual serving as a director who renders services to the Corporation in another capacity.

ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS

SECTION 4.1. Annual Meeting. The annual meeting of the Board shall be in December at the principal office of the Corporation, or at such other place, and at such date and hour as may be designated by the Chairperson in the notice. The purposes of the annual meeting shall be (a) to nominate directors; (b) to nominate the Vice-Chairperson other than the first Vice-Chairperson elected after the date on which these Bylaws are in force and effect, if the term of office of the then-current Vice-Chairperson is expiring; (c) to elect the officers of the Corporation other than the Chairperson, Vice-Chairperson, and the Chief Executive Officer, if the terms of office of the then-current officers are expiring; (d) to elect the directors and officers of any Affiliated Corporation for which the Board has this obligation; and (e) to transact such other business as may be desirable.

SECTION 4.2. Regular Meetings. The Board shall hold regular meetings at least quarterly at the principal office of the Corporation or at such place and at such time as may be designated by the Chairperson by announcement at the preceding Board meeting, by written notice, or by resolution of the Board prescribing the time and place for regular meetings. The annual meeting may be counted as one of the quarterly regular meetings.

SECTION 4.3. Special Meetings. Special meetings of the Board may be called by the Chairperson, the Vice-Chairperson, the Chief Executive Officer, or a majority of the directors then in office.

SECTION 4.4. Planning Meetings of Member. In order to enhance strategic planning by the Member and develop system-wide priorities and initiatives, the members of the Board shall attend the Member's board education sessions, strategic and management planning meetings, and budget meetings, at times and places determined by the Member upon notice to the Board.

SECTION 4.5. Notice. Written notice of all meetings of the Board shall be mailed by first class U.S. mail, or delivered personally, via facsimile, or via email transmission, to each director not less than three (3) days before the date of the meeting, which notice shall in the case of a special meeting state generally the nature of the business to be taken up at the meeting. If given by United States mail, such notice shall be deemed delivered when deposited in the United States mail addressed to the director at the address as shown in the records of the Corporation with postage thereon prepaid. If given by facsimile or electronic mail, such notice shall be deemed to be delivered upon receipt by the sender of an electronic acknowledgment of delivery to the recipient at the facsimile number or electronic mail address of the recipient, as applicable, as shown in the records of the Corporation. Notice may be waived in writing by any director

either before or after the meeting. Attendance at any meeting by a director shall be deemed to be a waiver of notice unless the director intends to object to the transaction of business because the meeting was not lawfully convened.

SECTION 4.6. Unanimous Consent Action by the Board. Any action required to be taken at a meeting of the Board may be taken without a meeting if unanimous written consent is provided by all directors then in office. Written consent may be provided by electronic mail. All the approvals evidencing consent shall be delivered to the Secretary at such mailing or electronic mail address as the Secretary may designate to be filed in the records of the Corporation. The action shall be effective when all of the directors have approved the consent, unless the consent specifies a different effective date.

SECTION 4.7. Quorum. For all meetings of the Board, a quorum shall be a majority of the directors then serving, who shall be present; provided that if less than a majority of the directors are present, those directors present may adjourn the meeting from time to time without further notice. Any director may participate in and act at any meeting of the Board through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating.

SECTION 4.8. Manner of Acting. The act of at least a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board or Directors unless otherwise required by applicable law, the Articles of Incorporation, or these Bylaws. There shall be no voting by proxy.

SECTION 4.9. Procedure. Roberts Rules of Order Revised (latest edition) shall govern procedure at all meetings of the Board and its committees where not covered expressly by these Bylaws.

SECTION 4.10. Medical Staff. The medical staffs of OSF Saint Anthony Medical Center and OSF Rockford Memorial Hospital shall receive information concerning clinical programs and other activities of the Corporation, and shall provide consultation to the Board, through the attendance at meetings of the Board by the presidents of the medical staffs of both such hospitals.

ARTICLE V
OFFICERS OF THE CORPORATION

SECTION 5.1. Designation of Corporate Officers. The officers of the Corporation shall be a Chairperson and a Vice-Chairperson, a Secretary, and a Treasurer; an individual who is both the President and the Chief Executive Officer (the "Chief Executive Officer"); one or more Vice-Presidents, one of whom shall be the Chief Operating Officer and one of whom, a physician, shall be the Chief Medical Officer; and such other officers as may be deemed necessary. Unless specifically provided in these Bylaws, an officer need not be a director. One person may hold two or more offices.

SECTION 5.2. Election and Term of Office.

(a) The Chairperson shall hold office for a period of two (2) years or until his or her successor has been duly elected and qualified, unless he or she shall sooner resign or be removed. The first Chairperson to serve after the date on which these Bylaws are in force and effect shall be appointed by the Member.

(b) The Vice-Chairperson shall hold office for a period of two (2) years or until his or her successor has been duly elected and qualified, unless he or she shall sooner resign or be removed, and then shall automatically become the Chairperson. The first Vice-Chairperson to serve after the date on which these Bylaws are in force and effect shall be appointed by the board of directors of the Corporation's predecessor, Rockford Health System. Each Vice-Chairperson thereafter shall be nominated by an act of the Board at the annual meeting occurring at the end of the then-current Vice-Chairperson's term of office. The Member may approve or deny the nomination in its sole discretion.

(c) The Secretary and Treasurer shall hold office for a period of two (2) years or until their successors shall have been duly elected and qualified, unless such officers shall sooner resign or be removed. The Secretary and the Treasurer shall be elected by an act of the Board at the annual meeting occurring at the end of the then-current Secretary's and/or Treasurer's term of office.

(d) The Chief Executive Officer, the Chief Operating Officer, and the Chief Medical Officer shall be employees of the Member. The terms of employment of the Chief Executive Officer, Chief Operating Officer, and the Chief Medical Officer shall be set forth in separate employment agreements, which shall set forth those duties and responsibilities each shall have, in addition to those that may be assigned from time to time by the Member. The Chief Executive Officer shall report to the chief executive officer of the Member and, subject to the Reserved Powers, be accountable to the Board. With the advice of and input from the Board, the Member shall periodically evaluate the performance of the Chief Executive Officer, as provided in his or her employment agreement.

SECTION 5.3. Vacancies. A vacancy because of death, resignation, removal, disqualification, or otherwise, in the office of Chairperson or Vice-Chairperson shall be filled by the Member for the unexpired portion of the term. A vacancy because of death, resignation, removal, disqualification, or otherwise, in the office of the Chief Executive Officer shall be filled by the Member, in consultation with the Board. A vacancy because of death, resignation, removal, disqualification, or otherwise, in the office of the Chief Operating Officer or Chief Medical Officer shall be filled by the Chief Executive Officer. A vacancy because of death, resignation, removal, disqualification, or otherwise, in any other office shall be filled by the Board for the unexpired portion of the term.

SECTION 5.4. Resignation. Any officer may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein.

SECTION 5.5. Removal of Officers. The Member shall have the sole authority to remove the Chairperson, Vice-Chairperson, and the Chief Executive Officer, and shall have the authority to remove any other officer pursuant to Section 2.2(i). The Board may remove from office any officer other than the Chairperson, Vice-Chairperson, the Chief Executive Officer, the Chief Operating Officer, or the Chief Medical Officer by an act of the Board (with or without cause subject to contract rights, if any) upon written notice delivered to the officer by the Board; provided however, that a Physician Board Member who is also an employee of the Corporation, an Affiliated Corporation, or the Member shall automatically be removed and a vacancy created when such physician ceases to be an employee of the Corporation, an Affiliated Corporation, or the Member, as applicable. The Chief Executive Officer shall have the authority to remove the Chief Operating Officer and the Chief Medical Officer.

SECTION 5.6. Duties of the Chairperson. Subject to the Reserved Powers, the Chairperson shall be the chief policy officer of the Corporation and shall have all the duties which the position of chairperson of a not for profit corporation would customarily require, including presiding at all meetings of the Board, signing and executing, on behalf of the Corporation with the Secretary or any other proper officer of the Corporation authorized by the Board, any corporate records, documents, and instruments, and all other duties delegated from time to time to the Chairperson under these Bylaws or by resolution of the Board. The Chairperson shall be an *ex officio* member of all committees of the Board. The Chairperson must be a member of the Board.

SECTION 5.7. Duties of the Vice-Chairperson. In the absence of the Chairperson or in the event the Chairperson is unable or refuses to act, the Vice-Chairperson shall have all the powers and authority of the Chairperson. The Vice-Chairperson shall also perform such other duties and functions as may be delegated from time to time by the Board. The Vice-Chairperson must be a member of the Board.

SECTION 5.8. Duties of the Secretary. Subject to the Reserved Powers, the Secretary shall act as secretary of the Corporation and the Board, shall send appropriate notices or waivers of notice regarding meetings of the Board, shall prepare agendas and other materials for all meetings of the Board, shall act as official custodian of all records, reports and minutes of the Corporation, the Board, and committees, shall be responsible for the keeping and reporting of adequate records of all meetings of the Board, and shall perform such other duties as are customarily performed by or required of corporate secretaries.

SECTION 5.9. Duties of the Treasurer. Subject to the Reserved Powers, the Treasurer shall have custody and control of all funds of the Corporation and shall have such duties as are customarily performed by or required of corporate treasurers, including giving bond when requested by the Board. The treasurer shall ensure that a true and accurate accounting of the financial transactions of the Corporation is made periodically, that reports of such transactions are presented to the Board, and that all accounts payable are presented to such representatives as the Board may designate for authorization of payment.

SECTION 5.10. Duties of the Chief Executive Officer. Subject to the Reserved Powers and such supervisory powers, if any, as may be given by the Board to the Chairperson, the Chief Executive Officer shall be the highest executive officer of the Corporation and shall, subject to

the control of the Board and of the chief executive officer of the Member, have general supervision, direction, and control of the business and affairs of the Corporation and shall have the general powers and duties of management, including, but not limited to:

(a) Advising and making recommendations to the Board relating of the operation of the Corporation and strategic planning;

(b) Presenting a report at each annual meeting of the Board covering the operations during the preceding fiscal year;

(c) Signing any deeds, bonds, contracts or other instruments which the Board has authorized to be executed by the Chief Executive Officer, either alone or with the Secretary or other officer of the Corporation, as authorized by the Board;

(d) Attending and participating without vote in meetings of the Board;

(e) Attending and participating without vote in meetings of the Executive Committee of the Board;

(f) Directing and supervising the activities and performance of subordinate executives of the Corporation in accordance with the management structure approved by the Board from time to time; and

(g) Performing all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed from time to time by the Board or as set forth in his or her employment agreement with the Member.

SECTION 5.11. Duties of the Vice Presidents. The Vice-Presidents shall perform such duties and have such responsibilities as may be prescribed from time to time by the Member and the Chief Executive Officer and shall be considered as members of the Chief Executive Officer's staff.

ARTICLE VI
COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 6.1. Standing and Other Committees. The Board shall establish the standing committees set forth in this Article VI and may, by resolution, create such other committees as needed and define the activities thereof.

SECTION 6.2. Executive Committee.

(a) Composition and Schedule. The voting members of the Executive Committee shall be the following six individuals, each of whom shall have a vote except the Chief Executive Officer: the Chief Executive Officer; the Chairperson; the Vice-Chairperson; the immediate past Chairperson; the Treasurer; and one additional director. At least one member of the Executive Committee shall be a physician. In the event that one or more of the aforementioned voting members of the Executive Committee is unable to serve in such capacity, then the Chairperson shall designate a replacement from among

the members of the Board. The Chairperson shall advise the Board of any designation of a replacement Executive Committee member not later than the next scheduled meeting of the Board. The Executive Committee shall meet as needed.

(b) Responsibilities. The Executive Committee shall review reports from the Chief Executive Officer regarding the performance of executives of the Corporation and Affiliated Corporations. In addition, when the Board is not in session, the Executive Committee shall have all the powers, duties, responsibilities and authority of the Board, except as prohibited by law.

SECTION 6.3. Special Committees. Special committees which may exercise the authority of the Board may be created by resolution of the Board unless prohibited by law, the Articles of Incorporation, or these Bylaws, while advisory committees may be created by the action of the Chairperson. Chairpersons and committee members shall be appointed by the Chairperson of the Board. A special committee shall limit its activities to the accomplishment of the tasks for which it is appointed and shall have no power to act except as specifically conferred by action of the Board. Upon completion of the tasks for which it was created, a special committee shall stand discharged.

SECTION 6.4. Committee Appointments.

(a) All members of committees shall be appointed by the Chairperson or as the Board otherwise provides in any specific instance. Each member of a committee shall serve until the next annual meeting of the Board or until a successor is appointed.

(b) Any committee member may resign at any time by giving notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Any committee member may be removed by the Chairperson or by a majority vote of the Board. Vacancies in the membership of any committee shall be filled by the Chairperson of the Board.

(c) Each committee, other than advisory committees, must consist of not less than two (2) directors. Individuals other than directors may be appointed as committee members and shall have a vote unless the resolution establishing the committee or appointing such individuals provides otherwise.

(d) Notwithstanding any provision in Article VI specifying a specific number of individuals who are members of any committee, the Board by resolution may expand or reduce the number of individuals who may be members of any committee, and thereafter and pursuant to such resolution the Chairperson shall appoint additional individuals to or remove members from the committee.

SECTION 6.5. Committee Authority.

(a) For any committee to exercise any authority of the Board independently, its membership must be composed such that a majority of the voting members of the committee are also members of the Board and, except as otherwise provided herein, a

majority of the committee members who are directors must approve any action to be taken by the committee.

(b) Committees with a majority of members who are not directors shall only act in an advisory capacity to the Board.

(c) Committees may not take any action prohibited by law and, unless otherwise provided herein, a committee may not elect, appoint or remove any officer or director or member of any committee, or fix the compensation of any member of a committee, or amend, alter, repeal or take action inconsistent with any resolution or action of the Board when the resolution or action of the Board provides by its terms that it shall not be amended, altered or repealed by action of a committee.

SECTION 6.6. Committee Procedures. Each committee shall record minutes of its deliberations, recommendations and conclusions and shall promptly deliver a copy of such minutes to the Secretary of the Corporation. Notice of the meetings of any committee shall be given by the chairperson of the committee, in accordance with Section 4.5, to the members thereof, and to the Chairperson and the Chief Executive Officer, each of whom shall have the right to attend and participate in the deliberations of the committee. The Chairperson, the Chief Executive Officer, or the committee chairperson may invite to any committee meeting such individuals as they may select who may be helpful to the deliberations of the committee. A majority of the members of each committee shall constitute a quorum for the transaction of business. Except as otherwise specifically provided for herein, the act of a majority of the members of any committee present at a meeting at which a quorum is present shall be the action of the committee. Committee members may participate in and act at any meeting of a committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating. Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with actions of the Board. Any action which may be taken at a committee meeting may be taken without a committee meeting if unanimous written consent of the voting committee members is obtained in accordance with Section 4.6. When a committee takes final action on any matter pursuant to authority conferred by these Bylaws or delegated by the Board, its action and procedure shall be governed by the standards of Article IX regarding conflicts of interest.

SECTION 6.7. Subcommittee. For purposes of Article VI, the term committee shall also mean subcommittee.

ARTICLE VII
CORPORATE SEAL

SECTION 7.1. Corporate Seal. The Board shall adopt a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Illinois."

ARTICLE VIII
FISCAL MATTERS

SECTION 8.1. Fiscal Year. The fiscal year of the Corporation shall be the same as the fiscal years of the other members of the Obligated Group, as established by the Member from time to time.

SECTION 8.2. Contracts. The board may authorize officers or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, subject to the Reserved Powers, consistent with authority delegated to the chief executive officer of the Member from time to time.

SECTION 8.3. Loans and Indebtedness. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by the Member with such authority being either general or confined to specific instances. No loan shall be granted to an officer or director of the Corporation.

SECTION 8.4. Checks Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation or to the Corporation, shall be signed or endorsed by such officer or officers, agent or agents of the Corporation as are authorized to sign checks in accordance with the Corporation's check signing policy and procedures as in effect from time to time.

SECTION 8.5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board may select.

SECTION 8.6. Budgets. The board shall prepare or have prepared, and submit to the Member for approval at a time and in a manner specified by the Member, the annual capital and operating budgets of the Corporation.

SECTION 8.7. Maintenance of Records. The Corporation shall keep or cause to be kept correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board, and shall keep at the principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by the Member or any member of the Board for any proper purpose at any reasonable time. In addition, the Corporation shall annually cause a certified audit of its accounts in compliance with Section 2.2(g) of these Bylaws to be made and shall cause to be filed the necessary reports, tax returns, or other documents as may be required by law on its behalf.

SECTION 8.8. Donations. The Board may accept on behalf of the Corporation any contribution, donation, gift, bequest or devise for the general purposes, or for any special purpose, of the Corporation.

ARTICLE IX
POLICIES OF THE BOARD

SECTION 9.1. General. All Member policies not in conflict with the terms of the Affiliation Agreement among Member, Corporation and others shall apply with respect to Corporation's governance, management and operation. The Board may from time to time approve policies governing the operation of the Board and the Corporation's operations, which shall include, but not be limited to, a policy governing conflicts of interest and a policy regarding compliance. The Board shall not enact any policy that conflicts with or purports to nullify the effect of a policy of the Member Board without the approval of the Member.

SECTION 9.2. Conflict of Interest.

(a) Any director, officer or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of their interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Corporation's interest.

(b) The body to which such disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use their personal influence on, nor participate (other than to present factual information or to respond to questions) in, the discussions or deliberations with respect to such contract or transaction. Such person shall not be counted in determining the existence of a quorum at any meeting where the contract or transaction is under discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and whether a quorum was present.

(c) For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if they are a party (or one of the parties) contracting or dealing with the Corporation, or is a director, officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation.

ARTICLE X
INDEMNIFICATION

SECTION 10.1. Power to Hold Harmless. Subject to the laws of Illinois in effect from time to time, any person who was or is a party who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts

paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, with respect to any criminal action or proceeding that the person had reasonable cause to believe that his or her conduct was lawful.

SECTION 10.2. Power to Indemnify Litigant. Subject to the laws of Illinois in effect from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 10.3. Reimbursement Authorized. To the extent that a director, officer, employee or agent of the Corporation has been successful, on the merits or otherwise in the defense of any action, suit or proceeding referred to in Section 10.1 or 10.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

SECTION 10.4. Determination if Reimbursement is Proper. Any indemnification under Section 10.1 or 10.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 10.1 and 10.2 of this Article. Such determination shall be made: (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the Member.

SECTION 10.5. Advance of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceedings may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay

such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article.

SECTION 10.6. Non-Exclusivity. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of the Member or disinterested directors, or otherwise, both as to action in his or her official capacity, and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 10.7. Right to Acquire Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XI
AMENDMENTS

These Bylaws may be recommended to be altered, amended or repealed and new Bylaws may be recommended to be adopted by a majority vote of all members of the Board of Directors at any regular or special meeting of the Board of Directors. No such alteration, amendment or repeal shall be effective before the approval by the Member. These Bylaws may be altered, amended or repealed by and new Bylaws may be adopted by the Member upon its own motion or upon the recommendation from the Board at any regular or special meeting of the Member's board of directors. Any amendments shall be consistent with the terms of that certain Affiliation Agreement dated as of January 31, 2011 between the Corporation, Member and others. These Bylaws shall be reviewed annually.

ADOPTED and approved by the Board of OSF Northern Region on _____, 2011, at Rockford, Illinois, to be effective as of the Closing Date of the Affiliation Agreement.

_____
Secretary

(SEAL)

Exhibit D

FORM NFP 110.30R (rev. Dec. 2003)
ARTICLES OF AMENDMENT
RESTATED ARTICLES
OF INCORPORATION
General Not For Profit Corporation Act

Jesse White, Secretary of State
Department of Business Services
Springfield, IL 62756
Telephone (217) 782-1832
www.cyberdriveillinois.com

Remit payment in the form of a
check or money order payable
to the Secretary of State.

File #_____ Filing Fee. $100.00 Approved:

Submit in duplicate — Type or Print clearly in black ink — Do not write above this line

1. Corporate name (Note 1): Rockford Health System

2. Manner of adoption of amendment:
The following amendment to the Articles of Incorporation was adopted on [Insert Date] (Month, Day & Year) in the manner indicated below (Check one only):

✓ By affirmative vote of a majority of the directors in office, at a meeting of the board of directors, in accordance with Section 110.15. (Note 2)

___ By written consent, signed by all the directors in office, in compliance with Sections 110.15 and 108.45 (Note 3)

___ By members at a meeting of members entitled to vote by the affirmative vote of the members having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation or the bylaws, in accordance with Section 110.20. (Note 4)

___ By written consent signed by members entitled to vote having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation, or the bylaws, in compliance with Sections 107.10 and 110.20. (Note 5)

3(a). List all provisions of the restated articles of incorporation that amend the existing articles of incorporation. (Attach additional pages if extra space is needed.)

1, 2, 3, 4, 5

3(b). Text of the Restated Articles of Incorporation (Note 6)
(Attach additional pages if extra space is needed.)

See attached.

C-32S

Attachment #5

4. The undersigned corporation has caused these articles to be signed by a duly authorized officer, who affirms, under penalties of perjury, that the facts stated herein are true. (All signatures must be in BLACK INK.)

Dated _____ _____
(Month & Day) (Year)

Rockford Health System
(Exact Name of Corporation)

_____
(Any Authorized Officer's Signature)

Gary E. Kaatz, CEO
(Print Name and Title)

5. If there are no duly authorized officers, then the persons designated under Section 101.10(b)(2) must sign below and print name and title.
The undersigned affirms, under penalties of perjury, that the facts stated herein are true.

Dated _____ (Month, Day & Year)

Signature	Print Name and Title
_____	_____
_____	_____
_____	_____
_____	_____

NOTES

Note 1: State the true and exact corporate name as it appears on the records of the Secretary of State, BEFORE any amendment herein reported.

Note 2: Directors may adopt amendments without member approval only when the corporation has no members, or no members entitled to vote pursuant to §110.15

Note 3: Director approval may be (1) by vote at a director's meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

Note 4: All amendments not adopted under Sec. 110.15 require (1) that the board of directors adopt a resolution setting forth the proposed amendment and (2) that the members approve the amendment.

Member approval may be (1) by vote at a members meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

To be adopted, the amendment must receive the affirmative vote or consent of the holders of at least 2/3 of the outstanding members entitled to vote on the amendment, *(but if class voting applies, then also at least a 2/3-vote within each class is required)*.

The articles of incorporation may supersede the 2/3 vote requirement by specifying any smaller or larger vote requirement not less than a majority of the outstanding votes of such members entitled to vote and not less than a majority within each when class voting applies. *(Sec. 110.20)*

Note 5: When member approval is by written consent, all members must be given notice of the proposed amendment at least 5 days before the consent is signed. If the amendment is adopted, members who have not signed the consent must be promptly notified of the passage of the amendment. *(Sec. 107.10 & 110.20)*

Note 6: The text of the restated articles of incorporation must set forth the following:
(i) The date of incorporation, the name under which the corporation was incorporated, subsequent names, if any, that the corporation adopted pursuant to amendment of its articles of incorporation, and the effective date of any such amendments;
(ii) the address of the registered office and the name of the registered agent on the date of filing the restated articles of incorporation.

If the registered agent and/or registered office have changed, it will be necessary to accompany this document with form NFP 105.10.

Attachment #5

Restated Articles of Incorporation of

OSF Northern Region

Article 1. The name of the corporation is OSF Northern Region. The corporation is an Illinois not-for-profit corporation, created on September 29, 1983, with the name Rockford Memorial Corporation. The name of the corporation was changed to Rockford Health System pursuant to filing Articles of Amendment effective April 29, 1994.

Article 2. Agent Name: Julie A. Peterson
Agent Address: 2400 N. Rockton Ave, Rockford, IL 61103.

Article 3. The sole member is OSF Healthcare System, an Illinois not-for-profit corporation.

Article 4.

Corporate Purposes. OSF Northern Region, an Illinois not-for-profit corporation ("Corporation") shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "Code") and in furtherance of the purposes of OSF Healthcare System, an Illinois not-for-profit corporation ("Member"), in the course of which operation:

a. No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

b. No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

c. The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

d. The Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the

Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

and in furtherance thereof, subject to the powers reserved to the Member in the Corporation's bylaws, to establish, acquire, support, erect, maintain, own and equip either directly through affiliated organizations, or in cooperation with other organizations, health care providers and institutions, including, without limiting the foregoing, hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; to conduct, sponsor, support, promote, develop, own and operate charitable, educational, scientific and scholastic programs and activities and other activities and programs ancillary to and in support of the foregoing; and to foster, promote, support, develop, encourage, maintain, receive and accept funds, gifts and contributions for and on behalf of such activities; and to establish, conduct, sponsor, acquire, own, maintain and operate such other entities and activities which, in the opinion of the Board of Directors of this Corporation ("Board") and at its discretion, will support the foregoing.

Article 5.

Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to The Sisters of the Third Order of St. Francis ("Third Order"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, scientific, educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

Tab E

E

EXHIBIT E

AMENDED AND RESTATED CORPORATE BYLAWS

OF

OSF ROCKFORD MEMORIAL HOSPITAL

ARTICLE I
NAME, PURPOSES, AND OFFICES

SECTION 1.1. Corporate Name. The name of the corporation is OSF ROCKFORD MEMORIAL HOSPITAL ("**Corporation**"), an Illinois not-for-profit corporation.

SECTION 1.2. Corporate Purposes. The Corporation shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "**Code**"), in the course of which operation:

(a) No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

(b) No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

(c) The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

(d) Notwithstanding any other provisions of these Bylaws, the Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

(e) Notwithstanding any other provisions of these Bylaws, the Corporation shall, without exception, conduct its business, and shall exercise the powers reserved to it in the governing documents of each Affiliated Corporation to cause each Affiliated Corporation to conduct its business: (a) in accordance with the moral teachings of the

Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S. Conference of Catholic Bishops ("**Ethical and Religious Directives**"), as interpreted and applied by OSF Healthcare System, an Illinois not-for-profit corporation ("**OSF**"); (b) in accordance with the Code of Canon Law of the Roman Catholic Church, as amended from time to time; and (c) in a manner which, as determined by OSF in good faith after reasonable investigation, does not bring Scandal upon OSF Northern Region, an Illinois not-for-profit corporation ("**Member**"), OSF, the Third Order, the Corporation, or any Affiliated Corporation. The term "**Scandal**" means any conduct which results in serious impairment of the name or reputation of the Member, OSF, the Third Order, the Corporation, or any Affiliated Corporation, either in the general community or among the Catholic faithful, or causes confusion in the minds of members of the general community or Catholic faithful concerning compliance by the Member, OSF, the Third Order, the Corporation, or any Affiliated Corporation with the ethical and religious teachings of the Roman Catholic Church;

and in furtherance thereof, subject to the Reserved Powers: to establish, acquire, support, erect, maintain, own and equip either directly through affiliated organizations, or in cooperation with other organizations, health care providers and institutions, including, without limiting the foregoing, hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; to promote the interests of the Member in its charitable, scientific, educational, scholastic, and religious programs and activities; to promote, directly or indirectly, the interests of other entities controlled by the Member that are organizations exempt from Federal income tax under Section 501(c)(3) of the Code; to own, lease, or otherwise deal with all property, real and personal, to be used in furtherance of these purposes; to contract with other persons and entities in furtherance of these purposes; and to undertake such other activities which, in the opinion of the Board of Directors of this Corporation ("**Board**") and at its discretion, will support the foregoing.

SECTION 1.3. Corporate Offices. The location of the principal office of the Corporation shall be in the City of Rockford, Illinois, and may have other offices within or without the State of Illinois as the Board may from time to time determine. The Corporation shall have and continuously maintain in Illinois a registered office which may, but need not be, the same as its principal office, and a registered agent whose office address is identical with such registered office.

SECTION 1.4. Corporate Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to OSF, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if OSF is not then exempt, to The Sisters of the Third Order of St. Francis ("**Third Order**"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, scientific,

educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

ARTICLE II
MEMBER

SECTION 2.1. Sole Corporate Member. The sole member of the Corporation shall be the Member. Any provision of law requiring notice to, the presence of, or the vote, consent, or other action of the Member of the Corporation in connection with such matter shall be satisfied by notice to, the presence of, or the vote, consent, or other action of the board of directors of the Member ("**Member Board**").

SECTION 2.2. Powers Reserved to the Member. In addition to the rights and powers accorded a member under the Illinois General Not For Profit Corporation Act, the Articles of Incorporation of the Corporation, and these Bylaws, the following transactions (the "**Reserved Powers**") shall be authorized only by a vote of the Member of the Corporation:

(a) To establish, approve, or modify the philosophy, vision, values and mission of the Corporation;

(b) To interpret and apply to the Corporation and each Affiliated Corporation the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S. Conference of Catholic Bishops, and to determine whether the Corporation's or an Affiliated Corporation's conduct of its business does or would bring Scandal upon the Member, OSF, the Third Order, the Corporation, or any Affiliated Corporation;

(c) To lease, sell, encumber or otherwise alienate any real property or interest in real property of the Corporation;

(d) To approve any transfer, lease, sale or encumbrance of personal property of the Corporation except in the ordinary course of business;

(e) To approve any purchase or other acquisition by the Corporation that is not included in the combined operating and capital budgets for the Corporation, the Member, other entities controlled by the Member, and the facilities and services subject to the terms of that certain Management Services Agreement between the Member and OSF ("**Management Agreement**");

(f) To approve any borrowing or debt financing on behalf of the Corporation, in excess of a specified limit established by resolution of the Member, to structure and restructure indebtedness of the Corporation, and to enter into and amend agreements relating to indebtedness of the Corporation;

(g) To require a certified audit of the finances of the Corporation and to appoint the certified public accountant to perform any audit;

(h) To approve the engagement of and to dismiss any outside legal counsel to represent the Corporation on a regular basis or in connection with any matter deemed by the Member, in good faith, to have significance for the Member as a whole;

(i) To appoint, or reappoint, or remove the members of the Board;

(j) To merge or consolidate the Corporation with other entities, merging other entities into the Corporation or to dissolve the Corporation, in accordance with applicable law;

(k) To amend the Bylaws and Articles of Incorporation of the Corporation in accordance with applicable law;

(l) To expand, consolidate, terminate or close any of the facilities and services of the Corporation;

(m) To hire, enter into an employment contract with, discipline or terminate the Chief Executive Officer, and to appoint the officers of the Board;

(n) To adopt the strategic plan for the Corporation;

(o) To adopt or modify the operating budget and capital budget for any fiscal year for the Corporation (such operating and capital budget combined with the operating and capital budgets for those facilities and services owned and operated by the Member and other entities controlled by the Member, and those subject to the terms of the Management Agreement);

(p) To approve the terms of and enter into joint ventures and other affiliations between the Corporation and third parties, and approve the creation, formation, organization, or termination of any legal entity in which the Corporation will have any ownership interest, membership interest, power to elect or appoint board members or officers, or any other formal participation arrangement, whether acting alone or in conjunction with any other person or entity;

(q) To approve appointments to governing bodies of joint ventures between the Corporation and third parties and other legal entities in which the Corporation has any power to elect or appoint board members or officers;

(r) To take any and all actions deemed necessary, in the sole judgment of the Member Board, to protect and preserve the tax-exempt status and public charity status of the Member and any tax-exempt affiliate of the Member (including federal and state income tax exemptions, property tax exemptions, and sales tax exemptions); provided the Member Board has given a written request to the Board to take action or refrain from taking action, which would have sufficiently protected and preserved such tax-exempt and public charity status, and the Board has failed to promptly take such action or refrain from taking such action; and

(s) To take any and all actions deemed necessary, in the sole judgment of the Member Board, for any and all members of the Obligated Group to comply with its master trust indenture, loan agreements, tax agreements, and all other covenants and agreements relating to any Obligated Group financing provided the Member Board has given a written request to the Board to take action or refrain from taking action, to so comply, and the Board has failed to promptly take such action or refrain from taking such action. The term "**Obligated Group**" means OSF and any other natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity that becomes a member of the obligated group pursuant to that certain Amended and Restated Master Trust Indenture dated as of September 15, 1999 between OSF and Wells Fargo Bank, National Association, as successor master trustee, as heretofore or hereafter supplemented and amended.

SECTION 2.3. Manner of Acting. The Member shall act by executing and delivering to the Chairperson, Chief Executive Officer, or Secretary of the Corporation a written instrument or instruments, signed by an authorized officer of the Member, setting forth the action taken. The action of the Member shall be deemed to have been taken on the dates the written instruments are so delivered unless the instruments provide otherwise. Any action taken by the Member on any of the matters described in Section 2.2 shall be promptly communicated to the Board of this Corporation.

ARTICLE III
BOARD OF DIRECTORS

SECTION 3.1. Powers. Subject to the Reserved Powers, the management, control, and operation of this Corporation shall vest and be in the Board. The Board shall have the power and authority to do and perform all acts or functions consistent with these Bylaws and the Articles of Incorporation of the Corporation and any amendments thereto, and the laws of the State of Illinois. Among the powers exercised by the Board shall be the power, subject to the Reserved Powers, to coordinate the activities of the Corporation's various subsidiary and affiliated corporations, including, without limitation, Rockford Health Insurance, Ltd., a Bermuda corporation ("**RHI**") and Rockford Health System Ventures, LLC, an Illinois limited liability company ("**Ventures**") (collectively, the "**Affiliated Corporations**"), all in furtherance of the exempt purposes set forth herein, pursuant to the powers reserved to it in the governing documents of each Affiliated Corporation. The Corporation shall exercise such reserved powers unless the Member grants written permission excusing the Corporation from the exercise of such reserved powers.

SECTION 3.2. Additional Responsibilities. The members of the Board shall also serve as members of the boards of directors of the Member and Rockford Health Physicians, an Illinois not-for-profit corporation ("**RHPH**"), unless the Member determines otherwise. In their capacities as directors of the Member and RHPH, the members of the Board shall manage the affairs of such corporations in accordance with their respective articles of incorporation and bylaws.

SECTION 3.3. Composition and Qualifications.

(a) Composition. The Board of the Corporation shall consist of the members of the Member Board.

(b) Qualifications. All directors shall be persons who:

(i) have a commitment to the Philosophy, Mission, Values, and Vision of the Member;

(ii) have a commitment to uphold the Catholic Code of Ethics in all dealings and deliberations pertaining the Board's responsibilities;

(iii) are distinguished by their achievement and good judgment;

(iv) have knowledge and experience useful to the Corporation in maintaining its values and achieving its mission, such as leadership skills, health care delivery knowledge, legal expertise, or financial skills;

(v) are willing to support the Corporation with a commitment of time necessary to become and remain informed concerning the issues confronting the Corporation and have the ability to regularly attend Board meetings

(vi) have the ability to be discreet in keeping Board discussions and business confidential;

(vii) have the ability to rise above the concerns of a particular constituency and represent the interest of the Corporation as a whole;

(viii) are of respectable character, have an interest in the Catholic health care delivery system, and have a deep concern and willingness to serve; and

(ix) are not members of the governing body or management of a competitor of the Corporation or in roles which, in the sole judgment of the Member, create real or potential conflicts of interest.

SECTION 3.4. Term.

(a) The term of office for each director shall be contemporaneous with his or her term as a member of the Member Board.

(b) Any director may be appointed to succeed himself or herself, without limitation on the number of terms a director may serve, provided that said director continues to satisfy the requirements for qualification specified in Section 3.3(b).

(c) The term of office of all directors shall commence upon their appointment or reappointment by the Member.

(d) The term of office of any director shall end when his or her term of office as a member of the Member Board expires.

SECTION 3.5. Election. The Member shall have the sole power to appoint or reappoint the members of the Board.

SECTION 3.6. Vacancies. A vacancy in a seat due to death, resignation or any cause other than the expiration of a term shall be filled by the Member.

SECTION 3.7. Resignation. Any director may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein. Unexcused absence from more than twenty-five percent (25%) of all regular and special Board meetings without a prior excuse of the Chairperson shall be an automatic resignation.

SECTION 3.8. Removal of Directors. The Member shall have the sole authority to remove a director from the Board. Any director removed from the Board shall also be removed from the board of directors of the Member and RHPH

SECTION 3.9. Voting. Each director, other than those serving *ex officio*, shall have one vote on any matter submitted to the Board.

SECTION 3.10. Compensation. Directors may receive compensation for their services and as such may be reimbursed for *bona fide* expenses incurred arising out of services rendered. Nothing in these Bylaws shall prohibit payment of compensation to an individual serving as a director who renders services to the Corporation in another capacity.

ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS

SECTION 4.1. Annual Meeting. The annual meeting of the Board shall be in December at the principal office of the Corporation, or at such other place, and at such date and hour as may be designated by the Chairperson in the notice. The purposes of the annual meeting shall be to transact such business as may be desirable.

SECTION 4.2. Regular Meetings. The Board shall hold regular meetings at least quarterly at the principal office of the Corporation or at such place and at such time as may be designated by the Chairperson by announcement at the preceding Board meeting, by written notice, or by resolution of the Board prescribing the time and place for regular meetings. The annual meeting may be counted as one of the quarterly regular meetings.

SECTION 4.3. Special Meetings. Special meetings of the Board may be called by the Chairperson, the Vice-Chairperson, the Chief Executive Officer, or a majority of the directors then in office.

SECTION 4.4. Planning Meetings of OSF. In order to enhance strategic planning by OSF and develop system-wide priorities and initiatives, the members of the Board shall attend

OSF's board education sessions, strategic and management planning meetings, and budget meetings, at times and places determined by OSF upon notice to the Board.

SECTION 4.5. Notice. Written notice of all meetings of the Board shall be mailed by first class U.S. mail, or delivered personally, via facsimile, or via email transmission, to each director not less than three (3) days before the date of the meeting, which notice shall in the case of a special meeting state generally the nature of the business to be taken up at the meeting. If given by United States mail, such notice shall be deemed delivered when deposited in the United States mail addressed to the director at the address as shown in the records of the Corporation with postage thereon prepaid. If given by facsimile or electronic mail, such notice shall be deemed to be delivered upon receipt by the sender of an electronic acknowledgment of delivery to the recipient at the facsimile number or electronic mail address of the recipient, as applicable, as shown in the records of the Corporation. Notice may be waived in writing by any director either before or after the meeting. Attendance at any meeting by a director shall be deemed to be a waiver of notice unless the director intends to object to the transaction of business because the meeting was not lawfully convened.

SECTION 4.6. Unanimous Consent Action by the Board. Any action required to be taken at a meeting of the Board may be taken without a meeting if unanimous written consent is provided by all directors then in office. Written consent may be provided by electronic mail. All the approvals evidencing consent shall be delivered to the Secretary at such mailing or electronic mail address as the Secretary may designate to be filed in the records of the Corporation. The action shall be effective when all of the directors have approved the consent, unless the consent specifies a different effective date.

SECTION 4.7. Quorum. For all meetings of the Board, a quorum shall be a majority of the directors then serving, who shall be present; provided that if less than a majority of the directors are present, those directors present may adjourn the meeting from time to time without further notice. Any director may participate in and act at any meeting of the Board through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating.

SECTION 4.8. Manner of Acting. The act of at least a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board or Directors unless otherwise required by applicable law, the Articles of Incorporation, or these Bylaws. There shall be no voting by proxy.

SECTION 4.9. Procedure. Roberts Rules of Order Revised (latest edition) shall govern procedure at all meetings of the Board and its committees where not covered expressly by these Bylaws.

ARTICLE V
OFFICERS OF THE CORPORATION

SECTION 5.1. Designation of Corporate Officers. The officers of the Corporation shall be the officers of the Member Board. One person may hold two or more offices.

SECTION 5.2. Appointment and Term of Office. Each officer shall hold office contemporaneously with his or her term of office as an officer of the Member Board. All officers shall be appointed, reappointed, and removed by the Member.

SECTION 5.3. Vacancies. A vacancy because of death, resignation, removal, disqualification, or otherwise, in any office shall be filled by the Member.

SECTION 5.4. Resignation. Any officer may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein.

SECTION 5.5. Removal of Officers. The Member shall have the sole authority to remove any officer. Any officer so removed shall also be removed as an officer of the Member and RHPH.

SECTION 5.6. Duties of the Chairperson. Subject to the Reserved Powers, the Chairperson shall be the chief policy officer of the Corporation and shall have all the duties which the position of chairperson of a not for profit corporation would customarily require, including presiding at all meetings of the Board, signing and executing, on behalf of the Corporation with the Secretary or any other proper officer of the Corporation authorized by the Board, any corporate records, documents, and instruments, and all other duties delegated from time to time to the Chairperson under these Bylaws or by resolution of the Board. The Chairperson shall be an *ex officio* member of all committees of the Board. The Chairperson must be a member of the Board.

SECTION 5.7. Duties of the Vice-Chairperson. In the absence of the Chairperson or in the event the Chairperson is unable or refuses to act, the Vice-Chairperson shall have all the powers and authority of the Chairperson. The Vice-Chairperson shall also perform such other duties and functions as may be delegated from time to time by the Board. The Vice-Chairperson must be a member of the Board.

SECTION 5.8. Duties of the Secretary. Subject to the Reserved Powers, the Secretary shall act as secretary of the Corporation and the Board, shall send appropriate notices or waivers of notice regarding meetings of the Board, shall prepare agendas and other materials for all meetings of the Board, shall act as official custodian of all records, reports and minutes of the Corporation, the Board, and committees, shall be responsible for the keeping and reporting of adequate records of all meetings of the Board, and shall perform such other duties as are customarily performed by or required of corporate secretaries.

SECTION 5.9. Duties of the Treasurer. Subject to the Reserved Powers, the Treasurer shall have custody and control of all funds of the Corporation and shall have such duties as are customarily performed by or required of corporate treasurers, including giving bond when

requested by the Board. The treasurer shall ensure that a true and accurate accounting of the financial transactions of the Corporation is made periodically, that reports of such transactions are presented to the Board, and that all accounts payable are presented to such representatives as the Board may designate for authorization of payment.

SECTION 5.10. Duties of the Chief Executive Officer. Subject to the Reserved Powers and such supervisory powers, if any, as may be given by the Board to the Chairperson, the Chief Executive Officer shall be the highest executive officer of the Corporation and shall, subject to the control of the Board and of the chief executive officer of OSF, have general supervision, direction, and control of the business and affairs of the Corporation and shall have the general powers and duties of management, including, but not limited to:

(a) Advising and making recommendations to the Board relating of the operation of the Corporation and strategic planning;

(b) Presenting a report at each annual meeting of the Board covering the operations during the preceding fiscal year;

(c) Signing any deeds, bonds, contracts or other instruments which the Board has authorized to be executed by the Chief Executive Officer, either alone or with the Secretary or other officer of the Corporation, as authorized by the Board;

(d) Attending and participating without vote in meetings of the Board;

(e) Attending and participating without vote in meetings of the Executive Committee of the Board;

(f) Directing and supervising the activities and performance of subordinate executives of the Corporation in accordance with the management structure approved by the Board from time to time; and

(g) Performing all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed from time to time by the Board or as set forth in his or her employment agreement with OSF.

SECTION 5.11. Duties of the Vice Presidents. The Vice-Presidents shall perform such duties and have such responsibilities as may be prescribed from time to time by OSF and the Chief Executive Officer and shall be considered as members of the Chief Executive Officer's staff.

ARTICLE VI
COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 6.1. Standing and Other Committees. The Board shall establish the standing committees set forth in this Article VI and may, by resolution, create such other committees as needed and define the activities thereof.

SECTION 6.2. Executive Committee.

(a) Composition and Schedule. The voting members of the Executive Committee shall be the members of the Executive Committee of the Member. The Executive Committee shall meet as needed.

(b) Responsibilities. The Executive Committee shall review reports from the Chief Executive Officer regarding the performance of executives of the Corporation and Affiliated Corporations. In addition, when the Board is not in session, the Executive Committee shall have all the powers, duties, responsibilities and authority of the Board, except as prohibited by law.

SECTION 6.3. Quality, Credentialing and Risk Management Committee.

(a) Composition and Schedule. The Quality, Credentialing and Risk Management Committee ("**Quality Committee**") shall consist of at least five voting members, all of whom shall be directors of the Corporation. The committee shall meet as needed, and at least quarterly.

(b) Responsibilities Relating to Quality. The Quality Committee shall be responsible for the oversight of the quality of patient care provided by the Corporation or any Affiliated Corporation. The committee shall annually adopt a quality plan for the Corporation. The committee shall receive reports concerning and shall be responsible for the oversight of the implementation of the Corporation's quality plan and key measures of service quality. At least quarterly, the Quality Committee shall report to the Member Board on Corporation quality issues. The Quality Committee shall also serve as the quality committee of RHPH and Visiting Nurses Association of the Rockford Area, an Illinois not-for-profit corporation ("**VNA**"). In addition, the Quality Committee shall be responsible for the oversight of the safety of patient care provided by any Affiliated Corporation, including RHPH and VNA. The Quality Committee shall receive reports concerning patient safety and shall be responsible for reviewing any process or the implementation of any plan relating to patient safety.

(c) Responsibilities Relating to Credentialing. The Quality Committee shall be responsible for oversight of the procedures adopted by any Affiliated Corporation, including RHPH and VNA with respect to the delineation of clinical privileges and credentialing.

(d) Responsibilities Relating to Risk Management. The Quality Committee shall have oversight of risk management initiatives, review current claims and make settlement recommendations to the full Board and review information relating to risk management and the insurance related thereto.

(e) Delegation of Authority. When the Board is not in session, the Quality Committee shall have the power and authority of the Board with respect to the Committee's responsibilities.

SECTION 6.4. Special Committees. Special committees which may exercise the authority of the Board may be created by resolution of the Board unless prohibited by law, the Articles of Incorporation, or these Bylaws, while advisory committees may be created by the

action of the Chairperson. Chairpersons and committee members shall be appointed by the Chairperson of the Board. A special committee shall limit its activities to the accomplishment of the tasks for which it is appointed and shall have no power to act except as specifically conferred by action of the Board. Upon completion of the tasks for which it was created, a special committee shall stand discharged.

SECTION 6.5. Committee Appointments.

(a) All members of committees shall be appointed by the Chairperson or as the Board otherwise provides in any specific instance. Each member of a committee shall serve until the next annual meeting of the Board or until a successor is appointed.

(b) Any committee member may resign at any time by giving notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Any committee member may be removed by the Chairperson or by a majority vote of the Board. Vacancies in the membership of any committee shall be filled by the Chairperson of the Board.

(c) Each committee, other than advisory committees, must consist of not less than two (2) directors. Individuals other than directors may be appointed as committee members and shall have a vote unless the resolution establishing the committee or appointing such individuals provides otherwise.

(d) Notwithstanding any provision in Article VI specifying a specific number of individuals who are members of any committee, the Board by resolution may expand or reduce the number of individuals who may be members of any committee, and thereafter and pursuant to such resolution the Chairperson shall appoint additional individuals to or remove members from the committee.

SECTION 6.6. Committee Authority.

(a) For any committee to exercise any authority of the Board independently, its membership must be composed such that a majority of the voting members of the committee are also members of the Board and, except as otherwise provided herein, a majority of the committee members who are directors must approve any action to be taken by the committee.

(b) Committees with a majority of members who are not directors shall only act in an advisory capacity to the Board.

(c) Committees may not take any action prohibited by law and, unless otherwise provided herein, a committee may not elect, appoint or remove any officer or director or member of any committee, or fix the compensation of any member of a committee, or amend, alter, repeal or take action inconsistent with any resolution or action of the Board when the resolution or action of the Board provides by its terms that it shall not be amended, altered or repealed by action of a committee.

SECTION 6.7. Committee Procedures. Each committee shall record minutes of its deliberations, recommendations and conclusions and shall promptly deliver a copy of such minutes to the Secretary of the Corporation. Notice of the meetings of any committee shall be given by the chairperson of the committee, in accordance with Section 4.5, to the members thereof, and to the Chairperson and the Chief Executive Officer, each of whom shall have the right to attend and participate in the deliberations of the committee. The Chairperson, the Chief Executive Officer, or the committee chairperson may invite to any committee meeting such individuals as they may select who may be helpful to the deliberations of the committee. A majority of the members of each committee shall constitute a quorum for the transaction of business. Except as otherwise specifically provided for herein, the act of a majority of the members of any committee present at a meeting at which a quorum is present shall be the action of the committee. Committee members may participate in and act at any meeting of a committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating. Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with actions of the Board. Any action which may be taken at a committee meeting may be taken without a committee meeting if unanimous written consent of the voting committee members is obtained in accordance with Section 4.6. When a committee takes final action on any matter pursuant to authority conferred by these Bylaws or delegated by the Board, its action and procedure shall be governed by the standards of Article IX regarding conflicts of interest.

SECTION 6.8. Subcommittee. For purposes of Article VI, the term committee shall also mean subcommittee.

ARTICLE VII
CORPORATE SEAL

SECTION 7.1. Corporate Seal. The Board shall adopt a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Illinois."

ARTICLE VIII
MEDICAL STAFF

SECTION 8.1. Organization. The Board shall appoint a medical/dental staff of the hospital (the "**Medical Staff**") composed of physicians and dentists that shall see that they are organized in such a manner as to secure the best possible patient care. In administrative matters, the Medical Staff, as an organized body, shall act in an advisory capacity; this function is carried on through the formal liaison of the hospital.

SECTION 8.2. Appointments and Hearings.

(a) The Board shall appoint to the Medical Staff physicians, dentists and other professionals in numbers not exceeding the hospital's needs, whom it shall deem to be qualified and whose services it considers will promote the more efficient fulfillment of

the purposes of the hospital. The qualifications for membership on the Medical Staff, for staff category, and for privileges are more specifically set forth in the Bylaws of the Medical Staff. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his or her patients, subject to such limitations as are contained in these Bylaws, in resolutions of the Board adopted pursuant to these Bylaws and in the Bylaws and rules of the Medical Staff approved by the Board after adoption by the Medical Staff, and subject further to any limitations attached to this appointment.

(b) Each application for appointment shall be in writing and shall contain full information concerning the applicant's training, experience, licensure, reputation, demonstrated competence, delineation of privileges desired, personal cooperation and responsibility, ethical standing, previous hospital appointments and any unfavorable history with respect to the foregoing. Each application is presented to the Chief Executive Officer who shall transmit it to the Secretary of the Medical Staff. Each application is reviewed and acted upon by the Credentials Committee, Medical Executive Committee and Medical Staff prior to final action being taken by the Board.

(c) Appointments to the Medical Staff shall be for a term of not more than two years. Reappointments to the Medical Staff are at the discretion of the Board.

(d) The Board shall establish procedures, as outlined in the Bylaws of the Medical Staff, when an appointment is refused or not renewed, when a requested staff category is denied, or when privileges have been or are proposed to be reduced, suspended or terminated. The practitioner affected shall be afforded an opportunity for hearing before an appropriate committee(s) whose recommendation shall be considered by the Board prior to taking final action on the matter. Such hearings shall be conducted informally under procedures adopted by the Board so as to assure a fair hearing and afford opportunity for the presentation of all pertinent information. Whenever the Board does not concur in a Medical Staff recommendation relative to clinical privileges, provision will be made for a review of the recommendations by a joint committee of the Medical Staff and Board before a final decision is reached by the Board. Any physician or dentist whose engagement by the hospital requires membership on the Medical Staff shall not have his Medical Staff privileges terminated without the same fair hearing provisions as provided for any other member of the Medical Staff unless otherwise stated in a written contract. The foregoing notwithstanding, the Board may provide for automatic suspension of a practitioner's privileges upon the occurrence of certain events with respect to which no hearing will be afforded.

SECTION 8.3. Patient Care and Evaluation.

(a) The Board shall assign to the Medical Staff such duties as it deems necessary for the maintenance of medical care at a standard of excellence. To accomplish this, the Board shall delegate appropriate authority to the Medical Staff officers through the Chief Executive Officer.

(b) The Medical Staff shall conduct a continuing review and appraisal of the quality and quantity of medical care rendered in the health care facility in terms of

established standards, and shall report such activities and their results to the Board through the Chief Executive Officer.

(c) The Medical Staff shall make recommendations to the Board concerning: (1) appointments and reappointments; (2) designations and alterations of staff category; (3) granting, suspension, revocation or alteration of privileges; (4) disciplinary actions; (5) all matters relating to personal conduct and professional competency; and (6) such specific matters as may be referred to it by the Board or the Chief Executive Officer.

SECTION 8.4. Medical/Dental Staff Bylaws and Rules. There shall be Bylaws and Rules for the Medical Staff of the hospital setting forth its purposes, organization and government. Such Bylaws and Rules may be proposed by the Medical Staff or the Board, but no such action shall become effective unless ratified by the Board. No provision in the Medical Staff Bylaws and Rules shall be valid if it is inconsistent with the Articles of Incorporation or the Bylaws of the Corporation as they may from time to time exist, nor shall they be valid if inconsistent with the Ethical and Religious Directives for Catholic Health Care Services as promulgated from time to time by the United States Conference of Catholic Bishops.

SECTION 8.5. Status of Staff Members With Privileges. The Medical Staff, committees of the Medical Staff and practitioners who are members thereof, and any other persons to whom privileges of any sort are granted, when performing their duties hereunder in the health care facility operated by the Corporation in accordance with their professional judgments shall not be considered employees of the Corporation. Nothing contained in these Bylaws is intended or shall be interpreted to cause the Medical Staff or the practitioners who are members thereof to be employees of the Corporation or any health care facility operated by the Corporation. The Corporation may, however, by specific written contract so stating, retain individual practitioners as employees to perform services for the Corporation.

SECTION 8.6. Formal Liaison. **There shall be a Formal Liaison Meeting ("Formal Liaison Meeting"). The Formal Liaison Meeting shall serve as a formal means of medico-administrative communication among the Board and the Chief Executive Officer and Medical Staff of the hospital.**

(a) **Composition - Each Formal Liaison Meeting shall include representatives from the Board and from the Medical Staff and the Chief Executive Officer of the hospital.**

(b) **Purposes - The purposes of the Formal Liaison Meeting are:**

(i) **To assist in the development of hospital policy.**

(ii) **To maintain open communication, specifically as related to pertinent action taken or contemplated.**

(iii) **To provide a forum for consideration of plans for future growth or change in hospital organization and for discussion of problems that arise in the operation of the hospital.**

(c) Meetings - The Formal Liaison Meeting shall occur at least twice a year, more often if necessary.

(d) Minutes - Minutes shall be recorded and given to the Board, representatives of the Medical Staff, and the Chief Executive Officer.]

ARTICLE IX
FISCAL MATTERS

SECTION 9.1. Fiscal Year. The fiscal year of the Corporation shall be the same as the fiscal years of the other members of the Obligated Group, as established by OSF from time to time.

SECTION 9.2. Contracts. The board may authorize officers or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, subject to the Reserved Powers, consistent with authority delegated to the chief executive officer of OSF from time to time.

SECTION 9.3. Loans and Indebtedness. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by the Member with such authority being either general or confined to specific instances. No loan shall be granted to an officer or director of the Corporation.

SECTION 9.4. Checks Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation or to the Corporation, shall be signed or endorsed by such officer or officers, agent or agents of the Corporation as are authorized to sign checks in accordance with the Corporation's check signing policy and procedures as in effect from time to time.

SECTION 9.5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board may select.

SECTION 9.6. Maintenance of Records. The Corporation shall keep or cause to be kept correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board, and shall keep at the principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by the Member or any member of the Board for any proper purpose at any reasonable time. In addition, the Corporation shall annually cause a certified audit of its accounts in compliance with Section 2.2(g) of these Bylaws to be made and shall cause to be filed the necessary reports, tax returns, or other documents as may be required by law on its behalf.

SECTION 9.7. Donations. The Board may accept on behalf of the Corporation any contribution, donation, gift, bequest or devise for the general purposes, or for any special purpose, of the Corporation.

ARTICLE X
POLICIES OF THE BOARD

SECTION 10.1. General. All OSF policies not in conflict with the terms of the Affiliation Agreement among OSF, the Member, the Corporation, and others, dated as of January 31, 2011 ("**Affiliation Agreement**"), shall apply with respect to the Corporation's governance, management and operation. The Board may from time to time approve policies governing the operation of the Board and the Corporation's operations, which shall include, but not be limited to, a policy governing conflicts of interest and a policy regarding compliance. The Board shall not enact any policy that conflicts with or purports to nullify the effect of a policy of the OSF Board without the approval of OSF.

SECTION 10.2. Conflict of Interest.

(a) Any director, officer or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of their interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Corporation's interest.

(b) The body to which such disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use their personal influence on, nor participate (other than to present factual information or to respond to questions) in, the discussions or deliberations with respect to such contract or transaction. Such person shall not be counted in determining the existence of a quorum at any meeting where the contract or transaction is under discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and whether a quorum was present.

(c) For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if they are a party (or one of the parties) contracting or dealing with the Corporation, or is a director, officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation.

ARTICLE XI
INDEMNIFICATION

SECTION 11.1. Power to Hold Harmless. Subject to the laws of Illinois in effect from time to time, any person who was or is a party who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer,

employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, with respect to any criminal action or proceeding that the person had reasonable cause to believe that his or her conduct was lawful.

SECTION 11.2. Power to Indemnify Litigant. Subject to the laws of Illinois in effect from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 11.3. Reimbursement Authorized. To the extent that a director, officer, employee or agent of the Corporation has been successful, on the merits or otherwise in the defense of any action, suit or proceeding referred to in Section 10.1 or 10.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

SECTION 11.4. Determination if Reimbursement is Proper. Any indemnification under Section 10.1 or 10.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 10.1 and 10.2 of this Article. Such determination shall be made: (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the Member.

SECTION 11.5. Advance of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceedings may be paid by the Corporation in advance of the final

disposition of such action, suit or proceeding as authorized by the Board in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article.

SECTION 11.6. Non-Exclusivity. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of the Member or disinterested directors, or otherwise, both as to action in his or her official capacity, and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 11.7. Right to Acquire Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XII
OSF ROCKFORD MEMORIAL HOSPITAL AUXILIARY

SECTION 12.1. Auxiliary. The OSF Rockford Memorial Hospital Auxiliary (the "**Auxiliary**") shall be an organization consisting of persons dedicated to the purpose of engaging in activities to promote the Corporation.

SECTION 12.2. Powers of Auxiliary. The Auxiliary shall be authorized to engage in any activity beneficial to the Corporation provided that such activity shall at all times be coordinated by the Chief Executive Officer and subject to approval of the Board of Directors.

SECTION 12.3. Bylaws. The Auxiliary's bylaws are subject to the approval of the Board of Directors. Wherever a provision in the Auxiliary's bylaws is inconsistent with these bylaws or the rules, regulations or policies of the Corporation, these bylaws, or the rules, regulations and policies of the Corporation shall control.

ARTICLE XIII
AMENDMENTS

These Bylaws may be recommended to be altered, amended or repealed and new Bylaws may be recommended to be adopted by a majority vote of all members of the Board of Directors at any regular or special meeting of the Board of Directors. No such alteration, amendment or repeal shall be effective before the approval by the Member. These Bylaws may be altered, amended or repealed by and new Bylaws may be adopted by the Member upon its own motion or upon the recommendation from the Board at any regular or special meeting of the Member's board of directors. Any amendments shall be consistent with the terms of the Affiliation Agreement. These Bylaws shall be reviewed annually.

ADOPTED and approved by the Board of OSF Rockford Memorial Hospital on _____, 2011, at Rockford, Illinois, to be effective as of the Closing Date of the Affiliation Agreement.

_____
Secretary

(SEAL)

Exhibit E

FORM NFP 110.30R (rev. Dec. 2003)
ARTICLES OF AMENDMENT
RESTATED ARTICLES
OF INCORPORATION
General Not For Profit Corporation Act

Jesse White, Secretary of State
Department of Business Services
Springfield, IL 62756
Telephone (217) 782-1832
www.cyberdriveillinois.com

Remit payment in the form of a check or money order payable to the Secretary of State.

_____ File #_____ Filing Fee. $100.00 Approved:

Submit in duplicate — Type or Print clearly in black ink — Do not write above this line

1. Corporate name (Note 1): Rockford Memorial Hospital

2. Manner of adoption of amendment:
The following amendment to the Articles of Incorporation was adopted on [Insert Date] (Month, Day & Year) in the manner indicated below (Check one only):

____ By affirmative vote of a majority of the directors in office, at a meeting of the board of directors, in accordance with Section 110.15. (Note 2)

____ By written consent, signed by all the directors in office, in compliance with Sections 110.15 and 108.45 (Note 3)

✓ By members at a meeting of members entitled to vote by the affirmative vote of the members having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation or the bylaws, in accordance with Section 110.20. (Note 4)

____ By written consent signed by members entitled to vote having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation, or the bylaws, in compliance with Sections 107.10 and 110.20. (Note 5)

3(a). List all provisions of the restated articles of incorporation that amend the existing articles of incorporation. (Attach additional pages if extra space is needed.)

1, 2, 3, 4, 5

3(b). Text of the Restated Articles of Incorporation (Note 6)
(Attach additional pages if extra space is needed.)

See attached.

C-325

Attachment #5

4. The undersigned corporation has caused these articles to be signed by a duly authorized officer, who affirms, under penalties of perjury, that the facts stated herein are true. (All signatures must be in BLACK INK.)

Dated _____ _____
(Month & Day) (Year)

Rockford Memorial Hospital
(Exact Name of Corporation)

_____
(Any Authorized Officer's Signature)

Gary E. Kaatz, President and CEO
(Print Name and Title)

5. If there are no duly authorized officers, then the persons designated under Section 101.10(b)(2) must sign below and print name and title.
The undersigned affirms, under penalties of perjury, that the facts stated herein are true.

Dated _____ (Month, Day & Year)

Signature	Print Name and Title
_____	_____
_____	_____
_____	_____
_____	_____

NOTES

Note 1: State the true and exact corporate name as it appears on the records of the Secretary of State, BEFORE any amendment herein reported.

Note 2: Directors may adopt amendments without member approval only when the corporation has no members, or no members entitled to vote pursuant to §110.15

Note 3: Director approval may be (1) by vote at a director's meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

Note 4: All amendments not adopted under Sec. 110.15 require (1) that the board of directors adopt a resolution setting forth the proposed amendment and (2) that the members approve the amendment.

Member approval may be (1) by vote at a members meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

To be adopted, the amendment must receive the affirmative vote or consent of the holders of at least 2/3 of the outstanding members entitled to vote on the amendment, *(but if class voting applies, then also at least a 2/3 vote within each class is required)*.

The articles of incorporation may supersede the 2/3 vote requirement by specifying any smaller or larger vote requirement not less than a majority of the outstanding votes of such members entitled to vote and not less than a majority within each when class voting applies. *(Sec. 110.20)*

Note 5: When member approval is by written consent, all members must be given notice of the proposed amendment at least 5 days before the consent is signed. If the amendment is adopted, members who have not signed the consent must be promptly notified of the passage of the amendment. *(Sec. 107.10 & 110.20)*

Note 6: The text of the restated articles of incorporation must set forth the following:
(i) The date of incorporation, the name under which the corporation was incorporated, subsequent names, if any, that the corporation adopted pursuant to amendment of its articles of incorporation, and the effective date of any such amendments;
(ii) the address of the registered office and the name of the registered agent on the date of filing the restated articles of incorporation.

If the registered agent and/or registered office have changed, it will be necessary to accompany this document with form NFP 105.10.

241

Attachment #5

Restated Articles of Incorporation of

OSF Rockford Memorial Hospital

Article 1. The name of the corporation is OSF Rockford Memorial Hospital. The corporation is an Illinois not-for-profit corporation, created on December 15, 1883, with the name Rockford Hospital Association. The name of the corporation was changed to Rockford Memorial Hospital Association pursuant to filing Articles of Amendment effective July 20, 1942, and was thereafter changed to Rockford Memorial Hospital pursuant to filing Articles of Amendment effective March 1, 1983.

Article 2. Agent Name: Julie A. Peterson
Agent Address: 2400 N. Rockton Ave, Rockford, IL 61103.

Article 3. The sole member is OSF Northern Region, an Illinois not-for-profit corporation.

Article 4.

Corporate Purposes. OSF Rockford Memorial Hospital, an Illinois not-for-profit corporation ("Corporation") shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "Code"), in the course of which operation:

a. No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

b. No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

c. The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

d. The Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid

over or otherwise used or employed in any manner which would disqualify the Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

and in furtherance thereof, subject to the powers reserved to the Member in the Corporation's bylaws: to establish, acquire, support, erect, maintain, own and equip either directly through affiliated organizations, or in cooperation with other organizations, health care providers and institutions, including, without limiting the foregoing, hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; to promote the interests of the Member in its charitable, scientific, educational, scholastic, and religious programs and activities; to promote, directly or indirectly, the interests of other entities controlled by the Member that are organizations exempt from Federal income tax under Section 501(c)(3) of the Code; to own, lease, or otherwise deal with all property, real and personal, to be used in furtherance of these purposes; to contract with other persons and entities in furtherance of these purposes; and to undertake such other activities which, in the opinion of the Board of Directors of this Corporation ("Board") and at its discretion, will support the foregoing.

Article 5.

Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to OSF Healthcare System, an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if OSF Healthcare System, an Illinois not for profit corporation, is not then exempt, to The Sisters of the Third Order of St. Francis ("Third Order"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, scientific, educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

Tab F

F

EXHIBIT F

AMENDED AND RESTATED CORPORATE BYLAWS

OF

ROCKFORD HEALTH PHYSICIANS

ARTICLE I
NAME, PURPOSES, AND OFFICES

SECTION 1.1. Corporate Name. The name of the corporation is ROCKFORD HEALTH PHYSICIANS ("**Corporation**"), an Illinois not-for-profit corporation.

SECTION 1.2. Corporate Purposes. The Corporation shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "**Code**"), in the course of which operation:

(a) No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

(b) No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

(c) The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

(d) Notwithstanding any other provisions of these Bylaws, the Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

(e) Notwithstanding any other provisions of these Bylaws, the Corporation shall, without exception, conduct its business: (a) in accordance with the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S.

Conference of Catholic Bishops ("**Ethical and Religious Directives**"), as interpreted and applied by OSF Healthcare System, an Illinois not-for-profit corporation ("**OSF**"); (b) in accordance with the Code of Canon Law of the Roman Catholic Church, as amended from time to time; and (c) in a manner which, as determined by OSF in good faith after reasonable investigation, does not bring Scandal upon OSF Northern Region, an Illinois not-for-profit corporation ("**Member**"), OSF, the Third Order, the Corporation, or any entity controlled by or under common control with the Corporation. The term "**Scandal**" means any conduct which results in serious impairment of the name or reputation of the Member, OSF, the Third Order, the Corporation, or any entity controlled by or under common control with the Corporation, either in the general community or among the Catholic faithful, or causes confusion in the minds of members of the general community or Catholic faithful concerning compliance by the Member, OSF, the Third Order, the Corporation, or any entity controlled by or under common control with the Corporation, with the ethical and religious teachings of the Roman Catholic Church;

and in furtherance thereof, subject to the Reserved Powers: to promote the interests of the Member in its charitable, scientific, educational, scholastic, and religious programs and activities; to promote, directly or indirectly, the interests of other entities controlled by the Member that are organizations exempt from Federal income tax under Section 501(c)(3) of the Code; to own, lease, or otherwise deal with all property, real and personal, to be used in furtherance of these purposes; to contract with other persons and entities in furtherance of these purposes; and to undertake such other activities which, in the opinion of the Board of Directors of this Corporation ("**Board**") and at its discretion, will support the foregoing.

SECTION 1.3. Corporate Offices. The location of the principal office of the Corporation shall be in the City of Rockford, Illinois, and may have other offices within or without the State of Illinois as the Board may from time to time determine. The Corporation shall have and continuously maintain in Illinois a registered office which may, but need not be, the same as its principal office, and a registered agent whose office address is identical with such registered office.

SECTION 1.4. Corporate Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to OSF, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if OSF is not then exempt, to The Sisters of the Third Order of St. Francis ("**Third Order**"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, scientific, educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

ARTICLE II
MEMBER

SECTION 2.1. Sole Corporate Member. The sole member of the Corporation shall be the Member. Any provision of law requiring notice to, the presence of, or the vote, consent, or other action of the Member of the Corporation in connection with such matter shall be satisfied by notice to, the presence of, or the vote, consent, or other action of the board of directors of the Member ("**Member Board**").

SECTION 2.2. Powers Reserved to the Member. In addition to the rights and powers accorded a member under the Illinois General Not For Profit Corporation Act, the Articles of Incorporation of the Corporation, and these Bylaws, the following transactions (the "**Reserved Powers**") shall be authorized only by a vote of the Member of the Corporation:

(a) To establish, approve, or modify the philosophy, vision, values and mission of the Corporation;

(b) To interpret and apply to the Corporation the moral teachings of the Roman Catholic Church, including the Ethical and Religious Directives for Catholic Health Care Services, as amended from time to time, promulgated by the U.S. Conference of Catholic Bishops, and to determine whether the Corporation's conduct of its business does or would bring Scandal upon the Member, OSF, the Third Order, the Corporation, or any entity controlled by or under common control with the Corporation;

(c) To lease, sell, encumber or otherwise alienate any real property or interest in real property of the Corporation;

(d) To approve any transfer, lease, sale or encumbrance of personal property of the Corporation except in the ordinary course of business;

(e) To approve any purchase or other acquisition by the Corporation that is not included in the combined operating and capital budgets for the Corporation, the Member, other entities controlled by the Member, and the facilities and services subject to the terms of that certain Management Services Agreement between the Member and OSF ("**Management Agreement**");

(f) To approve any borrowing or debt financing on behalf of the Corporation, in excess of a specified limit established by resolution of the Member, to structure and restructure indebtedness of the Corporation, and to enter into and amend agreements relating to indebtedness of the Corporation;

(g) To require a certified audit of the finances of the Corporation and to appoint the certified public accountant to perform any audit;

(h) To approve the engagement of and to dismiss any outside legal counsel to represent the Corporation on a regular basis or in connection with any matter deemed by the Member, in good faith, to have significance for the Member as a whole;

(i) To appoint, or reappoint, or remove members of the Board;

(j) To merge or consolidate the Corporation with other entities, merging other entities into the Corporation or to dissolve the Corporation, in accordance with applicable law;

(k) To amend the Bylaws and Articles of Incorporation of the Corporation in accordance with applicable law;

(l) To expand, consolidate, terminate or close any of the facilities and services of the Corporation;

(m) To hire, enter into an employment contract with, discipline or terminate the Chief Executive Officer, and to appoint the officers of the Board;

(n) To adopt the strategic plan for the Corporation;

(o) To adopt or modify the operating budget and capital budget for any fiscal year for the Corporation (such operating and capital budget combined with the operating and capital budgets for those facilities and services owned and operated by the Member and other entities controlled by the Member, and those subject to the terms of the Management Agreement);

(p) To approve the terms of and enter into joint ventures and other affiliations between the Corporation and third parties, and approve the creation, formation, organization, or termination of any legal entity in which the Corporation will have any ownership interest, membership interest, power to elect or appoint board members or officers, or any other formal participation arrangement, whether acting alone or in conjunction with any other person or entity;

(q) To approve appointments to governing bodies of joint ventures between the Corporation and third parties and other legal entities in which the Corporation has any power to elect or appoint board members or officers;

(r) To take any and all actions deemed necessary, in the sole judgment of the Member Board, to protect and preserve the tax-exempt status and public charity status of the Member and any tax-exempt affiliate of the Member (including federal and state income tax exemptions, property tax exemptions, and sales tax exemptions); provided the Member Board has given a written request to the Board to take action or refrain from taking action, which would have sufficiently protected and preserved such tax-exempt and public charity status, and the Board has failed to promptly take such action or refrain from taking such action; and

(s) To take any and all actions deemed necessary, in the sole judgment of the Member Board, for any and all members of the Obligated Group to comply with its master trust indenture, loan agreements, tax agreements, and all other covenants and agreements relating to any Obligated Group financing provided the Member Board has given a written request to the Board to take action or refrain from taking action, to so

comply, and the Board has failed to promptly take such action or refrain from taking such action. The term "**Obligated Group**" means OSF and any other natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity that becomes a member of the obligated group pursuant to that certain Amended and Restated Master Trust Indenture dated as of September 15, 1999 between OSF and Wells Fargo Bank, National Association, as successor master trustee, as heretofore or hereafter supplemented and amended.

SECTION 2.3. Manner of Acting. The Member shall act by executing and delivering to the Chairperson, Chief Executive Officer, or Secretary of the Corporation a written instrument or instruments, signed by an authorized officer of the Member, setting forth the action taken. The action of the Member shall be deemed to have been taken on the dates the written instruments are so delivered unless the instruments provide otherwise. Any action taken by the Member on any of the matters described in Section 2.2 shall be promptly communicated to the Board of this Corporation.

ARTICLE III
BOARD OF DIRECTORS

SECTION 3.1. Powers. Subject to the Reserved Powers, the management, control, and operation of this Corporation shall vest and be in the Board. The Board shall have the power and authority to do and perform all acts or functions consistent with these Bylaws and the Articles of Incorporation of the Corporation and any amendments thereto, and the laws of the State of Illinois.

SECTION 3.2. Additional Responsibilities. The members of the Board shall also serve as members of the boards of directors of the Member and OSF Rockford Memorial Hospital, an Illinois not-for-profit corporation ("**RMH**"), unless the Member determines otherwise. In their capacities as directors of the Member and RMH, the members of the Board shall manage the affairs of such corporations in accordance with their respective articles of incorporation and bylaws.

SECTION 3.3. Composition and Qualifications.

(a) Composition. The Board of the Corporation shall consist of the members of the Member Board.

(b) Qualifications. All directors shall be persons who:

(i) have a commitment to the Philosophy, Mission, Values, and Vision of the Member;

(ii) have a commitment to uphold the Catholic Code of Ethics in all dealings and deliberations pertaining the Board's responsibilities;

(iii) are distinguished by their achievement and good judgment;

(iv) have knowledge and experience useful to the Corporation in maintaining its values and achieving its mission, such as leadership skills, health care delivery knowledge, legal expertise, or financial skills;

(v) are willing to support the Corporation with a commitment of time necessary to become and remain informed concerning the issues confronting the Corporation and have the ability to regularly attend Board meetings

(vi) have the ability to be discreet in keeping Board discussions and business confidential;

(vii) have the ability to rise above the concerns of a particular constituency and represent the interest of the Corporation as a whole;

(viii) are of respectable character, have an interest in the Catholic health care delivery system, and have a deep concern and willingness to serve; and

(ix) are not members of the governing body or management of a competitor of the Corporation or in roles which, in the sole judgment of the Member, create real or potential conflicts of interest.

SECTION 3.4. Term.

(a) The term of office for each director shall be contemporaneous with his or her term as a member of the Member Board.

(b) Any director may be appointed to succeed himself or herself, without limitation on the number of terms a director may serve, provided that said director continues to satisfy the requirements for qualification specified in Section 3.3(b).

(c) The term of office of all directors shall commence upon their appointment or reappointment by the Member.

(d) The term of office of any director shall end when his or her term of office as a member of the Member Board expires.

SECTION 3.5. Election. The Member shall have the sole power to appoint or reappoint the members of the Board.

SECTION 3.6. Vacancies. A vacancy in a seat due to death, resignation or any cause other than the expiration of a term shall be filled by the Member.

SECTION 3.7. Resignation. Any director may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein. Unexcused absence from more than twenty-five percent (25%) of all regular and special Board meetings without a prior excuse of the Chairperson shall be an automatic resignation.

SECTION 3.8. Removal of Directors. The Member shall have the sole authority to remove a director. Any director removed from the Board shall also be removed from the board of directors of the Member and RMH.

SECTION 3.9. Voting. Each director, other than those serving *ex officio*, shall have one vote on any matter submitted to the Board.

SECTION 3.10. Compensation. Directors may receive compensation for their services and as such may be reimbursed for *bona fide* expenses incurred arising out of services rendered. Nothing in these Bylaws shall prohibit payment of compensation to an individual serving as a director who renders services to the Corporation in another capacity.

ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS

SECTION 4.1. Annual Meeting. The annual meeting of the Board shall be in December at the principal office of the Corporation, or at such other place, and at such date and hour as may be designated by the Chairperson in the notice. The purposes of the annual meeting shall be to transact such business as may be desirable.

SECTION 4.2. Regular Meetings. The Board shall hold regular meetings at least quarterly at the principal office of the Corporation or at such place and at such time as may be designated by the Chairperson by announcement at the preceding Board meeting, by written notice, or by resolution of the Board prescribing the time and place for regular meetings. The annual meeting may be counted as one of the quarterly regular meetings.

SECTION 4.3. Special Meetings. Special meetings of the Board may be called by the Chairperson, the Vice-Chairperson, the Chief Executive Officer, or a majority of the directors then in office.

SECTION 4.4. Planning Meetings of OSF. In order to enhance strategic planning by OSF and develop system-wide priorities and initiatives, the members of the Board shall attend OSF's board education sessions, strategic and management planning meetings, and budget meetings, at times and places determined by OSF upon notice to the Board.

SECTION 4.5. Notice. Written notice of all meetings of the Board shall be mailed by first class U.S. mail, or delivered personally, via facsimile, or via email transmission, to each director not less than three (3) days before the date of the meeting, which notice shall in the case of a special meeting state generally the nature of the business to be taken up at the meeting. If given by United States mail, such notice shall be deemed delivered when deposited in the United States mail addressed to the director at the address as shown in the records of the Corporation with postage thereon prepaid. If given by facsimile or electronic mail, such notice shall be deemed to be delivered upon receipt by the sender of an electronic acknowledgment of delivery to the recipient at the facsimile number or electronic mail address of the recipient, as applicable, as shown in the records of the Corporation. Notice may be waived in writing by any director either before or after the meeting. Attendance at any meeting by a director shall be deemed to be a waiver of notice unless the director intends to object to the transaction of business because the meeting was not lawfully convened.

SECTION 4.6. Unanimous Consent Action by the Board. Any action required to be taken at a meeting of the Board may be taken without a meeting if unanimous written consent is provided by all directors then in office. Written consent may be provided by electronic mail. All the approvals evidencing consent shall be delivered to the Secretary at such mailing or electronic mail address as the Secretary may designate to be filed in the records of the Corporation. The action shall be effective when all of the directors have approved the consent, unless the consent specifies a different effective date.

SECTION 4.7. Quorum. For all meetings of the Board, a quorum shall be a majority of the directors then serving, who shall be present; provided that if less than a majority of the directors are present, those directors present may adjourn the meeting from time to time without further notice. Any director may participate in and act at any meeting of the Board through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating.

SECTION 4.8. Manner of Acting. The act of at least a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board or Directors unless otherwise required by applicable law, the Articles of Incorporation, or these Bylaws. There shall be no voting by proxy.

SECTION 4.9. Procedure. Roberts Rules of Order Revised (latest edition) shall govern procedure at all meetings of the Board and its committees where not covered expressly by these Bylaws.

ARTICLE V
OFFICERS OF THE CORPORATION

SECTION 5.1. Designation of Corporate Officers. The officers of the Corporation shall be the officers of the Member Board. One person may hold two or more offices.

SECTION 5.2. Appointment and Term of Office. Each officer shall hold office contemporaneously with his or her term of office as an officer of the Member Board. All officers shall be appointed, reappointed, and removed by the Member.

SECTION 5.3. Vacancies. A vacancy because of death, resignation, removal, disqualification, or otherwise, in any office shall be filled by the Member.

SECTION 5.4. Resignation. Any officer may resign at any time by giving written notice of such resignation to the Chairperson or Secretary of the Board. Such resignation shall take effect at the time specified therein.

SECTION 5.5. Removal of Officers. The Member shall have the sole authority to remove any officer. Any officer so removed shall also be removed as an officer of the Member and RMH.

SECTION 5.6. Duties of the Chairperson. Subject to the Reserved Powers, the Chairperson shall be the chief policy officer of the Corporation and shall have all the duties which the position of chairperson of a not for profit corporation would customarily require, including presiding at all meetings of the Board, signing and executing, on behalf of the Corporation with the Secretary or any other proper officer of the Corporation authorized by the Board, any corporate records, documents, and instruments, and all other duties delegated from time to time to the Chairperson under these Bylaws or by resolution of the Board. The Chairperson shall be an *ex officio* member of all committees of the Board. The Chairperson must be a member of the Board.

SECTION 5.7. Duties of the Vice-Chairperson. In the absence of the Chairperson or in the event the Chairperson is unable or refuses to act, the Vice-Chairperson shall have all the powers and authority of the Chairperson. The Vice-Chairperson shall also perform such other duties and functions as may be delegated from time to time by the Board. The Vice-Chairperson must be a member of the Board.

SECTION 5.8. Duties of the Secretary. Subject to the Reserved Powers, the Secretary shall act as secretary of the Corporation and the Board, shall send appropriate notices or waivers of notice regarding meetings of the Board, shall prepare agendas and other materials for all meetings of the Board, shall act as official custodian of all records, reports and minutes of the Corporation, the Board, and committees, shall be responsible for the keeping and reporting of adequate records of all meetings of the Board, and shall perform such other duties as are customarily performed by or required of corporate secretaries.

SECTION 5.9. Duties of the Treasurer. Subject to the Reserved Powers, the Treasurer shall have custody and control of all funds of the Corporation and shall have such duties as are customarily performed by or required of corporate treasurers, including giving bond when requested by the Board. The treasurer shall ensure that a true and accurate accounting of the financial transactions of the Corporation is made periodically, that reports of such transactions are presented to the Board, and that all accounts payable are presented to such representatives as the Board may designate for authorization of payment.

SECTION 5.10. Duties of the Chief Executive Officer. Subject to the Reserved Powers and such supervisory powers, if any, as may be given by the Board to the Chairperson, the Chief Executive Officer shall be the highest executive officer of the Corporation and shall, subject to the control of the Board and of the chief executive officer of OSF, have general supervision, direction, and control of the business and affairs of the Corporation and shall have the general powers and duties of management, including, but not limited to:

(a) Advising and making recommendations to the Board relating of the operation of the Corporation and strategic planning;

(b) Presenting a report at each annual meeting of the Board covering the operations during the preceding fiscal year;

(c) Signing any deeds, bonds, contracts or other instruments which the Board has authorized to be executed by the Chief Executive Officer, either alone or with the Secretary or other officer of the Corporation, as authorized by the Board;

(d) Attending and participating without vote in meetings of the Board;

(e) Attending and participating without vote in meetings of the Executive Committee of the Board;

(f) Directing and supervising the activities and performance of subordinate executives of the Corporation in accordance with the management structure approved by the Board from time to time; and

(g) Performing all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed from time to time by the Board or as set forth in his or her employment agreement with OSF.

SECTION 5.11. Duties of the Vice Presidents. The Vice-Presidents shall perform such duties and have such responsibilities as may be prescribed from time to time by OSF and the Chief Executive Officer and shall be considered as members of the Chief Executive Officer's staff.

ARTICLE VI
COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 6.1. Standing and Other Committees. The Board shall establish the standing committees set forth in this Article VI and may, by resolution, create such other committees as needed and define the activities thereof.

SECTION 6.2. Executive Committee.

(a) Composition and Schedule. The voting members of the Executive Committee shall be the members of the Executive Committee of the Member. The Executive Committee shall meet as needed.

(b) Responsibilities. The Executive Committee shall review reports from the Chief Executive Officer regarding the performance of executives of the Corporation. In addition, when the Board is not in session, the Executive Committee shall have all the powers, duties, responsibilities and authority of the Board, except as prohibited by law.

SECTION 6.3. Special Committees. Special committees which may exercise the authority of the Board may be created by resolution of the Board unless prohibited by law, the Articles of Incorporation, or these Bylaws, while advisory committees may be created by the action of the Chairperson. Chairpersons and committee members shall be appointed by the Chairperson of the Board. A special committee shall limit its activities to the accomplishment of the tasks for which it is appointed and shall have no power to act except as specifically conferred by action of the Board. Upon completion of the tasks for which it was created, a special committee shall stand discharged.

SECTION 6.4. Committee Appointments.

(a) All members of committees shall be appointed by the Chairperson or as the Board otherwise provides in any specific instance. Each member of a committee shall serve until the next annual meeting of the Board or until a successor is appointed.

(b) Any committee member may resign at any time by giving notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Any committee member may be removed by the Chairperson or by a majority vote of the Board. Vacancies in the membership of any committee shall be filled by the Chairperson of the Board.

(c) Each committee, other than advisory committees, must consist of not less than two (2) directors. Individuals other than directors may be appointed as committee members and shall have a vote unless the resolution establishing the committee or appointing such individuals provides otherwise.

(d) Notwithstanding any provision in Article VI specifying a specific number of individuals who are members of any committee, the Board by resolution may expand or reduce the number of individuals who may be members of any committee, and thereafter and pursuant to such resolution the Chairperson shall appoint additional individuals to or remove members from the committee.

SECTION 6.5. Committee Authority.

(a) For any committee to exercise any authority of the Board independently, its membership must be composed such that a majority of the voting members of the committee are also members of the Board and, except as otherwise provided herein, a majority of the committee members who are directors must approve any action to be taken by the committee.

(b) Committees with a majority of members who are not directors shall only act in an advisory capacity to the Board.

(c) Committees may not take any action prohibited by law and, unless otherwise provided herein, a committee may not elect, appoint or remove any officer or director or member of any committee, or fix the compensation of any member of a committee, or amend, alter, repeal or take action inconsistent with any resolution or action of the Board when the resolution or action of the Board provides by its terms that it shall not be amended, altered or repealed by action of a committee.

SECTION 6.6. Committee Procedures. Each committee shall record minutes of its deliberations, recommendations and conclusions and shall promptly deliver a copy of such minutes to the Secretary of the Corporation. Notice of the meetings of any committee shall be given by the chairperson of the committee, in accordance with Section 4.5, to the members thereof, and to the Chairperson and the Chief Executive Officer, each of whom shall have the right to attend and participate in the deliberations of the committee. The Chairperson, the Chief Executive Officer, or the committee chairperson may invite to any committee meeting such

individuals as they may select who may be helpful to the deliberations of the committee. A majority of the members of each committee shall constitute a quorum for the transaction of business. Except as otherwise specifically provided for herein, the act of a majority of the members of any committee present at a meeting at which a quorum is present shall be the action of the committee. Committee members may participate in and act at any meeting of a committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating. Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with actions of the Board. Any action which may be taken at a committee meeting may be taken without a committee meeting if unanimous written consent of the voting committee members is obtained in accordance with Section 4.6. When a committee takes final action on any matter pursuant to authority conferred by these Bylaws or delegated by the Board, its action and procedure shall be governed by the standards of Article IX regarding conflicts of interest.

SECTION 6.7. Subcommittee. For purposes of Article VI, the term committee shall also mean subcommittee.

ARTICLE VII
CORPORATE SEAL

SECTION 7.1. Corporate Seal. The Board shall adopt a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Illinois."

ARTICLE VIII
FISCAL MATTERS

SECTION 8.1. Fiscal Year. The fiscal year of the Corporation shall be the same as the fiscal years of the other members of the Obligated Group, as established by OSF from time to time.

SECTION 8.2. Contracts. The board may authorize officers or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, subject to the Reserved Powers, consistent with authority delegated to the chief executive officer of OSF from time to time.

SECTION 8.3. Loans and Indebtedness. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by the Member with such authority being either general or confined to specific instances. No loan shall be granted to an officer or director of the Corporation.

SECTION 8.4. Checks Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation or to the Corporation, shall be signed or endorsed by such officer or officers, agent or agents of the Corporation as are authorized to sign checks in accordance with the Corporation's check signing policy and procedures as in effect from time to time.

SECTION 8.5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board may select.

SECTION 8.6. Maintenance of Records. The Corporation shall keep or cause to be kept correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board, and shall keep at the principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by the Member or any member of the Board for any proper purpose at any reasonable time. In addition, the Corporation shall annually cause a certified audit of its accounts in compliance with Section 2.2(g) of these Bylaws to be made and shall cause to be filed the necessary reports, tax returns, or other documents as may be required by law on its behalf.

SECTION 8.7. Donations. The Board may accept on behalf of the Corporation any contribution, donation, gift, bequest or devise for the general purposes, or for any special purpose, of the Corporation.

ARTICLE IX
POLICIES OF THE BOARD

SECTION 9.1. General. All OSF policies not in conflict with the terms of the Affiliation Agreement among OSF, the Member, the Corporation, and others, dated as of January 31, 2011 ("**Affiliation Agreement**"), shall apply with respect to the Corporation's governance, management and operation. The Board may from time to time approve policies governing the operation of the Board and the Corporation's operations, which shall include, but not be limited to, a policy governing conflicts of interest and a policy regarding compliance. The Board shall not enact any policy that conflicts with or purports to nullify the effect of a policy of the OSF Board without the approval of OSF.

SECTION 9.2. Conflict of Interest.

(a) Any director, officer or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of their interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Corporation's interest.

(b) The body to which such disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use their personal influence on, nor participate (other than to present factual information or to respond to questions) in, the discussions or deliberations with respect to such contract or transaction. Such person shall not be counted in determining the existence of a quorum at any meeting where the contract or transaction is under

discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and whether a quorum was present.

(c) For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if they are a party (or one of the parties) contracting or dealing with the Corporation, or is a director, officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation.

ARTICLE X
INDEMNIFICATION

SECTION 10.1. Power to Hold Harmless. Subject to the laws of Illinois in effect from time to time, any person who was or is a party who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, with respect to any criminal action or proceeding that the person had reasonable cause to believe that his or her conduct was lawful.

SECTION 10.2. Power to Indemnify Litigant. Subject to the laws of Illinois in effect from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 10.3. Reimbursement Authorized. To the extent that a director, officer, employee or agent of the Corporation has been successful, on the merits or otherwise in the defense of any action, suit or proceeding referred to in Section 10.1 or 10.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

SECTION 10.4. Determination if Reimbursement is Proper. Any indemnification under Section 10.1 or 10.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 10.1 and 10.2 of this Article. Such determination shall be made: (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the Member.

SECTION 10.5. Advance of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceedings may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article.

SECTION 10.6. Non-Exclusivity. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of the Member or disinterested directors, or otherwise, both as to action in his or her official capacity, and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 10.7. Right to Acquire Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XI
AMENDMENTS

These Bylaws may be recommended to be altered, amended or repealed and new Bylaws may be recommended to be adopted by a majority vote of all members of the Board of Directors at any regular or special meeting of the Board of Directors. No such alteration, amendment or repeal shall be effective before the approval by the Member. These Bylaws may be altered, amended or repealed by and new Bylaws may be adopted by the Member upon its own motion or upon the recommendation from the Board at any regular or special meeting of the Member's

board of directors. Any amendments shall be consistent with the terms of the Affiliation Agreement. These Bylaws shall be reviewed annually.

ADOPTED and approved by the Board of Rockford Health Physicians on _____, 2011, at Rockford, Illinois, to be effective as of the Closing Date of the Affiliation Agreement.

_____
Secretary

(SEAL)

Exhibit F

FORM NFP 110.30R (rev. Dec 2003)
ARTICLES OF AMENDMENT
RESTATED ARTICLES
OF INCORPORATION
General Not For Profit Corporation Act

Jesse White, Secretary of State
Department of Business Services
Springfield, IL 62756
Telephone (217) 782-1832
www.cyberdriveillinois.com

Remit payment in the form of a check or money order payable to the Secretary of State.

_____ File #_____ Filing Fee: $100.00 Approved: _____

Submit in duplicate — Type or Print clearly in black ink — Do not write above this line

1. Corporate name (Note 1): Rockford Health Physicians

2. Manner of adoption of amendment:
The following amendment to the Articles of Incorporation was adopted on [Insert Date] (Month, Day & Year) in the manner indicated below (Check one only):

___ By affirmative vote of a majority of the directors in office, at a meeting of the board of directors, in accordance with Section 110.15. (Note 2)

___ By written consent, signed by all the directors in office, in compliance with Sections 110.15 and 108.45 (Note 3)

✓ By members at a meeting of members entitled to vote by the affirmative vote of the members having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation or the bylaws, in accordance with Section 110.20. (Note 4)

___ By written consent signed by members entitled to vote having not less than the minimum number of votes necessary to adopt such amendment, as provided by this Act, the articles of incorporation, or the bylaws, in compliance with Sections 107.10 and 110.20. (Note 5)

3(a). List all provisions of the restated articles of incorporation that amend the existing articles of incorporation. (Attach additional pages if extra space is needed.)

2, 3, 4, 5

3(b). Text of the Restated Articles of Incorporation (Note 6)
(Attach additional pages if extra space is needed.)

See attached.

C-325

Attachment #5

4. The undersigned corporation has caused these articles to be signed by a duly authorized officer, who affirms, under penalties of perjury, that the facts stated herein are true. (All signatures must be in BLACK INK.)

Dated _____ _____ Rockford Health Physicians
(Month & Day) (Year) (Exact Name of Corporation)

_____
(Any Authorized Officer's Signature)

Gary E. Kaatz, President
(Print Name and Title)

5. If there are no duly authorized officers, then the persons designated under Section 101.10(b)(2) must sign below and print name and title.
The undersigned affirms, under penalties of perjury, that the facts stated herein are true.

Dated _____ (Month, Day & Year)

Signature	Print Name and Title
_____	_____
_____	_____
_____	_____
_____	_____

NOTES

Note 1: State the true and exact corporate name as it appears on the records of the Secretary of State, BEFORE any amendment herein reported.

Note 2: Directors may adopt amendments without member approval only when the corporation has no members, or no members entitled to vote pursuant to §110.15

Note 3: Director approval may be (1) by vote at a director's meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

Note 4: All amendments not adopted under Sec. 110.15 require (1) that the board of directors adopt a resolution setting forth the proposed amendment and (2) that the members approve the amendment.

Member approval may be (1) by vote at a members meeting *(either annual or special)* or (2) by consent, in writing, without a meeting.

To be adopted, the amendment must receive the affirmative vote or consent of the holders of at least 2/3 of the outstanding members entitled to vote on the amendment, *[but if class voting applies, then also at least a 2/3-vote within each class is required).*

The articles of incorporation may supersede the 2/3 vote requirement by specifying any smaller or larger vote requirement not less than a majority of the outstanding votes of such members entitled to vote and not less than a majority within each when class voting applies. *(Sec. 110.20)*

Note 5: When member approval is by written consent, all members must be given notice of the proposed amendment at least 5 days before the consent is signed. If the amendment is adopted, members who have not signed the consent must be promptly notified of the passage of the amendment. *(Sec. 107.10 & 110.20)*

Note 6: The text of the restated articles of incorporation must set forth the following:
(i) The date of incorporation, the name under which the corporation was incorporated, subsequent names, if any, that the corporation adopted pursuant to amendment of its articles of incorporation, and the effective date of any such amendments;
(ii) the address of the registered office and the name of the registered agent on the date of filing the restated articles of incorporation.

If the registered agent and/or registered office have changed, it will be necessary to accompany this document with form NFP 105.10.

Attachment #5

Restated Articles of Incorporation of

Rockford Health Physicians

Article 1. The name of the corporation is Rockford Health Physicians. The corporation is an Illinois not-for-profit corporation, created on March 26, 1993, with the name Rockford Memorial Health Services Corporation. The name of the corporation was changed to Rockford Clinic pursuant to filing Articles of Amendment effective September 5, 2001, and was thereafter changed to Rockford Health Physicians pursuant to filing Articles of Amendment effective November 8, 2004.

Article 2. Agent Name: Julie A. Peterson
Agent Address: 2400 N. Rockton Ave, Rockford, IL 61103.

Article 3. The sole member is OSF Northern Region, an Illinois not-for-profit corporation.

Article 4.

Corporate Purposes. Rockford Health Physicians, an Illinois not-for-profit corporation ("Corporation") shall operate exclusively for charitable, scientific, educational, scholastic, or religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent Federal tax laws (hereinafter referred to as the "Code"), in the course of which operation:

a. No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its directors, officers, or other persons; except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein;

b. No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or against, any candidate for public office;

c. The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, may possess including the power to use, distribute, contribute, expend, donate, apply, and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, scientific, educational, scholastic, or religious purposes;

d. The Corporation shall not carry on any activities not permitted to be carried on by, and no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the

Corporation from being (a) a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code;

and in furtherance thereof, subject to the powers reserved to the Member in the Corporation's bylaws: to promote the interests of the Member in its charitable, scientific, educational, scholastic, and religious programs and activities; to promote, directly or indirectly, the interests of other entities controlled by the Member that are organizations exempt from Federal income tax under Section 501(c)(3) of the Code; to own, lease, or otherwise deal with all property, real and personal, to be used in furtherance of these purposes; to contract with other persons and entities in furtherance of these purposes; and to undertake such other activities which, in the opinion of the Board of Directors of this Corporation ("Board") and at its discretion, will support the foregoing.

Article 5.

Dissolution. In the event of the dissolution of the Corporation, the Board, after paying or making provision for the payment of all of the liabilities of the Corporation, shall distribute, in any proportions considered prudent, all of the assets of the Corporation to the Member, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Member is not then exempt, to OSF Healthcare System, an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if OSF Healthcare System, an Illinois not for profit corporation, is not then exempt, to The Sisters of the Third Order of St. Francis ("Third Order"), an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if the Third Order is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, scientific, educational, scholastic, or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

Tab G

G

Tab H

H

Tab I

Tab J

J

EXHIBIT J

AMENDED AND RESTATED CORPORATE BYLAWS

OF

OSF HEALTHCARE SYSTEM

ARTICLE I

NAME, OFFICES AND PURPOSES

SECTION 1. Name

The name of the Corporation is OSF Healthcare System (the "**Corporation**"), an Illinois not for profit corporation.

SECTION 2. Offices

The location of the principal office of the Corporation shall be in the City of Peoria, Illinois, and the Corporation may have other offices within or without the State of Illinois as the Board of Directors may from time to time determine. The Corporation shall have and continuously maintain in Illinois a registered office which may, but need not be, the same as its principal office, and a registered agent whose office address is identical with such registered office.

SECTION 3. Purposes

(a) The purposes for which the Corporation is organized are: to establish, acquire, support, erect, maintain, own and equip health care providers and institutions, including, without limiting the foregoing, hospitals, medical centers, nursing homes, skilled nursing facilities, intermediate care facilities, home health agencies and ambulatory care centers; to conduct, sponsor, support, promote, develop, own and operate charitable, educational, scientific and scholastic programs and activities and other activities and programs ancillary to and in support of the foregoing; and to foster, promote, support, develop, encourage, maintain, receive and accept funds, gifts and contributions for and on behalf of such activities; and to establish, conduct, sponsor, acquire, own, maintain and operate such other entities and activities which, in the opinion of the Board of Directors and at its discretion, will support the foregoing.

(b) No part of the net earnings of the Corporation shall inure to the benefit of any private individual; no part of the income of the Corporation shall be distributed to its members, directors, or officers; provided, however, that the payment of reasonable compensation for services rendered shall not be deemed a distribution of income. No substantial part of the activities of the Corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation. The Corporation shall not

participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of or against any candidate for public office.

(c) The Corporation shall possess all powers which a corporation organized under the General Not For Profit Corporation Act of the State of Illinois, as the same from time to time may be amended, shall possess including the power to use, distribute, contribute, expend, donate, apply and appropriate all of its property and assets, and all proceeds and avails thereof, and income and profit derived therefrom, exclusively for charitable, educational, scholastic, religious or scientific purposes; provided, however, the Corporation shall not engage in any business which would disqualify it from being exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986, (the "**Code**"), as amended, or the corresponding provision of any future United States Internal Revenue law, as an organization described in Section 501(c)(3) of the Code.

(d) In the event of the dissolution or liquidation of the Corporation, and after payment of its just debts and liabilities, all remaining assets shall be distributed to The Sisters of the Third Order of St. Francis, an Illinois not for profit corporation, if said corporation is then exempt as an organization described in Section 501(c)(3) of the Code, or, if said corporation is not then exempt, to such other organization or organizations which are organized and operated exclusively for charitable, educational, scholastic, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code.

(e) Anything herein contained to the contrary notwithstanding, no assets of the Corporation shall be donated, distributed, applied to, paid over or otherwise used or employed in any manner which would disqualify the Corporation from being exempt from taxation as an organization described in Section 501(c)(3) of the Code.

ARTICLE II

MEMBER

SECTION 1. Sole Corporate Member

The sole member of the Corporation shall be The Sisters of the Third Order of St. Francis, an Illinois not for profit corporation (the "**Member**"). Any provision of law requiring notice to, the presence of, or the vote, consent, or other action of the Member of the Corporation in connection with such matter shall be satisfied by notice to, the presence of, or the vote, consent, or other action of the Governing Board of the Member.

SECTION 2. Powers Reserved to the Member

The following transactions shall be authorized only by vote of the Member of the Corporation, which vote shall be taken only after considering the advice of the Board of Directors of this Corporation. Any action taken by the Member on any of these matters shall be immediately communicated to the Board of Directors of this Corporation.

(a) To establish the philosophy and mission according to which the Corporation operates.

(b) To amend the Corporation's Articles of Incorporation and Bylaws.

(c) To elect and remove, with or without cause, the directors of the Corporation.

(d) To merge or dissolve the Corporation.

(e) To lease, sell, encumber or otherwise alienate real property of the Corporation.

(f) To approve any transfer, lease, sale or encumbrance of personal property of the Corporation except in the ordinary course of business.

(g) To approve any borrowing or debt financing in excess of a specified limit established by resolution of the Member.

(h) To appoint (or approve the appointment of) and remove the Corporation's Chairperson, Chief Executive Officer, President, Regional President/Chief Executive Officers and the Division President and CEO of each health care facility and operating division owned, operated or controlled by the Corporation, including the OSF Northern Region Chief Executive Officer.

(i) To approve strategic plans, management objectives, and capital and operating budgets of the Corporation.

(j) To approve any purchase or other acquisition in excess of a specified limit established by resolution of the Member.

(k) To require a certified audit of corporate finances and to appoint the certified public accountant to perform the audit.

(l) To approve the engagement of any outside legal counsel to represent the Corporation on a regular basis and the dismissal of any current legal counsel representing the Corporation on a regular basis.

(m) To give preliminary approval prior to the development of, and to give final approval prior to the execution of, all documents to which the Corporation is or will be a party and which relate to the creation, formation, organization, or termination of any other legal entity (whether a corporation, limited liability company, partnership, or any other entity) in which the Corporation will have any ownership interest, membership interest, power to elect or appoint board members or officers, or any other formal

participation arrangement, whether acting alone or in conjunction with any other person or entity.

SECTION 3. Authority

(a) The authority of the Member is governed by the Canonical and Civil Guidelines pertaining to Church properties.

(b) The Member retains the right to approve the introduction or termination of value sensitive ministries or services, and to eliminate services or activities which are in conflict with the philosophy and purposes of the established ministry.

(c) The Member has the authority to establish monitoring mechanisms which will help assure that the traditions, spirit and charism of the Member will be lived and followed in the Corporation.

SECTION 4. Action by the Member

The Member shall act by executing and delivering to the Chairperson, Chief Executive Officer, or Secretary of the Corporation a written instrument or instruments, signed by an authorized officer of the Member, setting forth the action taken. The action of the Member shall be deemed to have been taken on the dates the written instruments are so delivered unless the instruments provide otherwise.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. General Powers

The management, control and operation of the affairs and properties of this Corporation shall vest and be in the Board of Directors (the "**Board**") of the Corporation. The Board shall have the power and authority to do and perform all acts or functions consistent with the Articles of Incorporation and Bylaws of the Corporation and any amendments thereto, and the laws of the State of Illinois.

SECTION 2. Number and Qualification

The Board shall be composed of ten to fifteen directors, except when vacancies on the Board occur by reason of death, resignation, or otherwise, the number shall be reduced by such vacancies until qualified replacements are elected or appointed for the unexpired term. Directors need not be residents of the State of Illinois. A majority of the directors serving at any time shall be professed Sisters of the Member, and a majority of the members of the Governing Board of the Member shall at all times be directors of the Corporation. One director, who shall also be a member of the board of directors of the OSF Northern Region, shall be nominated by the board of directors of OSF Northern

Region and approved by the Board in its reasonable discretion (the "**NR Director**"). From the closing date of that certain Affiliation Agreement among the Corporation, Rockford Health System (renamed OSF Northern Region) and others (the "**Closing Date**") until the tenth (10th) anniversary of Closing Date, the individual nominated by the board of directors of OSF Northern Region shall be one of the two directors named by **[Post Closing Name of RMDF]** to serve on the board of directors of OSF Northern Region. Thereafter, the board of directors of OSF Northern Region shall nominate any individual from its board who is a Community Board Member, as such term is defined in the Bylaws of the OSF Northern Region. If OSF Northern Region ceases to exist as a legal entity at any time following the Closing Date, then for so long as **[Post Closing Name of RMDF]** exists as a legal entity the board of directors of **[Post Closing Name of RMDF]** shall nominate an individual who meets the criteria and preferences for a Community Board Member, as such term is defined in the Bylaws of OSF Northern Region, for such appointment to the Board. If both OSF Northern Region and **[Post Closing Name of RMDF]** cease to exist as legal entities at any time following the Closing Date, the Corporation shall appoint an individual who meets the criteria and preferences for a Community Board Member, as such term is defined in the Bylaws of OSF Northern Region, to serve on the Board. All directors shall have the equal right to vote.

Directors shall have the following qualifications:

(a) Commitment to the Philosophy, Mission, Values and Vision of the Member Corporation.

(b) Commitment to uphold the Catholic Code of Ethics in all dealings and deliberations pertaining to the Board's responsibilities.

(c) Knowledge and experience useful to the Corporation in maintaining its values and achieving its Mission, such as leadership skills, health care delivery knowledge, legal expertise or financial skills.

(d) Willingness to support the Corporation with a commitment of time necessary to become and remain informed concerning the issues confronting the Corporation and the ability to regularly attend Board meetings.

(e) Ability to be discreet in keeping Board discussions and business confidential.

(f) Ability to rise above the concerns of a particular constituency and represent the interest of the Corporation as a whole.

(g) Be of respectable character, have an interest in the Catholic health care delivery system and a deep concern and willingness to serve.

Attachment #5

SECTION 3. Election and Term of Office.

(a) All directors, except as otherwise set forth herein regarding the NR Director, shall be elected, re-elected or replaced by the Member.

(b) The term of office for each director shall be two years or until their successor shall have been duly elected. However, notwithstanding the aforementioned, for the first year in which these Bylaws are in force and effect, one half of the directors shall be elected to serve until the next annual meeting, and one half of the directors shall be elected to serve until the first anniversary of the next annual meeting, in order that staggered terms can be initiated.

(c) Any director may be elected to succeed himself or herself, without limitation on the number of terms a director may serve, provided that said director continues to satisfy the requirements for qualification specified in Section 2 of this Article.

(d) The term of office of all directors shall commence immediately following the meeting at which they were elected by the Member.

(e) The term of office of any director shall end at the close of the annual meeting held during the year in which said director's term expires, or upon the appointment and qualification of a successor, whichever shall occur last.

SECTION 4. Resignation and Removal of Directors

Any director may resign at any time by giving written notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Unexcused absence from more than twenty-five percent (25%) of all Board meetings without the prior excuse of the Chairperson of the Board shall be an automatic resignation. A director may be excused from Board meeting attendance if such director is absent from the state, suffering from an acute illness or, in the discretion of the Chairperson of the Board, for any other excused absence. Any director may be removed from office, with or without cause, by the Member.

SECTION 5. Election and Vacancies

Any vacancy on the Board, except for a vacancy of the NR Director, may be filled by the Member for the unexpired portion of the term. Upon a vacancy of the NR Director, the board of directors of the OSF Northern Region shall promptly nominate a new director to be approved by the Board in its reasonable discretion.

SECTION 6. Annual Meeting

The annual meeting of the Board for the election of officers and the transaction of such business as may come before the Board shall be held on the second Monday of

Attachment #5

January of each year or, in the discretion of the Chairperson of the Board, within sixty days of such regularly scheduled annual meeting and at such time and place as shall be determined by the Chairperson of the Board.

SECTION 7. Regular Meetings

Regular meetings of the Board shall be held at least quarterly at such time and place designated by the Chairperson of the Board by announcement at the preceding Board meeting, by written notice to the members of the Board by the Chairperson or Chief Executive Officer, or by resolution of the Board prescribing the time and place for regular meetings.

SECTION 8. Special Meetings

Special meetings of the Board may be called by or at the request of the Chairperson of the Board, a Vice-Chairperson, the Chief Executive Officer, or a majority of the directors then in office.

SECTION 9. Notice

(a) Notice of any annual, regular or special meeting shall be given in writing by personal delivery, by United States mail, or by electronic mail to each director at least three days before the day on which the meeting is to be held. If given by United States mail, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at the address as shown in the records of the Corporation with postage thereon prepaid. If given by electronic mail, such notice shall be deemed to be delivered upon receipt by the sender of an electronic acknowledgment of delivery to the recipient at the electronic mail address of the recipient as shown in the records of the Corporation.

b) Notice may be waived in writing by any director either before or after the meeting. Attendance at any meeting by a director shall be deemed to be a waiver of notice unless the director intends to object to the transaction of business because the meeting is not lawfully convened.

(c) Neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

SECTION 10. Quorum

A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board; provided, that if less than a majority of the directors are present, those directors present may adjourn the meeting from time to time without further notice.

Attachment #5

SECTION 11. Manner of Acting

The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board except where otherwise provided by law or by these Bylaws. There shall be no voting by proxy.

SECTION 12. Informal Action

Any action required to be taken at a meeting of the Board or any committee thereof may be taken without a meeting if a consent in writing setting forth the action so taken shall be provided by all of the directors then in office or all members of a committee of the Board, as the case may be. Written consent may be provided by electronic mail. All the approvals evidencing consent shall be delivered to the Secretary at such mailing or electronic mail address as the Secretary may designate to be filed in the records of the Corporation. The action shall be effective when all of the directors or the committee members, as the case may be, have approved the consent, unless the consent specifies a different effective date.

SECTION 13. Compensation

Directors may receive compensation for their services as such and may be reimbursed for bona fide expenses incurred arising out of services rendered. Nothing herein shall prohibit payment of compensation to an individual serving as a director who renders services to the Corporation in another capacity.

SECTION 14. Conflict of Interest

(a) Any director, officer or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of their interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Corporation's interest.

(b) The body to which such disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use their personal influence on, nor participate (other than to present factual information or to respond to questions) in, the discussions or deliberations with respect to such contract or transaction. Such person shall not be counted in determining the existence of a quorum at any meeting where the contract or transaction is under discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and whether a quorum was present.

Attachment #5

(c) For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if they are a party (or one of the parties) contracting or dealing with the Corporation, or is a director, officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation.

ARTICLE IV

OFFICERS

SECTION 1. Officers

The officers of the Corporation shall be a Chairperson of the Board, one or more Vice-Chairpersons, a Chief Executive Officer, a President, a Secretary and a Treasurer. The Board may elect additional officers as it shall seem desirable. Unless specifically provided in these Bylaws, an officer need not be a director. One person may hold two or more offices.

SECTION 2. Election and Term of Office

The officers, except for the Chairperson, Chief Executive Officer and President shall be elected by the Board, except as otherwise provided at the annual meeting of the Board. Each officer shall hold office for a term of one year or until a successor is elected, unless such officer shall sooner resign or be removed.

SECTION 3. Resignation and Removal of Officers

Any officer may resign at any time by giving written notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Any officer may be removed by the Member whenever in the judgment of the Member the best interests of the Corporation will be served thereby.

SECTION 4. Vacancies

A vacancy in any elected office except for the offices of Chairperson, Chief Executive Officer and President may be filled by the Board for the unexpired portion of the term.

SECTION 5. Chairperson of the Board

The Chairperson shall be appointed by the Member. The Chairperson shall preside at all meetings of the Board. The Chairperson may sign and execute, on behalf of the Corporation with the Secretary or any other proper officer of the Corporation authorized by the Board, any corporate records, documents and instruments. The Chairperson shall have and exercise all powers usually incident to the office of the Chairperson of a not for profit corporation and shall perform such other duties as may be

Attachment #5

delegated by the Board from time to time. The Chairperson must be a member of the Board.

SECTION 6. Vice-Chairperson

The Vice-Chairperson shall act as Chairperson in the absence or refusal of the Chairperson to act and when so acting the Vice-Chairperson shall have all of the powers and authority of the Chairperson. The Vice-Chairperson shall also perform such other duties and functions as may be delegated by the Board. If there is more than one Vice-Chairperson, the Board shall designate their seniority. A Vice-Chairperson must be a member of the Board.

SECTION 7. Chief Executive Officer

The Chief Executive Officer shall be appointed by the Member. Subject to such supervisory powers, if any, as may be given by the Board to the Chairperson, the Chief Executive Officer shall be the highest executive officer of the Corporation and shall, subject to the control of the Board and of the Member (when exercising the powers reserved to the member in Article II Section 2), have general supervision, direction and control of the business and affairs of the Corporation and shall have the general powers and duties of management, including, but not limited to:

(a) Advise and make recommendations to the Board relating of the operation of the Corporation and strategic planning.

(b) Present a report at each annual meeting of the Board covering the operations during the preceding fiscal year.

(c) Sign any deeds, bonds, contracts or other instruments which the Board has authorized to be executed by the Chief Executive Officer, either alone or with the Secretary or other officer of the Corporation, as authorized by the Board.

(d) Attend and participate without vote in meetings of the Board unless entitled to a vote as a member of the Board.

(e) Attend and participate without vote in meetings of the Executive Committee of the Board, if any, unless entitled to a vote as a member of the Executive Committee.

Attachment #5

(f) Direct and supervise the activities and performance of subordinate executives of the Corporation in accordance with the management structure approved by the Board from time to tie.

(g) Perform all duties incident to the office of President during such times as the office of President is vacant or in the absence of the President.

(h) Perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board.

The Chief Executive Officer shall not automatically be a member of the Board.

SECTION 8. President

The President shall be a professed Sister of The Sisters of the Third Order of St. Francis and shall be appointed by the Member; however, the Member shall not be obligated to fill this office. If appointed by the Member, the President shall perform such duties as the Board or the Chief Executive Officer may from time to time determine. The President may serve in the absence or disability of the Chief Executive Officer and may be authorized by the Board under such circumstances to assume and exercise the authorities hereinabove granted and assigned to the Chief Executive Officer. In the event of differences or disagreements between the Chief Executive Officer and the President on matters of policy operations which would, or could with the passage of time, have a material effect, whether favorable or adverse, upon the Corporation, its mission, goals, objectives, or operations, the President shall report such differences or disagreements to the Board for resolution. In furtherance and not in limitation of the foregoing, the President shall have the following powers and duties:

(a) Advise and make recommendations to the Board relating to the operation of the Corporation and strategic planning.

(b) Sign any deeds, bonds, contracts or other instruments which the Board has authorized to be executed by the President, either alone or with the Secretary or other officer of the Corporation, as authorized by the Board.

(c) Attend and participate without vote in meetings of the Board unless entitled to a vote as a member of the board.

Attachment #5

(d) Attend and participate without vote in meetings of the Executive Committee of the Board, if any, unless entitled to a vote as a member of the Executive Committee.

(e) Direct and supervise the activities and performance of subordinate executives of the Corporation, if any, which are to report to the President in accordance with the management structure approved by the Board from time to time.

(f) Perform such other duties as may be prescribed by the Board.

The President shall not automatically be a member of the Board.

SECTION 9. Secretary

The Secretary shall:

(a) Sign documents of the Corporation from time to time as required;

(b) Keep the minutes of the meetings of the Board and a record of actions of the Board in one or more books provided for that purpose;

(c) See that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(d) Be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents as required; and,

(e) Perform such additional duties as may be assigned by the President or delegated by the Board.

SECTION 10. Treasurer

The Treasurer shall:

(a) Be responsible for the custody of the funds and securities of the Corporation;

(b) Advise the Board respecting its financial condition and the handling of its monies and investments; and

(c) Perform such additional duties as may be assigned by the President or delegated by the Board.

Attachment #5

SECTION 11. Assistant Secretary

An Assistant Secretary, if elected by the Board, shall perform such duties as the Board or the Secretary shall assign. In the absence of the Secretary, the Assistant Secretary shall perform the duties of the Secretary.

SECTION 12. Assistant Treasurer

An Assistant Treasurer, if elected by the Board, shall perform such duties as the Board or the Treasurer shall assign. In the absence of the Treasurer, the Assistant Treasurer shall perform the duties of the Treasurer.

ARTICLE V

COMMITTEES

SECTION 1. Designation

The Board may, by resolution, create committees as needed and define the activities thereof. Unless prohibited by law, the Articles of Incorporation, or these Bylaws, the Board may delegate authority to Board committees. Members of Board committees shall be appointed by the Chairperson of the Board unless otherwise provided for by these Bylaws or by resolution of the Board. Committees may include persons other than directors; provided, that Board committees shall include two or more directors, and a majority of the members of each Board committee shall be directors.

SECTION 2. Term of Office

Each member of a Board committee shall serve until the next annual meeting of the Board or until a successor is appointed.

SECTION 3. Resignation and Removal

Any committee member may resign at any time by giving written notice to the Chairperson of the Board or Secretary of the Corporation. Such resignation shall take effect at the time specified therein. Any committee member may be removed by the Chairperson of the Board or by a majority vote of the Board.

SECTION 4. Vacancies

Vacancies in the membership of any committee shall be filled by the Chairperson of the Board.

Attachment #5

SECTION 5. Committee Chairperson

The Chairperson of the Board shall serve as chairperson of the Executive Committee and designate one member of each other committee(s) to serve as chairperson of that committee.

SECTION 6. Notice

Committees shall meet at the call of the chairperson of the committee. Notice of any committee meeting shall be given at least three business days before the meeting is to be held. Notice of the meeting shall be either oral or in writing at the discretion of the committee chairperson, and if given in writing shall be given in the manner described in Article III Section 9 hereof.

SECTION 7. Quorum

A majority of the committee membership shall constitute a quorum for the transaction of business at any meeting of the committee.

SECTION 8. Manner of Acting

The act of a majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee. A committee may also act by unanimous consent in writing without a meeting in the manner described in Article III Section 12 hereof.

SECTION 9. Minutes

Each committee shall keep minutes of its meetings and shall regularly report to the Board.

SECTION 10. Rules

Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with actions by the Board.

SECTION 11. Executive Committee

(a) The Executive Committee, if created by the Board, shall be composed of not less than three members, including the Chairperson of the Board and other members selected from among the directors by the Chairperson. The Chairperson of the Board shall be the chairperson of the Executive Committee.

(b) The Executive Committee sball serve during periods when the Board is not in session. The Executive Committee shall be authorized to take such action as may be necessary on behalf of the Corporation.

Attachment #5

ARTICLE VI

DIVISION PRESIDENT & CEO

For each health care facility operated by the Corporation and each operating division of the Corporation other than health care facilities operated by the Corporation within the Northern Region, which shall be managed by the OSF Northern Region pursuant to the terms of that certain Management Services Agreement effective as of the Closing Date, the Member shall appoint or approve a competent and experienced Division President and CEO (the "**Division President**") who shall be its representative in the management of the health care facility or other operating division, subject to the supervision and authority of the Board and the Chief Executive Officer or other officers to whom supervisory authority may be delegated by the Board. For purposes of these Bylaws, the term "**Northern Region**" means the geographic area bounded by the Fox River and Illinois Route 31 on the East, the Mississippi River on the West, the Wisconsin border on the North, and Interstate 80 on the South, and also includes the Wisconsin counties of Greene, Grant, Lafayette, Rock and Walworth. Any Division President may be removed and the title of any Division President may be changed at any time by action of the Member. The Division President shall be given the necessary authority and held responsible for the administration of the health care facility in all its departments or other operating division, subject to the supervision and authority of the Board and the Chief Executive Officer or other officers to whom supervisory authority may be delegated by the Board and subject to such orders as may be issued by the Member or by any of its representatives to which it has delegated power to act. The authority and duties of the Division President shall include but shall not be limited to the following:

(a) To develop and submit to the Board for approval a scheme or organization of the personnel and others concerned with the operation of the health care facility or other operating division.

(b) To prepare and submit an operation and capital expenditure budget.

(c) To select, employ and manage all employees authorized by the budget.

(d) To maintain buildings and grounds in a good state of repair.

(e) To supervise all business affairs, such as the records of financial transaction, collection of accounts, and purchase and issue of supplies, and be certain that all

Attachment #5

funds are collected and expended to the best possible advantage.

(f) To cooperate with the medical staff and to secure like cooperation on the part of all those concerned with rendering professional service, to the end that the patients may receive the best possible care.

(g) To submit regularly to the Board or its authorized representatives periodic reports showing the professional service and financial activities of the health care facility or other operating division and to prepare and submit any special reports that may be required by the Board.

(h) To attend meetings of the Board at which the affairs or operations of the health care facility or other operating division for which the Division President has responsibility are scheduled to be discussed.

(i) To perform any other duty that may be necessary in the best interest of the health care facility or other operating division.

ARTICLE VII

MEDICAL/DENTAL STAFF

SECTION 1. Organization

For each health care facility operated by the Corporation, the Board shall appoint a medical/dental staff (the "**Medical Staff**") composed of physicians and dentists that shall see that they are organized in such a manner as to secure the best possible patient care. In administrative matters, the Medical Staff, as an organized body, shall act in an advisory capacity; this function is carried on through the formal liaison of the health care facility.

SECTION 2. Appointments and Hearings

(a) The Board shall appoint to the Medical Staff physicians, dentists and other professionals in numbers not exceeding the hospital's needs, whom it shall deem to be qualified and whose services it considers will promote the more efficient fulfillment of the purposes of the health care facility. The qualifications for membership on the Medical Staff, for staff category, and for privileges are more specifically set forth in the Bylaws of the Medical Staff. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his patients, subject to such limitations as are contained in these Bylaws, in resolutions of the Board adopted pursuant to these Bylaws

Attachment #5

and in the Bylaws and rules of the Medical Staff approved by the Board after adoption by the Medical Staff, and subject further to any limitations attached to this appointment.

(b) Each application for appointment shall be in writing and shall contain full information concerning the applicant's training, experience, licensure, reputation, demonstrated competence, delineation of privileges desired, personal cooperation and responsibility, ethical standing, previous hospital appointments and any unfavorable history with respect to the foregoing. Each application is presented to the Division President of the health care facility (or, in the case of the health care facilities operated by the Corporation within the Northern Region, to the OSF Northern Region Chief Executive Officer) who shall transmit it to the Secretary of the Medical Staff. Each application is reviewed and acted upon by the Credentials Committee, Executive Committee and Medical Staff prior to final action being taken by the Board.

(c) Appointments to the Medical Staff shall be for a term of not more than two years. Reappointments to the Medical Staff are at the discretion of the Board.

(d) The Board shall establish procedures, as outlined in the Bylaws of the Medical Staff, when an appointment is refused or not renewed, when a requested staff category is denied, or when privileges have been or are proposed to be reduced, suspended or terminated. The practitioner affected shall be afforded an opportunity for hearing before an appropriate committee(s) whose recommendation shall be considered by the Board prior to taking final action on the matter. Such hearings shall be conducted informally under procedures adopted by the Board so as to assure a fair hearing and afford opportunity for the presentation of all pertinent information. Whenever the Board does not concur in a Medical Staff recommendation relative to clinical privileges, provision will be made for a review of the recommendations by a joint committee of the Medical Staff and Board before a final decision is reached by the Board. Any physician or dentist whose engagement by the hospital requires membership on the Medical Staff shall not have his Medical Staff privileges terminated without the same fair hearing provisions as provided for any other member of the Medical Staff unless otherwise stated in a written contract. The foregoing notwithstanding, the Board may provide for automatic suspension of a practitioner's privileges upon the occurrence of certain events with respect to which no hearing will be afforded.

SECTION 3. Patient Care and Evaluation

(a) The Board shall assign to the Medical Staff such duties as it deems necessary for the maintenance of medical care at a standard of excellence. To accomplish this, the Board shall delegate appropriate authority to the Medical Staff officers through the President of the Corporation or the Division President of the health care facility (or, in the case of the health care facilities operated by the Corporation within the Northern Region, through the OSF Northern Region Chief Executive Officer).

(b) The Medical Staff shall conduct a continuing review and appraisal of the quality and quantity of medical care rendered in the health care facility in terms of

Attachment #5

established standards, and shall report such activities and their results to the Board through the Division President of the health care facility (or, in the case of the health care facilities operated by the Corporation within the Northern Region, through the OSF Northern Region Chief Executive Officer).

(c) The Medical Staff shall make recommendations to the Board concerning: (1) appointments and reappointments; (2) designations and alterations of staff category; (3) granting, suspension, revocation or alteration of privileges; (4) disciplinary actions; (5) all matters relating to personal conduct and professional competency; and (6) such specific matters as may be referred to it by the Board, the Chief Executive Officer or the President of the Corporation, or Division President of the health care facility (or, in the case of the health care facilities operated by the Corporation within the Northern Region, by the OSF Northern Region Chief Executive Officer).

SECTION 4. Medical/Dental Staff Bylaws and Rules

There shall be Bylaws and Rules for the Medical Staff of each health care facility setting forth its purposes, organization and government. Such Bylaws and Rules may be proposed by the Medical Staff or the Board, but no such action shall become effective unless ratified by the Board. No provision in the Medical Staff Bylaws and Rules shall be valid if it is inconsistent with the Articles of Incorporation or the Bylaws of the Corporation as they may from time to time exist, nor shall they be valid if inconsistent with the Ethical and Religious Directives for Catholic Health Care Services as promulgated from time to time by the United States Conference of Catholic Bishops.

SECTION 5. Status of Staff Members With Privileges

The Medical Staff, committees of the Medical Staff and practitioners who are members thereof, and any other persons to whom privileges of any sort are granted, when performing their duties hereunder in the health care facility operated by the Corporation in accordance with their professional judgments shall not be considered employees of the Corporation. Nothing contained in these Bylaws is intended or shall be interpreted to cause the Medical Staff or the practitioners who are members thereof to be employees of the Corporation or any health care facility operated by the Corporation. The Corporation may, however, by specific written contract so stating, retain individual practitioners as employees to perform services for the Corporation.

SECTION 6. Formal Liaison

For each hospital operated by the Corporation, excluding hospitals operated by the Corporation in the Northern Region, there shall be a Formal Liaison Meeting ("Formal Liaison Meeting"). The Formal Liaison Meeting shall serve as a formal means of medico-administrative communication among the Board of the Corporation and the Division President and Medical Staff of the hospital.

Attachment #5

(a) Composition - Each Formal Liaison Meeting shall include representatives from the Board and from the Medical Staff and the Division President of the hospital.

(b) Purposes - The purposes of the Formal Liaison Meeting are:

(1) To assist in the development of hospital policy.

(2) To maintain open communication, specifically as related to pertinent action taken or contemplated.

(3) To provide a forum for consideration of plans for future growth or change in hospital organization and for discussion of problems that arise in the operation of the hospital.

(c) Meetings - The Formal Liaison Meeting shall occur at least twice a year, more often if necessary.

(d) Minutes - Minutes shall be recorded and given to the Board, representatives of the Medical Staff and Division President of the hospital.

ARTICLE VIII

SUPPLEMENTAL BYLAWS

In the course of the operation of its business, the Corporation will from time to time ratify and proclaim bylaws or constitutions and bylaws for various advisory boards, medical/dental staffs, auxiliaries and nursing school faculties, and for other purposes and allied organizations, and the Board shall have the power to organize and continue all such allied organizations and ratify, change and amend all such bylaws or constitutions and bylaws unless specifically delegated with ratification reserved by the Member.

ARTICLE IX

FISCAL MATTERS

SECTION 1. Fiscal Year

The fiscal year of the Corporation shall commence on the first day of October and end on the last day of September of each year.

SECTION 2. Contracts

Attachment #5

The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation.

SECTION 3. Loans

No loans or borrowing shall be contracted for or on behalf of the Corporation unless authorized by a resolution of the Board. No loan shall be granted to any officer or director of the Corporation. Forms of indebtedness in excess of that amount specified by resolution of the Member pursuant to Article II, Section 2(g) of the Bylaws must be approved by the Member.

SECTION 4. Checks and Drafts

All checks, drafts, or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation or to the Corporation, shall be signed and endorsed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 5. Deposits

All funds of the Corporation, not otherwise employed, shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select.

SECTION 6. Books, Records and Accounts

The Corporation shall keep or cause to be kept correct and complete books and records of account and shall also keep minutes of the proceedings and records of the actions of the Board and its committees. In addition, the Corporation shall annually cause a certified audit of its accounts in compliance with Article II, Section 2(k) of these Bylaws to be made and shall cause to be filed the necessary reports, tax returns or other documents as may be required by law on its behalf.

ARTICLE X

INDEMNIFICATION

SECTION 1. Power to Hold Harmless

Subject to the laws of Illinois in effect from time to time, any person who was or is a party who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or who is or was serving

Attachment #5

at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, with respect to any criminal action or proceeding that the person had reasonable cause to believe that his or her conduct was lawful.

SECTION 2. Power to Indemnify Litigant

Subject to the laws of Illinois in effect from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 3. Reimbursement Authorized

To the extent that a director, officer, employee or agent of the Corporation has been successful, on the merits or otherwise in the defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

SECTION 4. Determination if Reimbursement is Proper

Any indemnification under Sections 1 or 2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a

Attachment #5

determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 1 and 2 of this Article. Such determination shall be made: (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the Member.

SECTION 5. Advance of Expenses

Expenses incurred in defending a civil or criminal action, suit or proceedings may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article.

SECTION 6. Non-Exclusivity

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of the Member or disinterested directors, or otherwise, both as to action in his or her official capacity, and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. Right to Acquire Insurance

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XI

CORPORATE SEAL

The Board shall adopt a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation, the state of incorporation and the words "Corporate Seal".

Attachment #5

ARTICLE XII

AMENDMENT OF BYLAWS

These Bylaws may be altered, amended, restated or repealed by the Member upon its own motion or upon a recommendation from the Board at any regular meeting or at any special meeting called for that purpose. A two-thirds (2/3) vote of the total members of the Board shall be required to recommend an amendment of these Bylaws to the Member. Neither the Member nor the Board shall amend Article III Section 2 or any other provisions that would amend the rights of OSF Northern Region to appoint the NR Director without the approval of the OSF Northern Region Board. These Bylaws shall be reviewed annually.

ADOPTED by the Board of Directors of OSF Healthcare System, this ___ day of _____, at Peoria, Illinois, to be effective as of the Closing Date.

_____

Chairperson of the Board

ATTEST:

_____

Secretary

(SEAL)

Adopted: *July 7, 1989*
Reviewed: *March 2, 1991*
Reviewed: *January 27, 1992*
Reviewed: *February 15, 1993*
Revised: *November 2, 1993*
Reviewed: *February 13, 1995*
Reviewed: *March 18, 1996*
Reviewed: *April 7, 1997*

Attachment #5

Reviewed:	*February 22, 1999*
Revised:	*August 16, 1999*
Revised:	*November 13, 2000*
Reviewed:	*February 12, 2001*
Reviewed:	*February 18, 2002*
Reviewed:	*February 17, 2003*
Revised:	*September 15, 2003*
Revised:	*January 12, 2004*
Reviewed:	*January 24, 2005*
Reviewed:	*January 23, 2006*
Reviewed:	*January 29, 2007*
Revised:	*August 25, 2008*
Revised:	*January 25, 2010*
Revised:	_____

(OSF-01-2010)

Attachment #5

Tab K

K

EXHIBIT K

POSITION DESCRIPTION:
OSF NORTHERN REGION BOARD MEMBER

General Summary

The Board of OSF Northern Region (the "**Corporation**") is responsible to review and approve policies, make decisions and engage in oversight for OSF Healthcare System ("**OSF**") and its sponsorship member, The Sisters of the Third Order of St. Francis (the "**Third Order**") and their Mission of caring for the sick and the poor, entrusted to them by the Catholic Church. The role of the Board is to govern, not to manage, the Corporation. To that end, the Board establishes the strategies and goals of the Corporation, reviews and approves policies and makes decisions to support those ends, and oversees performance and exercises accountability for results.

Corporate Philosophy

It is the obligation of the members of the Board to abide by and promote the Philosophy, Values, Mission and Vision of the Third Order.

Legal Duties

The Board members have the following legal duties:

- A duty to uphold the charitable purpose of the Corporation, a duty that should be demonstrable in all the Board's decisions.
- A duty of loyalty, to act based on the best interests of the Corporation and the wider communities it serves.
- A duty of care, to act in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the corporation., by preparing for meetings, attending faithfully, participating in discussions, asking questions, making sound and independent business judgments and seeking independent opinions when necessary.

Core Responsibilities

The Board members shall fulfill certain core or fundamental responsibilities in overseeing the efforts of the Corporation. These responsibilities focus on:

1. Adherence to the Teachings of the Catholic Church
2. Strategic Direction Oversight
3. Quality and Patient Safety Oversight
4. Financial Oversight
5. Management Oversight, including participating in selection and evaluation of a well-qualified and ethical CEO
6. Governing Documents, Policies, Executive Compensation, Credentialing, Risk Management and Legal and Ethical Compliance Oversight

7. Self-Assessment & Development, including keeping abreast of any relevant developments in the OSF Northern Region and the healthcare industry generally
8. Advocacy

Reserved Powers

In the exercise of their authority in the fulfillment of their duties, the Board Members shall observe and respect the Reserved Powers held by OSF Healthcare System.

1. **Adherence to the Teachings of the Catholic Church.** The Board Members have the responsibility to ensure that the Moral and Ethical Teachings of the Catholic Church are followed as they pertain to the Mission of the Third Order.

2. **Strategic Direction Oversight.** The Board members have the responsibility to recommend the future direction the organization will take to meet the community's health needs and ensure the ongoing Mission of the Third Order. To fulfill this responsibility, the Board shall:

   a. Review and recommend to the OSF Board the Vision of the OSF Northern Region.

   b. Ensure that the strategic management plan reflects the needs and concerns of the OSF Northern Region and its subsidiaries and understand the Board's role in its implementation.

   c. Monitor the programs and initiatives of OSF Northern Region to ensure consistency with the OSF system-wide plan.

   d. Annually review and recommend to the OSF Board the strategic management plan of the OSF Northern Region and ensure that the strategic management plan is consistent with the Mission, Vision and Values of OSF.

   e. Assess the extent to which the OSF Northern Region meets its goals and objectives.

   f. Review and recommend to the OSF Board the establishment of joint ventures involving the OSF Northern Region.

   g. Review, and recommend to the OSF Board the establishment and discontinuance of major services.

3. **Quality and Patient Safety Oversight.** The Board members have the responsibility to ensure the quality, safety and reliability of all services provided by OSF Northern Region and its subsidiaries. Consistent with the OSF system-wide policies and initiatives, the Board shall:

   a. Approve annual plans for quality performance improvement and patient safety.

b. Make sure that there are explicit quality and safety improvement targets set and met for the OSF Northern Region.

c. Analyze committee reports on clinical outcomes, patient safety, and quality of service to ensure fulfillment of the OSF Northern Region's commitment to quality.

d. Take corrective action, when appropriate and necessary, to address quality performance.

e. Recognize that the quality of services shall be closely related to strategic planning and financial oversight responsibilities.

4. **Financial Oversight**. The Board members have responsibility for the financial integrity of the OSF Northern Region. Consistent with OSF system-wide policies and initiatives, the Board shall:

a. Review and approve financial policies, plans, programs, standards and goals to ensure preservation and enhancement of the OSF Northern Region's assets and resources.

b. Provide oversight for the assets of the OSF Northern Region.

c. Review and recommend to the OSF Board the annual Operating Budget, Capital and Special Project Budgets for the OSF Northern Region.

d. Analyze actual performance against budget projections.

e. Review and recommend to the OSF Board major capital plans outside the budget cycle for the OSF Northern Region.

5. **Management Oversight**. The Board members shall oversee management performance by the OSF Northern Region CEO. Consistent with OSF system-wide policies and initiatives, the Board shall:

a. Recruit and recommend employment of the OSF Northern Region CEO to the OSF Board.

b. Evaluate the performance of the OSF Northern Region CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.

c. Communicate regularly with the OSF Northern Region CEO regarding the Board's goals, expectations, and concerns.

d. Establish specific performance policies that provide the OSF Northern Region CEO with a clear understanding of what the Board expects and update these policies based on changing conditions.

e. Periodically review the OSF Northern Region's top management succession plans to ensure leadership continuity.

6. **Governing Documents, Policies, Executive Compensation and Compliance Oversight.** The Board members shall:

a. Govern the organization in conformance with the OSF Northern Region Articles of Incorporation and Bylaws, and the applicable provisions of the OSF Corporate Policies.

b. Recommend to the OSF Board amendments and additions to the OSF Northern Region Articles of Incorporation and Bylaws.

c. Recommend to the OSF Board amendments and additions to policies within the Corporate Administrative Manual, including the Corporate Compliance Plan.

d. Take appropriate action to assure adherence to and respect of the Reserved Powers held by OSF and by OSF Northern Region.

e. Make recommendations to OSF regarding team awards, management incentive compensation and executive compensation consistent with programs established by the OSF Board.

f. Make recommendations for the annual compensation of the OSF Northern Region CEO to OSF.

g. Establish and oversee programs to ensure that the organization and its subsidiaries fulfill legal, regulatory and accreditation requirements.

7. **Self-Assessment & Development**. The Board members shall assume responsibility for their own effective and efficient performance. To discharge its stewardship responsibilities, the Board shall:

a. Annually evaluate the Board's performance.

b. Evaluate the Board performance of individual Board members to determine the appropriateness of continued service on the Board.

c. Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for itself, its members, officers and committees.

d. Participate both as a Board and as individuals in orientation programs and continuing education programs.

8. **Advocacy**. The Board members need to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the Board shall:

a. Set goals for the organization around the issue of public advocacy.

b. Build relationships and support the OSF Northern Region's policies with key stakeholders, political leaders and donors, consistent with the Corporation's nonprofit, tax exempt status.

c. Ensure that each subsidiary of OSF Northern Region understands the community health needs in the communities it serves.

Performance Expectations for Board Members.

1. **Accountability**. Each Board member is ultimately accountable to act in the best interests of the Corporation, the Third Order and the Mission of the Third Order. Each Board member carries out his or her responsibilities in recognition of a fiduciary responsibility and does not represent the interests of any constituency or individual.

2. **Exercise of Authority**. Each Board member carries out the powers of his or her office only when acting as a voting member during a duly constituted meeting of the Board or one of its appointed bodies. Each Board member respects the responsibilities delegated by the Board to the OSF Northern Region CEO, management, and the medical staff, avoiding interference with their duties but insisting upon accountability and reporting mechanism for assessing performance.

3. **Chain of Command**. If a member of the community or medical staff brings a specific issue, concern or complaint to a Board member, the Board member shall handle it through appropriate channels. In general, complaints and concerns about hospital operations or medical staff issues should be directed to the OSF Northern Region CEO. Unresolved matters shall be brought to the Board, or to a Board committee, only after consultation with the OSF Northern Region CEO and after other avenues for resolution have been attempted.

4. **Attendance**. Each Board member strives to attend all Board meetings, assigned committee meetings and Board retreats.

5. **Participation**. Each Board member comes to meetings prepared, asks informed questions, and makes a positive contribution to discussions. Each Board member treats others with trust and respect.

6. **Confidentiality**. Each Board member does not disclose proprietary, sensitive or personnel-related information.

7. **Public Support**. Each Board member explains and supports the decisions and policies of the Board in discussions with outsiders, even if the Board member voiced other views during Board discussions.

8. **Conflict of Interest**. Each Board member avoids conflicts of interest and fully complies with the Corporation's Conflict of Interest policy and other policies on individual conduct.

9. **Education**. Each Board member takes advantage of opportunities to be educated and informed about the Board, the Corporation, and the healthcare field.

10. **Self-evaluation**. Each Board member participates in the self-evaluation of the Board and individual members.

Tab L

L

EXHIBIT L

OPTION TO PURCHASE

THIS OPTION TO PURCHASE (the "**Option**") is entered into as of _____ ___, 2011, by and between OSF HEALTHCARE SYSTEM, an Illinois not-for-profit corporation ("**OSF**"), and ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION, an Illinois not-for-profit corporation, to be renamed [NEW NAME FOR RMDF] ("**RMDF**") (each a "**Party,**" and collectively, the "**Parties**").

WHEREAS, OSF, RMDF and others have entered into that certain Affiliation Agreement dated as of January 31 2011 (the "**Affiliation Agreement**"), setting forth their respective rights and obligations with respect to the affiliation (the "**Affiliation**").

WHEREAS, the Affiliation is intended to support the charitable health care missions of OSF and RHS and to better serve the Northern Region, including through RMDF's support and promotion of health-related organizations in the Northern Region.

WHEREAS, as a condition to the willingness of RMDF to enter into the Affiliation Agreement, RMDF required that OSF enter into this Option.

WHEREAS, pursuant to the Affiliation Agreement and upon the occurrence of certain events (as more particularly described in Section 16.4 of the Affiliation Agreement), OSF agreed to grant RMDF the right and option to purchase from OSF the Northern Region Facilities and Services.

IT IS, THEREFORE, AGREED AS FOLLOWS:

1. DEFINED TERMS. All capitalized terms used herein and not otherwise defined herein are as defined in the Affiliation Agreement. Set forth below is a glossary of defined terms used in this Agreement in addition to those defined in the Affiliation Agreement:

(a) "*Book Value of the Purchased Assets*" means the value of the Purchased Assets as stated on the OSF Northern Region Balance Sheet as of the Purchase Closing.

(b) "*Option Period*" means the ninety (90) day period following RMDF's receipt of a Transfer Notice from OSF.

(c) "*OSF Northern Region Balance Sheet*" means the detailed virtual balance sheet for the OSF Northern Region Facilities and Services further described in Section 20.1.99 of the Affiliation Agreement.

(d) "*OSF Northern Region Income Statement*" means the detailed virtual income statement for the OSF Northern Region Facilities and Services, a template of which is attached hereto as Exhibit A, and which shall be populated at Closing using the OSF Interim Financial Statements and the RHS Interim Financial Statements, and populated thereafter through the Purchase Closing.

(e) "***Purchased Assets***" means all (but not less than all) of the OSF Northern Region Facilities and Services identified in the Transfer Notice; provided that if the hospitals are identified in the Transfer Notice then all physician practices owned by OSF and RHS in the Northern Region and their contracts/employment relationships with physicians practicing in the Northern Region shall also be identified in the Transfer Notice.

(f) "***Purchase Price***" means an amount equal to the sum of:

(i) the Book Value of the Purchased Assets; minus

(ii) the Net Assets of RHS immediately before Closing decreased by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date; plus/minus

(iii) the RHS Portion of Accumulated Earnings (Losses); minus

(iv) the total amount of Indebtedness, if any, assumed by RMDF.

Example calculations of the Purchase Price are depicted on Exhibit B attached hereto and terms used in this subsection (g) shall be defined consistently with their usage in Exhibit B.

(g) "***RHS Portion of Accumulated Earnings (Losses)***" means the total amount of accumulated net income (losses) as shown on the OSF Northern Region Income Statement from the Closing Date to the earlier of the Purchase Closing or the third anniversary of the Closing Date, multiplied by a fraction, the numerator of which is the amount of total net assets of the RHS Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date, and the denominator of which is the amount of the total net assets of the OSF Northern Region Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date. Terms used in this subsection (h) shall be defined consistently with their usage in Exhibit B.

2. GRANT OF OPTION TO PURCHASE. OSF hereby grants to RMDF the irrevocable right, at its option, during the Option Period, to purchase all, but not less than all, of the Purchased Assets, in the event OSF gives to RMDF a Transfer Notice, for the Purchase Price on the terms set forth herein and in a definitive agreement to be negotiated and executed by the Parties.

3. EXERCISE OF OPTION TO PURCHASE. In the event that RMDF exercises its option and agrees to purchase all, but not less than all, of the Purchased Assets, RMDF shall give written notice to OSF of such election as soon as practicable but no later than the end of the Option Period (the "Exercise Notice"). The closing of such sale (the "**Purchase Closing**") shall take place on a mutually acceptable date and time, which date shall be as soon as practicable following determination of the Purchase Price with commercially reasonable efforts to close prior to the

Attachment #5

302

date on which the Parties are required to comply with the change in law precipitating the Transfer Notice (and, to the extent the Purchase Closing cannot occur prior to such date, the Parties shall agree upon on alternative interim arrangement). If RMDF gives Exercise Notice and its acquisition of the Purchased Assets closes, then the Management Agreement shall terminate upon the Purchase Closing.

4. PAYMENT OF PURCHASE PRICE; TRANSFER OF ASSETS. At the Purchase Closing:

(a) RMDF shall make payment to OSF for the Purchased Assets by delivering immediately available funds to the order of OSF in the full amount of the Purchase Price, minus the total amount of Indebtedness, if any, assumed by RMDF.

(b) OSF shall transfer to RMDF all, but not less than all, of the Purchased Assets, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind other than permitted exceptions set forth in the definitive agreement.

5. DEFINITIVE AGREEMENT. RMDF and OSF shall document the asset transfer pursuant to a definitive agreement, which agreement shall contain, among other things, such covenants, conditions and other provisions customarily found in an asset transfer agreement; and RMDF and OSF shall use all reasonable efforts to enable the Purchased Assets to be transferred without violation of law or material breach of any contract or agreement including, without limitation, obtaining any required consent, waiver, release or agreement from any contractual third party (and RMDF and OSF shall cooperate in negotiating reasonable new third party arrangements where an existing contract relates to both the Purchased Assets and operations or assets being retained by OSF), and, if necessary, refinancing, defeasing or redeeming Obligations outstanding pursuant to the OSF Master Indenture and related documents or obtaining consents or waivers from the bond trustee, bondholders or other constituencies as needed to enable the transfer (and RMDF agrees to assist OSF as reasonably requested in preparing pro forma financial projections and/or presentations to bond constituencies). RMDF and OSF shall cooperate in transferring or obtaining necessary licenses and governmental approvals. RMDF and OSF shall discuss and make mutually acceptable arrangements with respect to any assets which would otherwise be Purchased Assets but which must be excluded from the transfer because they cannot be legally transferred, such as donated assets restricted by the terms of the donation. Subject to the foregoing, the asset transfer agreement shall include: (i) a condition that fulfillment of the covenants under the definitive agreement shall not violate, conflict with or constitute a default under or breach of any other contract or other commitment to which RMDF or OSF is a party, (ii) a condition that consummation of the transaction shall not constitute a breach of the OSF Master Indenture, and that OSF shall obtain an opinion of Bond Counsel to the effect that the sale will not adversely affect the validity of the bonds or any exemption from federal income taxation to which such bonds would otherwise be entitled if any of the Purchased Assets include property financed with the proceeds of tax-exempt bonds, (iii) a condition that OSF and RMDF obtain all regulatory consents and other approvals by third parties required to consummate the transactions described therein, (iv) a covenant that RMDF shall assume all contracts associated solely with the Purchased Assets including without limitation employment agreements, vendor agreements, provider agreements, construction contracts, licenses, equipment and real estate leases, and (v) a covenant that the Parties exercise reasonable good faith efforts to consummate the transaction contemplated by this Option.

6. FURTHER ASSURANCES. In the event of the exercise of the option to purchase under this Agreement, each of the Parties shall execute and deliver all such further documents and instruments and take all such further actions as may be reasonably necessary in order to consummate the transactions contemplated hereby.

7. NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) Business Day after mailing; (c) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, upon delivery; (d) if sent by facsimile transmission or electronic mail after 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, on the following Business Day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as any Party shall provide by like notice to the other Parties:

RMDF:

Executive Director
c/o Rockford Health System
2400 North Rockton Avenue
Rockford, IL 61103
Fax:
Email:

with a simultaneous copy to:

Kerrin Slattery, Esq.
McDermott Will & Emery LLP
227 West Monroe Street, Suite 4400
Chicago, IL 60606
Fax: (312) 276-4238
Email: kslattery@mwe.com

OSF:

James M. Moore
Chief Executive Officer
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: james.moore@osfhealthcare.org

and:

Vance C. Parkhurst
Senior Vice President, Legal Services
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: vance.c.parkhurst@osfhealthcare.org

with a simultaneous copy to: Stephen T. Moore, Esq.
Hinshaw & Culbertson LLP
100 Park Avenue
Rockford, IL 61101
Fax: (815) 490-4901
Email: smoore@hinshawlaw.com

8. LEGAL FEES AND COSTS. Except as otherwise set forth herein, the Parties shall bear their own costs in connection with the exercise of the Option; provided, however, OSF shall bear the cost associated with the retirement, defeasance or redemption of bonds or other debt secured in any way by the Purchased Assets needed in order to enable OSF to transfer the Purchased Assets. In the event either Party elects to incur legal expenses to enforce or interpret any provision of this Agreement by judicial proceedings, the prevailing Party in those proceedings shall be entitled to recover such legal expenses, including, without limitation, reasonable attorneys' fees, costs and necessary disbursements at all court levels, in addition to any other relief to which such Party shall be entitled.

9. CHOICE OF LAW. This Agreement shall be construed, and the rights and liabilities of the Parties hereto determined, in accordance with the internal laws of the State of Illinois; provided, however, that the conflicts of law principles of the State of Illinois shall not apply to the extent that they would operate to apply the laws of another state.

10. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their respective successors and assigns. This Agreement shall not be assignable by either Party without the prior written consent of the other Party.

11. ENTIRE AGREEMENT. This Agreement together with the Affiliation Agreement constitute the entire agreement and understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, express or implied, written or oral, between the Parties with respect thereto.

12. AMENDMENTS; WAIVERS. This Agreement may not be amended, supplemented or otherwise modified except upon the execution and delivery of a written agreement by the Parties. No waiver by either Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the Party so waiving. The waiver by either Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. HEADINGS. The section headings continued in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____

Name: Gary E. Kaatz

Title: President

OSF HEALTHCARE SYSTEM

By: _____

Name: James M. Moore

Title: Chief Executive Officer

Exhibit A

OSF Northern Region Income Statement

Exhibit B

Example Calculations of the Purchase Price

Purchase Price Calculation for Exhibits L N

Purchase price calculations for Exhibit L & N
Figures in the examples are fictitious and are used for illustrative purposes only
Earnings are unequal, equity transfer from RHS & SAMC is made, new debt is issued for PPE and earnings have resulted in cash, PPE and liabilities.
(In thousands)

	Balance Sheet - Initial Closing					
	RHS			OSF		
Transactions at closing						
Appraisal adjustment made at time of closing	(40,000)			-		
OSF retires RHS debt off of Northern Region	100,000			-		
Transactions during first 3 year period						
Purchase of PPE	75,000	funded via debt (60,000) and cash (15,000)		45,500		
Change in Other Liabilities and Cash	(2,000)			3,000		
Debt added to RHS	60,000	used to fund PPE purchase		45,000		
Net Income (recognized as cash) yrs 1-3	30,000			1,000		
Net Income (recognized as cash) yrs 3+	50,000			40,000		
Equity Transfer from (to) OSF (recognized as cash) Yr 1-3	(40,000)			-		
Equity Transfer from (to) OSF (recognized as cash) yr 3+	-			(20,000)		

	RHS Facilities and Services					Total OSF Northern Region Facilities & Services
	B/S directly before closing (1)	Appraisal Write Down (3)	Entry #2 Debt Entry (4)	B/S directly after closing	Total OSF Facilities & Services (2)	
Cash & Investments	160,000			160,000	65,000	225,000
PPE	130,000	(40,000)		90,000	60,000	150,000
Other Assets	210,000			210,000	45,000	255,000
Total Assets	500,000	(40,000)	-	460,000	170,000	630,000
Cur and LT Debt	100,000		(100,000)	-	5,000	5,000
Other Liabilities	175,000			175,000	15,000	190,000
Total Liabilities	275,000			175,000	20,000	195,000
Net Assets	225,000	(40,000)	100,000	285,000	150,000	435,000
Total Liab & Net Assets	500,000	(40,000)	100,000	460,000	170,000	630,000
Percentage split of Net Assets (RHS % is calculated before write-down and debt payment)	60%				40%	

3/0

Attachment #5

Purchase Price Calculation for Exhibits L N

Balance Sheet - at end of interim period (less than 3 years)

	Total RHS Facilities & Services after closing adjustments	Equity Transfer	Add PPE	Record Income	Other Liabilities	Subtotal End of year 3	Record Income Yrs 3+	Income Adjustment (5)	Final Before sale
Cash & Investments	160,000	(40,000)	(15,000)	30,000	(2,000)	133,000	50,000	(11,400)	171,600
PPE	90,000		75,000			165,000			165,000
Other Assets	210,000					210,000			210,000
Total Assets	460,000	(40,000)	60,000	30,000	(2,000)	508,000	50,000	(11,400)	546,600
	-		60,000			60,000			60,000
Cur and LT Debt	175,000				(2,000)	173,000			173,000
Other Liabilities	175,000	-	60,000	-	(2,000)	233,000	-	-	233,000
Total Liabilities									
	285,000	(40,000)	-	30,000		275,000	50,000	(11,400)	313,600
Net Assets	460,000	(40,000)	60,000	30,000	(2,000)	508,000	50,000	(11,400)	546,600
Total Liab & Net Assets									

	Total OSF Facilities & Services	Equity Transfer	Add PPE	Record Income Yrs 1-3	Other Liabilities	Subtotal	Record Income Yrs 3+	Income Adjustment	Final
Cash & Investments	65,000	(20,000)	(500)	1,000	3,000	48,500	40,000	11,400	99,900
PPE	60,000		45,500			105,500			105,500
Other Assets	45,000					45,000			45,000
Total Assets	170,000	(20,000)	45,000	1,000	3,000	199,000	40,000	11,400	250,400
	5,000		45,000			50,000			50,000
Cur and LT Debt	15,000				3,000	18,000			18,000
Other Liabilities	20,000	-	45,000	-	3,000	68,000	-	-	68,000
Total Liabilities									
	150,000	(20,000)	-	1,000		131,000	40,000	11,400	182,400
Net Assets	170,000	(20,000)	45,000	1,000	3,000	199,000	40,000	11,400	250,400
Total Liab & Net Assets									

Adjustment to Net Assets to reflect Income Adjustment based on initial asset split

	Total RHS Facilities & Services	Total OSF Facilities & Services	Total OSF Northern Region Facilities & Services
Net Income as recorded	30,000	1,000	31,000
Percentage of net income (losses) based on initial asset split	60%	40%	
Reallocated accumulated net income (losses)	18,600	12,400	
Adjustment necessary	(11,400)	11,400	

3/1

Attachment #5

Purchase Price Calculation for Exhibits L N

Reference to Exhibit N Option to Purchase	Calculation of Purchase Price	RHS	OSF	Total Purchase Price
1.(g) (i)	Book Value of the Purchased Assets	546,600	250,400	797,000
1.(g) (ii)	Minus the Net Assets of RHS immediately before closing	(225,000)		(225,000)
1.(g) (iii)	Adjusted by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date	40,000		40,000
1.(g) (iv)	minus / plus the RHS Portion of Accumulated Earnings (Losses)	(18,600)		(18,600)
1.(g) (v)	Minus the total amount of indebtedness, if any, assumed by RMOF	-		-
	Purchase Price	343,000	250,400	593,400
	Reconciliation of purchase price			
	Repayment of original debt	100,000		100,000
	Liabilities not able to be assumed by RMOF	233,000		233,000
	Increase in Net Assets after year 3 RHS only	50,000		50,000
	Adjust for equity transfer (to) from OSF	(40,000)		(40,000)
	Assets sold from SAMC		250,400	250,400
		343,000	250,400	593,400

Key Assumptions and Variables

(1) Initial Balance Sheets for both RHS and SAMC are assumed for presentation purposes and do not reflect actual numbers

All *bold and italics* are original entries or assumptions for this exhibit

(2) Components include: SAMC as presented in SAMC's stand alone audit (which include State and Roxbury, LLC and SAMC's portion of OSF Foundation), Cardiovascular Institute at OSF, LLC, OSF Lifeline Ambulance, LLC, Illinois Pathology Services, LLC, and assets at Rockcut and SFI physical locations in the Northern Region.

(3) Reflects potential adjustment to be made by OSF to adjust fair value of RHS acquired assets based on appraisal

(4) Assumes that OSF absorbs current long term debt of RHS onto OSF corporate and not allocated back to RHS

(5) Assumes journal entry to record income adjustment is made prior to sales transaction

3/12

Attachment #5

Tab M

EXHIBIT M

OPTION TO PURCHASE

THIS OPTION TO PURCHASE (the "**Option**") is entered into as of _____ __, 2011, by and between OSF HEALTHCARE SYSTEM, an Illinois not-for-profit corporation ("**OSF**"), and ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION, an Illinois not-for-profit corporation, to be renamed [NEW NAME FOR RMDF] ("**RMDF**") (each a "**Party**," and collectively, the "**Parties**").

WHEREAS, OSF, RMDF and others have entered into that certain Affiliation Agreement dated as of January 31, 2011 (the "**Affiliation Agreement**"), setting forth their respective rights and obligations with respect to the affiliation (the "**Affiliation**").

WHEREAS, the Affiliation is intended to support the charitable health care missions of OSF and RHS and to better serve the Northern Region, including through RMDF's support and promotion of health-related organizations in the Northern Region.

WHEREAS, as a condition to the willingness of RMDF to enter into the Affiliation Agreement, RMDF required that OSF enter into this Option;

WHEREAS, pursuant to the Affiliation Agreement and upon the occurrence of certain events (as more particularly described in Section 18.6.1(a) of the Affiliation Agreement), OSF agreed to grant RMDF the right and option to purchase from OSF the RHS Facilities and Services.

IT IS, THEREFORE, AGREED AS FOLLOWS:

1. DEFINED TERMS. All capitalized terms used herein and not otherwise defined herein are as defined in the Affiliation Agreement. Set forth below is a glossary of defined terms used in this Agreement in addition to those defined in the Affiliation Agreement:

(a) "*Book Value of the Purchased Assets*" means the value of the Purchased Assets as stated on the OSF Northern Region Balance Sheet as of the Purchase Closing.

(b) "*Cure Period*" means either: (a) the sixty (60) day period following the date of OSF's receipt of RMDF's notice of breach pursuant to Section 18.6.1(a) of the Affiliation Agreement, as applicable; or (b) the one hundred eighty (180) day period following the date of OSF's receipt of RMDF's notice of breach pursuant to Section 18.6.1(a) of the Affiliation Agreement, as applicable, in the event OSF determines in its reasonable discretion that the breach described in the notice of breach from RMDF cannot be cured within sixty (60) days.

(c) "*Option Period*" means the ninety (90) day period following the end of the Cure Period.

(d) "*OSF Northern Region Balance Sheet*" means the detailed virtual balance sheet for the OSF Northern Region Facilities and Services further described in Section 20.1.99 of the Affiliation Agreement.

(e) "*OSF Northern Region Income Statement*" means the detailed virtual income statement for the OSF Northern Region Facilities and Services, a template of which is attached hereto as Exhibit A, and which shall be populated at Closing using the OSF Interim Financial Statements and the RHS Interim Financial Statements, and populated thereafter through the Purchase Closing.

(f) "*Purchased Assets*" means all (but not less than all) of the RHS Facilities and Services including all physician practices owned by RHS and RHS' contracts/employment relationships with physicians practicing at the RHS Facilities and Services and any assets transferred from RHS to OSF following the Closing Date.

(g) "*Purchase Price*" means an amount equal to the sum of:

(i) the Book Value of the Purchased Assets; minus

(ii) the Net Assets of RHS immediately before Closing decreased by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date; plus/minus

(iii) the RHS Portion of Accumulated Earnings (Losses); minus

(iv) the total amount of Indebtedness, if any, assumed by RMDF.

Example calculations of the Purchase Price are depicted on Exhibit B attached hereto and terms used in this subsection (g) shall be defined consistently with their usage in Exhibit B.

(h) "*RHS Portion of Accumulated Earnings (Losses)*" means the total amount of accumulated net income (losses) as shown on the OSF Northern Region Income Statement from the Closing Date to the earlier of the Purchase Closing or the third anniversary of the Closing Date, multiplied by a fraction, the numerator of which is the amount of total net assets of the RHS Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date, and the denominator of which is the amount of the total net assets of the OSF Northern Region Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date. Terms used in this subsection (h) shall be defined consistently with their usage in Exhibit B.

2. GRANT OF OPTION TO PURCHASE. From the Closing Date until the third anniversary of the Closing Date, OSF hereby grants to RMDF the irrevocable right, at its option, during the Option Period, to purchase all, but not less than all, of the Purchased Assets, in the event OSF fails to cure within the applicable Cure Period a breach of which OSF has received notice from RMDF pursuant to Section 18.6.1(a) of the Affiliation Agreement, as applicable, for the Purchase Price

on the terms set forth herein and in a definitive agreement to be negotiated and executed by the Parties.

3. EXERCISE OF OPTION TO PURCHASE. In the event that RMDF exercises its option and agrees to purchase all, but not less than all, of the Purchased Assets, RMDF shall give written notice to OSF of such election as soon as practicable but no later than the end of the Option Period (the "**Exercise Notice**"). The closing of such sale (the "**Purchase Closing**") shall take place on a mutually acceptable date and time, which date shall be as soon as practicable following determination of the Purchase Price with commercially reasonable efforts to close immediately upon receipt of all necessary regulatory approvals. If RMDF gives Exercise Notice and its acquisition of the Purchased Assets closes, then the Management Agreement shall terminate upon the Purchase Closing.

4. PAYMENT OF PURCHASE PRICE; TRANSFER OF ASSETS. At the Purchase Closing:

(a) RMDF shall make payment to OSF for the Purchased Assets by delivering immediately available funds to the order of OSF in the full amount of the Purchase Price, minus the total amount of Indebtedness, if any, assumed by RMDF.

(b) OSF shall transfer to RMDF all, but not less than all, of the Purchased Assets, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind other than permitted exceptions set forth in the definitive agreement.

5. DEFINITIVE AGREEMENT. RMDF and OSF shall document the asset transfer pursuant to a definitive agreement, which agreement shall contain, among other things, such covenants, conditions and other provisions customarily found in an asset transfer agreement; and RMDF and OSF shall use all reasonable efforts to enable the Purchased Assets to be transferred without violation of law or material breach of any contract or agreement including, without limitation, obtaining any required consent, waiver, release or agreement from any contractual third party (and RMDF and OSF shall cooperate in negotiating reasonable new third party arrangements where an existing contract relates to both the Purchased Assets and operations or assets being retained by OSF), and, if necessary, refinancing, defeasing or redeeming Obligations outstanding pursuant to the OSF Master Indenture and related documents or obtaining consents or waivers from the bond trustee, bondholders or other constituencies as needed to enable the transfer (and RMDF agrees to assist OSF as reasonably requested in preparing pro forma financial projections and/or presentations to bond constituencies). RMDF and OSF shall cooperate in transferring or obtaining necessary licenses and governmental approvals. RMDF and OSF shall discuss and make mutually acceptable arrangements with respect to any assets which would otherwise be Purchased Assets but which must be excluded from the transfer because they cannot be legally transferred, such as donated assets restricted by the terms of the donation. Subject to the foregoing, the asset transfer agreement shall include: (i) a condition that fulfillment of the covenants under the definitive agreement shall not violate, conflict with or constitute a default under or breach of any other contract or other commitment to which RMDF or OSF is a party, (ii) a condition that consummation of the transaction shall not constitute a breach of the OSF Master Indenture, and that OSF shall obtain an opinion of Bond Counsel to the effect that the sale will not adversely affect the validity of the bonds or any exemption from federal income taxation to which such bonds would otherwise be entitled if any of the Purchased Assets include

property financed with the proceeds of tax-exempt bonds, (iii) a condition that OSF and RMDF obtain all regulatory consents and other approvals by third parties required to consummate the transactions described therein, (iv) a covenant that RMDF shall assume all contracts associated solely with the Purchased Assets including without limitation employment agreements, vendor agreements, provider agreements, construction contracts, licenses, equipment and real estate leases, and (v) a covenant that the Parties exercise reasonable good faith efforts to consummate the transaction contemplated by this Option.

6. FURTHER ASSURANCES. In the event of the exercise of the option to purchase under this Agreement, each of the Parties shall execute and deliver all such further documents and instruments and take all such further actions as may be reasonably necessary in order to consummate the transactions contemplated hereby.

7. NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) Business Day after mailing; (c) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, upon delivery; (d) if sent by facsimile transmission or electronic mail after 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, on the following Business Day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as any Party shall provide by like notice to the other Parties:

RMDF:

Executive Director
c/o Rockford Health System
2400 North Rockton Avenue
Rockford, IL 61103
Fax:
Email:

with a simultaneous copy to:

Kerrin Slattery, Esq.
McDermott Will & Emery LLP
227 West Monroe Street, Suite 4400
Chicago, IL 60606
Fax: (312) 276-4238
Email: kslattery@mwe.com

OSF:

James M. Moore
Chief Executive Officer
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: james.moore@osfhealthcare.org

and: Vance C. Parkhurst
Senior Vice President, Legal Services
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: vance.c.parkhurst@osfhealthcare.org

with a simultaneous copy to: Stephen T. Moore, Esq.
Hinshaw & Culbertson LLP
100 Park Avenue
Rockford, IL 61101
Fax: (815) 490-4901
Email: smoore@hinshawlaw.com

8. LEGAL FEES AND COSTS. Except as otherwise set forth herein, the Parties shall bear their own costs in connection with the exercise of the Option; provided, however, OSF shall bear the cost associated with the retirement, defeasance or redemption of bonds or other debt secured in any way by the Purchased Assets needed in order to enable OSF to transfer the Purchased Assets. In the event either Party elects to incur legal expenses to enforce or interpret any provision of this Agreement by judicial proceedings, the prevailing Party in those proceedings shall be entitled to recover such legal expenses, including, without limitation, reasonable attorneys' fees, costs and necessary disbursements at all court levels, in addition to any other relief to which such Party shall be entitled.

9. CHOICE OF LAW. This Agreement shall be construed, and the rights and liabilities of the Parties hereto determined, in accordance with the internal laws of the State of Illinois; provided, however, that the conflicts of law principles of the State of Illinois shall not apply to the extent that they would operate to apply the laws of another state.

10. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their respective successors and assigns. This Agreement shall not be assignable by either Party without the prior written consent of the other Party.

11. ENTIRE AGREEMENT. This Agreement together with the Affiliation Agreement constitute the entire agreement and understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, express or implied, written or oral, between the Parties with respect thereto.

12. AMENDMENTS; WAIVERS. This Agreement may not be amended, supplemented or otherwise modified except upon the execution and delivery of a written agreement by the Parties. No waiver by either Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the Party so waiving. The waiver by either Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. HEADINGS. The section headings continued in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____

Name: Gary E. Kaatz

Title: President

OSF HEALTHCARE SYSTEM

By: _____

Name: James M. Moore

Title: Chief Executive Officer

Exhibit A

OSF Northern Region Income Statement

Exhibit B

Example Calculations of the Purchase Price

Purchase price calculations for Exhibit M
Figures in the examples are fictitious and are used for illustrative purposes only
Earnings are unequal, equity transfer from RHS is made, new debt is issued for PPE and earnings have resulted in cash, PPE and liabilities.
(in thousands)

Balance Sheet - Initial Closing

	RHS		OSF
Transactions at closing			
Appraisal adjustment made at time of closing	(20,000)		
OSF retires RHS debt off of Northern Region	100,000		
Transactions during first 3 year period			
Purchase of PPE	75,000	funded via debt (60,000) and cash (15,000)	
Change in Other Liabilities and Cash	2,000		
Debt added to RHS	60,000	used to fund PPE purchase	
Net Income RHS (recognized as cash)	30,000		
Net Income OSF (recognized as cash)	1,000		
Equity Transfer from (to) OSF (recognized as cash)	(40,000)		

	RHS Facilities and Services					
	B/S directly before closing (1)	Appraisal Write Down (3)	Entry #2 Debt Entry (4)	B/S directly after closing	Total OSF Facilities & Services (2)	Total OSF Northern Region Facilities & Services
Cash & Investments	160,000			160,000	65,000	225,000
PPE	130,000	(20,000)		110,000	60,000	170,000
Other Assets	210,000			210,000	45,000	255,000
Total Assets	500,000	(20,000)	-	480,000	170,000	650,000
Cur and LT Debt	100,000		(100,000)	-	5,000	5,000
Other Liabilities	175,000			175,000	15,000	190,000
Total Liabilities	275,000			175,000	20,000	195,000
Net Assets	225,000	(20,000)	100,000	305,000	150,000	455,000
Total Liab & Net Assets	500,000	(20,000)	100,000	480,000	170,000	650,000
Percentage split of Net Assets (RHS % is calculated before write-down and debt payment)	60%				40%	

Balance Sheet - at end of interim period (less than 3 years)

	Total RHS Facilities & Services after closing adjustments	Equity Transfer	Add PPE	Record Income	Other Liabilities	Subtotal End of year 3	Income Adjustment (5)	Final Before sale
Cash & Investments	160,000	(40,000)	(15,000)	30,000	2,000	137,000	(11,400)	125,600
PPE	110,000		75,000			185,000		185,000
Other Assets	210,000					210,000		210,000
Total Assets	480,000	(40,000)	60,000	30,000	2,000	532,000	(11,400)	520,600
Cur and LT Debt	-		60,000			60,000		60,000
Other Liabilities	175,000				2,000	177,000		177,000
Total Liabilities	175,000	-	60,000	-	2,000	237,000	-	237,000
Net Assets	305,000	(40,000)	-	30,000		295,000	(11,400)	283,600
Total Liab & Net Assets	480,000	(40,000)	60,000	30,000	2,000	532,000	(11,400)	520,600

323

Attachment #5

Purchase Price calculations for Exhibit M

Adjustment to Net Assets to reflect Income Adjustment based on initial asset split

		Total RHS Facilities & Services	Total OSF Facilities & Services	Total OSF Northern Region Facilities & Services
	Net Income as recorded	30,000	1,000	31,000
	Percentage of net income (losses) based on initial asset split	60%	40%	
	Reallocated accumulated net income (losses)	18,600	12,400	
	Adjustment necessary	(11,400)	11,400	

Reference to Exhibit N Option to Purchase	Calculation of Purchase Price		
1.(g) (i)	Book Value of the Purchased Assets	520,000	
1.(g) (ii)	Minus the Net Assets of RHS Immediately before closing	(225,000)	
1.(g) (iii)	Adjusted by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date	20,000	
1.(g) (iv)	minus / plus the RHS Portion of Accumulated Earnings (Losses)	(18,600)	
1.(g) (v)	Minus the total amount of indebtedness, if any, assumed by RMDF	-	It is assumed in this Model that all liabilities are retained by OSF
	Purchase Price	297,000	

Reconciliation of purchase price	
Repayment of original debt	100,000
Liabilities not able to be assumed by RMDF	237,000
Adjust for equity transfer (to) from OSF	(40,000)
	297,000

Key Assumptions and Variables

(1) Initial Balance Sheets for both RHS and SAMC are assumed for presentation purposes and do not reflect actual numbers

All *bold and Italics* are original entries or assumptions for this exhibit

(2) Components include: SAMC as presented in SAMC's stand alone audit (which include Stale and Roxbury, LLC and SAMC's portion of OSF Foundation), Cardiovascular Institute at OSF, LLC, OSF Lifeline Ambulance, LLC, Illinois Pathology Services, LLC, and assets at Rockcul and SFI physical locations in the Northern Region.

(3) Reflects potential adjustment to be made by OSF to adjust fair value of RHS acquired assets based on appraisal

(4) Assumes that OSF absorbs current long term debt of RHS onto OSF corporate and not allocated back to RHS

(5) Assumes journal entry to record income adjustment is made prior to sales transaction

324

Attachment #5

Tab N

EXHIBIT N

OPTION TO PURCHASE

THIS OPTION TO PURCHASE (the "**Option**") is entered into as of _____ __, 2011, by and between OSF HEALTHCARE SYSTEM, an Illinois not-for-profit corporation ("**OSF**"), and ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION, an Illinois not-for-profit corporation, to be renamed [NEW NAME FOR RMDF] ("**RMDF**") (each a "**Party**," and collectively, the "**Parties**").

WHEREAS, OSF, RMDF and others have entered into that certain Affiliation Agreement dated as of January 31, 2011 (the "**Affiliation Agreement**"), setting forth their respective rights and obligations with respect to the affiliation (the "**Affiliation**").

WHEREAS, the Affiliation is intended to support the charitable health care missions of OSF and RHS and to better serve the Northern Region, including through RMDF's support and promotion of health-related organizations in the Northern Region.

WHEREAS, as a condition to the willingness of RMDF to enter into the Affiliation Agreement, RMDF required that OSF enter into this Option;

WHEREAS, pursuant to the Affiliation Agreement and upon the occurrence of certain events (as more particularly described in Section 18.6.1(b) of the Affiliation Agreement), OSF agreed to grant RMDF the right and option to purchase from OSF the OSF Northern Region Facilities and Services.

IT IS, THEREFORE, AGREED AS FOLLOWS:

1. DEFINED TERMS. All capitalized terms used herein and not otherwise defined herein are as defined in the Affiliation Agreement. Set forth below is a glossary of defined terms used in this Agreement in addition to those defined in the Affiliation Agreement:

(a) "*Book Value of the Purchased Assets*" means the value of the Purchased Assets as stated on the OSF Northern Region Balance Sheet as of the Purchase Closing.

(b) "*Cure Period*" means either: (a) the sixty (60) day period following the date of OSF's receipt of RMDF's notice of breach pursuant to Section 18.6.1(b) of the Affiliation Agreement, as applicable; or (b) the one hundred eighty (180) day period following the date of OSF's receipt of RMDF's notice of breach pursuant to Section 18.6.1(b) of the Affiliation Agreement, as applicable, in the event OSF determines in its reasonable discretion that the breach described in the notice of breach from RMDF cannot be cured within sixty (60) days.

(c) "*Option Period*" means the ninety (90) day period following the end of the Cure Period.

(d) "*OSF Northern Region Balance Sheet*" means the detailed virtual balance sheet for the OSF Northern Region Facilities and Services further described in Section 20.1.99 of the Affiliation Agreement.

(e) "*OSF Northern Region Income Statement*" means the detailed virtual income statement for the OSF Northern Region Facilities and Services, a template of which is attached hereto as Exhibit A, and which shall be populated at Closing using the OSF Interim Financial Statements and the RHS Interim Financial Statements, and populated thereafter through the Purchase Closing.

(f) "*Purchased Assets*" means all (but not less than all) of the OSF Northern Region Facilities and Services including all physician practices owned by RHS and OSF and their contracts/employment relationships with physicians practicing in the Northern Region.

(g) "*Purchase Price*" means an amount equal to the sum of:

(i) the Book Value of the Purchased Assets; minus

(ii) the Net Assets of RHS immediately before Closing decreased by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date; plus/minus

(iii) the RHS Portion of Accumulated Earnings (Losses); minus

(iv) the total amount of Indebtedness, if any, assumed by RMDF.

Example calculations of the Purchase Price are depicted on Exhibit B attached hereto and terms used in this subsection (g) shall be defined consistently with their usage in Exhibit B.

(h) "*RHS Portion of Accumulated Earnings (Losses)*" means the total amount of accumulated net income (losses) as shown on the OSF Northern Region Income Statement from the Closing Date to the earlier of the Purchase Closing or the third anniversary of the Closing Date, multiplied by a fraction, the numerator of which is the amount of total net assets of the RHS Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date, and the denominator of which is the amount of the total net assets of the OSF Northern Region Facilities and Services stated on the OSF Northern Region Balance Sheet as of the Closing Date, increased by the amount, if any, of the negative adjustment to the value of assets of the RHS Entities made to reflect the fair value of such assets as of the Closing Date, and decreased by the amount of the RHS Master Trust Indebtedness outstanding immediately prior to the Closing Date. Terms used in this subsection (h) shall be defined consistently with their usage in Exhibit B.

2. GRANT OF OPTION TO PURCHASE. From the period beginning on the third anniversary of the Closing Date until the eighth anniversary of the Closing Date, OSF hereby grants to RMDF the irrevocable right, at its option, during the Option Period, to purchase all, but not less than all, of the Purchased Assets, in the event OSF fails to cure within the applicable Cure Period a breach of which OSF has received notice from RMDF pursuant to Section 18.6.1(b) of the Affiliation Agreement, as applicable, for the Purchase Price on the terms set forth herein and in a definitive agreement to be negotiated and executed by the Parties.

3. EXERCISE OF OPTION TO PURCHASE. In the event that RMDF exercises its option and agrees to purchase all, but not less than all, of the Purchased Assets, RMDF shall give written notice to OSF of such election as soon as practicable but no later than the end of the Option Period (the "Exercise Notice"). The closing of such sale (the "**Purchase Closing**") shall take place on a mutually acceptable date and time, which date shall be as soon as practicable following determination of the Purchase Price with commercially reasonable efforts to close immediately upon receipt of all necessary regulatory approvals. If RMDF gives Exercise Notice and its acquisition of the Purchased Assets closes, then the Management Agreement shall terminate upon the Purchase Closing.

4. PAYMENT OF PURCHASE PRICE; TRANSFER OF ASSETS. At the Purchase Closing:

(a) RMDF shall make payment to OSF for the Purchased Assets by delivering immediately available funds to the order of OSF in the full amount of the Purchase Price, minus the total amount of Indebtedness, if any, assumed by RMDF.

(b) OSF shall transfer to RMDF all, but not less than all, of the Purchased Assets, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind other than restrictions against use of the OSF Facilities and Services for provision of Abortions or Euthanasia and permitted exceptions set forth in the definitive agreement.

5. DEFINITIVE AGREEMENT. RMDF and OSF shall document the asset transfer pursuant to a definitive agreement, which agreement shall contain, among other things, such covenants, conditions and other provisions customarily found in an asset transfer agreement; and RMDF and OSF shall use all reasonable efforts to enable the Purchased Assets to be transferred without violation of law or material breach of any contract or agreement including, without limitation, obtaining any required consent, waiver, release or agreement from any contractual third party (and RMDF and OSF shall cooperate in negotiating reasonable new third party arrangements where an existing contract relates to both the Purchased Assets and operations or assets being retained by OSF), and, if necessary, refinancing, defeasing or redeeming Obligations outstanding pursuant to the OSF Master Indenture and related documents or obtaining consents or waivers from the bond trustee, bondholders or other constituencies as needed to enable the transfer (and RMDF agrees to assist OSF as reasonably requested in preparing pro forma financial projections and/or presentations to bond constituencies). RMDF and OSF shall cooperate in transferring or obtaining necessary licenses and governmental approvals. RMDF and OSF shall discuss and make mutually acceptable arrangements with respect to any assets which would otherwise be Purchased Assets but which must be excluded from the transfer because they cannot be legally transferred, such as donated assets restricted by the terms of the donation. Subject to the foregoing, the asset transfer agreement shall include: (i) a condition that fulfillment of the covenants under the definitive agreement shall not violate, conflict with or constitute a default under or breach of any other contract or other commitment to which RMDF or OSF is a party, (ii) a condition that consummation of the transaction shall not constitute a breach of the OSF Master Indenture, and that OSF shall obtain an opinion of Bond Counsel to the effect that the sale will not adversely affect the validity of the bonds or any exemption from federal income taxation to which such bonds would otherwise be entitled if any of the Purchased Assets include property financed with the proceeds of tax-exempt bonds, (iii) a condition that OSF and RMDF obtain all regulatory consents and other approvals by third parties required to consummate the

transactions described therein, (iv) a covenant that RMDF shall assume all contracts associated solely with the Purchased Assets including without limitation employment agreements, vendor agreements, provider agreements, construction contracts, licenses, equipment and real estate leases, and (v) a covenant that the Parties exercise reasonable good faith efforts to consummate the transaction contemplated by this Option.

6. FURTHER ASSURANCES. In the event of the exercise of the option to purchase under this Agreement, each of the Parties shall execute and deliver all such further documents and instruments and take all such further actions as may be reasonably necessary in order to consummate the transactions contemplated hereby.

7. NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) Business Day after mailing; (c) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, upon delivery; (d) if sent by facsimile transmission or electronic mail after 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, on the following Business Day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as any Party shall provide by like notice to the other Parties:

RMDF:

Executive Director
c/o Rockford Health System
2400 North Rockton Avenue
Rockford, IL 61103
Fax:
Email:

with a simultaneous copy to:

Kerrin Slattery, Esq.
McDermott Will & Emery LLP
227 West Monroe Street, Suite 4400
Chicago, IL 60606
Fax: (312) 276-4238
Email: kslattery@mwe.com

OSF:

James M. Moore
Chief Executive Officer
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: james.moore@osfhealthcare.org

and:

Vance C. Parkhurst
Senior Vice President, Legal Services
OSF Healthcare System
800 N.E. Glen Oak Avenue
Peoria, IL 61603
Fax: (309) 655-6869
Email: vance.c.parkhurst@osfhealthcare.org

with a simultaneous copy to:

Stephen T. Moore, Esq.
Hinshaw & Culbertson LLP
100 Park Avenue
Rockford, IL 61101
Fax: (815) 490-4901
Email: smoore@hinshawlaw.com

8. LEGAL FEES AND COSTS. Except as otherwise set forth herein, the Parties shall bear their own costs in connection with the exercise of the Option; provided, however, OSF shall bear the cost associated with the retirement, defeasance or redemption of bonds or other debt secured in any way by the Purchased Assets needed in order to enable OSF to transfer the Purchased Assets. In the event either Party elects to incur legal expenses to enforce or interpret any provision of this Agreement by judicial proceedings, the prevailing Party in those proceedings shall be entitled to recover such legal expenses, including, without limitation, reasonable attorneys' fees, costs and necessary disbursements at all court levels, in addition to any other relief to which such Party shall be entitled.

9. CHOICE OF LAW. This Agreement shall be construed, and the rights and liabilities of the Parties hereto determined, in accordance with the internal laws of the State of Illinois; provided, however, that the conflicts of law principles of the State of Illinois shall not apply to the extent that they would operate to apply the laws of another state.

10. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their respective successors and assigns. This Agreement shall not be assignable by either Party without the prior written consent of the other Party.

11. ENTIRE AGREEMENT. This Agreement together with the Affiliation Agreement constitute the entire agreement and understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, express or implied, written or oral, between the Parties with respect thereto.

12. AMENDMENTS; WAIVERS. This Agreement may not be amended, supplemented or otherwise modified except upon the execution and delivery of a written agreement by the Parties. No waiver by either Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the Party so waiving. The waiver by either Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. HEADINGS. The section headings continued in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____

Name: Gary E. Kaatz

Title: President

OSF HEALTHCARE SYSTEM

By: _____

Name: James M. Moore

Title: Chief Executive Officer

Exhibit A

OSF Northern Region Income Statement

Exhibit B

Example Calculations of the Purchase Price

Purchase price calculations for Exhibit L & N
Figures in the examples are fictitious and are used for illustrative purposes only
Earnings are unequal, equity transfer from RHS & SAMC is made, new debt is issued for PPE and earnings have resulted in cash, PPE and liabilities.
(in thousands)

Balance Sheet - Initial Closing

	RHS		OSF
Transactions at closing			
Appraisal adjustment made at time of closing	(40,000)		-
OSF retires RHS debt off of Northern Region	100,000		-
Transactions during first 3 year period			
Purchase of PPE	75,000	funded via debt (60,000) and cash (15,000)	45,500
Change in Other Liabilities and Cash	(2,000)		3,000
Debt added to RHS	60,000	used to fund PPE purchase	45,000
Net Income (recognized as cash) yrs 1-3	30,000		1,000
Net Income (recognized as cash) yrs 3[A]	50,000		40,000
Equity Transfer from (to) OSF (recognized as cash) Yr 1-3	(40,000)		-
Equity Transfer from (to) OSF (recognized as cash) yr 3[A]	-		(20,000)

	RHS Facilities and Services					
	B/S directly before closing (1)	Appraisal Write Down (3)	Entry #2 Debt Entry (4)	B/S directly after closing	Total OSF Facilities & Services (2)	Total OSF Northern Region Facilities & Services
Cash & Investments	160,000			160,000	65,000	225,000
PPE	130,000	(40,000)		90,000	60,000	150,000
Other Assets	210,000			210,000	45,000	255,000
Total Assets	500,000	(40,000)	-	460,000	170,000	630,000
Cur and LT Debt	100,000		(100,000)	-	5,000	5,000
Other Liabilities	175,000			175,000	15,000	190,000
Total Liabilities	275,000			175,000	20,000	195,000
Net Assets	225,000	(40,000)	100,000	285,000	150,000	435,000
Total Liab & Net Assets	500,000	(40,000)	100,000	460,000	170,000	630,000
Percentage split of Net Assets (RHS % is calculated before write-down and debt payment)	60%				40%	

335

Attachment #5

Purchase Price Calculation for Exhibits L N

Balance Sheet - at end of interim period (less than 3 years)

	Total RHS Facilities & Services after closing adjustments	Equity Transfer	Add PPE	Record Income	Other Liabilities	Subtotal End of year 3	Record Income Yrs 3+	Income Adjustment (5)	Final Before sale
Cash & Investments	160,000	(40,000)	(15,000)	30,000	(2,000)	133,000	50,000	(11,400)	171,600
PPE	90,000		75,000			165,000			165,000
Other Assets	210,000					210,000			210,000
Total Assets	460,000	(40,000)	60,000	30,000	(2,000)	508,000	50,000	(11,400)	546,600
	-		60,000			60,000			60,000
Cur and LT Debt	175,000				(2,000)	173,000			173,000
Other Liabilities	175,000	-	60,000	-	(2,000)	233,000	-	-	233,000
Total Liabilities									
	285,000	(40,000)	-	30,000		275,000	50,000	(11,400)	313,600
Net Assets	460,000	(40,000)	60,000	30,000	(2,000)	508,000	50,000	(11,400)	546,600
Total Liab & Net Assets									

	Total OSF Facilities & Services	Equity Transfer	Add PPE	Record Income Yrs 1-3	Other Liabilities	Subtotal	Record Income Yrs 3+	Income Adjustment	Final
Cash & Investments	65,000	(20,000)	(500)	1,000	3,000	48,500	40,000	11,400	99,900
PPE	60,000		45,500			105,500			105,500
Other Assets	45,000					45,000			45,000
Total Assets	170,000	(20,000)	45,000	1,000	3,000	199,000	40,000	11,400	250,400
	5,000		45,000			50,000			50,000
Cur and LT Debt	15,000				3,000	15,000			18,000
Other Liabilities	20,000	-	45,000	-	3,000	68,000	-	-	68,000
Total Liabilities									
	150,000	(20,000)	-	1,000		131,000	40,000	11,400	182,400
Net Assets	170,000	(20,000)	45,000	1,000	3,000	199,000	40,000	11,400	250,400
Total Liab & Net Assets									

Adjustment to Net Assets to reflect Income Adjustment based on initial asset split

	Total RHS Facilities & Services	Total OSF Facilities & Services	Total OSF Northern Region Facilities & Services
Net Income as recorded	30,000	1,000	31,000
Percentage of net income (losses) based on initial asset split	60%	40%	
Reallocated accumulated net income (losses)	18,600	12,400	
Adjustment necessary	(11,400)	11,400	

336

Attachment #5

Purchase Price Calculation for Exhibits L N

Reference to Exhibit N Option to Purchase	Calculation of Purchase Price	RHS	OSF	Total Purchase Price
1.(g) (i)	Book Value of the Purchased Assets	546,600	250,400	797,000
1.(g) (ii)	Minus the Net Assets of RHS immediately before closing	(225,000)		(225,000)
1.(g) (iii)	Adjusted by the amount, if any, of the adjustment to the value of assets of the RHS Entities made to reflect the fair market value of such assets as of the Closing Date	40,000		40,000
1.(g) (iv)	minus / plus the RHS Portion of Accumulated Earnings (Losses)	(18,600)		(18,600)
1.(g) (v)	Minus the total amount of indebtedness, if any, assumed by RMDF	-		-
	Purchase Price	343,000	250,400	593,400
	Reconciliation of purchase price			
	Repayment of original debt	100,000		100,000
	Liabilities not able to be assumed by RMDF	233,000		233,000
	Increase in Net Assets after year 3 RHS only	50,000		50,000
	Adjust for equity transfer (to) from OSF	(40,000)		(40,000)
	Assets sold from SAMC		250,400	250,400
		343,000	250,400	593,400

Key Assumptions and Variables

(1) Initial Balance Sheets for both RHS and SAMC are assumed for presentation purposes and do not reflect actual numbers

All bold and italics are original entries or assumptions for this exhibit

(2) Components include: SAMC as presented in SAMC's stand alone audit (which include State and Roxbury, LLC and SAMC's portion of OSF Foundation), Cardiovascular Institute at OSF, LLC, OSF LifeLine Ambulance, LLC, Illinois Pathology Services, LLC, and assets at Rockcut and SFI physical locations in the Northern Region.

(3) Reflects potential adjustment to be made by OSF to adjust fair value of RHS acquired assets based on appraisal

(4) Assumes that OSF absorbs current long term debt of RHS onto OSF corporate and not allocated back to RHS

(5) Assumes journal entry to record income adjustment is made prior to sales transaction

337

Attachment #5

Agreement on Certain Disclosures

Certain Disclosures

AGREEMENT ON CERTAIN DISCLOSURES

THIS AGREEMENT ON CERTAIN DISCLOSURES (this "**Agreement**") is made and entered into as of January 31, 2011 (the "**Execution Date**"), to be effective as of the date hereof, by and among by and among **OSF HEALTHCARE SYSTEM**, an Illinois not-for-profit corporation ("**OSF**"), **ROCKFORD HEALTH SYSTEM**, an Illinois not-for-profit corporation ("**RHS**"), **ROCKFORD MEMORIAL HOSPITAL**, an Illinois not-for-profit corporation ("**RMH**"), **ROCKFORD HEALTH PHYSICIANS**, an Illinois not-for-profit corporation ("**RHPH**"), **VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA**, an Illinois not-for-profit corporation ("**VNA**"), and **ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION**, an Illinois not-for-profit corporation ("**RMDF**"). OSF, RHS, RMH, RHPH, VNA and RMDF are each referred to herein as a "**Party**" and, collectively, as the "**Parties**" to this Agreement. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Affiliation Agreement (as defined below in Recital A).

RECITALS

A. The Parties have entered into that certain Affiliation Agreement, dated January 31, 2011 (the "**Affiliation Agreement**").

B. Pursuant to Section 13.4 of the Affiliation Agreement, the Parties may set forth any disclosures required by a Schedule to the Affiliation Agreement in a separate writing delivered to the other Parties that specifically makes reference to the applicable section of the Affiliation Agreement and the required Schedule thereto.

C. The Parties desire to set forth the disclosures required by a Schedule to the Affiliation Agreement as part of, and as attachments to, this Agreement.

NOW, THEREFORE, for and in consideration of the premises, and the agreements, covenants, representations and warranties hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged and confessed, the Parties agree as follows:

1. Pursuant to Section 13.4 of the Affiliation Agreement, the Parties agree that disclosures required by the Schedules to the Affiliation Agreement shall be set forth in the separate writings attached hereto and labeled accordingly.

2. Schedules attached to this Agreement may be modified pursuant to the procedures set forth in Section 13.4 of the Affiliation Agreement.

3. Notwithstanding that the Schedules attached hereto are delivered pursuant to this Agreement, each such Schedule will be treated as a Schedule to the Affiliation Agreement for all purposes of the Affiliation Agreement.

[signature page to follow]

Attachment #5

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Agreement as of the Execution Date.

OSF HEALTHCARE SYSTEM

By: _____
James M. Moore
Chief Executive Officer

ROCKFORD MEMORIAL HOSPITAL

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH SYSTEM

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH PHYSICIANS

By: _____
Gary E.Kaatz
President

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____
Gary E. Kaatz
President

VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA

By: _____
Denise R. Schrader
President and CEO

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Agreement as of the Execution Date.

OSF HEALTHCARE SYSTEM

By: _____
James M. Moore
Chief Executive Officer

ROCKFORD MEMORIAL HOSPITAL

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH SYSTEM

By: _____
Gary E. Kaatz
President and CEO

ROCKFORD HEALTH PHYSICIANS

By: _____
Gary E. Kaatz
President

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION

By: _____
Gary E. Kaatz
President

VISITING NURSES ASSOCIATION OF THE ROCKFORD AREA

By: _____
Denise R. Schrader
President and CEO

Attachment #5

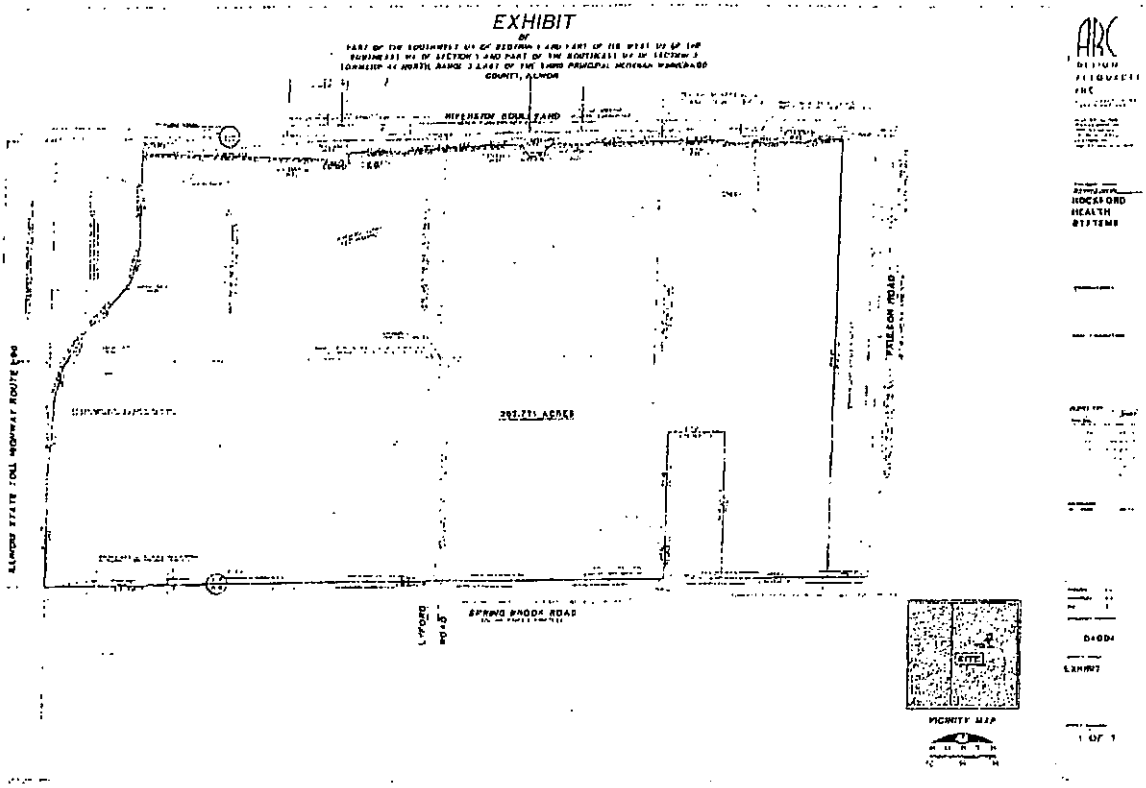
SCHEDULE 2.2.3(b)
Riverside Properties

Legal Description for Rockford Health System property located at the South East corner of Interstate 90 and Riverside Boulevard, Rockford, IL

PROPERTY DESCRIBED AS: A part of the Southeast Quarter of Section 2 and a part of the South Half of Section 1, Township 44 North, Range 2 East of the 3rd Principal Meridian, Winnebago County, State of Illinois, more particularly bounded and described as follows, to wit:

Beginning at the Southeast Corner of the Southeast Quarter of Section 2, Township 44 North, Range 2 East of the Third Principal Meridian; Thence South 89°01'36" West along the South line of the Southeast Quarter of said Section 2, a distance of 1032.77 feet to the Easterly Right-of-Way line of the Illinois State Toll Highway Route I-90; Thence North 00°51'20" East along the Easterly Right-of-Way line of said Route I-90, a distance of 626.01 feet; Thence North 04°35'55" East along the Easterly Right-of-Way line of said Route I-90, a distance of 501.22 feet; Thence North 17°17'38" East along the Easterly Right-of-Way line of said Route I-90, a distance of 208.81 feet; Thence North 33°34'58" East along the Easterly Right-of-Way line of said Route I-90, a distance of 6.48 feet; Thence North 30°53'39" East along the Easterly Right-of-Way line of said Route I-90, a distance of 223.66 feet; Thence North 45°16'12" East along the Easterly Right-of-Way line of said Route I-90, a distance of 279.33 feet; Thence North 37°51'55" East along the Easterly Right-of-Way line of said Route I-90, a distance of 125.00 feet; Thence North 15°01'53" East along the Easterly Right-of-Way line of said Route I-90, a distance of 206.16 feet; Thence North 00°59'43" East along the Easterly Right-of-Way line of said Route I-90, a distance of 541.35 feet to the South right-of-way line of Riverside Boulevard; thence North 84°35'21" East along the South right-of-way line of Riverside Boulevard, a distance of 72.75 feet; thence South 88°04'06" East along the South right-of-way line of Riverside Boulevard, a distance of 1032.71 feet; thence South 01°00'27" West along the South right-of-way line of Riverside Boulevard, a distance of 33.70 feet; thence South 88°59'33" East, along the South right-of-way line of Riverside Boulevard, a distance of 120.00 feet; thence North 01°00'27" East along the South right-of-way line of Riverside Boulevard, a distance of 49.50 feet; thence North 45°16'56" East along the South right-of-way line of Riverside Boulevard, a distance of 38.70 feet; thence North 89°33'24" East along the South right-of-way line of Riverside Boulevard, a distance of 336.68 feet; thence North 86°13'07" East along the South right-of-way line of Riverside Boulevard, a distance of 257.58 feet; thence North 86°43'30" East along the South right-of-way line of Riverside Boulevard, a distance of 184.99 feet; thence North 87°35'51" East along the South right-of-way line of Riverside Boulevard, a distance of 279.70 feet; thence South 31°43'33" East along the South right-of-way line of Riverside Boulevard, a distance of 84.89 feet; thence North 89°32'08" East along the South right-of-way line of Riverside Boulevard, a distance of 90.00 feet; thence North 00°27'52" West, a distance of 23.76 feet; thence North 44°25'44" East along the South right-of-way line of Riverside Boulevard, a distance of 70.95 feet; thence North 89°10'13" East along the South right-of-way line of Riverside Boulevard, a distance of 688.97 feet; thence North 89°08'44" East along the South right-of-way line of Riverside Boulevard, a distance of 406.87 feet; thence South 00°51'16" East along the South right-of-way line of Riverside Boulevard, a distance of 17.43 feet; thence North 89°08'44" East along the South right-of-way line of Riverside Boulevard, a distance of 500.00 feet; thence North 00°51'16" West along the South right-of-way line of Riverside Boulevard, a

distance of 17.43 feet; thence North 89°08'44" East along the South right-of-way line of Riverside Boulevard, a distance of 191.18 feet to the West line of Commonwealth Edison Company tract said line being 235.09' west of and parallel to the East line of the West Half of the Southeast Quarter of said Section 1; Thence South 01°09'58" West along the West line of the Commonwealth Edison Company property, a distance of 2596.27 feet to the south line of the Southeast Quarter of said Section 1; Thence South 89°33'52" West along the South line of said Section 1, a distance of 644.05 feet; Thence North 01°00'43" East, a distance of 863.65 feet; Thence South 89°50'34" West, a distance of 347.39 feet; Thence South 01°01'15" West, a distance of 566.05 feet; Thence South 00°59'43" West, a distance of 299.30 feet to the South line of said Section 1; Thence South 89°33'42" West along the South line of said Section 1, a distance of 2772.15 feet to the Point of Beginning. Containing 262.771 acres, more or less, all being situated in the County of Winnebago and State of Illinois.



Attachment #5

SCHEDULE 6.3.1

RHS Liens and Defaults Under Material Contracts

No exceptions.

SCHEDULE 6.3.2
RHS Required Approvals

Depending on the final plan and timing for maintaining or refinancing of indebtedness, the following consents, amendment or waivers may or may not be required:

- Consent of the Illinois Finance Authority pursuant to the Loan Agreement dated as of December 1, 2008 between Rockford Memorial Hospital and the Illinois Finance Authority.

- Consent of U.S. Bank National Association and other parties entitled to notice or benefit pursuant to the Amended and Restated Master Trust Indenture dated as of December 1, 2008, as supplemented and amended, among RMH, RMDF, RHP and U.S. Bank National Association.

- Consent of JPMorgan Chase Bank, National Association pursuant to the Reimbursement Agreement dated as of December 1, 2008 among RMH, RMDF, RHP and JPMorgan Chase Bank, National Association and the Credit Agreement dated December 3, 2009 between Rockford Health System and JPMorgan Chase Bank, National Association.

- Consent of the Illinois Finance Authority pursuant to the Loan Agreement related to the 1997 Bonds.

- Potential waivers of notices and other provisions by parties (including the Illinois Finance Authority, the trustee and the bond insurer for the 1997 Bonds) entitled to such pursuant the Bond Trust Indentures related to the 1997 Bonds and the 2008 Bonds.

- Consent of Chase Equipment Leasing Inc. pursuant to the Master Financing Agreement dated as of April 17, 2007 among the Illinois Finance Authority, RMH and Chase Equipment Leasing Inc.

- ISDA Master Agreement dated as of March 16, 2009 between JPMorgan Chase Bank, National Association (Party A) and Rockford Memorial Hospital, Rockford Health Physicians, and Rockford Memorial Development Foundation (collectively, Party B), together with the Schedule to the Master Agreement dated as of March 16, 2009, and the Confirmation dated March 19, 2009: Section 5(b)(ii) provides that JPMorgan Chase has the right to terminate the Master Agreement and all covered Transactions if RMH, RHP, RMDV, or any member of the Obligated Group consolidates or amalgamates with, or merges with or into, or transfers all or substantially of its assets to another entity, and the Credit Rating of the resulting, surviving, or transferee entity is rated lower than Baa3 by Moody's or lower than BBB- by S&P or, in the event that such entity is not rated by Moody's or S&P but is rated by a Rating Agency, lower than an equivalent rating. Based on the ultimate structure of the transaction, RHS will need to confirm this ratings requirement is met. Part 1(g) of the Schedule provides that JPMorgan Chase has the right to terminate the Master Agreement and all covered Transactions if the Loan Agreement is paid in full and either (1) the Rockford parties are unable to assign their rights under the swap to a third party acceptable to JPMorgan Chase or (2) the Rockford parties fail to

execute the ISDA Credit Support Annex attached to the Schedule. If the Loan Agreement is to be repaid, the Rockford parties must either (a) execute the Credit Support Annex, (b) obtain approval from JPMorgan to assign their rights and obligations under the swap to a third party, or (c) allow JPMorgan the right to terminate the outstanding swap.

Attachment #5

SCHEDULE 6.4.2
RHS Exceptions to GAAP

No exceptions.

SCHEDULE 6.4.3
RHS Material Changes

No exceptions.

SCHEDULE 6.4.4
RHS Liabilities

No exceptions.

SCHEDULE 6.4.5
RHS Donor Restricted Funds

See attached.

Attachment #5

ROCKFORD HEALTH SYSTEM
ASSETS LIMITED AS TO USE, EXCLUDING RMDF
AS OF NOVEMBER 30, 2010

ENTITY	ASSET ACCOUNT	DESCRIPTION	BALANCE	OFFSET ACCOUNT	NOTES
RMH	10120-0000	Checking-Medical Staff	60,164.80	Liability 26800-0000	Physician "dues" to be used for their projects
RMH	17550-1723	97 Bond Interest Fund	482,055.58	Liability 25700-2911 Accrued Interest	Interest disbursed in Feb and Aug each year
RMH	17550-1724	97 Bond Sinking Fund	668,767.85	Liability 27100-2911 Current Portion of LTD	Principal disbursed in Aug each year
RMH	17900-1712	Restricted Endowment Funds-MT	2,279,789.50	Net Asset-Perm Restr 33100-3300, 3301, 3302	Endowments-Lathrop, Clark, Gorham
RMH	19900-0000	Beneficial Interest in Trust	3,570,205.84	Net Asset-Temp/Perm 32100-3324, 33100-3324	RMDF restricted assets held for RMH
RMH	19680-0000	Investment in Affiliates	453,925.00	Net Asset-Unrestricted 31500-1938	RHIL (Bermuda) Net Assets
RMH	19850-0000	Life Insurance Value	136,056.87	Liability 29350-0000	
RMH	19855-0000	Deferred Comp Valuation	853,861.41	Liability 29370-0000	
RMH	19860-0000	Capital Accumulation Account	25,121.68	Liability 29360-0000	
RHPH	19855-0000	Deferred Comp Valuation	2,732,686.14	Liability 29370-0000	
RHPH	19860-0000	Capital Accumulation Account	111,234.00	Liability 29360-0000	
VNA	19900-0000	Beneficial Interest in Trust	2,006,887.49	Net Asset-Unr/Temp/Perm 31200-, 32100-, 33100-3224	RMDF assets held for VNA
VNA	19860-0000	Capital Accumulation Account	18,905.50	Liability 29360-0000	
RHS	10700-2023	Employee FSA Funds	150,843.87	Liability 25900-0000	Deductions for Flexible Spending Accounts
RHS	19850-0000	Life Insurance Value	151,711.11	Liability 29350-0000	
RHS	19860-0000	Capital Accumulation Account	447,698.00	Liability 29360-0000	
SUBTOTAL			14,149,914.64		
ELIMINATIONS:					
RMH	19900-0000	Beneficial Interest in Trust	(3,570,205.84)	Net Asset-Temp/Perm 32100-3324, 33100-3324	RMDF restricted assets held for RMH
VNA	19900-0000	Beneficial Interest in Trust	(2,006,887.49)	Net Asset-Unr/Temp/Perm 31200-, 32100-, 33100-3224	RMDF assets held for VNA
TOTAL ELIMINATIONS			(5,577,093.33)		
TOTAL EXCLUDING ELIMINATIONS			8,572,821.31		

351

Attachment #5

SCHEDULE 6.6
RHS Interim Changes

6.6.1-6.6.3: No exceptions.

6.6.4:

I. Individual Severance Agreements:

1. Employee A:

A Vice-President level employee was provided the following severance benefits under a *Separation Agreement and General Release*, dated December 27, 2010, between the employee and Rockford Health System: [redacted] which was based on [redacted] of base compensation and the post-termination difference between the compensation paid by RHS and the new employer [redacted]

2. Employee B:

An executive for Rockford Health Physicians was provided the following severance benefits under a *Separation Agreement*, dated November 10, 2010, between the employee and Rockford Health System: salary continuation through [redacted] with an offset for the last [redacted] months for any compensation earned at another employer.

II. Changes to Employed Physician Compensation Plan:

In April 2010, RHS modified its employed physician compensation plan to include the following new key components:

1. Compensation Methodology. All compensation arrangements will be in accordance with FMV principles and comply with all relevant regulatory requirements. Compensation levels will be benchmarked annually and supported by market data and work effort. Benchmark compensation levels are specialty-specific and adjusted for geographic considerations and the unique needs of the RHS and the Rockford community. "Market data" used to determine benchmark compensation will be based on data provided by nationally-recognized firms and organizations that conduct annual physician compensation surveys recognized by the health care industry, including surveys published by: (a) American Medical Group Association; (b) ECG National Pediatric Subspecialty Physician Compensation; (c) Medical Group Management Association; and (d) Society of Hospital Medicine Bi-Annual Survey. Updated market data sources will be reviewed annually and benchmark compensation levels will be adjusted as appropriate.

2. Base Compensation. Specialty-specific compensation benchmarks are established by RHS by using a 2-year composite, weighted by survey size, and national and regional benchmarks from the market data and surveys identified above. Aggregate compensation levels

(i.e., the combined value of base compensation and performance-based compensation, as described below) for employed physicians will reflect the benchmark value, with targeted levels between the 50th and 75th percentiles. Processes and criteria for evaluating exceptions to compensation benchmarks are being established.

3. Incentive Compensation. Incentive compensation is performance-based and requires satisfaction of specific targets/criteria that are established to promote cohesion across all employed physicians and to reward individual contributions (financial and nonfinancial) to the clinical department and RHS. There are two types of performance-based compensation: a performance-based withhold and an RHS enterprise incentive. Employed physicians' actual base compensation, whether fixed or productivity-based, is subject to a 5% withhold (with some exceptions) that is paid to individual physicians only if established personal, group and system goals are met. Physicians are also eligible to receive a System Enterprise Incentive/bonus, in an amount not to exceed 5% of the actual base compensation (call payments are not included), if RHS meets pre-established financial goals.

4. Payments for Call Coverage. Physicians who provide on-call services are compensated for hours worked based on median national and regional compensation benchmarks. Amounts paid for call coverage are not included for purposes of calculating incentive compensation.

5. Payment for Administrative Services. Physicians who provide administrative services are compensated for hours worked based on median national and regional compensation benchmarks. Physicians who provide administrative services are also eligible for two types of incentive bonuses. The first, which is based on meeting pre-established goals and objectives, is equal to the difference between the 75th percentile and the median percentile or 30% of the median base compensation value, whichever is lower. In general, RHS must meet its financial goals for this bonus opportunity to be available. However, the CEO has discretion to authorize bonuses up to 10% even if RHS System goals are not met. Physicians providing administrative services are also eligible for the System Enterprise Incentive/bonus, in an amount not to exceed 5% of compensation paid for the administrative services, if RHS meets pre-established financial goals. In no event may a physician's aggregate administrative compensation (including the value of any incentive payments) exceed the 75th percentile benchmark amount for the physician's specialty.

SCHEDULE 6.7
RHS Legal Proceedings

No exceptions.

Notwithstanding that RHS has no required disclosures under this Schedule 6.7, it is disclosing the following legal matters, which it believes are not material and are adequately reserved and covered under its program of self-insurance and commercial insurance policies:

a. Professional Liability Claims: Attached is a list that summarizes all professional liability claims and lawsuits that are currently pending against RHS.

b. Workers' Compensation Claims: Attached is a list that summarizes all Workers' Compensation Claims that are currently pending against RHS.

See also Schedule 6.19 and Schedule 6.22.

AIG
Professional Liability
SIR 3M/10M
9/01/00-9/1/01

NUMBER	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
21	12/16/2000	4/20/2001	12/16/2002	$100,000	$0	$100,000	$89,079.93	$0.00	$289,079.93	LAWSUIT

355

Attachment #5

Policy Year 9/1/03 - 9/1/04

5 M SIR CNA 10M/10M 1M Buffer

NUMBER	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
11	3/1/2003	10/14/2003	10/8/2003	$300,000	$0	$200,000	$166,978.22	$0.00	$666,978.22	LAWSUIT
48	3/23/2004	5/26/2004	3/22/2006	$750,000	$0	$100,000	$87,236.05	$0.00	$937,236.05	LAWSUIT

356

Attachment #5

Policy year 9/1/05-9/1/06
SIR 7M
1 of 3

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
19	11/29/2003	12/12/2005	11/30/2005	$250,000	$0	$125,000	$123,468.90	$0.00	$498,468.90	LAWSUIT
39	3/15/2004	3/1/2006	2/27/2006	$150,000	$0	$75,000	$57,995.96	$0.00	$282,995.96	LAWSUIT

957

Attachment #5

Policy year 9/1/06-9/1/07
SIR 7M
page 1 of 3

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
15	9/13/2006	12/6/2006	4/25/2008	$6,000,000	$0	$225,000	$163,503.04	$0.00	$6,388,503	LAWSUIT
32	2/8/2007	3/22/2007	12/31/2008	$400,000	$0	$50,000	$30,385.02	$0.00	$480,385	LAWSUIT
40	3/14/2007	3/15/2007	7/25/2008	$750,000	$0	$100,000	$70,526.43	$0.00	$920,526	LAWSUIT
41	2/28/2007	3/27/2007	1/20/2010	$1,000,000	$0	$50,000	$41,853.06	$0.00	$1,091,853	LAWSUIT
	9/30/2005	6/25/2007	6/13/2007	$50,000	$0	$75,000	$58,006.73	$0.00	$183,007	LAWSUIT
53	6/16/2007	6/28/2007	5/18/2009	$1,000,000	$0	$75,000	$51,883.71	$0.00	$1,126,884	LAWSUIT

358

Attachment #5

Policy year 9/1/07-9/1/08

SIR 7M

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
9	12/19/2007	12/27/2007	9/17/2008	$5,000,000.00	$0.00	$75,000.00	$50,228.05	$0.00	$5,125,228.05	LAWSUIT
17	2/8/2008	2/11/2008	4/17/2008	$750,000.00	$0.00	$175,000.00	$132,529.38	$0.00	$1,057,529.38	LAWSUIT
24	3/20/2008	3/28/2008	12/4/2009	$1,250,000.00	$0.00	$100,000.00	$59,741.43	$0.00	$1,409,741.43	LAWSUIT
28	1/3/2007	6/2/2008	1/26/2009	$50,000.00	$0.00	$75,000.00	$25,501.85	$0.00	$150,501.85	LAWSUIT
32	8/13/2008	8/28/2008	6/11/2010	$50,000.00	$0.00	$15,000.00	$7,700.88	$0.00	$72,700.88	LAWSUIT

359

Attachment #5

GENERAL LIABILITY
9/1/2007-9/1/2008
SIR 2M

NUMBER	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSE	TOTAL	STATUS
5	12/12/2007	12/15/2008	4/30/2009	$50,000	$0	$25,000	$13,680.83	$21,512.50	$110,193.33	LAWSUIT

360

Attachment #5

Policy year 9/1/08-9/1/09
SIR 7M

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
3	12/14/2007	9/26/2009	12/11/2009	$5,000.00	$0.00	$5,000.00	$3,735.78	$0.00	$13,735.78	LAWSUIT
10	11/21/2006	11/3/2008	11/20/2008	$5,000.00	$0.00	$50,000.00	$34,892.16	$0.00	$89,892.16	LAWSUIT
13	11/19/2008	12/30/2008	5/18/2010	$50,000.00	$0.00	$40,000.00	$18,044.95	$0.00	$108,044.95	LAWSUIT
25	4/30/2007	4/16/2009	4/8/2009	$100,000.00	$0.00	$50,000.00	$18,373.75	$0.00	$168,373.75	LAWSUIT
41	6/1/2007	8/27/2009	6/18/2009	$50,000.00	$0.00	$15,000.00	$10,738.10	$0.00	$65,000.00	LAWSUIT
43	6/22/2007	8/20/2009	8/20/2009	$50,000.00	$0.00	$40,000.00	$17,618.75	$0.00	$107,618.75	LAWSUIT

36 1

Attachment #5

Professional Liability
Policy year 9/1/09-9/1/10
SIR 7M

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
12	12/29/09	12/30/09		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
13	10/22/09	12/11/09		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
15	1/13/10	1/18/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	PD 10/20/10
16	1/29/10	1/28/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
17	7/17/07	1/28/10	1/26/10	$50,000	$0	$50,000	$11,638.23	$0	$65,000.00	LAWSUIT
19	2/4/08	2/10/10	2/9/10	$50,000	$0	$50,000	$16,520.02	$0	$116,520.02	LAWSUIT
22	1/23/08	4/7/10	9/2/10	$50,000	$0	$15,000	$5,865.37	$0	$70,865.37	LAWSUIT
24	4/22/10	4/22/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
25	4/2/10	4/3/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
26	4/1/10	4/7/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
27	5/16/08	5/27/10	5/20/10	$50,000	$0	$15,000	$5,727.39	$0	$70,727.39	LAWSUIT
28	10/8/08	5/10/10		$100,000	$0	$50,000	$0.00	$29,871	$179,870.71	AL 6/15/10
29	4/19/10	5/6/10		$5,000	$0	$5,000	$0.00	$1,607	$11,607.00	NS
30	4/28/10	5/5/10		$5,000	$0	$5,000	$0.00	$7,416	$17,415.75	NS
31	1/1/09	5/7/10		$100,000	$0	$10,000	$1,694.30	$0	$111,694.30	AL 5/7/10
33	3/29/10	6/23/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
34	6/11/10	6/21/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
35	5/10/10	6/21/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
36	6/3/10	6/9/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
37	2/17/09	7/9/10		$5,000	$0	$5,000	$1,155.30	$0	$11,155.30	AL 7/9/10
38	6/30/10	7/1/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
39	7/22/10	7/23/10		$5,000	$0	$5,000	$0.00	$963	$10,963.00	NS
40	6/26/10	6/26/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
42	6/10/10	6/15/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
43	1/6/09	1/6/09		$5,000	$0	$5,000	$0.00	$278	$10,277.75	NS
45	11/7/09	8/17/10	8/17/10	$50,000	$0	$15,000	$3,016.60	$0	$68,016.60	LAWSUIT
46	6/30/05	8/11/10	9/21/10	$50,000	$0	$15,000	$63.00	$0	$65,063.00	LAWSUIT
47	7/19/10	8/4/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS
48	8/2/10	8/2/10	11/9/10	$5,000	$0	$50,000	$1,200.00	$150	$56,350.00	LAWSUIT
49	8/26/10	8/30/10		$5,000	$0	$5,000	$0.00	$0	$10,000.00	NS

362

Attachment #5

General Liability
Policy year 9/1/09-9/1/10
SIR 7M
Page 1

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
7	8/13/10	8/13/10		$5,000	$0	$5,000	$0.00	$1,501	$11,501.00	NS

96 3

Attachment #5

Policy year 9/1/10-9/1/11
SIR 7M
Page 1

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
1	9/1/10	9/7/10		$5,000.00	$0.00	$5,000.00	$0.00	$575.00	$10,575.00	NS
2	8/18/10	9/2/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
3	8/24/10	9/3/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
4	10/18/10	10/22/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
5	8/26/10	10/15/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
6	10/15/10	10/15/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
7	10/15/10	10/15/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
8	9/23/10	11/17/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
9	12/17/10	12/20/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
10	5/14/10	12/6/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
11	10/13/10	12/23/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS
12	6/17/10	12/15/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS

364

Attachment #5

Policy year 9/1/10-9/1/11
SIR 7M
Page 1

#	DATE OF LOSS	LOSS REPORT	SUIT	LOSS RESERVE	LOSS PAID	EXPENSE RESERVE	EXPENSE PAID	MEDICAL EXPENSES	TOTAL	STATUS
1	8/31/10	9/30/10	9/1/10	$5,000.00	$0.00	$5,000.00	$958.24	$0.00	$10,958.24	LS
2	9/18/10	9/18/10		$5,000.00	$0.00	$5,000.00	$0.00	$947.00	$10,947.00	NS
3	10/15/10	11/1/10		$5,000.00	$0.00	$5,000.00	$0.00	$4,610.35	$14,610.35	NS
4	10/4/10	11/23/10		$5,000.00	$0.00	$5,000.00	$0.00	$0.00	$10,000.00	NS

365

Attachment #5

Rockland Health System
Indemnity Claim Loss Run
Open, Open Litigated
Date Valued 12.31.2010
Report Generated 01.14.2011

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
1998	RHS Hospital	rhs98-4127	Open Litigated	1/19/1998	$53,049.20	$171,854.80	$225,000.00	$91,412.10	$325.82	$91,738.00	$0.00	$2,000.00	$2,000.00	$10,293.50	$1,837.00	$12,130.50	$154,750.80	$176,117.62	$330,868.50
1998				Sum	$53,049.20	$171,854.80	$225,000.00	$91,412.10	$325.82	$91,738.00	$0.00	$2,000.00	$2,000.00	$10,293.50	$1,837.00	$12,130.50	$154,750.80	$176,117.62	$330,868.50
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2003	RHS Hospital	rhs03-2416	Open Litigated	7/22/2003	$643.50	$5,000.10	$5,644.00	$1,752.97	$634.00	$2,386.97	$1,355.40	$0.00	$1,355.40	$2,078.13	$3,921.86	$6,000.00	$5,830.42	$9,555.96	$15,386.42
	RHS Hospital	rhs03-3048	Open Litigated	9/1/2003	$0.00	$0.00	$0.00	$3,058.25	$0.00	$3,058.25	$0.70	$0.00	$0.70	$22,647.86	$2,352.13	$25,000.00	$25,707.13	$2,352.13	$28,059.25
2003				Sum	$643.50	$5,000.10	$5,644.00	$4,812.22	$634.00	$5,446.22	$1,356.10	$0.00	$1,356.10	$24,724.00	$6,274.00	$31,000.00	$31,537.72	$11,908.10	$43,445.70
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2004	RHS Hospital	rhs04-2417	Open Litigated	3/1/2004	$0.00	$3,000.00	$3,000.00	$3,900.00	$1,100.00	$5,000.00	$74.16	$0.00	$74.16	$13,391.03	$6,096.24	$20,487.27	$17,365.19	$12,996.24	$30,561.43
2004				Sum	$0.00	$3,000.00	$3,000.00	$3,900.00	$1,100.00	$5,000.00	$74.16	$0.00	$74.16	$13,391.03	$6,096.24	$20,487.27	$17,365.19	$12,996.24	$30,561.43
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2005	RHS Hospital	rhs05-4075	Open Litigated	12/14/2005	$0.00	$3,550.28	$3,550.28	$1,875.00	$0.00	$1,875.00	$0.00	$3,000.00	$3,000.00	$3,073.50	$1,926.50	$5,000.00	$4,948.50	$8,476.78	$14,425.28
	RHS Hospital	rhs05-6871	Open Litigated	8/8/2005	$0.00	$15,683.50	$15,683.50	$1,606.56	$23,393.44	$25,000.00	$4.94	$0.00	$4.94	$5,461.00	$1,678.00	$7,139.00	$7,082.50	$40,754.94	$47,837.44
2005				Sum	$0.00	$19,233.78	$19,233.78	$3,481.56	$23,393.44	$26,875.00	$4.94	$3,000.00	$3,004.94	$8,534.50	$3,604.50	$12,139.00	$12,041.00	$50,231.72	$62,272.72
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2006	RHS Hospital	rhs06-2337	Open	1/6/2006	$2,058.15	$20,629.92	$22,697.06	$35,530.32	$0.00	$35,530.32	$4,170.27	$1,829.73	$6,000.00	$3,298.00	$1,702.00	$5,000.00	$47,056.75	$24,360.65	$71,427.40
	RHS Hospital	rhs06-2847	Open Litigated	4/13/2006	$0.00	$14,626.28	$14,626.28	$671.47	$9,328.53	$10,000.00	$0.00	$500.00	$500.00	$10,023.15	$0.00	$10,023.15	$10,673.62	$24,457.81	$35,121.43
	RHS Hospital	rhs06-3097	Open Litigated	11/17/2006	$0.00	$23,680.00	$23,679.00	$223.84	$40,000.00	$40,233.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$223.84	$63,689.00	$64,112.00
	RHS Hospital	rhs06-4103	Open Litigated	11/25/2006	$28,757.94	$15,672.11	$44,429.05	$12,003.27	$5,919.73	$18,000.00	$1,429.36	$1,071.64	$2,500.00	$5,903.30	$596.70	$6,500.00	$47,979.55	$23,500.18	$71,429.63
	RHS Hospital	rhs06-4033	Open Litigated	11/27/2006	$0.00	$13,871.00	$13,871.00	$250.20	$8,779.00	$9,029.00	$1,252.51	$0.00	$1,252.51	$5,209.00	$1,820.00	$7,029.00	$6,711.51	$24,470.00	$31,181.51
2006				Sum	$30,825.70	$88,500.31	$119,316.01	$48,753.00	$64,027.32	$112,792.32	$6,851.14	$3,401.37	$10,252.51	$24,377.63	$4,358.63	$28,731.15	$110,804.37	$160,677.63	$273,481.99
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2007	RHS Hospital	rhs07-4225	Open Litigated	8/14/2007	$0.00	$40,289.00	$40,289.00	$2,581.99	$56,378.01	$58,960.00	$535.79	$0.00	$535.79	$2,875.50	$1,074.50	$4,000.00	$6,023.28	$99,691.51	$105,714.79
2007				Sum	$0.00	$40,289.00	$40,289.00	$2,581.99	$56,378.01	$58,960.00	$535.79	$0.00	$535.79	$2,875.50	$1,074.50	$4,000.00	$6,023.28	$99,691.51	$105,714.79
	Count																		

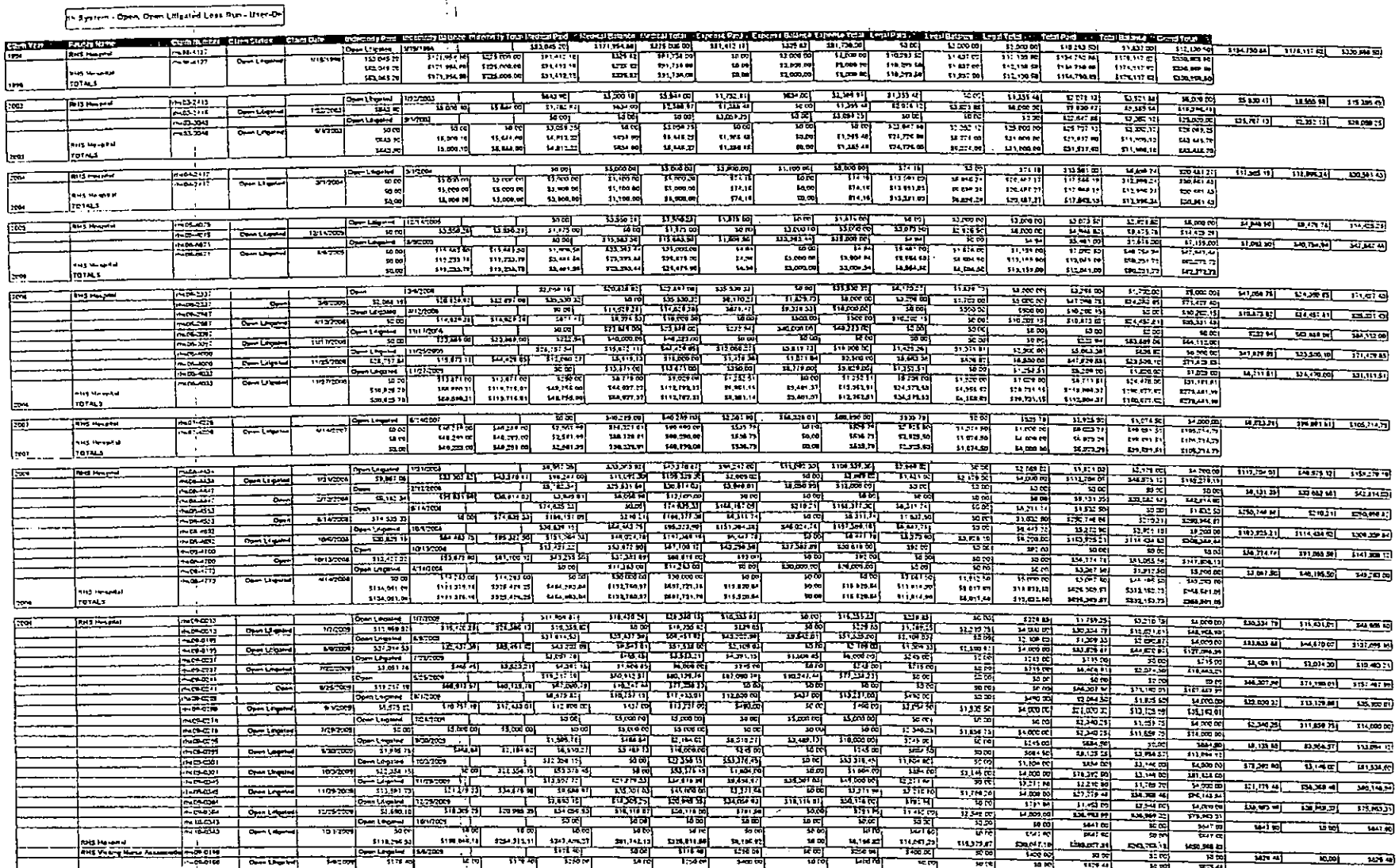
Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2008	RHS Hospital	rhs08-4434	Open Litigated	1/31/2008	$9,547.09	$33,303.62	$43,270.61	$38,247.00	$11,092.30	$49,339.30	$2,689.02	$0.00	$2,689.02	$1,621.00	$3,179.00	$4,000.00	$112,704.01	$46,575.12	$159,279.19
	RHS Hospital	rhs08-4447	Open	3/12/2008	$5,182.34	$25,631.60	$30,814.03	$3,949.07	$9,050.39	$13,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$9,131.35	$32,083.58	$42,814.33
	RHS Hospital	rhs08-4453	Open	8/14/2008	$74,835.33	$0.00	$74,835.33	$168,167.03	$210.21	$168,377.30	$6,311.74	$0.00	$6,311.74	$1,633.50	$0.00	$1,633.50	$250,745.86	$210.21	$250,956.97
	RHS Hospital	rhs08-4092	Open Litigated	10/9/2008	$20,629.15	$64,493.75	$85,322.90	$151,264.30	$46,024.78	$197,289.16	$6,447.78	$0.00	$6,447.78	$3,273.80	$3,925.10	$8,200.00	$191,925.23	$114,434.63	$306,359.84
	RHS Hospital	rhs08-4700	Open	10/13/2008	$13,427.22	$53,672.90	$67,100.12	$43,255.99	$37,362.69	$80,616.00	$92.00	$0.00	$92.00	$0.00	$5.00	$5.00	$58,774.79	$91,055.59	$147,808.12
	RHS Hospital	rhs08-4773	Open Litigated	4/14/2008	$0.00	$14,293.00	$14,293.00	$0.00	$30,000.00	$30,000.00	$0.00	$0.00	$0.00	$3,067.50	$1,912.50	$5,000.00	$3,067.50	$46,195.90	$49,263.00
2008				Sum	$134,021.09	$191,375.16	$325,424.25	$404,983.04	$132,780.87	$537,771.78	$15,570.54	$0.00	$15,570.54	$11,914.80	$9,017.60	$19,632.50	$426,389.51	$332,153.75	$758,501.05
	Count																		

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2009	RHS Hospital	rhs09-0013	Open Litigated	1/7/2009	$11,999.87	$16,420.26	$28,380.13	$16,355.82	$0.00	$16,355.82	$229.85	$0.00	$229.85	$1,769.25	$2,210.75	$4,000.00	$30,334.79	$18,631.01	$48,965.80
	RHS Hospital	rhs09-0195	Open Litigated	6/9/2009	$37,014.53	$32,437.39	$69,451.92	$43,293.09	$9,542.01	$51,835.00	$2,109.03	$0.00	$2,109.03	$1,309.33	$2,690.67	$4,000.00	$82,535.86	$44,570.07	$127,095.85
	RHS Hospital	rhs09-0237	Open Litigated	7/22/2009	$3,057.76	$465.45	$3,523.21	$4,391.15	$1,608.85	$6,000.00	$245.00	$0.00	$245.00	$715.00	$0.00	$715.00	$8,408.91	$2,074.30	$10,483.21
	RHS Hospital	rhs09-0241	Open	9/25/2009	$19,217.19	$90,912.57	$110,129.76	$67,090.79	$10,247.44	$77,338.23	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$86,307.98	$101,160.01	$187,467.99
	RHS Hospital	rhs09-0258	Open Litigated	9/1/2009	$6,675.82	$10,757.19	$17,433.01	$12,800.00	$437.00	$13,237.00	$490.00	$0.00	$490.00	$2,064.50	$1,935.50	$4,000.00	$22,030.32	$13,129.69	$35,160.01
	RHS Hospital	rhs09-0278	Open Litigated	7/29/2009	$0.00	$5,000.00	$5,000.00	$0.00	$5,000.00	$5,000.00	$0.00	$0.00	$0.00	$2,340.25	$1,659.75	$4,000.00	$2,340.25	$11,659.75	$14,000.00
	RHS Hospital	rhs09-0295	Open Litigated	9/30/2009	$1,635.75	$464.94	$2,164.62	$6,510.27	$3,489.73	$10,000.00	$245.00	$0.00	$245.00	$584.50	$0.00	$584.50	$8,135.53	$3,955.57	$13,094.17
	RHS Hospital	rhs09-0301	Open Litigated	10/3/2009	$22,358.15	$0.00	$22,358.15	$53,376.45	$0.00	$53,376.45	$1,804.00	$0.00	$1,804.00	$254.00	$2,146.00	$4,000.00	$78,292.50	$2,146.00	$81,538.60
	RHS Hospital	rhs09-0345	Open Litigated	11/28/2009	$13,527.73	$21,279.23	$34,878.96	$9,698.97	$35,301.03	$45,000.00	$2,271.98	$0.00	$2,271.98	$2,210.80	$1,789.20	$4,000.00	$27,779.48	$58,369.45	$85,148.94
	RHS Hospital	rhs09-0364	Open Litigated	12/28/2009	$2,650.10	$18,325.25	$20,995.35	$34,059.93	$16,116.07	$50,176.00	$791.96	$0.00	$791.96	$1,452.00	$2,548.00	$4,000.00	$38,953.99	$36,989.32	$75,963.31
	RHS Hospital	rhs10-0343	Open Litigated	10/1/2009	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$647.50	$0.00	$647.50	$647.50	$0.00	$647.50
	RHS Visiting Nurs	rhs09-0100	Open Litigated	3/5/2009	$175.40	$0.00	$175.40	$250.00	$0.00	$250.00	$400.00	$0.00	$400.00	$0.00	$0.00	$0.00	$825.40	$0.00	$825.40
2009				Sum	$118,443.30	$196,046.16	$264,489.51	$247,738.45	$81,742.13	$329,780.54	$8,586.82	$0.00	$8,586.82	$14,087.73	$15,979.87	$30,067.10	$384,833.83	$293,768.19	$681,357.01
	Count		12																

Claim Year	Facility Name	Claim Number	Claim Status De	Date of Claim	IND PDV	IND BAL V	IND INC V	MED PDV	MED BAL V	MED INC V	EXP PDV	EXP BAL V	EXP INC V	LEGAL PDV	LEGAL BAL V	LEGAL INC V	TOTAL PDV	TOTAL BAL	TOTAL INC V
2010	RHS Hospital	rhs10-0040	Open	2/16/2010	$8,252.21	$0.00	$8,252.21	$15,697.32	$1,277.87	$18,173.00	$2,010.00	$0.00	$2,010.00	$0.00	$5.00	$0.00	$27,156.54	$1,272.67	$25,432.21
	RHS Hospital	rhs10-0071	Open Litigated	3/23/2010	$2,858.92	$18,508.08	$21,375.00	$15,597.78	$22,470.22	$38,043.00	$490.00	$0.00	$490.00	$628.52	$3,371.50	$4,000.00	$19,565.20	$44,647.60	$64,213.00
	RHS Hospital	rhs10-0098	Open Litigated	3/1/2010	$0.00	$33,002.00	$33,002.00	$1,119.00	$15,881.00	$20,000.00	$1,335.58	$0.00	$1,335.58	$8,985.79	$1,014.21	$10,000.00	$9,250.37	$58,227.21	$64,427.58
	RHS Hospital	rhs10-0104	Open Litigated	4/20/2010	$0.00	$12,021.00	$12,021.00	$265.10	$19,034.90	$20,000.00	$1.25	$0.00	$1.25	$1,524.00	$2,476.00	$4,000.00	$2,496.35	$33,531.90	$36,022.25
	RHS Hospital	rhs10-0215	Open	6/11/2010	$7,857.42	$0.00	$7,857.42	$9,514.43	$485.57	$10,000.00	$2,464.84	$0.00	$2,464.84	$0.00	$0.00	$0.00	$19,836.69	$485.57	$20,422.26
	RHS Hospital	rhs10-0223	Open Litigated	6/16/2010	$0.00	$11,530.51	$11,530.51	$0.00	$30,000.00	$30,000.00	$0.00	$0.00	$0.00	$280.00	$3,720.00	$4,000.00	$280.00	$45,250.51	$45,530.51
	RHS Hospital	rhs10-0244	Open	7/15/2010	$4,024.24	$27,273.24	$31,297.48	$10,279.43	$4,720.57	$15,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$14,303.67	$31,993.81	$46,297.48
	RHS Hospital	rhs10-0291	Open	8/17/2010	$8,574.78	$22,629.80	$31,204.58	$15,065.94	$24,934.06	$40,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$23,640.72	$47,563.86	$71,204.58

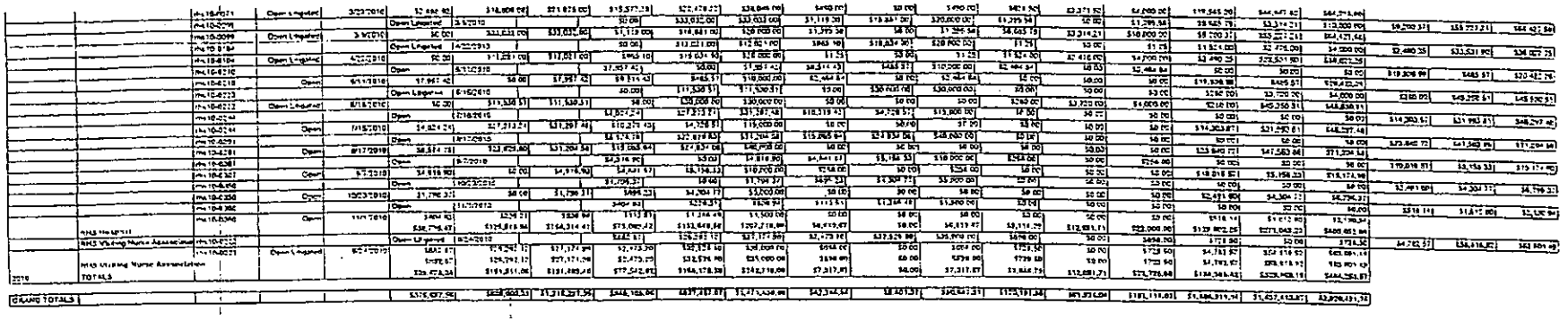
Attachment #5

Attachment #5



368

Attachment #5



Attachment #5

SCHEDULE 6.8.2

RHS Limitations on Licenses and Permits

No exceptions.

SCHEDULE 6.11.1
RHS Owned Real Property and Leases

See attached list.

(a) No exceptions.

(b) RHS is in the process of preparing and entering into formalized lease agreements for space occupied by Arthritis Foundation and Merit Program. UICOM also occupies space for support teaching services without a formal lease agreement.

(c) No exceptions.

(d) Based on a review of its internal records, RHS believes that the following RHS Owned Real Property is located fully or partially in an area having "special flood hazards":

1. Bryon Clinic Building (not currently in operation) and property (approx. 22 acres) located at 130 Kysor Road, Byron, IL (Ogle County; PIN 03-05-32-252-003).

2. 1.08 acres of approximately 21 total acres of farmland located on State Road 173, East of Lawrence Road, in Harvard, IL (McHenry County; PIN 06-03-200-014).

3. An area that surrounds the Keith Creek that runs through a significant portion of the "Riverside Properties", which consists of approximately 244 acres of farmland that is bounded by I-90, East Riverside Road and Springbrook Road (Winnebago County: PIN 12-01-301-001, 12-02-426-001, 12-01-326-003, 12-01-401-001, and 12-01-351-001).

(e)-(i) No exceptions.

Attachment #5

ROCKFO HEALTH SYSTEM

List of all land fully or partially owned, not on an owned hospital campus.

As of January 14, 2011

Land not on an owned hospital campus

Address	Owner	property code	pin	county	Use
4223 E. State Street	VNA	190D-540A	12-29-102-007	Winnebago	VNA facility
2505/07 Ellen Avenue	RMH	190D-255	11-10-431-015	Winnebago	2505 rental/2507 temp housing
2506/08 Ellen Avenue	RMH	190D-235	11-10-430-025	Winnebago	2506 temp housing/2508 rental
2511/13 Ellen Avenue	RMH	190D-256	11-10-431-014	Winnebago	2511 rental/2513 storage
2512/14 Ellen Avenue	RMH	190D-234	11-10-430-024	Winnebago	rental
2515/17 Ellen Avenue	RMH	190D-257	11-10-431-013	Winnebago	rental
2516/18 Ellen Avenue	RMH	190D-233	11-10-430-023	Winnebago	rental
2519 Ellen Avenue	RMH	190D-258	11-10-431-012	Winnebago	rental
2520 Ellen Avenue	RMH	190D-232	11-10-430-022	Winnebago	rental
2507/09 Lawndale Avenue	RMH	195A-516	11-15-232-008	Winnebago	rental
2511/13 Lawndale Avenue	RMH	195A-517	11-15-232-007	Winnebago	rental
2607 Lawndale Avenue	RMH	195A-520	11-15-232-004	Winnebago	rental
2611 Lawndale Avenue	RMH	195A-521	11-15-232-003	Winnebago	rental
2615 Lawndale Avenue	RMH	195A-522	11-15-232-002	Winnebago	rental
2619 Lawndale Avenue	RMH	195A-523	11-15-232-001	Winnebago	rental
2703 Lawndale Avenue	RMH	195A-506	11-15-231-008	Winnebago	rental
2715 Lawndale Avenue	RMH	195A-509	11-15-231-005	Winnebago	rental
2719 Lawndale Avenue	RMH	195A-510	11-15-231-004	Winnebago	rental
2723 Lawndale Avenue	RMH	195A-511	11-15-231-003	Winnebago	rental
2727 Lawndale Avenue	RMH	195A-512	11-15-231-002	Winnebago	rental
2731 Lawndale Avenue	RMH	195A-513	11-15-231-001	Winnebago	rental
2507/2509 Prial Avenue	RMH	190D-236	11-10-430-015	Winnebago	rental
2508 Prial Avenue	RMH	190D-265	11-10-429-013	Winnebago	temp housing
2511/13 Prial Avenue	RMH	190D-237	11-10-430-014	Winnebago	temp housing
2512 Prial Avenue	RMH	190D-266	11-10-429-012	Winnebago	temp housing
2515/17 Prial Avenue	RMH	190D-238	11-10-430-013	Winnebago	2515 rental/2517 temp housing
2518 Prial Avenue	RMH	190D-267	11-10-429-011	Winnebago	rental
2519 Prial Avenue	RMH	190D-239	11-10-430-012	Winnebago	temp housing
2226 North Rockton Avenue	RMH	195A-514	11-15-232-009	Winnebago	2 apts temp housing/8 apts rental
2520 North Rockton Avenue	RMH	190D-252	11-10-431-022	Winnebago	rental
8888 Springbrood Road	RMH	145D-753A	12-01-401-003	Winnebago	farm land leased to Reid Farms
E. Riverside	RMH	145-501A	12-01-301-002	Winnebago	farm land leased to Reid Farms
8488 Springbrook Road	RMH	145-503E	12-01-326-004	Winnebago	farm land leased to Reid Farms
8460 Springbrook Road	RMH	145-502	12-01-351-001	Winnebago	farm land leased to Reid Farms
8488 Springbrook Road	RMH	145-503C	12-01-376-002	Winnebago	rental
8510 Springbrook Road	RMH	145-504	12-01-376-004	Winnebago	rental
8460 Springbrook Road	RMH	145-505A	12-01-376-005	Winnebago	rental
E. Riverside	RMH	146-755B	12-02-426-002	Winnebago	farm land leased to Reid Farms
8055 Springbrook Road	RMH	146-756	12-02-476-001	Winnebago	farm land leased to Reid Farms
1000 South Mulford Road	RMH	171C-506D	12-27-301-009	Winnebago	vacant land

Attachment #5

1088 South Mu[illegible]oad	RMH	171C-506	12-27-301-011	W[illegible]go	farm land managed by Grace Agricutural Agency
988 South Mulfo[illegible]oad	RMH	171C-504	12-27-301-012	Winnebago	farm land managed by Grace Agricutural Agency
South Alpine Road	RMH	260C-507A	16-08-376-002	Winnebago	farm land leased to Carlson Farms
5000 Prairie Rose Drive	RHPH	029A-026	04-29-277-001	Winnebago	satellite clinic facility
7802 North Alpine Road	RHPH	140B-419A	08-32-130-039	Winnebago	satellite clinic facility
7702 North Alpine Road	RHPH	140B-419B	08-32-130-040	Winnebago	satellite clinic facility
2623 Edgemont Avenue	RMH	190A-146	11-10-429-001	Winnebago	IMS analysts & programmers, EMS & Disaster Coordinator
2603 Lawndale Avenue	RHPH	195A-519	11-15-232-005	Winnebago	Rockford Health Physicians main building parking
2517 Lawndale Avenue	RHPH	195A-518	11-15-232-006	Winnebago	Rockford Health Physicians main building parking
102 Landmark Drive	RHPH	509-401	14-05-477-005	Winnebago	Winnebago clinic satellite location
5970 Churchview Drive	RHPH	160A-272A	12-16-231-006	Winnebago	Rockford Health Physician satellite facility, including DaVita dialysis service
2215 Churchview Drive	RHPH	160A-302	12-16-231-004	Winnebago	vacant land
Churchview Land	RHPH	160A-301	12-16-231-003	Winnebago	vacant land
2228 North Rockton Avenue	RHPH	190D-540A	11-10-476-010	Winnebago	Rockford Health Physician parking lot; house is rented to physicians
Rt. 173, Harvard	RHPH		06-03-200-014	McHenry	farm land leased to Twin Garden Farms
130 Kysor Drive-Syron	RHPH		03-05-32-252-003	Ogle	vacant building and land-formally RHPH satellite clinic facility
3401 North Perryville Road	RHPH	155B-035	12-11-106-002	Winnebago	RMH Outpatient Services, Physician Offices, Leased Space
2803 Summerdale Avenue	RHS	190D-533	11-10-403-036	Winnebago	vacant lot
2840 Glenwood Avenue	RMH	190A-544B	11-10-403-003	Winnebago	REACT administration offices & storage
2810-2830 Glenwood Avenue	RMH	190A-544C	11-10-403-004	Winnebago	Auxiliary Thrift Shop/ Warehouse-Portion of Employee parking Lot N
2850 Glenwood Avenue	RMH	190A-544D	11-10-403-005	Winnebago	Helicopter garage Employee parking Lot N
2918 Glenwood Avenue	RMH	190A-546	11-10-403-038	Winnebago	Maintenance garage back portion of lot N
2819 Glenwood Avenue	RMH	190A-021A	11-10-426-019	Winnebago	Psych Offices (Bader Building), Employee Assistance Program
Glenwood Avenue Land	RMH	190A-021B	11-10-426-008	Winnebago	Psych Offices (Bader Building)
Edgemont Land	RMH	190D-643	11-10-429-002	Winnebago	Parkig for ED and Physicians
2812 Glenwood Avenue	RMH	190A-148	11-10-429-003	Winnebago	Parking
29XX Glenwood Avenue	RMH	190A-547	11-10-403-037	Winnebago	Childrens learning center
950 South Mulford Road	RMH	171C-506C	12-27-301-008	Winnebago	Van Matre Rehabilitation Center

Hospital Campus

Address	entity	property code	pin	county	Use
2400 North Rockton Avenue	RMH	190D-646	11-10-476-003	Winnebago	Rockford Memorial hospital & Parking
2300 North Rockton Avenue	RHPH	190D-540B	11-10-476-008	Winnebago	Rockford Health Physicians main building, Leased offices
2300 North Rockton Avenue	RHPH	190D-538	11-10-476-009	Winnebago	Rockford Health Physicians main building, Leased offices
2350 North Rockton Avenue	RHPH	190D-641A	11-10-476-006	Winnebago	Rockford Medical Building – physician and corporate offices
2500 North Rockton Avenue	RMH	190D-644	11-10-476-001	Winnebago	North Office Building
North Rockton Avenue	RMH	190D-642	11-10-476-002	Winnebago	Parking lot in fron of North Office Building
2411 Edgemont Street	RMH	190D-641B	11-10-476-005	Winnebago	Ingersoll building-Family Guest Center, RMH support departments

Attachment #5

SCHEDULE 6.11.2

RHS Compliance with Environmental Laws

Letter dated October 2, 2008 from Illinois Emergency Management Agency regarding radiation safety inspection.

Letter dated November 11, 2008 from Illinois Emergency Management Agency confirming RHS' response to its October 2, 2008 letter was sufficient.

[redacted]

Underground Storage Tanks

Tank No.	Capacity	Date of Installation	Contents
1	1000 Gallons	1993	Unleaded Gasoline
2	5000 Gallons	1995	Z-Jet A Fuel

SCHEDULE 6.12
RHS Title Exceptions

Illinois Hospital Finance Authority Revenue
Refunding Bonds, Series 1997
(Rockford Health System Obligated Group)

Illinois Finance Authority Variable Rate Demand
Revenue Bonds, Series 2008 (Rockford Memorial
Hospital Obligated Group)

SCHEDULE 6.13
RHS Affiliates

Rockford Health Physicians
Rockford Memorial Hospital
Rockford Memorial Development Foundation
Visiting Nurses Association of the Rockford Area
Rockford Health System Ventures, LLC
Rockford Health Insurance Ltd.

Attachment #5

SCHEDULE 6.15
RHS Insurance Coverage

See attached list. No exceptions.

Attachment #5

ROCKFORD HEALTH SYSTEM

[illegible]	COVERAGE	LIMITS	YEARS	2009-10 PREMIUM (Except Prof. DL and Auto, 2010-11 and K&R Business Travel Accident - 1 year Prepaid)	Enhanced or Enhanced Retail Commission	2009-10 POLICY #	2009-10 CARRIER	2011 Projected PREMIUM
Casualty	Professional/General Liability	$50M	1	$2,300,000		RHIL-RPL 1001:08	Captive	$1,860,000
Casualty	Captive Reinsurance Professional/General Liability	$15M p/o $30M	1	$1,015,000	None on Fee Business	HMU 1064403043-5	CNA	$795,000
Casualty	Captive Reinsurance Professional/General Liability	$15M p/o $30M	1	$1,015,000	None on Captive Reinsurance	HPC 9261947	Zurich	$795,000
Casualty	Captive Reinsurance Professional/General Liability	$20M	1	$270,000	None	001385 007	Endurance	$270,000
Casualty	Automobile Liability *	$1M	1	$23,981	None on Fee Business	93 UENV06724	Hartford	$23,981
Surety	Blanket Notary E&O/24 Notaries	$10K	1					
Property	All-Risk Property	$600M	1	$276,226	None	35848666	Chubb	$290,037
Aviation	Aviation Hull (Marsh does not place hull coverage for AirMethods, new owner of CJ Systems)	$50M CSL	1	N/A	Not Applicable	SIHL 1-264K Lead Policy #	USAIG Lead	N/A
Aviation	Helipad Liability	$10M CSL	1	$6,408	None	1300074	Global Aerospace	$6,728
Aviation	Non-Owned Aircraft	$10M CSL	1	$9,928	None	1300075	Global Aerospace	$10,424
FINPRO	Directors & Officers	$15M	1	$91,000	17.5% retail	8211-1902	Chubb	$91,000
FINPRO	Directors & Officers	$10M XS $15M	1	$50,360	15% retail	01-424-94-53	Charlis	$50,360
FINPRO	Side-A Directors & Officers	$10M XS $25M	1	$31,613	15% retail	01-424-96-06	Charlis	$31,613
FINPRO	Fiduciary Liability	$10MM	1	$17,500	17.5% retail	8211-1902	Chubb	$17,500
FINPRO	Crime	$10MM	1	$19,972	15% retail and 2% enhanced	00 PA 0239834 00	Hartford	$19,972
FINPRO	Network Security / Privacy	$1MM	1	$31,308	13% retail	01-423-57-65	Charlis	$31,308
FINPRO	Employed Lawyers E&O	$5MM	1	$21,000	17.5% retail	8211-1932	Chubb	$21,000
FINPRO	Kidnap & Ransom	$5MM	3	$8,735	None	85-053-283	AIG	$8,735
Casualty	XS Workers Comp.	Stat/$1M Cvg B	1	$84,432		SP-404-1264	Safety National	$84,432
Casualty	Tank Pollution Liability (Day)	$5M CSL	1	$1,912	None	UST G23566321 005	ACE	$2,008
Casualty	Tank Pollution Liability (Underground)	$5M CSL	1	$2,584	None	177400	Charlis	$2,713
Bus. Trav	Business Travel	$600,000 per aircraft accident; $5,000,000 per all other accidents	3	$20,620	None	ADD N01886666	ACE	N/A
				$2,997,579				$2,551,812

Comments:
-SXM / SXM = each occurrence / aggregate
-CSL = Combined Single Limit
-The captive pays the reinsurance premiums (highlighted in yellow)

Marsh Contacts:
Account Executive - Linda Puccio
Aviation -Blake Maybeck (Helipad and Non-Owned, NOT Hull)
Business Travel - Jennifer Nihart
Casualty/HPL - Allison King
Fin Pro - David Garrigus
Property - Rhonda Ringo
Surety - David Roth

378

Attachment #5

SCHEDULE 6.16
RHS Tax Returns

The 403(b) Plan Form 5500 has not yet been filed.

Attachment #5

SCHEDULE 6.17.1
RHS Employee Benefit Plans

1. Rockford Memorial Hospital Basic Pension Plan and Trust Agreement (Plan No. 001) (Partially Frozen Plan)

2. Rockford Memorial Hospital Supplemental Pension Plan (Plan No. 002) (Frozen Effective May 8, 1994)

3. Rockford Health System Retirement Plan (Plan No. 010)

4. Rockford Health System Code 403b Plan (Plan No. 011)

5. Rockford Health Physicians Retirement Plan, f/k/a Rockford Clinic Retirement Plan (Plan No. 012)

6. Rockford Health System Fixed Contribution Plan (Plan No. 013)

7. Rockford Health System Executive Benefit Plan

8. Rockford Health System 457(b) Eligible Deferred Compensation Plan

9. Rockford Health System Health Insurance Plan (Plan No. 502).

10. Rockford Health System RHS 125 Cafeteria Plan – FSA Health Care (a/k/a Rockford Health System TotalChoice Benefits Plan) (Plan No. 601).

11. Rockford Health System Short-Term Disability Insurance Plan (Plan No. 505).

12. Rockford Health System Long-Term Disability Insurance Plan (Plan No. 503).

13. Rockford Health System Dental Benefit Plan (Plan No. 504).

14. Rockford Health System Life Insurance Plan (Plan No. 501).

15. Rockford Clinic Employee Health Benefit Plan (Plan No. 512)

16. Rockford Clinic Employee Dental Benefit Plan (Plan No. 514).

17. Rockford Health System Employee Assistance Program.

Attachment #5

SCHEDULE 6.17.3

RHS Employee Benefit Plans without IRS Determinations

RHS is preparing required restatements to its Retirement Plan, Basic Pension Plan and Supplemental Plans at this time, and expects to receive a new Favorable Determination Letter in 2011.

SCHEDULE 6.17.6
RHS Benefit Plan Exceptions

Name of Plan	Description
(v) Rockford Health System Health Insurance Plan (Plan No. 502)	Provides health and welfare benefits to certain eligible retired former employees of RHS in accordance with the Plan's terms
(viii) 1. Rockford Memorial Hospital Basic Pension Plan and Trust Agreement (Plan No. 001) (Partially Frozen Plan)	Employee benefits plans (sponsored by an ERISA Affiliate of RHS) subject to Title I, Subtitle B, Part 3 of ERISA and Section 412 of the Code
2. Rockford Memorial Hospital Supplemental Pension Plan (Plan No. 002) (Frozen Effective May 8, 1994)	
(ix) 1. Rockford Memorial Hospital Basic Pension Plan and Trust Agreement (Plan No. 001) (Partially Frozen Plan)	Employee benefits plans (sponsored by an ERISA Affiliate of RHS) subject to Title IV of ERISA
2. Rockford Memorial Hospital Supplemental Pension Plan (Plan No. 002) (Frozen Effective May 8, 1994)	
(x) 1. Rockford Health System Flexible Executive Benefit Plan	Nonqualified deferred compensation arrangements
2. Rockford Health System 457(b) Eligible Deferred Compensation Plan	
3. Rockford Health System Restoration Plan	
(xiii) Rockford Health System Code 403(b) Plan	Section 403(b) Plan Form 5500 has not yet been filed.

Attachment #5

SCHEDULE 6.17.7

RHS Changes in Legal and Beneficial Ownership Status

No exceptions.

SCHEDULE 6.18
RHS Labor Relations

No exceptions.

SCHEDULE 6.19
RHS Payment Programs

6.19.1
No exceptions.

6.19.2
No exceptions.

6.19.3
No exceptions.

6.19.4
See Schedule 6.19.5.

6.19.5
See Schedule 6.19.5.

6.19.6
No exceptions.

6.19.7

(a) Email dated January 11, 2011, from Mr. Paul Shute of the Office of Inspector General of the Illinois Department of Healthcare and Family Services to Christopher T. Waack, Esq. regarding [redacted]

(b) Letter from Centers for Medicare & Medicaid Services to [redacted] dated September 2, 2010, regarding [redacted]

(c) Letter from Department of Health & Human Services to Rockford Memorial Hospital, dated January 5, 2010, regarding [redacted]

(i) Letter from Henry M. Seybold, Jr. to Ms. Janelle Hall, WPS Medicare South 7, dated September 30, 2010, regarding [redacted]

(d) Letter from Department of Health & Human Services to Rockford Memorial Hospital, dated December 19, 2008, regarding [redacted]

(e) Letter from Department of Health & Human Services to Rockford Memorial Hospital, dated October 8, 2008, regarding [redacted]

(f) Letter from Department of Health & Human Services to Rockford Memorial Hospital, dated March 18, 2008, regardin[redacted]

(g) Voluntary audit of Evaluation and Management ("E&M") claims submitted to Medicare by an external billing agent as a follow up to: (i) Letter from Gary E. Kaatz to Mr. Larry Hopkins, Illinois Department of Healthcare and Family Services, dated June 18, 2010, regarding [redacted]; and (ii) Letter from Gary E. Kaatz to WPS Medicare Part B, dated August 13, 2009, regarding [redacted]

6.19.8
No exceptions other than as noted in 6.19.7.

6.19.9
No exceptions.

SCHEDULE 6.19.5
RHS Open Cost Reports

See attached list of open cost reports and appeals.

Attachment #5

Rockford Memorial Hospital

Medicare SSI/DSH

Provider #	PRRB Case No.	FYE	NPR Date	Intermediary	Group Appeal	Representative
140239	00-3019G	12/31/2002	7/7/2006	MOO	Southwest Consulting	Vinson & Elkins
140239	00-3019G	12/31/2003	9/1/2006	MOO	Southwest Consulting	Vinson & Elkins
140239	00-3019G	12/31/2004	9/22/2006	MOO	Southwest Consulting	Vinson & Elkins
140239	08-0075G	12/31/2005	8/7/2007	WPS	Southwest Consulting	Vinson & Elkins
140239	08-0405G	12/31/2006	5/29/2008	WPS	Southwest Consulting	King & Spaulding

Standardized Amount

Provider #	PRRB Case No.	FYE	NPR Date	Intermediary	Group Appeal	Representative
140239	07-2306G	12/31/2005	8/7/2007	MOO	Hall & Render MCHC	Hall & Render
140239	07-1614	12/31/2006	5/29/2008	WPS	Hall & Render MCHC	Hall & Render
140239	07-1614	12/31/2007	5/29/2008	WPS	Hall & Render MCHC	Hall & Render

Equitable Tolling

Provider #	PRRB Case No.	FYE	NPR Date	Intermediary	Group Appeal	Representative
140239	08-2907G	Various	N/A	MOO	Strategic Reimbursement	Hooper, Lundy & Bookman

Open Cost Reports

Year	Status
2007	Audited but not final
2008	Open, not audited
2009	Open, not audited
2010	Not completed

Attachment #5

SCHEDULE 6.20
RHS Accreditation

(a), (b) and (c): No exceptions.

(d):

Stroke Recertification Survey (December 3, 2010 Results)
2 Direct Impact Elements- Evidence of Compliance to be submitted before January 21, 2011
4 Indirect Impact Elements- Evidence of Compliance to be submitted by February 6, 2011
4 Month Monitoring Report- due May 2011

Attachment #5

SCHEDULE 6.21
RHS Material Contract Defaults

No exceptions.

SCHEDULE 6.22
RHS Compliance

(a) No exceptions.

(b) No exceptions.

(c) Illinois Medicaid Provider Audits of RHPH Employed Physicians: OIG Case No. 1053092, September 2007; OIG Case No. 1039446, May 2007; OIG Case No. 1043557, May 2007; and OIG Case No. 1043547, May 2007

See also Schedule 6.19.

(d) No exceptions.

(e) Subpoena issued to Rockford Health System by the Office of the Attorney General of Illinois, February 2007.

[redacted] v. Rockford Memorial Hospital (OCR Transaction #108388, September 28, 2010)

[redacted] v. Rockford Health Physicians (OCR Transaction #09-91986, September 17, 2009)

[redacted] v. Rockford Memorial Hospital (OCR Transaction #08-76020, May 2008)

[redacted] v. Rockford Memorial Hospital (OCR Transaction #08-76021, May 2008)

[redacted] v. Rockford Health System/Rockford Memorial Hospital (OCR Transaction #07-71363, May 2007)

[redacted] (QIP No. QM124P, June 2007)

Letter from Winnebago County State's Attorney to Rockford Health System, dated March 6, 2008 regarding [redacted]

Preliminary Determination Letter issued by Centers for Medicare and Medicaid Services to Rockford Memorial Hospital, dated January 29, 2009, regarding [redacted]

Letter from Centers for Medicare and Medicaid Services to Rockford Memorial Hospital, dated April 23, 2009, [redacted]

Complaint 10-080-9011 issued by [redacted] January 29, 2010.

Attachment #5

Complaint 10-080-9014 issued by [redacted], February 3, 2010.

Complaint 10-080-9015 issued by [redacted], March 17, 2010.

Complaint 10-080-9019 issued by [redacted] August 5, 2010.

Letter from Illinois Emergency Management Agency (IEMA) dated October 2, 2008, regarding [redacted]

See also Schedule 6.11.2, and Schedule 6.19.

(f) [redacted]n v. Rockford Memorial Hospital, EEOC Charge No. 440-2008-02202 (dismissed)

[redacted] v. Rockford Health Systems, EEOC Charge No. 440-2008-06035

[redacted] Jr. v. Rockford Memorial Hospital, EEOC Charge No. 440-2008-06861

[redacted] IDHR Charge No. 2009CF4383

[redacted] v. Rockford Memorial Hospital, IDHR Charge No. 2009CA1413/EEOC Charge No. 21BA90372

[redacted]. Rockford Health Systems, EEOC Charge No. 440-2009-02396

[redacted] Rockford Health Systems, IDHR Charge No. 2010CF3128/EEOC Charge No. 21BA01664

[redacted] Rockford Health Physicians, EEOC Charge No. 846-2010-86895

[redacted] v. Rockford Memorial Hospital, Illinois Department of Labor, received June 21, 2010.

[redacted] v. Rockford Health Systems, IDHR Change No. 2009CF2060/EEOC Charge No. 21BA90857/ALS 09-0672

Anonymous Complaint # 208116061 communicated by a letter dated December 13, 2010 from the United States Department of Labor, Occupational Safety and Health Administration regarding [redacted]

[redacted] v. Rockford Memorial Hospital Compliant # 5-0460-11-008 dated December 22, 2010 from the United States Department of Labor, Occupational Safety

and Health Administration regarding [redacted]

Attachment #5

SCHEDULE 6.24
RHS Medical Staff

No exceptions.

SCHEDULE 7.3.1

RMDF Liens and Defaults Under Material Contracts

No exceptions.

SCHEDULE 7.3.2
RMDF Required Approvals

No exceptions.

SCHEDULE 7.4
RMDF Interim Changes

No exceptions.

SCHEDULE 7.5
RMDF Legal Proceedings

No exceptions.

SCHEDULE 7.8
RMDF Title Exceptions

See attached.

ROCKFORD MEMORIAL D .OPMENT FOUNDATION
CASH AND I. .ESTMENTS
AS OF DECEMBER 31, 2010
(000s)

	TOTAL	Unrestricted RMDF	VNA	Donor Restricted Internal	Donor Restricted External
Cash and Equivalents	711	673	38	-	-
Master Trust	95,972	91,902	1,525	2,545	-
Donations Receivable	690	111	4	575	-
Permanently Restricted	5,716	-	466	968	4,282
Temporarily Restricted	5,791	-	318	-	5,473
	108,880	92,686	2,351	4,088	9,755

Cash and Equivalents:
Unrestricted funds received in excess of disbursements
Accounts at Harris Bank
Does NOT include cash held for restricted donations ($149 in VNA-Temp Restr and $386 in Donor Restr Int-MT)

Master Trust:
$91,902 = RMDF Board Designated $91,545 and Board Designated Education Endowment $357
$1,525 = VNA Board Designated funds
$2,545 = Restricted donations received but not yet disbursed (includes $386 from checking account)

Donations Receivable:
$79 = Due from employees (Family Giving Campaign)
$36 = Due from Beneficial Interest in Trusts
$575 = Cedric Blazer $75--restricted for Ortho Surgery and HC Gregory $500-unrestricted

Permanently Restricted:
$466 = VNA Endowment in Master Trust $189 and Beneficial Interest in Trust $277 (Von Weise-income is unrestricted)
$968 = RMDF Endowments in Master Trust-Temporary $350 and Permanent $618
$4,282 = Five Beneficial Interest in Trust accounts (income unrestricted on Von Weise, Love, Horsman-Underwood)
(income restricted on Gregory for indigent care and Cholke/Bullard for scholarships)

Temporarily Restricted:
$318 = Restricted donations received but not yet disbursed (primarily Hospice)(includes $149 from checking)
$5,473 = Two Beneficial Interest in Trust accounts (income unrestricted on Corbett and Caster)
Funds are temp restricted due to time limit (Corbett $254, Feb 2020) and legal precedent (Caster $5,219)

ROCKFORD MEMORIAL DEVELOPMENT FOUNDATION
CASH AND INVESTMENTS-VNA
AS OF DECEMBER 31, 2010

		AMOUNT	ACCOUNT	NOTES
CASH AND EQUIVALENTS:				
10100-8921	Checking-VNA Unrestricted	38,142.13	Harris Checking	
MASTER TRUST:				
17180-8920	Master Trust-VNA Board Designated	383,983.53	Master Trust	
17180-8921	Master Trust-VNA Unrestricted	1,030,411.92	Master Trust	
17230-8920	Master Trust-VNA Accrued Income	2,938.66	Master Trust	
17230-8921	Master Trust-VNA Unrestricted-Accrued Income	4,046.67	Master Trust	
17250-8920	Master Trust-VNA Board Designated-Mrkt Value	42,355.23	Master Trust	
17250-8921	Master Trust-VNA Unrestricted-Market Value	56,013.26	Master Trust	
17250-8990	Master Trust-VNA-Endowment-Market Value	4,910.50	Master Trust	
		1,524,659.77		
DONATIONS RECEIVABLE:				
15800-0000	Interest Receivable	4,276.15	Trustee Held	Beneficial Interest in Trust income
PERMANENTLY RESTRICTED:				
17200-8990	Master Trust-VNA Endowment	189,094.00	Master Trust	
19900-1740	Beneficial Interest in Trust	277,029.00	Trustee Held	Von Weise Trust
		466,123.00		
TEMPORARILY RESTRICTED:				
10100-8920	Checking-VNA Restricted	149,087.82	Harris Checking	
17180-8925	Master Trust-VNA Restricted	168,608.36	Master Trust	
		317,696.18		
TOTAL CASH AND INVESTMENTS HELD FOR VNA		2,350,897.23		

4/01

Attachment #5

SCHEDULE 8.3.1

OSF Liens and Defaults Under Material Contracts

Exceptions: NONE

SCHEDULE 8.3.2

OSF Required Approvals

Exceptions:

A. Approval by the Governing Board of The Sisters of the Third Order of St. Francis is required pursuant to Article II, Section 2 of the corporate bylaws of OSF.

B. The following consents are required to add new Members to the OSF Obligated Group:

- Written consent of Wells Fargo Bank, National Association, pursuant to:
  - Reimbursement Agreement dated as of August 1, 2007 by and between OSF Healthcare System and Wachovia Bank, National Association (now Wells Fargo Bank, National Association)
  - Reimbursement Agreement dated as of March 1, 2009 between Wells Fargo Bank, National Association, and OSF Healthcare System
- Written consent of PNC Bank, National Association, pursuant to:
  - Reimbursement Agreement dated as of March 1, 2009 by and between OSF Healthcare System and National City Bank (now PNC Bank, National Association)
  - Standby Bond Purchase Agreement dated as August 1, 2007 among OSF Healthcare System, National City Bank (now PNC Bank, National Association), and Wells Fargo Bank, National Association, as Trustee
- Written consent of JPMorgan Chase Bank, National Association, pursuant to:
  - Reimbursement Agreement dated as of March 1, 2009 between JPMorgan Chase Bank, National Association, and OSF Healthcare System
  - Standby Bond Purchase Agreement dated as August 1, 2007 among OSF Healthcare System, JPMorgan Chase Bank, National Association, and Wells Fargo Bank, National Association, as Trustee
  - Loan Agreement dated as of August 1, 2009 among JPMorgan Chase Bank, National Association, as Lender, and Illinois Finance Authority, as Issuer, and OSF Healthcare System, as Borrower
- Written consent of The Northern Trust Company pursuant to a Reimbursement Agreement dated as of September 10, 2008 between The Northern Trust Company and OSF Healthcare System

Attachment #5

ATTACHMENT 1

SCHEDULE 8.4.2

OSF Licenses and Permits

Exceptions: NONE.

SCHEDULE 8.8

OSF Compliance

Exceptions:

8.8(a) – NONE

8.8(b) – NONE

8.8(c) – [To be delivered on a later date.]

8.8(d) – NONE

8.8(e) – [To be delivered on a later date.]

8.8(f) –

Date	Agency	Number	Type	Status
10-10-06	[redacted]	[redacted]	[redacted]	In process
07-27-09	[redacted]	[redacted]	[redacted]	Appeal pending
07-07-10	[redacted]	[redacted]	[redacted]	In process

[Incomplete – additional exceptions to be delivered on a later date.]

SCHEDULE 8.10

OSF Legal Proceedings

No exceptions other than those set forth in Schedule 8.4.2.

SCHEDULE 8.11.2

OSF Exceptions to GAAP

Exceptions: NONE

SCHEDULE 8.11.3

OSF Material Changes

Exceptions: NONE

SCHEDULE 8.11.4

OSF Liabilities

Exceptions: NONE

SCHEDULE 8.12

OSF Interim Changes

Exceptions:

8.12.1 – NONE

8.12.2 – sale of approximately 21.81 acres of vacant land adjacent to St. Francis Hospital, Escanaba, Michigan on October 29, 2009.

8.12.3 – James M. Moore has submitted his resignation due to retirement from the office of Chief Executive Officer of OSF Healthcare System, from the offices of Vice-Chairperson of OSF subsidiary and affiliate corporations, and from the Boards of Directors of OSF Healthcare System and its subsidiary and affiliate corporations, effective as of February 25, 2011. Kevin D. Schoeplein has been appointed to replace Mr. Moore in all such offices and positions.

8.12.4 – NONE

8.12.5

(a) The Sisters of the Third Order of St. Francis Employees Pension Plan (a defined benefit plan) will be frozen, effective March 5, 2011, and no additional contributions to such plan will be made after that date. For payroll periods ending on or after March 6, 2011, certain enhanced employer contributions will be made to The Sisters of the Third Order of St. Francis Retirement Savings Plan (a section 401(k) and 401(m) plan), as more fully explained in employee brochures and materials previously delivered to RHS; (b) the OSF Saint Francis, Inc. Employees Pension Plan (a defined benefit plan) will be frozen, effective March 5, 2011, and no additional contributions to such plan will be made after that date. For payroll periods ending on or after March 6, 2011, certain enhanced employer contributions will be made to the OSF Saint Francis, Inc. 401(k) Plan and Trust (a section 401(k) and 401(m) plan), as more fully explained in employee brochures and materials previously delivered to RHS.

(b) Retention agreements with [redacted]

SCHEDULE 8.14.1

OSF Owned Real Property

Owned Real Property:

Lot 9, 4XX Roxbury Road, Rockford, IL	12-21-376-011
816 Featherstone Road, Rockford, IL	12-22-151-025
698 Featherstone Road, Rockford, IL	12-22-151-022 & 12-22-151-023
556 East Marengo Highway, Marengo, IL	11-36-327-040
621 Roxbury Dr., Rockford, IL	12-21-329-006
4423 Manchester Dr., Rockford, IL	16-05-128-020 & 16-05-132-006
5713 Strathmoor Dr., Rockford, IL	12-21-452-003
6830 Village Green View, Rockford, IL	12-15-226-011 & 12-15-226-014
9951 Rock Cut Crossing, Loves Park, IL	08-21-176-005 (owned by OSF Saint Francis, Inc.)
5668 E. State Street, Rockford, IL	12-28-202-002 (owned by State & Roxbury, LLC)
1545 Belvidere Road, Belvidere, IL	05-36-477-027 (owned by OSF Saint Francis, Inc.)
5666 E. State Street, Rockford, IL	12-28-201-003, 12-28-202-005, 12-21-401-002 & 12-21-451-001
5510 E. State Street, Rockford, IL	12-28-126-016

Leases:

5510 E. State Street, Rockford, IL	Tenant: OSF Saint Francis, Inc.
5510 E. State Street, Rockford, IL	Tenant: Rockford Gastroenterology Associates, Ltd.
9951 Rock Cut Crossing, Loves Park, IL	Tenant: OSF Healthcare System, d/b/a Saint Anthony Medical Center
9951 Rock Cut Crossing, Loves Park, IL	Tenant: OSF Healthcare System, d/b/a OSF Home Care
5668 E. State Street, Rockford, IL	Tenant: Various, including OSF Healthcare System, d/b/a Saint Anthony Medical Center

Subleases:

535 Roxbury Rd., Rockford, IL	Subtenant: Perryville Surgical Associates, S.C.
535 Roxbury Rd., Rockford, IL	Subtenant: Comprehensive Prosthetics and Orthotics, Inc.
9951 Rock Cut Crossing, Loves Park, IL	Subtenant: Rockford Orthopedic Associates, Ltd.

Attachment #5

Exceptions:

The following liens, mortgages, security interests, pledges, covenants, conditions, restrictions and other encumbrances exist in favor of PNC Bank, National Association (formerly National City Bank) (the "Bank") in respect to acquisition and construction financing by OSF Saint Francis, Inc. ("SFI") for 9951 Rock Cut Crossing, Loves Park, Illinois (the "Property"):

A. Mortgage, Security Agreement and Assignment of Rents and Leases from SFI to Bank, dated as of December 1, 2007 and recorded on December 20, 2007 in Winnebago County, Illinois, as Document No. 200700775833 to secure all payments and obligations of SFI to Bank under a certain Reimbursement Agreement dated as of December 1, 2007 between Bank and SFI in amounts including, but not limited to, $26,376,110.00.

B. Subordination, Non-Disturbance, and Attornment Agreement between Bank and OSF Healthcare System dated as of December 1, 2007 and recorded December 20, 2007 in Winnebago County, Illinois, as Document No. 200700775834 in respect to two leases between SFI, as landlord, and OSF Healthcare System, as tenant, each dated December 20, 2007.

C. Security interest of Bank in property of SFI, as described in a UCC-1 Financing Statement filed in respect to the Property filed in the office of the Illinois Secretary of State on January 3, 2008, File No. 012835914.

Attachment #5

SCHEDULE 8.14.2

OSF Compliance with Environmental Laws

Exceptions: NONE

Underground Storage Tanks:

a) Saint Anthony Medical Center Tank No. 1 – 10,000 gallon tank used to store Jet "A" fuel for the trauma helicopter, installed in 1983.

b) Saint Anthony Medical Center Tank No. 6 – 6,000 gallon tank used to store diesel fuel for the back-up generator, installed in 1991. (Note: Tanks 2-5 previously removed).

c) Saint Anthony Center for Health Tank No. 1 – 2,000 gallon tank used to store diesel fuel, installed in 1990.

SCHEDULE 8.15

OSF Title Exceptions

Exceptions: OSF Master Indenture Trust Estate

Attachment #5

SCHEDULE 8.16

OSF Insurance Coverage

October 1, 2010 – September 30, 2011

COVERAGE	CARRIER	POLICY #	LIMITS	PREMIUM	YEARS
General/Professional Liability	Self-Insurance Trust	N/A	Each Hospital/Facility/Operating Division - $2,000,000 per occurrence; $4,000,000 aggregate Each Physician - $2,000,000 per occurrence; $4,000,000 aggregate	N/A – funding per actuary's recommendations	N/A
General/Professional Liability	OSF Assurance Company	621-1PLGL10	$7,000,000 each claim, eroded by Self-Insurance Trust SIR	$2,466,134	1
General/Professional Liability	OSF Assurance Company (Reinsured through AWAC)	621-2PLGL10	$25,000,000 each claim and aggregate with underlying limit (attachment point) of $7,000,000 each claim	$1,607,486	1
Professional Liability (listed physicians)	ISMIE	46027	$1,000,000/$3,000,000 Deductible - $250,000/$750,000		5/03/10 – 5/03/11
Worker's Compensation and Employer Liability	Self-Insurance Trust	N/A	N/A	N/A – funding per actuary's recommendations	N/A
Worker's Compensation and Employer Liability (Excess)	Safety National Casualty Corporation	SP4042841	WC – Statutory Limits E.L. - $1,000,000 each accident, each employee, and policy limit	$566,437	[1]
Property/Casualty All risk of direct physical loss/damage to covered property Business Income and Extra Expense from Covered Causes of Loss	Chubb Group	3594-26-02	Per Schedule; $50,000 deductible	$1,008,763	1
Employee Dishonesty – Forgery & Alteration	The Hartford	00 FA 0236719 09	$150,000; $5,000 deductible	$14,393	1
Employee Dishonesty – Theft, Disappearance & Destruction	The Hartford	00 FA 0236719 09	$100,000; $1,000 deductible	Included in amount above	1

Attachment #5

COVERAGE	CARRIER	POLICY #	LIMITS	PREMIUM	YEARS
Fiduciary Liability	Allied World National Assurance Company	03051597	Aggregate Limit: $15,000,000 Voluntary Compliance Program Coverage: $100,000 HIPAA Claim Coverage: $125,000 Retention for all other claims except HIPAA: $100,000	$32,480	12/1/10-12/1/11
Builder's Risk – St. Joseph Medical Center	Zurich	IM 9265362-00		$9,050	5/24/10-5/10/11
Special Events	Burlington Insurance Company First Financial Mount Vernon Fire Insurance Scottsdale Founders Lloyd's of London			As Needed	
[Auto Liability]	State Farm	F00 0173-D01-13H	Liability bodily injury property damage $1,000,000 single limit Medial Payments $5,000 each person Uninsured motor vehicle Bodily injury $100,000 each person $300,000 each accident Property damage $15,000 each accident Underinsured motor vehicle Bodily injury $100,000 each person $300,000 each accident	$75,816.95	10/1/10-09/30/11

Attachment #5

SCHEDULE 8.17

OSF Tax Returns

Exceptions: NONE

SCHEDULE 8.18.1

OSF Benefits Plans

OSF maintains the following Benefit Plans, as referenced in Section 8.18.1 of the Affiliation Agreement.

Name of Plan	Description
Qualified Retirement Plans	
The Sisters of the Third Order of St. Francis Employees Pension Plan	Defined Benefit Plan
The Sisters of the Third Order of St. Francis Employees Retirement Savings Plan	Section 401(k) and 401(m) Plan
Nonqualified Deferred Comp. Plans	
OSF Healthcare System Section 457 Retirement Plan	Section 457(b) Plan
Welfare Benefit Plans	
OSF Healthcare System Section 125 Plan	Flexible Spending Accounts (Pre-Tax Premiums, Health Care and Dependent Care Assistance)
OSF Healthcare System Group Medical and Dental Plan and Trust	Group Health Plan (includes coverage for certain eligible early retirees)
OSF Group Term Life and Accidental Death and Dismemberment Insurance Program	Group Welfare Benefit Plan
OSF Dependent Life Insurance Program	Group Welfare Benefit Plan (Employee Paid)
OSF Short-Term Disability Program	Group Welfare Benefit Plan
OSF Long-Term Disability Program	Group Welfare Benefit Plan
OSF Voluntary Group Term Life Insurance	Group Welfare Benefit Plan (Employee Paid)
OSF Employee Assistance Program	Group Welfare Benefit Plan

Attachment #5

Other Employee Benefit Programs	
OSF Educational Reimbursement Program	Educational Assistance Program
OSF Health Savings Account Program (for participants in the High Deductible PPO Benefit Option)	Employer Contribution to Health Savings Account (with opportunity for certain employee contributions effective January 1, 2011)
OSF CollegeAmerica 529 Savings Plan	Section 529 College Savings Plan
OSF Leave Sharing Bank	Payroll Practice Allowing for Donations of Paid Time Off to Other Employees for Medical Emergencies
OSF Discount Program for Certain Services	Employee Discount Program with Third-Party Vendors
OSF Leave of Absence Programs	Leave of Absence Offered with Approval Pursuant to Family Medical Leave Act, Health Care Leaves of Absence, Military Service Leaves of Absence, and Personal Leaves of Absence
OSF Paid Time Off and Sick Time Programs	Vacation and sick time benefits
OSF Voluntary Long Term Care Insurance Program	Payroll Practice for Allowing Employee-Paid Long Term Care Insurance

ERISA Affiliates of OSF maintain the following Benefit Plans, as referenced in Section 8.18.1 of the Affiliation Agreement.

Name of Plan	Description
Qualified Retirement Plans	
OSF Saint Francis, Inc. Employees Pension Plan	Defined Benefit Plan
OSF Saint Francis, Inc. 401(k) Plan and Trust	Section 401(k) and 401(m) Plan
Nonqualified Deferred Comp. Plans	
OSF Saint Francis, Inc. Executive Supplemental Retirement Plan	Non-Qualified Retirement Plan

Attachment #5

Welfare Benefit Plans	
OSF Saint Francis, Inc. Section 125 Plan	Flexible Spending Accounts (Pre-Tax Premiums, Health Care and Dependent Care Assistance)
OSF Saint Francis, Inc. Welfare Benefits Plan	Group Welfare Benefit Plan with the following component programs: • Group health plan coverages (includes coverage for certain eligible early retirees) • Short-term disability program • Long-term disability program (employee paid) • Group term life and accidental death and dismemberment insurance program • Dependent life insurance program (employee paid) • Voluntary group term life insurance (employee paid) • Employee assistance program
Other Employee Benefit Programs	
SFI Educational Reimbursement Program	Educational Assistance Program
SFI Health Savings Account Program (for participants in the High Deductible PPO Benefit Option)	Employer Contribution to Health Savings Account (with opportunity for certain employee contributions effective January 1, 2011)
SFI CollegeAmerica 529 Savings Plan	Section 529 College Savings Plan
SFI Leave Sharing Bank	Payroll Practice Allowing for Donations of Paid Time Off to Other Employees for Medical Emergencies
SFI Discount Program for Certain Services	Employee Discount Program with Third-Party Vendors
SFI Leave of Absence Programs	Leave of Absence Offered with Approval Pursuant to Family Medical Leave Act, Health Care Laves of Absence, Military Service Leaves of Absence, and Personal Leaves of Absence
SFI Paid Time Off and Sick Time Programs	Vacation and sick time benefits
SFI Voluntary Long Term Care Insurance Program	Payroll Practice for Allowing Employee-Paid Long Term Care Insurance

Attachment #5

SCHEDULE 8.18.3

OSF Benefit Plans Without IRS Determinations

Exceptions: NONE

SCHEDULE 8.18.6

OSF Benefit Plan Exceptions

Name of Plan	Description
(ii) OSF Healthcare System Group Medical and Dental Plan and Trust	Provides health and welfare benefits to certain eligible retired former employees of OSF in accordance with the Plan's terms
(v) OSF Saint Francis, Inc. Employees Pension Plan	An employee benefit plan (sponsored by an ERISA Affiliate of OSF) subject to Title I, Subtitle B, Part 3 of ERISA and Section 412 of the Code
(vii) OSF Saint Francis Inc. Executive Supplemental Retirement Plan	Nonqualified deferred compensation arrangement
(viii) [redacted]	[redacted]
(xi) 1. [redacted] v. OSF Healthcare System, et al., No. 10 CH 35 (10th Jud. Cir. Ct. Peoria Co.); 2. [redacted] v. Joanna P. Gass, No. 10 L 152 (10th Jud. Cir. Ct. Peoria Co.)	Proceedings under which OSF or an ERISA Affiliate could reasonably be expected to have direct or indirect liability

SCHEDULE 8.18.7

OSF Changes in Legal and Beneficial Ownership Status

Exceptions: NONE

Attachment #5

SCHEDULE 8.19

OSF Labor Relations

Exceptions: NONE

SCHEDULE 8.20

OSF Payment Programs

8.20.1: See Schedule 8.4.2

8.20.2 – 8.20.6: None

8.20.7: See Schedule 8.4.2

SCHEDULE 8.20.5

OSF Open Cost Reports

Exceptions:

1. Medicare cost reports for fiscal years commencing after September 30, 2006.

2. Medicaid cost reports for fiscal years commencing after September 30, 2006.

3. Blue Cross cost reports for fiscal years commencing after September 30, 2009.

4. Medicare home health agency cost reports for fiscal years commencing after September 30, 2009.

SCHEDULE 8.21

OSF Accreditation

Exceptions: NONE

ATTACHMENT 1

SCHEDULE 8.22

SAMC Medical Staff

Exceptions: NONE.

SCHEDULE 8.25

OSF Material Contract Defaults

Exceptions: NONE

SCHEDULE 12.7

Amendments to RHS Medical Staff Bylaws

The RHS Medical Staff Bylaws shall be amended to include language that reflects:

1. The basic requirements of medical staff membership and the exercise of clinical privileges at the Hospital, cooperation with the Board, the Medical Staff, and the CEO in maintaining compliance with the ethical, religious, and moral standards of the Hospital, including but not limited to the Ethical and Religious Directives for Catholic Health Care Services, promulgated by the U.S. Conference of Catholic Bishops, as amended from time to time;

2. The standards of conduct of both medical staff members and allied health professionals, in the application and reapplication process, the performance of rights and obligations as a medical staff member, and the exercise of clinical privileges in the Hospital, the willingness and capability to abide by the Ethical and Religious Directives for Catholic Health Care Services, promulgated by the U.S. Conference of Catholic Bishops, as amended from time to time;

3. An acknowledgement by each applicant that he or she has received, read, and agrees to comply, in the exercise of clinical privileges in the Hospital, with the Ethical and Religious Directives for Catholic Health Care Services, promulgated by the U.S. Conference of Catholic Bishops, as amended from time to time;

4. The general characteristics of each category of medical staff membership, a requirement that the medical staff member must comply, in the exercise of clinical privileges in the Hospital, with the Ethical and Religious Directives for Catholic Health Care Services, promulgated by the U.S. Conference of Catholic Bishops, as amended from time to time; and

5. The grounds for corrective action against allied health professionals and medical staff members, engagement in professional conduct in the exercise of clinical privileges in the Hospital that contravenes the Ethical and Religious Directives for Catholic Health Care Services, promulgated by the U.S. Conference of Catholic Bishops, as amended from time to time.

SCHEDULE 20.1.76

Material Consents

Exceptions:

A. Filing of HSR notices by OSF and RHS with the Federal Trade Commission and expiration of all required waiting periods thereunder.

B. Certificate of exemption for change of ownership of Rockford Memorial Hospital issued by the IHSFRB.

C. Certificate of exemption for change of ownership of Van Matre Rehabilitation Hospital issued by the IHSFRB or determination by the IHSFRB or its authorized staff that none is required.

D. Other consents and approvals as listed in Schedule 8.3.2.

E. Other consents and approvals as listed in Schedule 6.3.2.

SCHEDULE 20.1.129(f)
Lease Amendments

Clinic/Office Space	Leasee	Lease Start Date
[redacted]	[redacted]	6/1/2002
[redacted]	[redacted]	9/1/2004
[redacted]	[redacted]	1/1/2003
[redacted]	[redacted]	1/1/2003
[redacted]	[redacted]	5/8/2003
[redacted]	[redacted]	9/1/2006
[redacted]	[redacted]	10/30/2009
[redacted]	[redacted]	3/4/2010
[redacted]	[redacted]	5/26/2009
[redacted]	[redacted]	12/20/2000
[redacted]	[redacted]	6/12/1997

17. **FINANCIAL INFORMATION** (co-applicants must also provide this information). Per 77 IAC 1130.520(b)(3), an applicant must demonstrate it has sufficient funds to finance the acquisition **and** to operate the facility for 36 months by providing evidence of a bond rating of "A" or better (that must be less than two years old) from Fitch, Moody or Standard and Poor's rating agencies or evidence of compliance with the financial viability review criteria (as applicable) to the type of facility being acquired (as specified at 77 IAC 1120). Append as **ATTACHMENT #6**.

OSF currently holds a bond rating of "A" or better as of June 15, 2010. The financial information for OSF and RHS are attached as Attachment #6.

Attachment #6

Healthcare
New Issue

OSF Healthcare System

Illinois Finance Authority

Ratings

New Issue
$160,000,000 Illinois Finance Authority Revenue Refunding Bonds (OSF Healthcare System), Series 2010A — A

See Page 2 for a Full Listing of Outstanding Debt

Rating Outlook

Stable

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New Issue Details

Sale Information: $160,000,000 Illinois Finance Authority Revenue Refunding Bonds (OSF Healthcare System), Series 2010A, the week of June 14 via negotiation
Security: Interest in unrestricted receivables.
Purpose: Refund the outstanding series 1985B, 2001, and 2007D bonds, reimburse OSF for prior capital expenditures, fund a debt service reserve account, and pay costs of issuance.
Final Maturity: 2039.

Related Research

Applicable Criteria
- *Revenue-Supported Rating Criteria, Dec. 29, 2009*
- *Nonprofit Hospitals and Health Systems Rating Criteria, Dec. 29, 2009*

Other Research
- *2010 Nonprofit Hospitals and Health Systems Outlook, Feb. 1, 2010*
- *OSF Healthcare System, Illinois March 16, 2009*

Rating Rationale

- OSF Health Care System has continued to execute its strategy of expanding into an integrated healthcare provider serving the northern third of Illinois (excluding the Chicago metropolitan area). Its flagship hospital, St. Francis Medical Center, has developed into a regional referral center for tertiary care.
- Historically, OSF's operating profitability has been steady and consistent with Fitch Ratings' 'A' rated peers. Operating profitability was lower than budgeted in fiscal 2009 due to a jump in bad debt expense and costs related to the system's investments in facilities, clinical information technology, and physician integration. Fitch believes these investments, when fully implemented, will enhance the system's market position and generate positive returns over time.
- OSF's liquidity measures are adequate for the rating category. At March 31, 2010, unrestricted cash and investment totaled $735 million, which translated into 176.4 days cash on hand, a 12.9x cushion ratio, and cash to long-term debt of 92.6%.
- OSF's elevated debt burden for the rating category reflects the effects of substantial investment in facilities and clinical IT. Pro forma MADS of $57.1 million equated to 3.5% of fiscal 2009 revenues, slightly higher than the 'A' rated median of 3.1%, while historical coverage of pro forma MADS in fiscal 2009 was a light 2.0x when compared to the 'A' rated median of 3.5x.

Key Rating Drivers

- Management has developed an array of cost savings to improve operating margins in fiscal 2010. Fitch expects OSF's operating profitability to return to levels consistent with its 'A' rating as the efficiencies from the investment in plant and IT are realized.
- OSF and Rockford Health System (RHS) have signed a nonbinding letter of intent whereby OSF may acquire RHS, including 293-bed Rockford Memorial Hospital. Fitch views the acquisition to be strategically advantageous. Consummation of the acquisition is not likely to affect OSF's credit profile upon closing, and Fitch believes operating efficiencies and market share gains would be accretive to the system over time.

Credit Summary

Headquartered in Peoria, IL, OSF Healthcare System is a regional healthcare provider consisting of seven acute care hospitals with 1,314 licensed beds, 41 outpatient facilities, and 110 long term care beds. Total revenue for the fiscal year ended Sept. 30, 2009 was $1.64 billion.

The 'A' rating reflects OSF's further development to become the leading integrated healthcare provider serving the northern Illinois region outside of the Chicago metropolitan market, the expected benefits of further system integration, which depressed operating profitability in fiscal 2009, and adequate liquidity for the rating category. OSF's flagship hospital, St Francis Medical Center, is a 616 licensed-acute care bed, Level I trauma center that serves as a regional referral center for high-acuity, complex clinical services. The system continues to extend its reach throughout the region via ongoing physician

Rating History

Rating	Action	Outlook/ Watch	Date
A	Affirmed	Stable	6/1/10
A	Affirmed	Stable	2/3/09
A	Affirmed	Stable	4/10/08
A	Affirmed	Stable	7/17/07
A	Affirmed	Stable	9/14/05
A	Assigned	Stable	4/12/04

Outstanding Debt

$124,990,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2009A (OSF Healthcare System)	A
$125,000,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2009B, 2009C, and 2009D (OSF Healthcare System)[abc]	A
$70,000,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2009E, 2009F, and 2009G (OSF Healthcare System)	NR
$119,100,000 Illinois Finance Authority Revenue Bonds, Series 2007A (OSF Healthcare System)	A
$20,050,000 Illinois Finance Authority Revenue Bonds, Series 2007D (OSF Healthcare System)	A
$162,950,000 Illinois Finance Authority Revenue Bonds, Series 2007E, 2007F and 2007G (OSF Healthcare System)[def]	A
$73,125,000 Illinois Finance Authority Revenue Bonds, Series 2004 (OSF Healthcare System)	A
$46,050,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2001(OSF Healthcare System)	A
$14,575,000 Michigan State Hospital Finance Authority Revenue Bonds, Series 2005C (OSF Healthcare System)	A
$75,000,000 Illinois Health Facilities Authority Revenue Bonds, Series 1985B (Pooled Financing Program)	NR

[a]Underlying rating; the bonds are currently backed by a letter of credit from National City Bank, PNC Bank N.A. [b]Underlying rating; the bonds are backed by a letter of credit provided by Wells Fargo, N.A. [c]Underlying rating; the bonds are backed by a letter of credit provided by JP Morgan Chase Bank, N.A. [d]Underlying rating; the bonds are backed by a letter of credit provided by Wells Fargo Bank, N.A. [e]Unenhanced rating; the bonds are insured by FSA Insurance Corp., whose financial strength is not rated by Fitch Ratings. Support by a liquidity facility issued from JP Morgan Chase Bank, N.A. . [f]Unenhanced rating; the bonds are insured by FSA Insurance Corp., whose financial strength is not rated by Fitch Ratings. Support by a liquidity facility issued from National City Bank, PNC Bank, N.A. NR – Not rated by Fitch Ratings.

employment and alignment, expansion of its ambulatory care network, and affiliation arrangements with various community hospitals.

Historically, OSF's operating profitability has been steady and consistent with Fitch's 'A' rating category medians. Operating EBITDA margins in fiscal years 2006, 2007, and 2008 were 9.5%, 13.0%, and 9.0%, respectively. Operating profitability was depressed in fiscal 2009 due, in part, to investments in a new clinical IT system, physician acquisitions, and inpatient and ambulatory capital spending. In addition, effects from the recession further depressed performance beyond budgeted results. Thus, income from operations was negative $3.1 million in fiscal 2009 as compared with $36.6 million in fiscal 2008. Operating EBITDA declined to $103.5 million (6.3% margin) in fiscal 2009 from $140.6 million (9.0% margin) in the prior year due in large part to a 26% jump in bad debt expense. Through the six-month interim ended March 31, 2010, the operating EBITDA margin was 5.9%. Fitch views OSF's system integration strategy favorably. Ongoing investments in physician practices and information technology should allow OSF to increase market share (especially by attracting more complex, high-acuity cases) and preserve historical profitability in a more restrictive operating environment.

On May 14, 2010 OSF and RHS announced that a nonbinding letter of intent (LOI) had been signed that could result in RHS joining OSF. Upon completion of due diligence, the two organizations will decide if OSF will acquire RHS (including 293-bed Rockford Memorial Hospital). Fitch views the acquisition to be strategically advantageous. Consummation of the acquisition is not likely to affect OSF's credit profile upon closing, and Fitch believes operating efficiencies and market shares gains would be accretive to the system over time.

The Stable Rating Outlook reflects Fitch's belief that the margin compression experienced in fiscal 2009 and through the second quarter of fiscal 2010 to be temporary. Management has implemented a margin improvement plan, which should contain further margin erosion from fiscal 2009 levels. Fitch believes the substantial investments in plant and IT, when fully realized, will improve efficiencies and enhance OSF's market position over the long term and allow the system to generate operating cash flow margins consistent with the rating over the near term. Failure to do so may lead to negative rating pressure.

New Issue Details

OSF expects to issue approximately $160.0 million of series 2010A revenue refunding bonds through the Illinois Finance Authority (IFA). The bonds are expected to be structured as uninsured fixed-rate bonds. The issue will be structured to create level aggregate debt service and consist of a mix of serial and term maturities. Based on preliminary debt schedules provided by the underwriter, pro forma MADS is estimated at $57.1 million, which is slightly higher the $54.3 million used in the prior report.

Proceeds from the series 2010A bonds will be used to current refund OSF's outstanding series 2001 and series 2007D bonds issued through the IFA, all of the series 1985B pooled financing program bonds issued through the Illinois Health Care Facilities Authority, provide $28.0 million of reimbursement for prior capital expenditures, fund a debt service reserve account, and pay costs of issuance.

In addition, management expects to redeem all of the $14.4 million of outstanding series 2005C revenue bonds issued through the Michigan State Hospital Finance Authority with corporate funds on or about June 29, 2010.

Security

The series 2010A bonds will be on parity with OSF's outstanding indebtedness. Bondholders are secured by a security interest in the unrestricted receivables of the obligated group but do not have a security interest in or mortgage on any of the property of the obligated group.

Governance and Management

OSF Healthcare System was originally incorporated in 1880 by The Sisters of the Third Order of St. Francis (the Sisters), a religious congregation of the Roman Catholic Church. The congregation is the sole member of OSF and has certain reserve powers.

The activities of the corporation are handled by a board of directors that must be composed of not less than 10 and not more than 15 directors who are elected by the members. A majority of the directors serving at any time must be professed Sisters of the congregation, and a majority of the members of the governing board of the members must at all times be directors of the OSF board. Directors serve two-year terms without limit. The 11 current directors include six members of the congregation, two physicians, the current CEO, the retired corporate controller, and the current senior VP of legal services.

Fitch believes that OSF has benefited from a long-tenured and stable management team. The current CEO and CFO have been in their respective positions since 1999 and 2000, respectively, and each has been employed at OSF for more than 25 years. The current CEO, Jim Moore, has announced his retirement, which will be effective in spring 2011. Kevin Schoeplein will succeed Mr. Moore as CEO. Mr. Schoeplein has been with OSF since 1978 and currently serves as the president of OSF Saint Francis, Inc. and OSF Healthcare Foundation. Several of the other executive managers also have long tenures with the corporation.

Operating Profile

OSF is a regional healthcare provider serving the upper one-third of Illinois outside of the seven-county Chicago metro area.

Service Area

OSF's total service area covers the northern and central part of Illinois from Springfield north to the Wisconsin border and east and west from Indiana to Iowa. The population in the total service area in 2009 was estimated at 3.7 million. The population in the primary service areas (PSA) for St Francis Medical Center (SFMC) in Peoria, IL and St

Anthony's Medical Center (SAMC) in Rockford, IL in 2009 was approximately 351,000 and 521,000, respectively.

SFMC's primary competitors are Methodist Medical Center, a 296-staffed-bed acute care hospital, and Proctor Community Hospital, 163-staffed-bed acute care hospital located in Peoria. In 2009, SFMC had a 59% market share (based on inpatient admissions) position in the PSA as compared with 30% for Methodist Medical Center and 11% for Proctor Community Hospital.

SAMC's primary competitors are Swedish American Hospital, a 276-staffed-bed acute care hospital, and Rockford Memorial Hospital, a 293-staffed-bed acute care hospital located 3.5 miles and 6.5 miles, respectively, from SAMC. In 2009, SAMC had an 26% market share position in the PSA as compared with 41% and 33% for Swedish American and Rockford Memorial, respectively.

Medical Staff

As of March 31, 2010, the system had a total of 1,961 physicians on its aggregate medical staffs, of which 1,233 are considered active. Of the physicians on the medical staffs, 95% are board certified or eligible. In addition, at March 31, 2010 the corporation employed approximately 563 full-time equivalent (FTE) practicing physicians and midlevel providers, including 193 primary care/internal medicine physicians and 151 specialists. Approximately 46% of the employed physician FTEs practice at SFMC.

Information Technology

Starting in 2007, the system has undertaken a full replacement or an upgrade to its existing clinical and business IT. When completed, the system will have full electronic medical records and integrated billing functions for both hospital and ambulatory services. Additionally, starting in 2008, OSF undertook a project to centralize information management in a new 82,000 square foot data center building located in Peoria. This building is complete and houses a state-of-the-art Tier II data center that supports all of OSF. The final certification of occupancy occurred in May 2010. The total cost of OSF's IT upgrade including development of the new data center is approximately $125 million, of which $5.1 million was financed in 2007 and approximately $40.2 million in 2009.

Payor Mix

Payor Mix

(As % of Gross Revenues, Fiscal Years Ended Sept. 30)

	2007	2008	2009	Six Months Ended 3/31/10
Medicare	36.2	35.2	35.5	35.3
Medicaid	12.9	12.9	13.8	14.4
Blue Cross	14.6	15.9	15.2	15.1
Managed Care	27.1	25.9	24.9	24.1
Other	9.2	10.1	10.6	11.1
Total	100.0	100.0	100.0	100.0

Note: Numbers may not add to 100% due to rounding.

OSF's payor mix weakened a bit in 2009 with an uptick in Medicaid payors and a decrease in managed care receipts. OSF major managed care payors remain Blue Cross, Humana, Health Alliance, and Aetna. Contracts are three to seven years in length, with scheduled annual rate increases.

Financial Summary

Capital Structure/ Debt Structure

Upon the closing of the series 2010A issue, OSF will have approximately $845 million of bonds outstanding, of which approximately 59% will be fixed-rate bonds and 41% will be a mix of variable-rate bonds. OSF will no longer have any auction-rate securities outstanding.

Swaps and Other Derivatives

Currently, OSF's swap exposure consists of four floating- to fixed-rate swaps with a total notional value of $250 million, two basis swaps with a total notional value of $215 million, and one constant maturity swap (CMS) with a notional value of $115 million. Merrill Lynch Capital Services is counterparty on all swaps. The swaps are secured under the master indenture and are on parity with OSF's outstanding indebtedness. At April 30, 2010 the mark-to-market valuation was negative $10.8 million. OSF's obligations under the floating- to fixed-rate swaps are insured by FSA (whose insurer financial strength is not rated by Fitch) which does not require OSF to post any collateral currently. OSF has a written swap policy and engages an independent swap advisor, which is viewed positively by Fitch.

Investments

At March 31, 2010 OSF's unrestricted cash and investments totaled $735 million. OSF's investment policy remains relatively conservative with asset allocation targets of 70% in fixed income and 30% in equities. Given the volatility in world financial markets over the past 24 months, OSF's investment allocation is viewed favorably, as liquidity indicators have remained relatively stable.

Pension

OSF sponsors a defined benefit (DB) pension plan covering substantially all employees. The plan is recognized as a church plan and therefore is not subject to Employee Retirement Income Security Act (ERISA) funding and notification guidelines. As with many DB plans, the accrued funding liability increased materially in fiscal 2009 due to negative investment returns and a 1% drop in the discount rate used to calculate benefit obligations. At fiscal year-end 2009, the plan's projected benefit obligation increased to $623.3 million as compared to $469.1 million at fiscal year-end 2008, while the fair value of the plan's assets declined to $325.3 million from $338.6 million at fiscal year-end 2008. As a result, funding status declined to 52% in fiscal 2009 from 74% in fiscal 2008. Despite the current underfunded status, Fitch acknowledges the year-to-year volatility in funding status calculation.

The corporation expects to contribute $45.7 million to the plan in 2010 while benefits expected to be paid are $11.1 million. Similarly, OSF made contributions of $26.0 million and $23.6 million to the plan in 2008 and 2009, respectively, while benefits paid in the respective years were $9.1 million and $10.2 million. The current asset allocation for plan investments is 45% domestic equities, 20% international equities, and 35% fixed income.

Disclosure

OSF covenants to provide quarterly financial information within 60 days of quarter-end (for the first three quarters) and annual financial information within 150 days of fiscal year-end to bondholders. Quarterly interim financials include consolidated and consolidating balance sheet and income statements and are available on the nationally recognized municipal securities information repositories.

Financial Profile

Fitch's analysis and the various financial ratios referenced in this report are calculated using the consolidated financial statements of OSF, which include certain non-obligated affiliates. In fiscal 2009, the obligated group accounted for 89.5% of total consolidated unrestricted revenues and 93.6% of total consolidated assets.

Utilization Data

(Fiscal Years Ended Sept. 30)

	2007	2008	2009	Six Months Ended 3/31/10
Licensed Beds	1,471	1,471	1,469	1,424
Operated Beds	1,166	1,165	1,167	1,165
Acute Discharges/Admissions Excluding Newborn Births	54,929	55,423	56,359	28,459
Acute Patient Days Excluding Newborn Days	271,104	277,266	269,832	132,122
Average Length of Stay (Days)	4.9	5.0	4.8	4.6
Average Daily Census	743	760	739	724
Occupancy (%)	64	65	63	62
Outpatient Surgeries	52,813	54,667	53,379	25,250
Net Emergency Room Visits[a]	188,081	196,097	196,912	96,059
Clinic Visits	1,004,307	1,041,735	1,086,479	568,331
Medicare Case Mix Index	1.6	1.7	1.7	1.7

[a]Excluding emergency room admissions.

OSF's financial profile is characterized by depressed operating profitability in fiscal 2009, adequate liquidity indicators, and a moderate debt burden. Historically, OSF's operating profitability has been steady and consistent with Fitch's 'A' rating category medians. Operating EBITDA margins in fiscal years 2006, 2007, and 2008 were 9.5%, 13.0%, and 9%, respectively. In fiscal 2009, operating profitability was negatively impacted by the investment in, and implementation of, the system's new clinical IT system, further physician acquisition activity, and capital spending on inpatient and ambulatory facilities. Many of the costs related to training and lost productivity are one-time and nonrecurring. In addition, effects from the recession on the regional economy further depressed fiscal 2009 operating performance beyond budgeted results. Thus, income from operations was negative $3.1 million in fiscal 2009 as compared $36.6 million in fiscal 2008. Similarly, operating EBITDA declined to $103.5 million (6.3% margin) in fiscal 2009 from $140.6 million (9.0% margin) in the prior year due in large part to a 26% jump in bad debt expense. Through the six-month interim ended March 31, 2010, the operating EBITDA margin was 5.9%. Management has created a margin improvement council to identify and implement cost-saving programs in clinical standardization, supply chain, and facility staffing models. Although profitability has been negatively impacted in fiscal years 2009 and 2010, Fitch views OSF's investment in physician practices and information technology positively and believes the returns on these investments will better position the system and preserve historical profitability in a more restrictive operating environment.

OSF's liquidity indicators are consistent with Fitch's 'A' category medians, while debt burden is high, reflecting the investments in PP&E. At March 31, 2010 unrestricted cash and investment totaled $735 million (compared to $745.4 million at fiscal 2009 and $693.6 million at fiscal 2008) which translated to 176.4 days of cash on hand, a 12.9x cushion ratio, and cash to long-term debt of 92.6%. Pro forma MADS of $57.1 million equals 3.5% of fiscal 2009 revenues, which is slightly above Fitch's 2009 'A' rating category median of 3.1%. However, debt to capitalization of 55.0% is materially above the 2009 'A' rating category median of 40.3%, reflecting the impact of a $183 million increase in the accrued benefit liability during fiscal 2009. Historical coverage of pro forma MADS by EBITDA dropped to 2.0x in fiscal 2009

from 3.7x in fiscal 2008 as a result of lower operating profitability and the effect of $27 million of realized losses on investments. Fitch believes that coverage will improve after fiscal 2010 as profitability and investment income recover to more historical levels.

Financial Summary

($000, Audited Fiscal Years Ended Sept. 30)

	2007	2008	2009	Six Months Ended 3/31/10*
Balance Sheet Data				
Unrestricted Cash	693,134	693,632	745,447	734,985
Restricted Cash	103,548	106,784	100,857	116,854
Trustee-Held Cash	312,742	289,100	234,904	153,090
Net Patient Accounts Receivable	207,457	224,865	240,150	267,500
Gross Property, Plant, and Equipment (PP&E)	1,333,068	1,516,932	1,750,472	1,811,703
Accumulated Depreciation	782,147	858,557	930,041	933,118
Net PP&E	550,921	658,375	820,431	878,585
Total Assets	2,069,413	2,100,839	2,237,801	2,258,852
Current Liabilities	209,032	269,867	300,715	308,797
Due to Third-Party Payors	43,684	45,764	47,412	54,552
Long-Term Debt	816,035	745,463	810,945	793,420
Unrestricted Net Assets	815,541	812,049	662,820	684,896
Income and Cash Flow Data				
Net Patient Revenue	1,436,559	1,499,292	1,572,815	799,850
Other Revenue	67,005	59,835	69,690	38,833
Total Revenue	1,503,564	1,559,127	1,642,505	838,683
Salaries, Wages, Fees, and Benefits	701,245	784,660	825,551	443,077
Depreciation and Amortization	65,582	73,130	77,532	49,363
Interest Expense	24,675	30,911	29,044	15,539
Provision for Bad Debts	57,272	66,023	83,143	44,762
Total Expenses	1,397,919	1,522,528	1,645,570	854,375
Income/(Loss) from Operations	105,645	36,599	(3,065)	(15,692)
Operating EBITDA	195,902	140,640	103,511	49,210
Non-Operating Gains	35,806	72,094	11,683	20,536
Excess Income	141,451	108,693	8,618	4,844
Total Investment Income	32,464	29,872	1,042	16,869
Net Unrealized Gains/(Losses)	17,839	(67,616)	47,178	13,496
Net Change in Fair Market Value of Derivative Instruments	942	(16,252)	(7,318)	15,438
Cash Flow from Operations	254,181	152,836	73,609	52,877
Net PP&E Acquisitions	119,269	178,555	263,385	107,517
EBITDA	231,708	212,734	115,194	69,746
CFFOBI	278,856	183,747	102,653	68,416
Free Cash Flow	134,912	(25,719)	(189,776)	(54,640)
Maximum Annual Debt Service (MADS)	57,120	57,120	57,120	57,120
Liquidity Ratios				
Days Cash on Hand	198.4	183.0	183.2	176.4
Days in Accounts Receivable	52.7	54.7	55.7	61.0
Days in Current Liabilities	59.8	71.2	73.9	74.1
Cushion Ratio (x)	12.1	12.1	13.1	12.9
Cash to Debt (%)	84.9	93.0	91.9	92.6
Profitability and Operational Ratios (%)				
Operating Margin	7.0	2.3	(0.2)	(1.9)
Operating EBITDA Margin	13.0	9.0	6.3	5.9
Excess Margin	9.2	6.7	0.5	0.6
EBITDA Margin	15.1	13.0	7.0	8.1
Cash Flow Margin	16.5	9.4	4.4	6.2
Investment Income as % of Excess Income	23.0	27.5	12.1	348.2
Personnel Cost as % of Revenues	46.6	50.3	50.3	52.8
Bad Debt Expense as % of Revenues	3.8	4.2	5.1	5.3

*Unaudited. Note: Fitch Ratings may have reclassified certain financial statement items for analytical purposes.

Financial Summary (Continued)

($000, Audited Fiscal Years Ended Sept. 30)

	2007	2008	2009	Six Months Ended 3/31/10*
Capital-Related Ratios				
MADS Coverage by EBITDA (x)	4.1	3.7	2.0	2.4
MADS Coverage by Operating EBITDA (x)	3.4	2.5	1.8	1.7
MADS Coverage by CFFOBI (x)	4.9	3.2	1.8	2.4
MADS as % of Revenue	3.8	3.7	3.5	3.4
Debt to EBITDA (x)	3.5	3.5	7.0	5.7
Debt to Operating EBITDA (x)	4.2	5.3	7.8	8.1
Debt to Capitalization (%)	50.0	47.9	55.0	53.7
Average Age of Plant (Years)	11.9	11.7	12.0	9.5
Capital Expenditures as % of Depreciation Expense	181.9	244.2	339.7	217.8
Capital Expenditures as % of EBITDA	51.5	83.9	228.6	154.2
Capital Expenditures as % of Total Revenue	7.9	11.5	16.0	12.8

*Unaudited. Note: Fitch Ratings may have reclassified certain financial statement items for analytical purposes.

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OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidated Financial Statements and
Supplementary Information

September 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

Attachment #6

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Table of Contents

		Page
Independent Auditors' Report		1
Consolidated Balance Sheets		2
Consolidated Statements of Operations and Changes in Unrestricted Net Assets		3
Consolidated Statements of Changes in Net Assets		4
Consolidated Statements of Cash Flows		5
Notes to Consolidated Financial Statements		6
Schedules		
1	2010 Consolidating Balance Sheet Information – OSF Healthcare System and Subsidiaries	52
2	2010 Consolidating Balance Sheet Information – Healthcare Providers	54
3	2010 Consolidating Balance Sheet Information – OSF Saint Francis, Inc. and Other Subsidiaries	56
4	2010 Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information – OSF Healthcare System and Subsidiaries	57
5	2010 Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information – Healthcare Providers	59
6	2010 Consolidating Statement of Operations and Changes in Stockholder's Equity Information – OSF Saint Francis, Inc. and Other Subsidiaries	61
7	2010 Consolidating Statement of Changes in Net Assets Information – OSF Healthcare System	62
8	2010 Consolidating Statement of Changes in Net Assets Information – Healthcare Providers	63

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

OSF Healthcare System
Peoria, Illinois:

We have audited the accompanying consolidated balance sheets of OSF Healthcare System and Subsidiaries (OSF) as of September 30, 2010 and 2009 and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of OSF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OSF Healthcare System and Subsidiaries as of September 30, 2010 and 2009, and the consolidated results of their operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The 2010 consolidating information in schedules 1 through 8 is presented for purposes of additional analysis of the 2010 consolidated financial statements rather than to present the financial position and results of operations of the individual facilities. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic consolidated financial statements taken as a whole.

KPMG LLP

February 1, 2011

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Attachment #6

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2010 and 2009

(In thousands)

Assets		2010	2009
Current:			
Cash and cash equivalents	$	116,150	157,655
Patients' and residents' accounts receivable, net of allowance for doubtful accounts of approximately $102,384 in 2010 and $74,862 in 2009		284,324	240,150
Other		48,504	49,544
Total current assets		448,978	447,349
Investments		616,874	567,009
Assets limited as to use		224,898	335,761
Property and equipment, net		919,791	820,431
Restricted assets		51,382	20,783
Other assets		51,580	46,468
Total assets	$	2,313,503	2,237,801
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	22,475	19,278
Long-term debt subject to short-term remarketing arrangements		49,938	81,815
Accounts payable and accrued expenses		153,663	152,210
Estimated third-party payor settlements		63,826	47,412
Total current liabilities		289,902	300,715
Long-term debt, net of current portion		826,957	810,945
Accrued benefit liability		308,561	311,723
Estimated self-insurance liabilities		111,735	94,982
Other liabilities		52,191	35,833
Total liabilities		1,589,346	1,554,198
Net assets:			
Unrestricted		672,775	662,820
Temporarily restricted		41,726	12,498
Permanently restricted		9,656	8,285
Total net assets		724,157	683,603
Total liabilities and net assets	$	2,313,503	2,237,801

See accompanying notes to consolidated financial statements.

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidated Statements of Operations and Change in Unrestricted Net Assets

Years ended September 30, 2010 and 2009

(In thousands)

	2010	2009
Unrestricted revenue, gains, and other support:		
Net patient and resident service revenue	$ 1,632,595	1,572,815
Contributions	6,795	7,546
Other	61,002	68,596
Net assets released from restrictions used for operations	1,185	1,094
Total unrestricted revenue, gains, and other support	1,701,577	1,650,051
Expenses:		
Salaries and benefits	898,568	825,551
Sisters' evaluated services	1,318	1,234
Supplies and other expenses	622,215	629,066
Provision for uncollectible accounts	86,121	83,143
Depreciation and amortization	85,281	77,532
Interest	33,535	27,770
Total expenses	1,727,038	1,644,296
(Loss) income before income tax expense	(25,461)	5,755
Income tax benefit	(2,143)	(448)
(Loss) income from operations before minority interest	(23,318)	6,203
Minority interest	2,868	5,962
(Loss) income from operations	(26,186)	241
Nonoperating gains (losses):		
Investment income (loss), net of tax of $3 and $33 for 2010 and 2009, respectively	28,227	(7,111)
Change in fair value of investments	16,775	43,568
Loss on early extinguishment of debt	(1,288)	(1,891)
Change in fair value of derivative instruments	(19,246)	(8,592)
Total nonoperating gains	24,468	25,974
Discontinued operations:		
Gain on sale of OSF Health Plans, Inc.	—	3,095
Net (loss) income	(1,718)	29,310
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property and equipment	6,197	2,356
Recognition of change in pension funded status	5,476	(174,472)
Effect of eliminating the early measurement date due to the adoption of ASC Subtopic 715-10	—	(6,423)
Change in unrestricted net assets	$ 9,955	(149,229)

See accompanying notes to consolidated financial statements.

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2010 and 2009

(In thousands)

	2010	2009
Unrestricted net assets:		
Net (loss) income	$ (1,718)	29,310
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property and equipment	6,197	2,356
Recognition of change in pension funded status	5,476	(174,472)
Effect of eliminating the early measurement due to the adoption of ASC Subtopic 715-10	—	(6,423)
Change in unrestricted net assets	9,955	(149,229)
Temporarily restricted net assets:		
Contributions	37,201	8,297
Investment income	676	41
Net assets released from restrictions	(7,382)	(3,450)
Reclassification of net assets based on donor intent	(1,267)	—
Change in temporarily restricted net assets	29,228	4,888
Permanently restricted net assets:		
Contributions	104	494
Investment income	—	5
Reclassification of net assets based on donor intent	1,267	—
Change in permanently restricted net assets	1,371	499
Change in net assets	40,554	(143,842)
Net assets, beginning of year	683,603	827,445
Net assets, end of year	$ 724,157	683,603

See accompanying notes to consolidated financial statements.

Attachment #6

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2010 and 2009

(In thousands)

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 40,554	(143,842)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Income from equity basis investments and gain on sale	(6,347)	(4,267)
Distributions from equity basis investments	5,577	5,248
Loss on early extinguishment of debt	1,288	1,891
Amortization of bond issue costs and premiums/discounts included in interest expense	214	(32)
Change in fair value of derivative instruments	19,246	7,318
Change in fair value of trading securities	(22,036)	(47,178)
Minority interest income	2,868	5,962
Depreciation and amortization	85,281	77,532
Gain on sale of subsidiary	—	(3,095)
Permanently restricted contributions and investment income	(104)	(499)
Provision for uncollectible accounts	86,121	83,143
Recognition of change in pension funded status	(5,476)	174,472
Effect of eliminating the early measurement date due to the adoption of ASC Subtopic 715-10	—	6,423
Changes in assets and liabilities:		
Patients' and residents' accounts receivable	(130,295)	(98,428)
Other current assets	1,040	19,103
Other assets	(4,059)	1,853
Restricted assets	(30,599)	(5,387)
Other liabilities	(697)	3,776
Accounts payable and accrued expenses	1,394	2,529
Estimated third-party payor settlements	16,414	1,648
Estimated self-insurance liabilities	16,753	(9,071)
Net cash provided by operating activities	77,137	79,099
Cash flows from investing activities:		
Acquisition of property and equipment	(184,251)	(236,385)
Net distributions to minority interest	(2,745)	(4,406)
Asset/stock purchase of affiliates	(331)	(3,759)
Gross purchases of investments	(871,678)	(1,698,717)
Gross proceeds from the sale of investments	954,712	1,794,128
Net cash used in investing activities	(104,293)	(149,139)
Cash flows from financing activities:		
Proceeds from permanently restricted contributions and investment income	104	499
Proceeds from issuance of long-term debt, including premium	163,032	325,385
Redemption of long-term debt	(158,265)	(210,425)
Payment of bond issue costs and original issue discount	(6,406)	(4,283)
Repayment of long-term debt	(12,814)	(21,994)
Net cash (used in) provided by financing activities	(14,349)	89,182
Net change in cash and cash equivalents	(41,505)	19,142
Cash and cash equivalents:		
Beginning of year	157,655	138,513
End of year	$ 116,150	157,655
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 31,933	28,665
Cash paid for income taxes	153	748

See accompanying notes to consolidated financial statements.

(1) Organization

OSF Healthcare System (OSF) is an Illinois not-for-profit corporation incorporated in 1880 as The Sisters of the Third Order of St. Francis. OSF's current name was adopted as part of a corporate restructuring in 1989 at which time a new Illinois not-for-profit corporation known as The Sisters of the Third Order of St. Francis (Parent) was incorporated by a religious congregation of the Roman Catholic Church having the same name. The Parent is the sole member of OSF. OSF currently owns and operates seven hospitals, one nursing home and other healthcare-related entities. OSF operates its healthcare facilities as a single corporation, with each healthcare facility functioning as an operating division of OSF. OSF consists of the following healthcare providers (Providers):

OSF St. Francis Hospital, Escanaba, Michigan
OSF Saint Anthony Medical Center, Rockford, Illinois (SAMC)
OSF Saint James-John W. Albrecht Medical Center, Pontiac, Illinois (SJJAMC)
OSF St. Joseph Medical Center, Bloomington, Illinois (SJMC)
OSF Saint Francis Medical Center, Peoria, Illinois (SFMC)
OSF St. Mary Medical Center, Galesburg, Illinois
OSF Holy Family Medical Center, Monmouth, Illinois (HFMC)
OSF Saint Clare Home, Peoria Heights, Illinois
OSF Home Care, Peoria, Illinois

In addition to the Providers, the consolidated financial statements include activities of the OSF Corporate Office and OSF's subsidiaries: OSF Saint Francis, Inc. and Subsidiaries (SFI), OSF Lifeline Ambulance, LLC, and nine wholly owned physician group subsidiaries.

SFI is an Illinois for-profit corporation incorporated in 1986 and is engaged in the following lines of business: medical practice management, retail pharmacies, mobile medical systems, durable medical equipment, home therapeutics, real estate rental, and equipment technology services. SFI also participates in various health-related joint ventures and is the sole corporate member of OSF Aviation, Inc., OSF Lifeline Ambulance, LLC through December 31, 2008, OSF Design Group, Inc., OSF Assurance Company, and OSF Finance Company LLC (OSFFC). OSF Aviation, Inc. is an Illinois limited liability corporation formed on January 28, 2002 for the purpose of acquiring and operating emergency medical equipped helicopters in support of the trauma services programs of SFMC and SAMC. OSF Lifeline Ambulance, LLC is an Illinois limited liability corporation that commenced operations on October 1, 2003 to provide emergency ground transportation services. SFI contributed all of its ownership interest of OSF Lifeline Ambulance, LLC to OSF effective January 1, 2009. OSF Lifeline Ambulance, LLC had the following balances at December 31, 2008: assets of $3,813, liabilities of $3,085, and stockholder's equity of $728. OSF Design Group, Inc. is an Illinois limited liability corporation formed on October 1, 2004 to provide professional architectural services as a registered professional design firm to OSF and its subsidiaries. OSF Assurance Company is a Vermont general corporation incorporated on December 8, 2004 and organized for the purpose of writing insurance and reinsurance as a captive insurance company. OSFFC, an Illinois limited liability company, was organized in November 2007 to be a nominal issuer of taxable corporate notes or other debt instruments used to finance certain capital expenditures that would

not be eligible for tax-exempt financing. OSF is not a borrower, obligor or guarantor of any indebtedness issued by OSFFC.

OSF has nine wholly owned physician group subsidiaries, which have been formed or acquired to provide physician services and function as physician groups and include the following:

OSF Multispecialty Group – Peoria, LLC was organized on June 11, 2008 and commenced operations on July 1, 2008 to provide pediatric care for cardiovascular illnesses.

Illinois Neurological Institute – Physicians, LLC (INI) was organized on July 23, 2008 and commenced operations on September 22, 2008. INI provides a full spectrum of adult and pediatric care for illnesses affecting the brain, spinal cord, and peripheral nerves.

HeartCare Midwest, Ltd (HCM) was acquired by OSF in a stock purchase transaction on September 1, 2008. HCM is physician group of cardiovascular specialists serving central and northern Illinois.

Cardiovascular Institute at OSF, LLC was organized on January 13, 2009 and commenced operations on April 17, 2009. Cardiovascular Institute at OSF, LLC is a physician group of cardiovascular specialists serving northern Illinois.

OSF Multispecialty Group – Eastern Region, LLC was organized on May 28, 2009 and commenced operations on September 14, 2009. OSF Multispecialty Group – Eastern Region, LLC is a multispecialty clinic serving eastern Illinois, offering services in adult medicine, behavioral family medicine, general surgery, neurology, obstetrics, gynecology, pediatrics, physiatry, pulmonology, radiology, and urology.

Illinois Pathologist Services, LLC was organized on July 9, 2009 and commenced operation on July 19, 2009 to provide pathology services in northern Illinois.

Illinois Specialty Physician Services at OSF, LLC was organized on August 4, 2009 and commenced operations on November 1, 2009 to provide pulmonary medicine in central Illinois.

OSF Perinatal Associates, LLC was organized on October 21, 2009 and commenced operations on December 13, 2009 to provide perinatology services in central Illinois.

OSF Multispecialty Group – Western Region, LLC was organized on June 8, 2010. As of September 30, 2010, it has not yet commenced operations.

OSF owns 50% or more and has management control in the following joint venture entities:

State and Roxbury, LLC (SAR) was formed in 2009 to establish and operate a real estate management organization in Rockford, Illinois. Because SAMC has a 51% controlling interest in SAR as of September 30, 2010 and 2009, the accompanying consolidated financial statements include the balance sheet and results of operations of SAR.

The Center For Health Ambulatory Surgery Center, LLC (ASC) was formed in 2007 to establish and operate a multispecialty ambulatory surgical center in Peoria, Illinois. Because SFMC has a 60.25% controlling interest in ASC as of September 30, 2010 and 2009, the accompanying consolidated financial statements include the balance sheets and results of operations of ASC.

Fort Jesse Imaging Center, LLC (FJIC) was formed in 2002 to establish and operate a medical imaging center in Bloomington, Illinois. Because SJMC has a 50.01% controlling interest in FJIC as of September 30, 2010 and 2009, the accompanying consolidated financial statements include the balance sheets and results of operations of FJIC.

Sleep Center of Central Illinois, LLC (SCCI) was formed in 2002 to establish and operate a sleep disorder diagnostic center in Bloomington, Illinois. Because SJMC has a 50.05% controlling interest in SCCI as of September 30, 2010 and 2009, the accompanying consolidated financial statements include the balance sheets and results of operations of SCCI.

Eastland Medical Plaza SurgiCenter, LLC (EMPS) was formed in 2000 to establish and operate an ambulatory surgery treatment center in Bloomington, Illinois. Because SJMC has a 50.00% interest and management control in EMPS as of September 30, 2009, the accompanying 2009 consolidated financial statements include the balance sheets and results of operations of EMPS. As of September 30, 2010, SJMC no longer has management control in EMPS; therefore, EMPS was deconsolidated and the joint venture activity is recorded as an investment using the equity method of accounting.

Community Cancer Center, LLC (CCC) was formed in 1999 to establish and operate a multispecialty ambulatory surgical center in Bloomington, Illinois. Because SJMC has a 50% interest and management control in CCC, as of September 30, 2009, the accompanying 2009 consolidated financial statements include the balance sheets and results of operations of CCC. As of September 30, 2010, SJMC no longer has management control in CCC; therefore, CCC was deconsolidated and the joint venture activity is recorded as an investment using the equity method of accounting.

Minority interest in the amount of $2,406 and $8,610 at September 30, 2010 and 2009, respectively, is included as a component of other long-term liabilities in the accompanying consolidated balance sheets. The minority interest share of net income of $2,868 and $5,962 in 2010 and 2009, respectively, is included as a component of minority interest in the accompanying consolidated statements of operations.

The accompanying consolidated financial statements do not include the accounts of the Parent and OSF Healthcare Foundation (the Foundation). The Foundation is an Illinois not-for-profit corporation, created to promote, encourage, and solicit, as well as receive and accept, funds in support of the purposes and functions of OSF and the Parent by establishing a council at each of OSF's Provider locations. It is the responsibility of the Foundation staff to develop and implement sound, practical, fund-raising strategies and tactics, the ultimate goal of which is to produce philanthropic support for the various OSF facilities. All funds collected and pledges received are done on behalf of the various OSF facilities and, therefore, shown as due to affiliates by the Foundation. OSF recognizes its net interest in the net assets of the Foundation based on contributions and pledges received by the Foundation on its behalf. The Foundation is

a controlled subsidiary of the Parent and, therefore, is not required to be consolidated in the accompanying consolidated financial statements.

Summarized financial information of the Foundation for the years ended September 30, 2010 and 2009 is as follows:

	2010	2009
Assets	$ 57,184	50,580
Accounts payable and due to affiliates	2,162	2,094
Unrestricted net assets	34,622	33,206
Temporarily restricted net assets	15,890	12,141
Permanently restricted net assets	4,510	3,139
Cash transfers to OSF during the year	6,881	13,980

The amount due from the Foundation recognized at September 30, 2010 and 2009 consists of $3,938 and $3,391, respectively, in other current assets, $23,652 and $23,463, respectively, in investments, $20,400 and $15,272, respectively, in restricted assets, and $8,216 and $7,545, respectively, in other assets in the accompanying consolidated balance sheets.

Expenses included in the accompanying consolidated financial statements relate primarily to the provision of healthcare services and general and administrative costs.

(2) Summary of Significant Accounting Policies

In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard, which established the Codification to become the single source of authoritative accounting principles. The standard also provides the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are represented in conformity with accounting principles generally accepted in the United States. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change generally accepted accounting principles, but is expected to simplify accounting research by reorganizing current generally accepted accounting principles into specific accounting topics. OSF adopted this accounting standard in the fourth quarter 2009. The adoption of this accounting standard, which was subsequently codified in Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, had no impact on OSF's results of operations, financial position, and liquidity.

The significant accounting policies of OSF are as follows:

(a) Use of Estimates

The preparation of 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 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 useful lives of fixed assets; allowances for doubtful accounts; the valuation of derivative instruments, deferred tax assets, carrying value of fixed assets, fair value of investments; and reserves for employee benefit and self-insurance liabilities.

(b) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less when purchased, except amounts shown as assets limited as to use, investments (including amounts held at the Foundation), and restricted assets.

(c) Investments and Investment Income

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 except for the guaranteed investment contract, which is carried at contract value.

Investment income on funds held in trust for self-insurance purposes is included in other revenue. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as nonoperating gains or losses in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are excluded from net income unless the investments are trading securities. Management considers all investments to be trading securities.

(d) Assets Limited as to Use

Assets limited as to use include amounts held by the bond trustee for payment of principal, interest, and acquisition and construction of equipment and facilities as defined in the loan agreement along with designated assets set aside for self-insurance of medical malpractice, unemployment compensation, workers' compensation, and health and dental insurance. It is OSF's policy to classify all amounts held by a trustee as long-term.

(e) Other Assets – Joint Ventures

OSF and certain subsidiaries have investments in organizations that are not majority owned or controlled by OSF organizations. OSF and its subsidiaries account for their investments in these organizations using the equity method of accounting. The equity method of accounting is discontinued when investment is reduced to zero unless OSF or its subsidiary has guaranteed the obligations of the organization or is committed to provide additional capital support.

Investments in organizations using the equity method of accounting are reflected as a component of other assets in the accompanying consolidated balance sheets.

(f) Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed primarily using the straight-line method. Included in property and equipment are leasehold improvements that are

amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the improvement. Net interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Interest costs are not capitalized if the capital assets are acquired using donor-restricted funds.

Gifts of long-lived assets such as land, building, or equipment are reported at fair market value at the time of the donation, and are excluded from the excess of unrestricted revenues, gains, and other support and nonoperating gains, net over expenses. Gifts of long-lived assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(g) Long-Lived Assets

Long-lived assets (including property and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which OSF operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended September 30, 2010 and 2009.

(h) Goodwill

The excess of the purchase price over net assets acquired relates to the acquisition of HFMC and is being amortized on the straight-line basis for a period of 20 years through September 30, 2010. The excess is reported in the consolidated balance sheets, net of accumulated amortization of $1,392 and $990 at September 30, 2010 and 2009, respectively. OSF evaluates the excess of the purchase price over net assets acquired based on an evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which OSF operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended September 30, 2010 and 2009.

OSF will be required to implement ASC 958-805, *Not-For-Profit Entities: Business Combinations*, as of October 1, 2010, that discontinues the amortization of goodwill.

Under ASC 958-805 goodwill is to be reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the

reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

(i) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by the donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by OSF in perpetuity.

Resources restricted by donors for replacement and expansion of property and equipment are added to unrestricted net assets to the extent expended within the period.

Resources restricted by donors or grantors for specific operating purposes are reported in unrestricted revenues, gains, and other support to the extent used within the period.

In August 2008, the FASB issued ASC Subtopic 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA. OSF has adopted ASC Subtopic 958 as of October 1, 2008.

UPMIFA was adopted by Illinois effective June 30, 2009. UPMIFA eliminates the historical dollar value threshold, an amount below which an organization could not spend from the endowment, and replaces it with guidelines that constitute prudent spending with preservation of the endowment. UPMIFA requires the establishment of a spending policy that may result in the value of the endowment dropping below the historical dollar value threshold.

OSF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by OSF.

The Foundation has established an investment policy that is reviewed annually by the Foundation Board of Directors. The policy directs at the discretion of the local facility Foundation Council that funds may be invested and supervised locally or pooled with other the Foundation funds.

Currently, the investment of endowment funds are invested and supervised by each local Foundation Council following the guidelines established by the Foundation investment policy.

(j) Net (Loss) Income

The consolidated statements of operations include net (loss) income. Changes in unrestricted net assets, which are excluded from net (loss) income, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that were used for the purpose of acquiring such assets by donor restriction) and recognition of change in pension funded status and effect of eliminating early measurement date due to the adoption of ASC Subtopic 715-10, *Compensation – Retirement Benefits*.

(k) Net Patient and Resident Service Revenue

OSF has agreements with third-party payors that provide for payments to OSF at amounts different from its established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(l) Charity Care

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

(m) Donor-Restricted Gifts

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

Pledges receivable included as restricted assets at September 30, 2010 are expected to be collected according to the following schedule:

2011	$	5,491
2012		5,491
2013		5,491
2014		5,491
2015		491
Thereafter		2,638
Pledges receivable	$	25,093

(n) Estimated Self-Insurance Liabilities

The provisions for estimated self-insured medical malpractice, workers' compensation, health and dental, and unemployment claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(o) Services Provided by the Religious Community

Services provided by the individuals in the religious community are recorded as expense at lay-equivalent values.

(p) Derivative Instruments

In 2009, OSF adopted the provisions of FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (included in FASB ASC Topic 815, *Derivatives and Hedging*), which amends the disclosure requirements and hedging activities. The amended disclosures require entities to provide information to enable users of the consolidated financial statements to understand how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

OSF accounts for derivatives and hedging activities in accordance with ASC Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, as amended, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair values. OSF is involved in various interest rate swap programs. The fair values of the interest rate swap programs are included as a component of the other liabilities in the accompanying consolidated balance sheets. The derivatives are not designated as hedge instruments, and therefore, the change in fair value of the interest rate swap is recorded as a component of nonoperating gains (losses) – change in fair value of derivative instruments in the period of change.

SFI is involved in interest rate swap programs. The fair values of the interest rate swap programs are included as a component of the other liabilities in the accompanying consolidated balance sheets. For SFI, the derivatives are not designated as hedge instruments, and therefore, the change in fair value

of the interest rate swap is recorded as a component of nonoperating gains (losses) – change in fair value of derivative instruments in the period of change.

(q) Income Taxes

OSF is a not-for-profit corporation as described by Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Code.

SFI and subsidiaries are for-profit corporations that recognize income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

OSF and SFI adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. The interpretation addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, OSF and SFI must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of September 30, 2010 and 2009, OSF and SFI do not have any uncertain tax positions.

(r) Fair Value

On October 1, 2008, OSF adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value 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. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In 2009, OSF adopted the provisions of ASC 825-10, *Financial Instruments*. ASC 825-10 gives OSF the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. OSF's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value, and as a result, adoption of this statement did not have an effect on the results of operations or financial position of OSF.

In conjunction with the adoption of ASC Topic 820, OSF adopted the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU No. 2009-12), to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. OSF adopted the disclosure provisions of ASU No. 2009-12 as of October 1, 2009.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends ASC Subtopic 820-10, *Fair value Measurement and Disclosure*, to provide additional disclosure requirements for transfers in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. OSF will be required to implement ASU No. 2010-06 for the year ending September 30, 2011, except for the separate disclosures about Level 3 activities that will be effective for the year ending September 30, 2012.

(s) Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 consolidated financial statement presentation.

(3) Net Patient and Resident Service Revenue

OSF has agreements with third-party payors that provide for payment at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

(a) Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services are paid based upon a cost-reimbursement method, established fee screens, or a combination thereof. OSF is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by OSF and audits by the Medicare fiscal intermediary. Certain outpatient services are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. As of September 30, 2010, Medicare cost reports have been audited and final-settled through September 30, 2006 for all Providers with the exceptions of HFMC that is final-settled through September 30, 2009 and SJJAMC that has final-settled the September 30, 2008 report but not the September 30, 2007 report.

(b) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are

reimbursed upon per-visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to the State of Illinois Medicaid program.

OSF participates in the State of Illinois (the State) assessment program that assists in the financing of its Medicaid program. The State assessment program has been renewed by the State since its inception in 2004 and was renewed again on December 4, 2008 for the State's fiscal years ended June 30, 2009 through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid Program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS).

As of and for the years ended September 30, 2010 and 2009, OSF has included its related assessment of $32,339 and $40,424, respectively, within other expense in the accompanying consolidated statements of operations. All of the assessment was paid as of September 30, 2010 and 2009. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas, also approved by CMS. OSF has included its additional related reimbursements for the years ended September 30, 2010 and 2009 of $51,256 and $64,070, respectively, within net patient service revenue in the accompanying consolidated statements of operations. The net effect of the assessment and reimbursement for the years ended September 30, 2010 and 2009 included in the accompanying consolidated statements of operations is $18,917 and $23,646, respectively.

(c) Other

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

Net patient and resident service revenue for the years ended September 30, 2010 and 2009 includes approximately $3,380 and $3,146, respectively, of net favorable retroactively determined settlements from third-party payors relating to prior years exclusive of the amounts related to the aforementioned Medicaid program.

(4) Concentration of Credit Risk

OSF grants credit without collateral to its patients and residents, most of whom are local residents and are insured under third-party payor arrangements. The mix of receivables from patients, residents, and third-party payors at September 30, 2010 and 2009 was as follows:

	2010	2009
Medicare	26%	24%
Medicaid	21	29
Blue cross	9	8
Other third-party payors	29	25
Patients	15	14
	100%	100%

(5) Charity Care

OSF affirms and maintains its commitment to serve its communities in a manner consistent with the philosophy of OSF and the Parent. The philosophy is that adequate access to healthcare is a basic human right for all. OSF is committed to the promotion, preservation, protection, and restoration of wellness, whenever possible. OSF's services are provided to all persons with compassion and regardless of a patient's financial resources. To support this statement, the costs (determined using an estimated current year Medicare cost-to-charge ratio) forgone for services and supplies furnished under OSF's charity assistance policy aggregated approximately $46,529 and $39,280 in 2010 and 2009, respectively. Not included in these amounts are benefits provided to the poor through the unpaid cost of Medicaid and other public programs. Additional other benefits provided are for the broader community that represents the unpaid cost of health education, research, and other community health services responding to a special need in the communities that OSF serves.

(6) Investments

(a) Investments

The composition of investments, at fair value, at September 30, 2010 and 2009 is set forth in the following table:

	2010	2009
Cash and cash equivalents	$ 7,740	8,864
Equities	132,667	115,769
U.S. Treasury obligations	51,802	70,271
U.S. government agencies	8,021	14,243
Municipal securities	11,294	9,602
Corporate obligations	116,009	82,642
Mutual funds	206,121	184,757
Commingled funds	34,510	47,564
Foreign securities	48,642	33,297
Land trust	68	—
	$ 616,874	567,009

(b) Restricted Assets

The composition of restricted assets, at fair value, at September 30, 2010 and 2009 is set forth in the following table:

	2010	2009
Cash and cash equivalents	$ 543	753
Equities	2,319	3,142
U.S. government agencies	360	418
Corporate obligations	635	800
Mutual funds	1,508	398
Foreign securities	524	—
Pledges receivable and other	25,093	—
Due from Foundation	20,400	15,272
	$ 51,382	20,783

(c) Assets Limited as to Use

The composition of assets limited as to use, at fair value, with the exception of the guaranteed investment contract, which is at contract value, at September 30, 2010 and 2009 is set forth in the following table:

	2010	2009
Held by trustee under indenture agreement:		
Cash and cash equivalents	$ 41,472	98,367
U.S. Treasury obligations	5,461	6,817
U.S. government agencies	20,992	60,580
Municipal securities	845	13,021
Corporate obligations	18,858	43,770
Guaranteed investment contract	9,260	9,260
Mutual funds	373	855
Foreign securities	452	—
Commingled funds	2,607	2,234
	100,320	234,904

	2010	2009
Board-designated for self-insurance:		
Cash and cash equivalents	$ 35,189	34,220
U.S. Treasury obligations	31,179	21,834
U.S. government agencies	8,752	20,752
Corporate obligations	43,500	20,707
Mutual funds	1,443	1,480
Foreign securities	4,515	1,864
	124,578	100,857
	$ 224,898	335,761

The composition of OSF's investment return for the years ended September 30, 2010 and 2009 is as follows:

	2010	2009
Investment return:		
Interest and dividend income	$ 23,560	28,405
Net realized gains (losses)	8,709	(27,363)
Change in net unrealized gains and losses on trading securities	22,036	47,178
Total investment return	$ 54,305	48,220

Investment returns included in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Unrestricted revenue, gains, and other support:		
Other	$ 8,438	7,948
Nonoperating gains (losses):		
Investment income (loss)	28,230	(7,078)
Change in fair value of investments	16,775	43,568
Other changes in unrestricted net assets:		
Temporarily restricted net assets:		
Investment income	676	41
Permanently restricted net assets:		
Investment income	—	5
Interest income capitalized	186	3,736
Total investment return	$ 54,305	48,220

(7) Property and Equipment

A summary of property and equipment at September 30 is as follows:

	2010	2009
Land	$ 25,595	26,665
Land improvements	22,175	20,671
Buildings	1,001,018	718,969
Equipment	850,282	747,034
	1,899,070	1,513,339
Less accumulated depreciation	1,003,470	930,041
	895,600	583,298
Construction in progress	24,191	237,133
Property and equipment, net	$ 919,791	820,431

Construction budgets of approximately $54,769 exist for construction and remodeling at various OSF facilities. At September 30, 2010, the remaining contractual commitment on these budgets approximated $15,900 and will be financed by operations and existing funds. OSF capitalized interest, net of interest income on project funds in the amount of $6,148 and $2,790 for the years ended September 30, 2010 and 2009, respectively.

(8) Other Assets

Included in other assets at September 30 are the following:

- Bond financing costs, net of accumulated amortization of $7,794 in 2010 and $7,488 in 2009
- Escrow deposits of $3,553 in 2010 and 2009 for the self-insured workers' compensation program
- Goodwill, net of $6,632 and $9,695 at September 30, 2010 and 2009, respectively
- Pledges receivable of $8,216 and $7,545 at September 30, 2010 and 2009, respectively
- Other miscellaneous assets of $16,842 at September 30, 2010 and $16,772 at September 30, 2009
- The investments in affiliated companies accounted for using the equity method of accounting totaled $8,543 and $1,415 at September 30, 2010 and 2009, respectively. The most significant of these investments include:
  - Eastland Medical Plaza SurgiCenter, LLC – 50% ownership interest in 2010
  - Community Cancer, LLC – 50% ownership interest in 2010
  - Bloomington-Normal Healthcare, LLC – 25% ownership interest
  - Renal Intervention Center, LLC – 34% ownership interest

- River Plex Fitness Center, LLC – 50% ownership interest (in operating results only)
- McLean Imaging Properties, LLC – 49.9% ownership interest
- Rockford Orthopedic Surgery Center, LLC (ROSC) – 25% ownership interest

For the years ended September 30, 2010 and 2009, OSF recognized income of $6,347 and $2,383 in investments in affiliated companies, respectively, as a component of other revenue. During 2009, OSF sold 1,000 shares of ROSC for $2,250, which resulted in a gain on the sale of $1,884, also included as a component of other revenue.

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of OSF as of September 30, 2010 and 2009:

	2010	2009
Total assets	$ 27,159	9,227
Total liabilities	15,677	4,162
Total equity	$ 11,482	5,065
Net revenues	$ 39,741	18,466
Operating expenses	22,918	8,959
Net income	$ 16,823	9,507

(9) Long-Term Debt

A summary of long-term debt at September 30, 2010 and 2009 follows:

	2010	2009
Revenue Refunding Bonds (Illinois Finance Authority Bonds, Series 2010A), payable in annual installments of varying amounts, commencing on May 15, 2011 at a fixed interest rate of 6.00%. The bonds mature on May 15, 2039.	$ 162,905	—
Revenue Bonds (Illinois Finance Authority Bonds, Series 2009A), payable in annual installments of varying amounts, commencing on November 15, 2010 at fixed interest rates between 5.000% and 7.125% depending on the date of maturity through November 15, 2037.	124,990	124,990
Revenue Bonds (Illinois Finance Authority Bonds, Series 2009B, Series 2009C, and Series 2009D), payable in annual installments of varying amounts, commencing November 15, 2021 through November 15, 2037. Interest is determined weekly based on current market conditions (0.25%, 0.28% and 0.28%, respectively, as of September 30, 2010 and 0.25%, 0.27%, and 0.26%, respectively, as of September 30, 2009).	125,000	125,000
Revenue Bonds (Illinois Finance Authority Bonds, Series 2009E), payable in semiannual installments of varying amounts, commencing May 15, 2010 through November 15, 2024. Initial interest is fixed at 4.98%, which will be reset every three years commencing on November 15, 2012.	24,656	25,000
Revenue Bonds (Illinois Finance Authority Bonds, Series 2009F), payable in semiannual installments of varying amounts, commencing May 15, 2010 through November 15, 2019. Interest is fixed at 5.26%.	24,184	25,000
Revenue Bonds (Illinois Finance Authority Bonds, Series 2009G), payable in annual installments of varying amounts, commencing August 1, 2010 through August 1, 2029. Interest is determined monthly based on the current market conditions (1.35% as of September 30, 2010 and 2009).	19,500	20,000
Revenue Bonds (Illinois Finance Authority Bonds, Series 2007A), payable in annual installments of varying amounts, commencing on November 15, 2010 at interest rates between 4.50% and 5.75% depending on the date of maturity through November 15, 2037.	119,100	119,100

	2010	2009
Revenue Bonds (Illinois Finance Authority Bonds, Series 2007B, Series 2007C, and Series 2007D), payable in annual installments of varying amounts, commencing November 15, 2021 through November 15, 2037. The remaining portions of Series 2007D were defeased in 2010. Interest was determined based on an auction rate (1.75% as of September 30, 2009).	$ —	20,050
Revenue Bonds (Illinois Finance Authority Bonds, Series 2007E and Series 2007F), payable in annual installments of varying amounts, commencing November 15, 2024 through November 15, 2037. Interest is determined weekly based on current market conditions (0.28% and 0.26%, respectively, as of September 30, 2010 and 0.30% and 0.28%, respectively, as of September 30, 2009).	140,000	140,000
Revenue Bonds (Illinois Finance Authority Bonds, Series 2007G), payable in annual installments of varying amounts, commencing November 15, 2010 through November 15, 2024. Interest is determined daily based on current market conditions (0.30% and 0.32% as of September 30, 2010 and 2009, respectively).	20,235	22,950
Revenue Bonds (Michigan Finance Authority Bonds, Series 2005C), payable in annual installments of varying amounts, commencing on November 15, 2006 through November 15, 2024, plus interest payable. The bonds were defeased in 2010. Interest was determined based on an auction rate (2.30% at September 30, 2009).	—	14,575
Revenue Bonds (Pooled Financing Program, Series 1985F), payable in monthly installments of $0.75, commencing on June 15, 2008, and a final monthly installment of $1,327 due on December 15, 2012, plus varying interest payable monthly. Interest is determined monthly based on current market conditions (0.27% at September 30, 2010 and 0.37% at September 30, 2009).	3,277	4,177
Revenue Bonds (Illinois Finance Authority Bonds, Series 2004), payable in annual installments of varying amounts at interest rates between 5.00% and 5.25% depending on the date of maturity through November 15, 2023.	68,790	73,125

	2010	2009
Revenue Bonds (Illinois Variable Rate Revenue Bonds, Series 2001), payable in annual installments of varying amounts, commencing on November 15, 2003 through November 15, 2031, plus interest payable monthly. Series 2001 Bonds were defeased in 2010. Interest was determined weekly based on current market conditions (0.35% as of September 30, 2009).	$ —	47,100
Revenue Bonds (Illinois Health Facilities Authority Bonds, Series 1999), payable in annual installments of varying amounts at interest rates between 5.375% and 5.60%, depending on the date of maturity, through November 15, 2009. The Bonds were paid off in 2010.	—	1,055
Revenue Bonds (Michigan State Hospital Finance Authority Bonds, Series 1999), payable in annual installments of varying amounts at interest rates between 5.25% and 5.50%, depending on the date of maturity, through November 15, 2009. The Bonds were paid off in 2010.	—	485
Revenue Bonds (Pooled Financing Program, Series 1985B), payable in annual installments of $18,750, commencing on June 15, 2017, plus varying interest payable monthly at varying rates determined weekly based on current market conditions (0.35% at September 30, 2009), due July 15, 2020. Series 1985B were defeased in 2010.	—	75,000
Commercial Paper Revenue Notes (Illinois Educational Facilities Authority, Pooled Financing Program), payable in annual installments of varying amounts, commencing on November 15, 2009 through November 15, 2038. Interest rate varies monthly based on current market conditions (effective rates 0.30% as of September 30, 2010 and 0.35% as of September 30, 2009).	16,000	16,000
Revenue Bonds (OSF Finance Company, LLC, Adjustable Rate Taxable Securities, Series 2007-A), payable in annual installments of varying amounts, commencing on December 1, 2009 through December 1, 2037. Interest rate varies weekly based on current market conditions (0.30% as of September 30, 2010 and 0.45% at September 30, 2009).	25,920	26,000

	2010	2009
Mortgage note payable to Busey Bank, secured by an office building. At September 30, 2010, the note bears an interest rate of 6.40% payable monthly. At September 30, 2009, the interest rate was 7.17%, which was based on the five-year treasury index plus a rate adjuster of 2.75%. Principal and interest of $18 is due monthly through March 2014 with a balloon payment of $1,599 due April 26, 2014.	$ 1,940	2,030
Mortgage note payable to Wells Fargo Bank, secured by a medical office building. The note bears an interest rate of 5.13% payable monthly. Principal and interest of $7.5 is due monthly through November 2012 with a balloon payment of $402 due November 30, 2012.	545	606
Mortgage note payable to JP Morgan Chase Bank, N.A., secured by a medical office building. The interest rate varies monthly based on current market conditions (2.01% and 1.99% as of September 30, 2010 and 2009, respectively). Principal payments varying from $30 to $32 plus accrued interest are due monthly through March 2011 with a balloon payment of $7,270 due February 28, 2011.	7,366	7,740
Mortgage note payable to Commerce Bank, secured by a medical office building. The note bears an interest rate of 4.27% payable monthly. Principal and interest of $32 is payable monthly through June 30, 2015 with a balloon payment of $3,154 due July 30, 2015.	4,220	4,399
Note payable to GE Capital, secured by helicopters. The note bears an interest rate of 5.63%. Principal and interest of $86 is payable monthly through April 6, 2011.	505	1,475
Construction note payable to Commerce Bank, secured by a medical office building. The note bears an interest rate of 4.27% payable monthly. Principal and interest of $15 is payable monthly through June 30, 2015 with a balloon payment of $1,490 due July 30, 2015.	1,995	2,118

	2010	2009
Note payable to GE Capital, secured by an aviation hangar. The note bears an interest rate of 6.26%. Principal and interest of $26 is payable monthly through April 1, 2012 with a balloon payment of $1,774 due May 1, 2012.	$ 2,045	2,218
Mortgage note payable to Heartland Bank, secured by a medical office building. The note bears an interest rate of 5.60% payable monthly. Principal and interest of $46 is payable monthly through September 2014 with a balloon payment of $2,457 due September 30, 2014.	3,910	4,240
Other miscellaneous notes payable	5,295	5,993
	902,378	910,426
Plus original issue (discount) premium	(3,008)	1,612
Total debt	899,370	912,038
Less current installments	22,475	19,278
Less long-term debt subject to short-term remarketing agreements	49,938	81,815
Total long-term debt, excluding current installments	$ 826,957	810,945

OSF's effective interest rates for variable rate debt for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Variable interest rate issues:		
1985B	0.22%	0.57%
2001	0.22	0.57
2005A	—	3.34
2005B	—	2.36
2005C	2.99	3.85
2007B	—	2.10
2007C	—	2.36
2007D	0.98	2.17
2007E	0.27	1.11
2007F	0.25	2.06
2007G	0.20	0.98
2009B	0.22	0.30
2009C	0.24	0.27
2009D	0.25	0.34
2009G	1.37	1.37

OSF entered into an amended and restated Master Trust Indenture (MTI) dated September 15, 1999. The purpose of the MTI is to provide a mechanism for the efficient and economical advancement of funds to various operating divisions of OSF using the collective borrowing capacity and credit rating of OSF. OSF has pledged letters of credit as collateral on borrowings under the MTI. Under the terms of the MTI, OSF is also required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The MTI also places limits on the incurrence of additional borrowings and requires that OSF satisfy certain measures of financial performance as long as the notes are outstanding. As of September 30, 2010 and 2009, amounts outstanding under the MTI totaled $848,636 and $853,606, respectively.

Bond issue premiums and costs are amortized over the term of the related bonds using the bonds outstanding method. Bond issuance costs, net of amortization are reported as other assets in the accompanying consolidated balance sheets.

In June 2010, OSF defeased Series 1985B, 2001, 2005C, and 2007D. The result of the defeasance was a loss on early extinguishment of debt of $1,288. In March 2009, OSF defeased Series 2005A, 2005B, 2007B, 2007C, and 2007D, including amounts held as treasury debt. The result of the defeasance was a loss on early extinguishment of debt of $1,891.

OSF has variable rate demand notes that have a put option available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit. The series and the underlying credit facility terms are described as follows:

Series	Term
1985F	No liquidity
2007E	Annually over five years beginning on 1 year anniversary
2007F	Annually over five years beginning on 1 year anniversary
2007G	Quarterly over one year beginning after 180 days
2009B	Quarterly beginning after 180 days to and including March 30, 2012
2009C	Quarterly over three years beginning after 366 days
2009D	Quarterly over two years beginning after 367 days
2008 commercial paper	Quarterly in equal installments beginning the last day of the 1st quarterly date to occur at least 30 days after principal drawing; expiring on November 30, 2011

On June 29, 2010, the Illinois Finance Authority, on behalf of OSF, issued $162,905 in Series 2010A bonds. Proceeds from these bonds were used to legally defease Pooled Financing Program Series 1985B, Illinois Variable Rate Revenue Bonds Series 2001, Illinois Finance Authority Series 2007D, and to reimburse OSF for a portion of the construction costs for the new data center.

On June 29, 2010, OSF legally defeased Michigan Finance Authority Bonds Series 2005C.

Scheduled principal repayments on long-term debt based on the scheduled redemptions according to the MTI are as follows:

Year ending September 30:		
2011	$	22,475
2012		20,731
2013		23,209
2014		23,030
2015		23,168
Thereafter		789,765

Principal repayments on long-term debt in the event that the variable rate demand bonds are put back to OSF and corresponding draws are made on the underlying letter-of-credit facilities on the first day of fiscal year 2011 are as follows:

Year ending September 30:		
2011	$	72,413
2012		108,930
2013		76,131
2014		63,262
2015		46,523
Thereafter		535,119

A summary of interest cost and investment income on borrowed funds held by the trustee under the MTI during the years ended September 30, 2010 and 2009 is as follows:

		2010	2009
Interest cost – charged to operations	$	25,269	21,509
Interest cost capitalized		6,334	6,526
Interest income capitalized		186	3,736

(10) Derivative Instruments and Hedging Activities

OSF has interest-rate-related derivative instruments to manage its exposure on its variable-rate debt instruments and does not enter into derivative instruments for any purpose other than cash flow hedging purposes. That is, OSF does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, OSF exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes OSF, which creates credit risk for OSF. When the fair value of a derivative contract is negative, OSF owes the counterparty, and therefore, it does not pose a credit risk. OSF minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is at least "A" or "A2" by Standard and Poor's or Moody's, respectively.

Tax risk refers to the potential adverse effect that a change in tax law could have on the relationship between taxable (LIBOR) and tax-exempt (SIFMA) rates. OSF minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves to handle potential tax law changes.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

OSF is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the years ended September 30, 2010 and 2009, neither OSF nor any counterparty to the interest rate swap agreements was required to post collateral.

A summary of outstanding positions under OSF's interest rate swap program at September 30, 2010 is as follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 115,000	September 4, 2029	72% of LIBOR + 0.35%	BMA Index
115,000	September 4, 2029	72% of USD – ISDA – Swap rate + 0.072%	72% of LIBOR + 0.35%
52,100	November 2, 2029	BMA Index	3.969%
52,375	October 19, 2029	BMA Index	3.969%
14,375	November 15, 2024	BMA Index	3.794%
130,000	November 15, 2037	67% of USD – LIBOR-BBA	3.651%
100,000	November 15, 2037	98.25% of USD-LIBOR-BBA	USD-SIFMA Municipal Swap Index

Net payments equal to the differential to be paid under all interest rate swap agreements are recognized within interest expense monthly and amounted to approximately $7,737 and $6,446 in 2010 and 2009, respectively.

The fair value of the swap agreements under ASC Subtopic 820-10 was $(39,435) and $(20,859) and is recorded as a component of other liabilities in the accompanying consolidated balance sheets at September 30, 2010 and 2009. For the years ended September 30, 2010 and 2009, OSF recognized a valuation adjustment of $(18,576) and $(7,318), respectively, as its change in the fair value of the interest rate swaps as a component of nonoperating gains (losses) – change in cash flow hedging derivative instruments.

The following is a summary of the swaps as of September 30, 2010:

Type of interest swap		Notional amount	Settlement value	Fair value
Fixed spread basis	$	115,000	(1,721)	(1,510)
CMS LIBOR		115,000	4,249	4,134
Floating-to-fixed		52,100	(8,042)	(7,629)
Floating-to-fixed		52,375	(7,994)	(7,656)
Floating-to-fixed		14,375	(1,777)	(1,678)
Floating-to-fixed		130,000	(31,776)	(29,229)
Basis swap		100,000	4,756	4,133
	$		(42,305)	(39,435)

The following is a summary of the swaps as of September 30, 2009:

Type of interest swap		Notional amount	Settlement value	Fair value
Fixed spread basis	$	115,000	(971)	(934)
CMS LIBOR		115,000	3,563	3,320
LIBOR CMS		115,000	(841)	(669)
Floating-to-fixed		52,550	(5,089)	(4,739)
Floating-to-fixed		52,825	(5,024)	(4,746)
Floating-to-fixed		14,575	(1,156)	(1,084)
Floating-to-fixed		130,000	(21,585)	(19,469)
Basis swap		100,000	8,630	7,462
	$		(22,473)	(20,859)

A summary of outstanding positions under SFI's interest rate swap program at September 30, 2010 is as follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 7,334	February 28, 2011	USD – LIBOR – BBA + 0.80bp	4.90%
13,000	December 1, 2017	USD – LIBOR – BBA	4.35%

Net payments equal to the differential to be paid under the interest rate swap program are recognized as a component of interest expense and amounted to approximately $911 and $801 in 2010 and 2009, respectively.

As of September 30, 2010 and 2009, the fair market value of the SFI swap agreements was $(2,154) and $(1,484), respectively, and is recorded as a component of other liabilities in the accompanying consolidated balance sheets. For the years ended September 30, 2010 and 2009, SFI recognized a valuation adjustment of $(670) and $(1,274), respectively, as its change in the fair value of the interest rate swaps as a component of nonoperating gains (losses) – change in cash flow hedging derivative instruments.

The following is a summary of SFI's swaps as of September 30, 2010:

Type of interest swap		Notional amount		Settlement value	Fair value
Fixed rate payor	$	7,334		(115)	(115)
Fixed rate payor		13,000		(2,039)	(2,039)
			$	(2,154)	(2,154)

The following is a summary of SFI's swaps as of September 30, 2009:

Type of interest swap		Notional amount		Settlement value	Fair value
Fixed rate payor	$	7,709		(350)	(350)
Fixed rate payor		13,000		(1,134)	(1,134)
			$	(1,484)	(1,484)

(11) Fair Value Measurement

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, other assets, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Fair values of OSF's investments held as investments, assets limited as to use, and restricted assets are estimated based on prices provided by its investment managers and its custodian bank except for commingled funds. The carrying value of pledges receivable approximates fair value. Fair value for cash and cash equivalents, equities, U.S. Treasury obligations, U.S. government agencies, municipal securities, corporate obligations, mutual funds, and foreign securities are measured using quoted market prices at the reporting date multiplied by the quantity held.

- As of September 30, 2010 and 2009, OSF has $37,117 and $49,798, respectively, of commingled funds. ASU 2009-12 creates a practical expedient allowing measurement of fair value based on the net asset value per share of the investment.
- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to OSF for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon OSF's current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and OSF.

The following table presents the carrying amounts and estimated fair values of OSF's financial instruments not carried at fair value at September 30, 2010 and 2009:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$ 899,370	929,259	912,038	920,998

(b) Fair Value Hierarchy

OSF adopted ASC Subtopic 820-10 on October 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that OSF has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following tables present OSF's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 116,150	108,574	7,576	—
Investments:				
Cash and cash equivalents	7,740	7,451	289	—
Equities	132,667	132,667	—	—
U.S. Treasury obligations	51,802	51,802	—	—
U.S. government agencies	8,021	—	7,820	201
Municipal securities	11,294	—	3,544	7,750
Corporate obligations	116,009	—	103,165	12,844
Mutual funds	206,121	6,291	199,830	—
Foreign securities	48,642	22,723	25,919	—
Commingled funds	34,510	—	34,510	—
Land trust	68	—	—	68
Restricted assets – excluding amounts due from Foundation of $20,400 and pledges receivable and other of $25,093:				
Cash and cash equivalents	543	444	99	—
Equities	2,319	2,319	—	—
U.S. government agencies	360	—	360	—
Corporate obligations	635	—	635	—
Mutual funds	1,508	880	628	—
Foreign securities	524	499	25	—
Assets limited as to use – excluding amount of the guaranteed investment contract of $9,260:				
Cash and cash equivalents	76,661	75,730	931	—
U.S. Treasury obligations	36,640	36,640	—	—

(Continued)

	Fair value	Level 1	Level 2	Level 3
U.S. government agencies	$ 29,744	—	29,744	—
Municipal securities	845	—	845	—
Corporate obligations	62,358	—	60,600	1,758
Mutual funds	1,816	1,816	—	—
Foreign securities	4,967	452	4,515	—
Commingled funds	2,607	—	2,607	—
Total financial assets	$ 954,551	448,288	483,642	22,621

	Fair value	Level 1	Level 2	Level 3
Financial liabilities:				
Fair value of swap agreements	$ (41,589)	—	(41,589)	—
Total financial liabilities	$ (41,589)	—	(41,589)	—

The following table summarizes the changes for the year ended September 30, 2010 in investments classified within Level 3. The classification of an investment within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement.

Level 3 assets	Beginning balance, October 1, 2009	Realized and unrealized gains (losses), net	Purchases, sales, settlements, and transfers, net	Ending balance, September 30, 2010
Corporate obligations	$ 5,832	(2,074)	10,844	14,602
Municipal securities	13,282	346	(5,878)	7,750
U.S. government agencies	—	(8)	209	201
Land trust	—	—	68	68
	$ 19,114	(1,736)	5,243	22,621

(Continued)

The following tables present OSF's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2009:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 157,655	84,201	73,454	—
Investments:				
Cash and cash equivalents	8,864	8,614	250	—
Equities	115,769	112,520	3,249	—
U.S. Treasury obligations	70,271	69,206	1,065	—
U.S. government agencies	14,243	5,066	9,177	—
Municipal securities	9,602	15	4,580	5,007
Corporate obligations	82,642	599	81,352	691
Mutual funds	184,757	6,660	178,097	—
Foreign securities	33,297	28,110	5,187	—
Commingled funds	47,564	—	47,564	—
Restricted assets – excluding amounts due from Foundation of $15,272:				
Cash and cash equivalents	753	753	—	—
Equities	3,142	3,142	—	—
U.S. government agencies	418	—	418	—
Corporate obligations	800	—	800	—
Mutual funds	398	111	287	—
Assets limited as to use – excluding amount of the guaranteed investment contract of $9,260:				
Cash and cash equivalents	132,587	132,587	—	—
U.S. Treasury obligations	28,651	26,652	1,999	—

	Fair value	Level 1	Level 2	Level 3
U.S. government agencies	$ 81,332	58,271	23,061	—
Municipal securities	13,021	760	3,986	8,275
Corporate obligations	64,477	1,437	57,899	5,141
Mutual funds	2,335	2,335	—	—
Forcign securities	1,864	—	1,864	—
Commingled funds	2,234	—	2,234	—
Total financial assets	$ 1,056,676	588,603	448,959	19,114
Financial liabilities:				
Fair value of swap agreements	$ (22,343)	—	(22,343)	—
Total financial liabilities	$ (22,343)	—	(22,343)	—

The following table summarizes the changes for the year ended September 30, 2009 in investments classified within Level 3. The classification of an investment within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement.

Level 3 assets	Beginning balance, October 1, 2008	Realized and unrealized losses, net	Purchases, sales, settlements and transfers, net	Ending balance, September 30, 2009
Corporate obligations	$ 7,892	(791)	(1,269)	5,832
Municipal securities	10,575	(193)	2,900	13,282
	$ 18,467	(984)	1,631	19,114

None of the assets, except those listed below, have any redemption restrictions so the redemption frequency is daily and would have a one-day notice for redemption:

	2010	2009	Redemption frequency	Days notice
Investments:				
Foreign securities	$ 14,748	—	Monthly	10
Commingled funds	34,510	47,564	Daily	2
Assets limited as to use:				
Cash and cash equivalents	35,189	34,220	Daily	2
Foreign securities	4,516	1,864	Daily	2
Mutual funds	1,443	1,480	Daily	2
Corporate obligations	43,500	20,707	Daily	2
U.S. Treasury obligations	31,179	21,834	Daily	2
U.S. government agencies	8,752	20,752	Daily	2
Guaranteed investment contract	9,260	9,260	Monthly	7

(12) Temporarily and Permanently Restricted Net Assets

OSF's temporarily restricted net assets of $41,726 and $12,498 at September 30, 2010 and 2009, respectively, are restricted for nursing education, and various programs related to the provision of healthcare, and $20,000 which is restricted for the construction of a building at September 30, 2010.

OSF's permanently restricted net assets of $9,656 and $8,285 at September 30, 2010 and 2009, respectively, consist of investments to be held in perpetuity, the majority of income of which is expendable to support healthcare services.

During 2010 and 2009, net assets were released from donor restrictions by purchasing equipment and incurring expenses satisfying the restricted purpose of healthcare and nursing education in the amount of $7,382 and $3,450, respectively. During 2010, the Foundation reclassified $1,267 of temporarily restricted net assets to permanently restricted net assets due to clarification of donor intent of gifts previously recorded.

(13) Self-Insurance

OSF has established a self-insurance program on an occurrence basis for professional and general liability, which provides for both self-insured limits and purchased coverage above such limits. Beginning October 1, 2008, excess coverage is provided by OSF Assurance Company, who purchases reinsurance from a third-party carrier for professional and general liability that has a limit of $25,000,000 for each claim and in the aggregate and is in excess of $7,000,000 for each and every occurrence. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. OSF has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses

have been discounted at 3.50% for 2010 and 2009, and in management's opinion, provide an adequate reserve for loss contingencies.

OSF is also self-insured for unemployment compensation benefits, health and dental claims, and workers' compensation. OSF has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of workers' compensation claims. OSF has developed internal techniques for estimating the ultimate costs of unemployment compensation benefits and health and dental claims. Accrued workers' compensation losses have been discounted at 3.00% for 2010 and 2009, and in management's opinion, provide an adequate reserve for loss contingencies.

(14) Pension Plans

OSF has a noncontributory defined benefit pension plan (the Plan) covering substantially all employees of the Providers and OSF Corporate Office. Plan benefits are based on a minimum benefit, which is increased for years of service. Contributions are intended to fund current service cost and, over 30 years, benefits from qualifying service prior to establishment of the Plan. The Plan is a "Church" plan and is not subject to Employee Retirement Income Security Act (ERISA).

The actuarial funding method used in the actuarial valuation for 2010 and 2009 is the projected unit credit cost method. The measurement date for plan liabilities and assets is June 30 and September 30 for the years ended September 30, 2010 and 2009, respectively. The following tables set forth the Plan's funded status and amounts recognized in OSF's consolidated financial statements at September 30, 2010 and 2009:

		2010	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	$	623,320	469,132
Effect of eliminating early measurement date		—	11,132
Service cost		30,724	22,021
Interest cost		36,320	32,090
Actuarial loss		121	99,103
Benefits paid		(11,261)	(10,158)
Benefit obligation at end of year	$	679,224	623,320
Change in plan assets:			
Fair value of plan assets at beginning of year	$	325,297	338,584
Effect of eliminating early measurement date		—	12,356
Actual return on plan assets		26,931	(39,036)
Employer contributions		45,761	23,551
Benefits paid		(11,261)	(10,158)
Fair value of plan assets at end of year	$	386,728	325,297
Reconciliation of funded status:			
Funded status	$	(292,496)	(298,023)
Net amount recognized at year-end	$	(292,496)	(298,023)

(Continued)

		2010	2009
Amounts recognized in the accompanying consolidated balance sheets:			
Accrued benefit liability	$	(292,496)	(298,023)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:			
Net actuarial loss	$	(286,027)	(289,403)
Prior service cost		(46)	(56)
Net amounts recognized in the accompanying consolidated balance sheets	$	(286,073)	(289,459)

	2010	2009
Weighted average assumptions:		
Discount rate:		
Benefit obligation	5.70%	5.60%
Net periodic benefit cost	5.60	6.60
Rate of compensation increase:		
Benefit obligation	4.50	4.50
Net periodic benefit cost	4.50	4.50
Expected return on plan assets	8.00	8.25

Components of net periodic benefit cost:			
Service cost	$	30,723	22,021
Interest cost		36,320	32,090
Expected return on plan assets		(35,148)	(31,778)
Amortization of prior service cost		10	10
Amortization of actuarial loss		11,715	3,349
Net periodic benefit cost	$	43,620	25,692

The accumulated benefit obligation for the Plan was $589,549 and $540,710 at September 30, 2010 and 2009, respectively.

The effect of eliminating the early measurement date due to the adoption of ASC Subtopic 715-10 resulted in a change in unrestricted net assets of $6,423 for the year ended September 30, 2009.

Benefit costs are included in salaries and benefits in the accompanying consolidated financial statements.

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

OSF is expected to contribute approximately $47,616 to the Plan in 2011.

The benefits expected to be paid in each year 2011 through 2015 are approximately $12,317, $15,120, $18,085, $21,181, and $24,532, respectively. The aggregate benefits expected to be paid in the five years from 2016 through 2020 are approximately $181,840. The expected benefits are based on the same assumptions used to measure OSF's benefit obligation at September 30, 2010.

The Plan has a statement of investment policy, which is reviewed and approved by the OSF board of directors. The policy establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications, as well as specific investment manager guidelines. The policy states that the rebalancing of these assets to the target allocations will be reviewed on a semiannual basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of September 30, 2010 and 2009:

Asset	Target allocation	Acceptable range	Actual allocation at September 30	
			2010	2009
Large cap equity	39%	34 to 44%	35.6%	37.8%
Small cap equity	6	2 to 10	5.5	2.9
International equity	20	15 to 25	20.6	20.2
Fixed income	35	30 to 40	34.7	34.4
Private equity	—	—	0.1	0.1
Cash	—	—	3.5	4.6

Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2010 and 2009.

- Fair values of the Plan's assets are estimated based on prices provided by its investment managers and its custodian bank except for commingled funds. Fair value for cash and cash equivalents, equities, U.S. Treasury obligations, U.S. government agencies, municipal securities, corporate obligations, mutual funds, and foreign securities are measured using quoted market prices at the reporting date multiplied by the quantity held.
- As of September 30, 2010, the Plan has $50,119 and the SF1 Plan has $10,252 of commingled funds. ASU 2009-12 creates a practical expedient allowing measurement of fair value based on the net asset value per share of the investment.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies

or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value Hierarchy

The Plan adopted ASC Subtopic 715-20-50, *Compensation – Retirement Benefits*, on October 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Cash and cash equivalents	$ 17,583	17,583	—	—
Equities	101,055	101,055	—	—
U.S. Treasury obligations	16,684	16,684	—	—
U.S. government agencies	1,634	—	1,634	—
Municipal securities	128	—	128	—
Corporate obligations	21,639	—	21,639	—
Mutual funds	89,702	559	89,143	—
Foreign securities	87,865	44,367	43,498	—
Commingled funds	50,119	—	50,119	—
Partnership	319	—	—	319
Total financial assets	$ 386,728	180,248	206,161	319

The following table summarizes the changes for the year ended September 30, 2010 in investments classified within Level 3. The classification of an investment within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement.

Level 3 assets	Beginning balance, October 1, 2009	Realized and unrealized gains, net	Purchases, sales, settlements, and transfers, net	Ending balance, September 30, 2010
Partnership	$ 188	131	—	319
	$ 188	131	—	319

None of the assets, except those listed below, have any redemption restrictions so the redemption frequency is daily and would have a one-day notice for redemption.

		2010	Redemption frequency	Days notice
Commingled funds	$	49,486	Daily	2

In addition, OSF sponsors a retirement savings plan that includes a 401(k) feature. Participants may deposit an amount from 1% to 50% of their eligible compensation up to the Internal Revenue Service (IRS) limit of $17. OSF contributes 50% of the employee contributions up to 6% of eligible compensation. OSF contributed $12,060 in 2010 and $11,586 in 2009 to the retirement savings plan, which has been expensed as salaries and benefits expense.

SFI has a defined benefit pension plan (SFI Plan) covering substantially all of its employees. SFI Plan benefits are based on years of service and the employee's compensation during those years of service. SFI's funding policy is to contribute an amount not less than the minimum required contribution under the ERISA of 1974.

The actuarial funding method used in the actuarial valuation for 2010 and 2009 for the SFI Plan is the projected unit credit cost method. The measurement date for plan liabilities and assets is September 30. The following tables set forth the SFI Plan's funded status and amounts recognized in the consolidated financial statements at September 30, 2010:

		2010	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	$	38,102	25,182
Service cost		2,590	1,490
Interest cost		2,288	1,936
Actuarial loss		1,114	9,877
Benefits paid		(477)	(383)
Benefit obligation at end of year	$	43,617	38,102
Change in plan assets:			
Fair value of plan assets at beginning of year	$	24,402	20,440
Actual return on plan assets		2,727	945
Employer contributions		900	3,400
Benefits paid		(477)	(383)
Fair value of plan assets at end of year	$	27,552	24,402
Reconciliation of funded status:			
Funded status	$	(16,065)	(13,700)
Net amount recognized at year-end	$	(16,065)	(13,700)

		2010	2009
Amounts recognized in the accompanying consolidated balance sheets:			
Accrued benefit liability	$	(16,065)	(13,700)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to stockholder's equity:			
Net actuarial loss	$	(16,095)	(16,010)
Prior service cost		(5)	(7)
Net amounts recognized in the accompanying consolidated balance sheets	$	(16,100)	(16,017)

	2010	2009
Weighted average assumptions:		
Discount rate:		
Benefit obligation	5.80%	5.65%
Net periodic benefit cost	5.65	7.30
Rate of compensation increase:		
Benefit obligation	4.50	4.50
Net periodic benefit cost	4.50	4.50
Expected return on plan assets	8.00	8.00

Components of net periodic benefit cost:			
Service cost	$	2,590	1,490
Interest cost		2,288	1,935
Expected return on plan assets		(2,357)	(2,090)
Amortization of transition asset		659	—
Amortization of prior service cost		1	1
Net periodic benefit cost	$	3,181	1,336

The accumulated benefit obligation for the SFI Plan was $39,101 and $34,638 at September 30, 2010 and 2009, respectively.

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

SFI expects to contribute $4,920 to the SFI Plan in 2011.

The benefits expected to be paid in each year 2011 through 2015 for the SFI Plan are approximately $522, $688, $877, $1,077, and $1,307, respectively. The aggregate benefits expected to be paid in the five years from 2016 through 2020 are approximately $11,454.

The SFI Plan has a statement of investment policy, which is reviewed and approved by the SFI board of directors. The policy establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific investment manager guidelines. The policy states that the rebalancing of these assets to the target allocations will be reviewed on a semiannual basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations for the SFI Plan as of September 30, 2010 and 2009:

Asset	Target allocation	Acceptable range	Actual allocation at September 30 2010	2009
Large cap equity	39%	34% to 44%	37.3%	38.2%
Small cap equity	6	2 to 10	5.7	6.2
International index	20	15 to 25	20.7	20.2
Fixed income	35	30 to 40	34.2	33.4
Cash	—	—	2.1	2.0

The following table presents the SFI Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Investments (excluding accrued interest of $36):				
Cash and cash equivalents	$ 591	591	—	—
Mutual funds	10,961	1,571	9,390	—
Foreign securities	5,712	5,712	—	—
Commingled fund	10,252	—	10,252	—
Total financial assets	$ 27,516	7,874	19,642	—

None of the assets, except those listed below, have any redemption restrictions so the redemption frequency is daily and would have a one-day notice for redemption:

	2010	Redemption frequency	Days notice
Commingled funds	$ 10,252	Daily	2

In addition, SFI sponsors a retirement savings plan that includes a 401(k) feature. Participants may deposit an amount from 1% to 50% of their eligible compensation up the IRS limit of $17. SFI may make matching contributions equal to a discretionary percentage of the participant's contributions. SFI contributed $1,075 and $895 to the Plan for the years ended September 30, 2010 and 2009, respectively.

(15) Income Taxes

Income tax benefit consists of:

	2010		
	Current	Deferred	Total
U.S. federal	$ (337)	(1,459)	(1,796)
State	(60)	(284)	(344)
	$ (397)	(1,743)	(2,140)

	2009		
	Current	Deferred	Total
U.S. federal	$ (193)	(145)	(338)
State	(44)	(33)	(77)
	$ (237)	(178)	(415)

Income tax benefit attributable from revenues, gains, and other support over expenses was $(2,143) and $(448) for the years ended September 30, 2010 and 2009, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income as a result of the following:

	2010	2009
Computed "expected" tax (benefit) expense	$ (1,514)	1,905
(Decrease) increase in income taxes resulting from:		
State income taxes, net of federal income tax effect	(267)	(75)
Tax effect of sale of subsidiary	—	(2,587)
Other nondeductible expenses and other	(362)	309
Income tax benefit from operations	(2,143)	(448)
Income tax expense from investment income	3	33
Total income tax benefit	$ (2,140)	(415)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets:		
Accounts receivable reserves	$ 489	272
Benefit accruals, including pension	7,699	7,565
Amortization of noncompete agreements	7	38
Capital loss carryforward	4,100	4,031
Investments in joint ventures	413	642
Pledges and contributions	86	126
Contribution carryover	385	—
Loss accrual	1,200	—
Market valuation of derivatives	861	593
Total gross deferred tax assets	15,240	13,267
Less valuation allowance	(4,100)	(4,031)
Net deferred tax assets	$ 11,140	9,236

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the corporation will realize the benefits of these deductible differences, net of the valuation allowance at September 30, 2010. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the realization period are reduced.

(16) Commitments and Contingencies

(a) Operating Leases

OSF occupies space in certain facilities under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2010 and 2009 were $43,802 and $38,801, respectively.

The following is a schedule by year of future minimum lease payments to be made under operating leases as of September 30, 2010 that have initial or remaining lease terms in excess of one year:

	Amount
Year ending September 30:	
2011	$ 28,659
2012	23,580
2013	19,552
2014	15,516
2015	11,688
Thereafter	68,510

(b) Litigation

OSF and its subsidiaries are involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on OSF and its subsidiaries' future financial position or results from operations.

As result of the sale of OSF Health Plans, Inc. on May 21, 2008 to another health maintenance organization, there have been requests from the buyer for SFI to pay funds related to third-party settlements open at the time of the sale. SFI does not believe it is responsible for such settlements and has not accrued a liability as of September 30, 2010 related to the buyer's requests.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. OSF is subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on OSF's financial position or results of operations.

(d) Investment Risk and Uncertainties

OSF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

(17) Subsequent Events

OSF evaluated events and transactions through February 1, 2011, the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure, except as noted below, in the consolidated financial statements or related notes to the consolidated financial statements.

The board of directors of OSF has made the decision to freeze the current pension plans of OSF and SFI effective March 5, 2011. Instead, the current OSF retirement savings plan that includes a 401(k) feature and the SFI 401(k) plan will be enhanced by increasing the match and adding an annual discretionary contribution.

On November 1, 2010, SFI acquired two medical office buildings in Galesburg Illinois for $7,050. The acquisition was financed with cash and a mortgage note in the amount of $5,950. The mortgage bears an interest rate of 3.69%, and principal and interest payments of $43 are payable monthly with a balloon payment of $4,361 due October 31, 2015.

On January 31, 2011, OSF entered into an affiliation agreement with Rockford Health System (RHS). RHS includes:

- Rockford Memorial Hospital, a 396-lincensed-bed acute care facility with the area's only Pediatric Intensive Care Unit, a Level III Neonatal Intensive Care Unit, the Heart and Vascular Center, the Brain and Spine Center, and a Level I Emergency/Trauma Services Department;
- Rockford Health Physicians, the largest primary care and specialty physician network in the region, with over 140 physicians;
- Visiting Nurses Association of Rockford (VNA), the largest nonprofit home health care agency in northern Illinois; and
- Van Matre HealthSouth Rehabilitation Hospital (VMHS), the only rehabilitation hospital in northern Illinois outside of the Chicago area offering both inpatient rehabilitation and outpatient therapy services.

Pending federal and state regulatory approval and other customary closing conditions, SAMC and RHS will join to form the OSF Northern Region, an operating division of OSF during 2011.

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Balance Sheet Information – OSF Healthcare System and Subsidiaries

September 30, 2010

(In thousands)

Assets	Total healthcare providers	Corporate office
Current:		
Cash and cash equivalents	$ 26,446	68,531
Patients' and residents' accounts receivable, net of allowance for doubtful accounts of approximately $102,384	266,600	—
Other	43,899	17,561
Total current assets	336,945	86,092
Investments	23,923	592,951
Assets limited as to use	—	224,898
Property and equipment, net	732,891	109,141
Restricted assets	51,382	—
Other assets	329,200	104,737
Total assets	$ 1,474,341	1,117,819
Liabilities, Net Assets (Liabilities), and Stockholder's Equity		
Current liabilities:		
Current portion of long-term debt	$ 18,059	12,820
Long-term debt subject to short-term remarketing arrangements	—	49,938
Accounts payable and accrued expenses	105,783	25,793
Estimated third-party payor settlements	63,588	—
Total current liabilities	187,430	88,551
Long-term debt, net of current portion	57,887	782,870
Accrued benefit liability	—	292,496
Estimated self-insurance liabilities	—	111,735
Other liabilities	5,090	346,436
Total liabilities	250,407	1,622,088
Net assets (liabilities):		
Unrestricted	1,172,552	(504,269)
Temporarily restricted	41,726	—
Permanently restricted	9,656	—
Total net assets (liabilities)	1,223,934	(504,269)
Stockholder's equity	—	—
Total liabilities and net assets (liabilities)	$ 1,474,341	1,117,819

See accompanying independent auditors' report.

Schedule 1

Eliminations	System total	OSF Saint Francis, Inc. and other subsidiaries	Eliminations and reclass	Consolidated
(4,706)	90,271	18,587	7,292	116,150
—	266,600	17,724	—	284,324
(22,231)	39,229	11,640	(2,365)	48,504
(26,937)	396,100	47,951	4,927	448,978
—	616,874	—		616,874
—	224,898	—	—	224,898
—	842,032	77,759	—	919,791
—	51,382	—	—	51,382
(357,182)	76,755	14,743	(39,918)	51,580
(384,119)	2,208,041	140,453	(34,991)	2,313,503
(17,744)	13,135	9,340	—	22,475
—	49,938	—	—	49,938
(9,193)	122,383	26,353	4,927	153,663
—	63,588	238	—	63,826
(26,937)	249,044	35,931	4,927	289,902
(53,527)	787,230	39,727	—	826,957
—	292,496	16,065	—	308,561
—	111,735	—	—	111,735
(303,655)	47,871	4,320	—	52,191
(384,119)	1,488,376	96,043	4,927	1,589,346
—	668,283	—	4,492	672,775
—	41,726	—	—	41,726
—	9,656	—	—	9,656
—	719,665	—	4,492	724,157
—	—	44,410	(44,410)	—
(384,119)	2,208,041	140,453	(34,991)	2,313,503

496

Attachment #6

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Balance Sheet Information – Healthcare Providers

September 30, 2010

(In thousands)

Assets	Escanaba	Rockford	Pontiac	Bloomington
Current:				
Cash and cash equivalents	$ 815	3,444	703	2,431
Patients' and residents' accounts receivable, net of allowance for doubtful accounts of approximately $87,754	8,352	61,907	7,695	20,491
Other	3,381	10,766	1,467	4,297
Total current assets	12,548	76,117	9,865	27,219
Investments	288	6,619	227	2,687
Property and equipment, net	13,746	88,941	28,393	62,595
Restricted assets	1,157	3,004	1,056	146
Other assets	—	144	17,226	89,177
Total assets	$ 27,739	174,825	56,767	181,824
Liabilities and Net Assets (Liabilities)				
Current liabilities:				
Current portion of long-term debt	$ 1,290	14,226	—	222
Accounts payable and accrued expenses	5,669	20,645	5,069	12,080
Estimated third-party payor settlements	478	13,713	1,418	8,776
Total current liabilities	7,437	48,584	6,487	21,078
Long-term debt, net of current portion	33,113	3,977	—	339
Other liabilities	93	518	54	958
Total liabilities	40,643	53,079	6,541	22,375
Net assets (liabilities):				
Unrestricted	(14,061)	118,742	49,170	159,302
Temporarily restricted	367	1,726	173	144
Permanently restricted	790	1,278	883	3
Total net assets (liabilities)	(12,904)	121,746	50,226	159,449
Total liabilities and net assets (liabilities)	$ 27,739	174,825	56,767	181,824

See accompanying independent auditors' report.

Peoria	Galesburg	Peoria Heights	Monmouth	Home Care	Total
13,767	925	102	3,910	349	26,446
146,275	12,204	650	3,359	5,667	266,600
19,629	930	582	1,062	1,785	43,899
179,671	14,059	1,334	8,331	7,801	336,945
12,486	278	—	11	1,327	23,923
510,861	20,815	2,259	3,766	1,515	732,891
37,721	4,941	—	15	3,342	51,382
162,791	53,230	—	6,632	—	329,200
903,530	93,323	3,593	18,755	13,985	1,474,341
17	—	654	1,500	150	18,059
49,552	6,296	438	1,771	4,263	105,783
34,743	4,155	10	295	—	63,588
84,312	10,451	1,102	3,566	4,413	187,430
44	—	2,923	—	17,491	57,887
3,145	117	53	152	—	5,090
87,501	10,568	4,078	3,718	21,904	250,407
778,309	77,814	(485)	15,022	(11,261)	1,172,552
35,655	625	—	15	3,021	41,726
2,065	4,316	—	—	321	9,656
816,029	82,755	(485)	15,037	(7,919)	1,223,934
903,530	93,323	3,593	18,755	13,985	1,474,341

Attachment #6

Schedule 3

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Balance Sheet Information – OSF Saint Francis, Inc. and Other Subsidiaries

September 30, 2010

(In thousands)

Assets		OSF Saint Francis, Inc.*	Other subsidiaries**	Eliminations	OSF Saint Francis, Inc. and other subsidiaries
Current:					
Cash and cash equivalents	$	21,867	(3,280)	—	18,587
Patients' and residents' accounts receivable, net of allowance for doubtful accounts of approximately $14,630		6,140	11,584	—	17,724
Other		13,328	517	(2,205)	11,640
Total current assets		41,335	8,821	(2,205)	47,951
Property and equipment, net		70,836	6,923	—	77,759
Other assets		12,696	2,047	—	14,743
Total assets	$	124,867	17,791	(2,205)	140,453
Liabilities and Stockholder's equity					
Current liabilities:					
Current portion of long-term debt	$	9,012	328	—	9,340
Accounts payable and accrued expenses		15,767	12,791	(2,205)	26,353
Estimated third-party payor settlements		—	238	—	238
Total current liabilities		24,779	13,357	(2,205)	35,931
Long-term debt, net of current portion		39,433	294	—	39,727
Accrued benefit liability		16,065	—	—	16,065
Other liabilities		4,320	—	—	4,320
Total liabilities		84,597	13,651	(2,205)	96,043
Stockholder's equity		40,270	4,140	—	44,410
Total liabilities and stockholder's equity	$	124,867	17,791	(2,205)	140,453

* OSF Saint Francis, Inc. includes the accounts of OSF Saint Francis, Inc., OSF Aviation, OSF Design Group, and OSF Assurance Company.

** Other subsidiaries include the accounts of OSF Multispecialty Group – Peoria, LLC, HeartCare Midwest, Ltd., Illinois Neurological Institute-Physicians, LLC, Cardiovascular Institute at OSF, LLC, OSF Multispecialty Group -Eastern Region LLC, OSF Lifeline Ambulance, LLC, Illinois Pathologist Services, LLC, Illinois Specialty Physician Services at OSF, LLC and OSF Perinatal Associates, LLC.

See accompanying independent auditors' report.

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Information – OSF Healthcare System and Subsidiaries

Year ended September 30, 2010

(In thousands)

	Total healthcare providers	Corporate office
Unrestricted revenue, gains, and other support:		
Net patient and resident service revenue	$ 1,577,249	—
Contributions	6,795	—
Other	30,624	93,447
Net assets released from restrictions used for operations	1,185	—
Total unrestricted revenue, gains, and other support	1,615,853	93,447
Expenses:		
Salaries and benefits	815,307	50,193
Sisters' evaluated services	164	1,154
Supplies and other expenses	602,065	31,400
Provision for uncollectible accounts	79,871	—
Depreciation and amortization	77,366	18,277
Interest	3,853	56,809
Total expenses	1,578,626	157,833
Income (loss) before income tax expense	37,227	(64,386)
Income tax benefit	—	—
Income (loss) from operations before minority interest	37,227	(64,386)
Minority interest	2,868	—
Income (loss) from operations	34,359	(64,386)
Nonoperating gains (losses):		
Investment income (loss), net of tax of $?	26,068	31,384
Change in fair value of investments	1,526	15,249
Loss on early extinguishment of debt	—	(1,288)
Change in fair value of derivative instruments	—	(18,576)
Total nonoperating gains (losses)	27,594	26,769
Net income (loss)	61,953	(37,617)
Other changes in unrestricted net assets:		
Net assets released from restrictions used for the purchase of property and equipment	6,197	—
Transfer (to) from affiliate	1,000	(22,640)
Recognition of change in pension funded status	—	5,476
Change in unrestricted net assets	$ 69,150	(54,781)

See accompanying independent auditors' report.

Eliminations	System total	OSF Saint Francis, Inc. and other subsidiaries	Eliminations	Consolidated
(46,951)	1,530,298	102,297	—	1,632,595
—	6,795	—	—	6,795
(99,032)	25,039	95,785	(59,822)	61,002
—	1,185	—	—	1,185
(145,983)	1,563,317	198,082	(59,822)	1,701,577
(46,951)	818,549	80,019	—	898,568
—	1,318	—	—	1,318
(80,735)	552,730	145,325	(75,840)	622,215
—	79,871	6,250	—	86,121
(18,297)	77,346	7,935	—	85,281
(29,267)	31,395	2,140	—	33,535
(175,250)	1,561,209	241,669	(75,840)	1,727,038
29,267	2,108	(43,587)	16,018	(25,461)
—	—	(2,143)	—	(2,143)
29,267	2,108	(41,444)	16,018	(23,318)
—	2,868	—	—	2,868
29,267	(760)	(41,444)	16,018	(26,186)
(29,267)	28,185	42	—	28,227
—	16,775	—	—	16,775
—	(1,288)	—	—	(1,288)
—	(18,576)	(670)	—	(19,246)
(29,267)	25,096	(628)	—	24,468
—	24,336	(42,072)	16,018	(1,718)
—	6,197	—	—	6,197
—	(21,640)	34,185	(12,545)	—
—	5,476	(50)	50	5,476
—	14,369	(7,937)	3,523	9,955

501

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Information – Healthcare Providers

Year ended September 30, 2010

(In thousands)

	Escanaba	Rockford	Pontiac
Unrestricted revenue, gains, and other support:			
Net patient and resident service revenue	$ 68,758	317,882	62,443
Contributions	89	102	111
Other	1,165	5,887	461
Net assets released from restrictions used for operations	3	303	115
Total unrestricted revenue, gains, and other support	70,015	324,174	63,130
Expenses:			
Salaries and benefits	34,699	167,929	30,419
Sisters' evaluated services	—	64	—
Supplies and other expenses	26,424	131,077	26,970
Provision for uncollectible accounts	4,683	16,333	5,901
Depreciation and amortization	2,484	15,736	3,715
Interest	1,632	1,124	—
Total expenses	69,922	332,263	67,005
Income (loss) from operations before minority interest	93	(8,089)	(3,875)
Minority interest	—	(144)	—
Income (loss) from operations	93	(7,945)	(3,875)
Nonoperating gains:			
Investment income	11	152	957
Change in fair value of investments	—	381	—
Total nonoperating gains	11	533	957
Net income (loss)	104	(7,412)	(2,918)
Other changes in unrestricted net assets (liabilities):			
Net assets released from restrictions used for the purchase of property and equipment	—	86	48
Transfer from affiliate	—	1,000	—
Change in unrestricted net assets (liabilities)	$ 104	(6,326)	(2,870)

See accompanying independent auditors' report.

Bloomington	Peoria	Galesburg	Peoria Heights	Monmouth	Home Care	Total
154,254	821,187	88,484	4,596	24,262	35,383	1,577,249
445	5,499	292	—	19	238	6,795
7,526	14,072	620	60	147	686	30,624
19	642	9	—	16	78	1,185
162,244	841,400	89,405	4,656	24,444	36,385	1,615,853
79,617	416,126	41,382	2,788	13,888	28,459	815,307
—	24	76	—	—	—	164
50,197	318,529	32,528	1,745	7,260	7,335	602,065
7,093	36,262	7,650	6	1,674	269	79,871
8,651	40,082	4,113	283	1,484	818	77,366
28	4	—	158	68	839	3,853
145,586	811,027	85,749	4,980	24,374	37,720	1,578,626
16,658	30,373	3,656	(324)	70	(1,335)	37,227
403	2,609	—	—	—	—	2,868
16,255	27,764	3,656	(324)	70	(1,335)	34,359
4,068	18,137	2,719	3	18	3	26,068
480	663	2	—	—	—	1,526
4,548	18,800	2,721	3	18	3	27,594
20,803	46,564	6,377	(321)	88	(1,332)	61,953
—	6,050	—	13	—	—	6,197
—	—	—	—	—	—	1,000
20,803	52,614	6,377	(308)	88	(1,332)	69,150

Schedule 6

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Stockholder's Equity
Information – OSF Saint Francis, Inc. and Other Subsidiaries

Year ended September 30, 2010

(In thousands)

	OSF Saint Francis, Inc.*	Other subsidiaries**	Eliminations	OSF Saint Francis, Inc. and other subsidiaries
Unrestricted revenue, gains, and other support:				
Net patient revenue	$ 27,205	75,092	—	102,297
Other	117,086	2,288	(23,589)	95,785
Total unrestricted revenue, gains, and other support	144,291	77,380	(23,589)	198,082
Expenses:				
Salaries and benefits	80,019	—	—	80,019
Supplies and other expenses	60,566	108,348	(23,589)	145,325
Provision for uncollectible accounts	641	5,609	—	6,250
Depreciation and amortization	4,786	3,149	—	7,935
Interest	2,083	57	—	2,140
Total expenses	148,095	117,163	(23,589)	241,669
Loss before income tax (benefit) expense	(3,804)	(39,783)	—	(43,587)
Income tax (benefit) expense	(2,182)	39	—	(2,143)
Loss from operations	(1,622)	(39,822)	—	(41,444)
Nonoperating gains (losses):				
Investment income, net of tax of $3	19	23	—	42
Change in fair value of derivative instruments	(670)	—	—	(670)
Total nonoperating gains (losses)	(651)	23	—	(628)
Net loss	(2,273)	(39,799)	—	(42,072)
Other changes in stockholder's equity:				
Transfer from affiliate	—	34,185	—	34,185
Recognition of change in pension funded status	(50)	—	—	(50)
Change in stockholder's equity	$ (2,323)	(5,614)	—	(7,937)

* OSF Saint Francis, Inc. includes the accounts of OSF Saint Francis, Inc., OSF Aviation, OSF Design Group, and OSF Assurance Company.

** Other subsidiaries include the accounts of OSF Multispecialty Group – Peoria, LLC, HeartCare Midwest, Ltd., Illinois Neurological Institute-Physicians, LLC, Cardiovascular Institute at OSF, LLC, OSF Multispecialty Group – Eastern Region LLC, OSF Lifeline Ambulance, LLC, Illinois Pathologist Services, LLC, Illinois Specialty Physician Services at OSF, LLC and OSF Perinatal Associates, LLC.

See accompanying independent auditors' report.

Schedule 7

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Statement of Changes in Net Assets Information – OSF Healthcare System

Year ended September 30, 2010

(In thousands)

	Total healthcare providers	Corporate office	OSF Saint Francis, Inc. and other subsidiaries	Eliminations	Consolidated
Unrestricted net assets (liabilities):					
Net income (loss)	$ 61,953	(37,617)	(42,072)	16,018	(1,718)
Other changes in unrestricted net assets:					
Net assets released from restrictions used for the purchase of property and equipment	6,197	—	—	—	6,197
Transfer (to) from affiliate	1,000	(22,640)	34,185	(12,545)	—
Recognition of change in pension funded status	—	5,476	(50)	50	5,476
Change in unrestricted net assets (liabilities)	69,150	(54,781)	(7,937)	3,523	9,955
Temporarily restricted net assets:					
Contributions	37,201	—	—	—	37,201
Investment income	676	—	—	—	676
Net assets released from restrictions	(7,382)	—	—	—	(7,382)
Reclassification of net assets based on donor intent	(1,267)	—	—	—	(1,267)
Change in temporarily restricted net assets	29,228	—	—	—	29,228
Permanently restricted net assets:					
Contributions	104	—	—	—	104
Reclassification of net assets based on donor intent	1,267	—	—	—	1,267
Change in permanently restricted net assets	1,371	—	—	—	1,371
Change in net assets (liabilities)	99,749	(54,781)	(7,937)	3,523	40,554
Net assets (liabilities), beginning of year	1,124,185	(449,488)	(33,044)	41,950	683,603
Net assets (liabilities), end of year	$ 1,223,934	(504,269)	(40,981)	45,473	724,157

See accompanying independent auditors' report.

OSF HEALTHCARE SYSTEM AND SUBSIDIARIES

Consolidating Statement of Changes in Net Assets Information – Healthcare Providers

Year ended September 30, 2010

(In thousands)

	Escanaba	Rockford	Pontiac
Unrestricted net assets (liabilities):			
Net income (loss)	$ 104	(7,412)	(2,918)
Other changes in unrestricted net assets:			
Net assets released from restrictions used for the purchase of property and equipment	—	86	48
Transfer from affiliate	—	1,000	—
Change in unrestricted net assets liabilities	104	(6,326)	(2,870)
Temporarily restricted net assets:			
Contributions	66	778	129
Investment income	77	117	39
Net assets released from restrictions	(3)	(389)	(163)
Net assets transferred (to) from affiliates	—	(78)	—
Reclassification of net assets based on donor intent	—	(1,267)	—
Change in temporarily restricted net assets	140	(839)	5
Permanently restricted net assets:			
Contributions	—	11	—
Reclassification of net assets based on donor intent	—	1,267	—
Change in permanently restricted net assets	—	1,278	—
Change in net assets (liabilities)	244	(5,887)	(2,865)
Net assets (liabilities), beginning of year	(13,148)	127,633	53,091
Net assets (liabilities), end of year	$ (12,904)	121,746	50,226

See accompanying independent auditors' report.

Bloomington	Peoria	Galesburg	Peoria Heights	Monmouth	Home Care	Total
20,803	46,564	6,377	(321)	88	(1,332)	61,953
—	6,050	—	13	—	—	6,197
—	—	—	—	—	—	1,000
20,803	52,614	6,377	(308)	88	(1,332)	69,150
26	33,649	54	—	3	2,496	37,201
—	88	329	—	—	26	676
(19)	(6,692)	(9)	(13)	(16)	(78)	(7,382)
—	(13)	—	13	—	78	—
—	—	—	—	—	—	(1,267)
7	27,032	374	—	(13)	2,522	29,228
—	93	—	—	—	—	104
—	—	—	—	—	—	1,267
—	93	—	—	—	—	1,371
20,810	79,739	6,751	(308)	75	1,190	99,749
138,638	736,291	76,004	(177)	14,962	(9,109)	1,124,185
159,448	816,030	82,755	(485)	15,037	(7,919)	1,223,934

Rockford Health System and Affiliated Corporations

Consolidated Financial Statements and
Supplemental Consolidating Information
December 31, 2009 and 2008

Attachment #6

Rockford Health System and Affiliated Corporations
Index
December 31, 2009 and 2008

Page(s)

Report of Independent Auditors 1

Financial Statements

Consolidated Balance Sheets 2

Consolidated Statements of Operations 3

Consolidated Statements of Changes in Net Assets 4

Consolidated Statements of Cash Flows 5

Notes to Consolidated Financial Statements 6-28

Supplemental Information

Consolidating Balance Sheet 29

Consolidating Statement of Operations and Change in Unrestricted Assets 30

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors of
Rockford Health System:

In our opinion, the accompanying consolidated balance sheet and the related statement of operations, changes in net assets and of cash flows present, in all material respects, the financial position of Rockford Health System and Affiliated Corporations (the "System") at December 31, 2009, and the results of their operations and changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the System as of December 31, 2008 and for the year then ended were audited by other auditors whose report dated April 22, 2009 included an explanatory paragraph which described the change in the System' measurement date for defined benefit pension and other postretirement health care plans.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 29 - 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 31, 2010

Attachment #6

Rockford Health System and Affiliated Corporations
Consolidated Balance Sheets
December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 30,807	$ 27,261
Short term investments	2,677	1,804
Patient accounts receivable, less allowance for doubtful accounts for 2009 - $16,195 and 2008 - $14,130	44,320	46,912
Other receivables	5,855	10,951
Current portion of assets limited as to use	10,761	15,098
Inventories	6,380	5,495
Prepaid expense and other current assets	4,997	5,258
Total current assets	105,797	112,779
Assets limited as to use		
Board-designated and trustee held investments	223,216	183,823
Donor-restricted and endowment funds	3,117	3,123
Total assets limited as to use	226,333	186,946
Property, plant and equipment, net	130,663	134,967
Investments in joint ventures	8,958	7,720
Other assets, net	24,220	20,841
Total assets	$ 495,971	$ 463,253
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 3,040	$ 2,900
Accounts payable	11,485	10,961
Accrued expenses	43,691	54,620
Due to third-party payors	11,866	10,822
Total current liabilities	70,082	79,303
Other liabilities		
Long-term debt, net of current portion	99,103	102,057
Accrued liabilities under self-insurance program	75,694	79,751
Accrued pension	24,759	21,058
Accrued postretirement medical benefits	5,038	4,075
Other liabilities, net	5,204	3,855
Total liabilities	279,880	290,099
Net assets		
Unrestricted	198,294	157,742
Temporarily restricted	10,706	8,847
Permanently restricted	7,091	6,565
Total net assets	216,091	173,154
Total liabilities and net assets	$ 495,971	$ 463,253

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

Attachment #6

Rockford Health System and Affiliated Corporations
Consolidated Statements of Operations
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Revenues		
Net patient service revenue	$ 367,121	$ 367,654
Provider tax revenue	22,166	19,226
Total net patient service revenue	389,287	386,880
Other operating revenues (loss) and net assets released from restrictions	36,086	(5,791)
Total revenue	425,373	381,089
Expenses		
Salaries and wages	183,744	181,747
Employee benefits	37,718	37,103
Supplies	58,132	56,956
Purchased services and professional fees	54,844	52,947
Depreciation and amortization	19,107	18,501
Provision for doubtful accounts	24,573	24,663
Insurance	8,153	8,411
Provider tax assessment	10,030	9,103
Interest	3,704	5,297
Other	6,370	7,312
Total expenses	406,375	402,040
Operating income (loss)	18,998	(20,951)
Nonoperating gains (losses)		
Investment income (loss)	24,439	(34,596)
Change in fair market value of swap	982	(2,238)
Other, net	39	(528)
Excess (deficit) of revenues over expenses	$ 44,458	$ (58,313)

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

Attachment #6

Rockford Health System and Affiliated Corporations
Consolidated Statements of Changes In Net Assets
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Unrestricted net assets		
Excess (deficit) of revenues over expenses	$ 44,458	$ (58,313)
Change in unrealized gains (losses) on investments	(66)	106
Reclassification of change in fair market value of hedged swaps	-	(405)
Pension adjustment	(2,436)	(9,446)
Postretirement medical benefit adjustment	(1,101)	(217)
Transfers from affiliates	-	173
Recovery (funding) of impaired endowment corpus	524	(526)
Net assets released from restriction for capital	1,209	266
Net asset reclassification based on change in law	(2,036)	-
Effect of measurement date change in benefit plans	-	(778)
Increase (decrease) in unrestricted net assets	40,552	(69,140)
Temporarily restricted net assets		
Contributions	813	1,094
Unrealized gains (losses) on investments, net	98	(80)
Net change in beneficial interest in trusts	727	(1,837)
Net assets released from restriction	(1,815)	(820)
Net asset reclassification based on change in law	2,036	-
Increase (decrease) in temporarily restricted net assets	1,859	(1,643)
Permanently restricted net assets		
Net change in beneficial interest in trusts	526	(1,582)
Unrealized gains (losses) on investments, net	524	(526)
Transfer for impaired (recovered) endowment corpus	(524)	526
Increase (decrease) in temporarily restricted net assets	526	(1,582)
Increase (decrease) in net assets	42,937	(72,365)
Net assets at beginning of year	173,154	245,519
Net assets at end of year	$ 216,091	$ 173,154

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

Attachment #6

Rockford Health System and Affiliated Corporations
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Cash flows from operating activities		
Increase (decrease) in net assets	$ 42,937	$ (72,365)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Net unrealized (gains) losses on investments	(37,205)	66,143
Equity gains in joint ventures	(1,695)	(1,501)
Unrealized (gain) loss on interest rate swap	(982)	2,238
Net pension and postretirement medical benefit adjustment	3,537	9,663
Effect of measurement date change in benefit plans	-	778
Loss on extinguishment of debt	-	(939)
Depreciation and amortization	19,107	18,501
Provision for doubtful accounts	24,573	24,663
(Gain) loss on disposal of assets	1,167	340
Changes in assets and liabilities		
Increase in patient accounts receivable, net	(21,981)	(18,661)
Increase (decrease) in accounts payable and accrued expenses	(9,633)	10,158
Increase in due to third-party payors	1,044	2,917
Increase (decrease) in accrued liabilities under self-insurance program	(4,057)	932
Net change in other assets and liabilities	6,315	(9,735)
Net cash provided by operating activities	23,127	33,132
Cash flows from investing activities		
Purchases of property and equipment	(16,645)	(18,106)
Purchases of investments	(39,061)	(45,483)
Proceeds from sales of investments	39,055	47,215
Net cash (used in) investing activities	(16,651)	(16,374)
Cash flows from financing activities		
Principal payments on long-term debt	(2,930)	(4,886)
Proceeds from issuance of long-term debt	-	60,659
Extinguishment of long-term debt	-	(55,800)
Costs of issuing debt	-	(839)
Net cash (used in) financing activities	(2,930)	(866)
Net increase in cash and cash equivalents	3,546	15,892
Cash and cash equivalents		
Beginning of year	27,261	11,369
End of year	$ 30,807	$ 27,261
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 3,496	$ 5,361
Property and equipment purchases accrued at year-end	$ 1,415	$ 2,189

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

Attachment #6

1. Organization and Nature of Operations

Rockford Health System (RHS) consists of affiliated corporations, which include Rockford Memorial Hospital (the "Hospital"), Rockford Health Physicians (RHPH), Visiting Nurses Association of the Rockford Area (VNA), Rockford Memorial Development Foundation (RMDF), Rockford Health System Ventures, LLC (RHSV), and Rockford Health Insurance Ltd. (RHIL) (collectively the "System").

RHS is the sole corporate member of the Hospital, RHPH, and VNA, all of which are Illinois not-for-profit corporations previously determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the sole shareholder of RMDF, an Illinois not-for-profit corporation previously determined by the Internal Revenue Service to be exempt from federal income taxes under Section 509(a)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes related to these entities has been made. RHS and its affiliated corporations operate in northern Illinois.

The Hospital provides inpatient, outpatient, and emergency care services to area residents. RHPH provides physician and ambulatory care services at several sites. VNA provides home health nursing services and rents medical equipment to area residents. RMDF is organized to promote education and scientific and charitable health care activities. RHSV is a wholly owned subsidiary of the Hospital and was created to manage the organization's investments in joint ventures. RHIL is a wholly owned subsidiary of the Hospital and is incorporated under the laws of Bermuda. RHIL provides the affiliated corporations with excess professional and general liability insurance.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). The consolidated financial statements include the accounts of all of the entities outlined above. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are made in the areas of patient accounts receivable, accruals for settlements with third-party payors, reserves for losses and expenses related to health care professional and general liabilities, and risks and assumptions for measurement of pension and postretirement medical liabilities.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term would materially affect the amounts reported in the consolidated balance sheets and the consolidated statements of operations.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, including repurchase obligations, which have maturities at the time of purchase of three months or less. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

Inventory

Inventory is valued at lower of cost or market, with cost determined using average cost method.

Investments

Short-term investments include bank deposits, money markets, and fixed-income securities, and are held for short-term cash management purposes and will mature within one year. The carrying amounts reported in the consolidated balance sheets for short-term investments approximate their fair value.

Assets Limited as to Use

Assets limited as to use include investments or other assets held by trustees under indenture agreements and professional liability programs and designated assets set aside by the Board of Directors (the "Board"). The Board-designated assets have been set aside for future capital improvements. The Board retains control of these assets and may, at its discretion, use them for other purposes. In addition, assets limited as to use include the temporarily restricted and donor-restricted endowment funds, except for the interest in beneficial trusts. Amounts required to meet current liabilities of the System that can be paid by assets limited as to use have been reflected as current assets in the consolidated balance sheets at December 31, 2009 and 2008.

Fair Value

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value is estimated based on quoted market prices, except for alternative investments for which quoted market prices are not available. The System has adopted a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace (Note 6). Observable inputs reflect market data and unobservable inputs reflect the System's own assumptions about how market participants would value an asset based on the best information available. Cash and cash equivalents are carried at cost, which approximates fair value. Investment income or loss (including realized gains and losses on investments, investments determined to be other than temporarily impaired, interest, dividends and unrealized gains and losses on trading securities) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Investment income restricted for specific purposes by donor or legal requirements is recorded as temporarily or permanently restricted on the consolidated statements of changes in net assets.

Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost less accumulated depreciation and amortization. Donated items are recorded at fair market value at the date of contribution. The carrying value of property, plant and equipment is reviewed if the facts and circumstances suggest that it may be impaired. Depreciation of property, plant and equipment is calculated by use of the straight-line, half-year method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to forty years.

Long-Lived Assets

Management continually reviews its long-lived assets for potential impairment in accordance with authoritative guidance on impairment or disposal of long-lived assets. Management evaluated the future cash flows expected to be generated by the System for the long-lived assets and concluded that the cash flows from operations are sufficient to fully recover the carrying value of the long-lived assets.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt are amortized over the life of the debt based on the interest method.

Derivative Instruments

Derivative instruments are recorded in the consolidated balance sheet at their fair value in accordance with authoritative guidance on derivative instruments. In connection with the issuance of certain indebtedness, the Obligated Group had entered into an interest rate swap agreement (see Note 10).The change in fair value of the swap agreement is recorded within nonoperating gains (losses) in the consolidated statement of operations.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Donor-Restricted Contributions

Donor-restricted contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor-restricted contributions are expended for operating purposes or capital improvements, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as other revenue or in the consolidated statements of changes in net assets as net assets released from restrictions, respectively. Permanently restricted support is maintained in perpetuity, with income generated reflected as increases in temporarily restricted net assets until such time as the restrictions for use of the income are met. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

RMDF recognizes its interest in trustee-held funds at various financial institutions for which RMDF has a beneficial interest. Periodically, the financial institutions distribute a portion of the income earned on these funds to RMDF.

Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include the change in net unrealized investment gains and losses on non-trading investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and the change in pension liability.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered. Contractual adjustments represent the difference between established rates for services and amounts paid by third-party payors. Payments under these agreements and programs are based on either a specific amount per case; costs, as defined, of rendering services to program beneficiaries; or contracted price. These contractual adjustments are accrued on an estimated basis in the period the related services are rendered, and are adjusted in future periods as final settlements are determined.

Revenue from managed care payors accounted for 45% and 47% of the System's net patient service revenue in 2009 and 2008, respectively, while revenue from Medicare and Medicaid programs accounted for approximately 45% and 43% of net patient service revenue in 2009 and 2008, respectively.

Due to the complexity and subjectivity of interpreting the Medicare and Medicaid programs, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. The impact of any change in estimates is recorded in the year the change is determined. Changes in prior-year estimated amounts due to third parties increased net patient service revenue by $807 and $4,232 in 2009 and 2008, respectively.

Presented below is the System's patient service revenue and contractual allowance activity for the years ended December 31, 2009 and 2008, not including the Illinois Provider Assessment Program revenues:

	2009	2008
Gross patient service revenue:		
Inpatient hospital services	$ 467,577	$ 458,909
Outpatient hospital services	272,411	232,620
Physician and other	171,497	167,594
	911,485	859,123
Less contractual allowances and charity care	(532,356)	(482,128)
Net patient service revenue–before eliminations	379,129	376,995
Consolidation eliminations	(12,008)	(9,341)
Net patient service revenue	$ 367,121	$ 367,654

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reflected as net patient service revenue (Note 4).

Other Operating Revenue

Other operating revenue consists of cafeteria and other sales to patients, employees, and visitors; grants; income or loss from joint ventures; investment income derived from RMDF's activities; unrestricted donations, auxiliary services, and other miscellaneous income. Presented below is a table of other operating revenue for the years ended December 31, 2009 and 2008:

	2009	2008
Donations and contributions	$ 980	$ 1,376
Grants	4,088	4,622
Investment income	16,903	(25,722)
Joint ventures	1,695	1,501
Department revenue	10,148	10,365
Other	2,272	2,067
Other operating revenues (losses) and net assets released from restrictions	$ 36,086	$ (5,791)

New Accounting Pronouncements

In 2009, the Financial Accounting Standards Board (FASB) issued "The FASB Accounting Standards Codification ("ASC" or "Codification") and the Hierarchy of Generally Accepted Accounting Principles ("GAAP")". This standard is effective for the System in 2009. The Codification has become the source of authoritative U.S. GAAP recognized by the FASB and the System's notes to the consolidated financial statements will no longer make reference to the Statement of Financial Accounting Standards ("SFAS") or other U.S. GAAP pronouncements. The adoption of the Codification has no impact on the System's consolidated financial condition and results of operations.

In December 2008, the FASB issued authoritative guidance on the disclosures required for pension plan assets. The guidance requires more detailed disclosures about employers' pension and postretirement plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. These required disclosures for the System's plan assets would be similar to the disclosures required by the authoritative guidance on fair value measurements. Note 11 reflects the System's adoption of this authoritative guidance.

In August 2008, the FASB issued authoritative guidance on endowments of not-for-profit organization. The guidance relates to net asset classification of donor-restricted endowment funds that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The guidance also requires enhanced disclosures about an organization's endowment funds, which include both donor-restricted and board-designated endowment funds. The System has adopted this guidance in 2008 and has considered the impact of the State of Illinois' adoption in 2009 as discussed in Note 12.

Subsequent Events

In May 2009, FASB issued authoritative guidance on subsequent events. This guidance is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued. The guidance requires disclosure of the date through which the company has evaluated subsequent events and whether that date represents the date the financial statements were issued. The System has evaluated subsequent events through March 31, 2010, which coincides with the release of the financial statements.

3. Third-Party Reimbursement Programs

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* — Inpatient acute care services provided to Medicare program beneficiaries are paid based on Medicare's Prospective Payment System (PPS). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient rehabilitation services are paid based on Medicare's PPS for rehabilitation facilities. These rates vary based on clinical and other factors, similar to PPS. Inpatient psychiatric services are paid on a prospective per diem rate based on diagnostic related group assignments and other factors. Most outpatient services are paid under Medicare's Outpatient Prospective Payment System (OPPS) based on Ambulatory Payment Classification groups. Those outpatient services excluded from OPPS continue to be paid based on fee schedules or cost-based methodologies. The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The Hospital's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through the year ended December 31, 2006.

- *Medicaid* — Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, and fee schedules.

- *Illinois Provider Reimbursements* — In December 2004, the Centers for Medicare and Medicaid Services (CMS) approved the Illinois Hospital Assessment Program (the "Program") to improve Medicaid reimbursement for Illinois hospitals. The Program requires the hospitals to pay a tax which is determined based on certain factors including bed numbers and various hospital utilization factors. The funds raised through the tax are matched by the federal government and then a distribution is made to the hospitals based on certain factors including Medicaid inpatient and outpatient utilization, trauma status, and other measures. CMS renewed the program for a five-year period, effective July 1, 2008 through June 30, 2013.

  The Hospital's tax assessment for the years ended December 31, 2009 and 2008, was $10,030 and $9,103, respectively. The amount to be distributed to the Hospital was $22,166 and $19,226 for 2009 and 2008, respectively. The net amounts due to the Hospital under the program were $0 and $6,147 at December 31, 2009 and 2008, respectively, and are included in other receivables.

- *Other* — Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

- *Regulatory Environment Including Fraud and Abuse Matters* — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. However, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

4. Charity, Uncompensated Care and Community Benefits

The System's policy is to treat patients in need of medical services without regard to their ability to pay for such services. The System maintains records to identify and monitor the level of charity care it provides. These records include the costs for services and supplies furnished under its charity care policy. The estimated difference between the cost of services provided to Medicaid patients and the reimbursement from the state for this patient care is also monitored.

During the years ended December 31, 2009 and 2008, the following levels of charity care and community service, including services for which the System received no reimbursement or was reimbursed below cost, were provided:

	(unaudited) 2009	2008
Estimated costs and expenses incurred for charity care	$ 8,146	$ 6,022
Estimated costs over reimbursement for Medicaid patient's care	11,421	12,585
Cost of other community service, research and education	3,395	4,217
Total Charity Care and Community Benefits	22,962	22,824
Estimated cost over reimbursement for Medicare patient's care	35,795	34,325
Estimated costs for bad debt	10,787	10,688
Total Cost of Charity, Uncompensated Care & Other Community Benefits	$ 69,544	$ 67,837

The System actively sponsors community benefits that respond to community needs. These programs focus on the underserved with the intention of improving the overall health of the entire community. Examples of this outreach include mobile clinics, partnering with local schools and employers to provide health screenings, support and health education; providing social services, such as multi-faith ministry, interpreters and support groups; providing emergency medical training to other providers across the region; and serving as the region's emergency disaster response center. Our 24 hour emergency room, mental health services, and multiple convenient care locations provide for various and timely health care needs throughout the region.

5. Concentration of Credit Risk

The System grants credit without collateral from its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of and for the years ended December 31, 2009 and 2008 was as follows:

	2009	2008
Medicare	15 %	14 %
Medicaid	23	27
Managed care	33	33
Commercial	12	10
Self-pay and other	17	16
	100 %	100 %

6. Fair Value Measurements

Authoritative guidance on fair value establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the System and unobservable inputs reflect management's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under the authoritative guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the System for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- *Level 1* – Quoted prices in active markets for identical assets
- *Level 2* – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value:

- *Marketable equity securities:* Valued at the closing price reported in the active market in which the individual securities are traded.

- *Corporate bonds*: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the fiscal year are valued at the average of the last reported bid and asked prices. For certain corporate bonds that do not have an established fair value, a fair value is established based on yields currently available on comparable securities of issuers with similar credit ratings.
- *U.S. treasury and government obligations*: Certain securities are valued at the closing price reported in the active market in which the individual security is traded. For certain securities that do not have an established fair value, a fair value is established based on yields currently available on comparable securities.
- *Mutual funds*: Valued at the published net asset value (NAV) of shares held by the System at year end.
- *Interests held in trusts*: Valued at the NAV of the System's interests at year end based upon current market value of the underlying assets.

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

The following table presents the financial instruments reported at fair value as of December 31, 2009, by category on the statement of financial position in accordance with the valuation hierarchy defined above:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
U.S. Treasury and government obligations	$ 52,255	$ -	$ -	52,255
Corporate bonds	-	44,047	-	44,047
Mutual funds	31,577	-	-	31,577
Marketable equity securities	92,584	-	-	92,584
Beneficial interests in trust	-	9,355	-	9,355
Interest rate swap	-	982	-	982
Other	832	-	-	832
Total assets at fair value	$ 177,248	$ 54,384	$ -	$ 231,632

7. Assets Limited as to Use

The composition of assets limited as to use at December 31, 2009 and 2008, is set forth in the following table. All investments are stated at fair value.

	2009	2008
Board-designated investments and trustee held:		
U.S. government securities - future capital projects	$ 21,929	$ 21,951
Cash and cash equivalents	15,958	20,425
Corporate bonds	41,280	54,005
U.S. government securities	27,726	13,954
Equity securities	116,323	83,996
Total board-designated and trustee held investments	223,216	194,331
Investments externally restricted:		
Cash and cash equivalents	2,367	2,557
Corporate bonds	1,928	717
U.S. government securities	1,366	187
Equity securities	5,100	1,129
Total investments externally restricted	10,761	4,590
Donor-restricted and endowment funds:		
Cash and cash equivalents	124	128
Corporate bonds	638	1,056
U.S. government securities	393	276
Equity securities	1,962	1,663
Total donor-restricted and endowment funds	3,117	3,123
Total assets limited as to use	$ 237,094	$ 202,044
Total assets limited to use are classified as follows in the consolidated balance sheets:		
Current	$ 10,761	$ 15,098
Noncurrent	226,333	186,946
Total	$ 237,094	$ 202,044

Investment income (loss) for the years ended December 31, 2009 and 2008 consisted of the following:

	2009	2008
Interest and dividends	$ 5,186	$ 7,703
(Losses) gains on sale of investments, net	(4,535)	(12,959)
(Losses) gains on market appreciation, net	40,691	(55,062)
Total	$ 41,342	$ (60,318)
Reported as:		
Other operating (loss) revenue	$ 16,903	$ (25,722)
Nonoperating investment (loss) income	24,439	(34,596)
Total	$ 41,342	$ (60,318)

8. Property, Plant and Equipment

The components of property, plant and equipment as of December 31 are as follows:

	2009	2008
Land and improvements	$ 14,815	$ 14,775
Buildings	115,339	113,406
Equipment	240,192	228,274
Construction in progress	2,821	3,272
	373,167	359,727
Less accumulated depreciation	(242,504)	(224,760)
Total property, plant and equipment, net	$ 130,663	$ 134,967

9. Investments in Joint Ventures

The System's investments in joint ventures are recorded on an equity basis. The related income or loss is included in the consolidated statements of operations as other revenue. The investments in joint ventures consist of the following; a 19% ownership in Illinois Nephrology Alliance, LLC (INA) to enhance nephrology health services; a 27% ownership interest in KSB/RMHSC Partnership (KSB), which owns and leases a medical office building; and a 50% ownership interest in VanMatre HealthSouth Rehabilitation Hospital (VanMatre), which provides inpatient and outpatient rehabilitation services. As of December 31, 2008, the System held a 61% ownership interest in Northern Illinois Hospital Services (NIHS), a linen services cooperative which provided laundry and related functions for the System. This entity was dissolved during 2009 with a final distribution of $299 received during the year.

The recorded investment at December 31, 2009 and 2008, as well as the related income or loss reported for the years then ended is as follows:

	Joint Venture Investment as of December 31		Joint Venture Income (Loss) for the years ended December 31	
	2009	2008	2009	2008
INA	$ (4)	$ (4)	$ -	$ -
NIHS	-	-	299	182
KSB	337	349	28	28
VanMatre	8,625	7,375	1,368	1,291
Total	$ 8,958	$ 7,720	$ 1,695	$ 1,501

10. Long-Term Debt

Long-term debt as of December 31 consists of the following:

	2009	2008
Illinois Health Facilities Authority Bonds		
Revenue bonds, Series 2008 variable rates, maturing at varying amounts through 2040, secured by certain receivables and other assets of the Obligated Group	$ 60,800	$ 60,800
Revenue bonds, Series 1997, fixed rates ranging from 3.8% to 5.4%, maturing at varying amounts through August 2021, collateralized by certain receivables and other assets of the Obligated Group	40,755	43,185
Equipment financing loan, fixed rate of 4.2%, 60-month term through March 2012, collateralized by lien on MRI/CT equipment	1,175	1,644
Total long-term debt	102,730	105,629
Less current maturities	(3,040)	(2,900)
Less unamortized discount	(587)	(672)
Total long-term debt, net of current maturities	$ 99,103	$ 102,057
Approximate fair value of long-term debt	$ 102,730	$ 104,214

Under the terms of a Master Trust Indenture, the Obligated Group (consisting of RMH, RHPH and RMDF) has issued general obligation bonds through the Illinois Health Facilities Authority. All outstanding debt under the Indenture is the general, joint, and several obligations of the members of the Obligated Group.

During 2008, the Obligated Group refunded (through a legal defeasance) the Series 1994 revenue bonds through the issuance of $60,800 Series 2008 variable rate demand revenue bonds. These bonds accrue interest at variable rates which reset weekly. The variable rates ranged from 1.225% to 1.775% in 2009 and 1.773% to 2.122% in 2008. The refunding resulted in a net loss of $939 in 2008 which is included as a non-operating loss in the accompanying consolidated statements of operations. The Series 2008 bonds are collateralized by a letter of credit with an expiration date of January 31, 2012. The Series 2008 bonds also have a put option that allows the holders to redeem the bonds prior to maturity. The Obligated Group has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of the put options. If the bonds cannot be remarketed, a bank will purchase the bonds under the letter of credit. The Obligated Group has an obligation to make payments on the letter of credit for unremarketed bonds over a period of three years from the date of a draw on the letter of credit with no principal due in the first year.

In March 2009, the Obligated Group entered into an interest rate swap agreement to hedge, or offset, future fluctuations in interest rates relative to the variable rate debt relative to the Series 2008 bonds. The notional value of the swap is $36,500 and is scheduled to terminate in August 2019. Under the terms of the swap agreement, the Obligated Group makes fixed interest payments of 2.435% to a counterparty and receives a variable rate based on a percentage of LIBOR. Under this agreement, the System may be exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement.

At December 31, 2009, the fair value of the interest rate swap agreement was an asset of $982 and is included in other assets in the accompanying consolidated balance sheets. Net interest paid under the terms of the swap agreement totaled $519 in 2009 and is included in interest expense in the consolidated statement of operations.

In connection with previous Series 1994 bonds, the Obligated Group entered into an interest rate swap agreement to hedge, or offset, future fluctuations in interest rates relative to its variable rate debt. The notional value of the swap (the amount on which settlement calculations were based) was $33,650 until terminated in 2008. Under the terms of the swap agreement, the Obligated Group made fixed interest rate payments of 5.95% to a counterparty, and received a variable rate as determined consistent with the variable rate of interest on a portion of the 1994 Bonds. At December 11, 2008, the Obligated Group gave notice to the counterparty to terminate the swap and subsequently made a payment to the counterparty. At December 31, 2009, an accrued liability of $4,450 remains in the consolidated balance sheet pending final settlement of the swap termination. Net interest paid under the terms of the swap agreement totaled $832 in 2008 and is included in interest expense in the consolidated statement of operations.

In 2007, the System entered into a $2,385 loan agreement to finance the acquisition of MRI and CT medical equipment. The term of the agreement is 60 months with a fixed interest rate of 4.2% and monthly payments of $44 due through March 2012.

Future maturities of long-term debt at December 31, 2008, are as follows:

2010	$ 3,040
2011	3,185
2012	2,990
2013	2,960
2014	3,110
Thereafter	87,445
	$ 102,730

Certain borrowing agreements require sinking fund deposits with a trustee sufficient to pay principal and interest when due and the establishment and maintenance of certain special funds under control of a trustee. Additionally, under the Indenture and related loan agreements, the Obligated Group is subject to certain covenants related to transfers of assets, mergers and consolidations, restrictions on additional indebtedness, and the maintenance of certain financial ratios. Management believes that the Obligated Group was in compliance with the debt covenants for the years ended December 31, 2009 and 2008.

Until terminated on June 30, 2009, the System had an available line of credit of $20,000, which was short-term credit in which all advances would be paid within the year. This line was not used in 2009. The System has a letter of credit for $2,275, which matures on October 30, 2010. The letter of credit is a requirement by the State of Illinois Industrial Commission in order to be a self-insured employer under the Workers' Compensation program. At December 31, 2009 and 2008, no amounts were outstanding on either the line of credit or letter of credit.

11. Pension and Postretirement Plans

Defined Benefit Pension Plan

The System sponsors a noncontributory defined benefit pension plan covering substantially all full-time employees and regular part-time employees. In 2003, the defined benefit pension plan was frozen for all employees, thereafter, no new participants were allowed to join the plan. Pension benefits are determined based upon employee earnings, social security benefits, covered compensation, and years of service. The funding policy is to contribute annually the amount required to be funded under provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as determined by an actuary. The System contributed $3,024 and $4,200 for the defined benefit pension plan during 2009 and 2008, respectively. The expected expense for the System in 2010 is $4,118 for this plan and the System does not expect to have any assets returned from the defined benefit pension plan in 2010.

In 2009 and 2008, the change in the liability not yet recognized within pension expenses was $2,436 and $9,446. This is included as a component of the consolidated statement of changes in unrestricted net assets. The measurement date is December 31 of each fiscal year.

Defined Contribution Plans

The System contributes 3.3% of compensation for the benefit of any participant in either the Rockford Health System Fixed Contribution Plan (the "Fixed Contribution Plan"), or the Rockford Clinic Retirement Plan (the "Clinic Retirement Plan"), that is employed on December 31 of the following year. Employees are eligible to participate in one of the two defined contribution plans after service and age requirements are met, as long as they do not participate in the defined benefit pension plan. At December 31, 2009 and 2008, the System's liability to the Fixed Contribution Plan was $1,899 and $1,711, respectively. The cash contribution to the Fixed Contribution Plan for the prior-year liability in 2009 and 2008 was $1,512 and $1,288, respectively. At December 31, 2009 and 2008, the System's liability to the Clinic Retirement Plan was $501 and $522, respectively. Cash contributions made to the Clinic Retirement Plan for the prior-year liability in 2009 and 2008 were $464 and $434, respectively.

Voluntary Contribution Retirement Plan

The System also participates in a voluntary defined contribution pension plan. Participants can contribute gross compensation per the plan's agreement and federal guidelines and the System makes matching contributions that are limited to an amount specified in the plan per federal guidelines. The System's pension expense for this plan for the years ended December 31, 2009 and 2008, amounted to $5,123 and $5,014, respectively.

Salary Deferral Retirement Plan

The System offers a 457(b) retirement plan for highly compensated individuals. This voluntary salary deferral is recorded as a long-term asset and liability to the System of $3,145 and $1,990, at December 31, 2009 and 2008, respectively.

Defined Benefit Postretirement Medical Plan

The System sponsors a postretirement medical plan with plan changes effective January 1, 2004. The defined benefit postretirement medical plan provides medical benefits for salaried and non-salaried employees hired before January 1, 2004. The retiree medical plan is noncontributory and is unfunded, other than amounts resulting from the timing of deposits to pay benefits. The System recognizes the expected cost of these postretirement benefits during the years the employees render service. Postretirement benefit expense is allocated among the participating entities as determined by an actuary. The expected expense for the System in 2010 is $682 for this plan. In 2009 and 2008, the change in the liability not yet recognized within postretirement expenses was $1,101 and $217. This is included as a component within changes as unrestricted net assets apart from expenses, as the initially recognized amounts. The measurement date is December 31 of each fiscal year.

Information regarding the benefit obligations and assets of the pension and postretirement medical benefit plans for RHS as of and for the years ended December 31, 2009 and 2008 are as follows:

	Pension Benefits		Postretirement Medical Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation — beginning of year	$ 65,816	$ 73,777	$ 4,327	$ 4,077
Service cost	2,572	3,849	484	640
Interest cost	4,491	5,744	328	349
Plan changes	-	-	-	(22)
Actuarial gains	9,855	(12,819)	448	(552)
Participant Contributions	-	-	123	165
Benefits paid	(1,981)	(4,735)	(385)	(330)
Benefit obligation — end of year	$ 80,753	$ 65,816	$ 5,325	$ 4,327
Change in plan assets:				
Fair value of plan assets — beginning of year	$ 44,758	$ 59,453	$ -	$ -
Actual return on plan assets	10,194	(16,160)	-	-
Employer contributions	3,023	6,200	262	165
Participant Contributions	-	-	123	165
Benefits paid	(1,981)	(4,735)	(385)	(330)
Fair value of plan assets — end of year	55,994	44,758	-	-
Funded status of the plan	$ (24,759)	$ (21,058)	$ (5,325)	$ (4,327)
Amounts recognized in the statement of financial position				
Group balance sheet:				
Current liabilities	-	-	(286)	(252)
Noncurrent liabilities	(24,759)	(21,058)	(5,039)	(4,075)
Net amount recognized	$ (24,759)	$ (21,058)	$ (5,325)	$ (4,327)

Pension and postretirement medical changes, other than periodic pension expense, that have been included within changes in unrestricted net assets consist of:

	Pension Benefits		Postretirement Medical Benefits	
	2009	2008	2009	2008
Prior service credit arising during the period	$ -	$ -	$ -	$ (22)
Actuarial loss (gain) arising during the period	3,404	9,641	448	(552)
Reclassification adjustment for recognition of prior service (cost) credit	(27)	(27)	343	354
Change due to measurement date provision	-	(39)		158
Reclassification adjustment for recognition of acturial loss (gain)	(941)	(129)	310	279
Total recognized as a separate adjustment to net assets	$ 2,436	$ 9,446	$ 1,101	$ 217

The pension plan and postretirement medical plan items not yet recognized as a component of periodic pension and post retirement medical plan expense, but included within unrestricted net assets, are as follows:

	Pension Benefits		Postretirement Medical Benefits	
	2009	2008	2009	2008
Unrecognized actuarial loss (gain)	$ 20,988	$ 18,526	$ (2,053)	$ (2,810)
Unrecognized prior service cost (credit)	3	29	(13)	(357)
Net amount recognized	$ 20,991	$ 18,555	$ (2,066)	$ (3,167)

An estimated $3 in prior service cost and $983 in net actuarial loss will be included as components of period pension expense in 2010. An estimated $15 in prior service credit and $205 in net actuarial gain will be included as components of period postretirement medical plan expense in 2010.

	Pension Benefits		Postretirement Medical Benefits	
	2009	2008	2009	2008
Assumptions:				
Discount rate-benefit obligation	6.00 %	6.90 %	5.49 %	7.00 %
Discount rate-benefit cost	6.90 %	6.40 %	7.00 %	6.25 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A
Assumed rate of return on plan assets	8.50 %	8.50 %	N/A	N/A

For postretirement medical benefit obligation measurement purposes, 7.5% and 8.0% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2009 and 2008, respectively. The rate was assumed to decrease gradually to 5.0% for 2015 and remain at that level thereafter. A 1% change in the assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total of service and interest cost components for 2009	$ 42	$ (39)
Effect on December 31, 2009 postretirement benefit obligation	175	(162)

The components of accumulated postretirement medical benefit obligation as of December 31, 2009 and 2008, for the System are as follows:

	2009	2008
Accumulated postretirement benefit obligation:		
Retirees	$ 328	$ 329
Fully eligible plan participants	1,577	1,267
Other active plan participants	3,360	2,731
Total	$ 5,265	$ 4,327

The accumulated benefit obligation for the defined benefit pension plan was $62,635 and $49,104 as of December 31, 2009 and 2008. There is no expected contribution to the defined benefit pension plan in 2010.

The components of the RHS net periodic benefit cost for the years ended December 31, 2009 and 2008 are as follows:

	Pension Benefits		Postretirement Medical Benefits	
	2009	2008	2009	2008
Service cost	$ 2,572	$ 3,080	$ 484	$ 512
Interest cost	4,491	4,595	328	279
Expected return on plan assets	(3,743)	(5,041)	-	-
Amortization of prior service cost (credit)	27	27	(343)	(354)
Amortization of unrecognized net loss (gain)	941	129	(310)	(279)
Benefit cost	$ 4,288	$ 2,790	$ 159	$ 158

Expected future benefit payments for the years ended December 31, are as follows:

	Pension	Postretirement Medical
2010	$ 2,151	$ 286
2011	2,285	358
2012	3,457	434
2013	4,382	443
2014	4,328	549
2015-2019	34,267	4,221

Plan Assets

The System's investment goals are to achieve returns in excess of the defined benefit plan's actuarial assumptions, commensurate with the plan's risk posture and long-term investment horizon; to invest in a prudent manner in accordance with fiduciary requirements of ERISA; and to ensure that plan assets will meet the obligations of the plan as they come due.

Investment management of the defined benefit pension plan is delegated to professional investment management firms that must adhere to policy guidelines and objectives, which are approved by the investment committee. The investment policy includes specific guidelines for quality, asset concentration, asset mix, asset allocations, and performance expectations. The pension fund investment allocations are periodically reviewed for compliance with the pension investment policy by the investment committee. An independent investment consultant is used to measure and report on investment performance; to perform asset/liability modeling studies and recommend changes to objectives, guidelines, manager, or asset class structure; and to keep the System informed of current investment trends and issues.

The expected long-term rate of return on plan assets assumptions is based on modeling studies completed with the assistance of the System's actuaries and investment consultants. The models take into account inflation, asset class returns; and bond yields for both domestic and foreign markets. They are also calibrated to take into consideration historical experience, including a random variable to reflect real-life uncertainty of the future and to project a large number of future economic scenarios. The consequences of adopting various investment policies on the future financial health of the defined benefit pension plan under each of the scenarios are then evaluated. These studies, along with the history of returns for the plan, indicated that expected future returns, weighted by asset allocation, support an expected long-term asset return assumption of 8.5% for both 2009 and 2008.

The fair values of the System's pension plan assets at December 31, 2009 by asset category are as follows:

		Fair Value Measurement at December 31, 2009		
Asset category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
Cash	$ 5,483	$ 5,483	$ -	$ -
Equity securities				
U.S. companies	21,242	21,242		
International companies	5,242	5,242		
Mutual funds (a)				
U.S. companies	3,995	3,995		
International companies	2,589	2,589		
Fixed Income securities				
U.S. Treasury and government obligations	6,671	6,671		
Corporate Bonds	10,794		10,794	
Total	$ 56,016	$ 45,222	$ 10,794	$ -

61% of mutual funds invests in common stock of large-cap U.S. companies. The remaining 39% of mutual funds invests in international stock funds.

The Company's target allocations for plan assets are 65% equity securities, 32% fixed income and 3% cash and equivalents. Equity securities primarily include investments in large-cap and small-cap companies primarily located in the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities and U.S. Treasuries.

The target and actual allocations for plan assets as of December 31, 2009 and 2008 are as follows:

	Target Range		2009	2008
Equity securities	55-75	%	59 %	48 %
Fixed income	22-42		31	42
Cash and cash equivalents	0-6		10	10
			100 %	100 %

12. Restricted Net Assets and Endowment

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Temporarily restricted net assets as of December 31, 2009 and 2008, are available for the following purposes:

	2009	2008
Care for the indigent	$ 896	$ 838
Capital purchases	26	801
Other purposes	9,784	7,208
Total	$ 10,706	$ 8,847

Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity. Permanently restricted net assets as of December 31, 2009 and 2008 are invested for the following purposes:

	2009	2008
Care for the indigent	$ 2,338	$ 2,046
Educational programs	541	482
General services	4,212	4,037
Total	$ 7,091	$ 6,565

Effective June 30, 2009, Illinois passed "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Board of Directors of the System has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Board of Directors has determined that donor-restricted endowment funds will be governed by specific policies, which assure that the original gift shall be protected to perpetuity as the endowed corpus and distribution shall not be made if it were to bring the value below that threshold; which explain the calculation used to determine funds available for expenditure, and which govern the process for expenditure of funds, in accordance with donor restrictions.

The System has the following donor-restricted and Board-designated endowment activities during the year ended December 31, 2009 delineated by net asset class:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 217	$ 2,505	$ 2,722
Investment return				
Investment income	3	8	70	81
Net depreciation (realized and unrealized)	21	50	470	541
Total investment return	24	58	540	622
Contributions	-	70	-	70
Transfers to create Board Designated Endowment Funds	300	-	-	300
Release of restriction	-	(76)	-	(76)
Recovery of underwater endowment returned to unrestricted	-	-	(524)	(524)
Net asset reclassification based on change in law	-	2,036	-	2,036
Endowment net assets, end of year	$ 324	$ 2,305	$ 2,521	$ 5,150

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,305	$ 2,521	$ 4,826
Board-designated endowment funds	324	-	-	324
Total funds	$ 324	$ 2,305	$ 2,521	$ 5,150

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds over time to exceed inflation by 2 to 3 basis points annually. To achieve its long-term rate of return objectives, the System 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). Actual returns in any given year may vary from this amount.

13. Functional Expenses

The System provides general health care services to residents within its service area. Expenses related to providing these services for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Health care services	$ 330,924	$ 315,758
General and administrative	75,451	86,282
Total	$ 406,375	$ 402,040

14. Commitments and Contingencies

Operating Leases

RHS has entered into leases for surgical equipment and office space. The operating leases contain a renewal option, noncancellable terms, and escalation clauses. Future minimum rental commitments at December 31, 2009, for these operating leases are as follows:

2010	$ 493
2011	156
2012	166
2013	159
2014	138
Thereafter	34
	$ 1,146

Special Local Assessment

In 2007, RHS entered into an agreement with the County of Winnebago, the City of Loves Park, and the City of Rockford to contribute to a special assessment to finance certain improvements to property adjoining RHS property. RHS has recorded an accrued liability of $2,280 in the 2009 and 2008 consolidated financial statements for the completion of the property improvements.

Contingencies

The Hospital, RHPH, and VNA are defending various claims and lawsuits alleging malpractice and other related lawsuits through the normal course of business. Although the outcome of claims cannot be predicted with certainty, in management's opinion, their ultimate disposition will not have a material adverse effect on the financial position of the System.

15. Insurance

The Hospital, RHPH, and VNA have established a self-insurance program on an occurrence basis for professional liability, which provides for both self-insured limits and purchased coverage above such limits. Insurance coverage in excess of the self-insured limits is carried on a claims-made basis. Excess general liability coverage is provided by RHIL, who purchases reinsurance coverage from multiple third-party carriers.

The Hospital, RHPH, and VNA had self-insurance reserves of $82,694 and $86,751 at December 31, 2009 and 2008, respectively, discounted at 4.0% and 5.0% at December 31, 2009 and 2008, respectively. The undiscounted reserves at December 31, 2009 and 2008 were $92,879 and $100,202, respectively. As of December 31, 2009 and 2008, investments trustee-held for RHS's professional liability program were $96,015 and $78,302, respectively.

SUPPLEMENTAL CONSOLIDATING INFORMATION

Attachment #6

Rockford Health System and Affiliated Corporations
Supplemental Schedule -- Consolidating Balance Sheet
For the year ended December 31, 2009 and 2008
(in thousands of dollars)

	Rockford Memorial Hospital	Rockford Health Physicians	Rockford Memorial Development Foundation	Eliminations	Obligated Group Subtotal	Rockford Health System	Visiting Nurses Association	Eliminations	2009 Consolidated	2008 Consolidated
Assets										
Current assets										
Cash and cash equivalents	$ 21,223	$ 2,592	$ 517	$ -	$ 24,332	$ 4,183	$ 2,292	$ -	$ 30,807	$ 27,261
Short term investments	-	-	2,677	-	2,677	-	-	-	2,677	1,804
Patient accounts receivable, less allowance for doubtful accounts for 2009 - $16,195 and 2008 - $14,130	37,416	7,214	-	(2,168)	42,462	-	2,023	(165)	44,320	46,912
Other receivables	5,155	101	229	(550)	4,935	154	766	-	5,855	10,951
Due from affiliates	140	1	22	(141)	22	95	21	(138)	-	-
Current portion of investments limited to use	8,151	-	2,610	-	10,761	-	-	-	10,761	15,098
Inventories	5,807	474	-	-	6,281	-	99	-	6,380	5,495
Prepaid expense and other current assets	2,695	1,122	8	-	3,825	1,019	153	-	4,997	5,258
Total current assets	80,587	11,504	6,063	(2,859)	95,295	5,451	5,354	(303)	105,797	112,779
Assets limited as to use										
Board-designated and trustee held investments	140,814	-	82,402	-	223,216	-	-	-	223,216	183,823
Donor-restricted and endowment funds	2,280	-	837	-	3,117	-	-	-	3,117	3,123
Total assets limited as to use	143,094	-	83,239	-	226,333	-	-	-	226,333	186,946
Property, plant and equipment, net	89,268	38,728	4	-	128,000	1,175	1,488	-	130,663	134,987
Investments in joint ventures	8,625	333	-	-	8,958	-	-	-	8,958	7,720
Other assets, net	12,130	4,457	9,967	(2,962)	23,592	611	1,940	(1,923)	24,220	20,841
Total assets	$ 333,704	$ 55,022	$ 99,273	$ (5,821)	$ 482,178	$ 7,237	$ 8,782	$ (2,226)	$ 495,971	$ 463,253
Liabilities and Net Assets										
Current liabilities										
Current portion of long-term debt	$ 3,040	$ -	$ -	$ -	$ 3,040	$ -	$ -	$ -	$ 3,040	$ 2,900
Accounts payable	7,459	1,657	676	(550)	9,242	1,814	458	(29)	11,485	10,961
Accrued expenses	25,803	16,453	50	(2,168)	40,138	2,652	1,037	(136)	43,691	54,620
Due to third-party payors	11,866	-	-	-	11,866	-	-	-	11,866	10,822
Due to affiliates	2	19	141	(141)	21	22	95	(138)	-	-
Total current liabilities	48,170	18,129	867	(2,859)	64,307	4,488	1,590	(303)	70,082	79,303
Other liabilities										
Long-term debt, net of current portion	71,151	27,952	-	-	99,103	-	-	-	99,103	102,057
Accrued liabilities under self-insurance program	47,139	28,387	-	-	75,526	-	168	-	75,694	79,751
Accrued pension	22,797	1,257	-	-	24,054	-	705	-	24,759	21,058
Accrued postretirement medical benefits	4,001	820	-	-	4,821	-	217	-	5,038	4,075
Other liabilities, net	1,747	2,704	49	-	4,500	588	116	-	5,204	3,855
Total liabilities	195,005	79,249	916	(2,859)	272,311	5,076	2,796	(303)	279,880	290,099
Net assets										
Unrestricted	131,377	(24,227)	84,920	-	192,070	2,161	5,503	(1,440)	198,294	157,742
Temporarily restricted	4,697	-	8,626	(2,617)	10,706	-	294	(294)	10,706	8,847
Permanently restricted	2,625	-	4,811	(345)	7,091	-	189	(189)	7,091	6,565
Total net assets	138,699	(24,227)	98,357	(2,962)	209,867	2,161	5,986	(1,923)	216,091	173,154
Total liabilities and net assets	$ 333,704	$ 55,022	$ 99,273	$ (5,821)	$ 482,178	$ 7,237	$ 8,782	$ (2,226)	$ 495,971	$ 463,253

539

Attachment #6

Rockford Health System and Affiliated Corporations

Supplemental Schedule -- Consolidating Statements of Operations and Changes in Unrestricted Net Assets

For the year ended December 31, 2009 and 2008

(in thousands of dollars)

	Rockford Memorial Hospital	Rockford Health Physicians	Rockford Memorial Development Foundation	Eliminations	Obligated Group Subtotal	Rockford Health System	Visiting Nurses Association	Eliminations	2009 Consolidated	2008 Consolidated
Revenues										
Net patient service revenue	$ 292,507	$ 76,825	$ -	$ (11,253)	$ 358,079	$ -	$ 9,796	$ (754)	$ 367,121	$ 367,654
Provider tax revenue	22,166				22,166				22,166	19,226
Total net patient service revenue	314,673	76,825	-	(11,253)	380,245	-	9,796	(754)	389,287	386,880
Other operating revenues (loss) and net assets released from restrictions	19,984	1,754	17,467	(5,258)	33,947	8,056	2,260	(8,177)	36,086	(5,791)
Total revenue	334,657	78,579	17,467	(16,511)	414,192	8,056	12,056	(8,931)	425,373	381,089
Expenses										
Salaries and wages	102,066	69,022	402	2,408	173,898	3,840	6,006	-	183,744	181,747
Employee benefits	32,818	12,993	118	(10,930)	34,999	1,255	1,820	(356)	37,718	37,103
Supplies	52,169	4,552	53	-	56,774	38	1,576	(256)	58,132	56,956
Purchased services and professional fees	45,560	21,267	100	(7,415)	59,512	2,494	1,026	(8,188)	54,844	52,947
Depreciation and amortization	15,349	3,343	1	-	18,693	44	370	-	19,107	18,501
Provision for doubtful accounts	18,902	5,559	-	-	24,461	-	112	-	24,573	24,663
Insurance	5,501	2,907	-	(324)	8,084	31	44	(6)	8,153	8,411
Provider tax assessment	10,030	-	-	-	10,030	-	-	-	10,030	9,103
Interest	2,847	857	-	-	3,704	-	-	-	3,704	5,297
Other	3,409	1,719	460	(250)	5,338	354	803	(125)	6,370	7,312
Total expenses	288,651	122,219	1,134	(16,511)	395,493	8,056	11,757	(8,931)	406,375	402,040
Operating income (loss)	46,006	(43,640)	16,333	-	18,699	-	299	-	18,998	(20,951)
Nonoperating gains (losses)										
Investment income (loss)	24,428	11	-	-	24,439	-	-	-	24,439	(34,596)
Change in fair market value of swap	982	-	-	-	982	-	-	-	982	(2,238)
Other, net	39	-	-	-	39	-	-	-	39	(528)
Excess (deficit) of revenues over expenses	71,455	(43,629)	16,333	-	44,159	-	299	-	44,458	(58,313)
Unrealized gains (losses) on investments	(66)	-	-	-	(66)	-	-	-	(66)	106
Net change in market value of financial instruments	-	-	-	-	-	-	-	-	-	(405)
Reclassification to trading securities	-	-	-	-	-	-	-	-	-	-
Pension-related changes other than net periodic pension cost	(2,223)	(141)	-	-	(2,364)	-	(72)	-	(2,436)	(9,446)
Postretirement medical benefit-related changes other than net postretirement medical benefit cost	(875)	(176)	-	-	(1,051)	-	(50)	-	(1,101)	(217)
Cumulative effect of change in accounting for benefit plans	-	-	-	-	-	-	-	-	-	(778)
Net change in beneficial interest in trust	-	-	-	-	-	-	253	(253)	-	-
Net assets released from restrictions used for capital	1,197	12	-	-	1,209	-	-	-	1,209	266
Transfers (to) from permanently restricted net assets	425	-	99	-	524	-	-	-	524	(526)
Net asset reclassification based on change in law	(2,036)	-	-	-	(2,036)	-	-	-	(2,036)	-
Transfers (to) from affiliates	(41,156)	42,801	-	-	1,645	(1,645)	-	-	-	173
Increase (decrease) in unrestricted net assets	$ 26,721	$ (1,133)	$ 16,432	$ -	$ 42,020	$ (1,645)	$ 430	$ (253)	$ 40,552	$ (69,140)

VERIFICATIONS

Attachment #7 includes verification of the items specified in 77 Ill.Adm.Code 1130.520(b) and (c)(5). Please note that there are no outstanding permits.

The verifications included in the attachment are described below:

1) Verification that the categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's completion date.

2) Proof that the applicant is fit, willing, and able and *has the qualifications, background and character to adequately provide a proper standard of health service for the community* [20 ILCS 3960/6] by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.

3) Proof that the applicant has sufficient funds to finance the acquisition and to operate the facility for a period of 36 months by providing evidence of a bond rating of "A" or better (that must be less than two years old) from Fitch's, Moody's, or Standard and Poor's rating agencies or evidence of compliance with HFPB financial viability review criteria applicable to the type of facility to be acquired as specified in 77 Ill. Adm. Code 1120.

4) Verification that the applicant intends to maintain ownership and control of the facility for a minimum of three years.

5) Verification that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section.

6) Certification that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide certification that the compliant charity care policy will remain in effect for a two-year period, following the change of ownership transaction.

7) Verification that failure to complete the project in accordance with the applicable provisions of Section 1130.570 no later than 12 months from the date of exemption approval (or by a later date established by HFPB upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption.

Verifications – OSF Healthcare System

1. OSF verifies that the categories of service identified in the Illinois Department of Public Health Inventory of Health care Facilities for Rockford Memorial Hospital will not substantially change for at least 12 months following the project's completion date.

2. OSF Healthcare System hereby certifies that there has been no adverse action taken against any healthcare facility owned and operated by it by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois within the past three years except for the following matter:

   IDPH v. OSF Healthcare System, Docket No. 10-S-249: This matter was settled prior to hearing and resulted in a Type B violation of Sections 300.1210(a), 300.696(a) and 300.696(b) of the Nursing Home Care Act, a reduced fine of $3,250, and reinstatement of St. Clare's license.

3. OSF Healthcare System hereby verifies that ownership and control of Rockford Memorial Hospital will be maintained by OSF Healthcare System for a minimum of three years following the receipt of the Certificate of Exemption for Change of Ownership.

4. OSF Healthcare System hereby certifies that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of Section 1130.520.

5. OSF Healthcare System hereby certifies that it will not cause RMH to adopt a more restrictive charity care policy than the policy in effect one year prior to the transaction. Rockford Memorial Hospital will maintain its compliant charity care policy for two years, following the change of ownership transaction.

6. OSF Healthcare System hereby certifies that it understands that failure to complete the change of ownership of Rockford Memorial Hospital in accordance with the applicable provision of Section 1130.570 within 12 months from the date of exemption approval and failure to comply with the material change requirements of this Section 1130.520 will invalidate the exemption.

OSF Healthcare System

Signature of Authorized Officer: K. D. Schoeplein

Typed or Printed Name of Authorized Officer: Kevin Schoeplein

Title of Authorized Officer: Chief Executive Officer of OSF Healthcare System

Address: 800 N.E. Glen Oak Avenue

City, State & Zip Code: Peoria, IL 61603

Telephone:309-655-4982 Date: 3/8/2011

Attachment #7

Verifications – Rockford Health System and Rockford Memorial Hospital

1. Rockford Health System and Rockford Memorial Hospital verify that the categories of service identified in the Illinois Department of Public Health Inventory of Health care Facilities for Rockford Memorial Hospital will not substantially change for at least 12 months following the project's completion date.

2. Rockford Health System and Rockford Memorial Hospital hereby certify that there has been no adverse action taken against any healthcare facility owned and operated by it by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois within the past three years.

3. Rockford Health System and Rockford Memorial Hospital hereby verify that ownership and control of Rockford Memorial Hospital will be maintained by OSF Healthcare System for a minimum of three years following the receipt of the Certificate of Exemption for Change of Ownership.

4. Rockford Health System and Rockford Memorial Hospital hereby certify that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of Section 1130.520.

5. Rockford Memorial Hospital herehy certifies that it will not adopt a more restrictive charity care policy than the policy in effect one year prior to the transaction. Rockford Memorial Hospital will maintain its compliant charity care policy for two years, following the change of ownership transaction.

6. Rockford Health System and Rockford Memorial Hospital hereby certify that it understands that failure to complete the change of ownership of Rockford Memorial Hospital in accordance with the applicable provision of Section 1130.570 within 12 months from the date of exemption approval and failure to comply with the material change requirements of this Section 1130.520 will invalidate the exemption.

Rockford Health System and Rockford Memorial Hospital

Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Gary E. Kaatz

Title of Authorized Officer: President and Chief Executive Officer of Rockford Health System and Rockford Memorial Hospital

Address: 2400 North Rockton Avenue

City, State & Zip Code: Rockford, IL 61103

Telephone: 815-971-7250 _____ Date: 3/8/11

Attachment #7