E-008-13

RECEIVED
APR 03 2013
HEALTH FACILITIES &
SERVICES REVIEW BOARD

April 2, 2013

Mr. Mike Constantino
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, IL 62761-0001

Dear Mr. Constantino,

Enclosed are the Change of Exemption (COE) applications for Elmhurst Memorial Hospital and the Elmhurst Outpatient Surgery Center, LLC.

Also enclosed are checks totaling $5,000.00 for the CEO application fees.

Please contact me at 630-527-5803 if you have any questions.

Sincerely,

Annette Kenney
VP, Corporate Strategy & Business Development

Enclosures

E-008-13

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

RECEIVED
APR 03 2013
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Elmhurst Memorial Hospital
Address 155 East Brush Hill Road
City Elmhurst Zip Code 60126 County DuPage
Name of current licensed entity for the facility Elmhurst Memorial Hospital
Does the current licensee: own this facility YES OR lease this facility NO (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. Kirk Dillard
State Senate District Number 24 Mailing address of the State Senator
1 S Cass Avenue, Suite 201, Westmont, IL 60559
Illinois State Representative for the district where the facility is located: Rep. Patti Bellock
State Representative District Number 47 Mailing address of the State Representative
1 S Cass Avenue, Suite 205, Westmont, IL 60559

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 # 13-012, 12-019

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 Edward Health Services Corporation
Address 801 S. Washington Street
City, State & Zip Code Naperville, IL 60540
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 Elmhurst Memorial Hospital
Address 155 East Brush Hill Road
City, State & Zip Code Elmhurst, IL 60126
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 Elmhurst Memorial Hospital
Address 155 East Brush Hill Road
City, State & Zip Code Elmhurst, IL 60126
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 ____

NAME OF APPLICANTS AND CO-APPLICANTS.

Exact Legal Name of Applicant Elmhurst Memorial Hospital
Address 155 East Brush Hill Road
City, State & Zip Code Elmhurst, IL 60126
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 _____

Exact Legal Name of Applicant Elmhurst Memorial Healthcare
Address 155 East Brush Hill Road
City, State & Zip Code Elmhurst, IL 60126
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 _____

8. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   1. Purchase resulting in the issuance of a license to an entity different from current licensee;
   2. Lease resulting in the issuance of a license to an entity different from current licensee;
   3. Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   4. Stock transfer resulting in no change from current licensee;
   5. Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   6. Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   ✓ 7. Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   ✓ 8. 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;
   9. 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;
   10. Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   ✓ 11. 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: $0**

12. **FAIR MARKET VALUE OF THE FACILITY*: $466,382,394**
(to determine fair market value, refer to 77 IAC 1130.140)

*Fair Market Value is based on the closed and completed CON costs for the new Elmhurst Memorial Hospital that opened June 25, 2011

13. **DATE OF PROPOSED TRANSACTION: July 1, 2013**

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: Annette Kenney, Vice President Corporate Strategy & Business Development
Address: 801 S. Washington Street
City, State & Zip Code: Naperville, IL 60540
Telephone: (630)527-5803

19. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.
Name: Chris J. Mollet, Vice President Legal Affairs & General Counsel
Address: 801 S. Washington Street
City, State & Zip Code: Naperville, IL 60540
Telephone: (630)527-3410

20. **CERTIFICATION: Edward Health Service Corporation**
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: Pamela Davis

Title of Authorized Officer: President and CEO

Address: 801 S. Washington Street

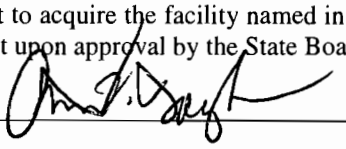
City, State & Zip Code: Naperville, IL 60540

Telephone (630)527-3010 Date: 2/29/2013

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

CERTIFICATION Elmhurst Memorial Healthcare

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 James F. Doyle

Title of Authorized Officer: Executive Vice President/CFO

Address: Elmhurst Memorial Healthcare, 155 East Brush Hill Road

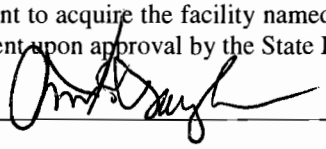
City, State & Zip Code: Elmhurst, IL 60126

Telephone (331) 221-0105

Date: 3/28/2013

CERTIFICATION Elmhurst Memorial Hospital

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 James F. Doyle

Title of Authorized Officer: Executive Vice President/CFO

Address: Elmhurst Memorial Hospital, 155 East Brush Hill Road

City, State & Zip Code: Elmhurst, IL 60126

Telephone (331) 221-0105

Date: 3/28/2013

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 Elmhurst Memorial Hospital CITY: Elmhurst

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	198	Nursing Care	0
Obstetrics	20	Shelter Care	0
Pediatrics	6	DD Adults*	0
Intensive Care	35	DD Children**	0
Acute Mental Illness	0	Chronic Mental Illness	0
Rehabilitation	0	Children's Medical Care	0
Neonatal Intensive Care	0	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: 0

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

FUNDING

There is no acquisition price and consequently no funding is required. As the definitive agreement indicates and the Narrative Description summarizes, this transaction is a corporate membership substitution, whereby Edward Health Services Corporation (EHSC) becomes the sole corporate member of Elmhurst Memorial Healthcare (EMHC).

NARRATIVE DESCRIPTION

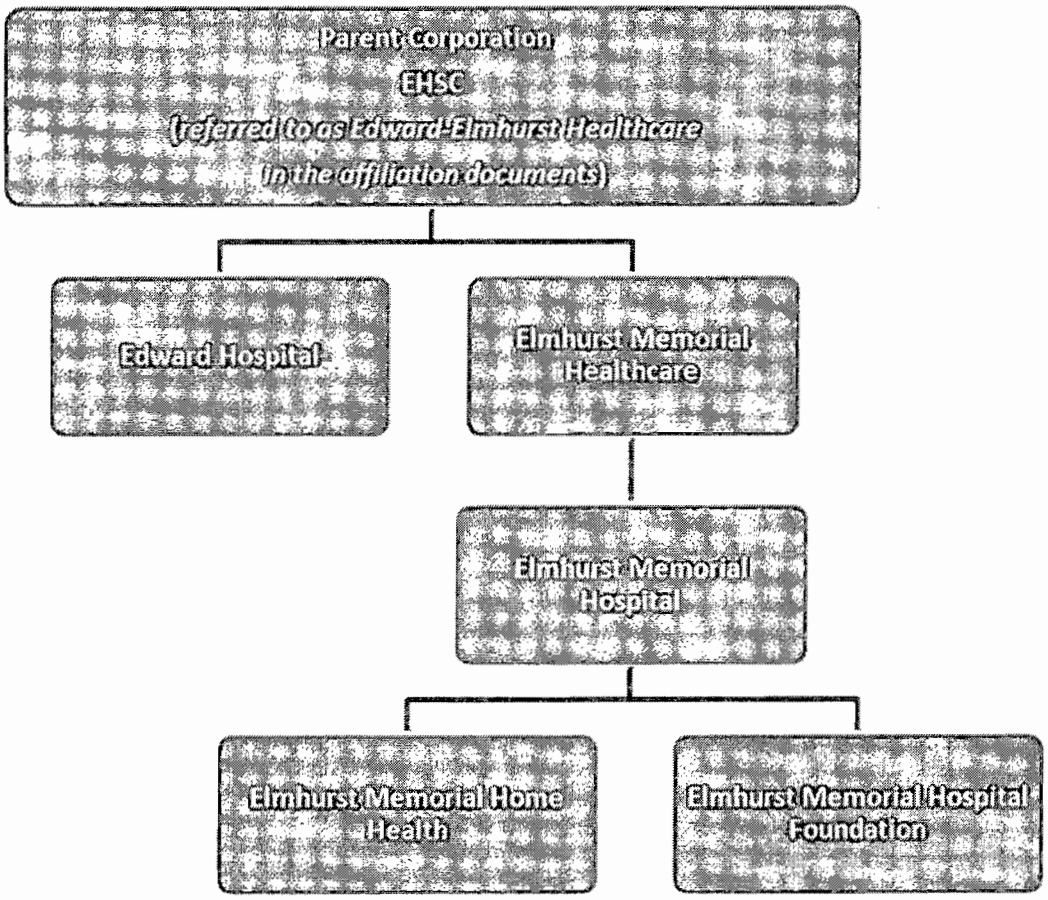
Edward Health Services Corporation has entered into an agreement with Elmhurst Memorial Healthcare to form an integrated health system in order to advance their combined missions through coordinated planning, effective allocation of resources and services, cost savings and integrated health care delivery, and to achieve measurable nation-leading high quality care.

Under the proposed transaction, effective as of the closing, Edward Health Services Corporation (EHSC), the parent and sole corporate member of Edward Hospital, will become the sole corporate member and parent company of Elmhurst Memorial Healthcare (EMHC), and the indirect corporate member of Elmhurst Memorial Hospital and the remaining Elmhurst Memorial subsidiaries, creating an integrated health system. The Board of Trustees of EHSC will be reconstituted as of the closing and will be initially compromised of 8 trustees appointed by EHSC and 5 trustees appointed by EMHC.

Elmhurst Memorial Hospital will continue to be the operating entity and owner of Elmhurst Memorial Hospital and will continue to report to the Elmhurst Memorial Healthcare Board of Trustees. As shown in the organizational structure on the following page, Elmhurst Memorial Healthcare will report to the parent corporation, EHSC (referred to as Edward-Elmhurst Healthcare in the attached definitive agreement and accompanying documents). Furthermore, the ownership and organizational structure of Edward Hospital will not change with this proposed transaction.

Edward Hospital and Elmhurst Memorial Hospital are located within DuPage County, approximately 17 miles apart. The newly formed integrated health system will provide value-driven healthcare services throughout the region by combining the strengths of each organization and creating the scale necessary for effective population health management. The Health System will benefit community residents, regardless of ability to pay, by ensuring access to cost effective and well-coordinated primary, secondary, and tertiary services aimed at achieving superior clinical outcomes and elevating community health status.

As required under IHFSRB rules, Edward Health Services Corporation verifies that it intends to be the sole corporate member and parent company of EMHC for a minimum of three years following the closing of the proposed transaction and that the transaction will take place no later than 12 months from the date of exemption approval. There will be no changes resulting in the restriction of patient admissions and there will be no reductions in access to care as a result of this transaction. Furthermore, a more restrictive charity care policy will not be adopted and the applicants certify that the respective charity care policies will remain in effect for at least a two-year period following the proposed change of ownership. Finally, the new system will not restrict the use of other area care providers.


Parent Corporation
EHSC
(referred to as Edward-Elmhurst Healthcare
in the affiliation documents)
Edward Hospital
Elmhurst Memorial Healthcare
Elmhurst Memorial Hospital
Elmhurst Memorial Home Health
Elmhurst Memorial Hospital Foundation

File Number 5464-307-1

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

EDWARD HEALTH SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 27, 1987, 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* 8TH *day of* MARCH *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1306702144

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 4

File Number 2346-969-3

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

ELMHURST MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 28, 1934, 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* 14TH *day of* FEBRUARY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1304501062

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 4

File Number 5836-907-1

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

ELMHURST MEMORIAL HEALTHCARE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 06, 1995, 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* 14TH *day of* FEBRUARY *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1304501072

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 4

SYSTEM AFFILIATION AGREEMENT

dated as of April 2, 2013

by and between

EDWARD HEALTH SERVICES CORPORATION

and

EDWARD HOSPITAL

and

ELMHURST MEMORIAL HOSPITAL

and

ELMHURST MEMORIAL HEALTHCARE

Attachment 5

TABLE OF CONTENTS

Article I CERTAIN DEFINITIONS; INTERPRETATION 2
1.01. Certain Definitions 2
1.02. General Rules of Interpretation; Schedules. 6

Article II OBJECTIVES 7

Article III FORMATION OF HEALTH SYSTEM; CLOSING 7
3.01. Formation of Health System. 7
3.02. Closing; Effective Time. 8
3.03. Governance and Management of Health System Parent and the New Subsidiary Corporations. 8

Article IV CLOSING DELIVERIES 10
4.01. Deliveries by Elmhurst. 10
4.02. Deliveries by Edward. 11

Article V ACTIONS PENDING THE EFFECTIVE TIME 12
5.01. Forbearances of the Parties. 12
5.02. Efforts; Further Assurances. 14
5.03. Access to Information. 15
5.04. Regulatory Applications; Other Consents and Approvals. 16
5.05. Physician Advisory Group. 17
5.06. Notification of Certain Matters. 17
5.07. Public Announcements. 17
5.08. Confidentiality. 18

Article VI REPRESENTATIONS AND WARRANTIES 18
6.01. Representations and Warranties with Respect to the Elmhurst Group. 18
6.02. Representations and Warranties with Respect to the Edward Group. 34

Article VII CONDITIONS TO CLOSING 50
7.01. Conditions to Each Party's Obligations. 50
7.02. Conditions to Obligation of Edward and EH. 50
7.03. Conditions to Obligation of Elmhurst and EMH. 51
7.04. Frustration of Closing Conditions. 52

Article VIII TERMINATION 52
8.01. Termination. 52
8.02. Effect of Termination and Abandonment. 53

Article IX SURVIVAL 53
9.01. Survival. 53

Article X General 53
10.01. Entire Understanding; No Third-Party Beneficiaries. 53
10.02. Managed Care Arrangements. 54

10.03. Charity Care. 54
10.04. Services Commitments. 54
10.05. Employee Matters. 54
10.06. Medical Staff. 54
10.07. Donor Restricted Funds. 54
10.08. Waiver; Amendment. 55
10.09. Expenses. 55
10.10. Notices. 55
10.11. Counterparts. 56
10.12. Governing Law. 56
10.13. Choice of Venue. 56
10.14. Waiver of Jury Trial. 57
10.15. Assignability; Binding Agreement. 57
10.16. Severability. 57

Exhibit A 1

Exhibit B 2

Exhibit C 3

Exhibit D 4

Exhibit E 5

Exhibit F 6

Exhibit G 7

Exhibit H 8

Exhibit I 9

Exhibit J 10

Exhibit 5.04 11

Exhibit 7.01(a) 12

THIS SYSTEM AFFILIATION AGREEMENT (hereinafter called this "Agreement"), dated as of April 2, 2013, among Edward Health Services Corporation, an Illinois not-for-profit corporation ("Edward"), Edward Hospital, an Illinois not-for-profit corporation ("EH"), Elmhurst Memorial Hospital, an Illinois not-for-profit corporation ("EMH"), and Elmhurst Memorial Healthcare, an Illinois not-for-profit corporation ("Elmhurst," and, together with Edward, EH and EMH, each, individually a "Party" and, collectively, the "Parties").

RECITALS

A. Edward is the sole corporate and voting member of EH and Edward Health Ventures ("EHV"). EHV and Edward own all of the outstanding partnership interests of Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital, an Illinois general partnership ("NPV"). In addition, Edward, EH and/or EHV are the sole members of, or own all of the ownership interests in, the various entities set forth on Exhibit A attached hereto and made a part hereof (the "Additional Edward Entities"). Edward, EH, EHV, NPV and the Additional Edward Entities are referred to, collectively, as the "Edward Group."

B. EH owns and operates Edward Hospital, with its main campus located at 801 S. Washington, Naperville, Illinois ("Edward Hospital") and NPV owns and operates Linden Oaks Hospital, also located at 801 S. Washington, Naperville, Illinois ("Linden Oaks Hospital").

C. Elmhurst is the sole corporate member of EMH. Each of Elmhurst and/or EMH are the sole corporate members of, or own all of the equity interests in, the various entities described on Exhibit B attached hereto and made a part hereof (the "Additional Elmhurst Entities"). Elmhurst, EMH and the Additional Elmhurst Entities are referred to, collectively, as the "Elmhurst Group."

D. EMH owns and operates Elmhurst Memorial Hospital, with its main campus located at 155 East Brush Hill Road, Elmhurst, Illinois ("Elmhurst Memorial Hospital").

E. The Parties have common patient-centered cultures committed to excellence, quality and transparency. The Parties' histories of sound governance and management, together with excellent physicians, nurses and other caregivers, have assured the delivery of exceptional care within each organization and their respective medical facilities. Edward Hospital and Elmhurst Memorial Hospital are recognized as preferred hospitals and each of the Parties is recognized as an employer of choice that engages effectively with physicians and the community to achieve superior results.

F. The Parties wish to come together as an integrated health system (the "Health System") in order to advance their combined missions through coordinated planning, effective allocation of resources and services, cost savings and integrated health care delivery in order to achieve measurable nation-leading high quality care and the best patient experience.

G. The Parties wish to continue to improve quality through, enhance access to, and accelerate the building of, a preeminent, regionally significant and locally-responsive Health System that provides value-based healthcare services throughout the region through the combination of their institutions. The Health System will benefit community residents,

regardless of their ability to pay, by providing increased access to integrated primary, secondary and advanced tertiary services.

H. The Parties each have a number of successful aligned independent physicians, affiliated physician group arrangements, contractual relationships, and hospital-based physician groups. The Parties intend to move forward and establish the Health System in a manner that includes these groups as key partners in the plan for advancing the vision for the Health System.

I. The Parties deem it to be in the best interest of their respective organizations and communities served to work collaboratively to establish the Health System on the terms and subject to the conditions set forth herein.

J. Edward and Elmhurst entered into that certain Letter of Intent, dated January 19, 2013, which Letter of Intent memorialized the intention of the Parties to enter into the transactions contemplated in this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants, representations, warranties and agreements contained herein, the Parties agree as follows:

ARTICLE I
CERTAIN DEFINITIONS; INTERPRETATION

1.01. Certain Definitions. The following terms are used in this Agreement with the meanings set forth below (list not exhaustive):

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" have meanings correlative to the foregoing.

"Benefit Plan" means any "employee benefit plan" within the meaning of Section 3(3) of ERISA (whether or not subject to ERISA) and all other benefit and compensation plans, contracts, policies or arrangements, whether written or oral, including employment agreements, compensation arrangements, severance agreements, change in control agreements, deferred compensation, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans.

"Business Day" means any day ending at 11:59 P.M. (Central Time) other than a Saturday or Sunday or a day on which banks are required or authorized to close in the City of Chicago, Illinois.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"Confidential Information" shall mean, with respect to a Person, all information provided by, or pertaining to, such Person and any Affiliates of such Person, whether in written or tangible form or provided orally, which information may include agreements, budgets (both capital and operating), consulting studies, documents, financial statements and other financial data and information, payor information and agreements, physician and other provider information and agreements, pricing information, strategic plans and other studies as well as all such documents and information commonly considered to be confidential or proprietary. "Confidential Information" also shall include the terms of this Agreement as well as any information generated by the Parties relative to the discussions during the negotiation of this Agreement.

"Constitutive Documents" means, with respect to any Person, such Person's articles or certificate of incorporation or formation, by-laws, limited liability company agreement, partnership agreement, shareholder agreement, operating agreement or other constitutive documents.

"Contract" means any legally binding agreement, indenture, undertaking, debt instrument, contract, lease, understanding, arrangement or commitment, whether oral or in writing.

"Edward Entity" means any member of the Edward Group.

"Edward Obligated Group" means those members of the Edward Group who are obligated with respect to the Edward Debt (as that term is defined in Section 6.02(e)(4) below).

"Elmhurst Entity" means any member of the Elmhurst Group.

"Elmhurst Obligated Group" means those members of the Elmhurst Group who are obligated with respect to the Elmhurst Debt (as that term is defined in Section 6.01(e)(4) below).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any Person that at any relevant time is considered a single employer with a Party or any of its Affiliates under Section 414 of the Code or Section 4001 of ERISA.

"Federal healthcare program" shall have the meaning ascribed to that term in 42 U.S.C. §1320a-7b(f).

"GAAP" means United States generally accepted accounting principles consistently applied and maintained throughout the applicable periods.

"Governmental Authority" means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, including the United States

Department of Health and Human Services ("DHHS"), the Centers for Medicare and Medicaid Services ("CMS") and the Office of Inspector General of DHHS ("OIG").

"Governmental Payment Program" means the Medicare, Medicaid and CHAMPUS/TRICARE programs as well as all other Federal health care programs.

"Group" means either the Elmhurst Group or the Edward Group, as the context may require.

"Health Care Laws" means those Laws that are generally applicable to hospitals, health care providers and services and other entities similar to the Parties including: (i) health care licensure, permit, certificate of need and medical waste requirements separate and apart from Environmental Law and Occupational Safety and Health Law; (ii) Titles XVIII, XIX and XXI of the Social Security Act; (iii) the Ethics in Patient Referrals Act, 42 U.S.C. §1395nn and the regulations promulgated thereunder (the "Stark Law"); (iv) the Health Insurance Portability and Accountability Act of 1996 (Pub. L. No. 104-191) and the regulations promulgated thereunder ("HIPAA"); (v) Laws governing Governmental Payment Programs; (vi) the Civil False Claims Act, 31 U.S.C. §§3729 et seq.; (vii) the Criminal False Claims Act, 18 U.S.C. §287; (viii) the False Statements Relating to Health Care Matters Act, 18 U.S.C. §1035; (ix) the Health Care Fraud Act, 18 U.S.C. §1347; (x) the provisions of 42 U.S.C. §1320a-7b, et. seq.; and (xi) published state Laws concerning matters similar to those above.

"Intellectual Property" means United States and foreign trademarks, service marks, trade names, trade dress, copyrights, and similar rights, including registrations and applications to register or renew the registration of any of the foregoing, United States and foreign letters patents and patent applications, inventions, processes, designs, formulae, trade secrets, know-how, confidential information, software, data and documentation, all similar intellectual property rights and tangible embodiments of any of the foregoing (in any form or medium including electronic media) and licenses of any of the foregoing owned, licensed or held.

"Knowledge" means the actual knowledge of any officer or other executive of Edward, EH, EMH or Elmhurst, as applicable, after reasonable and due inquiry, and any knowledge that any such Person should have had in light of such Person's position with such entity, as applicable.

"Law" means any statute, law, directive, policy, ordinance, code, executive order, injunction, judgment, award, decree, permit, license, rule or regulation of any Governmental Authority, including Health Care Laws.

"Liabilities" or "Liability" means any liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

"Liens" means a charge, mortgage, pledge, security interest, claim, lien or encumbrance of any nature whatsoever other than Edward Permitted Liens or Elmhurst Permitted Liens.

"Litigation" means litigation, claim, arbitration, proceeding or investigation before any court, arbitrator, mediator or Governmental Authority.

"Material Adverse Effect" means, with respect to the business, operations, results of operations, properties, assets, business prospects or condition (financial or otherwise) of a specific Person, any state of facts, change, development, condition, effect, event or occurrence that, either individually or in the aggregate, has resulted in or could reasonably be expected to result, during any rolling twelve (12) month period, in: (i) a reduction in the total net assets of the Person in an aggregate amount greater than five percent (5%) of the Person's total net assets as reflected on the Person's most recently audited financial statements; or (ii) a reduction in the annualized operating income before deductions for or payment of interest, depreciation and amortization ("EBIDA") of the Person (beginning in the month in which event(s) occurred) in an amount greater than twenty-five percent (25%) of the Person's budgeted EBIDA for the then-current fiscal year. Notwithstanding anything to the contrary, "Material Adverse Effect" shall not include: (a) changes in the financial or operating performance due to or caused by the announcement of the transactions contemplated by this Agreement or seasonal changes; (b) changes or proposed changes to any Law, reimbursement rates or policies of governmental agencies or bodies that are generally applicable to hospitals; (c) requirements, reimbursement rates, policies or procedures of third party payors or accreditation commissions or organizations that are generally applicable to hospitals; (d) general business, industry or economic conditions, including such conditions related to the business of hospitals; (e) 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; (f) changes in financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index); or (g) changes in GAAP; provided that any changes or events described in clauses (b) through (f) (inclusive) do not disproportionately affect the Person.

"New Subsidiary Corporations" means each of EH, EMH and Elmhurst.

"ordinary course of business" or "ordinary course" or any similar phrase means, with respect to any Person, the ordinary course of business, consistent with the past practice of such Person.

"Permitted Liens" means: (a) Liens for Taxes not yet due and payable, if adequate reserves with respect thereto are set forth on a Person's financial statements; and (b) Liens that, individually or in the aggregate, do not and would not materially detract from the value or marketability, or interfere with the present or proposed use, of the asset or property. "Elmhurst Permitted Liens" means Permitted Liens affecting property owned by the Elmhurst Group. "Edward Permitted Liens" means Permitted Liens affecting property owned by the Edward Group.

"Person" or "person" means any individual, corporation, limited liability company, partnership, limited partnership, joint venture, syndicate, sole proprietorship, association, joint-stock company, company with or without share capital, trust, trustee, executor, administrator or other legal personal representative, unincorporated organization, or Governmental Authority however designated or constituted.

"Physician Advisory Group" means that certain advisory group, to be formed by Health System Parent, through the Health System Board, and members of the medical staffs of Elmhurst Memorial Hospital, Edward Hospital and Linden Oaks Hospital (the "Hospitals"). The Physician Advisory Group shall be comprised of two (2) members of the Health System Board, one (1) of whom shall preside as Chairman thereof and the remaining members shall be selected from physician members of the medical staffs of each of the Hospitals; the number and composition of the medical staff members shall be representative of the communities served by the Hospitals. The Physician Advisory Group shall not be, and shall not be deemed to be, a "committee" of the Health System Board as that term is used in 805 ILCS 105/108.40, or any successor statute.

"Rights" means, with respect to any Person, ownership or membership interests in, contractual rights with respect to, or securities or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, or any options, calls, warrants or commitments relating to, or any equity appreciation right or other instrument the value of which is determined in whole or in part by reference to the market price or value of, the membership or equity interests of such Person.

"Taxation Authority" means any domestic or foreign Governmental Authority that is entitled to impose, assess or collect Taxes or to administer any applicable Laws relating to Taxes.

"Tax Returns" means, collectively, all returns, declarations, reports, claims, designations, bills, schedules, notices, estimates, information returns and statements required to be filed with or supplied to any Taxation Authority, and any amendments or attachments to any of the foregoing, and any returns, forms or other documents required to be retained in compliance with applicable tax reporting and withholding Laws.

"Taxes" means all Federal, state, county, municipal, local or foreign taxes, duties, fees, excises, premiums, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority, including: (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, license, profits, windfall profits, environmental, payroll, employment, unemployment, disability, employer health, pension plan, social security, national insurance contributions, anti-dumping, countervail, excise, recapture, wealth, estate, inheritance, surplus, surtaxes, customs, indebtedness, alternative minimum, estimated or premium tax; (ii) all withholdings on amounts paid to or by the relevant Person; (iii) any fine, penalty, interest, or addition to tax or installment in respect thereof or with respect to the nonpayment thereof; (iv) any tax imposed, assessed, or collected or payable pursuant to any tax sharing agreement or any other Contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee; and (v) any Liability for any of the foregoing as a transferee, successor, guarantor, or by Contract or by operation of Law.

1.02. General Rules of Interpretation; Schedules.

(a) When a reference is made in this Agreement to Recitals, Sections or Exhibits, such reference shall be to a Recital or a Section of, or an Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." No rule of construction against any Party shall be applied in connection with the interpretation or enforcement of this Agreement. Whenever this Agreement shall require a Party to take an action, such requirement shall be deemed an undertaking by such Party to cause each member of its Group, and to use its reasonable commercial efforts to cause its other Affiliates, to take appropriate action in connection therewith.

(b) Disclosure in any section of the Disclosure Schedule of a Party shall apply only to the indicated section of this Agreement except to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is relevant to another section of this Agreement. The inclusion of any information in the Disclosure Schedule of a Party shall not be deemed to be an admission or acknowledgment, in and of itself that such information is required by the terms hereof to be disclosed, is material or has resulted in or is reasonably likely to result in a Material Adverse Effect.

ARTICLE II
OBJECTIVES

The Parties desire to unite two highly compatible health systems under a common parent organization in order to: (i) sustain the values, reputations and leadership roles of Edward and Elmhurst in health delivery; (ii) capitalize on a common commitment to the principles of continuous quality improvement; (iii) develop an integrated medical care delivery system with the capability of providing high quality, cost effective health services in a seamless continuum of care and enhanced access to such services for a broad and diverse population; and (iv) foster a primary care-based integrated regional delivery system to deliver quality patient care and to maintain qualified, diverse medical staffs. The Parties believe that the transactions contemplated by this Agreement will assist them in their continued efforts to improve quality, enhance access and accelerate the building of a preeminent, regionally significant and locally-responsive Health System that provides value-based healthcare services throughout the region through the combination of their institutions. The Health System will benefit community residents, regardless of their ability to pay, by providing increased access to integrated primary, secondary and advanced tertiary services.

ARTICLE III
FORMATION OF HEALTH SYSTEM; CLOSING

3.01. Formation of Health System. At the Effective Time:

(a) Conversion of Edward into Health System Parent. Edward shall become sole corporate member of Elmhurst (in such capacity, the "Health System Parent"), through amendments to and restatement of the articles of incorporation and bylaws of Elmhurst (the "Restated Elmhurst Articles" and the "Restated Elmhurst Bylaws"). In addition, certain amendments to and restatements of the articles of incorporation and bylaws of EMH (the

"Restated EMH Articles" and the "Restated EMH Bylaws") also shall be necessary by reason of the transactions contemplated hereunder. The Restated Elmhurst Articles, the Restated Elmhurst Bylaws, the Restated EMH Articles and the Restated EMH Bylaws are set forth in the forms of Exhibits C-F. Elmhurst and EMH shall take such actions as are necessary and appropriate to cause the Restated Elmhurst Articles, the Restated Elmhurst Bylaws, the Restated EMH Articles and the Restated EMH Bylaws to be effective as of the Effective Time.

(b) EH. The articles of incorporation and the bylaws of EH shall be amended and restated (the "Restated EH Articles" and the "Restated EH Bylaws"), in the forms of Exhibits G-H. Edward and EH shall take such actions as are necessary and appropriate to cause the Restated EH Articles and the Restated EH Bylaws to be effective as of the Effective Time.

(c) Health System Parent. The articles of incorporation and the bylaws of Health System Parent (the "Restated Parent Articles" and the "Restated Parent Bylaws") shall be amended and restated in the forms of Exhibits I-J. Edward shall take such actions as are necessary and appropriate to cause the Restated Parent Articles and the Restated Parent Bylaws to be effective as of the Effective Time.

3.02. Closing; Effective Time. The closing for the transactions contemplated by this Agreement (the "Closing" and the date of the Closing, the "Closing Date") shall take place at the Chicago, Illinois offices of Foley & Lardner LLP, at 10:00 A.M. (Central Time) as of the end of the month in which the last to be fulfilled or waived of the conditions set forth in Article VII (other than those conditions that by their nature cannot be satisfied until the Closing, but subject to the fulfillment or waiver of those conditions) shall be fulfilled or waived (subject to applicable Law) in accordance with the Agreement or at such other time, place or date as Edward and Elmhurst may agree in writing. The Closing shall become effective at 12:01 A.M. (Central Time) on the date immediately following the Closing Date (the "Effective Time").

3.03. Governance and Management of Health System Parent and the New Subsidiary Corporations. At the Effective Time:

(a) Health System Parent. In accordance with the Restated Parent Bylaws, the Board of Trustees of Health System Parent (the "Health System Board") shall be reconstituted to comprise thirteen (13) voting members; Edward, through the action of its Board of Trustees shall have the right to appoint eight (8) of the initial members (the "Edward Appointees") and Elmhurst, through the action of its Board of Directors/Trustees, shall have the right to appoint five (5) of the initial members (the "Elmhurst Appointees" and, together with the Edward Appointees, "Health System Board Appointees"). Each of Edward and Elmhurst shall provide the other with written notice of its Health System Board Appointees no later than thirty (30) calendar days prior to Closing. Edward, through the action of its Board of Trustees, shall cause the election of the Elmhurst Appointees to the Health System Board and the election of the initial Chairperson of the Health System Board ("Chair Appointee"), the initial Vice Chairperson of the Health System Board ("Vice Chair Appointee"), the initial Health System Parent Chief Executive Officer ("System CEO") and the initial Health System Parent Treasurer and initial Health System Parent Secretary, all of which shall be effective as of the Effective Time, and shall provide Elmhurst with written notice of such election no later than thirty (30) calendar days

prior to Closing; *provided, however*, that, with respect to the Vice Chair Appointee, such appointee shall be an individual selected by Elmhurst and, in this regard, Elmhurst shall notify Health System Parent of its selection no later than thirty (30) calendar days prior to Closing. During the thirty (30)-day period prior to Closing, the Health System Board Appointees shall develop, diligently and in good faith, a plan for staggering their respective terms consistent with the provisions of the Restated Parent Bylaws with the allocations of Edward Appointees and Elmhurst Appointees to the various classes of Trustees relatively proportional to their representation on the Health System Board; and any disputes regarding such staggering shall be conclusively settled by the Chair Appointee ("Health System Board Staggering").

(b) EH. In accordance with the Restated EH Bylaws, as of the Effective Time, the Board of Trustees of EH shall be reconstituted to number fifteen (15) voting members comprised as follows:

(1) Thirteen (13) of the members shall be the same individuals as are the members of the Health System Board; and

(2) Two (2) members shall serve *ex officio* as follows: (a) the President of the Edward Hospital Medical Staff; and (b) a physician member of the Edward Hospital Medical Staff or other position selected by Edward.

Edward and EH shall take such action as is necessary and appropriate to cause the initial elections described above to be effective as of the Effective Time.

(c) EMH. In accordance with the Restated EMH Bylaws, as of the Effective Time, the Board of Trustees of EMH shall be reconstituted to number fifteen (15) voting members comprised as follows:

(1) Thirteen (13) of the members shall be the same individuals as are the members of the Health System Board; and

(2) Two members shall serve ex officio as follows: (a) the President of the Elmhurst Memorial Hospital Medical Staff; and (b) a representative initially selected by Elmhurst rotating among the Chairperson/CEO of each of the following organizations, so long as such organizations have a Professional Services Agreement with Elmhurst as of the Effective Time: Elmhurst Clinic, LLC, Elmhurst Memorial Primary Care Associates, LLC and Elmhurst Medical Associates, LLC, unless the President of the Elmhurst Memorial Hospital Medical Staff is a member of one of such organizations, in which case the representative shall be from the independent members of the Elmhurst Memorial Hospital Medical Staff.

Elmhurst and EMH shall take such actions as are necessary and appropriate to cause the initial elections described above to be effective as of the Effective Time.

(d) Elmhurst. In accordance with the Restated Elmhurst Bylaws, as of the Effective Time, the Board of Trustees of Elmhurst shall be reconstituted to number thirteen (13) voting members comprised as follows:

(1) Eight (8) members appointed by Edward which shall be the same individuals who are the Edward Appointees; and

(2) Five (5) members appointed by Elmhurst; two (2) of whom shall be individuals who are Elmhurst Appointees and three (3) of whom shall initially be the Chairperson/CEO of each of the following organizations, provided that such organizations have a Professional Services Agreement with Elmhurst as of the Effective Time: Elmhurst Clinic, LLC, Elmhurst Memorial Primary Care Associates, LLC and Elmhurst Medical Associates, LLC, and Elmhurst shall provide Edward with written notice of such appointments no later than thirty (30) calendar days prior to Closing.

Elmhurst shall take such actions as are necessary and appropriate to cause the initial elections described above to be effective as of the Effective Time.

(e) Board Officers and Senior Executives. The initial Chair Appointee and initial Vice Chair Appointee of the Health System Board shall serve as the initial Chairperson and Vice Chairperson, respectively, of each Board of Trustees of each New Subsidiary Corporation. The initial Chief Executive Officer of each of EH and EMH shall be appointed by the System CEO, subject to consultation with the Health System Board. The other initial senior executives of the New Subsidiary Corporations shall be appointed by the System CEO. The System CEO and the Health System Board shall take such actions as are necessary and appropriate to cause the appointments described above to be effective as of the Effective Time, and shall provide Elmhurst with written notice of such appointments no later than thirty (30) calendar days prior to Closing.

(f) Resignations. Edward and Elmhurst shall, and shall cause EH (in the case of Edward) and EMH (in the case of Elmhurst) to, obtain the resignations of: (i) those members of their respective Boards of Trustees who shall no longer serve on such board(s) following the Closing; (ii) those officers of the Boards of Trustees who shall no longer serve in such offices following the Closing; and (iii) those members of committees of the Boards of Trustees who shall no longer serve on such committees following the Closing.

ARTICLE IV
CLOSING DELIVERIES

4.01. Deliveries by Elmhurst. At the Closing, Elmhurst shall deliver, or cause to be delivered, the following to Edward:

(a) The Elmhurst Closing Certificate (as that term is defined below);

(b) Favorable original certificates of legal existence and/or good standing, as applicable, of each Elmhurst Entity, issued by the Secretary of State of the State of Illinois and the Secretary of State of any other state or jurisdiction in which such Elmhurst Entity is qualified to do business, in each event dated no earlier than a date that is thirty (30) calendar days prior to the Closing Date;

(c) A legal opinion of Katten Muchin Rosenman LLP, dated as of the Closing Date and reasonably acceptable to Edward;

(d) A legal opinion of Jones Day, as bond counsel, dated as of the Closing Date, and reasonably acceptable to Edward;

(e) Certificates of the Secretaries of each of Elmhurst and EMH certifying as to: (1) the incumbency and signatures of the officers of Elmhurst and EMH who executed this Agreement or who execute any additional documents contemplated by this Agreement on the Closing Date; (2) the due adoption and text of the resolutions of the Boards of Trustees of Elmhurst and EMH authorizing, as applicable (A) the execution, delivery and performance of this Agreement and all ancillary documents and instruments by Elmhurst and EMH and the consummation of the transactions contemplated hereby and thereby, and (B) the amendments to the Constitutive Documents of Elmhurst and EMH and any other member of the Elmhurst Group as contemplated by this Agreement or as may be appropriate and (3) Health System Board Staggering;

(f) Resignations described in Section 3.03(f); and

(g) Such other instruments, certificates, consents or other documents as shall be reasonably requested by Edward or as shall be reasonably necessary to carry out the transactions contemplated by this Agreement, to support the representations and warranties called for by this Agreement, and to comply with the terms hereof, or as required pursuant to the terms of this Agreement, including the necessary resolutions to carry into effect the actions required in Article III.

4.02. Deliveries by Edward. At the Closing, Edward shall deliver, or cause to be delivered, the following to Elmhurst:

(a) The Edward Closing Certificate (as that term is defined below);

(b) Favorable original certificates of legal existence and/or good standing, as applicable, of each Edward Entity, issued by the Secretary of State of the State of Illinois and the Secretary of State of any other state or jurisdiction in which such Edward Entity is qualified to do business, in each event dated no earlier than a date which is thirty (30) calendar days prior to the Closing Date;

(c) A legal opinion of Foley & Lardner, LLP, dated as of the Closing Date and reasonably acceptable to Elmhurst;

(d) A legal opinion of Jones Day, as bond counsel, dated as of the Closing Date and reasonably acceptable to Elmhurst;

(e) Certificates of the Secretaries of each of Edward and EH certifying as to: (1) the incumbency and signatures of the officers of Edward and EH who executed this Agreement or who execute any additional documents contemplated by this Agreement on the Closing Date; (2) the due adoption and text of the resolutions of the Boards of Trustees of Edward and EH authorizing, as applicable (A) the execution, delivery and performance of this Agreement and all ancillary documents and instruments by such party and the consummation of the transactions contemplated hereby and thereby, (B) the amendments to the Constitutive Documents of Edward and EH and such other members of the Edward Group as are

contemplated by this Agreement or as may be appropriate and (C) the approval of the appointment of certain members of the Health System Board to the Physician Advisory Group as well as such other actions as the Health System Board shall deem necessary and appropriate with respect to the formation and organization of such committee; and (3) Health System Board Staggering;

(f) Resignations described in Section 3.03(f); and

(g) Such other instruments, certificates, consents or other documents as shall be reasonably requested by Elmhurst or as shall be reasonably necessary to carry out the transactions contemplated by this Agreement, to support the representations and warranties called for by this Agreement, and to comply with the terms hereof, or as required pursuant to the terms of this Agreement including the necessary resolutions to carry into effect the actions required in Article III.

ARTICLE V
ACTIONS PENDING THE EFFECTIVE TIME

5.01. Forbearances of the Parties. Until the Effective Time, except as expressly contemplated by this Agreement or as otherwise mutually agreed to by the parties in writing, without the prior written consent of Edward or Elmhurst, as applicable, neither Edward nor Elmhurst shall, nor shall either permit any member of its respective Group to:

(a) Exclusivity. Directly or indirectly, through any officer, director, trustee, agent or otherwise:

(1) solicit, make, entertain, discuss or negotiate the terms of any offer or proposal from or to any Person or entity or enter into any agreement (whether absolute, binding, conditional or contingent), other than this Agreement relating in any way to any (A) investment in any member of its Group (each a "Restricted Party"), (B) acquisition of direct or indirect control of the Restricted Party, (C) disposition of all or any material portion of the Restricted Party's assets or businesses, (D) acquisition by the Restricted Party of any third party's assets or businesses, or (E) affiliation, management agreement, joint operating agreement, merger, consolidation or other business combination involving the Restricted Party (each, a "Proposal"); or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any Person, other than in accordance with the terms of this Agreement, to do or seek any of the foregoing; and

(2) continue (and if currently engaged, shall immediately cease) any discussions or negotiations ongoing with any Person, other than pursuant to the terms of this Agreement, with respect to any Proposal.

(3) The foregoing notwithstanding, the term "Proposal" shall not include: (A) any offer or proposal related to the recruitment of physicians or acquisition or divestiture of a physician practice in the ordinary course of business, (B) any offer or proposal involving or relating to Illinois Health Partners, LLC or (C) any offer or proposal relating solely to a managed care contracting arrangement.

(b) Ordinary Course. Conduct its business other than in the ordinary course of business; fail to use commercially reasonable efforts to preserve intact its business organizations, goodwill and material assets or its relationships with its customers, employees, Governmental Authorities, third party payors, patients or physicians; sell, exclusively license, abandon or allow to lapse any of its material Intellectual Property used in the conduct of its business; or take any action that would reasonably be expected to result in a Material Adverse Effect with respect to any member of its Group, or otherwise prevent, materially delay or materially impair the consummation of the transactions contemplated by, or the performance of, this Agreement.

(c) Compensation; Employment Agreements; Etc. Enter into or amend or modify any employment, consulting, severance, bonus, change of control or other similar Contract, policy, plan or arrangement with any executive officer or grant any material salary, wage or other compensation increases (including incentive or bonus payments) to any group of employees, except: (1) to the extent required by applicable Law; (2) to the extent required to satisfy contractual obligations existing as of the date hereof; or (3) in the ordinary course of business (provided that written notice of any such item or action shall be delivered promptly to the other Parties).

(d) Benefit Plans. Enter into, establish, adopt, amend, or increase benefits under any pension, retirement, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare Contract, policy, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any director, officer or employee, or take any action to accelerate the vesting or exercisability of any compensation or benefits, in each case except: (1) to the extent required by applicable Law; (2) to the extent required to satisfy existing contractual obligations; or (3) in the ordinary course of business (provided that written notice of any such item or action shall be delivered promptly to the other Parties).

(e) Dispositions. Sell, lease, license, transfer, mortgage, encumber or otherwise dispose of or discontinue any assets, properties, businesses, operations or equity interests or corporate membership interests (including by merger or consolidation), except for sales, transfers, or other dispositions: (1) in the ordinary course of business; or (2) of other assets not in excess of One Million Dollars ($1,000,000) in the aggregate.

(f) Governing Documents. Amend, or cause the amendment of, its Constitutive Documents, other than as contemplated by this Agreement.

(g) Contracts. Enter into or terminate any Contract that would constitute an Elmhurst Material Contract or Edward Material Contract, as applicable, if existing as of the date hereof, or amend, waive or modify in any material respect any Elmhurst Material Contract or Edward Material Contract, as applicable.

(h) Adverse Actions. Except as required by Law, take any action that results in: (1) any of the representations or warranties set forth in this Agreement being or being reasonably expected to become untrue in any material respect at any time at or prior to the Effective Time; or (2) any of the conditions set forth in Article VII not being satisfied.

(i) Indebtedness. Issue or incur any indebtedness (including any letter of credit reimbursement obligations, capital lease obligations and guarantees) in excess of One Million Dollars ($1,000,000), other than accounts payable in the ordinary course of business.

(j) Discharge of Liabilities. Agree to pay or discharge or satisfy any indebtedness (including any letter of credit reimbursement obligations, capital lease obligations and guarantees) or other Liabilities in excess of One Million Dollars ($1,000,000), to the extent such payment, discharge, or satisfaction would occur after the Closing Date.

(k) Tax Matters. Make or change any election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, but only to the extent such action could increase its Tax Liability for any taxable period (or portion thereof) commencing after the Closing Date.

(l) Litigation. Settle or compromise with respect to any material Litigation (actual, pending or threatened), including any investigation, inquiry, enforcement or disciplinary proceedings or process commenced or undertaken by any Governmental Authority, or compromise any of its material rights except to the extent such settlement or compromise is within applicable insurance coverage limits and/or within amounts properly reserved for on the financial statements of the settling or compromising party, provided that such settlement or compromise does not impose restrictions on the ongoing operations or practices of the settling party or its Affiliates.

(m) Insurance. Reduce the amount of or fail to maintain or renew any material insurance coverage.

(n) Accounting; Billing Practices. Make any material change in any method of accounting, keeping of books of account or accounting practices, except to the extent required by applicable Law or accounting standards, or change any methods or procedures for billing or collection of customer accounts or recording of customer accounts receivable or reserves for doubtful accounts.

(o) Commitments. Agree, commit to or enter into any agreement to take any of the actions referred to in Sections 5.01(a) through 5.01(n).

5.02. Efforts; Further Assurances.

(a) Subject to the terms and conditions of this Agreement, each of Edward and Elmhurst shall use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable Laws, so as to permit consummation of the transactions contemplated hereby as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall cooperate fully with the other parties hereto to that end. In this regard, Elmhurst shall use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or

advisable under applicable Laws, to effect those items listed in Section 4.01 prior to the Closing; Edward shall use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable Laws, to effect those items listed in Section 4.02 prior to the Closing

(b) Each of Edward and Elmhurst shall cooperate with each other and each of Edward and Elmhurst shall take such further action as may be reasonably requested by the other in order to implement the specific provisions of this Agreement.

5.03. Access to Information.

(a) Each of Edward and Elmhurst (for the purpose of this Section 5.03 the "Disclosing Party") shall upon reasonable prior notice from the other: (1) provide the other and its officers, employees, advisors, representatives and authorized agents (for the purpose of this Section 5.03, collectively, the "Reviewing Party") such access during normal business hours throughout the period from the date hereof to the Closing to the books, records, properties, officers, employees, personnel, financial, legal, Tax, compensation and such other data and information concerning the Disclosing Party's affairs and operations; and (2) promptly furnish to the Reviewing Party such additional financial and operating data and other information regarding the assets, properties, goodwill and businesses of the Disclosing Party as the Reviewing Party may from time to time reasonably request; provided, however, that in no event shall any Reviewing Party have access to any information that, based on advice of the Disclosing Party's counsel, (A) could create any risk of violation of applicable Laws relating to the exchange of information or could destroy any legal privilege, or (B) could violate any obligation of the Disclosing Party under confidentiality agreements, so long as the Disclosing Party has made reasonable efforts to obtain a waiver regarding the possible disclosure from the third party to whom it owes an obligation of confidentiality.

(b) Each Disclosing Party shall promptly deliver to the Reviewing Party copies of the Disclosing Party's interim monthly and year-to-date consolidated financial statements as soon as reasonably practicable following the end of each monthly accounting period during the period between the date of this Agreement and the Closing. These financial statements shall include consolidated income statements, balance sheets, cash flow statements, profit and loss and other analyses, and comparisons to the Disclosing Party's budget, as well as an explanation of the assumptions and the accounting policies and practices used in preparation thereof and such other matters as the Reviewing Party may reasonably request. Any information shared pursuant to this paragraph will only be shared in accordance with antitrust guidelines, protocols and protections mutually agreed upon by the Parties.

(c) No information provided to or obtained by any Reviewing Party pursuant to this Section 5.03 shall limit or otherwise affect such Reviewing Party's remedies available hereunder, or the representations or warranties of, or the conditions to the obligations of, the Disclosing Party.

5.04. Regulatory Applications; Other Consents and Approvals.

(a) Each of Edward and Elmhurst shall, with the reasonable cooperation of the other, prepare or procure the preparation of all documentation, use reasonable commercial efforts to effect all filings and to obtain all actions, permits, consents, approvals, waivers or authorizations of all third parties and Governmental Authorities necessary to consummate the transactions contemplated by this Agreement, including each of the permits, consents, approvals and authorizations set forth on Exhibit 5.04; *provided, however,* that nothing in this Section 5.04(a) shall require Edward or Elmhurst to dispose of any of its assets or to limit its freedom of action with respect to any of its businesses, or to consent to any disposition of EH's or EMH's assets or limits on their freedom of action with respect to any of their respective businesses, or to commit or agree to any of the foregoing, and nothing in this Section 5.04(a) shall authorize any of the Parties to commit or agree to any of the foregoing, to obtain any consents, approvals, permits or authorizations or to remove any impediments to the transactions contemplated by this Agreement relating to any such actions, permits, consents, approvals, waivers or authorizations. For purposes of this Section 5.04, reasonable commercial efforts shall not include opposing any motion or action for a temporary, preliminary or permanent injunction against the transactions contemplated by this Agreement.

(b) Each of Edward and Elmhurst will reasonably cooperate with the other in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or whether any actions, consents, approvals, waivers or authorizations are required to be obtained from parties to any Elmhurst Material Contract or Edward Material Contract, as applicable, in connection with the consummation of the transactions contemplated by this Agreement. Each of Edward and Elmhurst shall bear its own costs and expenses in connection with obtaining such actions, permits, consents, approvals, waivers or authorizations; *provided, however,* that the Parties shall share equally: (1) all fees payable to the Federal Trade Commission in connection with any filing under the Hart Scott Rodino Antitrust Improvements Act of 1976 ("HSR Act"); and (2) all fees payable to the Illinois Health Facilities and Services Review Board (the "Review Board") in connection with any filing required to consummate the transactions contemplated hereunder.

(c) Unless precluded by applicable Law, each of Edward and Elmhurst shall, upon request, furnish to the other all information concerning itself, the members of its Group, its directors, officers, employees and bondholders and such other matters as may be necessary or reasonably advisable in connection with any filing, notice or application made by or on behalf of the other to any third party or Governmental Authority.

5.05. Physician Advisory Group. After the date hereof and prior to the Closing, members of management and governance of each of Edward and Elmhurst, along with selected members of the medical staffs of the Hospitals, in furtherance of the objectives set forth in Article II hereof, will develop a charter or other appropriate organizational documents for, and complete organization of, the Physician Advisory Group. Prior to the Closing, the Health System Board will pass all necessary resolutions to appoint certain of its members to the Physician Advisory Group and to take all such other actions as the Health System Board deems necessary to form and organize such committee, all in compliance with the provisions hereof.

5.06. Notification of Certain Matters.

(a) After the date hereof and prior to the Closing: (1) Elmhurst may disclose additional exceptions to the representations and warranties set forth in Section 6.01 by delivering written notice of such exceptions to Edward; and (2) Edward may disclose additional exceptions to the representations and warranties set forth in Section 6.02 by delivering written notice of such exceptions to Elmhurst, each of which notice shall be in a form reasonably satisfactory to the receiving Party (each, a "Schedule Update" and each Updating Party a "Updating Party" for purposes of this Section 5.06); provided that such exceptions only shall be considered a Schedule Update if: (A) such exceptions did not need to be disclosed to make the representations and warranties of the Updating Party true and correct as of the date hereof; (B) such exceptions are caused by events which first occurred following the date hereof; (C) written notice of such exceptions are delivered by the Updating Party to the other Party no later than five (5) Business Days prior to the Closing; and (D) such exceptions, individually or in the aggregate with other exceptions or any other unwaived breaches of this Agreement, have not and would not reasonably be expected to result in a Material Adverse Effect with respect to the Updating Party, EH (with respect to a disclosure by Edward), EMH (with respect to a disclosure by Elmhurst) or the Updating Party's Group (in the aggregate). Subject to compliance with the conditions set forth in clauses (A), (B), (C), and (D) above, each Schedule Update shall be deemed to modify the representations and warranties made by the Updating Party as of the Closing Date for purposes of determining whether or not the conditions to Closing set forth in Article VII have been satisfied (but will not be taken into account for purposes of determining whether any other condition to Closing in Sections 7.02 or 7.03 has been satisfied).

(b) Prior to the Closing, each of Edward and Elmhurst shall promptly notify the other of:

(1) any notice or other communication from any Person alleging that the consent of such Person is or may be required as a condition to the Closing; or

(2) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement.

5.07. Public Announcements. None of Edward, Elmhurst or their respective Affiliates shall, without the prior approval of Edward, in the case of a proposed release or public statement by Elmhurst or its Affiliates, or Elmhurst, in the case of a proposed release or statement by Edward or its Affiliates, issue any press release or written statement for general circulation relating to the transactions contemplated hereby, except as otherwise required by applicable Law.

5.08. Confidentiality. With respect to all Confidential Information: (a) each of Edward and Elmhurst (for purposes of this Section 5.08, a "Recipient") shall undertake all commercially reasonable and prudent steps to ensure that the secrecy and confidentiality of Confidential Information of the other (for the purposes of this Section 5.08 the "Disclosing Party") is maintained, including restricting its disclosure solely to Recipient's directors, officers, employees, consultants, professional representatives, attorneys, advisors, financing sources or agents (each, a "Representative" and, collectively, the "Representatives") who are directly participating in the evaluation of the transactions contemplated by this Agreement or who otherwise have a need to know. Recipient's Representatives will be required by Recipient to treat the Confidential Information as confidential, and Recipient shall be responsible for their compliance with the confidentiality provisions of this Section 5.08; (b) no Recipient shall disclose Confidential Information of the Disclosing Party to any Person not authorized to receive it (other than Recipient's Representatives), without the Disclosing Party's prior written approval; and (c) if a Recipient shall be requested pursuant to, or required by, applicable Law or by legal process to disclose any Confidential Information, it shall provide the Disclosing Party with prompt notice of such request(s) to enable the Disclosing Party to seek an appropriate protective order. Confidential Information disclosed to a Recipient shall not be used for the Recipient's benefit or for any purpose whatsoever other than for the purpose of the transactions contemplated by this Agreement. The Confidential Information is and shall remain the property of the Disclosing Party, and each Recipient acknowledges the same. Each Recipient acknowledges that Confidential Information disclosed to it hereunder is received subject to the Disclosing Party's rights in and to the same and further subject to all relevant Laws governing the same. Any information derived from the Confidential Information by Recipient, including marketing information, technical information, inventions, improvements, patent rights, trade secrets and "know how" is and shall remain the exclusive property of the Disclosing Party, and Recipient acknowledges the same. Such information shall be deemed Confidential Information subject to the terms of this Agreement. Notwithstanding anything to the contrary herein, the following shall not be considered Confidential Information, and no Recipient shall have any obligation to preserve its confidentiality: (w) information which, at the time of disclosure, is in the public domain as evidenced by written publication; (x) information which, after disclosure, becomes part of the public domain by written publication through no fault of Recipient or Recipient's Representatives; (y) information, which, at the time of disclosure, can be shown by written documentation to have been in the possession of Recipient, free of any obligation to keep it confidential; and (z) information which can be shown to have been acquired after disclosure from a third party who, to Recipient's knowledge, did not receive it directly or indirectly from the Disclosing Party and who did not require that such information be held in confidence.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.01. Representations and Warranties with Respect to the Elmhurst Group. Except as set forth in corresponding sections of the disclosure schedule delivered to Edward by Elmhurst in connection with this Agreement, or updated pursuant to Section 5.06(a) (the "Elmhurst Disclosure Schedule"), Elmhurst hereby represents and warrants to Edward as follows:

(a) Organization and Good Standing. Each of Elmhurst and EMH are not-for-profit corporations, duly formed, validly existing and in good standing under the Laws of the

State of Illinois. Section 6.01(a) of the Elmhurst Disclosure Schedule lists each Additional Elmhurst Entity, its form of organization and the state Law under which it was organized. Each Additional Elmhurst Entity was duly formed, is validly existing and in good standing under the Laws of the state of its organization. Each Elmhurst Entity has all requisite corporate, limited liability company or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and to carry out the transactions contemplated by this Agreement, and is qualified to do business and is in good standing as a foreign corporation (or other applicable entity) in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification. No Elmhurst Entity is in default under or in violation of any provision of its Constitutive Documents.

(b) Membership or Other Ownership Interests.

(1) Elmhurst is the sole corporate member of EMH and Elmhurst or EMH is the sole corporate member, sole shareholder or owner of all of the equity of each of the Additional Elmhurst Entities. Section 6.01(b) of the Elmhurst Disclosure Schedule contains an accurate and complete listing of the Additional Elmhurst Entities and an indication of the Person that directly owns, in the case of equity interests, or directly controls, in the case of membership interests, each such Additional Elmhurst Entity. All of the ownership or member interests owned or held by Elmhurst or EMH are fully paid and nonassessable and are owned or held free and clear of any Liens except as described in Section 6.01(b) of the Elmhurst Disclosure Schedule.

(2) No Elmhurst Entity has any authorized, issued or outstanding Rights of any kind, including Rights which would obligate such Elmhurst Entity to issue, sell, redeem or acquire any of its membership or equity interests. Except as set forth on Section 6.01(b) of the Elmhurst Disclosure Schedule, no Elmhurst Entity is a party to any Contract relating to the voting or transfer of any of its membership or equity interests or restrictions on the sale, issuance, direct or indirect disposition or other transfer of any of its membership or equity interests. True and correct copies of the Constitutive Documents of each Elmhurst Entity, as amended to date, have been provided to Edward.

(3) Except for EMH and the Additional Elmhurst Entities, and except as set forth on Section 6.01(b) of the Elmhurst Disclosure Schedule, Elmhurst has no Affiliates, and does not own or control an interest, directly or indirectly, in any partnership, limited liability company, joint venture or similar entity (except any equity positions owned by an Elmhurst Entity in trading accounts in the ordinary course of business).

(c) Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance by Elmhurst of this Agreement, and any Elmhurst Entity of all other agreements, certificates, documents or instruments referenced herein, or ancillary hereto to which such Elmhurst Entity is a party, and the consummation by Elmhurst, and to the extent applicable, any of the Elmhurst Entities, of the transactions contemplated hereby and thereby:

(1) are within each Elmhurst Entity's corporate, limited liability company or partnership powers, as applicable, are not in contravention of Law or of the terms of its Constitutive Documents, and have been duly authorized by all appropriate company action;

(2) except as provided in Section 6.01(c) of the Elmhurst Disclosure Schedule, do not require any approval or consent of, or notice to or filing with, any Governmental Authority bearing on the validity of this Agreement which is required by Law;

(3) except as set forth in Section 6.01(c) of the Elmhurst Disclosure Schedule, will neither conflict with, nor result in any breach or contravention of, any acceleration of any right or creation of any Lien under, or require the consent of any party to, any Elmhurst Material Contract of any Elmhurst Entity;

(4) will not violate any Law to which any Elmhurst Entity or any of its businesses or assets may be subject; and

(5) will not violate any judgment, decree, writ or injunction of any court or Governmental Authority to which any Elmhurst Entity or its assets may be subject.

(d) Binding Agreement. This Agreement, and all agreements to which any Elmhurst Entity will become a party pursuant hereto, are and will constitute the valid and legally binding obligations of such Elmhurst Entity, and are and will be enforceable against such Elmhurst Entity in accordance with the respective terms hereof or thereof, except to the extent such enforceability is limited by applicable bankruptcy, reorganization, insolvency, moratorium and other Laws affecting creditors' rights generally, and limitations on the enforcement of equitable remedies.

(e) Financial Statements. Elmhurst has delivered to Edward copies of the following consolidated financial statements of or pertaining to the Elmhurst Group ("Elmhurst Financial Statements"), which Elmhurst Financial Statements are maintained on an accrual basis:

(1) Audited Consolidated Balance Sheet, Income Statement and Statement of Cash Flows for the Elmhurst Group (including any related notes and schedules thereto) for the fiscal years ended June 30, 2012, 2011 and 2010;

(2) Unaudited Consolidated Balance Sheet for the Elmhurst Group (the "Elmhurst Latest Balance Sheet") for the six (6) month period ending December 31, 2012 (the "Balance Sheet Date"); and

(3) Unaudited Consolidated Income Statement for the Elmhurst Group for the six (6) month period ended on the Balance Sheet Date.

(4) Attached as Section 6.01(e) of the Elmhurst Disclosure Schedule is: (i) a listing of the entities composing the Elmhurst Obligated Group, (ii) an accurate and complete description of all tax-exempt indebtedness issued by members of the

Elmhurst Obligated Group, which indebtedness is outstanding and with respect to which one or more members of the Elmhurst Obligated Group are obligated (the "Elmhurst Debt") and (iii) an accurate and complete description of any other indebtedness (other than the Elmhurst Debt) or guarantees of payment or performance on which the members of the Elmhurst Obligated Group are obligated ("Other Elmhurst Group Obligations"). Except as disclosed on Section 6.01(e) of the Elmhurst Disclosure Schedule, (A) no member of the Elmhurst Obligated Group is in breach of, or default under, any terms or any provision of the Elmhurst Debt or Other Elmhurst Group Obligations and (B) the consummation of the transactions contemplated hereunder shall not result in the acceleration of any portion of the Elmhurst Debt or any of the Other Elmhurst Group Obligations or any breach or default under any terms or any provision of the Elmhurst Debt or any of the Other Elmhurst Group Obligations, or subject any entities beyond the members of the Elmhurst Obligated Group as of the date hereof to any obligation to repay any of the Elmhurst Debt or any of the Other Elmhurst Group Obligations.

(5) Such Elmhurst Financial Statements conform to GAAP consistently applied, except as set forth on Section 6.01(e) of the Elmhurst Disclosure Schedule. Such Elmhurst Financial Statements present fairly in all material respects: (a) the financial condition of the Elmhurst Group, on a consolidated basis, as of the dates indicated thereon; and (b) the results of operations of the Elmhurst Group, on a consolidated basis, for the periods indicated thereon. Except as set forth in Section 6.01(e) of the Elmhurst Disclosure Schedule or in the Elmhurst Latest Balance Sheet, no Elmhurst Entity has any material Liabilities or obligations, whether contingent or absolute, direct or indirect, matured or unmatured, other than: (aa) Liabilities incurred in the ordinary course of business subsequent to the Balance Sheet Date; or (bb) obligations arising in the ordinary course of business under any Elmhurst Material Contract of any Elmhurst Entity (other than any obligation arising from a breach thereof of any such Elmhurst Material Contract), none of which, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect on Elmhurst, EMH or, in the aggregate, the Elmhurst Group.

(f) Certain Post-Balance Sheet Results. Except as set forth in Section 6.01(f) of the Elmhurst Disclosure Schedule, since the Balance Sheet Date there has not been any:

(1) material damage, destruction, or loss (whether or not covered by insurance) affecting any Elmhurst Entity or any of their respective assets;

(2) event, change or occurrence which has or could reasonably be expected to have a Material Adverse Effect on Elmhurst, EMH or, in the aggregate, the Elmhurst Group;

(3) threatened Elmhurst Employee strike, work stoppage, or labor dispute pertaining to any Elmhurst Entity;

(4) changes in the composition of the medical staff of Elmhurst Memorial Hospital, other than in the ordinary course of business;

(5) changes in the rates charged by any Elmhurst Entity for services, other than changes required by Federal health care programs, including Medicare or Medicaid, or those made in the ordinary course of business;

(6) changes in the rates paid to Elmhurst or EMH for services rendered to individuals covered by workers compensation other than those made in the ordinary course of business; or

(7) material transactions pertaining to any of the Elmhurst Entities outside the ordinary course of business (other than those contemplated by this Agreement).

(g) Licenses and Accreditation. Elmhurst Memorial Hospital is duly licensed as a hospital pursuant to the applicable Laws of the State of Illinois. The pharmacies, laboratories, imaging centers and businesses, therapy centers and businesses, and all other ancillary business, departments, or services owned and operated by the various Elmhurst Entities, whether or not located at Elmhurst Memorial Hospital, which are required to be specially licensed, registered or accredited are duly licensed, registered or accredited by the appropriate accrediting body or Governmental Authority. Each Elmhurst Entity has all other accreditations, licenses, registrations, permits and approvals that are needed or required by Law to operate its businesses. Elmhurst has provided Edward with a true and complete list of all such accreditations, licenses, registrations, permits and approvals owned or held by the various Elmhurst Entities relating to the ownership or operation of their respective assets and businesses, including Elmhurst Memorial Hospital (collectively, the "Elmhurst Licenses"), all of which are in good standing and are not subject to meritorious challenge. All non-physician personnel providing services to any Elmhurst Entity or at Elmhurst Memorial Hospital required to be accredited, licensed or registered to provide such services are so accredited, licensed or registered. Elmhurst Memorial Hospital is accredited by The Joint Commission and its facilities, equipment, staffing and operations are in material compliance with the accreditation standards of The Joint Commission. Elmhurst has provided to Edward true, correct and complete copies of Elmhurst Memorial Hospital's most recent Joint Commission accreditation survey report, and deficiency list and plan of correction, if any.

(h) Payment Programs. Each Elmhurst Entity and business owned or operated thereby required to be qualified to participate in a Governmental Payment Program is qualified and has a current and valid provider contract with each such Governmental Payment Program, is in compliance in all material respects with the conditions of participation in each such Governmental Payment Program, and to the extent eligible for capital reimbursement, has received all approvals or qualifications necessary for such reimbursement. All billing practices of each Elmhurst Entity and any business owned and operated by any such Elmhurst Entity, including Elmhurst Memorial Hospital, with respect to all third party payors, including Governmental Payment Programs and private insurance companies, are and have been in material compliance with all applicable Laws, regulations and policies of such third party payors and Governmental Payment Programs, and no Elmhurst Entity has billed or received any payment or reimbursement in excess of amounts allowed by Law. No Elmhurst Entity has been excluded, debarred or suspended from participation in any Governmental Payment Program, nor is any such exclusion, debarment or suspension threatened. Based upon and in reliance upon

Elmhurst's review of: (i) the "list of Excluded Individuals/Entities" on the website of the United States Health and Human Services Office of Inspector General (http://oig.hhs.gov/fraud/exclusions.html); and (ii) the "List of Parties Excluded From Federal Procurement and Nonprocurement Programs" on the website of the United States General Services Administration (http://www.arnet.gov/epls/), none of the officers, directors, trustees or managing Elmhurst Employees of any Elmhurst Entity has been excluded from participation in any Governmental Payment Program. Except as set forth in Section 6.01(h) of the Elmhurst Disclosure Schedule, no Elmhurst Entity has received any written notice from any Governmental Payment Program, or any other third party payor programs of any pending or threatened investigations or surveys. EMH has registered with the QNet Exchange ("QNet") as required by the CMS under its Hospital Quality Initiative Program (the "HQI Program"). EMH has submitted all quality data required under the HQI Program to CMS or its agent for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. All such submissions of quality data have been made in accordance with applicable reporting deadlines and in the form and manner required by CMS. EMH has not received notice of any reduction in reimbursement under any Governmental Payment Program, including Medicare, resulting from the failure to report quality data to CMS or its agent as required under the HQI Program. Elmhurst has provided Edward with the HQI Program "validation results" for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. EMH has not received notice of any reduction in reimbursement under any Governmental Payment Program, including Medicare, resulting from its failure to report quality data to CMS or its agent as required under the HQI Program.

(i) Regulatory Compliance. Except as set forth on Section 6.01(i) of the Elmhurst Disclosure Schedule, each Elmhurst Entity and each business and service owned and operated by the Elmhurst Entities, including Elmhurst Memorial Hospital, is in material compliance in all respects with all Laws, including Health Care Laws, as well as all requirements of each Governmental Authority having jurisdiction over each Elmhurst Entity, their businesses and Elmhurst Memorial Hospital. Each Elmhurst Entity has timely filed all reports, data, and other information required to be filed with any Government Authority. No Elmhurst Entity nor, to the Knowledge of Elmhurst, any of their Elmhurst Employees have committed a material violation of any Law, including any Health Care Law. Each Elmhurst Entity is in compliance in all respects with the administrative simplification provisions required under HIPAA, including the electronic data interchange regulations and the health care privacy regulations, as of the applicable effective dates for such requirements.

(j) Equipment. Elmhurst has provided to Edward a depreciation schedule as of the Balance Sheet Date that takes into consideration all the equipment of the Elmhurst Group that is complete and accurate in all material respects. Since the Balance Sheet Date, no Elmhurst Entity has sold or otherwise disposed of any item of equipment having a value in excess of One Million Dollars ($1,000,000) except in the ordinary course of business.

(k) Elmhurst Real Property.

(1) Section 6.01(k) of the Elmhurst Disclosure Schedule sets forth an accurate and complete list of all real property owned by any of the Elmhurst Entities.

Elmhurst has delivered to Edward a complete and accurate list of all real property leased by any of the Elmhurst Entities or used in connection with the operation of the business of the Elmhurst Entities (i) as a lessee or (ii) as a lessor, including the business and operations of Elmhurst Memorial Hospital (collectively with the owned real property, the "Elmhurst Real Property"). Each Elmhurst Entity owns good, marketable, and insurable fee simple title to the Elmhurst Real Property that it purports to own, or leasehold title to the Elmhurst Real Property it purports to lease, as the case may be, together with all buildings, improvements, and component parts thereon and all appurtenances and rights thereto. Elmhurst has provided to Edward true and accurate copies of all Elmhurst Leases (as that term is defined below).

(2) The Elmhurst Real Property is free and clear of any and all Liens or other restrictions except the Elmhurst Permitted Encumbrances. For purposes of this Agreement, the term "Elmhurst Permitted Encumbrances" shall mean: (a) the Lien of real estate Taxes and assessments not yet due and payable; (b) any leases (whether a member of the Elmhurst Group is a lessor or a lessee) with respect to the Elmhurst Real Property (the "Elmhurst Leases"); (c) matters of record shown in a current Title Commitment for the Elmhurst Real Property that do not materially interfere (or cannot reasonably be expected to materially interfere in the future) with the use or operation of the Elmhurst Real Property in a manner consistent with the current use by the Elmhurst Group; and (d) with respect to the leased Elmhurst Real Property, any matter that affects or encumbers the fee title to such leased Elmhurst Real Property but that do not materially interfere with the use or operation of such leased Elmhurst Real Property in a manner consistent with the current use by the Elmhurst Group.

(3) Except as set forth on Section 6.01(k) of the Elmhurst Disclosure Schedule, with respect to the Elmhurst Real Property:

(A) No Elmhurst Entity has received during the past five (5) years notice of a violation of any applicable ordinance or other Law, order or other requirement and has not received notice of condemnation, Lien (other than an Elmhurst Permitted Lien), assessment, or the like relating to any part of the Elmhurst Real Property or the operation thereof;

(B) The current zoning district information for the Elmhurst Real Property has been provided to Edward. To Elmhurst's Knowledge, the Elmhurst Real Property and its operation are in material compliance with all applicable zoning ordinances, and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing, and no Elmhurst Entity has received any written notice that the buildings and improvements constituting the Elmhurst Real Property does not comply with all building codes;

(C) The Elmhurst Real Property is not subject to any easements, restrictions, ordinances, or other limitations on title so as to make such Elmhurst Real Property unusable for its current use or the title uninsurable or

unmarketable or which materially restrict or impair the use, marketability or insurability of the Elmhurst Real Property;

(D) No Elmhurst Entity has received notice that the Elmhurst Real Property is not in compliance with the applicable provisions of the Rehabilitation Act of 1973, Title III of the Americans with Disabilities Act, and the provisions of any comparable state statute relative to accessibility (these Laws are referred to, collectively, as the "Accessibility Laws"), and there is no pending, or to the Knowledge of Elmhurst, threatened litigation, administrative action or complaint (whether from any Governmental Entity or from any other Person, group or entity) relating to compliance of any of the Elmhurst Real Property with the Accessibility Laws; and

(E) None of the Elmhurst 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.

(4) The transactions contemplated hereunder will not result in any member of the Elmhurst Group being obligated to repay any loans, grants, or loan guarantees related to the Hill-Burton Act (42 U.S.C § 291(a) et. seq.) program or to provide uncompensated care in consideration thereof.

(l) Title and Condition of Assets; Restrictions.

(1) Each Elmhurst Entity owns and holds good and valid title to all of its respective assets subject to no Liens (other than Elmhurst Permitted Liens) except as set forth in Section 6.01(l) of the Elmhurst Disclosure Schedule. The assets of the Elmhurst Entities are in good condition and repair, ordinary wear and tear excepted.

(2) None of the assets of any Elmhurst Entity is subject to restrictions imposed by the donors of specific funds that would prevent their use in furtherance of the ongoing mission and operation of the Health System or would be required to be repaid upon the consummation of the transactions contemplated by this Agreement.

(m) Litigation or Proceedings. No Elmhurst Entity is in default under any order of any court or federal, state, municipal, or other governmental department, commission, board, bureau, agency or instrumentality wherever located. Except as set forth on Section 6.01(m) of the Elmhurst Disclosure Schedule, there are no claims, actions, suits, proceedings, or investigations pending, or to the Knowledge of Elmhurst, threatened against or related to any Elmhurst Entity or any of their material assets, at Law or in equity, or before or by any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality wherever located.

(n) Environmental Laws. Except as set forth on Section 6.01(n) of the Elmhurst Disclosure Schedule: (i) the Elmhurst Real Property is not subject to any material

environmental hazards, risks, or Liabilities; (ii) no Elmhurst Entity is in material violation of any federal, state or local Laws or orders pertaining to the protection of human health and safety or the environment, including the Comprehensive Environmental Response Compensation and Liability Act, as amended, the Clean Air Act, as amended, the Clean Water Act, as amended, the Solid Waste Disposal Act, as amended, and the Resource Conservation and Recovery Act, as amended (collectively, "Environmental Laws"); and (iii) no Elmhurst Entity has received any notice alleging or asserting either a violation of any Environmental Law or a legal obligation to investigate, assess, remove, or remediate any property that is an asset of the Elmhurst Group, including the Elmhurst Real Property, under or pursuant to any Environmental Law. Except as set forth on Section 6.01(n) of the Elmhurst Disclosure Schedule, no Hazardous Substances have been possessed, managed, processed, released, handled, disposed of on or released or discharged from or onto, or threatened to be released from or onto, the Elmhurst Real Property (including groundwater) by any Elmhurst Entity or any third party, in violation, in any material respect, of any applicable Environmental Law. Except as set forth on Section 6.01(n) of the Elmhurst Disclosure Schedule, each Elmhurst Entity has complied in all material respects with all Environmental Laws applicable to any part of the Elmhurst Real Property. Except as set forth on Section 6.01(n) of the Elmhurst Disclosure Schedule, none of the physical plants constituting any portion of the Elmhurst Real Property contain regulated, friable asbestos-containing material. Without in any way limiting the generality of the foregoing: (i) all current or former underground storage tanks located on the Elmhurst Real Property and all information in the Elmhurst's possession or control relating to the capacity, uses, dates of installation and contents of such tanks located on the Elmhurst Real Property are identified in Section 6.01(n) of the Elmhurst Disclosure Schedule; (ii) there are no, nor have there ever been, any collection dumps, pits, and disposal facilities or surface impoundments located on the Elmhurst Real Property for the containment of Hazardous Substances except as identified in Section 6.01(n) of the Elmhurst Disclosure Schedule; and (iii) all existing underground storage tanks have been maintained in material compliance with all Environmental Laws.

(o) Taxes.

(1) Except as set forth on Section 6.01(o) of the Elmhurst Disclosure Schedule, each Elmhurst Entity has timely filed all federal, state and local Tax Returns required to be filed by each it (all of which are true, correct, and complete in all material respects) and has duly paid or made provision for the payment of all Taxes which are due and payable to the appropriate Taxation Authorities.

(2) All material Tax withholding and deposit requirements imposed by applicable Law on or with respect to any Elmhurst Entity have been satisfied in full and each Elmhurst Entity has complied with all information reporting and backup withholding requirements imposed by applicable Law, including the maintenance of required records with respect thereto, in connection with amounts paid or owing to any Elmhurst Employee, creditor, independent contractor or other third party.

(3) No Elmhurst Entity has taken or will take any action in respect of any federal, state or local taxes (including any withholdings required to be made in respect of Elmhurst Employees) that may have an adverse impact upon any Elmhurst Entity or any assets of the Elmhurst Group.

(4) No Elmhurst Entity has requested any extension of time within which to file any Tax Return that has not yet been filed. Since January 1, 2009, no Elmhurst Entity has: (i) waived any statute of limitations in respect of Taxes or granted any extension of time with respect to a Tax assessment or deficiency; or (ii) requested (or been requested) to enter into an agreement or waiver extending any statute of limitations in respect of Taxes.

(5) Since January 1, 2009, no Elmhurst Entity has been the subject of an audit or other examination of Taxes by any Taxation Authority. There are no pending Tax audits with respect to any Elmhurst Entity and, since January 1, 2009, no Tax audit has been threatened. Except for any payroll processor or similar entity, no Elmhurst Entity has granted any power of attorney that is currently in force with respect to any Taxes or Tax Returns. No deficiencies for any Taxes have been asserted or threatened against any Elmhurst Entity that have not been paid. There are no Liens with respect to Taxes on any of the assets, rights or properties of any Elmhurst Entity, other than Elmhurst Permitted Liens and, to the Knowledge of Elmhurst, no basis exists for the imposition of any such Liens.

(6) Each of Elmhurst, EMH and each of the Additional Elmhurst Entities that purport to be exempt from federal income tax as an organization described in Section 501(c)(3) of the Code is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code as set forth in a determination letter (each a "Determination Letter") issued by the Internal Revenue Service and no such letter has been modified, limited or revoked (the "Exempt Elmhurst Entities"). Each of the Exempt Elmhurst Entities is in compliance with the terms, conditions and limitations in its respective Determination Letter and the facts and circumstances that form the basis of such Determination Letter, as represented to the Internal Revenue Service, continue to substantially exist. No proceedings are pending with respect to which any Exempt Elmhurst Entity, and no Exempt Elmhurst Entity has been served or, to the Knowledge of Elmhurst, threatened in any way, contesting or affecting the tax-exempt status of such Exempt Elmhurst Entity as an organization described in Section 501(c)(3) of the Code or which would subject any income of such entity to federal income taxation to such an extent as would result in loss of such status.

(p) Employee Relations.

(1) There has not been within the last three (3) years, there is not presently pending or, to the Knowledge of Elmhurst threatened, and no event has occurred or circumstance exists that could provide the basis for any strike, slowdown, picketing, work stoppage, or employee grievance process, or any proceeding against or affecting any Elmhurst Entity relating to an alleged violation of any legal requirements pertaining to labor relations, including any charge, complaint, or unfair labor practices claim filed by an Elmhurst Employee, union, or other Person with the National Labor Relations Board or any comparable Government Authority, organizational activity, or other labor dispute against or affecting any Elmhurst Entity or Elmhurst Memorial Hospital. None of the personnel providing services to any Elmhurst Entity or at Elmhurst Memorial Hospital (collectively, the "Elmhurst Employees") is represented by any labor

union or organization; no collective bargaining agreement exists or is currently being negotiated by any Elmhurst Entity; no application for certification of a collective bargaining agent is pending; no demand has been made for recognition by a labor organization; and, to Elmhurst's Knowledge, no union representation question exists and no union organizing activities are taking place.

(2) Each Elmhurst Entity has complied in all material respects with all legal requirements relating to employment; employment practices; terms and conditions of employment; equal employment opportunity; nondiscrimination; immigration; wages; hours; benefits; payment of employment, social security, and similar Taxes; occupational safety and health; and plant closing. No Elmhurst Entity is liable either directly, or indirectly, for the payment of any compensation, damages, Taxes, fines, penalties, interest, or other amounts, however designated, for failure to comply with any of the foregoing legal requirements. Except as set forth in Section 6.01(p) of the Elmhurst Disclosure Schedule, there are no pending or threatened claims before the Equal Employment Opportunity Commission (or comparable state agency), complaints before the Occupational Safety and Health Administration (or comparable state agency), wage and hour claims, unemployment compensation claims, workers' compensation claims, or the like.

(3) Elmhurst has made available to Edward copies of each material employment, consulting, independent contractor, bonus, or severance agreement to which any Elmhurst Entity is a party. To Elmhurst's Knowledge, no Elmhurst Employee is bound by any contract that purports to limit the ability of such Elmhurst Employee to engage in or continue or perform any conduct, activity, duties or practice relating to the business of any Elmhurst Entity.

(4) All necessary visa or work authorization petitions required to be filed by any Elmhurst Entity have been timely and properly filed on behalf of any their respective Elmhurst Employees requiring a visa stamp, I-94 status document, employment authorization document, or any other immigration document to legally work for such Elmhurst Entity in the United States and all paperwork retention requirements with respect to such applications and petitions have been met. No current Elmhurst Employee has ever worked for an Elmhurst Entity without employment authorization from the Department of Homeland Security or any other government agency that must authorize such employment. I-9 Forms have been timely and properly completed by the various Elmhurst Entities for all current Elmhurst Employees and such I-9 Forms have been lawfully retained and re-verified. There are no claims, lawsuits, actions, arbitrations, administrative or other proceedings, or to Elmhurst's Knowledge, governmental investigations or inquiries pending or threatened against any Elmhurst Entity relating to its compliance with immigration Laws. There have been no letters received by any Elmhurst Entity from the Social Security Administration ("SSA") regarding the failure of any Elmhurst Employee's Social Security number to match his or her name in the SSA database.

(q) Benefit Plans.

(1) Section 6.01(q) of the Elmhurst Disclosure Schedule sets forth a true and complete list of each Benefit Plan that is maintained, administered or contributed to by the Elmhurst Entities, or that covers any Elmhurst Employee or former Elmhurst Employee (each an "Elmhurst Benefit Plan"). Except as otherwise identified on Section 6.01(q) of the Elmhurst Disclosure Schedule, no Elmhurst Benefit Plan is maintained, administered or contributed to by any entity other than a member of the Elmhurst Group. With respect to each Elmhurst Benefit Plan, the appropriate Elmhurst Entity has delivered or has caused to be delivered to Edward true and complete copies of: (A) the plan document, including related trust agreements, custodial agreements, insurance contracts, investment contracts and other funding arrangements, if any, summary plan description, summary of material modification, summary annual report and adoption agreement, if applicable and (B) any amendments thereto. With respect to each Elmhurst Benefit Plan, the appropriate Elmhurst Entity has delivered to Edward, or will cause to be delivered to Edward prior to the Closing, true and complete copies of: (A) any written interpretations of such Elmhurst Benefit Plans; (B) material Elmhurst Employee communications by the plan administrator; (C) the three (3) most recent annual reports (e.g., the complete Form 5500 series) prepared in connection with each such Elmhurst Benefit Plan (if any such report was required), including all attachments (including the audited financial statements, if any); (D) the three (3) most recent actuarial valuation reports prepared in connection with each such Elmhurst Benefit Plan (if any such report was required); and (E) in the case of any unfunded or self-insured plan or arrangement, an estimate of accrued and anticipated Liabilities thereunder.

(2) Except as may be required by Law, there has been no amendment to, written interpretation or announcement by any Elmhurst Entity relating to a change in Elmhurst Employee participation or coverage under any such Elmhurst Benefit Plan that would increase materially the expense of maintaining such Elmhurst Benefit Plan above the level of expense incurred in respect of such Elmhurst Benefit Plan for the most recent plan year. The execution of this Agreement and the consummation of the transactions contemplated hereby do not and will not constitute an event under any such Elmhurst Benefit Plan that, either alone or upon the occurrence of a subsequent event, will or may result in any payment, acceleration, vesting or increase in benefits to any Elmhurst Employee or former Elmhurst Employee.

(3) Each Elmhurst Benefit Plan has been maintained in material compliance with its terms and the requirements prescribed by any and all statutes, orders, rules and regulations, including ERISA and the Code that are applicable to such Elmhurst Benefit Plan.

(4) Each Elmhurst Benefit Plan that is an "employee pension benefit plan," as defined in Section 3(2) of ERISA, (each an "Elmhurst Pension Plan") is "qualified" within the meaning of Section 401(a) of the Code, and has been qualified during the period from the date of its adoption to the date of this Agreement, and each trust created thereunder is tax-exempt under Section 501(a) of the Code. Elmhurst has delivered or caused to be delivered to Edward the latest determination letters of the

Internal Revenue Service relating to each Elmhurst Pension Plan. Those determination letters have not been revoked. Furthermore, there are no pending proceedings or, to the Knowledge of Elmhurst, threatened proceedings in which the "qualified" status of any such Elmhurst Pension Plan is at issue and in which revocation of the determination letter has been threatened. No Elmhurst Pension Plan has been amended or operated, since the receipt of the most recent determination letter, in a manner that would materially affect the "qualified" status of such Elmhurst Pension Plan. No distributions have been made from any of the Elmhurst Pension Plans that would violate in any respect the restrictions under Treas. Reg. Section 1.401(a)(4)-5(b). There has been no termination or partial termination, as defined in Section 411(d) of the Code and the regulations thereunder, of any Elmhurst Pension Plan.

(5) There are no pending or, to the Knowledge of Elmhurst, threatened: (A) claims, suits or other proceedings by any Elmhurst Employees, former Elmhurst Employees or plan participants or the beneficiaries, spouses or representatives of any of them, other than ordinary and usual claims for benefits by participants or beneficiaries; or (B) suits, investigations or other proceedings by any Governmental Authority, of or against any Elmhurst Benefit Plan, the assets held thereunder, the trustee of any such assets, or Elmhurst relating to any of the Elmhurst Benefit Plans.

(6) No Elmhurst Entity has engaged in: (A) any transaction or acted or failed to act in a manner that violates the fiduciary requirements of Section 404 of ERISA; or (B) any "prohibited transaction" within the meaning of Section 406(a) or 406(b) of ERISA, or of Section 4975(c) of the Code, with respect to any Elmhurst Benefit Plans. Furthermore, to the Knowledge of Elmhurst, no other "party in interest," as defined in Section 3(14) of ERISA, or "disqualified person," as defined in Section 4975(e)(2) of the Code, has engaged in any "prohibited transaction."

(7) No liability has been incurred by any Elmhurst Entity or by any other trade or business operated by an Elmhurst Entity, whether or not incorporated, that is deemed to be an ERISA Affiliate of any Elmhurst Entity for any tax, penalty or other liability with respect to any Elmhurst Benefit Plan.

(8) Each Elmhurst Entity has made all required contributions under each Elmhurst Pension Plan on a timely basis or, if not yet due, adequate accruals therefore have been provided for in the Elmhurst Financial Statements. No Elmhurst Pension Plan has incurred any "accumulated funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Code and no Elmhurst Pension Plan has applied for or received a waiver of the minimum funding standards imposed by Section 412 of the Code.

(9) No Elmhurst Entity nor any ERISA Affiliate thereof has ever maintained, adopted or established, contributed or been required to contribute to, or otherwise participate or been required to participate in any "multiemployer plan" (as defined in Section 3(37) of ERISA). No amount is due from, or owed by, Elmhurst or any ERISA Affiliate on account of a "multiemployer plan" (as defined in Section 3(37) of ERISA) or on account of any withdrawal therefrom.

(10) Except as described on Section 6.01(q) of the Elmhurst Disclosure Schedule, no Elmhurst Benefit Plan provides benefits, including any severance or other post-employment benefit, salary continuation, termination, death, disability, or health or medical benefits (whether or not insured), life insurance or similar benefit with respect to current or former Elmhurst Employees (or their spouses or dependents) beyond their retirement or other termination of service other than: (A) coverage mandated by applicable Law; (B) death, disability or retirement benefits under any Elmhurst Pension Plan; (C) deferred compensation benefits accrued as Liabilities on the Elmhurst Financial Statements of the Elmhurst Group or (D) benefits, the full cost of which is borne by the current or former Elmhurst Employee (or his or her beneficiary).

(11) All Elmhurst Entities have materially complied with, and satisfied, the requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code, and all applicable regulations thereunder ("COBRA") with respect to each Elmhurst Benefit Plan that is subject to the requirements of COBRA. Each Elmhurst Benefit Plan that is a group health plan, within the meaning of Section 9832(a) of the Code, has materially complied with and satisfied the applicable requirements of Sections 9801 and 9802 of the Code.

(12) Each Elmhurst Benefit Plan that is a health plan within the meaning of Section 1171(5) of Part C, Title XI of the Social Security Act, has materially complied with and satisfied the applicable requirements of Part C, Title XI of the Social Security Act and the regulations applicable thereto.

(13) There is no contract, agreement, plan or arrangement covering any Elmhurst Employee or former Elmhurst Employee that, individually or in aggregate, could give rise to the payment by any Elmhurst Entity, directly or indirectly, of any amount that would not be deductible pursuant to the terms of Code Section 280G.

(14) There have been no acts or omissions that would impair the ability of any Elmhurst Entity (or any successor thereto) to unilaterally amend or terminate any Elmhurst Benefit Plan.

(r) Agreements and Commitments. Elmhurst has delivered to Edward a complete and accurate list of the following Contracts: (1) Contracts with physicians, including employment agreements, medical director agreements, consulting agreements, professional or other services agreements, or other like kind agreements or contracts (the "Elmhurst Physician Agreements"); (2) Contracts with third party payors (including Governmental Payment Programs) and commercial insurers, health maintenance organizations, preferred provider organizations, or other alternative delivery systems: (3) affiliation, joint venture or partnership agreements, or management agreements; (4) employment Contracts or any other Contracts with individual Elmhurst Employees (other than those disclosed pursuant to clause (1)); (5) equipment leases involving a term greater than one (1) year and an annual payment in excess of Five Hundred Thousand Dollars ($500,000); (6) equipment maintenance agreements involving a term greater than one (1) year and an annual payment in excess of Five Hundred Thousand Dollars ($500,000); (7) Contracts with Governmental Authorities involving payments or unperformed obligations in excess of Five Hundred Thousand Dollars ($500,000); (8) agreements evidencing

indebtedness in excess of One Million Dollars ($1,000,000), including bonds, notes, loan agreements, letter of credit reimbursement agreements, capital leases and guarantees, and any related collateral or security agreements (other than those disclosed in Section 6.01(e) of the Elmhurst Disclosure Schedule); (9) Contracts providing for payments based in any manner on the revenues or profits of any of the assets of any Elmhurst Entity; (10) Contracts or commitments providing for the performance of, or other guaranty of, any other Person's obligations; and (11) Contracts which (A) otherwise involve or could involve future payments, obligations (contingent or otherwise), performance of services or delivery of goods to or by Elmhurst, EMH, or any member of the Elmhurst Group in an amount or value in excess of Five Hundred Thousand Dollars ($500,000) per year or in the aggregate under the term of such Contract or (B) are otherwise material to the business or operations of Elmhurst, EMH or the Elmhurst Group (collectively, the Contracts described in clauses (1) through (11) above and the Elmhurst Leases are referred to as "Elmhurst Material Contracts").

(s) Material Contracts. Elmhurst has made available to Edward true and correct copies of all of the Elmhurst Material Contracts. With respect to each Elmhurst Material Contract:

(1) Such Elmhurst Material Contract constitutes a valid and legally binding obligation of the Elmhurst Entity or Entities who are parties thereto and is enforceable against such Elmhurst Entity or Entities and each other party thereto, in accordance with its terms;

(2) Such Elmhurst Material Contract constitutes the entire agreement by and between the respective parties thereto with respect to the subject matter thereof;

(3) All obligations required to be performed by the Elmhurst Entity or Elmhurst Entities who are parties thereto under the terms of such Elmhurst Material Contract have been performed in all material respects, no act or omission by such Elmhurst Entity or Entities or any other party thereto has occurred or failed to occur which, with the giving of notice, the lapse of time or both would constitute a default under the Elmhurst Material Contract, and such Elmhurst Material Contract is in full force and effect; and

(4) Except as set forth in Section 6.01(s) of the Elmhurst Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not require the consent of any party to any such Elmhurst Material Contract or result in any penalty or premium, or variation of the rights, remedies, benefits or obligations of any party thereunder.

(t) Insurance. Elmhurst has provided, and/or, prior to the Closing shall cause to be provided, to Edward a true and correct list of all insurance policies of the Elmhurst Group including the policies' numbers, terms, and identity of insurers, amounts, and coverage. All of such policies are in full force and effect with no premium arrearage. The appropriate Elmhurst Entity has given in a timely manner to its insurers all notices required to be given under its insurance policies with respect to all of the claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions. No Elmhurst Entity has: (1) received

any written notice or other communication from any such insurer canceling or materially amending any of such insurance policies, and, to Elmhurst's Knowledge, no such cancellation or amendment is threatened; or (2) failed to give any required notice or present any claim which is still outstanding under any of such policies.

(u) Third Party Payor Cost Reports. Each Elmhurst Entity required to file a cost report has duly filed all such required cost reports for all the fiscal years through and including the fiscal year specified in Section 6.01(u) of the Elmhurst Disclosure Schedule. All such cost reports accurately reflect the information required to be included thereon and none of such cost reports claim, and no Elmhurst Entity has received reimbursement in, any amount in excess of the amounts provided by Law or any applicable agreement. Section 6.01(u) of the Elmhurst Disclosure Schedule indicates which of such cost reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances, and any and all other unresolved claims or disputes in respect of such cost reports. Each Elmhurst Entity has established adequate reserves to cover any potential reimbursement obligations that the Elmhurst Entity may have in respect of any such third party cost reports, and such reserves are set forth in the Elmhurst Financial Statements.

(v) Medical Staff Matters. Elmhurst has provided to Edward true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of Elmhurst Memorial Hospital as well as a list of all current members of such medical staff. There are no adverse actions pending with respect to any medical staff member or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing which has not been scheduled or has been scheduled but has not been completed, and there are no pending or, to the Knowledge of the Elmhurst, threatened disputes with applicants, staff members, or health professional affiliates, and, to the Knowledge of the Elmhurst, there is no basis therefore, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Except as set forth in Section 6.01(v) of the Elmhurst Disclosure Schedule, there have been no adverse actions taken against any medical staff member of Elmhurst Memorial Hospital or any applicant thereto during the past three (3) years which could reasonably be expected to result in claims or actions against any Elmhurst Entity or Elmhurst Memorial Hospital. All physician members of the medical staff of Elmhurst Memorial Hospital are each duly licensed by the State of Illinois to practice medicine, without restriction, and are properly credentialed by Elmhurst Memorial Hospital in their medical specialty. All other members of the medical staff of Elmhurst Memorial Hospital are each properly accredited, licensed or registered in their respective area of expertise, if required to be so accredited, licensed or registered, by the appropriate accrediting body or Governmental Authority, as the case may be.

(w) Intellectual Property; Computer Software. No proceedings have been instituted or are pending or to the Knowledge of Elmhurst, threatened, which challenge the validity of the ownership by any Elmhurst Entity of its Intellectual Property and there is no basis therefore. No Elmhurst Entity has licensed anyone use of its Intellectual Property and, to the Knowledge of Elmhurst, there is no use or infringement of any such Intellectual Property by any other Person. The Elmhurst 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 respective businesses.

(x) Compliance Program. Elmhurst has made available to Edward a copy of the current compliance program materials of the various members of the Elmhurst Group. Except as described in Section 6.01(x) of the Elmhurst Disclosure Schedule, no Elmhurst Entity: (1) is a party to a Corporate Integrity Agreement with the United States Department of Justice, the OIG, the DHHS and/or the CMS or any other Governmental Authority; (2) has any reporting obligations pursuant to any Settlement Agreement entered into with any Governmental Authority; (3) has been the subject of any Governmental Payer Program investigation; (4) has been a defendant in any qui tam/False Claims Act litigation; (5) has been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or personal contact by or from any Governmental Authority regarding any investigation; or (6) has received any complaints from any Elmhurst Employee, independent contractor, vendor, physician or any other Person that would indicate that any Elmhurst Entity has violated any Law. There has been no compliance program audit or investigation conducted by, or on behalf of, any member of the Elmhurst Group with respect to its operations that could give risk to a material risk of violation of Law. For purposes of this Agreement, the term "compliance program" refers to provider programs of the type described in the compliance guidance published by the OIG.

(y) Books and Records. The books of account, minute books and stock or unit record books (or their equivalents) of the various members of the Elmhurst Group, all of which have been made available to Edward, are complete and correct in all material respects and have been maintained in accordance with sound business practices.

(z) Disclosure. This Agreement and Exhibits and Disclosure Schedules hereto do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made and to be made not misleading. Copies of all documents referred to in any Exhibit or Disclosure Schedule hereto have been delivered or made available to Edward and constitute true, correct and complete copies thereof and include all amendments, exhibits, schedules, appendices, supplements or modifications thereto or waivers thereunder.

6.02. Representations and Warranties with Respect to the Edward Group. Except as set forth in corresponding sections of the disclosure schedule delivered to Elmhurst by Edward in connection with this Agreement, or updated pursuant to Section 5.06(a) (the "Edward Disclosure Schedule"), Edward hereby represents and warrants to Elmhurst as follows:

(a) Organization and Good Standing. Each of Edward, EH and EHV are not-for-profit corporations, duly formed, validly existing and in good standing under the Laws of the State of Illinois. NPV is a general partnership, duly formed, validly existing and in good standing under the Laws of the State of Illinois. Section 6.02(a) of the Edward Disclosure Schedule lists each Additional Edward Entity, its form of organization and the state Law under which it was organized. Each Additional Edward Entity was duly formed, is validly existing and in good standing under the Laws of the state of its organization. Each Edward Entity has all requisite corporate, limited liability company or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and to carry out the transactions contemplated by this Agreement, and is qualified to do business and is in good

standing as a foreign corporation (or other applicable entity) in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification. No Edward Entity is in default under or in violation of any provision of its Constitutive Documents.

(b) Membership or Other Ownership Interests.

(1) Edward is the sole corporate member of EH and EHV; Edward and EHV are the partners of NPV and own all of the partnership interest therein. Edward or EH is the sole corporate member, sole shareholder or owner of all of the equity of the Additional Edward Entities. Section 6.02(b) of the Edward Disclosure Schedule contains an accurate and complete listing of the Additional Edward Entities and an indication of the Person that directly owns, in the case of equity interests, or directly controls, in the case of membership interests, each such Additional Edward Entity. All of the ownership or member interests owned or held by Edward, EH or EHV are fully paid and nonassessable and are owned or held free and clear of any Liens except as descried in Section 6.02(b) of the Edward Disclosure Schedule.

(2) No Edward Entity has any authorized, issued or outstanding Rights of any kind, including Rights which would obligate such Edward Entity to issue, sell, redeem or acquire any of its membership or equity interests. Except as set forth on Section 6.02(b) of the Edward Disclosure Schedule, no Edward Entity is a party to any Contract relating to the voting or transfer of any of its membership or equity interests or restrictions on the sale, issuance, direct or indirect disposition or other transfer of any of its membership or equity interests. True and correct copies of the Constitutive Documents of each Edward Entity, as amended to date, have been provided to Elmhurst.

(3) Except for EH, EHV, NPV and the Additional Edward Entities, and except as set forth on Section 6.02(b) of the Edward Disclosure Schedule, Edward has no Affiliates, and does not own or control an interest, directly or indirectly, in any partnership, limited liability company, joint venture or similar entity (except any equity positions owned by an Edward Entity in trading accounts in the ordinary course of business).

(c) Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance by Edward of this Agreement, and any Edward Entity of all other agreements, certificates, documents or instruments referenced herein, or ancillary hereto to which such Edward Entity is a party, and the consummation by Edward, and to the extent applicable, any of the Edward Entities, of the transactions contemplated hereby and thereby:

(1) are within such Edward Entity's corporate, limited liability company or partnership powers, as applicable, are not in contravention of Law or of the terms of its Constitutive Documents, and have been duly authorized by all appropriate company action;

(2) except as provided in Section 6.02(c) of the Edward Disclosure Schedule, do not require any approval or consent of, or notice to or filing with, any Governmental Authority bearing on the validity of this Agreement which is required by Law;

(3) except as set forth in Section 6.02(c) of the Edward Disclosure Schedule, will neither conflict with, nor result in any breach or contravention of, any acceleration of any right or creation of any Lien under, or require the consent of any party to, any Edward Material Contract of such Edward Entity;

(4) will not violate any Law to which any Edward Entity or any of its respective businesses or assets may be subject; and

(5) will not violate any judgment, decree, writ or injunction of any court or Governmental Authority to which any Edward Entity or its assets may be subject.

(d) Binding Agreement. This Agreement, and all agreements to which any Edward Entity will become a party pursuant hereto, are and will constitute the valid and legally binding obligations of such Edward Entity, and are and will be enforceable against such Edward Entity in accordance with the respective terms hereof or thereof, except to the extent such enforceability is limited by applicable bankruptcy, reorganization, insolvency, moratorium and other Laws affecting creditors' rights generally, and limitations on the enforcement of equitable remedies.

(e) Financial Statements. Edward has delivered to Elmhurst copies of the following consolidated financial statements of or pertaining to the Edward Group ("Edward Financial Statements"), which Edward Financial Statements are maintained on an accrual basis:

(1) Audited Consolidated Balance Sheet, Income Statement and Statement of Cash Flows for Edward Group (including any related notes and schedules thereto) for the fiscal years ended June 30, 2012, 2011 and 2010;

(2) Unaudited Consolidated Balance Sheet for the Edward Group (the "Edward Latest Balance Sheet") for the six (6) month period ending the Balance Sheet Date; and

(3) Unaudited Consolidated Income Statement for the Edward Group for the six (6) month period ended on the Balance Sheet Date.

(4) Attached as Section 6.02(e) of the Edward Disclosure Schedule is (i) a listing of the entities composing the Edward Obligated Group, (ii) an accurate and complete description of all tax-exempt indebtedness issued by members of the Edward Obligated Group, which indebtedness is outstanding and with respect to which one or more members of the Edward Obligated Group is obligated (the "Edward Debt") and (iii) an accurate and complete description of any other indebtedness (other than the Edward Debt) or guarantees of payment or performance on which the members of the Edward Obligated Group are obligated ("Other Edward Group Obligations"). Except as disclosed

on Section 6.02(e) of the Edward Disclosure Schedule, (A) no member of the Edward Obligated Group is in breach of, or default under, any terms or any provision of the Edward Debt or Other Edward Group Obligations and (B) the consummation of the transactions contemplated hereunder shall not result in the acceleration of any portion of the Edward Debt or any of the Other Edward Group Obligations or any breach or default under any terms or any provision of the Edward Debt or any of the Other Edward Group Obligations, or subject any entities beyond the members of the Edward Obligated Group as of the date hereof to any obligation to repay any of the Edward Debt or any of the Other Edward Group Obligations.

(5) Such Edward Financial Statements conform to GAAP consistently applied, except as set forth on Section 6.02(e) of the Edward Disclosure Schedule. Such Edward Financial Statements present fairly in all material respects: (a) the financial condition of the Edward Group, on a consolidated basis, as of the dates indicated thereon; and (b) the results of operations of the Edward Group, on a consolidated basis, for the periods indicated thereon. Except as set forth in Section 6.02(e) of the Edward Disclosure Schedule or in the Edward Latest Balance Sheet, no Edward Entity has any material Liabilities or obligations, whether contingent or absolute, direct or indirect, matured or unmatured, other than: (aa) Liabilities incurred in the ordinary course of business subsequent to the Balance Sheet Date; or (bb) obligations arising in the ordinary course of business under any Edward Material Contract of any Edward Entity (other than any obligation arising from a breach thereof of any such Material Contract), none of which, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect on Edward, EH or, in the aggregate, the Edward Group.

(f) Certain Post-Balance Sheet Results. Except as set forth in Section 6.02(f) of the Edward Disclosure Schedule, since the Balance Sheet Date there has not been any:

(1) material damage, destruction, or loss (whether or not covered by insurance) affecting any Edward Entity or any of their respective assets;

(2) event, change or occurrence which has or could reasonably be expected to have a Material Adverse Effect on Edward, EH or, in the aggregate, the Edward Group;

(3) threatened Edward Employee strike, work stoppage, or labor dispute pertaining to any Edward Entity;

(4) changes in the composition of the medical staffs of Edward Hospital or Linden Oaks Hospital, other than in the ordinary course of business;

(5) changes in the rates charged by any Edward Entity for services, other than changes required by Federal health care programs, including Medicare or Medicaid, or those made in the ordinary course of business;

(6) changes in the rates paid to EH, NPV or Edward Health Ventures for services rendered to individuals covered by workers compensation other than those made in the ordinary course of business; or

(7) material transactions pertaining to any of the Edward Entities outside the ordinary course of business (other than those contemplated by this Agreement).

(g) Licenses; Accreditation. Each of Edward Hospital and Linden Oaks Hospital is duly licensed as a hospital pursuant to the applicable Laws of the State of Illinois. The pharmacies, laboratories, imaging centers and businesses, therapy centers and businesses, and all other ancillary business, departments, or services owned and operated by the various Edward Entities, whether or not located at Edward Hospital or Linden Oaks Hospital, which are required to be specially licensed, registered or accredited are duly licensed, registered or accredited by the appropriate accrediting body or Governmental Authority. Each Edward Entity has all other accreditations, licenses, registrations, permits and approvals that are needed or required by Law to operate its businesses. Edward has provided Elmhurst with a true and complete list of all such accreditations, licenses, registrations, permits and approvals owned or held by the various Edward Entities relating to the ownership or operation of their respective assets and businesses, including Edward Hospital or Linden Oaks Hospital (collectively, the "Edward Licenses"), all of which are in good standing and are not subject to meritorious challenge. All non-physician personnel providing services to any Edward Entity or at Edward Hospital or Linden Oaks Hospital required to be accredited, licensed or registered to provide such services are so accredited, licensed or registered. Each of Edward Hospital and Linden Oaks Hospital is accredited by The Joint Commission and each of their facilities, equipment, staffing and operations is in material compliance with the accreditation standards of The Joint Commission. Edward has provided to Elmhurst true, correct and complete copies of the most recent Joint Commission accreditation survey reports, deficiency list and plans of correction, if any, for each of Edward Hospital and Linden Oaks Hospital.

(h) Payment Programs. Except as set forth in Section 6.02(h) of the Edward Disclosure Schedule, each Edward Entity and business owned or operated thereby required to be qualified to participate in a Governmental Payment Program is qualified and has a current and valid provider contract with each such Governmental Payment Program, is in compliance in all material respects with the conditions of participation in each such Governmental Payment Program, and to the extent eligible for capital reimbursement, has received all approvals or qualifications necessary for such reimbursement. All billing practices of each Edward Entity and any business owned and operated by any such Edward Entity, including Edward Hospital and Linden Oaks Hospital, with respect to all third party payors, including Governmental Payment Programs and private insurance companies, are and have been in material compliance with all applicable Laws, regulations and policies of such third party payors and Governmental Payment Programs, and no Edward Entity has billed or received any payment or reimbursement in excess of amounts allowed by Law. No Edward Entity has been excluded, debarred or suspended from participation in any Governmental Payment Program, nor is any such exclusion, debarment or suspension threatened. Based upon and in reliance upon Edward's review of: (i) the "list of Excluded Individuals/Entities" on the website of the United States Health and Human Services Office of Inspector General (http://oig.hhs.gov/fraud/exclusions.html); and (ii) the "List of Parties Excluded From Federal Procurement and Nonprocurement Programs" on the website of the United States General Services Administration (http://www.arnet.gov/epls/), none of the officers, directors, trustees or managing Edward Employees of any Edward Entity has been excluded from participation in any Governmental Payment Program. Except as set forth in

Section 6.02(h) of the Edward Disclosure Schedule, no Edward Entity has received any written notice from any Governmental Payment Program, or any other third party payor programs of any pending or threatened investigations or surveys. Each of EH and NPV has registered with QNet as required by the CMS under its HQI Program. Each of EH and NPV has submitted all quality data required under the HQI Program to CMS or its agent for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. All such submissions of quality data have been made in accordance with applicable reporting deadlines and in the form and manner required by CMS. Neither EH nor NPV has received notice of any reduction in reimbursement under any Governmental Payment Program, including Medicare, resulting from the failure to report quality data to CMS or its agent as required under the HQI Program. Edward has provided Elmhurst with the HQI Program "validation results" for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. Neither EH nor NPV has received notice of any reduction in reimbursement under any Governmental Payment Program, including Medicare, resulting from its failure to report quality data to CMS or its agent as required under the HQI Program.

(i) Regulatory Compliance. Except as set forth on Section 6.02(i) of the Edward Disclosure Schedule, each Edward Entity and each business and service owned and operated by the Edward Entities, including Edward Hospital and Linden Oaks Hospital, is in material compliance in all respects with all Laws, including Health Care Laws, as well as all requirements of each Governmental Authority having jurisdiction over each Edward Entity, their businesses and Edward Hospital and Linden Oaks Hospital. Each Edward Entity has timely filed all reports, data, and other information required to be filed with any Government Authority. No Edward Entity nor, to the Knowledge of Edward, any of the Edward Employees have committed a material violation of any Law, including any Health Care Law. Each Edward Entity is in compliance in all respects with the administrative simplification provisions required under HIPAA, including the electronic data interchange regulations and the health care privacy regulations, as of the applicable effective dates for such requirements.

(j) Equipment. Edward has provided to Elmhurst a depreciation schedule as of the Balance Sheet Date that takes into consideration all the equipment of the Edward Group that is complete and accurate in all material respects. Since the Balance Sheet Date, no Edward Entity has sold or otherwise disposed of any item or items of equipment having a value in excess of One Million Dollars ($1,000,000) individually or in the aggregate except in the ordinary course of business.

(k) Edward Real Property.

(1) Section 6.02(k) of the Edward Disclosure Schedule sets forth an accurate and complete list of all real property owned by any of the Edward Entities. Edward has delivered to Elmhurst a complete and accurate list of all real property leased by the Edward Entities or used in connection with the operation of the business of the Edward Entities (i) as a lessee or (ii) as a lessor, including the business and operations of Edward Hospital (collectively with the owned real property, the "Edward Real Property"). Each Edward Entity owns good, marketable, and insurable fee simple title to the Edward Real Property that it purports to own, or leasehold title to the Edward Real

Property it purports to lease, as the case may be, together with all buildings, improvements, and component parts thereon and all appurtenances and rights thereto. Edward has delivered to Elmhurst true and accurate copies of the Edward Leases.

(2) The Edward Real Property is free and clear of any and all Liens or other restrictions except the Edward Permitted Encumbrances. For purposes of this Agreement, the term "Edward Permitted Encumbrances" shall mean: (a) the Lien of real estate Taxes and assessments not yet due and payable; (b) any leases (whether a member of the Edward Group is a lessor or a lessee) with respect to the Edward Real Property (the "Edward Leases"); (c) matters of record shown in a current Title Commitment for the Edward Real Property that do not materially interfere (or cannot reasonably be expected to materially interfere in the future) with the use or operation of the Edward Real Property in a manner consistent with the current use by the Edward Group; and (d) with respect to the leased Edward Real Property, any matter that affects or encumbers the fee title to such leased Edward Real Property but that do not materially interfere with the use or operation of such leased Edward Real Property in a manner consistent with the current use by the Edward Group.

(3) Except as set forth on Section 6.02(k) of the Edward Disclosure Schedule, with respect to the Edward Real Property:

(A) No Edward Entity has received during the past five (5) years notice of a violation of any applicable ordinance or other Law, order or other requirement and has not received notice of condemnation, Lien (other than an Edward Permitted Lien), assessment, or the like relating to any part of the Edward Real Property or the operation thereof;

(B) The current zoning district information for the Edward Real Property has been provided to Elmhurst. To Edward's Knowledge, the Edward Real Property and its operation are in material compliance with all applicable zoning ordinances, and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing, and no Edward Entity has received any written notice that the buildings and improvements constituting the Edward Real Property does not comply with all building codes;

(C) The Edward Real Property is not subject to any easements, restrictions, ordinances, or other limitations on title so as to make such Edward Real Property unusable for its current use or the title uninsurable or unmarketable or which materially restrict or impair the use, marketability or insurability of the Edward Real Property;

(D) No Edward Entity has received notice that the Edward Real Property is not in compliance with the applicable provisions of the Accessibility Laws, and there is no pending, or to the Knowledge of Edward, threatened litigation, administrative action or complaint (whether from any Governmental

Entity or from any other Person, group or entity) relating to compliance of any of the Edward Real Property with the Accessibility Laws; and

(E) None of the Edward 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.

(4) The transactions contemplated hereunder will not result in any member of the Edward Group being obligated to repay any loans, grants, or loan guarantees related to the Hill-Burton Act (42 U.S.C § 291(a) et. seq.) program or to provide uncompensated care in consideration thereof.

(l) Title and Condition of Assets; Restrictions.

(1) Each Edward Entity owns and holds good and valid title to all of its respective assets subject to no Liens (other than Edward Permitted Liens) except as set forth in Section 6.02(l) of the Edward Disclosure Schedule. The assets of the Edward Entities are in good condition and repair, ordinary wear and tear excepted.

(2) None of the assets of any Edward Entity is subject to restrictions imposed by the donors of specific funds that would prevent their use in furtherance of the ongoing mission and operation of the Health System or would be required to be repaid upon the consummation of the transactions contemplated by this Agreement.

(m) Litigation or Proceedings. No Edward Entity is in default under any order of any court or federal, state, municipal, or other governmental department, commission, board, bureau, agency or instrumentality wherever located. Except as set forth on Section 6.02(m) of the Edward Disclosure Schedule, there are no claims, actions, suits, proceedings, or investigations pending, or to the Knowledge of Edward, threatened against or related to any Edward Entity or any of their material assets, at Law or in equity, or before or by any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality wherever located.

(n) Environmental Laws. Except as set forth in Section 6.02(n) of the Edward Disclosure Schedule: (i) the Edward Real Property is not subject to any material environmental hazards, risks, or Liabilities; (ii) no Edward Entity is in material violation of any Environmental Laws; and (iii) no Edward Entity has received any notice alleging or asserting either a violation of any Environmental Law or a legal obligation to investigate, assess, remove, or remediate any property that is an asset of the Edward Group, including the Edward Real Property, under or pursuant to any Environmental Law. Except as set forth in Section 6.02(n) of the Edward Disclosure Schedule, no Hazardous Substances have been possessed, managed, processed, released, handled, disposed of on or released or discharged from or onto, or threatened to be released from or onto, the Edward Real Property (including groundwater) by any Edward Entity or any third party, in violation, in any material respect, of any applicable Environmental Law.

Except as set forth on Section 6.02(n) of the Edward Disclosure Schedule, each Edward Entity has complied in all material respects with all Environmental Laws applicable to any part of the Edward Real Property. Except as set forth on Section 6.02(n) of the Edward Disclosure Schedule, none of the physical plants constituting any portion of the Edward Real Property contain regulated, friable asbestos-containing material. Without in any way limiting the generality of the foregoing: (i) all current or former underground storage tanks located on the Edward Real Property and all information in the Edward's possession or control relating to the capacity, uses, dates of installation and contents of such tanks located on the Edward Real Property are identified in Section 6.02(n) of the Edward Disclosure Schedule; (ii) there are no, nor have there ever been, any collection dumps, pits, and disposal facilities or surface impoundments located on the Edward Real Property for the containment of Hazardous Substances except as identified in Section 6.02(n) of the Edward Disclosure Schedule; and (iii) all existing underground storage tanks have been maintained in material compliance with all Environmental Laws.

(o) Taxes.

(1) Except as set forth on Section 6.02(o) of the Edward Disclosure Schedule, each Edward Entity has timely filed all federal, state and local Tax Returns required to be filed by each it (all of which are true, correct, and complete in all material respects) and has duly paid or made provision for the payment of all Taxes which are due and payable to the appropriate Taxation Authorities.

(2) All material Tax withholding and deposit requirements imposed by applicable Law on or with respect to any Edward Entity have been satisfied in full and each Edward Entity has complied with all information reporting and backup withholding requirements imposed by applicable Law, including the maintenance of required records with respect thereto, in connection with amounts paid or owing to any Edward Employee, creditor, independent contractor or other third party.

(3) No Edward Entity has taken or will take any action in respect of any federal, state or local taxes (including any withholdings required to be made in respect of Edward Employees) that may have an adverse impact upon any Edward Entity or any assets of the Edward Group.

(4) No Edward Entity has requested any extension of time within which to file any Tax Return that has not yet been filed. Since January 1, 2009, no Edward Entity has (i) waived any statute of limitations in respect of Taxes or granted any extension of time with respect to a Tax assessment or deficiency or (ii) requested (or been requested) to enter into an agreement or waiver extending any statute of limitations in respect of Taxes.

(5) Since January 1, 2009, no Edward Entity has been the subject of an audit or other examination of Taxes by any Taxation Authority. There are no pending Tax audits with respect to any Edward Entity and, since January 1, 2009, no Tax audit has been threatened. Except for any payroll processor or similar entity, no Edward Entity has granted any power of attorney that is currently in force with respect to any Taxes or

Tax Returns. No deficiencies for any Taxes have been asserted or threatened against any Edward Entity that have not been paid. There are no Liens with respect to Taxes on any of the assets, rights or properties of any Edward Entity, other than Edward Permitted Liens and, to the Knowledge of Edward, no basis exists for the imposition of any such Liens.

(6) Each of Edward, EH, EHV and each of the Additional Edward Entities that purport to be exempt from federal income tax as an organization described in Section 501(c)(3) of the Code is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code as set forth in a Determination Letter issued by the Internal Revenue Service and no such letter has been modified, limited or revoked (the "Exempt Edward Entities"). Each of the Exempt Edward Entities is in compliance with the terms, conditions and limitations in its respective Determination Letter and the facts and circumstances that form the basis of such Determination Letter, as represented to the Internal Revenue Service, continue to substantially exist. No proceedings are pending with respect to which any Exempt Edward Entity, and no Exempt Edward Entity has been served or, to the Knowledge of Edward, threatened in any way, contesting or affecting the tax-exempt status of such Exempt Edward Entity as an organization described in Section 501(c)(3) of the Code or which would subject any income of such entity to federal income taxation to such an extent as would result in loss of such status.

(p) Employee Relations.

(1) There has not been within the last three (3) years, there is not presently pending or, to the Knowledge of Edward threatened, and no event has occurred or circumstance exists that could provide the basis for any strike, slowdown, picketing, work stoppage, or employee grievance process, or any proceeding against or affecting any Edward Entity relating to an alleged violation of any legal requirements pertaining to labor relations, including any charge, complaint, or unfair labor practices claim filed by an Edward Employee, union, or other Person with the National Labor Relations Board or any comparable Government Authority, organizational activity, or other labor dispute against or affecting any Edward Entity or Edward Hospital. None of the personnel providing services to any Edward Entity or at Edward Hospital or Linden Oaks Hospital (collectively, the "Edward Employees") is represented by any labor union or organization; no collective bargaining agreement exists or is currently being negotiated by any Edward Entity; no application for certification of a collective bargaining agent is pending; no demand has been made for recognition by a labor organization; and, to Edward's Knowledge, no union representation question exists and no union organizing activities are taking place.

(2) Each Edward Entity has complied in all material respects with all legal requirements relating to employment; employment practices; terms and conditions of employment; equal employment opportunity; nondiscrimination; immigration; wages; hours; benefits; payment of employment, social security, and similar Taxes; occupational safety and health; and plant closing. No Edward Entity is liable either directly, or indirectly, for the payment of any compensation, damages, Taxes, fines, penalties, interest, or other amounts, however designated, for failure to comply with any of the

foregoing legal requirements. Except as set forth in Section 6.02(p) of the Edward Disclosure Schedule, there are no pending or threatened claims before the Equal Employment Opportunity Commission (or comparable state agency), complaints before the Occupational Safety and Health Administration (or comparable state agency), wage and hour claims, unemployment compensation claims, workers' compensation claims, or the like.

(3) Edward has made available to Elmhurst copies of each material employment, consulting, independent contractor, bonus, or severance agreement to which any Edward Entity is a party. To Edward's Knowledge, no Edward Employee is bound by any contract that purports to limit the ability of such Edward Employee to engage in or continue or perform any conduct, activity, duties or practice relating to the business of any Edward Entity.

(4) All necessary visa or work authorization petitions required to be filed by any Edward Entity have been timely and properly filed on behalf of any their respective Edward Employees requiring a visa stamp, I-94 status document, employment authorization document, or any other immigration document to legally work for such Edward Entity in the United States and all paperwork retention requirements with respect to such applications and petitions have been met. No current Edward Employee has ever worked for an Edward Entity without employment authorization from the Department of Homeland Security or any other government agency that must authorize such employment. I-9 Forms have been timely and properly completed by the various Edward Entities for all current Edward Employees and such I-9 Forms have been lawfully retained and re-verified. There are no claims, lawsuits, actions, arbitrations, administrative or other proceedings, or to Edward's Knowledge, governmental investigations or inquiries pending or threatened against any Edward Entity relating to its compliance with immigration Laws. There have been no letters received by any Edward Entity from the SSA regarding the failure of any Edward Employee's Social Security number to match his or her name in the SSA database.

(q) Benefit Plans.

(1) Section 6.02(q) of the Edward Disclosure Schedule sets forth a true and complete list of each Benefit Plan that is maintained, administered or contributed to by the Edward Entities, or that covers any Edward Employee or former Edward Employee (the "Edward Benefit Plans"). Except as otherwise identified on Section 6.02(q) of the Edward Disclosure Schedule, no Edward Benefit Plan is maintained, administered or contributed to by any entity other than a member of the Edward Group. With respect to each Edward Benefit Plan, the appropriate Edward Entity has delivered or has caused to be delivered to Elmhurst true and complete copies of: (A) the plan document, including related trust agreements, custodial agreements, insurance contracts, investment contracts and other funding arrangements, if any, summary plan description, summary of material modification, summary annual report and adoption agreement, if applicable; and (B) any amendments thereto. With respect to each Edward Benefit Plan, the appropriate Edward Entity has delivered to Elmhurst, or will cause to be delivered to Elmhurst prior to the Closing, true and complete copies of: (A) any written interpretations

of the Edward Benefit Plans; (B) material Edward Employee communications by the plan administrator; (C) the three (3) most recent annual reports (e.g., the complete Form 5500 series) prepared in connection with each Edward Benefit Plan (if any such report was required), including all attachments (including the audited financial statements, if any); (D) the three (3) most recent actuarial valuation reports prepared in connection with each Edward Benefit Plan (if any such report was required); and (E) in the case of any unfunded or self-insured plan or arrangement, an estimate of accrued and anticipated Liabilities thereunder.

(2) Except as may be required by Law, there has been no amendment to, written interpretation or announcement by any Edward Entity relating to a change in Edward Employee participation or coverage under any Edward Benefit Plan that would increase materially the expense of maintaining the Edward Benefit Plan above the level of expense incurred in respect of the Edward Benefit Plan for the most recent plan year. The execution of this Agreement and the consummation of the transactions contemplated hereby do not and will not constitute an event under any Edward Benefit Plan that, either alone or upon the occurrence of a subsequent event, will or may result in any payment, acceleration, vesting or increase in benefits to any Edward Employee or former Edward Employee.

(3) Each Edward Benefit Plan has been maintained in material compliance with its terms and the requirements prescribed by any and all statutes, orders, rules and regulations, including ERISA and the Code that are applicable to the Edward Benefit Plan.

(4) Each Edward Benefit Plan that is an "employee pension benefit plan," as defined in Section 3(2) of ERISA ("Edward Pension Plan") is "qualified" within the meaning of Section 401(a) of the Code, and has been qualified during the period from the date of its adoption to the date of this Agreement, and each trust created thereunder is tax-exempt under Section 501(a) of the Code. Edward has delivered or caused to be delivered to Elmhurst the latest determination letters of the Internal Revenue Service relating to each Edward Pension Plan. Those determination letters have not been revoked. Furthermore, there are no pending proceedings or, to the Knowledge of Edward, threatened proceedings in which the "qualified" status of any such Edward Pension Plan is at issue and in which revocation of the determination letter has been threatened. No Edward Pension Plan has been amended or operated, since the receipt of the most recent determination letter, in a manner that would materially affect the "qualified" status of the Edward Pension Plan. No distributions have been made from any such Edward Pension Plans that would violate in any respect the restrictions under Treas. Reg. Section 1.401(a)(4)-5(b). There has been no termination or partial termination, as defined in Section 411(d) of the Code and the regulations thereunder, of any such Edward Pension Plan.

(5) There are no pending or, to the Knowledge of Edward, threatened (A) claims, suits or other proceedings by any Edward Employees, former Edward Employees or plan participants or the beneficiaries, spouses or representatives of any of them, other than ordinary and usual claims for benefits by participants or beneficiaries, or

(B) suits, investigations or other proceedings by any Governmental Authority, of or against any Edward Benefit Plan, the assets held thereunder, the trustee of any such assets, or Edward relating to any of the Edward Benefit Plans.

(6) No Edward Entity has engaged in: (A) any transaction or acted or failed to act in a manner that violates the fiduciary requirements of Section 404 of ERISA; or (B) any "prohibited transaction" within the meaning of Section 406(a) or 406(b) of ERISA, or of Section 4975(c) of the Code, with respect to any Benefit Plans. Furthermore, to the Knowledge of Edward, no other "party in interest," as defined in Section 3(14) of ERISA, or "disqualified person," as defined in Section 4975(e)(2) of the Code, has engaged in any "prohibited transaction."

(7) No liability has been incurred by any Edward Entity or by any other trade or business operated by an Edward Entity, whether or not incorporated, that is deemed to be an ERISA Affiliate of any Edward Entity for any tax, penalty or other liability with respect to any Edward Benefit Plan.

(8) Each Edward Entity has made all required contributions under each Edward Pension Plan on a timely basis or, if not yet due, adequate accruals therefore have been provided for in the Edward Financial Statements. No Edward Pension Plan has incurred any "accumulated funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Code and no Edward Pension Plan has applied for or received a waiver of the minimum funding standards imposed by Section 412 of the Code.

(9) No Edward Entity nor any ERISA Affiliate thereof has ever maintained, adopted or established, contributed or been required to contribute to, or otherwise participate or been required to participate in any "multiemployer plan" (as defined in Section 3(37) of ERISA). No amount is due from, or owed by, Edward or any ERISA Affiliate on account of a "multiemployer plan" (as defined in Section 3(37) of ERISA) or on account of any withdrawal therefrom.

(10) Except as described on Section 6.02(q) of the Edward Disclosure Schedule, no Edward Benefit Plan provides benefits, including any severance or other post-employment benefit, salary continuation, termination, death, disability, or health or medical benefits (whether or not insured), life insurance or similar benefit with respect to current or former Edward Employees (or their spouses or dependents) beyond their retirement or other termination of service other than: (A) coverage mandated by applicable Law; (B) death, disability or retirement benefits under any Edward Pension Plan; (C) deferred compensation benefits accrued as Liabilities on the Edward Financial Statements of the Edward Group; or (D) benefits, the full cost of which is borne by the current or former Edward Employee (or his or her beneficiary).

(11) All Edward Entities have materially complied with, and satisfied, the requirements of COBRA with respect to each Edward Benefit Plan that is subject to the requirements of COBRA. Each Edward Benefit Plan that is a group health plan,

within the meaning of Section 9832(a) of the Code, has materially complied with and satisfied the applicable requirements of Sections 9801 and 9802 of the Code.

(12) Each Edward Benefit Plan that is a health plan within the meaning of Section 1171(5) of Part C, Title XI of the Social Security Act, has materially complied with and satisfied the applicable requirements of Part C, Title XI of the Social Security Act and the regulations applicable thereto.

(13) There is no contract, agreement, plan or arrangement covering any Edward Employee or former Edward Employee that, individually or in aggregate, could give rise to the payment by any Edward Entity, directly or indirectly, of any amount that would not be deductible pursuant to the terms of Code Section 280G.

(14) There have been no acts or omissions that would impair the ability of any Edward Entity (or any successor thereto) to unilaterally amend or terminate any Edward Benefit Plan.

(r) Agreements and Commitments. Edward has delivered to Elmhurst a complete and accurate list of the following Contracts: (1) Contracts with physicians, including employment agreements, medical director agreements, consulting agreements, professional or other services agreements, or other like kind agreements or contracts (the "Edward Physician Agreements"); (2) Contracts with third party payors (including Governmental Payment Programs) and commercial insurers, health maintenance organizations, preferred provider organizations, or other alternative delivery systems: (3) affiliation, joint venture or partnership agreements, or management agreements; (4) employment Contracts or any other Contracts with individual Edward Employees (other than those disclosed pursuant to clause (1)); (5) equipment leases involving a term greater than one (1) year and an annual payment in excess of Five Hundred Thousand Dollars ($500,000); (6) equipment maintenance agreements involving a term greater than one (1) year and an annual payment in excess of Five Hundred Thousand Dollars ($500,000); (7) Contracts with Governmental Authorities involving payments or unperformed obligations in excess of Five Hundred Thousand Dollars ($500,000); (8) agreements evidencing indebtedness in excess of One Million Dollars ($1,000,000), including bonds, notes, loan agreements, letter of credit reimbursement agreements, capital leases and guarantees, and any related collateral or security agreements (other than those disclosed in Section 6.02(e) of the Edward Disclosure Schedule); (9) Contracts providing for payments based in any manner on the revenues or profits of any of the assets of any Edward Entity; (10) Contracts or commitments providing for the performance of, or other guaranty of, any other Person's obligations; and (11) Contracts which (A) otherwise involve or could involve future payments, obligations (contingent or otherwise), performance of services or delivery of goods to or by Edward, EH, or any member of the Edward Group in an amount or value in excess of Five Hundred Thousand Dollars ($500,000) per year or in the aggregate under the term of such Contract or (B) are otherwise material to the business or operations of Edward, EH or the Edward Group (collectively, the Contracts described in clauses (1) through (11) above and the Edward Leases are referred to as "Edward Material Contracts").

(s) Material Contracts. Edward has made available to Elmhurst true and correct copies of all of the Edward Material Contracts. With respect to each Edward Material Contract:

(1) Such Edward Material Contract constitutes valid and legally binding obligation of the Edward Entity or Entities who are parties thereto and is enforceable against such Edward Entity or Entities and each other party thereto, in accordance with its terms;

(2) Such Edward Material Contract constitutes the entire agreement by and between the respective parties thereto with respect to the subject matter thereof;

(3) All obligations required to be performed by the Edward Entity or Entities who are parties thereto under the terms of such Edward Material Contract have been performed in all material respects, no act or omission by such Edward Entity or Entities or any other party thereto has occurred or failed to occur which, with the giving of notice, the lapse of time or both would constitute a default under the Edward Material Contract, and the Edward Material Contract is in full force and effect; and

(4) Except as set forth in Section 6.02(s) of the Edward Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not require the consent of any party to any Edward Material Contract or result in any penalty or premium, or variation of the rights, remedies, benefits or obligations of any party thereunder.

(t) Insurance. Edward has provided, and/or, prior to the Closing shall cause to be provided, to Elmhurst a true and correct list of all insurance policies of the Edward Group including the policies' numbers, terms, and identity of insurers, amounts, and coverage. All of such policies are in full force and effect with no premium arrearage. The appropriate Edward Entity has given in a timely manner to its insurers all notices required to be given under its insurance policies with respect to all of the claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions. No Edward Entity has (a) received any written notice or other communication from any such insurer canceling or materially amending any of such insurance policies, and, to Edward's Knowledge, no such cancellation or amendment is threatened or (b) failed to give any required notice or present any claim which is still outstanding under any of such policies.

(u) Third Party Payor Cost Reports. Each Edward Entity required to file a cost report has duly filed all such required cost reports for all the fiscal years through and including the fiscal year specified in Section 6.02(u) of the Edward Disclosure Schedule. All such cost reports accurately reflect the information required to be included thereon and none of such cost reports claim, and no Edward Entity has received reimbursement in, any amount in excess of the amounts provided by Law or any applicable agreement. Section 6.02(u) of the Edward Disclosure Schedule indicates which of such cost reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances, and any and all other unresolved claims or disputes in respect of such cost reports. Each Edward Entity has established

adequate reserves to cover any potential reimbursement obligations that the Edward Entity may have in respect of any such third party cost reports, and such reserves are set forth in the Edward Financial Statements.

(v) Medical Staff Matters. Edward has provided to Elmhurst true, correct, and complete copies of the bylaws and rules and regulations of the medical staffs of Edward Hospital and Linden Oaks Hospital as well as a list of all current members of such medical staffs. There are no adverse actions pending with respect to any medical staff member or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing which has not been scheduled or has been scheduled but has not been completed, and there are no pending or, to the Knowledge of the Edward, threatened disputes with applicants, staff members, or health professional affiliates, and, to the Knowledge of Edward, there is no basis therefore, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Except as set forth in Section 6.02(v) of the Edward Disclosure Schedule, there have been no adverse actions taken against any medical staff member of Edward Hospital or Linden Oaks Hospital or any applicant thereto during the past three (3) years which could reasonably be expected to result in claims or actions against any Edward Entity, Edward Hospital or Linden Oaks Hospital. All physician members of the medical staffs of Edward Hospital and Linden Oaks Hospital are each duly licensed by the State of Illinois to practice medicine, without restriction, and are properly credentialed by Edward Hospital or Linden Oaks Hospital, as the case may be, in their medical specialty. All other members of the medical staffs of Edward Hospital and Linden Oaks Hospital are properly accredited, licensed or registered in his or her respective area of expertise, if required to be so accredited, licensed or registered, by the appropriate accrediting body or Governmental Authority, as the case may be.

(w) Intellectual Property; Computer Software. No proceedings have been instituted or are pending or to the Knowledge of Edward, threatened, which challenge the validity of the ownership by any Edward Entity of its Intellectual Property and there is no basis therefore. No Edward Entity has licensed anyone use of its Intellectual Property and, to the Knowledge of Edward, there is no use or infringement of any such Intellectual Property by any other Person. The Edward 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 respective businesses.

(x) Compliance Program. Edward has made available to Elmhurst a copy of the current compliance program materials of the various members of the Edward Group. Except as described in Section 6.02(x) of the Edward Disclosure Schedule, no Edward Entity: (1) is a party to a Corporate Integrity Agreement with the United States Department of Justice, the OIG, the DHHS and/or the CMS or any other Governmental Authority; (2) has any reporting obligations pursuant to any Settlement Agreement entered into with any Governmental Authority; (3) has been the subject of any Governmental Payer Program investigation; (4) has been a defendant in any qui tam/False Claims Act litigation; (5) has been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or personal contact by or from any Governmental Authority regarding any investigation; or (6) has received any complaints from any Edward Employee, independent contractor, vendor, physician or any other Person that would indicate that any Edward Entity has violated any Law. There has been no compliance program audit or investigation conducted by, or on behalf of, any member of the

Edward Group with respect to its operations that could give risk to a material risk of violation of Law. For purposes of this Agreement, the term "compliance program" refers to provider programs of the type described in the compliance guidance published by the OIG.

(y) Books and Records. The books of account, minute books and stock or unit record books (or their equivalents) of the various members of the Edward Group, all of which have been made available to Elmhurst, are complete and correct in all material respects and have been maintained in accordance with sound business practices.

(z) Disclosure. This Agreement and Exhibits and Disclosure Schedules hereto do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made and to be made not misleading. Copies of all documents referred to in any Exhibit or Disclosure Schedule hereto have been delivered or made available to Elmhurst and constitute true, correct and complete copies thereof and include all amendments, exhibits, schedules, appendices, supplements or modifications thereto or waivers thereunder.

ARTICLE VII
CONDITIONS TO CLOSING

7.01. Conditions to Each Party's Obligations. The respective obligations of each Party to consummate the transactions contemplated by this Agreement are subject to the fulfillment or written waiver by such Party prior to the Closing of each of the following conditions:

(a) Governmental and Regulatory Consents. (i) All approvals and authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required for the consummation of the transactions contemplated hereunder and for the prevention of any termination of any material right, privilege, license or agreement of any Party including approvals of the Review Board described at Exhibit 7.01(a), and (ii) all approvals and authorizations of, filings and registrations with, and notifications to, all Governmental Authorities set forth on Exhibit 7.01(a), shall have been obtained or made and shall be in full force and effect and all waiting periods required by Law shall have expired or been terminated, including the waiting periods under the HSR Act.

(b) No Injunction; No Change in Law. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) or other legal restraint or prohibition (collectively, "Restraints") which is in effect and prohibits or threatens to prohibit the consummation of the transactions contemplated by this Agreement or the creation or operation of the Health System.

7.02. Conditions to Obligation of Edward and EH. The obligations of Edward and EH to consummate the transactions contemplated by this Agreement are subject to the fulfillment or written waiver by Edward and EH prior to the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Elmhurst and EMH set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in

which case such representation and warranty shall be true and correct as of such earlier date), in all respects as to any such representations or warranties qualified by materiality, and in all material respects, as to any such representations and warranties not so qualified.

(b) Performance of Obligations of Elmhurst and EMH. Elmhurst and EMH shall have performed and complied with in all material respects all agreements, covenants and obligations required to be performed by them under this Agreement at or prior to the Closing Date.

(c) Closing Certificates. Edward shall have received certificates, dated the Closing Date, signed on behalf of Elmhurst and EMH, respectively, by an authorized representative of Elmhurst and EMH, to the effect that the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied (the "Elmhurst Closing Certificate").

(d) MAE. Since the date hereof, neither Elmhurst, EMH nor the Elmhurst Group (in the aggregate) shall have suffered a Material Adverse Effect.

(e) Deliveries. Elmhurst shall have complied with its delivery obligations set forth under Section 4.01.

7.03. Conditions to Obligation of Elmhurst and EMH. The obligations of Elmhurst and EMH to consummate the transactions contemplated by this Agreement are subject to the fulfillment or written waiver by Elmhurst and EMH prior to the Closing of each of the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of Edward and EH set forth in this Agreement shall be true and correct as of the date hereof and as of the Closing Date, as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), in all respects as to any such representations or warranties qualified by materiality, and in all material respects, as to any such representations and warranties not so qualified.

(b) Performance of Obligations of Edward and EH. Edward and EH shall have performed and complied in all material respects with all agreements, covenants and obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Closing Certificate. Elmhurst shall have received certificates, dated the Closing Date, signed on behalf of Edward and EH, respectively, by an executive officer of Edward and EH, to the effect that the conditions set forth in Sections 7.03(a) and (b) have been satisfied (the "Edward Closing Certificate").

(d) MAE. Since the date hereof, neither Edward, EH nor the Edward Group (in the aggregate) shall have suffered a Material Adverse Effect.

(e) Deliveries. Edward shall have complied with its delivery obligations set forth under Section 4.02.

7.04. Frustration of Closing Conditions. No Party may rely on the failure of any of the conditions set forth in Sections 7.01, 7.02 or 7.03, as the case may be, to be satisfied if such failure was caused by such Party's or any of its Affiliates' failure to comply with its obligations to consummate the transactions contemplated by this Agreement, as required by and subject to Article VII hereof.

ARTICLE VIII
TERMINATION

8.01. Termination. This Agreement may be terminated, and the transactions contemplated hereunder may be abandoned:

(a) Mutual Consent. At any time prior to the Effective Time, by the mutual consent of Edward and Elmhurst.

(b) Breach.

(1) At any time prior to the Effective Time, by Elmhurst if: (A) there exists a breach of any representation or warranty of Edward set forth in Section 6.02, which breach constitutes a Material Adverse Effect with respect to Edward, EH or, in the aggregate, the Edward Group; or (B) Edward or any of its Affiliates has breached or failed to perform any of the covenants or agreements contained herein such that the closing condition set forth in Section 7.03(b) would not be satisfied, and in the case of both (A) and (B), such breach or failure to perform (i) is not cured within thirty (30) calendar days after the giving of written notice to Edward of such breach, or (ii) is incapable of being cured by Edward by the Termination Date.

(2) At any time prior to the Effective Time, by Edward if: (A) there exists a breach of any representation or warranty of Elmhurst set forth in Section 6.01 which breach constitutes a Material Adverse Effect with respect to Elmhurst, EMH or, in the aggregate, the Elmhurst Group; or (B) Elmhurst or any of its Affiliates has breached or failed to perform any of the covenants or agreements contained herein such that the closing condition set forth in Section 7.02(b) would not be satisfied, and in the case of both (A) and (B), such breach or failure to perform (i) is not cured within thirty (30) calendar days after the giving of written notice to Elmhurst of such breach, or (ii) is incapable of being cured by Elmhurst by the Termination Date.

(c) Delay. At any time prior to the Effective Time, by Edward or Elmhurst in the event that the Closing has failed to occur on or before September 30, 2013 (or such later date, if any, as Edward and Elmhurst agree upon in writing) (the "Termination Date"), except to the extent that such failure arises out of or results from the breach of this Agreement by the Party seeking to terminate pursuant to this Section 8.01(c).

(d) No Approval. By either Edward or Elmhurst if any Restraint having the effects set forth in Section 7.01(b) is in effect and has become final and nonappealable; *provided, however*, that the right to terminate this Agreement pursuant to this Section 8.01(d) is not available to any Party whose breach of this Agreement results in or causes such Restraint.

8.02. Effect of Termination and Abandonment. In the event of termination of this Agreement and the abandonment of the transactions contemplated hereunder pursuant to this Article VIII, no Party shall have any liability or further obligation to any other Parties hereunder except as set forth in (a) Section 5.06 (Public Announcements), (b) Section 5.07 (Confidentiality), (c) this Section 8.02, and (d) Article IX; *provided, however,* that termination will not relieve a breaching party from liability for any breach of this Agreement.

ARTICLE IX
SURVIVAL

9.01. Survival.

(a) All representations and warranties in this Agreement and the Disclosure Schedules and Exhibits attached hereto (but excluding any agreements attached as Exhibits hereto, which will be governed by the terms set forth therein) shall expire at Closing.

(b) Except for the provisions of: (i) this Section 9.01; (ii) Section 10.02 (Managed Care Arrangement); (iii) Section 10.03 (Charity Care); (iv) Section 10.04 (Services Commitments); (v) Section 10.05 (Employee Matters); (vi) Section 10.06 (Medical Staff); (vii) Section 10.07 (Donor Restricted Funds); (viii) Section 10.10 (Notices); (ix) Section 10.12 (Governing Law); (x) Section 10.13 (Choice of Venue); and (xi) Section 10.14 (Waiver of Jury Trial), all of which shall survive the Closing for the period of time, if any, specified in such Section and if not so specified then for a period of one (1) year, the covenants and agreements of the Parties contained in this Agreement and the Disclosure Schedules and Exhibits attached hereto (but excluding any agreements attached as Exhibits hereto, which will be governed by the terms set forth therein) shall expire at Closing.

(c) Each Party acknowledges that it has had the opportunity to conduct due diligence and investigation with respect to the other Parties, and in no event shall a Party have any liability to another Party with respect to a breach of representation or warranty under this Agreement to the extent that: (i) the Party claiming breach of representation or warranty has Knowledge of such matter prior to the Closing Date and does not provide written notice thereof to the breaching Party; or (ii) such matter was disclosed on the Party's Disclosure Schedule in a manner such that the event or circumstance giving rise to the alleged breach was reasonably foreseeable.

ARTICLE X
GENERAL

10.01. Entire Understanding; No Third-Party Beneficiaries. This Agreement represents the entire understanding of the Parties hereto with reference to the transactions contemplated hereby and this Agreement supersedes any and all other oral or written agreements heretofore made. Except as set forth in Section 5.07 and Article IV, nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the Parties hereto or their respective successors and permitted assigns, any rights, remedies, obligations or Liabilities under or by reason of this Agreement.

10.02. Managed Care Arrangements.

(a) IHP. Following the Closing, Health System Parent shall work diligently and in good faith with Illinois Health Partners, LLC, an Illinois limited liability company ("IHP") with the objective of allowing EMH to participate in IHP's contracting arrangements as a participating provider, including adding Elmhurst Memorial Hospital's primary, secondary and extended service areas to the arrangement in a manner similar to how such corresponding service areas are handled for EH.

(b) Elmcare. Following the Closing, Health System Parent shall use commercially reasonable efforts to incorporate Elmcare into the Health System's structure and post-Closing managed care-contracting strategies.

10.03. Charity Care. Health System Parent shall: (a) maintain charity care policies and practices at EMH, and as applicable, the other members of the Elmhurst Group, consistent with the charity care policies and practices in place at EMH and, as applicable, the other members of the Elmhurst Group as of the Closing Date; and (b) ensure that all charity care policies and practices in place as of the Closing Date at EMH and the other members of the Elmhurst Group shall remain in effect, in each case for at least twenty-four (24) months following the Closing, except to the extent necessary to comply with applicable Law.

10.04. Services Commitments. Consistent with the Illinois Health Facilities Planning Act, Health System Parent shall ensure that: (a) neither EMH nor, as applicable, any other entity in the Elmhurst Group shall close or discontinue any beds or substantially reduce any services for a period of at least twelve (12) months following the Closing; (b) ownership and control of the EMH and, as applicable, the other members of the Elmhurst Group shall be maintained for a minimum of three (3) years following the Closing; and (c) such other certifications and requirements of the Illinois Health Facilities Planning Act are made and met.

10.05. Employee Matters. EMH and, as applicable, the other members of the Elmhurst Group shall, following the Closing, retain a complement of employees consistent with anticipated business levels and appropriate for a combination of this nature and on terms and conditions consistent with those terms and conditions currently in place. All employment policies, commitments and plans of EMH, shall remain in effect after the Closing until the same are amended, modified, revised or terminated.

10.06. Medical Staff. The transactions contemplated herein are not intended to affect or change the medical staff privileges held by members of the medical staffs at Elmhurst Memorial Hospital or Edward Hospital. Accordingly, the medical staff privileges held by members of the medical staffs at EMH and EH shall remain in effect, and unchanged, immediately following the Closing. Each of EMH and EH shall maintain separate medical staffs, bylaws and credentialing functions.

10.07. Donor Restricted Funds. Following the Closing Date, bequests, gifts and endowments of the Parties and their Affiliates that are restricted as to use or manner of investment shall continue to be so restricted, and the Parties shall honor donative intent with respect thereto. All grants or funds received at any time by a Party or its Affiliate, and restricted

by the donor to use at such Party or its Affiliate, shall belong to or be the property of such Party or its Affiliate.

10.08. Waiver; Amendment. Prior to the Effective Time, any provision of this Agreement may be: (a) waived by the Party benefited by the provision; or (b) amended or modified at any time, by an agreement in writing among the Parties hereto and executed in the same manner as this Agreement.

10.09. Expenses. Except as otherwise provided in this Agreement: (a) all expenses incurred by Elmhurst or any member of the Elmhurst Group in connection with this Agreement and the transactions contemplated hereby shall be borne by Elmhurst or the Elmhurst Group; and (b) all expenses incurred by Edward or any member of the Edward Group in connection with this Agreement and the transactions contemplated hereby shall be borne by Edward or the Edward Group.

10.10. Notices. All notices, requests and other communications hereunder to a Party shall be in writing and shall be deemed given: (a) on the date of delivery, if personally delivered; (b) on the first Business Day following the date of dispatch, if delivered by a recognized next-day courier service; (c) on the third Business Day following the date of mailing, if mailed by registered or certified mail (return receipt requested); (d) if sent by facsimile transmission or electronic mail before 5:00 p.m. (sender's time) and receipt is confirmed through a delivery report, then the date of transmission; or (e) 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; in each case to such Party at its address or facsimile number set forth below or such other address or numbers as such Party may specify by notice to the Parties hereto.

If to any Elmhurst Entity, to:

James F. Doyle
Acting President/CEO
Elmhurst Memorial Healthcare
155 E. Brush Hill Road
Elmhurst, Illinois 60126
Email: jfdoyle@emhc.org
Facsimile: 331-221-3716

With a copy to:

Mary Bartz Dano
Vice President/General Counsel
Elmhurst Memorial Healthcare
155 E. Brush Hill Road
Elmhurst, Illinois 60126
Email: mdano@emhc.org
Facsimile: 331-221-3716

D. Louis Glaser
Katten Muchin & Rosenman, LLP
525 W. Monroe Street
Chicago, Illinois 60606
Email: louis.glaser@kattenlaw.com
Facsimile : 312-902-1061

If to any Edward Entity, to:

Pamela Davis
President and Chief Executive Officer
Edward Health Services Corporation
801 S. Washington Street
Naperville, Illinois 60540
Email: pdavis@edward.org
Facsimile: 630-527-3702

With copies to:

Chris Mollet
General Counsel
Edward Health Services Corporation
801 S. Washington Street
Naperville, Illinois 60540
Email: cmollet@edward.org
Facsimile: 630-527-3702

Roger Strode
Foley & Lardner LLP
321 North Clark Street
Suite 2800
Chicago, Illinois 60654-5313
Email: rstrode@foley.com
Facsimile: 312-832-4700

10.11. Counterparts. This Agreement may be executed in one or more counterparts (in original form, photocopy or .pdf file), each of which shall be deemed to constitute an original.

10.12. Governing Law. This Agreement shall be deemed to be a contract made under, and shall be construed in accordance with, the Laws of the State of Illinois without giving effect to conflict of laws principles thereof.

10.13. Choice of Venue. The Parties hereby irrevocably submit to the jurisdiction of the courts of the State of Illinois located in DuPage County and the Federal courts of the United States of America located in Cook County in the State of Illinois solely in respect of the interpretation and enforcement of the provisions of this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any

action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the Parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Illinois State or Federal court. The Parties hereby consent to and grant any such court jurisdiction over the Person of such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 10.10 or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

10.14. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THE ACTIONS OF THE PARTIES HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

10.15. Assignability; Binding Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Neither this Agreement, nor any of the rights or obligations of any of the Parties hereunder may be assigned by any Party hereto without the prior written consent of the other Parties, and an agreement by the relevant transferee to be bound by the obligations of the relevant transferor under this Agreement shall be in form and substance reasonably satisfactory to the non-transferring Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to give any Person not named herein the benefit of any legal or equitable right, remedy or claim under this Agreement, except as expressly provided herein.

10.16. Severability. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement unless the effect thereof would be to alter materially the effect of this Agreement, and this Agreement (if not so altered) shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

[signatures continued on following page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

EDWARD HEALTH SERVICES CORPORATION

By: Ron Schubel

Name: Ron Schubel

Title: Chairman of the Board

By: Pamela Davis

Name: Pamela Davis

Title: President and CEO

EDWARD HOSPITAL

By: Ron Schubel

Name: Ron Schubel

Title: Chairman of the Board

By: Pamela Davis

Name: Pamela Davis

Title: President and CEO

ELMHURST MEMORIAL HEALTHCARE

By: _____

Name: _____

Title: _____

ELMHURST MEMORIAL HOSPITAL

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

EDWARD HEALTH SERVICES CORPORATION

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

EDWARD HOSPITAL

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

ELMHURST MEMORIAL HEALTHCARE

By: David L. Atchison

Name: David L. Atchison

Title: Chairman

ELMHURST MEMORIAL HOSPITAL

By: Thom A. Kuer

Name: Thomas A. Kuer

Title: Chairman, Board Of Trustees

Exhibit A

Additional Edward Entities

Edward Foundation

Edward Health and Fitness Center

EHSC Cayman Segregated Portfolio Company

Edward Management Corporation

Edward Plainfield Hospital

Naperville Health Care Associates, Ltd.

Physician Partners at Edward, LLC

EXHIBIT B

ADDITIONAL ELMHURST ENTITIES

Elmhurst Memorial Health Technologies, LLC
Elmhurst Memorial Hospital Foundation
Elmhurst Memorial Home Health
Elmhurst Memorial Interventional Radiology Services, LLC
Elmhurst Memorial Hospital Guild

EXHIBIT C

Restated Elmhurst Articles

ARTICLES OF AMENDMENT AND RESTATED ARTICLES OF INCORPORATION OF

ELMHURST MEMORIAL HEALTHCARE

AN ILLINOIS NOT FOR PROFIT CORPORATION

1. The present name of the corporation is Elmhurst Memorial Healthcare (the "Corporation"), which was incorporated on June 6, 1995 as Elmhurst Memorial Health System, and was amended on June 15, 1999 to Elmhurst Memorial Healthcare.

2. These Amended and Restated Articles of Incorporation integrate and amend the previous Articles of Incorporation and are executed pursuant to the provisions of the Illinois General Not For Profit Corporation Act (the "Act"), as amended.

3. The text of the Amended and Restated Articles of Incorporation is as follows:

Article I

Name

The name of the Corporation is Elmhurst Memorial Healthcare.

Article II

Registered Office and Registered Agent

The address of the Corporation's registered office is 155 E. Brush Hill Road, Elmhurst, Illinois 60126. The name of the resident agent of the Corporation is Mary Bartz Dano.

Article III

Purposes

The purposes of the Corporation shall be to:

1. Operate, establish, acquire, support, erect, maintain, own, or equip health care providers and institutions including, without limiting the foregoing, nursing homes, physician offices, diagnostic and treatment facilities, skilled nursing facilities, intermediate care facilities, surgicenters, ambulatory care centers or any other health care facility which provides care for sick and disabled persons without regard to creed, nationality or color or ability to pay for such services; provided, however, that the Corporation shall not engage in the practice of medicine;

2. Sponsor, support, promote, develop, own and operate Elmhurst Memorial Hospital and other organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any subsequent revenue law of the United States (the "Code"), which support, assist, encourage or otherwise promote health care, education and research;

3. Carry on educational activities related to the rendering of health care services or the promotion of health;

4. Invest in activities that are consistent with and in furtherance of the charitable, educational or scientific purposes of the Corporation and promote the general health of the community;

5. Raise gifts, bequests, donations and other funds from the public and from all other sources available; receive and maintain such funds and expend principal and income there from in support of or in furtherance of the charitable purposes of the Corporation;

6. Acquire, own, use, lease as lessor or lessee, convey and otherwise deal in and with real and personal property and interests therein, all in support of the charitable purposes of the Corporation; and

7. Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

    i. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its corporate member, its trustees, officers or any other private 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;

    ii. 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

    iii. Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Article IV

Powers

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Article V

Corporate Member

The Corporation shall have one corporate member (the "Corporate Member") with full voting rights.

Article VI

Board of Trustees

The number of trustees shall be in accordance with the bylaws of the Corporation.

Article VII

Dissolution

Upon the dissolution or liquidation of the Corporation, and after payment of or provision for, just debts and liabilities, all remaining assets shall be distributed to its Corporate Member, if then in existence and qualified as exempt from tax pursuant to Section 501(c)(3) of the Code; to the extent that the Corporate Member or its designee is not so qualified, then to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Corporation's board of trustees. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

EXHIBIT D

Restated Elmhurst Bylaws

AMENDED AND RESTATED
BYLAWS
OF
ELMHURST MEMORIAL HEALTHCARE

(Amended and Restated Effective as of [●], 2013)

AMENDED AND RESTATED
BYLAWS
OF
ELMHURST MEMORIAL HEALTHCARE

ARTICLE 1
CORPORATION

Section 1.1 **NAME.** The name of this corporation is Elmhurst Memorial Healthcare, an Illinois not for profit corporation, herein referred to as the "Corporation."

Section 1.2 **CORPORATE PURPOSES.** The purposes of the Corporation shall be to:

(a) Operate, establish, acquire, support, erect, maintain, own, or equip health care providers and institutions including, without limiting the foregoing, nursing homes, physician offices, diagnostic and treatment facilities, skilled nursing facilities, intermediate care facilities, surgicenters, ambulatory care centers or any other health care facility which provides care for sick and disabled persons without regard to creed, nationality or color or ability to pay for such services; provided, however, that the Corporation shall not engage in the practice of medicine;

(b) Sponsor, support, promote, develop, own and operate Elmhurst Memorial Hospital and other organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any subsequent revenue law of the United States (the "Code"), which support, assist, encourage or otherwise promote health care, education and research;

(c) Carry on educational activities related to the rendering of health care services or the promotion of health;

(d) Invest in activities that are consistent with and in furtherance of the charitable, educational or scientific purposes of the Corporation and promote the general health of the community;

(e) Raise gifts, bequests, donations and other funds from the public and from all other sources available; receive and maintain such funds and expend principal and income there from in support of or in furtherance of the charitable purposes of the Corporation;

(f) Acquire, own, use, lease as lessor or lessee, convey and otherwise deal in and with real and personal property and interests therein, all in support of the charitable purposes of the Corporation; and

(g) Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

(i) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its Corporate Member (other than as set forth in Section 1.4 hereof), Trustees, Officers or any other private 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;

(ii) 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

(iii) Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (aa) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (bb) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Section 1.3 **POWERS.** The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not for profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Section 1.4 **CORPORATE DISSOLUTION.** Upon the dissolution or liquidation of the Corporation, and after payment of or provision for just debts and liabilities, all remaining assets shall be distributed to the Corporate Member, if then in existence and qualified as exempt from tax pursuant to Section 501(c)(3) of the Code; to the extent that the Corporate Member or its designee is not so qualified, then to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Board of Trustees of the Corporation. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

Section 1.5 **CORPORATE OFFICE.** The Corporation shall have and continuously maintain in Illinois a registered office and a registered agent whose office address is identical

with such registered office, and may have other offices within or without the State of Illinois as the Board of Trustees may from time to time determine.

Section 1.6 CORPORATE SEAL. The Corporate Seal shall have inscribed thereon the name Elmhurst Memorial Healthcare and the words "Corporate Seal, Illinois."

ARTICLE 2[1]
CORPORATE MEMBER

Section 2.1 CORPORATE MEMBER. The corporation shall have one corporate member, which shall be [Edward-Elmhurst Healthcare], an Illinois not for profit corporation (the "Corporate Member"). The powers and rights of the Corporate Member shall be exercised only by the board of trustees of the Corporate Member.

Section 2.2 POWERS AND RIGHTS OF CORPORATE MEMBER.

(a) The Corporate Member shall have the exclusive power to:

(i) Elect, appoint, remove and replace the Trustees of the Corporation.

(ii) Intervene in any action or plan of the Corporation, or of any of its subsidiary or affiliate entities, to the extent the board of trustees of the Corporate Member, in its sole discretion, deems it necessary to do so in order to avoid significant risk to the tax exempt status, licensure, or accreditation of the Corporation, the Corporate Member, any subsidiary or other affiliate of the Corporate Member, or any facility operated by any of the foregoing, or to avoid significant legal, regulatory, or financial risk to any of them.

(iii) Select and appoint independent auditors for the Corporation, and direct the performance of an annual independent audit of the financial condition of the Corporation.

(b) In addition to the exclusive authority set forth in Section 2.2(a), the Corporate Member's approval shall be required to authorize the following matters:

(i) The exercise by the Corporation of its approval rights under Section 2.3 of these Bylaws.

(ii) The adoption, amendment, and repeal of the amended and restated articles of incorporation and Bylaws of the Corporation.

[1] It is anticipated that Board of Governors members may have a role in, or with respect to, the Elmhurst Memorial Hospital Foundation.

(iii) The adoption and approval of any plan of dissolution or liquidation of the Corporation, any plan of merger or consolidation of the Corporation with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of the Corporation in any transaction or series of related transactions.

(iv) The adoption, approval, amendment, restatement or modification of any financial control policy for the Corporation and the taking of any action by or on behalf of the Corporation not otherwise in conformance with any such policy.

(v) The amendment or revision of the initial purpose and scope of services of the Corporation, including location, size, operations and activities.

(vi) The adoption of any and all annual operating and capital budgets, strategic plans, capital investments, and/or capital allocations of the Corporation.

(vii) The authorization or approval of any long-term borrowing of money by the Corporation, or the authorization or approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(viii) The granting of any security interest in, or otherwise providing for the encumbrance of, any of the assets or revenues of the Corporation.

(ix) The creation and/or addition of any direct or indirect subsidiaries or affiliates of the Corporation, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(x) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of the Corporation, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of the Corporation.

(xi) The submission of any applications, filings or material correspondence to the Illinois Health Facilities and Services Review Board or any successor thereto (the "IHFSRB") for any proposed project or activity of the Corporation subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xii) The purchase or sale by the Corporation of any interest in real property.

(c) Any exercise of any exclusive power or approval rights pursuant to this Section 2.2 shall be evidenced by a resolution of the board of trustees of the Corporate Member. The board of trustees of the Corporate Member may delegate to its president or another officer thereof the authority to exercise any of the exclusive powers or approval rights under this Section 2.2, and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as such board of trustees shall consider to be necessary or desirable in the circumstances.

Section 2.3 POWERS AND AUTHORITY OF CORPORATION IN RESPECT OF SUBSIDIARY ENTITIES.

(a) The Corporation is the sole corporate member of Elmhurst Memorial Hospital ("EMH"). EMH is the sole corporate member of each of Elmhurst Memorial Hospital Foundation and Elmhurst Memorial Home Health ("Subsidiary" and, together with EMH, the "EMH Entities"), the approval of the Corporation and of the Corporate Member shall be required to authorize the following matters:

(i) The adoption, amendment, and repeal of the articles of incorporation, bylaws or similar governing document of the EMH Entities.

(ii) The adoption and approval of any plan of dissolution or liquidation of any EMH Entity, any plan of merger or consolidation of any EMH Entity with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of any EMH Entity in any transaction or series of related transactions.

(iii) The adoption, approval, amendment, restatement or modification of any financial control policy for any EMH Entity and the taking of any action by or on behalf of any EMH Entity not otherwise in conformance with any such policy.

(iv) The amendment or revision of the initial purpose and scope of services of any EMH Entity, including location, size, operations and activities.

(v) The adoption of any and all annual operating and capital budgets, strategic plans, capital investments, and/or capital allocations of any EMH Entity.

(vi) The authorization or approval of any long-term borrowing of money by any EMH Entity, or the authorization or approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(vii) The granting of any security interest in, or otherwise providing for the encumbrance of, any of the assets or revenues of any EMH Entity.

(viii) The creation and/or addition of any direct or indirect subsidiaries or affiliates of any EMH Entity, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(ix) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of any EMH Entity, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of any EMH Entity.

(x) The submission of any applications, filings or material correspondence to the IHFSRB for any proposed project or activity of any EMH Entity subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xi) The purchase or sale by any EMH Entity of any interest in real property.

(b) Any exercise of any approval rights pursuant to this Section 2.3 shall be evidenced by a resolution of the Board of Trustees and the board of trustees of the Corporate Member, as applicable. The Board of Trustees may delegate to the President or another Officer, or the board of trustees of the Corporate Member may delegate to its president or another officer thereof, as applicable, the authority to exercise any of the approval rights under this Section 2.3 of such entity, and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as such board of trustees shall consider to be necessary or desirable in the circumstances.

ARTICLE 3
BOARD OF TRUSTEES

Section 3.1 **GENERAL POWERS.** Subject to the powers of the Corporate Member in these Bylaws, the board of trustees of the Corporation (the "Board of Trustees" or "Board") shall have the authority to manage, control and operate the business, affairs, property and funds of the Corporation.

Section 3.2 **NUMBER, ELECTION AND TERM OF OFFICE.**

(a) The Board of Trustees shall consist of a number of trustees (the "Trustees") equal to the number of Corporate Trustees, the Representative Trustees and the Ex Officio Trustees.

(b) There shall be two (2) *ex officio* trustees (the "Ex Officio Trustees") who shall be the individuals then serving as the chairperson and vice chairperson of the board of trustees of the Corporate Member, respectively. Each such Ex Officio Trustee shall serve for so long as such individual holds the office of chairperson or vice chairperson, respectively, of the board of trustees of the Corporate Member.

(c) There shall be eight (8) Corporate Trustees ("Corporate Trustees"). Each Corporate Trustee must be a member of the board of trustees of the Corporate Member other than the chairperson or vice chairperson of the Corporate Member. The initial Corporate Trustees shall be appointed pursuant to the terms of the System Affiliation Agreement dated April 2, 2013 entered into by and among the Corporate Member, Edward Hospital, an Illinois not-for-profit corporation, EMH and the Corporation (the "System Affiliation Agreement"). A Corporate Trustee shall serve as a Corporate Trustee for the time period such individual serves as a member of the board of trustees of the Corporate Member.

(d) There shall be three (3) Representative Trustees (the "Representative Trustees"). The initial Representative Trustees shall be appointed pursuant to Section 3.03(d)(2) of the System Affiliation Agreement. Each Representative Trustee shall serve for a one (1) year term.

(e) At the annual meeting of the Board of Trustees, the Corporate Member shall appoint or elect the individuals to fill the offices of the Representative Trustees whose terms of office are due to expire at such annual meeting.

Section 3.3 RESIGNATION AND REMOVAL. Any Trustee may resign at any time by written notice to the Board, its Chairman, the President, or Secretary of the Corporation. Such notice shall take effect when the notice is delivered unless the notice specifies a future date. Any Corporate Trustee or Representative Trustee may be removed at any time, with or without cause, by the Corporate Member.

Section 3.4 COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees, but by resolution of the Board, expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board, and for bona fide expenses incurred or arising out of services rendered; provided, that nothing contained in this Section 3.4 shall be construed to prohibit payment of compensation to an individual serving the Corporation in any other capacity, and receiving compensation therefore.

Section 3.5 VACANCIES. If, between annual meetings of the Board, a Corporate Trustee or a Representative Trustee is unable to fulfill his or her term due to death, resignation, retirement, disqualification, removal from office or otherwise, then the board of trustees of Corporate Member may appoint a successor to fulfill such unexpired term.

Section 3.6 CONFLICT OF INTEREST.

(a) Any possible Conflict of Interest on the part of a Trustee or an Officer shall be disclosed to the Board of Trustees. When any such interest relates to a matter on which action is to be taken by the Board of Trustees, such Trustee shall not take part in the deliberations of, vote or use personal influence on the matter, and shall not be counted in the quorum for a meeting at which action of the Board of Trustees is to be taken. The Trustee may, however, answer pertinent questions of members of the Board of Trustees. The minutes of all actions taken on such matters shall clearly reflect that these requirements have been met.

(b) Each Trustee and each Officer shall be required to complete an annual Conflicts of Interest questionnaire. Failure to complete the questionnaire in a timely manner shall constitute cause for removal of a Trustee or an Officer, should the board of trustees of the Corporate Member so determine to act.

(c) "Conflict of Interest" means a transaction or arrangement of the Corporate Member and/or any of its wholly-owned or controlled subsidiaries and affiliated organizations where an Trustee, Officer, or a member of his or her immediate family has a direct or indirect financial interest, as more fully described in the Corporate Member's Conflict of Interest Policy. Philosophical or professional differences of opinion do not constitute conflicts of interest.

ARTICLE 4
REGULAR AND SPECIAL MEETINGS OF THE BOARD OF TRUSTEES

Section 4.1 ANNUAL MEETING. The annual meeting of the Board of Trustees shall be held on the third Monday in June at the principal office of the Corporation, or on such other date and at such other time and place as may be determined by resolution of the Board of Trustees. The purpose of the annual meeting shall be for the appointment or election by the board of trustees of the Corporate Member of Representative Trustees whose terms of office shall have expired and for the transaction of such business as may come before the meeting. No notice of the annual meeting of the Board of Trustees shall be necessary.

Section 4.2 REGULAR MEETINGS. Regular meetings of the Board of Trustees shall be held at the principal office of the Corporation in Illinois, on such date and at such time as may be fixed from time to time by resolution of the Board of Trustees, for the transaction of such business as may properly come before the Board of Trustees. No notice of regular meetings shall be necessary beyond the delivery of a copy of the resolution setting forth the dates and times fixed for such regular meetings. The Board of Trustees may change the date, time and place of any regular meeting as fixed in a resolution of the Board of Trustees, provided, however, written notice of such other date, time and place shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business at least two (2) business days before the rescheduled meeting.

Section 4.3 **SPECIAL MEETINGS.** Special meetings may be called by the Board Chairman in the Chairman's discretion or upon the Chairman's receipt of the written request of at least five (5) Trustees. Within three (3) business days following appropriate receipt of a request for a special meeting, the Chairman shall call such special meeting, to be held within ten (10) business days of the receipt of such request. In the absence of the Chairman or in the event of the inability or refusal of the Chairman to act, the Vice Chairman (in accordance with Section 5.5), within three (3) business days following appropriate receipt of a request for a special meeting, shall call such special meeting, to be held within ten (10) business days of receipt of such request. Special meetings may also be called by action of the Board of Trustees, served in writing on the Chairman. Within three (3) business days following appropriate receipt of a request for a special meeting from the Board of Trustees, the Chairman shall call such special meeting, to be held within ten (10) business days of the receipt of such request. Trustees shall be given notice of each special meeting of the Board of Trustees which notice shall set forth the date, time, place and purpose of the meeting. Notice shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business not less than three (3) business days prior to the meeting.

Section 4.4 **EXECUTIVE SESSIONS**. The Chairman may call an executive session of the Board of Trustees at any meeting of the Board of Trustees at which a quorum is present, to consider such matters as may properly come before the Board of Trustees. No notice of an executive session shall be necessary. The Chairman shall have the authority and discretion to exclude from the executive session any non-members of the Board of Trustees and any *ex-officio* trustee.

Section 4.5 **MANNER OF ACTING.** The act of a majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees, except where otherwise provided by law or by these Bylaws.

Section 4.6 **WAIVER OF NOTICE**. Whenever any notice whatsoever is required to be given by statute or by these Bylaws, waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Such waiver shall be filed with or entered upon the records of the Corporation. The attendance of a Trustee at a meeting shall constitute waiver of notice thereof unless the Trustee objects at the beginning of the meeting to the holding of the meeting because proper notice was not given.

Section 4.7 **PROCEDURE AT MEETINGS.** Robert's Rules of Order shall govern procedure at all meetings of the Board of Trustees where not covered expressly by these Bylaws.

Section 4.8 **QUORUM.** A majority of the Trustees then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Trustees; provided that if, in any event, less than the applicable quorum of Trustees is present at any meeting, a majority of the Trustees who are present may adjourn the meeting from time to time without further notice.

Section 4.9 **INFORMAL ACTIONS.** Any action required to be taken, or which may be taken, at a meeting of the Board of Trustees, may be taken without a meeting if a written consent setting forth the action taken, is signed by all of the Trustees.

ARTICLE 5
OFFICERS

Section 5.1 DESIGNATION. The officers of the Corporation (the "Officers") shall be the Chairman, Vice Chairman, President, Secretary and Treasurer and such other officers or assistant officers as may be elected or appointed from time to time as hereinafter provided. The Chairman and Vice Chairman shall be members of the Board of Trustees. Any two or more offices may be held by the same person.

Section 5.2 ELECTION AND TENURE OF OFFICE.

(a) The chairperson and vice chairperson of the Corporate Member shall serve as Chairman and Vice Chairman of the Corporation, respectively.

(b) The president of the Corporate Member (the "Parent President") shall have the authority to appoint from time to time the President, Secretary and Treasurer and such other Officers, other than the Chairman and the Vice Chairman, as the Parent President shall deem necessary or desirable to manage the operations of the Corporation and its subsidiaries or controlled entities. The Parent President shall notify the Board of Trustees of any appointment she or he makes pursuant to the exercise of the authority granted by this Section 5.2(b).

(c) The Chairman and Vice Chairman shall serve as long as such individual serves as chairperson and vice chairperson, respectively, of the board of trustees of the Corporate Member. Officers appointed by the Parent President shall serve until removed as hereinafter provided.

Section 5.3 REMOVAL AND VACANCIES.

(a) Removal.

Other than the Chairman and the Vice Chairman, the Board of Trustees may remove any Officer (whether or not elected or appointed by it) when, in its judgment, the best interests of the Corporation will be served thereby. The Parent President may remove any Officer appointed by the Parent President when, in her or his judgment, the best interests of the Corporation will be served thereby. The Parent President shall notify the Board of Trustees of any removal she or he makes pursuant to the exercise of the authority granted by this Section 5.3(a). Removal shall be without prejudice to the contract rights, if any, of the person so removed.

(b) Vacancies.

Any vacancy in the office of Chairman shall be filled with the person elected by the board of trustees of the Corporate Member to serve as chairperson of the board of trustees of the Corporate Member, and such person shall assume the office of Chairman automatically upon such

election by the board of trustees of the Corporate Member. Any vacancy in the office of Vice Chairman shall be filled with the person elected by the board of trustees of the Corporate Member to serve as Vice chairperson of the board of trustees of the Corporate Member, and such person shall assume the office of Vice Chairman automatically upon such election by the board of trustees of the Corporate Member. The Parent President may fill any vacancies in the offices for which she or he has appointment power under Section 5.2(b).

Section 5.4 CHAIRMAN. The Chairman of the Board (the "Chairman") shall be generally responsible for matters of general policy and for seeing that the resolutions of the Board of Trustees are carried out. The Chairman shall preside at meetings of the Board of Trustees; shall be responsible for nominating members of all Board Committees for approval by the Board of Trustees; and in general shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 5.5 VICE CHAIRMAN. The vice chairman of the Board (the "Vice Chairman") shall be assigned such duties by the Board as it shall from time to time determine. The Vice Chairman shall, in the absence, disability, death, resignation or removal from office of the Chairman, perform the duties and exercise the powers of the Chairman and, when so acting, the Vice Chairman shall exercise all powers of the Chairman. If both the Chairman and Vice Chairman are absent or incapacitated, the Board of Trustees at the call of the meeting shall elect a presiding officer to serve during such absence or incapacity.

Section 5.6 PRESIDENT - CHIEF EXECUTIVE OFFICER. Subject to the ultimate authority of the Board of Trustees, the president (the "President") shall be the chief executive officer of the Corporation and shall be its representative in the management of the Corporation. The President shall be responsible for carrying out all policies established by the Board of Trustees and for seeing that the resolutions of the Board of Trustees are carried out; and shall perform such other administrative duties in the management and affairs of the Corporation as may be authorized by these Bylaws, by action of the Board of Trustees not inconsistent with these Bylaws and such other implied administrative duties recognized in accordance with the Illinois General Not For Profit Corporation Act.

In the absence of the President or in the event of the President's inability or refusal to act, the duties of the President shall be fulfilled by those Officers designated in a written policy established by the President and approved by the Board of Trustees.

Section 5.7 SECRETARY. The secretary (the "Secretary") shall act as Secretary for both the Corporation and the Board of Trustees, keep the minutes of the meetings of the Corporation and the Board in one or more books provided for that purpose, see that all notices are duly given in accordance with these Bylaws or as required by law, be custodian of the records and the seal of the Corporation and see that the seal is affixed to all documents as required. The Secretary shall sign all documents as required by such office, and shall perform such duties as provided by these Bylaws and as may be assigned to the Secretary by the President or the Board. The Secretary shall perform like duties for any Committees when required.

Section 5.8 TREASURER.

(a) The treasurer (the "Treasurer") shall have custody of the Corporate funds and securities of the Corporation, and shall ensure accurate accounts of receipts and disbursements in the accounting records belonging to the Corporation and shall ensure the deposit of all monies and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Trustees.

(b) The Treasurer shall ensure the disbursements of funds of the Corporation as may be ordered by the Board of Trustees and shall render to the Board of Trustees, at the regular meetings of the Board of Trustees, or whenever it may require, an accounting of the financial condition of the Corporation.

(c) The Treasurer shall give the Corporation a bond if required by the Board of Trustees in a sum, and with one or more sureties satisfactory to the Board of Trustees for the faithful performance of the duties of his office, and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 5.9 RESIGNATION. Any Officer may resign at any time by giving written notice to the Board, or to the President or Secretary of the Corporation. Any such resignation shall take effect upon receipt of such written notice unless otherwise specified.

ARTICLE 6
COMMITTEES OF THE BOARD OF TRUSTEES

Section 6.1 COMMITTEES. The standing board committee of the Corporation shall be a Quality Committee (together with any special committees created by the Board of Trustees, the "Committees"). Each Committee shall have two or more Trustees and may have as members one or more non-members of the Board of Trustees as long as the number of such non-members of the Board of Trustees on such Committee are less than the number of Trustees on such Committee. All members of any such Committee shall serve at the pleasure of the Board. Such Committees shall have the authority to act in accordance with the authority specifically granted by the Board and shall continue to operate until they have accomplished the purpose for which they were established or until discharged by the Board. Each Committee may have a charter setting forth, among other things, its duties and responsibilities. All such charters shall be approved by the Board of Trustees.

Section 6.2 QUALITY COMMITTEE. The Quality Committee shall have responsibilities with respect to (a) quality assurance activities and (b) such other functions as may be assigned by the Board of Trustees.

Section 6.3 QUORUM. A majority of the members of a Committee shall constitute a quorum for the transaction of business at any meeting of the Committee.

Section 6.4 **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 except as otherwise provided by law or by these Bylaws. Any Committee may act by unanimous consent in writing without a meeting.

Section 6.5 **SUBCOMMITTEES.** The chairperson of any Committee may divide such Committee into subcommittees and assign specific responsibilities to each subcommittee.

Section 6.6 **EX-OFFICIO MEMBER.** The Chairman of the Board of the Corporation shall serve as an *ex-officio*, voting member of all Committees.

Section 6.7 **CONFIDENTIALITY.** Any Committee, and the Board of Trustees as a whole, which is involved in the evaluation and improvement of the quality of care rendered at Elmhurst Memorial Hospital shall be considered to be a committee under the Illinois Medical Studies Act (735 ILCS 5/8-2101). As such, each of these Committees, and the Board of Trustees, shall be authorized to engage in activities related to internal quality control of or medical study for the purpose of reducing morbidity or mortality, or for improving patient care, including the review of information regarding any applicant to the Medical Staff or Medical Staff Members. All information, records, reports, statements or memoranda used by and the proceedings of any Committee, or of the Board of Trustees as a whole, shall be considered to be "Confidential Information." In addition to the above, "Confidential Information" will include, but shall not be limited to, specific information concerning a patient, Committee minutes which address peer review and credentialing, communication between members of such committees or of the Board of Trustees and credentials files, regardless of the vehicle by which the information is disclosed (i.e., oral, written, fax, or electronic, including e-mail).

Section 6.8 **MINUTES.** Each Committee shall keep a record of its meetings and shall submit minutes of its meetings to the Board.

ARTICLE 7
INDEMNIFICATION

Section 7.1 **INDEMNIFICATION: GENERAL PROVISIONS.** The Corporation, to the fullest extent permitted by law, shall indemnify 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 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 such person is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, and may indemnify any person who was or is a party, or is threatened to be made a party, to any such action, suit or proceeding by reason of the fact that he or she was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person 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 that such person's 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 such person 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 reasonable cause to believe that such person's conduct was unlawful.

The Corporation, to the fullest extent permitted by law, shall indemnify 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 such person is or was a Trustee or Officer of the Corporation, or is or was serving at the request of the Corporation, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to the best interests of the Corporation, provided 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 such person's 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.

To the extent that a Trustee or Officer has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in this Section 7.1 or in defense of any claim, issue or matter therein, such person shall be indemnified against (a) in the case of both the first and second paragraphs of this Section 7.1, expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith and (b) in the case of the first paragraph of this Section 7.1, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection therewith.

Section 7.2 **BOARD APPROVAL NECESSARY.** Any indemnification of a Trustee or Officer under Section 7.1 (unless otherwise ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the Trustee or Officer is not proper in the circumstances because such person has not met the applicable standard of conduct set forth in Section 7.1. Any indemnification of an employee or agent under Section 7.1 (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 person is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1 above. Such determination shall be made (a) by the majority vote of the members of the Board who are not parties to such action, suit or proceeding, if there is a quorum, (b) if such quorum is not obtainable, or even if obtainable, if a quorum on disinterested Trustees so directs, by independent legal counsel in a written opinion, or (c) by the Corporate Member.

Section 7.3 **PAYMENT OF EXPENSES IN ADVANCE.** Unless the Board of Trustees otherwise determines in a specific case, expenses incurred by a Trustee or officer in

defending a civil or criminal action, suit or proceeding 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 Trustee or Officer to repay such amount, unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized by these Bylaws. Such expenses incurred by other employees or agents may be so paid upon such terms and conditions, if any, as the Board of Trustees deems appropriate

Section 7.4 **CLAIMS.** If a claim by a Trustee or Officer for indemnification or payment of expenses under this Article 7 is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 7.5 **INDEMNIFICATION RIGHTS NOT EXCLUSIVE.** The indemnification provided by these Bylaws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of the Corporate Member or disinterested Trustees, 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 a Trustee, Officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7.6 **INSURANCE.** The Corporation shall use reasonable commercial efforts to purchase and maintain insurance on behalf of any person who is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.

Section 7.7 **AMENDMENT OR REPEAL.** Any repeal or modification of the foregoing provisions of this Article 7 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE 8
CORPORATE COMPLIANCE

It is the policy of the Board of Trustees that all aspects of the Corporation's operations are to be conducted in full compliance with all applicable laws and regulations. To ensure that all employees and individuals with whom the Corporation does business engage in ethical and legal behavior and practices, the Board of Trustees has adopted the Corporate Member's corporate compliance program and related policies (collectively the "Program"). Compliance with the Program shall be monitored by the Board of Trustees not less than annually.

ARTICLE 9
FINANCIAL

Section 9.1 **CHECKS.** All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such Officer or Officers, agent or agents of the Corporation in such manner as the Board may from time to time designate.

Section 9.2 **FISCAL YEAR.** The fiscal year of the Corporation shall begin on the first day of July and end on the thirtieth day of June in the ensuing year.

Section 9.3 **DEPOSITS.** All funds of the Corporation 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 9.4 **TRUSTEES' ANNUAL FINANCIAL STATEMENT.** Subject to the powers and approval rights of the Corporate Member set forth in Section 2.2 herein, the Board of Trustees shall cause to be made an independent audit and present at least once in each year a complete and detailed report of the financial condition of the Corporation to the Board of Trustees.

Section 9.5 **ANNUAL BUDGETS.** Prior to the end of each fiscal year, the President shall submit to the Board of Trustees a detailed budget of estimated income from operations as well as a budget of expenditures for both operating expenses and capital expenditures for the ensuing fiscal year. Subject to the powers and approval rights of the Corporate Member set forth in Section 2.2 herein, the Board of Trustees shall review and adopt the budget for the Corporation. Subject to the powers and approval rights of the Corporate Member set forth in Section 2.2 herein, amendments to the budgets may be made upon recommendation of the President to the Board of Trustees at any regular or special meeting. Any unexpended balances in expense budgets or capital budgets at the end of the fiscal year shall not be carried forward in the budgets for the succeeding year. It shall be the duty of the President to examine the budgets of income and expense and to prepare an explanation of any material variation from the budget.

Section 9.6 **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 of the Board and its Committees and/or membership, all of which shall be kept separate and apart from the books, records, accounts and minutes of the Corporation's subsidiaries and affiliates, if any. In addition, the Corporation shall annually cause a certified audit of its accounts 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 own behalf.

Section 9.7 **CONTRACTS.** Subject to the powers and approval rights of the Corporate Member set forth in Section 2.2 herein, the Board may authorize any Officer or Officers, agent or agents of the Corporation, in addition to the Officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation; and such authority may be general or confined to specific instances.

ARTICLE 10
NOTICES

Section 10.1 GENERAL. Whenever, under the provisions of these Bylaws, notice is required to be given to the Corporate Member, any Trustee or Officer, it shall be given as set forth in the applicable Section. If the manner and timing for such notice is not set forth herein, such notice shall be in writing and may be by first class mail, private courier, facsimile or email. Written notice shall be considered delivered: if sent by first class mail, three days after it is deposited in the United States mail in a sealed, properly addressed envelope, first class, postage prepaid; if sent by private courier, when placed in the hands of the courier in a sealed, properly addressed envelope, if sent by facsimile, when the receipt of the facsimile is confirmed by facsimile printout and if sent by email, upon receipt by the recipient's email service.

Section 10.2 WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of the Illinois General Not For Profit Corporation Act of 1986, as amended, or under these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 11
AMENDMENTS

Section 11.1 ARTICLES OF INCORPORATION. The Articles of Incorporation of this Corporation may be amended only by the action of the Board of Trustees subject to the approval of the Corporate Member, and by filing and recording a certificate of such change or amendment in the offices of the Secretary of State and Recorder of Deeds as required by law.

Section 11.2 BYLAWS. These Bylaws may be amended, modified, repealed or altered, and new Bylaws, may be adopted only by the action of the Board of Trustees subject to the approval of the Corporate Member.

Presented and approved by the board of trustees of the Corporate Member _____, 2013.

EXHIBIT E

Restated EMH Articles

ARTICLES OF AMENDMENT AND RESTATED ARTICLES OF INCORPORATION OF

ELMHURST MEMORIAL HOSPITAL

AN ILLINOIS NOT FOR PROFIT CORPORATION

1. The present name of the corporation is Elmhurst Memorial Hospital (the "Corporation"), which was incorporated on March 15, 1922 as Elmhurst Hospital Association, Inc., was amended on March 28, 1934 to Elmhurst Community Hospital, Inc., was further amended on May 10, 1946 to Memorial Hospital of Du Page County, Elmhurst, Illinois, and was further amended on March 16, 1983 to Elmhurst Memorial Hospital.

2. These Amended and Restated Articles of Incorporation integrate and amend the previous Articles of Incorporation and are executed pursuant to the provisions of the Illinois General Not For Profit Corporation Act (the "Act"), as amended.

3. The text of the Amended and Restated Articles of Incorporation is as follows:

Article I

Name

The name of the Corporation is Elmhurst Memorial Hospital.

Article II

Registered Office and Registered Agent

The address of the Corporation's registered office is 155 E. Brush Hill Road, Elmhurst, Illinois 60126. The name of the resident agent of the Corporation is Mary Bartz Dano.

Article III

Purposes

The purposes of the Corporation shall be to:

1. Operate, establish, acquire, support, erect, maintain, own, or equip health care providers and institutions including, without limiting the foregoing, nursing homes, physician offices, diagnostic and treatment facilities, skilled nursing facilities, intermediate care facilities, surgicenters, ambulatory care centers or any other health care facility which provides care for sick and disabled persons without regard to creed, nationality or color or ability to pay for such services;

2. Sponsor, support, promote, develop, own and operate organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any subsequent revenue law of the United States (the "Code"), which support, assist, encourage or otherwise promote health care, education and research;

3. Carry on educational activities related to the rendering of health care services or the promotion of health;

4. Invest in activities that are consistent with and in furtherance of the charitable, educational or scientific purposes of the Corporation and promote the general health of the community;

5. Raise gifts, bequests, donations and other funds from the public and from all other sources available; receive and maintain such funds and expend principal and income there from in support of or in furtherance of the charitable purposes of the Corporation;

6. Acquire, own, use, lease as lessor or lessee, convey and otherwise deal in and with real and personal property and interests therein, all in support of the charitable purposes of the Corporation; and

7. Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

    i. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its corporate member, trustees, officers or any other private 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;

    ii. 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

    iii. Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Article IV

Corporate Member

The Corporation shall have one corporate member (the "Corporate Member") with full voting rights.

Article V

Powers

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Article VI

Board of Trustees

The number of trustees shall be in accordance with the bylaws of the Corporation.

Article VIII

Dissolution

Upon the dissolution or liquidation of the Corporation, and after payment of or provision for, just debts and liabilities, all remaining assets shall be distributed to the Corporate Member, if then in existence and qualified as exempt from tax pursuant to Section 501(c)(3) of the Code; to the extent that the Corporate Member or its designee is not so qualified, then to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Corporation's board of trustees. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

EXHIBIT F

Restated EMH Bylaws

AMENDED AND RESTATED
BYLAWS
OF
ELMHURST MEMORIAL HOSPITAL

(Amended and Restated Effective as of [●], 2013)

BYLAWS
OF
ELMHURST MEMORIAL HOSPITAL

ARTICLE 1
CORPORATION

Section 1.1 **NAME.** The name of this corporation is Elmhurst Memorial Hospital, an Illinois not for profit corporation, herein referred to as the "Corporation."

Section 1.2 **CORPORATE PURPOSES.** The purposes of the Corporation shall be to:

(a) Operate, establish, acquire, support, erect, maintain, own, or equip health care providers and institutions including, without limiting the foregoing, nursing homes, physician offices, diagnostic and treatment facilities, skilled nursing facilities, intermediate care facilities, surgicenters, ambulatory care centers or any other health care facility which provides care for sick and disabled persons without regard to creed, nationality or color or ability to pay for such services;

(b) Sponsor, support, promote, develop, own and operate organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any subsequent revenue law of the United States (the "Code"), which support, assist, encourage or otherwise promote health care, education and research;

(c) Carry on educational activities related to the rendering of health care services or the promotion of health;

(d) Invest in activities that are consistent with and in furtherance of the charitable, educational or scientific purposes of the Corporation and promote the general health of the community;

(e) Raise gifts, bequests, donations and other funds from the public and from all other sources available; receive and maintain such funds and expend principal and income there from in support of or in furtherance of the charitable purposes of the Corporation;

(f) Acquire, own, use, lease as lessor or lessee, convey and otherwise deal in and with real and personal property and interests therein, all in support of the charitable purposes of the Corporation; and

(g) Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or

scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

(i) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its Corporate Member (other than as set forth in Section 1.4 hereof), Trustees, Officers or any other private 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;

(ii) 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

(iii) Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Section 1.3 **POWERS.** The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not for profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Section 1.4 **CORPORATE DISSOLUTION.** Upon the dissolution or liquidation of the Corporation, and after payment of or provision for, just debts and liabilities, all remaining assets shall be distributed to the Corporate Member, if then in existence and qualified as exempt from tax pursuant to Section 501(c)(3) of the Code; to the extent that the Corporate Member or its designee is not so qualified, then to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Board of Trustees. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

Section 1.5 **CORPORATE OFFICE.** The Corporation shall have and continuously maintain in Illinois a registered office and a registered agent whose office address is identical with such registered office, and may have other offices within or without the State of Illinois as the Board of Trustees may from time to time determine.

Section 1.6 **CORPORATE SEAL.** The Corporate Seal shall have inscribed thereon the name Elmhurst Memorial Hospital and the words "Corporate Seal, Illinois."

ARTICLE 2
CORPORATE MEMBER

Section 2.1 **CORPORATE MEMBER.** The Corporation shall have one corporate member, which shall be Elmhurst Memorial Healthcare, an Illinois not-for-profit corporation (the "Corporate Member").

Section 2.2 **POWERS AND RIGHTS OF CORPORATE MEMBER.**

(a) [Edward-Elmhurst Healthcare], an Illinois not-for-profit corporation (the "System Parent"), the corporate member of the Corporate Member, shall have the exclusive power to:

(i) Elect, appoint, remove and replace the Trustees of the Corporation.

(ii) Intervene in any action or plan of the Corporation, or of any of its subsidiary or affiliate entities, to the extent the board of trustees of the System Parent, in its sole discretion, deems it necessary to do so in order to avoid significant risk to the tax exempt status, licensure, or accreditation of the Corporation, the System Parent, the Corporate Member, any subsidiary or other affiliate of the System Parent or the Corporate Member, or any facility operated by any of the foregoing, or to avoid significant legal, regulatory, or financial risk to any of them.

(iii) Select and appoint independent auditors for the Corporation, and direct the performance of an annual independent audit of the financial condition of the Corporation.

(b) In addition to the exclusive authority of the System Parent set forth in Section 2.2(a), the approval of each of the Corporate Member and the System Parent shall be required to authorize the following matters:

(i) The exercise by the Corporation of its approval rights under Section 3.2 of these Bylaws.

(ii) The adoption, amendment and repeal of the amended and restated articles of incorporation of the Corporation and these Bylaws.

(iii) The adoption and approval of any plan of dissolution or liquidation of the Corporation, any plan of merger or consolidation of the Corporation with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of the Corporation in any transaction or series of related transactions.

(iv) The adoption, approval, amendment, restatement or modification of any financial control policy for the Corporation and the taking of any action by or on behalf of the Corporation not otherwise in conformance with any such policy.

(v) The amendment or revision of the initial purpose and scope of services of the Corporation, including location, size, operations and activities.

(vi) The adoption of any and all annual operating and capital budgets, strategic plans, capital investments and/or capital allocations of the Corporation.

(vii) The authorization or approval of any long-term borrowing of money by the Corporation, or the authorization or approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(viii) The granting of any security interest in, or otherwise providing for the encumbrance of, any of the assets or revenues of the Corporation.

(ix) The creation and/or addition of any direct or indirect subsidiaries or affiliates of the Corporation, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(x) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of the Corporation, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of the Corporation.

(xi) The submission of any applications, filings or material correspondence to the Illinois Health Facilities and Services Review Board or any successor thereto (the "IHFSRB") for any proposed project or activity of the Corporation subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xii) The purchase or sale by the Corporation of any interest in real property.

(c) Any exercise of any exclusive powers pursuant to this Section 2.2 shall be evidenced by a resolution of the board of trustees of the System Parent. Any exercise of any approval rights pursuant to this Section 2.2 shall be evidenced by a resolution of each of the board of trustees of the Corporate Member (the "Member Board of Trustees") and the board of trustees of the System Parent. The Member Board of Trustees or the board of

trustees of the System Parent, as applicable, may delegate to its respective president or another officer thereof the authority to exercise any of the exclusive powers or approval rights under this Section 2.2 of such entity, if any, and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as such board of trustees shall consider to be necessary or desirable in the circumstances.

ARTICLE 3
CORPORATE MEMBER
ELMHURST MEMORIAL HOSPITAL

Section 3.1 **CORPORATE MEMBER.** The Corporation is the sole corporate member of Elmhurst Memorial Hospital Foundation and Elmhurst Memorial Home Health (the "Affiliated Corporations").

Section 3.2 **POWERS AND RIGHTS OF CORPORATE MEMBER.**

(a) The approval of each of the Corporation, the Corporate Member and the System Parent shall be required to authorize the following matters:

(i) The adoption, amendment, and repeal of the articles of incorporation, bylaws or similar governing document of any Affiliated Corporation.

(ii) The adoption and approval of any plan of dissolution or liquidation of any Affiliated Corporation, any plan of merger or consolidation of any Affiliated Corporation with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of any Affiliated Corporation in any transaction or series of related transactions.

(iii) The adoption, approval, amendment, restatement or modification of any financial control policy for any Affiliated Corporation and the taking of any action by or on behalf of any Affiliated Corporation not otherwise in conformance with any such policy.

(iv) The amendment or revision of the initial purpose and scope of services of any Affiliated Corporation, including location, size, operations and activities.

(v) The adoption of any and all annual operating and capital budgets, strategic plans, capital investments and/or capital allocations of any Affiliated Corporation.

(vi) The authorization or approval of any long-term borrowing of money by the Affiliated Corporation, or the authorization or

approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(vii) The granting of any security interest in, or otherwise providing for the encumbrance of, any of the assets or revenues of any Affiliated Corporation.

(viii) The creation and/or addition of any direct or indirect subsidiaries or affiliates of any Affiliated Corporation, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(ix) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of any Affiliated Corporation, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of the Affiliated Corporation.

(x) The submission of any applications, filings or correspondence to the IHFSRB for any proposed project or activity of any Affiliated Corporation subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xi) The purchase or sale by any Affiliated Corporation of any interest in real property.

(b) Any exercise of any approval rights pursuant to this Section 3.2 shall be evidenced by a resolution of the Board of Trustees, the Member Board of Trustees and the board of trustees of the System Parent. The Board of Trustees, the Member Board of Trustees or the board of trustees of the System Parent, as applicable, may delegate to its respective president or another officer thereof the authority to exercise any of the approval rights under this Section 3.2 of such entity, and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as such board of trustees shall consider to be necessary or desirable in the circumstances.

ARTICLE 4
BOARD OF TRUSTEES

Section 4.1 **GENERAL POWERS.** Subject to the powers of the Corporate Member and the System Parent in these Bylaws, the board of trustees of the Corporation (the "Board of Trustees" or the "Board") shall have the authority to manage, control and operate the business, affairs, property and funds of the Corporation.

The Board of Trustees shall oversee the resources and planning designed to provide quality patient care to all patients served by Elmhurst Memorial Hospital, including mechanisms to monitor the delivery of patient care, performance improvement, risk management, medical

staff credentialing, and financial management. These mechanisms may include Committees and/or designated Corporation staff or contracted workers, all of which shall report periodically to the Board of Trustees.

Section 4.2 NUMBER, ELECTION AND TERM OF OFFICE. The Board of Trustees shall consist of a number of trustees (the "Trustees") equal to the number of Corporate Trustees, the PSA Trustee and the Medical Staff President Trustee. The number of Trustees may be increased or decreased from time to time only by amendment of these Bylaws.

Each of those individuals then serving on the board of trustees (each, a "Corporate Trustee") of System Parent and the then current Medical Staff President (the "Medical Staff President Trustee") shall each be a Trustee. In addition, the board of trustees of the System Parent shall appoint one Trustee (the "PSA Trustee") from among the chairperson or chief executive officer of each of Elmhurst Clinic, LLC, Elmhurst Memorial Primary Care Associates, LLC, and Elmhurst Medical Associates, LLC (the "PSA Entities"), but only so long such entity has in place a binding professional services agreement with the Corporation (an "Eligible PSA Entity"). The PSA Trustee appointment shall be rotated among the PSA Entities. Notwithstanding the foregoing, in the event that the Medical Staff President is a member of any of the Eligible PSA Entities, the board of trustees of the System Parent shall appoint an independent member of the Medical Staff as the PSA Trustee for the then current term of office (or portion thereof). In the event that there shall be no Eligible PSA Entity, then the office of the PSA Trustee shall be filled by a physician member of the Medical Staff or other position selected by the board of trustees of the System Parent.

The term of office for:

(a) each Corporate Trustee shall be for such period of time as such individual is a member of the board of trustees of the System Parent,

(b) the Medical Staff President Trustee shall be for such period of time as such individual holds the position of Medical Staff President and

(c) the PSA Trustee shall be one year.

At the annual meeting of the Board of Trustees at which the term of office of the then current PSA Trustee is set to expire, the System Parent shall appoint an individual to fill the office of such PSA Trustee in accordance with these Bylaws.

Section 4.3 RESIGNATION AND REMOVAL. Any Trustee may resign at any time by written notice to the Board, the Chairman, the President, or the Secretary. Such notice shall take effect when the notice is delivered unless the notice specifies a future date. If at any time the current Medical Staff President shall be a member of any of the Eligible PSA Entities, and the then current PSA Trustee is not an independent member of the Medical Staff, the board of trustees of the System Parent shall remove such PSA Trustee and the board of trustees of the System Parent shall appoint an independent member of the Medical Staff as the PSA Trustee for the then current term of office (or portion thereof). If at any time there are no Eligible PSA Entities, the PSA Trustee shall be removed and the office of the PSA Trustee shall be filled in accordance with Section 4.5. Without limiting the foregoing, the board of trustees of the System

Parent may remove the PSA Trustee, when, in the judgment of the board of trustees of the System Parent, the best interests of the Corporation will be served thereby. Removal as the PSA Trustee also shall constitute removal, as applicable, as a member of all Committees.

Section 4.4 **COMPENSATION.** Trustees shall not receive any stated salary for their services as Trustees, but by resolution of the Board, expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board, and for bona fide expenses incurred or arising out of services rendered; provided, that nothing contained in this Section 4.4 shall be construed to prohibit payment of compensation to an individual serving the Corporation in any other capacity, and receiving compensation therefore.

Section 4.5 **VACANCIES.** If, between annual meetings of the System Parent, the PSA Trustee is unable to fulfill his or her term due to death, resignation, retirement, disqualification, removal from office or otherwise, then, so long there is an Eligible PSA Entity, the board of trustees of the System Parent shall appoint a successor to fulfill such unexpired term, with such successor being the current chairperson or chief executive officer (at the election of the board of trustees of the System Parent) of the PSA Entity of the predecessor PSA Trustee; provided, however, that if (a) such PSA Entity shall no longer be an Eligible PSA Entity, then such successor shall be appointed from among the chairperson or chief executive officer of the Eligible PSA Entities, or (b) the predecessor PSA Trustee was an independent member of the Medical Staff or the then current Medical Staff President is otherwise a member of any of the Eligible PSA Entities, such successor shall be appointed from among the independent members of the Medical Staff. In the event that there is no Eligible PSA Entity, then the office of the PSA Trustee shall be filled by a physician member of the Medical Staff or other position selected by the board of trustees of the System Parent. Vacancies on the Board for any Corporate Trustee shall be filled promptly by the person elected or appointed as the successor to such Corporate Trustee on the board of trustees of the System Parent. Any vacancy in the office the Medical Staff President Trustee shall be filled promptly by the individual elected as the new president of the Medical Staff.

Section 4.6 **CONFLICT OF INTEREST.**

(a) Any possible Conflict of Interest on the part of a Trustee or an Officer shall be disclosed to the Board of Trustees. When any such interest relates to a matter on which action is to be taken by the Board of Trustees, such Trustee shall not take part in the deliberations of, vote or use personal influence on the matter, and shall not be counted in the quorum for a meeting at which action of the Board of Trustees is to be taken. The Trustee may, however, answer pertinent questions of members of the Board of Trustees. The minutes of all actions taken on such matters shall clearly reflect that these requirements have been met.

(b) Each Trustee and each Officer shall be required to complete an annual Conflicts of Interest questionnaire. Failure to complete the questionnaire in a timely manner shall constitute cause for removal of a Trustee or an Officer, should the board of trustees of the System Parent so determine to act.

(c) "**Conflict of Interest**" means a transaction or arrangement of the System Parent and/or any of its wholly-owned or controlled subsidiaries and affiliated organizations where a Trustee, Officer, or a member of his or her immediate family has a direct or indirect financial interest, as more fully described in the System Parent's Conflict of Interest Policy. Philosophical or professional differences of opinion do not constitute conflicts of interest.

ARTICLE 5
REGULAR AND SPECIAL MEETINGS OF THE BOARD OF TRUSTEES

Section 5.1 **ANNUAL MEETING.** The annual meeting of the Board of Trustees shall be held on the third Monday in June at the principal office of the Corporation, or on such other date and at such other time and place as may be determined by resolution of the Board of Trustees. The purpose of the annual meeting shall be for the appointment by the board of trustees of the System Parent of the PSA Trustee and for the transaction of such business as may come before the meeting. No notice of the annual meeting of the Board of Trustees shall be necessary.

Section 5.2 **REGULAR MEETINGS.** Regular meetings of the Board of Trustees shall be held at the principal office of the Corporation in Illinois, on such date and at such time as may be fixed from time to time by resolution of the Board of Trustees, for the transaction of such business as may properly come before the Board of Trustees. No notice of regular meetings shall be necessary beyond the delivery of a copy of the resolution setting forth the dates and times fixed for such regular meetings. The Board of Trustees may change the date, time and place of any regular meeting as fixed in a resolution of the Board of Trustees, provided, however, written notice of such other date, time and place shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business at least two (2) business days before the rescheduled meeting.

Section 5.3 **SPECIAL MEETINGS.** Special meetings may be called by the Chairman in the Chairman's discretion or upon the Chairman's receipt of the written request of at least five (5) Trustees. Within three (3) business days following appropriate receipt of a request for a special meeting, the Chairman shall call such special meeting, to be held within ten (10) business days of the receipt of such request. In the absence of the Chairman or in the event of the inability or refusal of the Chairman to act, the Vice Chairman (in accordance with Section 6.5), within three (3) business days following appropriate receipt of a request for a special meeting, shall call such special meeting, to be held within ten (10) business days of receipt of such request. Special meetings may also be called by action of the Board of Trustees, served in writing on the Chairman. Within three (3) business days following appropriate receipt of a request for a special meeting from the Board of Trustees, the Chairman shall call such special meeting, to be held within ten (10) business days of the receipt of such request. Trustees shall be given notice of each special meeting of the Board of Trustees, which notice shall set forth the date, time, place and purpose of the meeting. Notice shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business not less than three (3) business days prior to the meeting.

Section 5.4 **EXECUTIVE SESSIONS**. The Chairman may call an executive session of the Board of Trustees at any meeting of the Board of Trustees at which a quorum is present, to consider such matters as may properly come before the Board of Trustees. No notice of an executive session shall be necessary. The Chairman shall have the authority and discretion to exclude from the executive session any non-members of the Board of Trustees and any *ex-officio* trustee.

Section 5.5 **MANNER OF ACTING.** The act of a majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees, except where otherwise provided by law or by these Bylaws.

Section 5.6 **WAIVER OF NOTICE.** Whenever any notice whatsoever is required to be given by statute or by these Bylaws, waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Such waiver shall be filed with or entered upon the records of the Corporation. The attendance of a Trustee at a meeting shall constitute waiver of notice thereof unless the Trustee objects at the beginning of the meeting to the holding of the meeting because proper notice was not given.

Section 5.7 **PROCEDURE AT MEETINGS.** Robert's Rules of Order shall govern procedure at all meetings of the Board of Trustees where not covered expressly by these Bylaws.

Section 5.8 **QUORUM.** A majority of the Trustees then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Trustees; provided that if, in any event, less than the applicable quorum of Trustees is present at any meeting, a majority of the Trustees who are present may adjourn the meeting from time to time without further notice.

Section 5.9 **INFORMAL ACTIONS.** Any action required to be taken, or which may be taken, at a meeting of the Board of Trustees, may be taken without a meeting if a written consent setting forth the action taken, is signed by all of the Trustees.

ARTICLE 6
OFFICERS

Section 6.1 **DESIGNATION.** The officers of the Corporation (the "Officers") shall be the Chairman, Vice Chairman, President, Secretary, Treasurer and such other officers or assistant officers as may be elected or appointed from time to time as hereinafter provided. The Chairman and Vice Chairman shall be members of the Board of Trustees. Any two or more offices may be held by the same person.

Section 6.2 **ELECTION AND TENURE OF OFFICE.**

(a) The chairperson and vice chairperson of the System Parent shall serve as the Chairman and Vice Chairman of the Corporation, respectively.

(b) The president of the System Parent (the "Parent President") shall have the authority to appoint from time to time:

(i) subject to prior consultation with the board of trustees of the System Parent, the President; and

(ii) the Secretary, Treasurer and such other Officers, other than the Chairman and the Vice Chairman, as the Parent President shall deem necessary or desirable to manage the operations of the Corporation and its subsidiaries or controlled entities.

The Parent President shall notify the Board of Trustees of any appointment she or he makes pursuant to the exercise of the authority granted by this Section 6.2(b).

(c) The Chairman and Vice Chairman shall serve as long as such individual serves as chairperson and vice chairperson, respectively, of the board of trustees of the System Parent. Officers appointed by the Parent President shall serve until removed as hereinafter provided.

Section 6.3 REMOVAL AND VACANCIES.

(a) Removal.

Other than the Chairman and the Vice Chairman, the Board of Trustees may remove any Officer (whether or not elected or appointed by it) when, in its judgment, the best interests of the Corporation will be served thereby. The Parent President may remove any Officer appointed by the Parent President when, in her or his judgment, the best interests of the Corporation will be served thereby; provided that, in the case of the President, any such removal shall be subject to a prior consultation with the board of trustees of the System Parent. The Parent President shall notify the Board of Trustees of any removal she or he makes pursuant to the exercise of the authority granted by this Section 6.3(a). Removal shall be without prejudice to the contract rights, if any, of the person so removed.

(b) Vacancies.

Any vacancy in the office of Chairman shall be filled with the person elected by the board of trustees of the System Parent to serve as chairperson of the board of trustees of the System Parent, and such person shall assume the office of Chairman automatically upon such election by the board of trustees of the System Parent. Any vacancy in the office of Vice Chairman shall be filled with the person elected by the board of trustees of the System Parent to serve as vice chairperson of the board of trustees of the System Parent, and such person shall assume the office of Vice Chairman automatically upon such election by the board of trustees of the System Parent. Subject to the provisions of Section 6.2(b)(i), the Parent President may fill any vacancies in the offices for which she or he has appointment power under Section 6.2(b).

Section 6.4 CHAIRMAN. The Chairman of the Board (the "Chairman") shall be generally responsible for matters of general policy and for seeing that the resolutions of the Board of Trustees are carried out. The Chairman shall preside at meetings of the Board of

Trustees; shall be responsible for nominating members of all Board Committees for approval by the Board of Trustees; and in general shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 6.5 VICE CHAIRMAN. The vice chairman of the Board (the "Vice Chairman") shall be assigned such duties by the Board as it shall from time to time determine. The Vice Chairman shall, in the absence, disability, death, resignation or removal from office of the Chairman, perform the duties and exercise the powers of the Chairman and, when so acting, the Vice Chairman shall exercise all powers of the Chairman. If both the Chairman and Vice Chairman are absent or incapacitated, the Board of Trustees at the call of the meeting shall elect a presiding officer to serve during such absence or incapacity.

Section 6.6 PRESIDENT - CHIEF EXECUTIVE OFFICER. Subject to the ultimate authority of the Board of Trustees, the president (the "President") shall be the chief executive officer of the Corporation and shall be its representative in the management of the Corporation. The President shall be responsible for carrying out all policies established by the Board of Trustees and for seeing that the resolutions of the Board of Trustees are carried out; and shall perform such other administrative duties in the management and affairs of the Corporation as may be authorized by these Bylaws, by action of the Board of Trustees not inconsistent with these Bylaws and such other implied administrative duties recognized in accordance with the Illinois General Not For Profit Corporation Act.

In the absence of the President or in the event of the President's inability or refusal to act, the duties of the President shall be fulfilled by those Officers designated in a written policy established by the President and approved by the Board of Trustees.

Section 6.7 SECRETARY. The secretary (the "Secretary") shall act as Secretary for both the Corporation and the Board of Trustees, keep the minutes of the meetings of the Corporation and the Board in one or more books provided for that purpose, see that all notices are duly given in accordance with these Bylaws or as required by law, be custodian of the records and the seal of the Corporation and see that the seal is affixed to all documents as required. The Secretary shall sign all documents as required by such office, and shall perform such duties as provided by these Bylaws and as may be assigned to the Secretary by the President or the Board. The Secretary shall perform like duties for any Committees when required.

Section 6.8 TREASURER.

(a) The treasurer (the "Treasurer") shall have custody of the corporate funds and securities of the Corporation, and shall ensure accurate accounts of receipts and disbursements in the accounting records belonging to the Corporation and shall ensure the deposit of all monies and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the Board of Trustees.

(b) The Treasurer shall ensure the disbursements of funds of the Corporation as may be ordered by the Board of Trustees and shall render to the Board

of Trustees, at the regular meetings of the Board of Trustees, or whenever it may require, an accounting of the financial condition of the Corporation.

(c) The Treasurer shall give the Corporation a bond if required by the Board of Trustees in a sum, and with one or more sureties satisfactory to the Board of Trustees for the faithful performance of the duties of his office, and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 6.9 **RESIGNATION.** Any Officer may resign at any time by giving written notice to the Board, or to the President or Secretary. Any such resignation shall take effect upon receipt of such written notice unless otherwise specified.

ARTICLE 7
MEDICAL STAFF

Section 7.1 **APPOINTMENT OF THE MEDICAL STAFF.** The Board of Trustees shall appoint and reappoint, on recommendation of the Medical Executive Committee, the medical staff of Elmhurst Memorial Hospital (the "Medical Staff") in numbers not exceeding the Corporation's needs and shall see that the Medical Staff is organized into departments so as to provide the most efficient and beneficial care within Elmhurst Memorial Hospital.

All applications for appointment to the Medical Staff shall be processed in accordance with the Medical Staff Bylaws. The Medical Staff Bylaws are subject to approval by the Board of Trustees. All appointments to the Medical Staff (after any such appointment to the Medical Staff, each individual a "Medical Staff Member") shall be for a period extending to the end of the current Medical Staff fiscal year, renewable by the Board of Trustees for periods of not more than two Medical Staff fiscal years. The Board of Trustees shall have the right to revoke any appointment at any time for good cause shown. Each Medical Staff Member shall be assigned to a department of the Medical Staff and each Medical Staff Member's privileges shall be defined and recorded in that department.

Each Medical Staff Member shall have appropriate authority and responsibility for the care of the patients of such Medical Staff Member subject to the limitations contained in these Bylaws and in the Medical Staff Bylaws and subject, further, to any limitations attached to the appointment of such Medical Staff Member or attached thereafter. Each Medical Staff Member shall be required to strictly abide by the American Medical Association's ethical guidelines and the ethical principles, and to act in accordance with these Bylaws and the Medical Staff Bylaws.

All applications for appointment to the Medical Staff shall be in writing and addressed to the President. Each application shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience, physical and mental health, and any unfavorable history with regard to licensure and hospital privileges. This information shall be evaluated by the credentials committees of the Medical Staff. Consistent with the Medical Staff Bylaws, the Board shall have final authority in all appointment and credentialing decisions.

The Board may appoint those physicians who have obtained or (ultimately) will obtain membership on the Medical Staff and clinical privileges pursuant to the Medical Staff Bylaws to medico-administrative hospital positions and hospital-based positions through contractual agreements. In the event that such a physician is not granted membership on the Medical Staff, any such appointments will not stand.

As a condition of obtaining and maintaining Medical Staff membership, each physician shall agree to abide by these Bylaws, and any amendments thereto.

Section 7.2 MEDICAL STAFF - DEPARTMENT CHAIRPERSONS. The Board of Trustees shall delegate the primary authority for the quality and adequacy of medical care to the chairmen of the departments of Medicine, Surgery, Obstetrics and Gynecology, Pediatrics, Psychiatry, Family Practice, Radiology, Pathology, Emergency Medicine and such other departments which may from time to time be established by resolution by the Board of Trustees, upon recommendation from the Medical Staff (the "Department Chairmen"). Such delegation shall not preclude the Board of Trustees from exercising its inherent authority in any matters.

The Department Chairman shall be elected by the Medical Staff Members within their respective departments and, upon election, are subsequently appointed by the President of the Medical Staff, subject to the approval of the Board of Trustees, for a term of not less than two (2) years. The Department Chairmen shall be responsible to the Board of Trustees, reporting to the Board of Trustees (a) through the Medical Executive Committee, (b) directly upon request on matters pertaining to the quality of medical care, and (b) through the President on other matters within their departments. The Department Chairman shall be responsible for the proper functioning of the department and shall serve and actively participate in the Medical Staff committees and departmental committees. Each department shall have a privileges committee (each, a "Privileges Committee") chaired by the applicable Department Chairman. Each Privileges Committee shall regularly report all actions of such committee to the Medical Executive Committee, including privileges, appointments, and reappointments and promotions, disciplinary actions and all matters relating to professional competency.

The Medical Staff shall conduct an ongoing review and appraisal of the quality of professional care rendered in Elmhurst Memorial Hospital and shall report such activities and their results to the Quality Committee and the Board.

The Medical Staff, via the Medical Executive Committee, shall make recommendations to the Quality Committee and the Board concerning: (i) appointments, reappointments, and other changes in Medical Staff Member status; (ii) granting of clinical privileges; (iii) the mechanism used to review credentials and to delineate individual clinical privileges; (iv) disciplinary actions; (v) the organization of the quality resource management and performance improvement activities as well as the process for conducting, evaluating and revising such activities of the Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities; (vi) the mechanism for fair hearing procedures; (vii) all matters relating to professional competency; and (viii) such specific matters as may be referred to it by the Board.

Section 7.3 MEDICAL STAFF EXECUTIVE COMMITTEE. There shall be a medical staff executive committee (the "Medical Executive Committee") chaired by the

president of the Medical Staff (the "Medical Staff President") and composed of the officers of the Medical Staff, all of the Department Chairmen and other members appointed or elected as defined in the Medical Staff Bylaws. The President shall be an *ex-officio* member without voting privileges. The Medical Executive Committee shall meet not less often than once each month, and the Medical Staff President shall keep the Medical Staff informed of the proceedings of the Medical Executive Committee.

The Board of Trustees shall, subject to its ongoing review and oversight, delegate to the Medical Executive Committee the authority and responsibility to:

(a) Develop medical policy and procedure relating to the practice of medicine and affecting the quality of medical care.

(b) Maintain overall quality control of the medical care being rendered in Elmhurst Memorial Hospital. The Chairman of the Medical Executive Committee shall report in writing at least quarterly to the Board of Trustees on the review and appraisal of the quality of medical care and other professional matters associated therewith.

(c) Ensure that members of the Department of Family Practice shall receive full consideration in the granting of privileges in other departments within their level of competency and professional qualifications.

(d) Cooperate in implementing the medical education programs and maintain surveillance thereof.

(e) Review all activities of the Medical Staff and its various committees as to their compliance with the Medical Staff Bylaws and of these Bylaws.

(f) Receive and consider all recommendations from each department for appointment to the Medical Staff and report and recommend to the active staff and then to the Board of Trustees all candidates for reappointment and promotion.

(g) Assure that an appropriate mechanism is established in the Medical Staff Bylaws to provide fair hearings and due process as to appointments, reappointments, privileges and disciplinary actions.

Section 7.4 **RULES AND REGULATIONS.** The Board of Trustees shall, after consultation with the Medical Executive Committee, establish such regulations essential to the care of patients. The Department Chairmen of the individual departments of the Medical Staff, subject to the approval of the Medical Executive Committee, and, when required by the Medical Staff Bylaws, the active staff, will make such additional rules and regulations for the control of medical practice in their departments (not inconsistent with the rules and regulations adopted by the Board of Trustees) as they shall, from time to time, consider essential to the medical care of patients. However, all such rules and regulations shall be subject to approval by the Board of Trustees.

Section 7.5 MEDICAL STAFF BYLAWS.

(a) There shall be bylaws, rules and regulations for the Medical Staff (collectively the "Medical Staff Bylaws"). The Medical Staff Bylaws shall set forth the organization and governance of the Medical Staff. The Medical Staff, via the Medical Executive Committee, shall have the initial responsibility to formulate, adopt, and propose the Medical Staff Bylaws, and any amendments thereto, subject to final approval by the Board. If there is a contradiction or difference between the Medical Staff Bylaws and these Bylaws, including any difference which may adversely affect Elmhurst Memorial Hospital's licensure, accreditation or eligibility for Medicare/Medicaid reimbursement, or which violates any requirement for director and Officer, comprehensive general liability, professional liability or other hospital insurance, these Bylaws shall govern. The Board of Trustees will make reasonable efforts to resolve any such differences with the Medical Staff which involve the aforementioned issues prior to implementing its authority under this Section.

(b) The Board shall cause the Medical Staff Bylaws to be reviewed on a biannual basis for compliance with state and federal regulatory requirements and accreditation and the Corporation's insurance standards. The Board shall notify the Medical Staff of any proposed changes needed to comply with the above requirements and standards.

Section 7.6 PROFESSIONAL LIABILITY INSURANCE. No Medical Staff Member shall be authorized to exercise admitting or clinical privileges without having in effect professional liability insurance coverage, in such amounts as may be required by the Board of Trustees in consultation with the Medical Executive Committee. The Board of Trustees and/or the President may require any Medical Staff Member to furnish a certificate of insurance or other evidence of compliance with this requirement. Failure of any Medical Staff Member to maintain such professional liability insurance coverage in amounts required by the Board of Trustees, or to furnish, or cause to be furnished within a reasonable period of time, evidence of such insurance coverage when so requested, shall constitute an immediate and automatic suspension of the Medical Staff Member's Medical Staff privileges until such time as the foregoing requirement has been met.

ARTICLE 8
COMMITTEES OF THE BOARD OF TRUSTEES

Section 8.1 COMMITTEES. The standing board committees of the Corporation shall be a Quality Committee and a Joint Conference Committee (together with any special committees created by the Board of Trustees, the "Committees"). Each Committee shall have at least two Trustees and may have as members one or more non-members of the Board of Trustees as long as the number of such non-members of the Board of Trustees on such Committee are less than the number of Trustees on such Committee. All members of the Committee shall serve at the pleasure of the Board. Such Committees shall have the authority to act in accordance with the authority specifically granted by the Board and shall continue to operate until they have

accomplished the purpose for which they were established or until discharged by the Board. Each Committee may have a charter setting forth, among other things, its duties and responsibilities. All such charters shall be approved by the Board of Trustees.

Section 8.2 QUALITY COMMITTEE. The Quality Committee shall have responsibilities with respect to (a) the credentialing of, and the delineation of clinical privileges for, Medical Staff Members, (b) quality assurance activities and (c) such other functions as may be assigned by the Board of Trustees.

Section 8.3 JOINT CONFERENCE COMMITTEE. The Joint Conference Committee shall consist of four Trustees and two alternates as appointed by the Chairman of the Board and three members of the Medical Staff; two of whom shall be elected by the Active Staff and the third shall be the immediate past Medical Staff President with such alternates as may be necessary. The President shall serve as an *ex-officio* member of the Joint Conference Committee, without voting privileges. The chairmanship of the Joint Conference Committee shall be alternated between a member of the Board of Trustees and the Medical Staff each year. The Joint Conference Committee, acting as a medico-administrative liaison committee, is a recognized point of contact between the Medical Staff, Board of Trustees and the Administrative Officers. The Joint Conference Committee will meet at the call of the Chairman or at the request of either two members of the Medical Staff or two members of the Board of Trustees. Written minutes of the meeting shall be transmitted to the Board of Trustees as a whole and to the Medical Executive Committee.

Section 8.4 QUORUM. A majority of the members of a Committee shall constitute a quorum for the transaction of business at any meeting of the Committee.

Section 8.5 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 except as otherwise provided by law or by these Bylaws. Any Committee may act by unanimous consent in writing without a meeting.

Section 8.6 SUBCOMMITTEES. The chairperson of any Committee may divide such Committee into subcommittees and assign specific responsibilities to each subcommittee.

Section 8.7 EX-OFFICIO MEMBER. The Chairman shall serve as an *ex-officio*, voting member of all Committees.

Section 8.8 CONFIDENTIALITY. Any Committee, and the Board of Trustees as a whole, which is involved in the evaluation and improvement of the quality of care rendered at the Corporation shall be considered to be a committee under the Illinois Medical Studies Act (735 ILCS 5/8-2101). As such, each of these Committees, and the Board of Trustees, shall be authorized to engage in activities related to internal quality control of or medical study for the purpose of reducing morbidity or mortality, or for improving patient care, including the review of information regarding any applicant to the Medical Staff or Medical Staff Members. All information, records, reports, statements or memoranda used by and the proceedings of any Committee, or of the Board of Trustees as a whole, shall be considered to be "Confidential Information." In addition to the above, Confidential Information will include, but shall not be

limited to, specific information concerning a patient, Committee minutes which address peer review and credentialing, communication between members of such committees or of the Board of Trustees and credentials files, regardless of the vehicle by which the information is disclosed (i.e., oral, written, fax, or electronic, including e-mail).

Section 8.9 **MINUTES.** Each Committee shall keep a record of its meetings and shall submit minutes of its meetings to the Board.

ARTICLE 9
INDEMNIFICATION

Section 9.1 **INDEMNIFICATION: GENERAL PROVISIONS.** The Corporation, to the fullest extent permitted by law, shall indemnify 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 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 such person is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, and may indemnify any person who was or is a party, or is threatened to be made a party, to any such action, suit or proceeding by reason of the fact that he or she was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such proceeding, if such person acted in good faith and in a manner such person 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 that such person's 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 such person 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 reasonable cause to believe that such person's conduct was unlawful.

The Corporation, to the fullest extent permitted by law, shall indemnify 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 such person is or was a Trustee or Officer of the Corporation, or is or was serving at the request of the Corporation, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to the best interests of the Corporation, provided 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 such person's 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.

To the extent that a Trustee or Officer has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in this Section 9.1 or in defense of any claim, issue or matter therein, such person shall be indemnified against (a) in the case of both the first and second paragraphs of this Section 9.1, expenses (including attorneys' fees) actually and reasonably incurred actually and reasonably incurred by such person in connection therewith and (b) in the case of the first paragraph of this Section 9.1, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection therewith.

Section 9.2 **AUTHORIZATION OF INDEMNIFICATION.** Any indemnification of a Trustee or Officer under Section 9.1 (unless otherwise ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the Trustee or Officer is not proper in the circumstances because such person has not met the applicable standard of conduct set forth in Section 9.1. Any indemnification of an employee or agent under Section 9.1 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination that indemnification of employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 9.1 above. Any such determination shall be made (1) by the majority vote of the members of the Board of Trustees who are not parties to such action, suit or proceeding, of there is a quorum, (2) if such quorum is not obtainable, or even if obtainable, if a quorum on disinterested Trustees so directs, by independent legal counsel in a written opinion, or (3) by the System Parent.

Section 9.3 **PAYMENT OF EXPENSES IN ADVANCE.** Unless the Board of Trustees otherwise determines in a specific case, expenses incurred by a Trustee or Officer in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Trustee or Officer to repay such amount, unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized by these Bylaws. Such expenses incurred by other employees or agents may be so paid upon such terms and conditions, if any, as the Board of Trustees deems appropriate.

Section 9.4 **CLAIMS.** If a claim by a Trustee or Officer for indemnification or payment of expenses under this Article 9 is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 9.5 **INDEMNIFICATION RIGHTS NOT EXCLUSIVE.** The indemnification provided by these Bylaws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement, vote of the System Parent or disinterested Trustees, 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 a Trustee, Officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9.6 INSURANCE. The Corporation shall use reasonably commercial efforts to purchase and maintain insurance on behalf of any person who is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.

Section 9.7 AMENDMENT OR REPEAL. Any repeal or modification of the foregoing provisions of this Article 9 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE 10
CORPORATE COMPLIANCE

Section 10.1 CORPORATE COMPLIANCE. It is the policy of the Board of Trustees that all aspects of the Corporation's operations are to be conducted in full compliance with all applicable laws and regulations. To ensure that all employees and individuals with whom the Corporation does business engage in ethical and legal behavior and practices, the Board of Trustees has adopted the System Parent's corporate compliance program and related policies (collectively the "Program"). Compliance with the Program shall be monitored by the Board of Trustees not less than annually.

ARTICLE 11
FINANCIAL

Section 11.1 CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such Officer or Officers, agent or agents of the Corporation in such manner as the Board of Trustees may from time to time designate.

Section 11.2 FISCAL YEAR. The fiscal year of the Corporation shall begin on the first day of July and end on the thirtieth day of June in the ensuing year.

Section 11.3 DEPOSITS. All funds of the Corporation 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 11.4 TRUSTEES' ANNUAL FINANCIAL STATEMENT. Subject to the powers and approval rights of the Corporate Member and the System Parent set forth in Section 2.2 herein, the Board of Trustees shall cause to be made an independent audit and present at least once in each year a complete and detailed report of the financial condition of the Corporation to the Board of Trustees.

Section 11.5 ANNUAL BUDGETS. Prior to the end of each fiscal year, the President shall submit to the Board of Trustees a detailed budget of estimated income from operations as well as a budget of expenditures for both operating expenses and capital expenditures for the ensuing fiscal year. Subject to the powers and approval rights of the Corporate Member and the System Parent set forth in Section 2.2 herein, the Board of Trustees of the Corporation shall review and adopt the budget for the Corporation. Subject to the powers and approval rights of the Corporate Member and the System Parent set forth in Section 2.2 herein, amendments to the budgets may be made upon recommendation of the President to the Board of Trustees at any regular or special meeting. Any unexpended balances in expense budgets or capital budgets at the end of the fiscal year shall not be carried forward in the budgets for the succeeding year. It shall be the duty of the President to examine the budgets of income and expense and to prepare an explanation of any material variation from the budget.

Section 11.6 CHARITY AND FREE HOSPITALIZATION. Included in the Corporation's annual expense budget shall be an account called "Charity Care" into which shall be charged the amount of monies expended by the Corporation for the care of medically indigent patients. The account will record the value of services rendered to patients of Elmhurst Memorial Hospital who are eligible for free services or an appropriate allowance representing a discount in recognition of financial hardships in accordance with the policies of the Corporation. Any endowment funds which earmark interest and/or principal for the purpose of providing charity services will be used as partial reimbursement to the Corporation for monies spent for this purpose. Similarly, monies contributed to the Corporation specifically earmarked for charity services or free care will be used as a partial reimbursement to the Corporation.

Section 11.7 AUTHORITY TO INCUR EXPENSE. Subject to the powers and approval rights of the Corporate Member and the System Parent set forth in Section 2.2 herein:

(a) In addition to any signature authority granted to the Chairman and the President pursuant to the other sections of these Bylaws, the Board of Trustees shall have the authority to authorize any other Officer, Trustee, management person or the Medical Staff President to authorize or cause to be incurred any expense or obligation against the Corporation.

(b) Except with respect to the authority of the Chairman and the President as provided elsewhere in these Bylaws, and regardless of any general signature authority granted pursuant to paragraph (a) immediately above, no Officer, Trustee, management person or the Medical Staff President shall authorize or cause to be incurred any expense or obligation against the Corporation unless such expense or obligation is provided for or within the limitations of the expense and capital expenditure budgets or, if not within such budgets, has the prior approval of the Board of Trustees.

Section 11.8 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 of the Board and its Committees and/or membership, all of which shall be kept separate and apart from the books, records, accounts and minutes of the Corporation's subsidiaries and affiliates, if any. In addition, the Corporation shall annually cause a certified

audit of its accounts 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 own behalf.

Section 11.9 CONTRACTS. Subject to the powers and approval rights of the Corporate Member and the System Parent set forth in Section 2.2 herein, the Board may authorize any Officer or Officers, agent or agents of the Corporation, in addition to the Officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation; and such authority may be general or confined to specific instances.

ARTICLE 12[1]
NOTICES

Section 12.1 GENERAL. Whenever, under the provisions of these Bylaws, notice is required to be given to the System Parent, the Corporate Member, or any Trustee or Officer, it shall be given as set forth in the applicable Section. If the manner and timing for such notice is not set forth herein, such notice shall be in writing and may be by first class mail, private courier, facsimile or email. Written notice shall be considered delivered: if sent by first class mail, three days after it is deposited in the United States mail in a sealed, properly addressed envelope, first class, postage prepaid; if sent by private courier, when placed in the hands of the courier in a sealed, properly addressed envelope, if sent by facsimile, when the receipt of the facsimile is confirmed by facsimile printout and if sent by email, upon receipt by the recipient's email service.

Section 12.2 WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of the Illinois General Not For Profit Corporation Act of 1986, as amended, or under these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 13
AMENDMENTS

Section 13.1 ARTICLES OF INCORPORATION. The Articles of Incorporation of this Corporation may be amended only by the action of the Board of Trustees subject to the approval of the Corporate Member and the System Parent, and by filing and recording a certificate of such change or amendment in the offices of the Secretary of State and Recorder of Deeds as required by law.

Section 13.2 BYLAWS. These Bylaws may be amended, modified, repealed or altered, and new Bylaws may be adopted, only by the action of the Board of Trustees subject to the approval of the Corporate Member and the System Parent.

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[1] It is anticipated that Elmhurst Memorial Hospital Guild members may have a role in, or with respect to, the Elmhurst Memorial Hospital Foundation.

Presented and approved by the Member Board of Trustees and the board of trustees of the System Parent _____, 2013.

EXHIBIT G

Restated EH Articles

ARTICLES OF AMENDMENT AND RESTATED ARTICLES OF INCORPORATION OF

EDWARD HOSPITAL

AN ILLINOIS NOT FOR PROFIT CORPORATION

1. The present name of the corporation is Edward Hospital (the "Corporation"), which was incorporated on March 30, 1984 as Edward Hospital Association and was amended on April 30, 1987 and was further amended in December 14, 1992 to Edward Hospital.

2. These Amended and Restated Articles of Incorporation integrate and amend the previous Articles of Incorporation and are executed pursuant to the provisions of the Illinois General Not For Profit Corporation Act (the "Act"), as amended.

3. The text of the Amended and Restated Articles of Incorporation is as follows:

Article I

Name

The name of the Corporation is Edward Hospital.

Article II

Registered Office and Registered Agent

The address of the Corporation's registered office is 801 S. Washington Street, Naperville, Illinois 60566. The name of the resident agent of the Corporation is Pamela Meyer Davis.

Article III

Duration

The duration of the Corporation is perpetual.

Article IV

Purposes

The purposes of the Corporation are to:

1. Establish, own, operate and maintain hospitals and health care facilities and other facilities and programs incidental thereto, for the diagnosis, treatment, medical care or

surgical care of persons suffering from illnesses, diseases, injuries, deformities, disabilities or other abnormal conditions without regard to race, creed, color, sex, religious belief or national origin.

2. Promote and carry on educational activities and scientific research related to rendering care to the sick and injured or the promotion of health.

3. Participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health of the communities served by Edward Hospital and the Corporation.

4. Promote the interests of its corporate member (the "Corporate Member") in its charitable, educational and benevolent activities in the fields of health care, health education and training, scientific research, health facilities, health management, and in other related fields.

5. Promote the interests of any not-for profit and federally tax exempt organizations which are affiliated with the Corporate Member, the purposes of which are not inconsistent with those of the Corporation.

6. Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any subsequent revenue law of the United States (the "Code"), in the course of which operation:

    i. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its Corporate Member, its trustees, officers or any other private 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;

    ii. 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

    iii. Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Article V

Powers

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Article VI

Corporate Member

The Corporation shall have one corporate member with full voting rights.

Article VII

Board of Trustees

The number of trustees shall be in accordance with the bylaws of the Corporation.

Article VIII

Dissolution

Upon the dissolution or liquidation of the Corporation, and after payment of or provision for, just debts and liabilities, all remaining assets shall be distributed to the Corporate Member, if then in existence and qualified as exempt from tax pursuant to Section 501(c)(3) of the Code; to the extent that the Corporate Member or its designee is not so qualified, then to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Corporation's board of trustees. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

EXHIBIT H

Restated EH Bylaws

AMENDED AND RESTATED BYLAWS

OF

EDWARD HOSPITAL

(Amended and Restated Effective as of [●], 2013)

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS 3

ARTICLE 2 PURPOSES 4
- Section 2.1 Name and Location. 4
- Section 2.2 Purposes. 4
- Section 2.3 Powers. 5

ARTICLE 3 CORPORATE MEMBER 5
- Section 3.1 Identity. 5
- Section 3.2 Powers and Rights 5

ARTICLE 4 BOARD OF TRUSTEES 7
- Section 4.1 General Powers and Limitations on Powers. 7
- Section 4.2 Number and Qualifications. 7
- Section 4.3 Orientation. 8
- Section 4.4 Removal, Vacancies and Resignation. 8
- Section 4.5 Compensation. 9
- Section 4.6 Conflict of Interest. 9
- Section 4.7 Corporate Compliance. 9

ARTICLE 5 MEETINGS OF THE BOARD OF TRUSTEES 9
- Section 5.1 Annual Meeting. 9
- Section 5.2 Regular Meetings. 10
- Section 5.3 Special Meetings. 10
- Section 5.4 Executive Sessions. 10
- Section 5.5 Quorum. 11
- Section 5.6 Manner of Acting. 11
- Section 5.7 Informal Action by Trustees. 11
- Section 5.8 Waiver of Notice. 11
- Section 5.9 Procedure at Meetings 11

ARTICLE 6 OFFICERS 11
- Section 6.1 Officers. 11
- Section 6.2 Election and Term of Office. 11
- Section 6.3 Removal and Vacancies. 12
- Section 6.4 Resignation. 13
- Section 6.5 Chairperson. 13
- Section 6.6 Vice-Chairperson. 13
- Section 6.7 President 13
- Section 6.8 EH Board Treasurer. 13
- Section 6.9 Secretary. 14

ARTICLE 7 COMMITTEES 14
- Section 7.1 Standing Committees. 14

Section 7.2 Quality Committee. 15
Section 7.3 Special Committees. 15
Section 7.4 Confidentiality of Committee Deliberations. 15

ARTICLE 8 MEDICAL STAFF 16
Section 8.1 Organization, Appointments and Hearings. 16
Section 8.2 Medical Care and Evaluation. 17
Section 8.3 Medical Staff Bylaws. 17
Section 8.4 Professional Liability Insurance. 18

ARTICLE 9 INDEMNIFICATION 18
Section 9.1 Actions Other Than by or in the Right of the Corporation. 18
Section 9.2 Actions by or in the Right of the Corporation. 18
Section 9.3 Indemnification Against Expenses. 19
Section 9.4 Authorization of Indemnification. 19
Section 9.5 Payment of Expenses in Advance. 19
Section 9.6 Claims. 20
Section 9.7 Provisions Not Exclusive. 20
Section 9.8 Insurance. 20
Section 9.9 Amendment or Repeal. 20

ARTICLE 10 MISCELLANEOUS 20
Section 10.1 Contracts. 20
Section 10.2 Checks and Drafts. 21
Section 10.3 Fiscal Year. 21
Section 10.4 Auxiliary Groups. 21
Section 10.5 Deposits 21

ARTICLE 11 BOOKS AND RECORDS 21

ARTICLE 12 AMENDMENT OF BYLAWS 21

ARTICLE 1
DEFINITIONS

When used in these Bylaws, the following terms shall have the meanings given unless otherwise specified:

"**Bylaws**" means these amended and restated bylaws of the Corporation.

"Chairperson" means the chairperson of the EH Board of Trustees.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any subsequent revenue law of the United States.

"**Conflict of Interest**" means a transaction or arrangement of the Corporate Member and/or any of its wholly-owned or controlled subsidiaries and affiliated organizations where an EH Trustee, EH Officer, or a member of his or her immediate family has a direct or indirect financial interest, as more fully described in the Corporate Member's Conflict of Interest Policy. Philosophical or professional differences of opinion do not constitute conflicts of interest.

"**Corporate Member**" means [Edward-Elmhurst Healthcare], an Illinois not-for-profit corporation.

"**Corporation**" means Edward Hospital, an Illinois not-for-profit corporation.

"**Edward Hospital**" means the general acute care hospital located at 801 South Washington Street, Naperville, Illinois.

"Effective Date" means the date on which the "Effective Time" (as defined and provided in the System Affiliation Agreement) occurs.

"**EH Articles of Incorporation**" means the amended and restated articles of incorporation of the Corporation filed with the Secretary of State, State of Illinois, pursuant to the Not For Profit Corporation Act, as such articles of incorporation may hereafter be amended.

"**EH Board of Trustees**" means the board of trustees of the Corporation.

"EH Officer" means an officer of the Corporation.

"**EH Trustee**" means a member of the EH Board of Trustees.

"**Not For Profit Corporation Act**" means the Illinois General Not For Profit Corporation Act of 1986, as amended.

"**Medical Staff**" means the medical staff of Edward Hospital.

"**Medical Staff Member**" means a member of the Medical Staff.

"Parent Board of Trustees" means the board of trustees of the Corporate Member.

"Parent President" means the president and chief executive officer of the Corporate Member.

"President" means the president and chief executive officer of the Corporation.

"System Affiliation Agreement" means the System Affiliation Agreement dated April 2, 2013 and entered into by and between the Corporate Member, the Corporation, Elmhurst Memorial Hospital and Elmhurst Memorial Healthcare.

"**Vice Chairperson**" means the vice chairperson of the EH Board of Trustees.

ARTICLE 2
PURPOSES

Section 2.1 Name and Location.

The name of the Corporation is Edward Hospital. The principal office of the Corporation shall be in the City of Naperville, State of Illinois, and the Corporation may have such other offices, either within or without the State of Illinois, as it may require from time to time.

Section 2.2 Purposes.

The purposes of the Corporation are to:

(a) Establish, own, operate and maintain hospitals and health care facilities and other facilities and programs incidental thereto, for the diagnosis, treatment, medical care or surgical care of persons suffering from illnesses, diseases, injuries, deformities, disabilities or other abnormal conditions without regard to race, creed, color, sex, religious belief or national origin.

(b) Promote and carry on educational activities and scientific research related to rendering care to the sick and injured or the promotion of health.

(c) Participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health of the communities served by Edward Hospital and the Corporation.

(d) Promote the interests of the Corporate Member in its charitable, educational and benevolent activities in the fields of health care, health education and training, scientific research, health facilities, health management, and in other related fields.

(e) Promote the interests of any not-for profit and federally tax exempt organizations which are affiliated with the Corporate Member, the purposes of which are not inconsistent with those of the Corporation.

(f) Otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

(i) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its Corporate Member, EH Trustees, EH Officers or any other private 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;

(ii) 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

(iii) Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (a) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (bb) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Section 2.3 Powers.

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

ARTICLE 3
CORPORATE MEMBER

Section 3.1 Identity.

The Corporation shall have one corporate member with full voting rights, which shall be the Corporate Member.

Section 3.2 Powers and Rights.

(a) The Corporate Member shall have the exclusive power to:

(i) Elect, appoint, remove and replace EH Trustees.

(ii) Intervene in any action or plan of the Corporation to the extent the Parent Board of Trustees, in its sole discretion, deems it necessary to do so in order to avoid significant risk to the tax exempt status, licensure, or accreditation of the Corporation, the Corporate Member or any facility operated by any of the foregoing, or to avoid significant legal, regulatory, or financial risk to the Corporation, the Corporate Member or any facility operated by any of the foregoing.

(iii) Select and appoint independent auditors for the Corporation and direct the performance of an annual independent audit of the financial condition of the Corporation.

(b) In addition to the exclusive powers set forth in Section 3.2(a), the Corporate Member's approval shall be required to authorize any of the following matters:

(i) The adoption, amendment and repeal the EH Articles of Incorporation, these Bylaws and any similar governing document of the Corporation.

(ii) The adoption and approval of any plan of dissolution or liquidation of the Corporation, any plan of merger or consolidation of the Corporation with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of the Corporation in any transaction or series of related transactions.

(iii) The adoption, approval, amendment, restatement or modification of any financial control policy for the Corporation and the taking of any action by or on behalf of the Corporation not otherwise in conformance with any such policy.

(iv) The amendment or revision of the initial purpose and scope of services of the Corporation, including location, size, operations and activities.

(v) The adoption of, any and all annual operating and capital budgets, strategic plans, capital investments and/or capital allocations of the Corporation.

(vi) The authorization or approval of any long-term borrowing of money by the Corporation or any authorization or approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(vii) The granting of any security interest in, or otherwise providing for the encumbrance of any of the assets or revenues of the Corporation.

(viii) The creation and/or addition of any direct or indirect subsidiaries or affiliates of the Corporation, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(ix) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of the Corporation, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of the Corporation.

(x) The submission of any applications, filings or material correspondence to the Illinois Health Facilities and Services Review Board or any successor thereto (the "**IHFSRB**") for any proposed project or activity of the Corporation subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xi) The purchase or sale by the Corporation of any interest in real property.

(c) Any exercise of exclusive powers or approval rights pursuant to this Section 3.2 shall be evidenced by a resolution of the Parent Board of Trustees. The Parent Board of Trustees may delegate to its president or another officer thereof the authority to exercise any of the exclusive powers or approval rights under this Section 3.2; and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as the Parent Board of Trustees shall consider to be necessary or desirable in the circumstances.

ARTICLE 4
BOARD OF TRUSTEES

Section 4.1 General Powers and Limitations on Powers.

Subject to the powers of the Corporate Member in these Bylaws, the business and affairs of the Corporation shall be managed by the EH Board of Trustees, which shall have all of the powers, authority, responsibilities and obligations given the board of trustees of a not-for-profit corporation under the laws of the State of Illinois and which are not inconsistent with these Bylaws or the EH Articles of Incorporation.

The EH Board of Trustees shall oversee the resources and planning designed to provide quality patient care to all patients served by Edward Hospital, including mechanisms to monitor the delivery of patient care, performance improvement, risk management, medical staff credentialing, and financial management. These mechanisms may include EH Board Committees and/or designated Corporation staff or contracted workers, all of which shall report periodically to the EH Board of Trustees.

Section 4.2 Number and Qualifications.

(a) Number and Composition.

The EH Board of Trustees shall consist of a number of trustees ("**EH Trustees**") equal to the number of Corporate Trustees and the Ex Officio Trustees.

Each of those individuals then serving on the Parent Board of Trustees shall be EH Trustees (each, a "**Corporate Trustee**"). In addition to the Corporate Trustees, there shall be two *ex officio* trustees (the "**Ex Officio Trustees**") consisting of the president of the Medical Staff (the "**Medical Staff President Trustee**"), and a physician member of the Medical Staff or other position selected by the Parent Board of Trustees (the "**Individual Trustee**").

(b) Term of Office. The term of office for:

(i) each Corporate Trustee shall be for such period of time as such individual is a member of the Parent Board of Trustees,

(ii) the Medical Staff President Trustee shall be for such period of time as such individual holds the position of president of the Medical Staff and

(iii) the Individual Trustee shall be one year.

At the annual meeting of the EH Board of Trustees at which the term of office of the then current Individual Trustee is set to expire, the Corporate Member shall appoint an individual who is a physician member of the Medical Staff (or other position selected by the Parent Board of Trustees) to fill the office of such Individual Trustee.

Section 4.3 Orientation.

Each newly appointed EH Trustee shall be provided with an orientation to the functions and responsibilities of the EH Board of Trustees.

Section 4.4 Removal, Vacancies and Resignation.

(a) Removal.

The Parent Board of Trustees may remove the Individual Trustee, when, in the judgment of the Parent Board of Trustees, the best interests of the Corporation will be served thereby. Removal as the Individual Trustee also shall constitute removal, as applicable, as a member of all EH Board Committees.

(b) Resignation.

An EH Trustee may resign at any time by filing a written resignation with the Secretary, which resignation shall become effective upon the date specified therein, or, if no date is specified therein, upon receipt by the Secretary. The Secretary shall notify the other EH Trustees of the receipt of any such resignation. Resignation as an EH Trustee shall, as applicable, also constitute resignation as a member of all EH Board Committees.

(c) Vacancies.

If, between annual meetings of the Corporate Member, the Individual Trustee is unable to fulfill his or her term due to death, resignation, retirement, disqualification, removal from office or otherwise, then the Parent Board of Trustees may appoint a successor to fulfill such unexpired term. Vacancies on the EH Board of Trustees for any Corporate Trustee shall be filled by the person elected or appointed as the successor to such Corporate Trustee on the Parent Board of Trustees. Any vacancy in the office the Medical Staff President Trustee shall be filled by the individual elected as the new president of the Medical Staff.

Section 4.5 Compensation.

EH Trustees shall not receive any stated salaries for their services, but by resolution of the EH Board of Trustees, reimbursement of out-of-pocket expenses, if any, may be allowed for attendance at each regular or special meeting of the EH Board of Trustees; provided that nothing contained in this Section 4.5 shall be construed to preclude any EH Trustee from serving the Corporation in any other capacity and receiving compensation therefor.

Section 4.6 Conflict of Interest.

(a) Any possible Conflict of Interest on the part of an EH Trustee or an EH Officer shall be disclosed to the EH Board of Trustees. When any such interest relates to a matter on which action is to be taken by the EH Board of Trustees, such EH Trustee shall not take part in the deliberations of, vote or use personal influence on the matter, and shall not be counted in the quorum for a meeting at which action of the EH Board of Trustees is to be taken. The EH Trustee may, however, answer pertinent questions of members of the EH Board of Trustees. The minutes of all actions taken on such matters shall clearly reflect that these requirements have been met.

(b) Each EH Trustee and each EH Officer shall be required to complete an annual Conflicts of Interest questionnaire. Failure to complete the questionnaire in a timely manner shall constitute cause for removal of an EH Trustee or an EH Officer, should the Parent Board of Trustees so determine to act.

Section 4.7 Corporate Compliance.

It is the policy of the EH Board of Trustees that all aspects of the Corporation's operations are to be conducted in full compliance with all applicable laws and regulations. To ensure that all employees and individuals with whom the Corporation does business engage in ethical and legal behavior and practices, the EH Board of Trustees has adopted the Corporate Member's corporate compliance program and related policies (collectively the "**Program**"). Compliance with the Program shall be monitored by the EH Board of Trustees not less than annually.

ARTICLE 5
MEETINGS OF THE BOARD OF TRUSTEES

Section 5.1 Annual Meeting.

The annual meeting of the EH Board of Trustees shall be held on the third Monday in June at the principal office of the Corporation, or on such other date and at such other time and place as may be determined by resolution of the EH Board of Trustees. The purpose of the annual meeting shall be for the appointment by the Individual Trustee and for the transaction of such business as may come before a meeting of the EH Board of Trustees. No notice of the annual meeting of the EH Board of Trustees shall be necessary.

Section 5.2 Regular Meetings.

Regular meetings of the EH Board of Trustees shall be held at the principal office of the Corporation in Illinois, on such date and at such time as may be fixed from time to time by resolution of the EH Board of Trustees, for the transaction of such business as may properly come before the EH Board of Trustees. No notice of regular meetings shall be necessary beyond the delivery of a copy of the resolution setting forth the dates and times fixed for such regular meetings. The EH Board of Trustees may change the date, time and place of any regular meeting as fixed in a resolution of the EH Board of Trustees, provided, however, written notice of such other date, time and place shall be delivered to each EH Trustee either personally or by mail, telephone or email to such EH Trustee's residence or place of business at least two (2) business days before the rescheduled meeting.

Section 5.3 Special Meetings.

Special meetings may be called by the Chairperson in the Chairperson's discretion or upon the Chairperson's receipt of the written request of at least five (5) EH Trustees. Within three (3) business days following appropriate receipt of a request for a special meeting, the Chairperson shall call such special meeting, to be held within ten (10) business days of the receipt of such request. In the absence of the Chairperson or in the event of the inability or refusal of the Chairperson to act, the Vice-Chairperson (in accordance with Section 6.6), within three (3) business days following appropriate receipt of a request for a special meeting shall call such special meeting, to be held within ten (10) business days of receipt of such request. Special meetings may also be called by action of the Parent Board of Trustees, served in writing on the Chairperson. Within three (3) business days following appropriate receipt of a request for a special meeting from the Parent Board of Trustees, the Chairperson shall call such special meeting, to be held within ten (10) business days of the receipt of such request. EH Trustees shall be given notice of each special meeting of the EH Board of Trustees which notice shall set forth the date, time, place and purpose of the meeting. Notice shall be delivered to each EH Trustee either personally or by mail, telephone or email to such EH Trustee's residence or place of business not less than three (3) business days prior to the meeting.

Section 5.4 Executive Sessions.

The Chairperson may call an executive session of the EH Board of Trustees at any meeting of the EH Board of Trustees at which a quorum is present, to consider such matters as may properly come before the EH Board of Trustees. No notice of an executive session shall be necessary. The Chairperson shall have the authority and discretion to exclude from the executive session any non-members of the EH Board of Trustees and any Ex Officio Trustee.

Section 5.5 Quorum.

A majority of the EH Trustees then in office shall constitute a quorum for the transaction of business at any meeting of the EH Board of Trustees; provided that if, in any event, less than the applicable quorum of EH Trustees is present at any meeting, a majority of the EH Trustees who are present may adjourn the meeting from time to time without further notice.

Section 5.6 Manner of Acting.

The act of a majority of the EH Trustees present at a meeting at which a quorum is present shall be the act of the EH Board of Trustees, except where otherwise provided by law or by these Bylaws.

Section 5.7 Informal Action by Trustees.

Any action required to be taken, or which may be taken, at a meeting of the EH Board of Trustees, may be taken without a meeting if a written consent setting forth the action taken, is signed by all of the EH Trustees.

Section 5.8 Waiver of Notice.

Whenever any notice whatsoever is required to be given by statute or by these Bylaws, waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Such waiver shall be filed with or entered upon the records of the Corporation. The attendance of an EH Trustee at a meeting shall constitute waiver of notice thereof unless the EH Trustee objects at the beginning of the meeting to the holding of the meeting because proper notice was not given.

Section 5.9 Procedure at Meetings.

Robert's Rules of Order shall govern procedure at all meetings of the EH Board of Trustees where not covered expressly by these Bylaws.

ARTICLE 6
OFFICERS

Section 6.1 Officers.

The EH Officers shall be the Chairperson, the Vice-Chairperson, a President, a Treasurer, a Secretary, and such other officers or assistant officers as may be elected or appointed from time to time as hereinafter provided.

EH Officers whose authority and duties are not prescribed in these Bylaws shall have such authority and duties as prescribed from time to time by the Parent President.

Section 6.2 Election and Term of Office.

(a) The chairperson and vice chairperson of the Corporate Member shall serve as the Chairperson and Vice Chairperson of the Corporation, respectively.

(b) The Parent President shall have the authority to appoint from time to time:

(i) subject to prior consultation with the Parent Board of Trustees, the President; and

(ii) the Secretary and Treasurer and such other EH Officers (other than the Chairperson and the Vice Chairperson) as the President shall deem necessary or desirable to manage the operations of the Corporation and its subsidiaries or controlled entities.

The Parent President shall notify the EH Board of Trustees of any appointment she or he makes pursuant to the exercise of the authority granted by this Section 6.2(b).

(c) The Chairperson shall serve as long as he or she serves as chairperson of the Parent Board of Trustees. The Vice Chairperson shall serve as long as he or she serves as vice chairperson of the Parent Board of Trustees. EH Officers appointed by the Parent President shall serve until removed as hereinafter provided.

Section 6.3 Removal and Vacancies.

(a) Removal.

Other than the Chairperson and Vice-Chairperson, the EH Board of Trustees may remove any EH Officer (whether or not elected or appointed by it) when, in its judgment, the best interests of the Corporation will be served thereby. The Parent President may remove any EH Officer appointed by the Parent President when, in her or his judgment, the best interests of the Corporation will be served thereby; provided that, in the case of the President, any such removal shall be subject to a prior consultation with the Parent Board of Trustees. The President shall notify the EH Board of Trustees of any removal she or he makes pursuant to the exercise of the authority granted by this Section 6.3(a). Removal shall be without prejudice to the contract rights, if any, of the person so removed.

(b) Vacancies.

Any vacancy in the office of Chairperson shall be filled with the person elected by the Parent Board of Trustees to serve as chairperson of the Parent Board of Trustees, and such person shall assume the office of Chairperson automatically upon such election by the Parent Board of Trustees. Any vacancy in the office of Vice Chairperson shall be filled with the person elected by the Parent Board of Trustees to serve as vice chairperson of the Parent Board of Trustees, and such person shall assume the office of Vice Chairperson automatically upon such election by the Parent Board of Trustees. Subject to the provisions of Section 6.2(b)(i), the Parent President may fill any vacancies in the offices for which she or he has appointment power under Section 6.2(b).

Section 6.4 Resignation.

Any EH Officer may resign as an EH Officer at any time by filing a written resignation with the EH Board of Trustees, or to the President or Secretary, which resignation shall become effective upon the date specified therein, or, if no date is specified therein, upon receipt.

Section 6.5 Chairperson.

The Chairperson shall be generally responsible for matters of general policy and for seeing that the resolutions of the EH Board of Trustees are carried out. The Chairperson shall preside at meetings of the EH Board of Trustees; shall be responsible for nominating members of all EH Board Committees for approval by the EH Board of Trustees; and in general shall perform all duties incident to the office of Chairperson and such other duties as may be prescribed by the EH Board of Trustees from time to time.

Section 6.6 Vice-Chairperson.

In the absence of the Chairperson, or in the event of the inability or refusal of the Chairperson to act, the Vice-Chairperson shall perform the duties of the Chairperson, and when so acting, shall have all the powers of and be subject to all the restrictions of the Chairperson. The Vice-Chairperson shall perform such other duties as from time to time may be prescribed by the Chairperson or by the EH Board of Trustees.

Section 6.7 President.

Subject to the ultimate authority of the Board of Trustees, the President shall be the chief executive officer of the Corporation and shall be its representative in the management of the Corporation. The President shall be responsible for carrying out all policies established by the EH Board of Trustees and for seeing that the resolutions of the EH Board of Trustees are carried out; and shall perform such other administrative duties in the management and affairs of the Corporation as may be authorized by these Bylaws, by action of the EH Board of Trustees not inconsistent with these Bylaws and such other implied administrative duties recognized in accordance with the Not For Profit Corporation Act.

In the absence of the President or in the event of the President's inability or refusal to act, the duties of the President shall be fulfilled by those EH Officers designated in a written policy established by the President and approved by the EH Board of Trustees.

Section 6.8 EH Board Treasurer.

The Treasurer shall be responsible for maintaining general supervision over the finances of the Corporation subject to consultation with the Finance Committee of the Parent Board of Trustees. The Treasurer shall assist in connection with the preparation of monthly financial reports and annual audits and with the maintenance of an accounting system designed to give a true and accurate accounting of the financial status of the Corporation; and in general shall perform all duties incident to the office of Treasurer, and such other duties as may be prescribed by the EH Board of Trustees from time to time.

Section 6.9 Secretary.

The Secretary shall keep the minutes of the meetings of EH Trustees in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records of the Corporation; keep a register of the post office address of each member of the EH Board of Trustees; and in general shall perform all duties incident to the office of Secretary, and such other duties as may be prescribed by the EH Board of Trustees from time to time.

ARTICLE 7
COMMITTEES

Section 7.1 Standing Committees.

The standing board committee of the Corporation shall be a Quality Committee (together with any special committees created by the EH Board of Trustees, the "**EH Board Committees**"). Any EH Board Committee which addresses issues related to the discharge of Medical Staff responsibilities shall include Medical Staff Members on that EH Board Committee.

With respect to the EH Board Committees:

(i) The membership and governance of each EH Board Committee shall be as provided in these Bylaws and any duly adopted policies of the EH Board of Trustees and the Committee charter. Each EH Board Committee may have a charter setting forth, among other things, its duties and responsibilities. All such charters shall be approved by the EH Board of Trustees.

(ii) The Chairperson shall serve as an *ex-officio*, voting member of all Committees. In addition, the President shall be a member of each EH Board Committee.

(iii) The Chairperson shall nominate individuals for appointment to all EH Board Committees, including the committee chairpersons thereof. Such appointments shall be subject to the approval of the EH Board of Trustees.

(iv) The term of office of members of all EH Board Committees shall commence immediately following the meeting at which their nomination is approved by the EH Board of Trustees, and shall continue until the close of the next annual meeting of the EH Board of Trustees or until successors are nominated and approved by the EH Board of Trustees and assume their respective duties.

(v) Each EH Board Committee shall meet at the call of the chairperson thereof at an hour and place to be stated in the call. A majority of the entire committee shall constitute a quorum. Any action to be taken at such

meeting at which a quorum is present must be taken by a majority of the members of the EH Board Committee present at such meeting.

(vi) The Chairperson shall nominate persons to fill vacancies in the membership of any EH Board Committee, which nominations shall be subject to the approval of the EH Board of Trustees. The term of office of a member appointed to a vacancy shall commence immediately following approval by the EH Board of Trustees.

(vii) Subject to the approval of the EH Board of Trustees, each EH Board Committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the EH Board of Trustees.

(viii) Each EH Board Committee shall have as members two or more EH Trustees and may have as members one or more non-members of the EH Board of Trustees as long as the number of such non-members of the EH Board of Trustees on such EH Board Committee are less than the number of EH Trustees on such EH Board Committee. All members of the EH Board Committee shall serve at the pleasure of the EH Board of Trustees.

(ix) The EH Board of Trustees may remove a member of an EH Board Committee when, in its judgment, the best interests of the Corporation will be served thereby.

(x) Each EH Board Committee shall advise and make recommendations to the EH Board of Trustees concerning matters of that EH Board Committee affecting any affiliates and subsidiaries of the Corporation.

Section 7.2 Quality Committee.

The Quality Committee shall have responsibilities with respect to (a) the credentialing of, and the delineation of clinical privileges for, Medical Staff Members, (b) quality assurance activities and (iii) such other functions as may be assigned by the EH Board of Trustees.

Section 7.3 Special Committees.

The EH Board of Trustees may create special committees for such purposes and with such powers as it may deem appropriate. Upon completion of the task for which appointed, any special committee shall stand discharged. The provisions of Article VII, Section 7.1 shall apply to all special committees.

Section 7.4 Confidentiality of Committee Deliberations.

Any EH Board Committee, and the EH Board of Trustees as a whole, which is involved in the evaluation and improvement of the quality of care rendered at Edward Hospital shall be considered to be a committee under the Illinois Medical Studies Act (735 ILCS 5/8-2101). As such, each of these EH Board Committees, and the EH Board of Trustees, shall be authorized to engage in activities related to internal quality control of or medical study for the purpose of

reducing morbidity or mortality, or for improving patient care, including the review of information regarding any applicant to the Medical Staff or Medical Staff Members. All information, records, reports, statements or memoranda used by and the proceedings of any EH Board Committee, or of the EH Board of Trustees as a whole, shall be considered to be "Confidential Information." In addition to the above, "Confidential Information" will include, but shall not be limited to, specific information concerning a patient, EH Board Committee minutes which address peer review and credentialing, communication between members of such committees or of the EH Board of Trustees and credentials files, regardless of the vehicle by which the information is disclosed (i.e., oral, written, fax, or electronic, including e-mail).

ARTICLE 8
MEDICAL STAFF

Section 8.1 Organization, Appointments and Hearings.

(a) The EH Board of Trustees shall organize the physicians and dentists granted practice privileges in Edward Hospital into a medical staff pursuant to and under bylaws, rules and regulations of the Medical Staff (the "**Medical Staff Bylaws**"). The Medical Staff Bylaws must be approved by the EH Board of Trustees. The EH Board of Trustees shall consider recommendations for appointment and reappointment to the Medical Staff, and appoint or reappoint to the Medical Staff, in numbers not exceeding Edward Hospital's needs, physicians and/or dentists who meet the qualifications for membership as set forth in these Bylaws and the Medical Staff Bylaws. Each Medical Staff Member shall have appropriate authority and responsibility for the care of such Medical Staff Member's patients, subject to such limitations as are contained in these Bylaws and in the Medical Staff Bylaws and further subject to any limitations attached to the Medical Staff Member's appointment or reappointment to the Medical Staff by the EH Board of Trustees.

(b) All applications for appointment or reappointment to the Medical Staff ("**Applications**") shall be in writing and addressed to the President or the President's designee. Applications shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience, any unfavorable history with regard to licensure and hospital privileges, and any other information required by the Medical Staff Bylaws. Information contained within an Application will be verified by the Medical Staff credentials committee (the "**Credentials Committee**"). It is the philosophy of the EH Board of Trustees, as further stated in the policies of the EH Board of Trustees, that the Corporation, the EH Trustees and the current Medical Staff Members shall be highly selective in recommending individuals for appointment to the Medical Staff and in delineating clinical privileges to Medical Staff Members. The Credentials Committee and the Medical Staff medical executive committee (the "**Medical Executive Committee**") shall recommend for appointment to the Medical Staff only those applicants considered to possess above average qualifications as determined by references from peers, training programs and other hospitals; demeanor during a personal interview; the caliber and reputation of the applicant's training programs; board certification status; and commitment to the community and to Edward Hospital as

evidenced in part by the amount of time devoted to medical practice in the Edward Hospital service area.

(c) Initial appointments to the Medical Staff shall be provisional and shall not exceed a period of two years or such other period of time as may be set forth in the Medical Staff Bylaws. Reappointments shall be for a period of not more than two years or such other period of time as may be set forth in the Medical Staff Bylaws. Applicants for Medical Staff Membership and Medical Staff Members shall be afforded an opportunity for a fair hearing in accordance with, and regarding such matters, as may be set forth in the Medical Staff Bylaws. Such hearing shall be conducted informally under procedures adopted by the EH Board of Trustees so as to assure fairness and afford full opportunity for the representation of all pertinent information.

Medical Staff Members who hold their positions pursuant to a written contract shall be subject to the terms, conditions and limitations contained therein.

(d) The President shall have the authority to grant or withdraw temporary Medical Staff privileges in accordance with the Medical Staff Bylaws.

Section 8.2 Medical Care and Evaluation.

(a) The EH Board of Trustees shall have responsibility for the operation of Edward Hospital, but, in the exercise of its discretion and with appropriate safeguards, it shall delegate to the Medical Staff the day-to-day responsibility for providing appropriate professional care to patients at Edward Hospital.

(b) The Medical Staff shall conduct a continuing review and appraisal of the quality of professional care rendered to patients in Edward Hospital and shall report to the Quality Committee on such matters. The Quality Committee shall report such review and appraisal to the EH Board of Trustees at the regular meetings of the EH Board of Trustees.

(c) The Medical Staff shall make recommendations to the EH Board of Trustees concerning: (i) appointments and reappointments to the Medical Staff, as well as any recommended changes to categories of Medical Staff membership, (ii) granting of clinical privileges, (iii) disciplinary actions, (iv) all matters relating to professional competency, (v) all other matters in which the Medical Staff is required to make recommendations to the EH Board of Trustees pursuant to the Medical Staff Bylaws and (vi) such specific matters as may be referred to it by the EH Board of Trustees.

(d) Only a Medical Staff Member with admitting privileges shall be permitted to admit a patient to Edward Hospital.

Section 8.3 Medical Staff Bylaws.

The Medical Staff Bylaws shall set forth the organization and governance of the Medical Staff, with standards acceptable to the EH Board of Trustees and licensing bodies and

accrediting bodies. The Medical Staff Bylaws shall at all times be in conformity with these Bylaws and the policies of the EH Board of Trustees.

Section 8.4 Professional Liability Insurance.

No Medical Staff Member shall be authorized to exercise admitting or clinical privileges without having in effect professional liability insurance coverage, in such amounts as may be required by the EH Board of Trustees in consultation with the Medical Executive Committee. The EH Board of Trustees and/or the President may require any Medical Staff Member to furnish a certificate of insurance or other evidence of compliance with this requirement. Failure of any Medical Staff Member to maintain such professional liability insurance coverage in amounts required by the EH Board of Trustees, or to furnish, or cause to be furnished within a reasonable period of time, evidence of such insurance coverage when so requested, shall constitute an immediate and automatic suspension of the Medical Staff Member's Medical Staff privileges until such time as the foregoing requirement has been met.

ARTICLE 9
INDEMNIFICATION

Section 9.1 Actions Other Than by or in the Right of the Corporation.

The Corporation, to the fullest extent permitted by law, shall indemnify any person who was or is a party, or 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 such person is or was an EH Trustee or EH Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, and may indemnify any person who was or is a party, or is threatened to be made a party, to any such action, suit or proceeding by reason of the fact that he or she was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person 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 such person's 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 such person reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that such person's conduct was unlawful.

Section 9.2 Actions by or in the Right of the Corporation.

The Corporation, to the fullest extent permitted by law, shall indemnify 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 such person is or was an EH Trustee or EH Officer of the Corporation, or is or was serving at the request of the Corporation, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation, provided 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 such person's 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 9.3 Indemnification Against Expenses.

To the extent that an EH Trustee or EH Officer has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Sections 9.1 and 9.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against (a) in the cases of Sections 9.1 and 9.2, expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith and (b) in the case of Section 9.1, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection therewith.

Section 9.4 Authorization of Indemnification.

Any indemnification of an EH Trustee or EH Officer under Sections 9.1 and 9.2 (unless ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the EH Trustee or EH Officer is not proper in the circumstances because such person has not met the applicable standard of conduct set forth in Sections 9.1 or 9.2. Any indemnification of an employee or agent under Section 9.1 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination that indemnification of such employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 9.1 or 9.2. Any such determination shall be made (a) by the majority vote of the members of the EH Board of Trustees who are not parties to such action, suit or proceeding, if there is a quorum, (b) if such quorum is not obtainable, or even if obtainable, if a quorum on disinterested EH Trustees so directs, by independent legal counsel in a written opinion, or (c) by the Corporate Member.

Section 9.5 Payment of Expenses in Advance.

Unless the EH Board of Trustees otherwise determines in a specific case, expenses incurred by an EH Trustee or EH Officer in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the EH Trustee or EH Officer to repay such amount, unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized in this Article. Such expenses incurred by

other employees or agents may be so paid upon such terms and conditions, if any, as the EH Board of Trustees deems appropriate.

Section 9.6 Claims.

If a claim by an EH Trustee or EH Officer for indemnification or payment of expenses under this Article 9 is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 9.7 Provisions Not Exclusive.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which persons seeking indemnification may be entitled under any bylaw, agreement, vote of disinterested EH Trustees, or otherwise, both as to action in such person's 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 an EH Trustee, EH Officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 9.8 Insurance.

The Corporation shall use reasonable commercial efforts to purchase and maintain insurance on behalf of any person who is or was an EH Trustee or EH Officer of the Corporation, or who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 9.9 Amendment or Repeal.

Any repeal or modification of the foregoing provisions of this Article 9 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE 10
MISCELLANEOUS

Section 10.1 Contracts.

Subject to the Reserved Powers of the Corporate Member pursuant to Article 3 hereof, the EH Board of Trustees, after having obtained the written approval of the Parent Board of Trustees, if such approval is required by these Bylaws, may authorize any EH Officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Additionally, the President, and any employees and agents, as may be authorized by

the President, may enter into contracts or execute and deliver instruments in the name of and on behalf of the Corporation to the extent this is in accordance with EH Board of Trustee action and policy and within the implied authority of the President recognized under law in accordance with the Not for Profit Corporation Act.

Section 10.2 Checks and Drafts.

All checks, drafts, or orders for the payment of money and all notes shall be signed by any EH Officer or agent in such manner as the EH Board of Trustees may direct, after having obtained the written approval of the Parent Board of Trustees, if such approval is required by these Bylaws.

Section 10.3 Fiscal Year.

The fiscal year of the Corporation shall begin on July 1 and end with June 30.

Section 10.4 Auxiliary Groups.

The EH Board of Trustees may sanction and recognize auxiliary groups working for the general good of the Corporation. Such groups shall be formally organized by adopting such bylaws, setting forth the purposes of the group and the manner in which such group shall function, as the EH Board of Trustees may approve.

Section 10.5 Deposits.

All corporate funds shall be deposited to the credit of the Corporation in such bank or other depositories as the EH Board of Trustees may select.

ARTICLE 11
BOOKS AND RECORDS

The Corporation shall keep books and records of the account and shall also keep minutes of the proceedings of the EH Board of Trustees and EH Board Committees having any of the authority of the EH Board of Trustees (the "**Corporate Records**"). The Corporate Records may be inspected by any member of the EH Board of Trustees or such EH Trustee's agent or attorney for any proper purpose at any reasonable time.

ARTICLE 12
AMENDMENT OF BYLAWS

These Bylaws may only be amended by the action of EH Board of Trustees, subject to the approval of the Corporate Member.

EXHIBIT I

Restated Parent Articles

ARTICLES OF AMENDMENT AND RESTATED ARTICLES OF INCORPORATION OF

EDWARD-ELMHURST HEALTHCARE

AN ILLINOIS NOT FOR PROFIT CORPORATION

1. The present name of the corporation is Edward Health Services Corporation (the "Corporation"), which was incorporated on April 27, 1987 as Naperville Community Health Services and was amended on December 14, 1992 to Edward Health Services Corporation.

2. These Amended and Restated Articles of Incorporation integrate and amend the previous Articles of Incorporation and are executed pursuant to the provisions of the Illinois General Not For Profit Corporation Act (the "Act"), as amended.

3. The text of the Amended and Restated Articles of Incorporation is as follows:

Article I

Name

The name of the Corporation is Edward-Elmhurst Healthcare.

Article II

Registered Office and Registered Agent

The address of the Corporation's registered office is 801 S. Washington Street, Naperville, Illinois 60566. The name of the resident agent of the Corporation is Pamela Meyer Davis.

Article III

Purposes

The purposes of the Corporation are to support and encourage health care and related services through providing financial, management and other assistance to its subsidiary entities (and to other organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or any subsequent revenue law of the United States (the "Code") that are operated, supervised, or controlled by one or more of its subsidiaries) and through all other relevant ways; and to otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

i. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation

shall be distributed to its trustees, officers or any other private 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;

ii. 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

iii. Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Article IV

Powers

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

Article V

Corporate Member

The Corporation shall have no members.

Article VI

Board of Trustees

The number of trustees shall be in accordance with the bylaws of the Corporation.

Article VII

Dissolution

Upon the dissolution or liquidation of the Corporation, and after payment of or provision for, just debts and liabilities, all remaining assets shall be distributed to such organization or organizations which are organized and operated exclusively for exempt purposes under Section 501(c)(3) of the Code as determined by the Corporation's board of trustees. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which

the principal office of the Corporation is then located, to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

EXHIBIT J

Restated Parent Bylaws

AMENDED AND RESTATED

BYLAWS

OF

[EDWARD-ELMHURST HEALTHCARE]

(Amended and Restated Effective as of [●], 2013)

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS 1

ARTICLE 2 PURPOSES 3
- Section 2.1 Name and Location. 3
- Section 2.2 Purposes. 3

ARTICLE 3 BOARD OF TRUSTEES 4
- Section 3.1 General Powers. 4
- Section 3.2 Number and Qualifications. 4
- Section 3.3 Term of Office. 4
- Section 3.4 Nomination and Election. 5
- Section 3.5 Removal and Vacancies. 6
- Section 3.6 Resignation. 6
- Section 3.7 Compensation. 7
- Section 3.8 Conflict of Interest. 7
- Section 3.9 Corporate Compliance. 7

ARTICLE 4 RESERVED POWERS 7
- Section 4.1 Reserved Powers. 7
- Section 4.2 Authority. 8

ARTICLE 5 MEETINGS OF THE BOARD OF TRUSTEES 9
- Section 5.1 Annual Meeting. 9
- Section 5.2 Regular Meetings. 10
- Section 5.3 Special Meetings. 10
- Section 5.4 Executive Sessions. 10
- Section 5.5 Quorum. 10
- Section 5.6 Manner of Acting. 11
- Section 5.7 Informal Action by Trustees. 11
- Section 5.8 Waiver of Notice. 11
- Section 5.9 Procedure at Meetings 11

ARTICLE 6 OFFICERS 11
- Section 6.1 Officers. 11
- Section 6.2 Nominations, Election and Term of Office 11
- Section 6.3 Removal and Vacancies. 12
- Section 6.4 Resignation. 13
- Section 6.5 Chairperson. 13
- Section 6.6 Vice Chairperson. 13
- Section 6.7 President 13
- Section 6.8 Treasurer. 14

Section 6.9 Secretary. 14

ARTICLE 7 COMMITTEES 14
Section 7.1 Standing Committees. 14
Section 7.2 Executive Committee. 15
Section 7.3 Finance Committee. 16
Section 7.4 Audit and Compliance Committee 16
Section 7.5 Special Committees. 17

ARTICLE 8 INDEMNIFICATION 17
Section 8.1 Actions Other Than by or in the Right of the Corporation. 17
Section 8.2 Actions by or in the Right of the Corporation. 17
Section 8.3 Indemnification Against Expenses. 18
Section 8.4 Authorization of Indemnification. 18
Section 8.5 Payment of Expenses in Advance. 18
Section 8.6 Claims 19
Section 8.7 Provisions Not Exclusive. 19
Section 8.8 Insurance. 19
Section 8.9 Amendment or Repeal. 19

ARTICLE 9 MISCELLANEOUS 19
Section 9.1 Contracts. 19
Section 9.2 Checks and Drafts. 20
Section 9.3 Fiscal Year. 20
Section 9.4 Auxiliary Groups. 20
Section 9.5 Deposits 20

ARTICLE 10 BOOKS AND RECORDS 20

ARTICLE 11 AMENDMENT OF BYLAWS 20

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions.

When used in these Bylaws, the following terms shall have the meanings given unless otherwise specified:

"***Affiliate Entity(ies)***" means each Subsidiary Entity and each of Edward Health Ventures, Edward Foundation, EMH Foundation and Elmhurst Memorial Home Health.

"***Articles of Incorporation***" means the amended and restated articles of incorporation of the Corporation filed with the Secretary of State, State of Illinois, pursuant to the Not for Profit Corporation Act, as such articles of incorporation may be hereafter amended.

"***Bylaws***" means these amended and restated bylaws of the Corporation.

"***Board of Trustees***" means the Board of Trustees of the Corporation.

"***Chairperson***" means the Chairperson of the Board of Trustees.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time, or any subsequent revenue law of the United States.

"***Conflict of Interest***" means a transaction or arrangement of the Corporation and/or any of its wholly-owned or controlled subsidiaries and affiliated organizations where a Trustee, Officer, or a member of his or her immediate family has a direct or indirect financial interest, as more fully described in the Corporation's Conflict of Interest Policy. Philosophical or professional differences of opinion do not constitute conflicts of interest.

"***Corporation***" means [Edward-Elmhurst Healthcare], an Illinois not-for-profit corporation.

"***Edward Foundation***" means Edward Foundation, an Illinois not-for-profit corporation.

"***Effective Date***" means the date on which the "Effective Time" (as defined and provided in the System Affiliation Agreement) occurs.

"***EH***" means Edward Hospital, an Illinois not-for-profit corporation.

"***EHV***" means Edward Health Ventures, an Illinois not-for-profit corporation.

"***Elmhurst Memorial Home Health***" means Elmhurst Memorial Home Health, an Illinois not-for-profit corporation.

"***EMH***" means Elmhurst Memorial Hospital, an Illinois not-for-profit corporation.

"***EMHC***" means Elmhurst Memorial Healthcare, an Illinois not-for-profit corporation.

"***EMH Foundation***" means Elmhurst Memorial Hospital Foundation, an Illinois not-for-profit corporation.

"***Initial Edward Trustee***" means the "Edward Appointees" as defined in, and initially appointed by the Corporation pursuant to, the System Affiliation Agreement.

"***Initial Elmhurst Trustee***" means the "Elmhurst Appointees" as defined in, and initially appointed by EMHC pursuant to, the System Affiliation Agreement.

"***Initial Period***" means the period beginning on the Effective Date and ending on the third (3rd) anniversary of such date.

"***Initial Trustee***" means any of, and "***Initial Trustees***" means all of, the Initial Edward Trustees and the Initial Elmhurst Trustees.

"***Non-EMHC Trustee***" means a Trustee (other than the Chairperson or Vice Chairperson) who has been designated in the System Affiliation Agreement, in the case of the initial Non-EMHC Trustees, or is thereafter designated by the Board of Trustees, as not serving as a Subsidiary Trustee for EMHC.

"***Not For Profit Corporation Act***" means the Illinois General Not For Profit Corporation Act of 1986, as amended.

"***Medical Staff***" means the Medical Staffs of each of EH and EMH.

"***Officer***" means the officers referred to in Section 6.1 of these Bylaws.

"***President***" means the President and Chief Executive Officer of the Corporation.

"***Representative Trustee***" means (a) on the Effective Date, an individual so designated in the System Affiliation Agreement and (b) after the Effective Date, an individual selected and designated as such by the Board of Trustees to serve in that capacity, as provided in the Bylaws of EMHC.

"***Subsidiary Entity(ies)***" means each of EH, EMH and EMHC.

"***Subsidiary Trustees***" means those Trustees who also serve as members of the boards of trustees of EH, EMHC and EMH, in each case by reason of their status as a Trustee.

"***System Affiliation Agreement***" means the System Affiliation Agreement dated April 2, 2013 and entered into by and between the Corporation, EH, EMH and EMHC.

"***Trustee***" means a member of the Board of Trustees.

ARTICLE 2
PURPOSES

Section 2.1 Name and Location.

The name of the Corporation is [Edward-Elmhurst Healthcare]. The principal office of the Corporation shall be in the City of Naperville, State of Illinois, and the Corporation may have such other offices, either within or without the State of Illinois, as it may require from time to time.

Section 2.2 Purposes.

The purposes of the Corporation are to support and encourage health care and related services through providing financial, management and other assistance to the Subsidiary Entities (and to other organizations described under Section 501(c)(3) of the Code that are operated, supervised, or controlled by one or more of the Subsidiary Entities) and through all other relevant ways; and to otherwise operate in support of, or in furtherance of, the charitable purposes of the Corporation, exclusively for charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Code, in the course of which operation:

(i) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any private individual, and no part of the income of the Corporation shall be distributed to its Trustees, Officers or any other private 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;

(ii) 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 any political campaign on behalf of or in opposition to any candidate for public office, including the publishing or distribution of statements, except as authorized under the Code; and

(iii) Notwithstanding any other provisions contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by (aa) a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (bb) a corporation, the contributions to which are deductible under Section 170(c)(2) of the Code.

Section 2.3 Powers.

The Corporation shall have and exercise all the powers conferred by the laws of the State of Illinois upon not-for-profit corporations so far as the same shall be suitable, useful or expedient for promoting, furthering and carrying out the purposes of the Corporation.

ARTICLE 3
BOARD OF TRUSTEES

Section 3.1 General Powers.

The business and affairs of the Corporation shall be managed by the Board of Trustees, which shall have all of the powers, authority, responsibilities and obligations given the board of trustees of a not-for-profit corporation under the laws of the State of Illinois.

The Board of Trustees shall oversee the resources and planning designed to provide quality patient care to all patients served by any of the Affiliate Entities, including mechanisms to monitor the delivery of patient care, performance improvement, risk management, medical staff credentialing, and financial management. These mechanisms will include standing and/or special committees, or designated Affiliate Entity staff or contracted workers, all of which shall report periodically to the Board of Trustees at the request of the Board of Trustees.

Section 3.2 Number and Qualifications.

(a) The Board of Trustees shall consist of thirteen (13) Trustees, twelve (12) of whom shall be elected or appointed as hereinafter provided. The remaining Trustee shall be the President, who shall serve as an *ex-officio* Trustee, with vote. Upon election or appointment, as applicable, to the Board of Trustees, each Trustee shall automatically become a member of the board of trustees of each Subsidiary Entity, and become a Subsidiary Trustee, except, with respect to EMHC, for the Non-EMHC Trustees.

(b) Trustees shall consist of persons who are interested in the mission of the Corporation, who are distinguished by their achievement and good judgment and who have expertise in areas which will aid the Corporation in the development of programs and policies. The Board of Trustees shall consist of individuals who are broadly representative of the communities served by the Corporation and/or the Subsidiary Entities. Notwithstanding anything to the contrary herein, no person shall serve as a Trustee who is a member of the governing board, a planning committee, or the executive committee of the medical staff of a "licensed health care facility." For purposes of this paragraph, the following entities shall not be included within the definition of a "licensed health care facility:" (i) the Corporation, (ii) the Affiliate Entities, and (iii) any other entity (aa) for which the Corporation is the sole corporate member or single shareholder and/or has a direct or an indirect ownership interest in, (bb) for which the Corporation has a direct or indirect oversight role or (cc) that is under common control with the Corporation.

Section 3.3 Term of Office.

(a) The Trustees (other than the President) shall be classified with respect to the time for which they shall hold office by dividing them into three (3) classes, with each class consisting, as nearly as may be possible, of one-third of the total number of Trustees. The initial term of office, and the class, for each Initial Trustee shall be as set forth in the deliveries made pursuant to the System Affiliation Agreement. The Initial Trustees of the first class shall consist of four (4) Trustees who shall hold office for an initial term of five (5) years from the Effective Date and until their successors are duly elected and qualified; the Initial Trustees of the second

class shall consist of four (4) Trustees who shall who shall hold office for an initial term of six (6) years from the Effective Date and until their successors are duly elected and qualified; and the Initial Trustees of the third class consist of four (4) Trustees who shall who shall hold office for an initial term of seven (7) years from the Effective Date and until their successors are duly elected and qualified.

(b) At each annual meeting of the Board of Trustees following the Initial Period, successors to the class of Trustees whose term has expired shall be appointed to hold office for a term of three (3) years and until their successors have been duly elected and qualified.

(c) In the event of an increase in the number of Trustees, the existing Trustees shall assign the newly created Trustees to the appropriate class or classes so that the three (3) classes shall continue to consist of, as nearly as possible, an equal number of Trustees; and the term of such new Trustee shall be the same as the term of the Trustees of the class to which such new Trustee is assigned.

(d) Generally, no person shall be eligible for election as a Trustee after he or she has completed nine (9) years of consecutive service after the Effective Date as a Trustee, but shall become re-eligible after an interval of at least three (3) years has elapsed since the date of expiration of his or her most recent term as a Trustee; provided, however, that the Board of Trustees may make an exception if deemed appropriate by the Board of Trustees to address unusual or special needs of the Corporation.

Section 3.4 Nomination and Election.

(a) Initial Trustees. The initial Trustees shall be the Initial Trustees.

(b) Nomination. If the term of office of one or more Trustees is scheduled to expire at the end of the fiscal year corresponding to an annual meeting of the Board of Trustees, the Executive Committee shall submit a slate of nominees for election as Trustees to the Board of Trustees not less than thirty (30) days prior to the date of such annual meeting. Trustees may make recommendations for nominees to the Executive Committee prior to the time the slate is submitted by the Executive Committee to the Board of Trustees; and shall otherwise not be permitted to submit recommendations or nominations. The Executive Committee shall seek to nominate not less than the number of qualified individuals needed to fill the offices of Trustees whose terms of office are due to expire at the end of the fiscal year corresponding to such annual meeting. The slate shall be accompanied by a summary of the qualifications of each nominee.

(c) Election. At each annual meeting of the Board of Trustees following the Initial Period, the Board of Trustees shall elect individuals to fill the offices of the Trustees whose terms of office are due to expire at the end of the fiscal year corresponding to such annual meeting. Those individuals elected as Trustees shall be automatically elected to serve concurrently as Subsidiary Trustees, subject to the provisions of Section 3.2(a). In the event that the Board of Trustees is unable to elect the number of Trustees necessary to fill all expired terms of office at the annual meeting, the Board of Trustees shall seek to elect individuals to any resulting vacancies as soon as practicable following that annual meeting. No nominations shall be made from the floor at the annual meeting. Write in candidates will not be allowed. If the

number of individuals receiving a majority vote is greater than the number of open positions, the open positions shall be filled by the individuals receiving the largest number of majority votes. If the number of individuals receiving a majority vote is less than the number of open positions, those individuals receiving a majority of the votes shall be deemed elected, and the remaining nominees shall remain on the ballot and balloting shall be repeated until the open positions are filled in accordance with these Bylaws.

(d) Orientation. Each newly elected Trustee shall be provided with an orientation to the functions and responsibilities of the Board of Trustees by the Executive Committee.

Section 3.5 Removal and Vacancies.

(a) Removal. The Board of Trustees may remove a Trustee upon written notice delivered to the Trustee when, in its judgment, the best interests of the Corporation will be served thereby; provided, however, that during the Initial Period: (i) an Initial Edward Trustee (or any successor thereto) may only be removed by a majority of the Initial Edward Trustees (or their successors) then in office; and (ii) an Initial Elmhurst Trustee (or any successor thereto) may only be removed by a majority of the Initial Elmhurst Trustees (or their successors) then in office. Removal as a Trustee also shall constitute removal, as applicable, as a member of all Board Committees, as a Subsidiary Trustee and as an Officer.

(b) Vacancies. The Board of Trustees, based upon recommendations from the Executive Committee, may fill a vacancy in the office of a Trustee due to death, resignation, removal or otherwise; provided, however, that during the Initial Period, any vacancy caused by the death, resignation, removal or other circumstance of: (i) an Initial Edward Trustee (or any successor thereto) may only be filled by a majority of the remaining Initial Edward Trustees (or their successors) then in office; and (ii) an Initial Elmhurst Trustee (or any successor thereto) may only be filled by a majority of the remaining Initial Elmhurst Trustees (or their successors) then in office. The Trustee elected to fill the vacancy shall hold office for the unexpired term of such person's predecessor, or, if there is no predecessor, until the next annual meeting at which the Trustees of the same class shall be subject to election.

(c) Manner of Acting. If action is deemed by the Initial Edward Trustees or the Initial Elmhurst Trustees to be necessary or desirable under Section 3.5(a) or Section 3.5(b), the Initial Edward Trustees (including their successors) or the Initial Elmhurst Trustees (including their successors), as the case may be, may meet separately for the purpose of discussing and removing a Trustee as permitted under Section 3.5(a) or discussing and filling a vacancy as permitted under Section 3.5(b) in accordance with the qualification requirements specified in Section 3.2(b) of these Bylaws. The Initial Edward Trustees or the Initial Elmhurst Trustees, as the case may be, shall communicate any action taken by them under Section 3.5(a) or Section 3.5(b) to the Chairperson and the Secretary (who shall provide notice to the remaining members of the Board of Trustees), whereupon such action shall become effective.

Section 3.6 Resignation.

A Trustee may resign at any time by filing a written resignation with the Secretary, which resignation shall become effective upon the date specified therein, or, if no date is specified

therein, upon receipt by the Secretary. The Secretary shall notify the other Trustees of the receipt of any such resignation. Resignation as a Trustee shall also constitute resignation, as applicable, as an Officer, a Subsidiary Trustee and as a member of any Board Committees. Resignation by any Trustee of any position held by such Trustee as a Subsidiary Trustee shall be deemed to constitute a resignation by such individual as a Trustee, as a member of any Board Committees and, if applicable, as an Officer.

Section 3.7 Compensation.

Trustees, as such, shall not receive any stated salaries for their services, but by resolution of the Board of Trustees, reimbursement of out-of-pocket expenses, if any, may be allowed for attendance at each regular or special meeting of the Board of Trustees; provided that nothing contained in this Section 3.7 shall be construed to preclude any Trustee from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.8 Conflict of Interest.

(a) Any possible Conflict of Interest on the part of a Trustee or an Officer shall be disclosed to the Board of Trustees. When any such interest relates to a matter on which action is to be taken by the Board of Trustees, such Trustee shall not take part in the deliberations of, vote or use personal influence on the matter, and shall not be counted in the quorum for a meeting at which action by the Board of Trustees is to be taken. The Trustee may, however, answer pertinent questions of members of the Board of Trustees. The minutes of all actions taken on such matters shall clearly reflect that these requirements have been met.

(b) Each Trustee and each Officer shall be required to complete an annual Conflicts of Interest questionnaire. Failure to complete the questionnaire in a timely manner shall constitute cause for removal of a Trustee or an Officer, should the Board of Trustees so determine to act.

Section 3.9 Corporate Compliance.

It is the policy of the Board of Trustees that all aspects of the operations of the Corporation and each Affiliate Entity are to be conducted in full compliance with all applicable laws and regulations. To ensure that employees and individuals with whom the Corporation and/or the Affiliate Entities do business engage in ethical and legal behavior and practices, the Board of Trustees has adopted a Corporate Compliance Program and related policies (collectively the "***Program***"). The Program shall be adopted by each Affiliate Entity and be monitored by the Board of Trustees no less than annually.

ARTICLE 4
RESERVED POWERS

Section 4.1 Reserved Powers.

The Corporation shall have certain reserve powers with respect to specified actions to be taken by or on behalf of the Affiliate Entities, in each case as set forth in Section 4.2 of these

Bylaws. Those required approvals and exclusive rights shall be set forth in the bylaws or other appropriate governing documents of each Affiliate Entity.

Section 4.2 Authority.

(a) The Corporation shall have the exclusive power to:

(i) Elect, appoint, remove and replace members of the board of trustees of any Affiliate Entity, except as otherwise provided in these Bylaws with respect to Subsidiary Trustees and except as may otherwise be specifically provided for in the bylaws or other governing document of the applicable Affiliate Entity.

(ii) Intervene in any action or plan of any Affiliate Entity to the extent the Board of Trustees, in its sole discretion, deems it necessary to do so in order to avoid significant adverse risk to the tax exempt status, licensure or accreditation of the Corporation, any Affiliate Entity or any facility operated by any of the foregoing, or to avoid significant adverse legal, regulatory, or financial risk to the Corporation, any Affiliate Entity or any facility operated by any of the foregoing.

(iii) Select and appoint independent auditors for any Affiliate Entity and direct the performance of an annual independent audit of the financial condition of any Affiliate Entity.

(b) In addition to the exclusive powers set forth in Section 4.2(a), the Corporation's approval shall be required to authorize any of the following matters:

(i) The adoption, amendment and/or repeal of the articles of incorporation, bylaws or any similar governing document of any Affiliate Entity.

(ii) The adoption and approval of any plan of dissolution or liquidation of any Affiliate Entity, any plan of merger or consolidation of any Affiliate Entity with another corporation or other entity; and/or any exchange, sale or transfer of any material portion of the assets of any Affiliate Entity in any transaction or series of related transactions.

(iii) The adoption, approval, amendment, restatement or modification of any financial control policy for any Affiliate Entity and the taking of any action by or on behalf of any Affiliate Entity not otherwise in conformance with any such policy.

(iv) The amendment or revision of the initial purpose and scope of services of any Affiliate Entity, including location, size, operations and activities.

(v) The adoption of any and all annual operating and capital budgets, strategic plans, capital investments and/or capital allocations of any Affiliate Entity.

(vi) The authorization or approval of any long-term borrowing of money by any Affiliate Entity or the authorization or approval of any prepayment, in whole or in part, refinancing, increase, modification or extension of any such indebtedness.

(vii) The granting of any security interest in, or otherwise providing for the encumbrance of, any of the assets or revenues of any Affiliate Entity.

(viii) The creation and/or addition of any direct or indirect subsidiaries or affiliates of any Affiliate Entity, including, without limitation, any not-for-profit or for-profit corporations, limited liability companies, partnerships or other legal entities.

(ix) The filing of a voluntary petition, or any consent to the involuntary filing of a petition, by or on behalf of any Affiliate Entity, in bankruptcy or any reorganization, or any appointment of a receiver on behalf of any Affiliate Entity.

(x) The submission of any applications, filings or material correspondence to the Illinois Health Facilities and Services Review Board or any successor thereto (the "***IHFSRB***") for any proposed project or activity of any Affiliate Entity subject to the jurisdiction of the IHFSRB, regardless of the level of capital expenditure.

(xi) The purchase or sale by any Affiliate Entity of any interest in real property.

(c) Any exercise of any exclusive powers or approval rights pursuant to this Section 4.2 shall be evidenced by a resolution of the Board of Trustees. The Board of Trustees may delegate to the President or another Officer the authority to exercise any of the exclusive powers or approval rights under this Section 4.2, and such delegation may be limited to specific events or transactions, or to general categories of events or transactions, as the Board of Trustees shall consider to be necessary or desirable in the circumstances.

ARTICLE 5
MEETINGS OF THE BOARD OF TRUSTEES

Section 5.1 Annual Meeting.

The annual meeting of the Board of Trustees shall be held on the third Monday in June at the principal office of the Corporation, or on such other date and at such other time and place as may be determined by resolution of the Board of Trustees. The purposes of the annual meeting shall include: (a) the election of Trustees (such elected Trustees will then become Subsidiary Trustees except as otherwise provided herein), a Chairperson and a Vice Chairperson (in each case only with respect to periods following the Initial Period and in accordance with the terms specified for such positions); (b) the selection of the Representative Trustees and the designation of the Subsidiary Trustees and Non-EMHC Trustees for EMHC (in each case in accordance with the bylaws or similar governing document of EMHC); (c) other than the Subsidiary Trustees, the election of members of the board of trustees or similar governing body of each Affiliate Entity for which the Corporation has election or appointment authority (in each case in accordance with the bylaws or similar governing document of such Affiliate Entity); (d) the approval of the appointment of members of the Board Committees and their respective committee chairpersons; (e) the receipt of the annual reports of the Subsidiary Entities; and (f) the transaction of such other business as may come before a meeting of the Board of Trustees; provided, however, that with respect to clause (b) immediately above, that during the Initial Period, the selection of the Representative Trustees (including by reason of any vacancy in the office thereof) shall be made

by a majority of the Initial Elmhurst Trustees (or their successors). No notice of the annual meeting of the Board of Trustees shall be necessary.

Section 5.2 Regular Meetings.

Regular meetings of the Board of Trustees shall be held at the principal office of the Corporation in Illinois, on such date and at such time as may be fixed from time to time by resolution of the Board of Trustees, for the transaction of such business as may properly come before the Board of Trustees. No notice of regular meetings shall be necessary beyond the delivery of a copy of the resolution setting forth the dates and times fixed for such regular meetings. The Board of Trustees may change the date, time and place of any regular meeting as fixed in a resolution of the Board of Trustees; provided, however, written notice of such other date, time and place shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business at least two (2) business days before the rescheduled meeting.

Section 5.3 Special Meetings.

Special meetings may be called by the Chairperson in the Chairperson's discretion or upon the Chairperson's receipt of the written request of at least five (5) Trustees. Within three (3) business days following appropriate receipt of a request for a special meeting, the Chairperson shall call such special meeting, to be held within ten (10) business days of the receipt of such request. In the absence of the Chairperson or in the event of the inability or refusal of the Chairperson to act, the Vice-Chairperson (in accordance with Section 6.6), within three (3) business days following appropriate receipt of a request for a special meeting, shall call such special meeting, to be held within ten (10) business days of receipt of such request. Trustees shall be given notice of each special meeting of the Board of Trustees, which notice shall set forth the date, time, place and purpose of the meeting. Notice shall be delivered to each Trustee either personally or by mail, telephone or email to such Trustee's residence or place of business not less than three (3) business days prior to the meeting.

Section 5.4 Executive Sessions.

The Chairperson may call an executive session of the Board of Trustees at any meeting of the Board of Trustees at which a quorum is present, to consider such matters as may properly come before the Board of Trustees. No notice of an executive session shall be necessary. The Chairperson shall have the authority and discretion to exclude from the executive session any non-members of the Board of Trustees and any *ex-officio* members of the Board of Trustees.

Section 5.5 Quorum.

A majority of the Trustees then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Trustees; provided that if, in any event, less than the applicable quorum of Trustees is present at any meeting, a majority of the Trustees who are present may adjourn the meeting from time to time without further notice.

Section 5.6 Manner of Acting.

The act of a majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees, except where otherwise provided by law or by these Bylaws.

Section 5.7 Informal Action by Trustees.

Any action required to be taken, or which may be taken, at a meeting of the Board of Trustees, may be taken without a meeting if a written consent setting forth the action taken, is signed by all of the Trustees.

Section 5.8 Waiver of Notice.

Whenever any notice whatsoever is required to be given by statute or by these Bylaws, waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Such waiver shall be filed with or entered upon the records of the Corporation. The attendance of a Trustee at a meeting shall constitute waiver of notice thereof unless the Trustee objects at the beginning of the meeting to the holding of the meeting because proper notice was not given.

Section 5.9 Procedure at Meetings.

Robert's Rules of Order shall govern procedure at all meetings of the Board of Trustees where not covered expressly by these Bylaws.

ARTICLE 6
OFFICERS

Section 6.1 Officers.

The Officers shall include a Chairperson, a Vice Chairperson, a President, a Treasurer, a Secretary and such other officers and assistant officers as may be elected or appointed from time to time as hereinafter provided. The Chairperson and the Vice Chairperson shall each be a member of the Board of Trustees. Officers whose authority and duties are not prescribed in these Bylaws shall have such authority and duties as prescribed from time to time by the President.

Section 6.2 Nominations, Election and Term of Office.

(a) The initial Officers shall be appointed in the manner contemplated by the System Affiliation Agreement. The term of office for the initial Chairperson and the initial Vice Chairperson shall be for a period beginning on the Effective Date and ending on the fifth (5^{th}) anniversary of the Effective Date. At the first annual meeting of the Board of Trustees following such period, or as soon thereafter as practicable, and at subsequent annual meetings if the terms of office of the Chairperson and/or Vice Chairperson are scheduled to expire, the Board of Trustees shall elect the Chairperson and Vice Chairperson, as applicable, to hold office for a term of two (2) years and until their successors are elected and qualified, or until their death,

resignation or removal. No nominations shall be made from the floor at the annual meeting. The remaining Officers shall serve until their successors are elected and/or appointed and qualified, or until their death, resignation or removal.

(b) The Executive Committee shall submit to the Board of Trustees not less than thirty (30) days prior to the date of any annual meeting of the Board of Trustees at which the Chairperson or Vice Chairperson is to be elected, a slate of nominees for election to the positions of Chairperson and Vice Chairperson, as applicable. Trustees may make recommendations for nominees for such offices to the Executive Committee prior to the time such slate is submitted by the Executive Committee to the Board of Trustees, but shall otherwise not be permitted to submit recommendations or nominations. The Executive Committee shall seek to nominate a qualified individual to fill any such position whose term of office is due to expire at such annual meeting. The slate shall be accompanied by a summary of the qualifications of the nominee.

(c) The President shall have the authority to appoint from time to time:

(i) subject to the prior approval of the Board of Trustees, the Treasurer and the Secretary;

(ii) subject to prior consultation with the Board of Trustees, the Chief Executive Officers of each subsidiary or controlled entity that is a licensed acute care hospital; and

(iii) such other Officers (other than the Chairperson or the Vice Chairperson), and officers of subsidiary or controlled entities (other than any chairperson or vice chairperson), as the President shall deem necessary or desirable to manage the operations of the Corporation and its subsidiaries or controlled entities.

(d) The President shall notify the Board of Trustees of any appointment she or he makes pursuant to the exercise the authority granted by Section 6.2(c).

Section 6.3 Removal and Vacancies.

(a) Removal. The Board of Trustees may remove any Officer (whether or not elected or appointed by it) when, in its judgment, the best interests of the Corporation will be served thereby. The President may remove any Officer or any officer of any subsidiary or controlled entity appointed by the President when, in her or his judgment, the best interests of the Corporation will be served thereby; provided that: (i) in the cases of the Treasurer or Secretary, any such removal shall be subject to the prior approval of the Board of Trustees and (ii) in the case of any officer appointed pursuant to Section 6.2(c)(ii), any such removal shall be subject to a prior consultation with the Board of Trustees. The President shall notify the Board of Trustees of any removal she or he makes pursuant to the exercise of the authority granted by this Section 6.3(a). Removal shall be without prejudice to the contract rights, if any, of the person so removed. Removal of an individual as the Chairperson or Vice Chairperson shall be deemed to constitute a removal of such individual as the chairperson or vice chairperson, as applicable, of any of the Subsidiary Entities.

(b) Vacancies. During the Initial Period, vacancies in the office of Chairperson and/or President shall be filled by a majority of the Initial Edward Trustees (or their successors). During the Initial Period, vacancies in the office of Vice Chairperson shall be filled by a majority of the Initial Elmhurst Trustees (or their successors). The Initial Edward Trustees (including their successors) or the Initial Elmhurst Trustees (including their successors) may meet separately for the purpose of discussing and filling a vacancy for which they have the power to fill pursuant to the preceding two sentences; and shall communicate their decision to the Secretary (who shall provide notice to the remaining members of the Board of Trustees), whereupon the individual selected to fill such vacancy shall assume the duties and obligations of the position so filled. Following the Initial Period, the Board of Trustees, based upon recommendations of the Executive Committee, may fill any vacancy in the offices of Chairperson, Vice Chairperson or President. Subject: (i) to the provisions of Section 6.2(c)(i), in the cases of the offices of Treasurer and Secretary; and (ii) to the provisions of Section 6.2(c)(ii), in the cases of the office of Chief Executive Officer of any subsidiary or controlled entity that is a licensed hospital; the President may fill any vacancies in the offices for which she or he has appointment power under Section 6.2(c).

Section 6.4 Resignation.

An Officer may resign an office at any time by filing a written resignation with the Secretary, which resignation shall become effective upon the date specified therein, or, if no date is specified therein, upon receipt by the Secretary. Resignation by the Chairperson or Vice Chairperson as the chairperson or vice chairperson, respectively, of any of the Subsidiary Entities, shall be deemed to constitute a resignation by such individual as the Chairperson or Vice Chairperson, as applicable.

Section 6.5 Chairperson.

The Chairperson shall be generally responsible for matters of general policy and for seeing that the resolutions of the Board of Trustees are carried out. The Chairperson shall preside at meetings of the Board of Trustees and the Executive Committee; shall be responsible for nominating members of all Board Committees for approval by the Board of Trustees; and in general shall perform all duties incident to the office of Chairperson and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 6.6 Vice Chairperson.

In the absence of the Chairperson, or in the event of his or her inability or refusal to act, the duties of the Chairperson shall be performed by the Vice Chairperson. In addition, the Vice Chairperson shall perform such other duties as may be assigned to the Vice Chairperson from time to time by the Board of Trustees.

Section 6.7 President.

Subject to the ultimate authority of the Board of Trustees, the President shall be the chief executive officer of the Corporation and shall be its representative in the management of the Corporation. The President shall be responsible for carrying out all policies established by the Board of Trustees and for seeing that the resolutions of the Board of Trustees are carried out; and

shall perform such other administrative duties in the management and affairs of the Corporation as may be authorized by these Bylaws, by action of the Board of Trustees not inconsistent with these Bylaws and such other implied administrative duties recognized in accordance with the Not For Profit Corporation Act.

Section 6.8 Treasurer.

The Treasurer shall be responsible for maintaining general supervision over the finances of the Corporation subject to consultation with the Finance Committee. The Treasurer shall assist in connection with the preparation of monthly financial statements and annual audits and with the maintenance of an accounting system designed to give a true and accurate accounting of the financial status of the Corporation; and in general shall perform all duties incident to the office of Treasurer, and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 6.9 Secretary.

The Secretary shall keep the minutes of the meetings of the Board of Trustees in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law, be custodian of the corporate records of the Corporation, keep a register of the post office address and email address of each member of the Board of Trustees, and in general shall perform all duties incident to the office of Secretary, and such other duties as may be prescribed by the Board of Trustees from time to time

ARTICLE 7
COMMITTEES

Section 7.1 Standing Committees.

The standing board committees of the Corporation shall be an Executive Committee, an Audit and Compliance Committee and a Finance Committee (together with any special committees created by the Board of Trustees, the "***Board Committees***"). With respect to the Board Committees:

(a) The membership and all other general conditions governing a Board Committee shall be as provided in these Bylaws, any duly adopted policies of the Board of Trustees and any Committee charter. Each Board Committee may have a charter setting forth, among other things, its duties and responsibilities. All such charters shall be approved by the Board of Trustees.

(b) The Chairperson shall serve as an *ex-officio*, voting member of all Board Committees.

(c) The Chairperson shall nominate individuals for appointment to all Board Committees, including the committee chairpersons thereof. Such appointments shall be subject to the approval of the Board of Trustees.

(d) The term of office of members of all Board Committees shall commence immediately following the meeting at which their appointment is approved by the Board of Trustees, and shall continue until the close of the next annual meeting of the Board of Trustees or until successors are approved by the Board of Trustees and assume their respective duties.

(e) Each Board Committee shall meet at the call of the chairperson thereof at an hour and place to be stated in the call. A majority of the entire committee shall constitute a quorum. Any action to be taken at such meeting at which a quorum is present must be taken by a majority of the members of the Board Committee present at such meeting.

(f) The Chairperson shall nominate persons to fill vacancies in the membership of any Board Committee, which nominations shall be subject to the approval of the Board of Trustees. The term of office of a member appointed to a vacancy shall commence immediately following approval by the Board of Trustees of such member.

(g) Subject to the approval of the Board of Trustees, each Board Committee may adopt rules for its own governance not inconsistent with the Not For Profit Corporation Act, these Bylaws or with any rules adopted by the Board of Trustees.

(h) Each Board Committee shall have as members two (2) or more Trustees and may have as members one (1) or more non-members of the Board of Trustees as long as the number of such non-members of the Board of Trustees on such Board Committee are less than the number of Trustees on such Board Committee; provided, however, that with respect to the Executive Committee, one (1) of the members shall be the Chairperson, who shall serve as the chairperson of the Executive Committee.

(i) The Board of Trustees may remove a member of a Board Committee when, in its judgment, the best interests of the Corporation will be served thereby.

(j) Each Board Committee's responsibility is to advise and make recommendations to the Board of Trustees and the boards of trustees of the Subsidiary Entities, in each case concerning matters pertaining to the Corporation and/or the Subsidiary Entity in accordance with the Not For Profit Corporation Act, these Bylaws, the bylaws of the respective Subsidiary Entities and the policies and/or committee descriptions approved by the Board of Trustees.

Section 7.2 Executive Committee.

(a) Composition. The Executive Committee shall consist of six (6) members. During the Initial Period, the members of the Executive Committee shall be as follows: (i) the President; (ii) three (3) of the Initial Edward Trustees (or their successors); and (iii) two (2) of the Initial Elmhurst Trustees (or their successors).

(b) Responsibilities. Except as provided in the Not For Profit Corporation Act, the Executive Committee shall have and exercise the authority of the Board of Trustees in the management of the Corporation and have those duties, responsibilities and authority as may be prescribed by the Board of Trustees from time to time. The Executive Committee shall review and/or develop the strategic plan(s) for the Corporation and its Affiliated Entities, taking into account the mission of the Corporation, and recommend same for approval, or approval with

modifications, to the Board of Trustees. The role of the Executive Committee shall include, but not be limited to, the following: (i) the identification of individuals who may be nominated and elected to serve as new Trustees or as Chairman, Vice Chairman or President; (ii) the education of new Trustees; (iii) the review and evaluation of the President; (iv) the review and approval of any and all executive compensation plans for the Corporation and the Affiliate Entities; and (v) the review and approval of any transactions involving the acquisition of physician practices/groups and/or joint ventures or transactions with physicians or physician practices/groups.

Section 7.3 Finance Committee.

(a) Composition. The Finance Committee shall consist of seven (7) members, at least one (1) of whom shall be a non-member of the Board of Trustees. During the Initial Period, the members of the Finance Committee shall be as follows: (i) the President; (ii) three (3) of the Initial Edward Trustees (or their successors); (iii) two (2) of the Initial Elmhurst Trustees (or their successors); and (iv) one (1) non-member of the Board of Trustees.

(b) Responsibilities. The role of the Finance Committee shall include, but not be limited to, the following: (i) the oversight of the development and approval of the Corporation's and the Affiliate Entities' operating and capital budgets or other financial matters; (ii) making recommendations on an annual basis to the Board of Trustees regarding investment asset allocation; (iii) determining which entities will be utilized for investment placement; (iv) hiring and retaining financial advisors as deemed necessary; and (v) the performance of such duties, powers and functions as may be required by the Board of Trustees.

(c) Investment Subcommittee. The Finance Committee shall also have a subcommittee, known as the Investment Subcommittee, whose duties and responsibilities shall include the activities described in clauses (ii), (iii) and (iv) of Section 7.3(b) in connection with the oversight of the Corporation's investment policies, investment managers and investments. The Investment Subcommittee shall consist of five (5) members, three (3) of whom shall be Trustees and two (2) of whom shall be non-members of the Board of Trustees.

Section 7.4 Audit and Compliance Committee.

(a) Composition. The Audit and Compliance Committee shall consist of seven (7) members, at least three (3) of whom shall be non-members of the Board of Trustees. During the Initial Period, the members of the Audit and Compliance Committee shall be as follows: (i) two (2) of the Initial Edward Trustees (or their successors); (ii) two (2) of the Initial Elmhurst Trustees (or their successors); and (iii) three (3) non-members of the Board of Trustees.

(b) Responsibilities. The Audit and Compliance Committee shall assist the Board of Trustees in fulfilling its responsibilities for oversight of: (i) the Corporation's accounting and financial reporting practices, including providing a channel of communication between the Board of Trustees and the Corporation's independent auditors; and (ii) regulatory and healthcare compliance matters that affect the Corporation. To accomplish these purposes, the Audit and Compliance Committee shall: (aa) assist in the selection and ongoing quality review of the Corporation's independent audit firm; (bb) work with the auditors in conducting audits;

(cc) meet with the independent auditors upon completion of their examination to review the Corporation's financial statements and the auditor's report, obtain assurance that no restrictions were placed on the scope of the audit, review the implementation of any management letter received from the auditors, and that the Corporation's accounting and internal control functions are effective; (dd) oversee the functions and actions of any internal audit group within the Corporation; (ee) oversee the Program, including policies and practices designed to ensure the Corporation's compliance with all applicable legal, regulatory and ethical requirements; and (ff) have such other powers and perform such other duties as the Board of Trustees shall, from time to time, grant and assign to it.

Section 7.5 Special Committees.

The Board of Trustees may create special committees for such purposes and with such powers as it may deem appropriate. Upon completion of the task for which appointed, any special committee shall stand discharged. The provisions of Article 7 shall apply to all special committees.

ARTICLE 8
INDEMNIFICATION

Section 8.1 Actions Other Than by or in the Right of the Corporation.

The Corporation, to the fullest extent permitted by law, shall indemnify any person who was or is a party, or 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 such person is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director, trustee or officer of another corporation, partnership, joint venture, trust or other enterprise, and may indemnify any person who was or is a party, or is threatened to be made a party, to any such action, suit or proceeding by reason of the fact that he or she was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person 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 such person's 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 such person reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that such person's conduct was unlawful.

Section 8.2 Actions by or in the Right of the Corporation.

The Corporation, to the fullest extent permitted by law, shall indemnify 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 such person is or was a Trustee or Officer of the Corporation, or is or was serving at the request of the Corporation, as a director, trustee or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation, provided 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 such person's 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 8.3 Indemnification Against Expenses.

To the extent that a Trustee or Officer of the Corporation has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against (a) in the case of both Section 8.1 and Section 8.2, expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith and (b) in the case of Section 8.1, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection therewith.

Section 8.4 Authorization of Indemnification.

Any indemnification of a Trustee or Officer under Section 8.1 or Section 8.2 (unless ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the Trustee or Officer is not proper in the circumstances because such person has not met the applicable standard of conduct set forth in Section 8.1 or Section 8.2. Any indemnification of an employee or agent under Section 8.1 (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 employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 8.1. Any such determination shall be made: (a) by the Board of Trustees by a majority vote of a quorum consisting of Trustees who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested Trustees so directs, by independent legal counsel in a written opinion.

Section 8.5 Payment of Expenses in Advance.

Unless the Board of Trustees otherwise determines in a specific case, expenses incurred by a Trustee or Officer in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Trustee or Officer to repay such amount, unless

it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized in this Article 8. Such expenses incurred by other employees or agents may be so paid upon such terms and conditions, if any, as the Board of Trustees deems appropriate.

Section 8.6 Claims

If a claim by a Trustee or Officer for indemnification or payment of expenses under this Article 8 is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 8.7 Provisions Not Exclusive.

The indemnification provided by this Article 8 shall not be deemed exclusive of any other rights to which persons seeking indemnification may be entitled under any bylaw, agreement, vote of disinterested Trustees, or otherwise, both as to action in such person's 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 a Trustee, Officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8.8 Insurance.

The Corporation shall use reasonable commercial efforts to purchase and maintain insurance on behalf of any person who is or was a Trustee or Officer of the Corporation, or who is or was serving at the request of the Corporation as a director, trustee or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article 8.

Section 8.9 Amendment or Repeal.

Any repeal or modification of the foregoing provisions of this Article 8 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE 9
MISCELLANEOUS

Section 9.1 Contracts.

The Board of Trustees may authorize an Officer or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Additionally, the President, and such Officers, employees and agents as may be authorized by the President, may enter into contracts or execute and deliver instruments in the name of and on behalf of the Corporation to the extent in accordance with any action and/or

policy of the Board of Trustees and is otherwise within the implied authority of the President, as recognized under law in accordance with the Not For Profit Corporation Act.

Section 9.2 Checks and Drafts.

All checks, drafts, or orders for the payment of money and all notes shall be signed by such Officer or Officers or person or persons (whether or not Officers of the Corporation), in such manner as the Board of Trustees may direct.

Section 9.3 Fiscal Year.

The fiscal year of the Corporation shall begin on July 1 and end with June 30.

Section 9.4 Auxiliary Groups.

The Board of Trustees may sanction and recognize auxiliary groups working for the general good of the Corporation. Such groups shall be formally organized by adopting such bylaws, setting forth the purposes of the group and the manner in which such group shall function, as the Board of Trustees may approve.

Section 9.5 Deposits.

All corporate funds shall be deposited to the credit of the Corporation in such bank or other depositories as the Board of Trustees may select.

ARTICLE 10
BOOKS AND RECORDS

The Corporation shall keep books and records of the account and shall also keep minutes of the proceedings of the Board of Trustees and Board Committees having any of the authority of the Board of Trustees (the "***Corporate Records***"). The Corporate Records may be inspected by any member of the Board of Trustees or such Trustee's agent or attorney for any proper purpose at any reasonable time.

ARTICLE 11
AMENDMENT OF BYLAWS

The Board of Trustees shall cause these Bylaws to be reviewed at least biennially. At any meeting of the Board of Trustees, the Board of Trustees may amend, alter or repeal these Bylaws or adopt new Bylaws by a two-thirds affirmative vote of the Trustees then serving, provided that a description of the proposed amendment(s) shall have been published in or with the notice of such meeting.

EXHIBIT 5.04

Regulatory Applications; Other Consents and Approvals

A. Updates to the Medicare 855A provider enrollment application with the Centers for Medicare & Medicaid Services for each of EH and EMH are required.

B. A Hart-Scott-Rodino filing has been submitted to the Federal Trade Commission on February 28, 2013.

C. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Memorial Hospital.

D. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Outpatient Surgery Center.

E. Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Memorial Primary Care Associates, LLC, dated January 1, 2009, amended by that certain First Amendment to Professional Service Agreement dated January 1, 2009, amended and restated effective December 1, 2010.

F. Operating Agreement of CyberKnife Center of Chicago, LLC.

G. Amended and Restated Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Memorial Hematology/Oncology Associates, LLC, dated January 1, 2010, amended by that certain First Amendment to Amended and Restated Professional Services Agreement dated September 1, 2012.

H. Amended and Restated Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Clinic, LLC, dated August 1, 2010, amended by that certain First Amendment to Amended and Restated Professional Services Agreement dated January 1, 2011.

I. Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Medical Associates, LLC, dated July 1, 2010, amended by that certain Addendum dated July 1, 2010, Second Addendum dated January 1, 2011, and Third Addendum dated December 3, 2012.

ELMHURST DISCLOSURE SCHEDULE

In connection with that certain System Affiliation Agreement, dated as of April 2, 2013 (the "Agreement"), by and among Edward Health Services Corporation, Edward Hospital, Elmhurst Memorial Hospital ("EMH") and Elmhurst Memorial Healthcare ("EMHC"), EMH and EMHC hereby deliver the Elmhurst Disclosure Schedule (as defined in the Agreement).

The Elmhurst Disclosure Schedule and the information, disclosures and exceptions contained herein are intended only to qualify and supplement the representations and warranties of EMH and EMHC contained in the Agreement, and shall not be deemed to expand in any way the scope or effect of any of such representations and warranties. Any disclosure in any section of the Elmhurst Disclosure Schedule which is referenced or called for by any other section(s) of the Agreement shall qualify other section(s) of the Agreement to the extent that it is apparent that such disclosure relates to such other section(s) of the Agreement and to the extent that it is apparent from the disclosure that such disclosure is relevant to such other section(s) of the Agreement.

Some of the contracts, transactions, liabilities and other matters ("Materials") disclosed in the Elmhurst Disclosure Schedule may not fall within the disclosure requirements set forth in the representations and warranties or other provisions of the Agreement due to the fact that they do not meet the materiality thresholds set forth in the Agreement. The inclusion of such Materials in the Elmhurst Disclosure Schedule does not imply that all comparable contracts, transactions, liabilities and other matters that do not meet such materiality thresholds are necessarily disclosed in the Elmhurst Disclosure Schedule. All descriptions of agreements or other matters appearing herein are summary in nature and are qualified by reference to the complete documents, which have been supplied or which will be made available upon request. All capitalized terms used herein but not otherwise defined in the Elmhurst Disclosure Schedule have the meanings ascribed to them in the Agreement.

Section 6.01(a)
Additional Elmhurst Entities – Form and State Law

Additional Elmhurst Entity	Form of Organization	State of Organization
Elmhurst Memorial Hospital Foundation	Not-for-Profit Corporation	Illinois
Elmhurst Memorial Home Health	Not-for-Profit Corporation	Illinois
Elmhurst Memorial Hospital Guild	Not-for-Profit Corporation	Illinois
Elmhurst Memorial Interventional Radiology Services	Limited Liability Company	Illinois
EM Health Technologies, LLC	Limited Liability Company	Illinois

Section 6.01(b)(1)
Additional Elmhurst Entities - Ownership and Liens

Additional Elmhurst Entity	Ownership	Liens
Elmhurst Memorial Hospital Foundation	EMH is the sole corporate member.	None
Elmhurst Memorial Home Health	EMH is the sole corporate member.	None
Elmhurst Memorial Hospital Guild	EMH is the sole corporate member.	None
Elmhurst Memorial Interventional Radiology Services	EMH is the sole member.	None
Elmhurst Memorial Health Technologies, LLC	Elmhurst is the sole member.	None

Section 6.01(b)(2) – Transfer of Membership or Equity Interests

None.

Section 6.01(b)(3) – Affiliates; Indirect Interests

Elmhurst Memorial Hospital holds an interest in ELMCARE LLC.

Elmhurst Memorial Hospital holds an interest in CyberKnife of Chicago, LLC.

Elmhurst Memorial Hospital holds an interest in Elmhurst Outpatient Surgery Center, LLC.

Section 6.01(c)(2)
Consents; Absence of Conflicts

A. Updates to the Medicare 855A provider enrollment application with the Centers for Medicare & Medicaid Services for each of EH and EMH are required.

B. A Hart-Scott-Rodino filing has been submitted to the Federal Trade Commission on February 28, 2013.

C. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Memorial Hospital.

D. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Outpatient Surgery Center.

Section 6.01(c)(3) – Absence of Conflicts; Breach of Lien; Consent

A. Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Memorial Primary Care Associates, LLC, dated January 1, 2009, amended by that certain First Amendment to Professional Service Agreement dated January 1, 2009, amended and restated effective December 1, 2010.

B. Operating Agreement of CyberKnife Center of Chicago, LLC.

C. Amended and Restated Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Memorial Hematology/Oncology Associates, LLC, dated January 1, 2010, amended by that certain First Amendment to Amended and Restated Professional Services Agreement dated September 1, 2012.

D. Amended and Restated Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Clinic, LLC, dated August 1, 2010, amended by that certain First Amendment to Amended and Restated Professional Services Agreement dated January 1, 2011.

E. Professional Services Agreement by and between Elmhurst Memorial Healthcare and Elmhurst Medical Associates, LLC, dated July 1, 2010, amended by that certain Addendum dated July 1, 2010, Second Addendum dated January 1, 2011, and Third Addendum dated December 3, 2012.

Section 6.01(e)
Financial Statements and Other Elmhurst Group Obligations

Section 6.01(e)(4)(i) – Elmhurst Obligated Group

Elmhurst Memorial Healthcare
Elmhurst Memorial Hospital
Elmhurst Memorial Home Health

Section 6.01(e)(4)(ii) – Elmhurst Debt

See Exhibit 1 to Section 6.01(e) of the Elmhurst Disclosure Schedule.

Section 6.01(e)(4)(iii) – Other Elmhurst Group Obligations

See Exhibit 1 to Section 6.01(e) of the Elmhurst Disclosure Schedule.

Section 6.01(e)(4)(A)-(B) –Breach, Default, Obligations

None.

Section 6.01(e)(5) – Compliance with GAAP

The December 2012 interim consolidated financial statements are not stated in conformity with GAAP. Adjustments made to account for certain concepts, including, but not limited to, presentation of bad debt or certain provisions dealing with charitable contributions, are routinely made only for the fiscal year end presentations.

Exhibit 1 to Section 6.01(e) of the Elmhurst Disclosure Schedule

Long-term debt at June 30, 2012 and 2011 consists of the following:

	2012	2011
5.00% to 6.25% secured revenue refunding bonds, dated December 15, 2002 (Series 2002D), due in varying annual principal installments through January 1, 2028	$ 124,546,719	$ 126,688,396
Variable rate direct note obligation Series 1985C and 1985D (0.18% and 0.10% at June 30, 2012 and 2011, respectively), maturing on December 15, 2012	5,333,296	8,533,300
Variable rate direct note obligation Series 2004A (0.30% and 0.25% at June 30, 2012 and 2011, respectively), maturing on January 1, 2034	6,482,000	6,482,000
Secured revenue bonds Series 2008A (4.5% to 5.625%), dated May 15, 2008, due in varying annual principal installments through January 1, 2037	120,511,207	120,344,869
Variable rate demand revenue bonds, Series 2008B (0.17% and 0.04% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	100,000,000	100,000,000
Variable rate demand revenue bonds, Series 2008C (0.31% and 0.10% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	75,000,000	75,000,000
Variable rate demand revenue bonds, Series 2008D (0.14% and 0.06% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	50,000,000	50,000,000
Variable rate demand revenue bonds, Series 2008E (0.30% and 0.24% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	25,000,000	25,000,000
Other long-term borrowings	143,700	143,700
	507,016,922	512,192,265
Less current maturities of long-term debt	(5,849,267)	(5,330,004)
Long-term debt less current maturities	$ 501,167,655	$ 506,862,261

In August 2006, Elmhurst entered into a $12,000,000 loan through the Illinois Facilities Authority's Pooled Financing Program related to the Series 1985C and 1985D Project Loan Agreements. Proceeds from the loan were used to reimburse Elmhurst for routine capital expenditures with tax-exempt uses.

Section 6.01(f)
Certain Post-Balance Sheet Results

None.

Section 6.01(h)
Payment Programs

Illinois Department of Healthcare and Family Services re-audit of DRGs from March 1, 2009 to December 31, 2011.

Section 6.01(i)
Regulatory Compliance

See Section 6.01(h) of the Elmhurst Disclosure Schedule.

Section 6.01(k)
Elmhurst Real Property

Section 6.01(k)(1)(E) – List of Owned Real Property

Property Name and Address	**PIN #**
1. Elmhurst Memorial Hospital Business Operations Center 855 N. Church Street Elmhurst, Illinois 60126 **NOTE: Owns Land and Improvement**	03-26-301-009
2. Elmhurst Memorial Hospital Main Campus - includes the following components: a. Main Hospital: 155 E. Brush Hill Road Elmhurst, Illinois 60126 - Main Hospital b. Elmhurst Center for Health: 1200 York Street Elmhurst, Illinois 60126 c. Medical Office Building West (MOB West): 133 E. Brush Hill Road, Elmhurst, Illinois 60126 d. Medical Office Building East (MOB East) - Proposed e. Lot 2 f. Lot 3 **NOTE: Owns Land and Main Hospital Improvement. A Portion of Land consisting of the MOB West is Ground Leased to HC Elmhurst West I, LLC which owns the MOB West Improvement.**	a. and b. 06-13-311-037 (Lot 1A - Main Hospital and CFH) c. 06-13-311-038 (Lot 1B - MOB West) d. 06-13-311-039 (Lot 1C - MOB East) e. 06-13-305-018 (Lot 2) f. 06-13-303-029 (Lot 3)
3. Elmhurst Memorial Hospital Berteau Campus a. 200 Berteau Avenue Elmhurst, Illinois 60126 b. Schiller and Berteau, Elmhurst, Illinois 60126 **NOTE: Owns Land and Improvements**	a. 06-01-117-011 b. 06-01-204-015

Property Name and Address	**PIN #**
4. Lombard Health Center Lombard, Illinois 60148 a. 130 S. Main Street b. 6 W Maple Street c. S. Main Street d. W. Maple Street **NOTE: Owns Land and Improvement**	a. 06-07-213-017 b. 06-07-213-012 c. 06-07-213-014 d. 06-07-213-016
5. Elmhurst Sleep Clinic 701 S. Main Street, Lombard, Illinois 60148 **NOTE: Owns Land and Improvement**	06-17-106-018
6. Addison Health Center 303 W. Lake Street Addison, Illinois **NOTE: Owns Land. A Portion of Land ground leased to HC Elmhurst West I, LLC, which owns the MOB Improvement**	03-21-304-001 03-28-100-019 03-28-100-020
7. Elmhurst Clinic Elmhurst, Illinois 60126 a. 172 Schiller b. 120 Haven c. 116 Haven d. 112 Haven e. 108 Haven f. __ Schiller g. 158 Schiller h. 119 Schiller	a. 06-01-119-010 b. 06-01-119-013 c. 06-01-119-014 d. 06-01-119-015 e. 06-01-119-016 f. 06-01-119-025 g. 06-01-119-032 h. 06-01-119-005
8. Miscellaneous Lots That Were Not Incorporated Into	

Property Name and Address	PIN #
the Main Hospital Campus Subdivision: a. 15W434 Concord, Elmhurst, Illinois 60126 b. 15W620 Harvard, Elmhurst, Illinois 60126 c. OS545 Kirk, Elmhurst, Illinois 60126 d. OS 551 Kirk, Elmhurst, Illinois 60126 e. 107 E. Brush Hill, Elmhurst, Illinois 60126 **NOTE: Owns Land (no Improvements on Land)**	 a. 06-13-307-021 b. 06-13-304-020 c. 06-13-304-006 d. 06-13-304-007 e. 06-13-314-011
Grave 8 of Lot 161, Section 17 in Arlington Cemetery Lake Street and County Line Road, Elmhurst, Illinois	Does not appear to have a separate PIN

List of Owned Real Property Leased to Tenants

Provided Separately

List of Real Property Leased by the Elmhurst Entities

Provided Separately

Section 6.01(k)(3)(A) – (D)

None.

Section 6.01(k)(3)(E) – Flood Plain

Elmhurst's Brush Hill campus is located on a flood plain. We have requested a Letter of Map Revision ("LOMR") from FEMA and as of October 2012 were advised by FEMA that all needed information has been submitted and they are finalizing the paperwork in order to issue the LOMR.

Section 6.01(l)
Title of Assets

There is a mortgage held by Wells Fargo Bank, N.A., dated May 15, 2008, and modified by that certain Partial Release of Mortgage and Subordination to Declaration of Easements, dated July 22, 2010, covering certain property located at 155 East Brush Hill Road.

Section 6.01(m)
Litigation or Proceedings

Litigation:

No.	Case Caption	Case No.	Venue
1.	ADKINS, ROBIN and STEPHEN v. Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, Kevin Kern, DO, Elmhurst Emergency Medical Services, Vivek Vinod Dave, MD, Elmhurst Radiologists, SC, Kevin McCoyd, MD, RLT Neuro Assoc., Judith Sherman, MD, DuPage Medical Group	2012 L 001049	DuPage County
2.	BERGLING, GARY v. Elmhurst Radiologists, SC, Elmhurst Memorial Hospital, Lee N. Dennis, MD	2011 L 009704	Cook County
3.	BREDESEN, SHAWN v. Gilbane Building Co., Gilbane Inc., Advance Mechanical Systems, Elmhurst Memorial Healthcare *(Tendered accepted by Gilbane)*	2011 L 001230	Cook County
4.	BEAHM, BRENDA v. Michelle Tansey, MD, Elmhurst Memorial Healthcare d/b/a Elmhurst Clinic	2008 L 001306	DuPage County
5.	CLEMENTE, DONATO v. Elmhurst Memorial Hospital, Monica Vicek, RN, Eileen Briones, RN, Kristen Witthoff, RN, Rita Monaco, RN, Roxanne Pusateri, Robert H. Geller, MD, Robert H. Geller, MD, SC	2012 L 001540	Cook County
6.	GEARLDS-FALBO, BERNADINE v. Officer Alexander Kefaloukas, Officer David Grahan, Brett Snopek, Kimnberly Urbanek, City of Elmhurst, Elmhurst Memorial Healthcare	2011 CV 06613	Federal
7.	GIOVINE, MARIA v. Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare	2012 L 012633	Cook County
8.	GOLNIK, JAMES AND THERESA v. Feras Bankosly, MD, Linus Smulkstys, MD, Andrew Belavic, MD, Elmhurst Clinic, LLC, Elmhurst Memorial Healthcare, Elmhurst Memorial	2010 L 009824	Cook County

No.	Case Caption	Case No.	Venue
	Hospital, Elmhurst Anesthesiologists		
9.	HOGAN, JOAN v. Midwest Heart Specialists, Andrew Blum, MD and Elmhurst Memorial Hospital	2013 L 000013	Cook County
10.	KARR, STEPHEN v. Khalid Badwan, MD, Khalid Badwan, MD, SC, Scott Cinel, MD, Stephen Mendak, MD, Elmhurst Clinic, Stephen Boghossian, MD, Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare	2011 L 010860	Cook County
11.	LEWIS, DEBORAH v. Elmhurst Memorial Hospital, Robert Lai, MD, Volodymyr Manko, SA	2012 L 001070	DuPage County
12.	LYNN, PATRICIA as Special Administrator of the Estate of GLEN LYNN v. EMHC d/b/a Elmhurst Memorial Hospital, Church Street Station Skilled Nursing and Living Center, LLC d/b/a The Claremont- Hanover Park, Nucare Services Corp, Clinical Consulting Solutions f/k/a Clinical Consulting Services, LLC	2012 L 003763	Cook County
13.	MILLER, MARY v. Elmhurst Memorial Hospital	2012 L 001144	DuPage County
14.	PETERSON, ELIZABETH Independent Executor of the Estate of WILLIAM KINGSBURY v. EMHC d/b/a Elmhurst Memorial Hospital, Meera Madappallil, MD	2012 L 000470	DuPage County
15.	PIELLI, JOHN, Special Administrator of the Estate of DAWN PIELLI v. Dr. Mohammand Gafoor, Dr. Richard Mattis, Westside Medical Assoc., Dr. Jaafar Afshar, Ava Women's Health Assoc, Dr. Daniel Hurly, Dr. Kenneth Heiferman, Dr. Kevin Koutsky, Dr. Leonard Cerullo, Dr. Brian Couri, THSC LLC, Neurological & Ortho Institute of Chicago, Chicago Institute FPR Nero, Northshore Univ. System, Northshore Univ. Group, Elmhurst Orthopedic, Dr. Christine Kassa, Dr. George Fikaris, Dr. John Girardot, Dr. Juozas Gurevicuis, Elmhurst Anesthesiologists, Elmhurst Memorial Healthcare, Elmhurst Memorial Hospital, Dr. John Wilson, Dr. MIrcea Iacob, Neurology, Clinical Neurology, Sleep Medicine PC, Dr. Timothy Cullinane, Dr Eugene Kwon, West Suburban Mutil-Specialty Med Services	2010 L 007824	Cook County

No.	Case Caption	Case No.	Venue
16.	QEMO, ASTRIT v. Dr Amaryllis Gil, Elmhurst Memorial Healthcare, Dr Joshua Eberhardt, Dr. Ronald Potkul, Loyola Medicine Hospital, Zhaneta Gellos	2013 L 002511	Cook County
17.	RITNER, ROY v. David Harter, MD, Elmhurst Memorial Hospital	2011 L 001252	DuPage County
18.	RODRIGUEZ, KARINA individually and as Special Administrator of Baby Doe and JOSEPH CERVANTES v. Elmhurst Memorial Hospital, R-P-W Obstetrics & Gynecology SC, Jennfier Kossoris, MD	2012 L 000771	DuPage County
19.	RUSINOWSKI, STEVEN v. Village of Hinsdale, Joseph Lukazek, Robert Didomenico, Elmhurst Memorial Hospital	2011 CV 04772	Federal
20.	SHOGREN, DIANE and CARL v. Kenneth Heiferman, MD Chicago Institute for Specialty Care, SC, CINN, Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare	2011 L 010801	Cook County
21.	SIMIONE, AMIDIO v. Gilbane Building Company, Gilbane, INC., Elmhurst Memorial Healthcare *(Tendered to Gilbane, waiting approval)*	2013 L 002428	Cook County
22.	SOSA, FRANCIS v. United Shockwave Therapies, United Shockwave Services, Khalid Badwan, MD, David Rosen, MD, Elmhurst Memorial Healthcare, Park Ridge Anesthesiology	2011 L 007772	Cook County
23.	SWANSON, JULIE v. Elmhurst Memorial Hospital, Elenor Garcia, RN	2012 L 001042	DuPage County
24.	SYDORYK, MARY v. Lee Simeone, DPM, Elmhurst Memorial Healthcare, Elmhurst Clinic	2011 L 008295	Cook County
25.	WACHHOLZ, WILLIAM through Joann Wachholz, Special Administer v. Elmhurst Memorial Hospital, Illinois Cardiothoracic Surgeons, LLC, Dr. Joao Ubatuba, Selma Simon, RN, Kathryn Gainsandy, RN, Jasper Lim, RN	2010 L 001649	Cook County

No.	Case Caption	Case No.	Venue
26.	WARE, ALVIN for the Estate of LESSIE GUYON v. Renaissance at Hillside, INC, NuCare Services Corp, Clinical Consulting Solutions, John Stare. *Respondents in Discovery: Elmhurst Memorial Healthcare d/b/a Elmhurst Memorial Hospital*	2012 L 009743	Cook County
27.	WOITAS, REBECCA individually & Special Admin of Estate of JEFFERY WOITAS v. Western Springs Family Practice Center, LTD, Jamie Hayes, MD *Respondents in Discovery: Robert Lapporte MD, Stanislaw Skaluba, MD, Phillip Cozzi, MD, Elmhurst Memorial Healthcare*	2012 L 012748	Cook County
28.	ZABLE, ANDREA and DAVID v. Kevin Kern, DO, Elmhurst Emergency Medical Services, LTD, Elmhurst Emergency Medical Services, Elmhurst Memorial Hospital, LTD, Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare	2012 L 009038	Cook County

Section 6.01(n)
Environmental Laws; Hazardous Substances and Other Environmental Representations

1. Section 6.01(n) – Liabilities

None.

2. Section 6.01(n) – Environmental Law Violations

See response to 7 below.

3. Section 6.01(n) – Allegation Requiring Investigation of Environmental Law Violation

None.

4. Section 6.01(n) – Hazardous Substances

See response 6 & 7 below.

5. Section 6.01(n) – Compliance with Environmental Laws Applicable to Elmhurst Real Property

See 7 below.

6. Section 6.01(n) – Asbestos-Containing Material

200 N. Berteau facility does contain regulated, friable, asbestos-containing material and has been identified by the AJR Companies of Hinsdale, Illinois and remains in a safe format by OSHA standards. This Real Property is slated for complete demolition and estimates for that work have been obtained by American Demolition Company of Elgin, Illinois which does include abatement of asbestos-containing materials.

Elmhurst is not aware of any other Real Property currently containing regulated, friable asbestos-containing material, although there could be such material in other older facilities that would only be discovered if construction/renovation was undertaken.

7. Section 6.01(n) – Underground Storage Tanks ("UST's")

a. 200 N Berteau – a 708 gallon diesel fuel spill occurred on February 14, 2000. Elmhurst retained Environmental Science Inc. to assist in the cleanup of spill and remedial efforts.

b. 200 N. Berteau – 5000 diesel fuel tank abandoned in place on Nov. 15, 1995, 15,000 gallon heating oil tank was abandoned on Nov. 15, 1995, 15,000 heating oil tank abandoned on Nov. 15, 1995, 30,000 heating oil tank abandoned on Nov.15, 1995. Tanks were recorded under office of State Fire Marshall.

c. 130 S. Main St, Lombard – 1500 heating oil tank was removed on March 31, 2004, recorded under office of State Fire Marshall.

d. 701 S Main, Lombard – 1000 heating oil tank was removed on March 17, 2006, four 3000 gasoline tanks were removed on September 19, 2007. All tanks were recorded under office of State Fire Marshall.

e. 1200 S. York St, 2500 diesel fuel tank was removed on March 2, 2010, recorded under office of State Fire Marshall.

8. Section 6.01(n) – Collection dumps, etc. on the Elmhurst Real Property for the containment of Hazardous Substances

None.

Section 6.01(o)
Taxes

None.

Section 6.01(p)(2)
Employee Relations

1. Twelve (12) unemployment compensation claims have been filed and are pending as of March 14, 2014.

2. There are thirty-nine (39) pending or potential workers' compensation claims as of March 14, 2013.

Section 6.01(q)(1)
Benefit Plans

1. Elmhurst Memorial Hospital Retirement Plan
2. Elmhurst Memorial Hospital Savings Plan.
3. Elmhurst Memorial Home Health Savings Plan
4. Elmhurst Memorial Hospital Group Health Plan
5. Elmhurst Memorial Hospital Group Dental Plan.
6. Group Life Insurance and Accidental Death and Dismemberment Insurance Plan
7. Group Long Term Disability Insurance Plan
8. Short Term Disability Plan
9. Flexible Spending Plan.
10. Group Vision Plan
11. Group Legal Plan
12. Personal Family Accidental Death and Dismemberment Plan
13. Business Travel Accident Plan
14. Long-Term Care Insurance Plan
15. Unum – voluntary plans (frozen to new employees)
16. Trustmark – voluntary universal life plan (frozen to new employees)
17. Frozen tax-deferred annuities with Hartford, and AUL
18. Elmhurst Memorial Hospital Supplemental Executive Retirement Plan Number 2
19. Elmhurst Memorial Healthcare Top Hat Section 457B Plan

Section 6.01(q)(1) - Other Than Elmhurst Group

None.

Section 6.01(q)(10) – Additional Benefits

1. Retiree Health and dental insurance plan (un-subsidized and frozen) – employees hired prior to July 1993, who retire from the organization at age 60 or greater with 10 years of service are eligible to continue with the group PPO plan and dental plan. As of age 65 the health plan would be secondary to Medicare.

2. Life insurance premiums paid for retiree through 2031(20 years in total.) Premium amount is $6,216.50 through 2017, then $4,342.50 through 2031, for a total of $98,100.

Section 6.01(s)
Material Contracts Consents

See Section 6.01(c)(3).

Written waiver or consent is being sought from the applicable parties.

Section 6.01(u)
Third Party Payor Cost Reports

Medicare cost reports for FY 2009, 2010, 2011 and 2012 have not yet been final settled. All have been audited with no material adjustments or significant disputes. The Blue Cross PPO audit report for FY 2012 is still in the process of being audited and has not been final settled. There is no material adjustment proposed at this time by Blue Cross.

Section 6.01(v)
Medical Staff Matters

None.

Section 6.01(x)
Compliance

None.

EDWARD DISCLOSURE SCHEDULES

These Edward Disclosure Schedules are delivered pursuant to that certain System Affiliation Agreement (the "Agreement"), dated as of April 2, 2013, by and among Edward Health Services Corporation, an Illinois not-for-profit corporation ("Edward"), Edward Hospital, an Illinois not-for-profit corporation ("EH"), Elmhurst Memorial Hospital, an Illinois not-for-profit corporation ("EMH"), and Elmhurst Memorial Healthcare, an Illinois not-for-profit corporation ("Elmhurst," and, together with Edward, EH and EMH, each, individually a "Party" and, collectively, the "Parties").

These Schedules supplement and qualify certain provisions, including representations and warranties, set forth in the Agreement. Any disclosure in any section of these Schedules which is referenced or called for by any other section(s) of the Agreement shall qualify other section(s) of the Agreement to the extent that it is apparent that such disclosure relates to such other section(s) of the Agreement and to the extent that it is apparent from the disclosure that such disclosure is relevant to such other section(s) of the Agreement.

Some of the contracts, transactions, liabilities and other matters ("Materials") disclosed in these Schedules may not fall within the disclosure requirements set forth in the representations and warranties or other provisions of the Agreement due to the fact that they do not meet the materiality thresholds set forth in the Agreement. The inclusion of such Materials in these Schedules does not imply that all comparable contracts, transactions, liabilities and other matters that do not meet such materiality thresholds are necessarily disclosed in these Schedules. All descriptions of agreements or other matters appearing herein are summary in nature and are qualified by reference to the complete documents, which have been supplied or which will be made available upon request. All capitalized terms used herein but not otherwise defined in these Schedules have the meanings ascribed to them in the Agreement.

Schedule 6.02(a)

Additional Edward Entities

Additional Edward Entity	Form of Organization	State of Organization
Edward Foundation	Not For Profit Corporation	Illinois
Edward Health and Fitness Center	Not For Profit Corporation	Illinois
EHSC Cayman Segregated Portfolio Company	Non-U.S. Corporation	Not within the United States – Cayman Islands
Edward Management Corporation	Corporation	Illinois
Edward Plainfield Hospital	Not For Profit Corporation	Illinois
Naperville Health Care Associates, Ltd.	Corporation	Illinois
Physician Partners at Edward, LLC	Domestic Limited Liability Company	Illinois

Schedule 6.02(b)

Ownership of Additional Edward Entities

1. Section 6.02(b)(1) - Ownership of the Additional Edward Entities.

Additional Edward Entity	Ownership	Liens
Edward Foundation	EH is the sole corporate member.	None
Edward Health and Fitness Center	EHV is the sole corporate member.	None
EHSC Cayman Segregated Portfolio Company	Edward is the sole owner.	None
Edward Management Corporation	EHV is the sole shareholder.	None
Naperville Health Care Associates, Ltd.	EH is the sole shareholder.	None
Physician Partners at Edward, LLC	EH is the sole corporate member.	None
Edward Plainfield Hospital	Edward is the corporate member.	None

2. Section 6.02(b)(2) - Contracts.

None.

3. Section 6.02(b)(3) - Affiliates.

A. DMG Surgical Center, LLC

B. Edward Physician Office Center Limited Partnership

C. Edward Ambulance Services, LLC

D. Illinois Health Partners, LLC

E. Plainfield Surgery Center, LLC

F. Northern Illinois Surgery Center Limited Partnership

G. Residential Home Health Illinois, LLC

Schedule 6.02(c)

Powers; Consents; Absence of Conflicts With Other Agreements, Etc.

1. Section 6.02(c)(2) – Governmental Authority Notice and Consent.

A. EH will file an update to its Medicare 855A provider enrollment application with the Centers for Medicare & Medicaid Services.

B. A Hart-Scott-Rodino filing has been submitted to the Federal Trade Commission on February 28, 2013.

C. A Certificate of Exemption ("COE") will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Memorial Hospital and Elmhurst Outpatient Surgery Center.*

2. Section 6.02(c)(3) – Material Contract Breach.

None.

*This disclosure is present as Edward is named in the COE applicationS. Neither Edward nor EH are required to seek a COE with respect to any owned facilities.

Schedule 6.02(e)

Financial Statements

1. Section 6.02(e)(4)(i) – Edward Obligated Group. The following entities comprise the Edward Obligated Group: Edward; EH; EHV; Edward Health and Fitness Center; and NPV.

2. Section 6.02(e)(4)(ii) – Edward Debt. *See* **Exhibit 1 to Schedule 6.02(e)**: Edward Debt.

3. Section 6.02(e)(4)(iii) - Other Edward Obligated Group Obligations.

A. Restated License and Support Agreement between EPIC Systems Corporation, DuPage Medical Group, Ltd., and Edward Health Services Corporation; dated February 17, 2012. (Note: For financial purposes, certain portions of the agreement are treated as capital lease payments)

B. Collateral Agreements Related to SWAPS:

- JP Morgan Chase Bank — Series 2009A Bonds
- Goldman Sachs — Series 2008 B-2 Bonds
- Deutsche Bank — Series 2008 B-2 Bonds
- PNC Bank — Series 2008 B-1 Bonds

C. Bond Issues and Indebtedness listed under Section 6.02(e) are secured by and subject to various agreements such as Note Obligations, Loan Agreements, Letters of Credit and Reimbursement Agreements (Variable Rate Debt) which are not listed here.

4. Section 6.02(e)(4)(A), (B) – Edward Debt and Edward Group Obligations: Breach, Default, Obligations.

None.

5. Section 6.02(e)(5) - Financial Statement Non-Conformity to GAAP.

None.

6. Section 6.02(e)(5) - Material Liabilities.

None.

Exhibit 1
to
Schedule 6.02(e)

Edward Debt

Edward Health Services Corporation and Subsidiaries

(Dollars in Thousands)

Long-term debt consists of the following:

	2012
Illinois Finance Authority	
Revenue Bonds, Series 2012A:	
Serial Bonds, interest at 4.1% to 5.5%, due in varying annual installments from 2013 to 2018	$ 14,975
Term Bonds, interest at 5.0%, due in 2020	11,050
Revenue Bonds, Series 2009A:	
Variable Rate Securities, interest payable monthly at a floating rate (0.29% and 0.09% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2011 to 2034	43,295
Revenue Bonds, Series 2008A:	
Serial Bonds, interest at 6.0%, due in varying annual installments from 2021 to 2026	15,375
Term Bonds, interest at 6.0%, due in 2028	6,150
Term Bonds, interest at 6.25%, due in 2033	8,450
Term Bonds, interest at 5.50%, due in 2040	56,125
Revenue Bonds, Series 2008B-1:	
Variable Rate Securities, interest payable monthly at a floating rate (0.18% and 0.08% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	52,925
Revenue Bonds, Series 2008B-2:	
Variable Rate Securities, interest payable monthly at a floating rate (0.20% and 0.07% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	52,925
Revenue Bonds, Series 2008C:	
Variable Rate Securities, interest payable monthly at a floating rate (0.20% and 0.07% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	11,235

Schedule 6.02(f)

Certain Post-Balance Sheet Results

None.

Schedule 6.02(h)

Payment Programs

1. Office of Inspector General Audit; November 12, 2012.

2. Centers for Medicare & Medicaid Services, NPV Statement of Deficiencies; April 5, 2012.

Schedule 6.02(i)

Regulatory Compliance

1. Office of Inspector General Audit; November 12, 2012.

2. Centers for Medicare & Medicaid Services, NPV Statement of Deficiencies; April 5, 2012.

Schedule 6.02(k)

Real Property

1. Section 6.02(k)(1) - Edward Real Property.

A. Owned Property.

Bolingbrook, Illinois
130 N. Weber Road

Naperville, Illinois
802 Edgewater - Vacant land currently being marketed for sale
806 Edgewater
801 S. Washington, Campus includes the following additional addresses:
852 S. West Street
775 Brom Drive
100 Spalding Drive
120 Spalding Drive
120 Osler Drive
2007 - 95th Street, Naperville, IL

Oswego, Illinois
6701 US Route 34, Land only

Plainfield, Illinois
24600 W. 127th Street, All land and Building A

Woodridge, Illinois
6600 S. Route 53

Yorkville, Illinois
Westerly Corner Route 126 and Route 71

B. Leased Property – as Lessee.

Crest Hill, Illinois
16151 Weber Road, Suites 100, 201 and 211

Lisle, Illinois
3033 Ogden Avenue, Suite 101
1025 Ogden Avenue, First Floor

Naperville, Illinois
1250 N. Mill Street, Suite 101
1335 N. Mill Street

1313 N. Mill Street, 100 Parking Spaces benefitting 1335 N. Mill Street
1247 Rickert Drive, Suite 201
10 W. Martin Avenue, Suites 101, 202 and 215
1220 Hobson Road, Suites 104 and 124
2855 W. 95th Street – Walk In Clinic
2255 Monarch Drive, First Floor
1999 Springbrook Square Drive, Suites 101, 103
815 S. Washington Street, 60 Parking Spaces – Valet Parking

Oswego, Illinois
6701 US Route 34 (Landlord owns building; EHV owns land)

Plainfield, Illinois
24600 W. 127th Street, Bldg B, (Landlord owns building; EHV owns land)
Suites 100, 215, 125, 205, T-100, Suite 200, 300/325
16519 S. Route 59

Romeoville, Illinois
20 S. Weber Road – Walk In Clinic

Sandwich, Illinois
1 E. County Line Road

St. Charles, Illinois
3805 E. Main Street, Suites J and M

Warrenville, Illinois
27555 W. Diehl Road
3S517 Winfield Road, Suites A and Lower Level

Woodridge, Illinois
3540 Seven Bridges Drive, Suite 230

Yorkville, Illinois
76 W. Countryside Parkway
110 Countryside Parkway, Suite C

C. Leased Property – as Lessor.

Bolingbrook, Illinois
130 N. Weber Road, Time Share Suite 105

Naperville, Illinois
801 S. Washington Street

- 26,000 square feet of EH property leased to third parties at 801 S. Washington and 120 Osler Drive

- Rooftop

100 Spalding Drive
- First Floor: 101, 102, 108, 110
- Second Floor: 202, 206, 208, 210, 212
- Third Floor: 300, 330
- Fourth Floor: 400, 404, 406, 408, 412, 414

120 Spalding Drive
- Second Floor: 200, 203, 207
- Third Floor: 307
- Fourth Floor: 401, 405, 407, 410

2007 95th Street, Suites 101 and A (Lower Level)
775 Brom, Parking Lease benefitting adjacent facility

Oswego, Illinois
6701 US Route 34, Ground Lease

Plainfield, Illinois
24600 W. 127th Street
- Ground Leases (2)
- Farm Lease
- Building B Time Share Subleases, Suites 125 and 205

16519 S. Route 59, Time Share Subleases

Sandwich, Illinois
1 E. County Line Road, Time Share Subleases

Yorkville, Illinois
76 W. Countryside Parkway, Time Share Subleases
Westerly Corner Route 126 and Route 71, Farm Lease

2. Section 6.02(k)(3)(A) – Notice of Violation/Liens.

A. March 6, 2013 notice from the Illinois Department of Public Health ("IDPH") alleging a violation of the Swimming Facility Act, 210 ILCS 125/1 *et seq.* and the Illinois Swimming Facility Code, 77 Ill. Admin. Code 820 (collectively, the "Swimming Facility Regulations") at the Fitness Center on the Edward Hospital Naperville campus at 775 Brom Drive (the "EHFC-Naperville Facility"). The EHFC-Naperville Facility is currently in compliance with the Swimming Facility Regulations.

B. January 2012 notice to EHV of two subcontractor liens filed against Edward Healthcare Center – Bolingbrook, 130 N. Weber Rd, Bolingbrook, Illinois (the "Bolingbrook Property"). Both liens were released in June, 2012.

3. Section 6.02(k)(3)

A. As of March 21, 2013, all Edward Real Property, based on property address, was indicated by Zurich as having a Federal Emergency Management ("FEMA") Flood Rating of "C" (outside the 500-year flood plain), RMS Zone X (outside the 100-year flood plain). "RMS" refers to flood zone ratings obtained by Zurich from Risk Management Solutions, Inc.

B. As of March 21, 2013, the following Real Property, based upon property address, was indicated by Zurich as having the following "RMS Other Zone" ratings, which indicates, based on RMS data, the presence of FEMA Special Flood Hazard Areas within 1,000 feet of the property:

FEMA Abbreviation Codes:
Zone A: Areas with a 1% chance of flooding (inside the 100-year floodplain)
Zone AE: Areas with a 1% chance of flooding (inside the 100-year floodplain)

Owned property:	RMS Other Zone Rating
1. 802 Edgewater, Naperville:	AE
2. 806 Edgewater, Naperville	AE
3. 2007 95th St, Naperville	A

Leased property (as Lessor)	RMS Other Zone Rating
1. 16519 S. Route 59	A

Leased property (as Lessee)	RMS Other Zone Rating
1. 16151 Weber Road, Crest Hill	A
2. 1335 Mill St., Naperville	A
3. 10 W. Martin Ave, Naperville	AE
4. 1220 Hobson Road, Naperville	A, AE
5. 1025 Ogden Ave, Lisle	AE
6. 1250 N. Mill St., Naperville	A, AE
7. 1247 Rickert Drive, Naperville	AE
8. 2855 W. 95th St., Naperville	A
9. 1999 Springbrook Square Drive, Naperville	A
10. 815 S. Washington St., Naperville	AE
11. 20 S. Weber Rd., Romeoville	A
12. 3S517 Winfield Road, Warrenville	AE

Schedule 6.02(l)

Title and Condition of Assets; Restrictions

None.

Schedule 6.02(m)

Litigation or Proceedings

Plaintiff	Defendant	Docket Number	County	Suit Date	Suit Year
Albu, Rada	EHSC, EH (not yet served)	2013 L 006	Will	1/25/2013	2013
Albano, Barbara	EH; Employed MD	09 L 1261	DuPage	10/5/2009	2009
Clark, Sandra	EH	2011 AR 3015	DuPage	11/25/2009	2009
Conley, Ameydell	EHSC; EH	2011 L 001461	DuPage	12/19/2011	2011
Cruz, Shannon	EHSC; EH	2012 L 000907	DuPage	8/9/2012	2012
Cooper, Rachel	EH	2011 L 000032	DuPage	1/11/2011	2011
Delgado, Leticia	EH	2012 L 000157	DuPage	2/16/2012	2012
DiRocco, Arlene	EHV	2012 L 000314	DuPage	3/8/2012	2012
Edwards, Mary	EH	2012 L 001319	DuPage	11/28/2012	2012
Evans, Cameron	LOH	2012 L 000317	DuPage	3/8/2012	2012
Gibbons, Kathleen	EHV; Employed MD	12 L 0631	Will	8/14/2012	2012
Glickman, Veronica	EH	2011 L 007498	Cook	7/20/2011	2011
Hanson, Bruce	EH	2011 L 000791	DuPage	7/12/2011	2011
Hull, William	EHSC; EH	2010 L 000155	DuPage	2/3/2010	2010
Hurrle, Michael	EH	2010 L 000683	DuPage	5/27/2010	2010
Jordan, Joshua	EH	11 L 18	DuPage	1/20/2011	2011
Keenan, Curt	EHSC; EH	2011 L 001307	DuPage	11/9/2011	2011
Doe, John	LOH	N/A	N/A	N/A	N/A
Kunnasseril, Vimala	EH; LOH	2012 L 012282	Cook	10/29/2012	2012
Lang, Darlene	EH	2010 L 1068	DuPage	9/1/2010	2010
Miller, Joyce	EH	07 L 908	DuPage	8/31/2007	2007
Navarette, Maribel	LOH	05 L 520	DuPage	5/20/2005	2005
Renteria, Jose	LOH	08 L 000921	DuPage	8/18/2008	2008
Rossetti, Jeanne	EH	2010 L 6955	Cook	6/15/2010	2010
Schweihs, Donna	EHSC; EH	2012 L 001375	DuPage	12/11/2012	2012
Smith, Robert	EH; Employed MD	07 L 3202	Cook	3/27/2007	2007
Stavrou, Zoey	EH	2008 L 009794	DuPage	9/3/2008	2008
Stoumbelis, Efstratios	EHV; Employed MD	2012 L 589	DuPage	5/15/2012	2012

Sullivan, James	EH	2012 L 001225	DuPage	10/30/2012	2012
Wahlers, Aurora	EHV; Employed MD	13 L 23	Kane	1/15/2013	2013
Welsh, Joseph	EH; Employed MD	10 L 518	Will	6/24/2012	2012
WESLEY, ROLAND	EH	2013 L 000020	DuPage	1/2/2013	2013
WHITE, MARY	EHSC	2010 L 1528	DuPage	12/30/2010	2010
Wilson, Brandon	EH	2004 L 796	DuPage	7/2/2007	2004
WOLD, JOHN	EH	2012 L 007221	Cook	6/27/2012	2012
Zaborowski, Ryan	EH	N/A	N/A	N/A	N/A

Schedule 6.02(n)

Environmental Laws

1. Section 6.02(n) – Liabilities.

None.

2. Section 6.02(n) – Environmental Law Violations.

See response to 7.B below.

3. Section 6.02(n) – Allegation Requiring Investigation of Environmental Law Violation.

None.

4. Section 6.02(n) – Hazardous Substances.

See response to 6 and 7.B below.

5. Section 6.02(n) – Compliance with Environmental Laws Applicable to Edward Real Property.

See response to 6 and 7.B below.

6. Section 6.02(n) – Asbestos-Containing Material.

Below is a listing of the instances in which EH, has discovered during renovation and/or construction projects, removed and disposed of materials containing asbestos. All removal was performed via an independent contactor in compliance with Illinois Environmental Protection and Illinois Department of Public Health requirements.

Edward is not aware of any physical plants constituting any portion of the Edward Real Property currently containing regulated, friable asbestos-containing material, although there could be such material in the Hospital or other older facilities that would only be discovered if construction/renovation was undertaken.

1. December, 2009: Removal and disposal by LVI Environmental Services, Inc. ("LVI") of approximately 3000 sf vinyl sheeting, associated mastic and two asbestos insulated pipe fittings located in Edward Hospital second floor storeroom.
2. December, 2010: Removal and disposal by LVI of 21 asbestos insulated pipe fittings and valves located on the second floor of Edward Hospital.
3. February, 2011: Removal and disposal by LVI of floor tile, linoleum and associated mastic located in Edward Hospital first floor room #170.
4. May, 2011: Removal and disposal by LVI of approximately 460 sf of sheet flooring over asbestos containing mastic located in the Edward Hospital Occupational Health wing.

5. October, 2011: Removal and disposal by LVI of approximately 5,100 sf of ceramic tile, vinyl floor tile, wood laminated flooring strips, linoleum and the associated asbestos containing mastic in the Edward Hospital Pediatric wing.
6. June, 2011: Removal and disposal by LVI of approximately 220 sf of ceramic tile, vinyl floor tile, and 1,560 sf of wood laminate flooring strips and associated asbestos containing mastic located in Edward Hospital surgical phase 4 former locker room.
7. December, 2012: Removal and disposal by LVI of the asbestos one layer of floor tile and mastic (510 sf) in Edward Hospital Radiology ultrasound area.
8. December, 2012: Removal and disposal by LVI of asbestos floor tile and mastic from Edward Hospital Area #2 Elevator (1st floor and lower level).
9. EHV leases space for its Diabetes Center in Suite #202 at a building located at 10 West Martin Ave. in Naperville. In January, 2013 EHV retained Cosgrove Construction to perform renovation work in the suite, which required removal of carpet tiles. Due to the age of the building, Cosgrove retained a testing service to test the carpet tiles for asbestos. Upon testing, asbestos was detected in the carpet tile mastic. The Landlord has agreed to remove and dispose of all asbestos containing materials in the suite. This work is due to be performed on or about March 21, 2013.

7. Section 6.02(n) – Underground Storage Tanks ("USTs").

A. USTs located on the Edward Real Property.

See response to 7.B below.

B. UST Compliance with Environmental Law.

(i) In May, 2000 a 2,000 gallon fiberglass Underground Storage Tank ("UST") used to supply fuel oil for the Linden Oaks Hospital emergency generator was abandoned in place at the facility. During removal of the UST, removal contractors observed diesel fuel leaking from the pea-gravel fill into the excavation. The Illinois Office of the State Fire Marshal ("OSFM") made an incident report of free product, and requested that the contractor inform the Illinois Environmental Protection Agency ("IEPA") of the leak. A determination was made to leave the UST and fill it, due to possible facility structural damage that could occur upon removal. The OSFM approved a permit to abandon the UST in place on March 1, 2000. On May 3, 2000 the IEPA granted a "No Further Remediation Letter", which was recorded on May 26, 2000 (LUST Incident No. 991005, IEPA Number 0434675168).

(ii) A 12,000 gallon UST containing #2 heating oil adjacent to the Edward Hospital boiler house was removed on August 3, 1994, and a Certificate of Removal was provided to OSFM on that date. Upon removal of the tank on August 3, 1994, it was confirmed that no release of product or contamination had occurred. On March 9, 1995, the IEPA issued a notice that it deemed the incident not subject to 35 Illinois Administrative Code, Part 732 or 35 Illinois Administrative Code, Part 731, thus there were no applicable reporting requirements (LPC #0434675070, LUST Incident No. 930495).

(iii) Two 1,000 gallon USTs were removed near the Edward Hospital boiler house on February 23, 1999 (LUST Incident #990450). One contained gasoline and the other contained diesel oil. The IEPA issued a "No Further Remediation Letter" dated April 21, 2000 that was recorded on May 19, 2000.

(iv) A 4,000 gallon fiberglass double wall construction diesel UST for a back-up generator was installed as part of the Edward Hospital Northeast Administrative and Clinical Expansion projects on February 26, 2002. A permit for installation was granted by the OSFM on February 27, 2002. The tank is continuously monitored electronically, and the tank and monitoring is inspected by the OSFM annually.

(v) Two 20,000 gallon fuel oil storage tanks were installed on March 14, 2013, in one of the parking lots near the Edward Hospital facility as part of the Hospital's West Building project.

8. Section 6.02(n) – Collection dumps, etc. on the Edward Real Property for the containment of Hazardous Substances.

None.

Schedule 6.02(o)

Taxes

1. Naperville Health Care Associates, Ltd. ("NHCA") did not timely file Illinois sales/use tax returns for the years 2010 and 2011. NHCA subsequently filed all returns and paid appropriate taxes and penalties. As of January 31, 2013, NHCA had no outstanding tax liabilities.

Schedule 6.02(p)

Employee Relations

1. Section 6.02(p)(2) – Employee Complaints.

A. There are currently three (3) Equal Employment Opportunity Commission/Illinois Department of Human Rights Open Matters.

B. Forty (40) unemployment compensation claims have been filed for the period beginning January 1, 2012 and ending March 13, 2013.

C. There are fifty-eight (58) pending or threatened workers' compensation claims as of March 13, 2013.

Schedule 6.02(q)

Benefit Plans

1. Section 6.02(q)(1) – Benefit Plans.

A. Retirement Benefits.

- Edward Health Services Corporation Employees' 403(b) Plan (Frozen)
- Edward Health Services Corporation Retirement Savings Plan (The 401(k) Plan)
- Edward Health Services Corporation 457(b) Deferred Compensation Plan (for physicians and executives)
- The Edward Health Services Corporation 2000 Supplemental Executive Retirement Plan
- The Edward Health Services Corporation 2010 Supplemental Executive Retirement Plan
- Edward Health Services Corporation Retention Incentive Plan for Pamela Meyer Davis

B. Health & Welfare Benefits.

- The Edward Health Services Corporation Health and Welfare Benefits Plan, which includes:
  - Medical
  - Dental
  - Vision (Voluntary)
  - Edward Health Services Corporation Flexible Benefit Plan (Flexible Spending Accounts – Healthcare and Dependent Care)
  - COBRA Continuation
  - Basic Term Life/AD&D Insurance
  - Supplemental Term Life/AD&D Insurance
  - Dependent Term Life Insurance
  - Short-Term Disability Insurance
  - Long-Term Disability Insurance
- Health Savings Account
- Individual Long Term Care Insurance (Executives)
- Individual Supplemental Long-Term Disability Insurance (Physicians and Executives)
- Individual Supplemental Life Insurance (Executives)

C. Other.

- SupportLinc Employee Assistance Program
- Workers' Compensation – Self Insured with the State of Illinois
- Group 24 Hour Business Activity Accident Group Insurance Arrangement – Hospital Employee Benefit Association Trust (Insured by Life Insurance Company of North America)
- Management Incentive Plan
- Senior Management Incentive Plan
- Tuition Assistance Policy
- Paid Time Off Policy

2. Section 6.02(q)(1) - Edward Benefit Plans Maintained by Non-Edward Group Entities.

None.

3. Section 6.02(q)(10) – Post-Employment Benefits.

None.

Schedule 6.02(s)

Material Contracts

1. Section 6.02(s)(4) – Consents.

A. Non-Competition Agreement between Edward Health Services Corporation, Edward Hospital, RHH Holdings Co. and Residential Home Health Illinois, LLC, dated July 30, 2009.*

B. Amended and Restated Operating Agreement of Residential Home Health Illinois, LLC, dated June 5, 2012.*

* Written waiver has been obtained from the applicable parties to each contract on February 7, 2013.

Schedule 6.02(u)

Third Party Payor Cost Reports

A. Blue Cross 2012 cost report – open.

B. Medicare 2009 cost report – open. The cost report is in the process of being "final settled". Adjustments received on February 5, 2013 which serve to incorporate updated SSI% released by CMS, and the addition of labor and delivery days per recent clarifications by CMS.

C. Medicare 2010, 2011, & 2012 cost reports – open.

(i) FY 2012 Medicare. Received a Tentative Settlement – Payment Due Provider letter dated January 29, 2013, documenting a tentative settlement.

(ii) FY 2013 Medicare. Received a Revised Payment and Retroactive Lump Sum Adjustment letter dated January 29, 2013, and were notified of a receivable.

Schedule 6.02(v)

Medical Staff Matters

None.

Schedule 6.02(x)

Compliance Program

1. Section 6.02(x)(1) - Corporate Integrity Agreements.

None.

2. Section 6.02(x)(2) - Settlement Agreement Reporting Obligations.

Consent Agreement with the Illinois Health Facilities and Services Review Board, dated October 2009; Final Order approving the Consent Agreement, dated October 13, 2009.

3. Section 6.02(x)(3) - Governmental Payer Program Investigations.

See Schedule 6.02(h)

4. Section 6.02(x)(4) - Qui Tam/False Claims Act Litigation.

None.

5. Section 6.02(x)(5) - Governmental Authority Investigation.

A. Illinois Department of Public Health; Life Surveyor's Survey.

March 12, 2013, the Illinois Department of Public Health ("IDPH") report requesting that Linden Oaks Hospital provide a Plan of Correction to address certain Life Safety Code deficiencies. Edward was granted ten (10) days to issue a Plan of Correction to IDPH. Edward has since issued its Plan of Correction to IDPH.

B. U.S. Department of Health and Human Services Complaint.

January 22, 2013 U.S. Department of Health and Human Service's Office of Civil Rights ("OCR") letter regarding a patient complaint. The complaint alleged a violation under the Health Insurance Portability and Accounting Act. A response was provided to the OCR, disputing the allegations in the complaint.

C. The Joint Commission Complaint.

Complaint received from The Joint Commission regarding a construction worker accident. A response to the Joint Commission is required by April 6, 2013.

D. North Suburban Regional Human Rights Authority Report.

February 13, 2013 North Suburban Regional Human Rights Authority, under the Guardianship and Advocacy Commission of Illinois (the "Authority") report, regarding a complaint from a

patient of Linden Oaks Hospital. The patient compliant alleged a restriction of patient rights under the Illinois Mental Health Code. The Authority provided certain recommendations for correcting any such issues in the future. Linden Oaks Hospital was given thirty (30) days to take action in response to the recommendations.

6. Section 6.02(x)(6) - Complaints.

None.

See Schedule 6.02(i)

EXHIBIT 7.01(a)

Governmental and Regulatory Consents

A. Updates to the Medicare 855A provider enrollment application with the Centers for Medicare & Medicaid Services for each of EH and EMH are required.

B. A Hart-Scott-Rodino filing has been submitted to the Federal Trade Commission on February 28, 2013.

C. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Memorial Hospital.

D. A Certificate of Exemption will be sought from the Review Board with respect to the change of ownership and control of Elmhurst Outpatient Surgery Center.

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November 23, 2011

Illinois Finance Authority Edward Hospital and Health Services Corp.; Hospital; Joint Criteria

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Table Of Contents

Rationale

Outlook

Enterprise Profile

Financial Profile

Debt Derivative Profile

Related Criteria And Research

916320 | 300096042

ATTACHMENT 6

Illinois Finance Authority
Edward Hospital and Health Services Corp.; Hospital; Joint Criteria

Credit Profile

Illinois Fin Auth, Illinois

Edward Hosp & Hlth Services Corp, Illinois

Series 2008A

Unenhanced Rating	A+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A+' underlying rating (SPUR) on the Illinois Finance Authority's series 2001A and 2008A fixed-rate bonds and series 2008B-1, 2008B-2, 2008C, and 2009A revenue variable-rate demand bonds (VRDB). Standard & Poor's also affirmed its 'AAA/A-1+' joint criteria ratings on the series 2008B-1, 2008B-2, and 2008C VRDBs and its 'AAA/A-1' joint criteria rating on the series 2009A VRDBs. Finally, Standard & Poor's affirmed its 'A+' long-term rating on the authority's AMBAC-insured series 2008A revenue bonds. All bonds were issued for Edward Hospital and Health Services Corp. The outlook on all ratings is stable.

The ratings on the VRDBs are based on the application of Standard & Poor's joint criteria using the low-correlation chart. The 'AAA' long-term rating on the series 2008B-1, 2008B-2, and 2008C VRDBs is jointly based on the long-term rating on the Edward Hospital Obligated Group (A+) and the letters of credit (LOC) provided by JPMorgan Chase N.A. (AA-/A-1+), with the short-term rating based solely on JPMorgan Chase. The 'AAA' long-term rating on the series 2009A bonds is jointly based on the long-term rating on the Edward Hospital Obligated Group and the LOC provided by Bank of America (A+/A-1), with the short-term rating based solely on Bank of America. The LOC for the series 2009A VRDB expires Nov. 28, 2014 and the rest expire Aug. 31, 2016, unless terminated earlier pursuant to the LOCs' terms.

The 'A+' ratings reflect our view of a solid financial profile and a good business position in a demographically favorable but competitive service area. Although Edward continues to perform well, with some return of volumes in 2010 and 2011, the overall growth that Edward experienced in earlier years has slowed somewhat with the general industry trends and economy. Although we anticipate that performance should remain sound over the next couple of years given good relationships with physicians and the continued favorable demographics of the service area, the Chicago market continues to undergo consolidations that could alter the competitive landscape over the medium term. Management may issue some additional debt over the next year or two, and though we believe Edward Hospital could absorb some debt given current operating and balance sheet trends as well as recent growth, we have not incorporated any additional debt into the current rating given the uncertainty around the timing and the amount.

More specifically, the 'A+' ratings reflect our view of Edward's:

- Location in a favorable demographic area although volumes, which did undergo an uptick in 2011, are still down

916920 | 300096042

from highs of 2008 and 2007;
- Historically consistent operating income levels that improved in fiscal 2011 to $20.2 million (3.6% margin) and contributed to healthy maximum annual debt service (MADS) coverage of 4.7x despite a moderate debt burden of 3.3%; and
- Good levels of unrestricted liquidity, increasing to 291 days' cash on hand at fiscal year-end 2011, as compared with 237 at the end of fiscal year-end 2010, as a result of strong cash flow as well as lower capital spending.

Partly offsetting the above strengths is our view of the system's:

- Debt levels that are higher than the rating median, with cash to long-term debt of 146% and leverage of 35% (in addition, management is contemplating a small debt issuance to help fund future capital spending that could increase from lighter levels in 2011 and 2010); and
- Moderately high variable-rate debt exposure of approximately 59% of total debt.

In addition, although inpatient volumes did grow somewhat in 2011, volume growth overall has slowed and volumes are still below 2007 and 2008 levels.

Edward Health Services Corp. (EHSC), the parent, operates Edward Hospital in Naperville, a western suburb of Chicago, and has several affiliates, including Edward Health Ventures (EHV), the Edward Foundation, and EHSC Cayman Segregated Portfolio (a captive insurance company). EHV includes physician practices, Edward Health & Fitness Center, and Edward Management Corp., a for-profit venture, and has a 99% interest in Linden Oaks Hospital, a behavioral health hospital also on the Edward Hospital campus. The obligated group, which accounts for the vast majority of system operating income and assets, and its gross revenues secure the debt. The obligated group consists of Edward Hospital, EHSC, EHV, Edward Health & Fitness Center, and Linden Oaks Hospital.

Outlook

The stable outlook reflects our view of Edward's good business position in a demographically favorable service area and recent volume growth, which should continue to support Edward's stable operating performance and solid MADS coverage. Given the competitive nature of the market, Edward's moderate debt levels, and possibly greater capital spending over the next two years, an upgrade is unlikely over our outlook period of one to two years.

Historically, volume growth has helped to offset Edward's moderate debt levels, but that growth has slowed in the past three to four years. Consequently, if management issues additional debt over the next year or two and debt-related ratios such as leverage increase to more than 40% or cash to debt decreases to less than 90%, the rating could come under pressure. Aside from additional debt, if operating margins decline and are sustained at less than 3%, or if unrestricted liquidity declines to less than 220 days' cash on hand, we could lower the rating over our outlook period of one to two years.

Enterprise Profile

Market position

Edward Hospital is located in Naperville, about 30 miles southwest of downtown Chicago. There are several clinics, urgent care clinics, and ambulatory surgery centers in the service area, with Edward having a more substantial presence in Plainfield with a freestanding emergency room, a surgery center, and an outpatient center that includes

cancer services. After some small market share declines with the opening of the Adventist Health System's 138-bed hospital in Bolingbrook (which opened in January 2008), Edward recently increased its leading market share in 2011 in the north primary service area to historical levels of around 47.7% from 46.1% in 2010, and increased its leading market share in the south primary service area to 28.7% from 27.5% in 2010. Although the new Adventist hospital had partially affected market share in 2009, management reports that it has not been an increasing competitive threat. The larger service area remains competitive, however, with several consolidations, and several of these competing hospitals' service areas overlap Edward's peripheral service areas. These competitors include Central DuPage Hospital and Delnor Hospital ('AA'; merged in April 2011), Rush Copley ('A'; part of the Rush University Medical Center Obligated Group) and Provena Mercy Medical Center ('BBB+'; part of Provena Health System, which recently merged with Resurrection Health System) to the southwest in Aurora.

Volumes could get a boost with a new 50/50 joint venture with DuPage Medical Group (DMG), a large independent 320-multispecialty physician group. The joint venture, Illinois Health Partners, will manage 100,000 HMO lives, only 25,000 of which Edward Hospital manages. Edward has had a relationship with DMG for a number of years, and the operation of the joint venture has strengthened the relationship between Edward and DMG. The volumes related to this joint venture could stabilize if the overall effort is successful. The joint venture group was created to improve quality, control costs, and improve the patient experience. The area has historically experienced fairly good population growth, but growth has slowed in recent years. The service area, however, remains demographically favorable with a less-than-40% governmental payer mix.

Utilization

Inpatient admissions growth resumed in fiscal 2011 after a couple of years of flat-to-declining admissions. Year-over-year acute care admissions increased 3.5% to 20,254 in 2011 after a slight increase of 0.8% to 19,566 in fiscal 2010. (Admissions declined in 2009 and 2008.) Inpatient surgeries also increased, by 6.1% to 4,976 in 2011 (after increasing 1.8% in 2010), while outpatient surgeries continued to decline, by 4.1% to 10,044 (after declining 2.8% in 2010). Edward expects some moderate growth over the next year given the demographics and improvement in certain key physician relationships, including that with DMG. Midwest Heart, a 50-plus-member independent cardiology group recently signed a letter of intent to merge with Advocate Medical Group, and Midwest Heart's physicians provide much of Edward Hospital's cardiology services. Although recent discussions between the Edward and Midwest Heart management teams indicate that practice patterns will likely not change, any volume disruption could cause operating pressures given Edward's dependency on this group for cardiology services.

Management

Edward's CEO has been with the organization since 1988, but the CFO role has undergone transition in the past few years. Vincent Pryor, the current CFO, joined the organization in March 2010. Edward's board consists of 14 voting individuals, of whom 11 are elected, and Edward has an executive committee that is authorized to exercise all the powers of the board of trustees. In recent years, management has successfully managed Edward's operations and capital spending as growth has slowed. In addition, Edward's management has had good relationships with physicians and other hospitals in the broader service area, and this has helped to increase volumes in particular programs and services such as neurology and other surgical services.

Financial Profile

Income statement

Edward has historically posted fairly consistent operating income due to its good payer mix, growing volumes, and moderately high acuity of services provided. Although net patient revenue grew only 2.8% in 2011 to $565.0 million (excluding the provider fee revenues), management succeeded in controlling expenses, particularly in relation to liability insurance, to generate improved operating income relative to recent fiscal years. Operating income increased in fiscal 2011 to $20.2 million (3.6% margin) compared with a budgeted $16 million in 2011 and $15.9 million (2.9% margin) in fiscal 2010 and $16.8 million (3.2% margin) in fiscal 2009. In August 2011, the Illinois Department of Revenue revoked Edward Hospital's property tax exemption for one of its parcels, citing what it deemed as inadequate charity care. Management has appealed the state's ruling but is paying the real estate taxes, which are included in the operating expenses. However, the Illinois governor has halted the decision until a coalition of lawmakers and hospital executives can clarify state guidelines governing charity care. EHSC plans to continue paying tax liabilities until further notice, with prior payments potentially reimbursed should the standards support Edward. In addition, and incorporated into the operating income for 2011 and 2010, is about $3.4 million of net payments out of the system for the Illinois Property Tax program. Management budgeted a $16.4 million (2.7% margin) operating income for 2012, on par with that of fiscal 2010 and 2009, due to a fairly conservative budgeting approach. However, management has used a fairly structured process to find opportunities to generate expense and efficiency improvements in the system, and has not incorporated all of those programs into the 2012 budget. In addition, Edward's liability insurance expense was quite low in 2011 and management budgeted this expense at a more conservative historical level in 2012. Edward finished fiscal 2011 with an excess income of $35.8 million (6.0% margin), as compared with $32.6 million (5.6% margin) in fiscal 2010. MADS coverage was a solid 4.7x for fiscal 2011 but with a moderate debt burden of 3.5%. Through the first quarter of fiscal 2012 ended Sept. 30, unaudited operating income was $4.6 million (3.3% margin) and on par with the prior-year period.

Balance sheet

With good cash flow of $94 million (equal to a strong 16.2% EBIDA margin), improvement in investments, and continued lighter capital spending of $36.6 million (or 80% of annual depreciation), Edward's unrestricted cash grew 26% to $398 million at the end of 2011 -- equal to 291 days' cash, as compared with 237 days at the end of fiscal 2010. Edward has an investment allocation of 55% equities, 35% fixed income, and 10% global multiassets, with no alternative investments. This allocation has historically served Edward well but contributed to some recent volatility, with unrestricted cash decreasing 8.9% to $362.7 million at Sept. 30, 2011 (a still healthy 273 days' cash on hand). At fiscal year-end June 30, 2011, leverage was a moderate 35% and unrestricted cash to long-term debt improved to 146% (still below 'A+' rating median levels, however). We have some additional concern about Edward's exposure to variable-rate debt, which is approximately 59%, or roughly $163 million, of Edward's long-term debt. Adequate unrestricted liquidity relative to puttable debt of 245% and a three-year term out after the expiration of the LOCs helps mitigate some of our concerns around the VRDBs.

Management slowed capital spending in fiscal 2011 and 2010 to about 80% and 73% of annual depreciation expense, respectively, but continues to invest in strategically important service areas. Edward had averaged capital spending to annual depreciation of about 175% over the prior three years. Management expects the capital budget to increase to about $67.6 million in 2012 (or 150% of annual depreciation expense), but parts of that capital budget is subject to operating performance. (Last year's budget was also close to $70 million, but only $38 million

was spent.) The average age of plant is good at 8.2 years, and most of the major projects that management is considering over the next few years, including two additional floors to a building on Edward's main campus, are for particular service areas that are at capacity and are aimed at enhancing Edward's already solid business position. Depending on operating performance and growth over the next couple of years, total capital spending could be about $400 million over the next five years, equal to around 150% of annual depreciation expense. A small amount of additional debt could be issued to help support those capital plans, but timing and amount are still under review by management.

Debt Derivative Profile

We assigned Edward a Debt Derivative Profile (DDP) overall score of '2' on a four-point scale, with '1' representing the lowest risk. The overall score of '2' reflects our view that Edward's swaps pose a moderate risk. Specifically, the factors in the DDP score are:

- Adequate, diversified counterparty strength, with three separate rated banks serving as counterparties;
- Low-to-moderate termination and collateral posting risk;
- Adequate oversight of management over the swap plan; and
- The swaps' moderate economic viability over stressful economic cycles.

Edward is party to four floating- to fixed-rate swaps with the following four counterparties and notional amounts:

- Citibank N.A. New York (A+), with a notional amount of $53.595 million;
- Goldman Sachs (A), with a notional amount of $21.438 million;
- Deutsche Bank AG - New York Branch (A+), with a notional amount of $32.157 million; and
- JP Morgan Chase Bank N.A. (AA-), with a notional amount of $30 million.

The swap with Deutsche Bank is new since our latest review. This swap was entered into in April 2011, and Goldman Sachs transferred approximately $32.2 million of its notional amount of $54.5 million to Deutsche Bank AG - New York Branch. The four swaps' total mark-to-market liability value as of Sept. 30, 2011, was approximately $35.1 million, with approximately $6.0 million of cash posted as collateral and not included in the unrestricted cash position. The total net variable-rate debt exposure, including the swaps, is 9%. We believe that if Edward maintains its liquidity levels, this should offset any risk that could arise from swap termination or collateral posting.

Edward Health Services Corp. Financial Statistics

	--First quarter ended Sept. 30, 2011--	--Fiscal year ending June 30--		
	2012*	2011	2010	2009
Income statement and cash flow				
Operating revenue ($000s)	138,528	565,018	549,377	531,178
Total expenses ($000s)	133,977	544,826	533,516	514,398
Operating income ($000s)	4,551	20,192	15,861	16,780
Operating margin (%)	3.3	3.6	2.9	3.2
Net nonoperating revenues ($000s)	2,333	15,612	16,747	10,578
Excess income ($000s)	6,884	35,804	32,608	27,358
Excess margin (%)	4.7	6.0	5.6	4.9

916920 | 300096042

Edward Health Services Corp. Financial Statistics (cont.)				
EBIDA/total revenue (%)	16.1	16.2	16.3	15.6
Capital expenditures ($000s)	9,302	36,583	34,147	55,374
Debt				
Net available for debt service ($000s)	22,678	93,976	92,115	84,297
Maximum debt service ($000s)	20,155	20,155	20,155	20,155
Maximum debt service coverage (x)	4.5	4.7	4.6	4.2
Maximum debt service-to-total revenue (%)	3.6	3.5	3.6	3.7
Balance sheet				
Unrestricted cash and investments ($000s)	362,700	398,091	316,767	275,646
Unrestricted days' cash on hand	273	291	237	215
Unrestricted cash/debt (%)	133.0	146.3	114.3	96.1
Net fixed assets ($000s)	370,164	373,731	382,308	391,063
Long-term debt ($000s)	272,723	272,175	277,195	286,718
Unrestricted fund balance ($000s)	459,148	513,771	422,989	365,460
Debt/capitalization (%)	37.3	34.6	39.6	44.0
Average age of plant (years)	7.5	8.2	7.3	7.0

*Unaudited.

Related Criteria And Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Debt Derivative Profile Scores, March 27, 2006
- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011

Ratings Detail (As Of November 23, 2011)		
Illinois Fin Auth, Illinois		
Edward Hosp & Hlth Services Corp, Illinois		
2008B-1		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1+	Affirmed
2008B-2		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1+	Affirmed
2008 C		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1+	Affirmed
2009 A		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Long Term Rating	AAA/A-1	Affirmed
Illinois Hlth Fac Auth, Illinois		
Edward Hosp & Hlth Services Corp, Illinois		

Ratings Detail (As Of November 23, 2011) **(cont.)**

2001 A

Unenhanced Rating	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

916920 | 300085042

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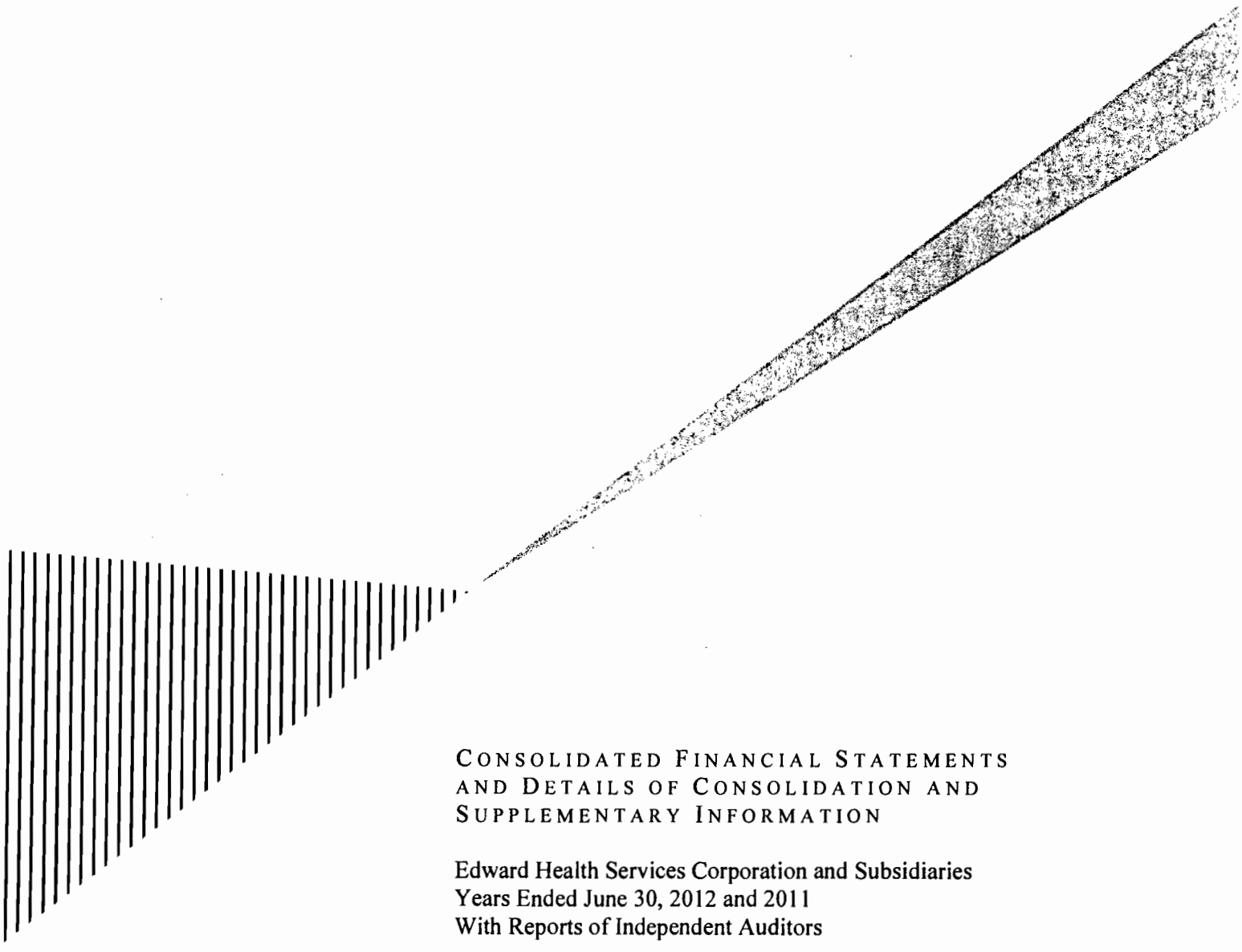

Consolidated Financial Statements and Details of Consolidation and Supplementary Information

Edward Health Services Corporation and Subsidiaries
Years Ended June 30, 2012 and 2011
With Reports of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

ATTACHMENT 6

Edward Health Services Corporation and Subsidiaries

Consolidated Financial Statements and
Details of Consolidation and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

Report of Independent Auditors 1

Consolidated Financial Statements

Consolidated Balance Sheets 2
Consolidated Statements of Operations and Changes in Net Assets 4
Consolidated Statements of Cash Flows 6
Notes to Consolidated Financial Statements 7

Details of Consolidation and Supplementary Information

Report of Independent Auditors on Details of Consolidation and Supplementary Information 36
Supplementary Information 37
Details of Consolidated Balance Sheet 38
Details of Consolidated Statement of Operations and Changes in Net Assets 40

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Report of Independent Auditors

The Board of Trustees
Edward Health Services Corporation

We have audited the accompanying consolidated balance sheets of Edward Health Services Corporation and Subsidiaries (the Corporation) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Edward Health Services Corporation and Subsidiaries at June 30, 2012 and 2011, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in fiscal year 2012 the Corporation adopted authoritative guidance issued by the Financial Accounting Standards Board related to the presentation and disclosures of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts.

Ernst & Young LLP

September 26, 2012

A member firm of Ernst & Young Global Limited

Edward Health Services Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30	
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,503**	$ 13,222
Assets limited as to use, externally designated investments under debt agreements	**5,325**	5,010
Patient accounts receivable, less allowances for doubtful accounts (2012 – $20,450; 2011 – $16,936)	**88,105**	71,567
Estimated amounts due from third-party payors	**1,941**	815
Inventories	**9,198**	8,758
Prepaid expenses and other current assets	**7,855**	11,838
Total current assets	**114,927**	111,210
Assets limited as to use, less current portion:		
Externally designated investments under debt agreements	**3,843**	2,227
Externally designated for self-insurance	**93,344**	89,448
Board-designated investments	**414,627**	384,869
	511,814	476,544
Other assets:		
Deferred financing costs, net	**3,613**	4,395
Goodwill and other intangible assets, net	**31,651**	31,902
Investments in affiliates and other	**15,049**	12,626
Reinsurance recoverable for reinsured losses	**7,632**	7,353
	57,945	56,276
Land, buildings, and equipment:		
Land and improvements	**41,257**	40,505
Buildings and improvements	**506,042**	474,175
Furniture and equipment	**208,163**	195,631
Construction-in-progress	**38,089**	36,959
	793,551	747,270
Less allowances for depreciation	**401,778**	373,539
	391,773	373,731
	$ 1,076,459	$ 1,017,761

	June 30	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 26,658**	$ 18,574
Accrued expenses	**47,864**	48,688
Estimated amounts due to third-party payors	**95,698**	76,084
Current maturities of long-term debt	**5,325**	5,010
Total current liabilities	**175,545**	148,356
Long-term debt, less current maturities	**267,862**	272,175
Professional and general liability	**47,139**	49,491
Reserve for reinsured losses	**7,632**	7,353
Other liabilities	**47,874**	25,204
Total liabilities	**546,052**	502,579
Net assets:		
Unrestricted net assets	**529,065**	513,771
Temporarily restricted net assets	**949**	1,018
Permanently restricted net assets	**393**	393
Total net assets	**530,407**	515,182
	$ 1,076,459	$ 1,017,761

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30	
	2012	**2011**
Revenues		
Net patient service revenue before provision for bad debts	**$ 593,675**	$ 538,715
Provision for bad debts	**(38,290)**	(26,400)
Net patient service revenue	**555,385**	512,315
Other operating revenue	**30,410**	26,642
	585,795	538,957
Expenses		
Salaries and wages	**238,089**	221,011
Employee benefits	**55,896**	49,395
Medical fees	**9,716**	9,476
Purchased services	**32,430**	26,682
Supplies and other	**151,265**	137,601
Depreciation and amortization	**34,753**	45,589
Interest	**11,123**	12,583
Medicaid tax	**16,089**	16,089
	549,361	518,426
Operating income before impairment of software	**36,434**	20,531
Impairment of software	**6,029**	–
Operating income	**30,405**	20,531
Nonoperating		
Realized gains and investment income	**3,059**	14,825
Unrealized (losses) gains on investments, net	**(389)**	49,659
(Loss) gain on interest rate swaps	**(17,955)**	4,492
Other nonoperating (losses) gains	**(258)**	448
	(15,543)	69,424
Excess of revenues and gains over expenses and losses	**14,862**	89,955

Edward Health Services Corporation and Subsidiaries

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

	Year Ended June 30	
	2012	**2011**
Unrestricted net assets		
Excess of revenues and gains over expenses and losses	**$ 14,862**	$ 89,955
Net assets released from restrictions and used for purchase of fixed assets	**432**	827
Increase in unrestricted net assets	**15,294**	90,782
Temporarily restricted net assets		
Contributions	**793**	1,216
Net assets released from restrictions and used for operations	**(430)**	(337)
Net assets released from restrictions and used for purchase of fixed assets	**(432)**	(827)
(Decrease) increase in temporarily restricted net assets	**(69)**	52
Increase in net assets	**15,225**	90,834
Net assets at beginning of year	**515,182**	424,348
Net assets at end of year	**$ 530,407**	$ 515,182

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended June 30	
	2012	**2011**
Operating activities		
Increase in net assets	**$ 15,225**	$ 90,834
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**34,753**	45,589
Impairment of equipment	**6,029**	–
Provision for doubtful accounts	**38,290**	26,400
Change in net unrealized loss (gain) on interest rate swaps	**17,955**	(4,492)
Restricted contributions	**(793)**	(1,216)
Loss on early extinguishment of debt	**782**	–
Loss on disposal of fixed assets	**532**	81
Changes in operating assets and liabilities:		
Patient accounts receivable	**(54,828)**	(35,491)
Inventories, prepaid expenses, and other current assets	**3,543**	1,139
Accounts payable and accrued expenses	**7,260**	1,936
Other assets and liabilities	**2,595**	(1,141)
Investments	**(35,585)**	(106,146)
Estimated amounts due from/to third-party payors	**18,488**	17,169
Net cash provided by operating activities	**54,246**	34,662
Investing activities		
Additions to land, buildings, and equipment, net	**(58,325)**	(36,583)
Investments in affiliates and other	**(2,423)**	(1,940)
Net cash used in investing activities	**(60,748)**	(38,523)
Financing activities		
Principal payments under bond obligations	**(5,010)**	(4,870)
Proceeds from issuance of long-term debt	**26,050**	–
Repayment of long-term debt	**(26,050)**	–
Restricted contributions	**793**	1,216
Net cash used in financing activities	**(4,217)**	(3,654)
Net decrease in cash and cash equivalents	**(10,719)**	(7,515)
Cash and cash equivalents at beginning of year	**13,222**	20,737
Cash and cash equivalents at end of year	**$ 2,503**	$ 13,222
Supplemental disclosure of cash flow information		
Interest paid	**$ 12,146**	$ 12,542

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2012

1. Corporate Organization

The accompanying consolidated financial statements represent the accounts of Edward Health Services Corporation (the Corporation) and its affiliates. Included among the affiliates are Edward Hospital (the Hospital), an acute care hospital located in Naperville, Illinois, serving residents of Naperville and its surrounding communities; Edward Health Ventures (EHV), an organization that provides the services of physician practices, holds real estate investments, and invests in joint venture medical practices and other health care services; Edward Foundation (the Foundation), a charitable foundation organized to solicit gifts for the maintenance and benefit of the Corporation and its affiliates; and EHSC Cayman Segregated Portfolio Co. (the Captive), which provides general and professional liability insurance coverage to the Corporation and its affiliates. EHV is the sole corporate member of Edward Health & Fitness Center (EHFC), an Illinois not-for-profit corporation, and is the sole shareholder of Edward Management Corporation (EMC), an Illinois for-profit corporation, which provides physician billing services. EHV has a 99% ownership interest in Naperville Psychiatric Ventures, an Illinois general partnership, d/b/a Linden Oaks Hospital (Linden Oaks), a psychiatric hospital located on the campus of the Hospital, and the Corporation owns the remaining 1% interest. EHV is also the general partner of the Edward Physician Office Center Limited Partnership (EPOCLP), an Illinois for-profit limited partnership, which owns a medical office building on the Hospital campus. EHV and the Hospital together own 96% of the limited and general partnership units of EPOCLP.

Significant intercompany transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Accounts Receivable

The Corporation evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible.

Patient service revenue is reduced by the provision for bad debts, and accounts receivable is reduced by an allowance for uncollectible accounts. These amounts are based on management's assessment of historical and expected net collections for each major payor source, considering business and economic conditions, trends in health care coverage, and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts in the period services are provided related to self-pay patients, including both uninsured patients and patients with deductible and copayment balances due for which third-party coverage exists for a portion of their balance. For receivables associated with patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. Accounts receivable are written off after collection efforts have been followed in accordance with the Corporation's policies.

The Corporation's allowance for uncollectible accounts was 19.1% and 19.1% of total accounts receivable as of June 30, 2012 and 2011, respectively. The Corporation's combined allowance for uncollectible accounts and charity care covered 75.4% and 72.1% of self-pay accounts receivable at June 30, 2012 and 2011, respectively. The Corporation's write-offs to the allowance for doubtful accounts were $34,817 and $21,086 for the years ended June 30, 2012 and 2011 respectively. This increase was the result of negative trends experienced in collecting

2. Summary of Significant Accounting Policies (continued)

the amounts due from the patient. The Corporation has not changed its charity care or uninsured discount policies from fiscal year 2011 to fiscal year 2012. In addition, the Corporation has not changed its process for estimating the allowance for doubtful accounts.

Assets Limited as to Use and Investment Income

Assets limited as to use include assets set aside by the Board of Trustees (the Board) for future capital improvements, which the Board, at its discretion, may subsequently use for other purposes. In addition, assets limited as to use include assets held by trustees under debt agreements and assets externally designated by reinsurers for the self-insured professional and general liability.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices for those or similar investments. Dividends, realized gains and losses, and unrealized gains and losses are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets. Investment income from assets limited as to use under debt agreements is included as other operating revenue in the consolidated statements of operations and changes in net assets.

Interest Rate Swaps

Interest rate swaps are measured at fair value based on quoted market interest rates. In accordance with Accounting Standards Codification Section (ASC) 815-10-50-1 on Derivatives and Hedging Disclosures, gains and losses resulting from changes in market interest rates are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

2. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs and Goodwill

Debt issuance and financing costs are capitalized and amortized over the life of the debt issue using methods that approximate the effective interest method. Goodwill is reviewed annually for impairment.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost, except donated assets, which are recorded at fair market value as of the date of donation. The Corporation records depreciation expense, including amortization of assets recorded under capital leases, using the straight-line method over the estimated useful lives of the assets, which range from 3 to 90 years. During 2012 management changed the estimate of the remaining service life of certain buildings. The change is being accounted for prospectively as a change in estimate. The impact of this change was a reduction in depreciation expense of $9,200 in 2012.

The Corporation considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying values of an asset are appropriate. Impairment write-downs are recognized in the consolidated statements of operations and changes in net assets at the time the impairment is identified.

Impairment and Nonrecurring Gain

Long-lived and intangible assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. When impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimated fair values.

During the years ended June 30, 2012 and 2011, the Corporation recorded total impairment expense, of $6,029 and $0. For the year ended June 30, 2012, this amount comprised long-lived asset impairments related to the plans to cease previously planned information systems technology.

2. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the pledge is received to the extent estimated to be collectible by the Corporation. Pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support. 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 and changes in net assets as net assets released from restrictions.

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the Corporation. Temporarily restricted gifts are recorded as an addition to temporarily restricted net assets in the period received. Resources restricted by donors for specific operating purposes are reported as revenue to the extent expended within the period.

Permanently restricted net assets consist of amounts held in perpetuity, as designated by donors. Earnings on investments of endowment funds are included in revenue unless restricted by donors.

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

The Corporation has agreements with various third-party payors that provide for payments to the Corporation 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 service revenue is reported at the estimated net realizable amounts received or due from patients, third-party payors, and others for services rendered. These amounts include estimated adjustments under certain reimbursement agreements with third-party payors, which are subject to audit by the applicable administering agency. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined (see Note 4). Patient service revenue, net of contractual allowances and discounts (but before the provision of bad debts), recognized in the period from these major payor services, is as follows for the year ended June 30, 2012:

	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 518,165	$ 75,510	$ 593,675

Charity Care

The Corporation provides care to all patients regardless of their ability to pay. Charity care provided by the Corporation is excluded from net patient service revenue.

Excess of Revenues and Gains Over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess of revenues and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenues and gains over expenses and losses, include contributions of long-lived assets, including assets acquired using donor-restricted contributions.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Corporation, the Hospital, EHV, EHFC, the Foundation, and Linden Oaks are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income related to their exempt purposes. Accordingly, there is no material provision for income tax for these entities.

EMC is a taxable entity having taxable income in 2012 and 2011. As of June 30, 2012, EMC has a net operating loss carryforward estimated at $687, expiring in the years 2012 through 2024. A deferred tax asset in the amount of $57 in 2012 has been recorded in the consolidated financial statements, as this is the amount of these tax benefits that has been determined to be reasonably assured.

EPOCLP is a partnership, and as such, income taxes are paid directly by the partners. Accordingly, no provision for income taxes has been recorded.

There is presently no tax imposed by the government of the Cayman Islands on the Captive. The only taxes payable by the Captive are withholding taxes of other countries applicable to certain investment income. As a result, no tax liability or expense has been recorded in the financial statements of the Captive.

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 is effective for fiscal years and interim periods beginning after December 31, 2011, with early adoption permitted. Changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. ASU 2011-07 states that a health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay must present the provision for doubtful accounts as a reduction of net patient revenue and not include

2. Summary of Significant Accounting Policies (continued)

it as a separate item in operating expenses. The Corporation early adopted this guidance effective July 1, 2011. The change in presentation and additional disclosures, as required by ASU 2011-07, are reflected in the Corporation's statement of operations and changes in net assets and in Note 2.

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*. This guidance clarifies and defines the calculation of charity care disclosed by not-for-profit entities. This guidance is effective for fiscal years beginning after December 15, 2010, and should be applied retrospectively to all periods presented. This guidance was adopted by the Corporation on July 1, 2011, and had no impact on the consolidated financial statements. Refer to Charity Care in Note 2.

In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. This guidance requires that health care entities present anticipated insurance recoveries separately on the balance sheet from estimated liabilities for medical malpractice claims or similar contingent liabilities. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2010. The Corporation adopted the new guidance in its first quarter of fiscal year 2012. The guidance had no impact on the consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*. ASU 2010-29 clarifies the disclosure requirement for pro forma revenue and earnings for comparative current and prior reporting periods. Pro forma information should be disclosed as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior fiscal year only. ASU 2010-29 also expands the disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination(s). This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. This guidance was adopted by the Corporation on July 1, 2011, and had no impact on the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC 820, *Fair Value Measurement*, to require a number of additional disclosures regarding fair value measurements. These disclosures include the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; the reasons for any transfer in or out of Level 3; and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances, and settlements on a gross basis as well as clarification on previous reporting requirements. This new guidance is effective for the first reporting period, including interim periods beginning after December 15, 2009, for all disclosures except the requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements, which is effective for the Corporation in fiscal year 2012. The Corporation adopted this guidance with the exception of the additional Level 3 disclosures in the first quarter of fiscal year 2011. The additional Level 3 disclosures were adopted beginning July 1, 2011. This guidance had no impact on the consolidated financial statements.

Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform with the classifications used in 2012. These reclassifications had no impact on excess of revenues and gains over expenses and losses or on net assets as previously reported.

3. General and Professional Liability Claims

The Corporation was a party to an agreement with the Illinois Provider Trust (IPT) for primary and excess coverage of general and professional liability claims through December 31, 2004. Effective January 1, 2005, the Captive began providing claims-made health care professional liability and occurrence-based general liability coverage to the Corporation and its affiliates. From January 1, 2005 through December 31, 2007, the Captive's primary limits were $3,000 per occurrence without an aggregate limit and a buffer layer of $2,000 in the aggregate. From January 1, 2008 through December 31, 2008, the Captive's primary limits were $2,000 per occurrence with an aggregate of $32,000 and a buffer layer of $2,000 in the aggregate. Beginning January 1, 2009, the Captive's primary limits were $2,000 per occurrence with an aggregate of $12,000 and a buffer layer of $2,000 in the aggregate.

3. General and Professional Liability Claims (continued)

From January 1, 2003 through December 31, 2004, the Corporation's primary layer of general and professional liability coverage with IPT was on a claims-made basis, and from January 1, 2002 through December 31, 2004, the Corporation's excess general and professional liability coverage with IPT was on a claims-made basis. The professional liability coverage under the Captive is also on a claims-made basis, beginning January 1, 2005. However, the Captive includes tail coverage retroactive to the dates of the claims-made primary and excess coverages through IPT (January 2003 and January 2002, respectively). In January 2007, the Captive began providing professional liability coverage to certain employed physicians of the Hospital and EHV. The Corporation has recorded a tail coverage liability representing incurred but not reported claims of $9,764 and $8,402 at June 30, 2012 and 2011, respectively. The Corporation is also covered by an excess liability policy with limits of $80,000 in the aggregate for the period January 1, 2009 through December 31, 2012.

The Captive has also recorded a liability of $37,376 and $41,089 for claims reported to the Captive at June 30, 2012 and 2011, respectively.

Annual premiums paid to IPT or deposited in the Captive are based on actuarial valuations. The premiums for primary coverage under IPT are subject to retrospective adjustments based on the loss experience of the Corporation and other IPT members, subject to certain maximum limitations. No retrospective premium adjustments were assessed to the Corporation during fiscal years 2012 and 2011.

Actuarial estimates are subject to uncertainty, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. The actual claim payments could be materially different from the estimates. The Corporation and its subsidiaries recorded $3,112 and $343 of general and professional liability expense in 2012 and 2011, respectively. The Corporation is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Corporation's consolidated financial condition or results of operations.

4. Contractual Arrangements With Third-Party Payors

The Medicare and Medicaid programs pay the Hospital for inpatient and outpatient services at predetermined rates based on treatment diagnosis. Medicare reimbursement for certain outpatient and extended care services rendered by Linden Oaks is primarily based on allowable costs, which are subject to retroactive audit and adjustment. Changes in the Medicare and Medicaid programs or reduction of funding levels for the programs could have an adverse effect on future amounts recognized as net patient service revenue.

The laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Payment for services provided to health maintenance organization and preferred provider organization (HMO/PPO) patients is made at predetermined fixed rates. Payment for services provided to Blue Cross program inpatients is based on allowable reimbursable costs and is subject to retroactive audit and adjustment.

Net patient revenues received under the HMO/PPO and Medicare payment arrangements account for 72% and 22% of net patient service revenue, respectively, for the year ended June 30, 2012, and 64% and 24%, respectively, for the year ended June 30, 2011. A provision has been made in the consolidated financial statements for contractual adjustments, representing the difference between standard charges for services and actual or estimated payment.

The Hospital, Linden Oaks, and EHV grant credit without collateral to their patients, most of whom are local residents and are insured under third-party arrangements. Major components of net patient accounts receivable include 18% and 18%, respectively, at June 30, 2012, and 19% and 25% at June 30, 2011, respectively, from Medicare and Blue Cross.

Adjustments arising from reimbursement arrangements with third-party payors are accrued on an estimated basis in the period in which the services are rendered. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. Changes in third-party payor settlements that relate to prior years are reported in net patient service revenue in the consolidated statements of operations and changes in net assets. The impact of such items resulted in an increase in net patient service revenue in the amounts of $762 and $186 in 2012 and 2011, respectively.

4. Contractual Arrangements With Third-Party Payors (continued)

The Centers for Medicare and Medicaid Services approved the State of Illinois' Hospital Assessment Program with an effective date beginning July 1, 2008 (the beginning of the state's fiscal year 2008) through June 30, 2013 (the end of the state's fiscal year 2013).

The Corporation recognized in its year ended June 30, 2012, Illinois hospital assessment revenue and assessment expense in the amounts of $12,675 and $16,089, respectively, resulting in a decrease in the Corporation's fiscal 2012 excess of revenues and gains over expenses and losses of $3,414. The Corporation recognized in its year ended June 30, 2011, Illinois hospital assessment revenue and assessment expense in the amounts of $12,675 and $16,089, respectively, resulting in a decrease in the Corporation's fiscal 2011 excess of revenues and gains over expenses and losses of $3,414.

The Corporation recognized $2,425 and $3,136 as unrestricted contributions from the Illinois Hospital Research and Educational Foundation (IHREF), representing financial assistance to certain hospitals participating in the 2012 and 2011 Illinois Medicaid Provider Tax program, respectively. This amount has been recorded as other operating revenues in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2012 and 2011.

5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2012	2011
Temporarily restricted:		
Animal assisted therapy	$ 153	$ 153
Oncology programs	93	119
Cardiovascular programs	108	93
Other special uses	595	653
Total temporarily restricted net assets	$ 949	$ 1,018

5. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets at June 30 are summarized below, the income from which is expendable to support the following expenses:

	2012	2011
Permanently restricted:		
Cardiovascular endowment	$ 100	$ 100
Animal assisted therapy endowment	155	155
Other special uses	138	138
Total permanently restricted net assets	$ 393	$ 393

Net assets were released from donor restrictions by incurring expenditures for the following purposes during the years ended June 30:

	2012	2011
KidsCare campaign	$ 432	$ 892
Cancer campaign	–	(73)
Health care services and other	430	345
Total net assets released from restrictions	$ 862	$ 1,164

Pledges receivable, which are included in the consolidated balance sheets in prepaid expenses and other current assets for the current portion, and in investments in affiliates and other for the long-term portion, are due over the following time periods:

	June 30	
	2012	2011
Less than one year	$ 295	$ 543
One through five years	579	479
	$ 874	$ 1,022

6. Investments in Affiliates

Investments in affiliates include a 33% interest in Northern Illinois Surgery Center Limited Partnership, an Illinois limited partnership; a 50% membership interest and 100% ownership interest in Naperville Health Care Associates (NHCA), an Illinois for-profit corporation; a 32% interest in Residential Home Health of Illinois; a 12.5% investment in DMG Surgical Center, LLC; and a 45% interest in the Plainfield Surgery Center LLC. These investments are recorded using the equity method of accounting. Net income from these investments is included in other nonoperating gains in the accompanying consolidated statements of operations and changes in net assets.

Summarized unaudited financial results for the investments in affiliates accounted for under the equity method as of and for the years ended June 30 are as follows:

	2012	2011
Assets	$ 41,405	$ 44,336
Liabilities	13,689	17,973
Net income	9,167	5,554

7. Investments

Board-designated investments represent assets invested in a pooled investment fund, which aggregates investments of all the entities of the Corporation. Board-designated investments, along with trustee-held investments, consisted of the following at June 30:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	$ 456,724	$ 422,222	$ 416,776	$ 383,758
Equity securities	50,929	46,087	52,007	44,685
Municipal bonds	–	–	4,618	5,227
Money market funds and short-term investments	9,486	9,487	8,153	8,152
	$ 517,139	$ 477,796	$ 481,554	$ 441,822

7. Investments (continued)

Return on investments for the years ended June 30 are as follows:

	2012	2011
Investment return:		
Interest and dividend income	$ 9,822	$ 7,258
Unrealized (losses) gains on investments, net	(389)	49,659
Net realized (losses) gains on investments	(6,546)	7,906
Total investment return	$ 2,887	$ 64,823
Reported as:		
Other operating revenue	$ 217	$ 339
Net realized gains on investment income	3,059	14,825
Unrealized (losses) gains on investments, net	(389)	49,659
	$ 2,887	$ 64,823

8. Derivatives and Other Financial Instruments

The Corporation 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 risk management purposes. By using derivative financial instruments to manage the risk of changes in interest rates, the Corporation exposes itself to credit 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 the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and, therefore, it does not possess credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of the Corporation based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

8. Derivatives and Other Financial Instruments (continued)

The Corporation has not experienced any financial losses or changes in counterparty collateral posting requirements due to changes in the credit ratings or risk profiles of its derivative counterparties for fiscal years ended June 30, 2012 and 2011.

The Corporation maintains interest rate swap programs on its variable rate demand revenue bonds. These bonds expose the Corporation to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the Corporation entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps limit the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in various outstanding bond series.

The following is a summary of the outstanding positions under these interest swap agreements at June 30, 2012:

Bond Series	Notional Amount	Maturity Date	Rate Paid	Rate Received
2008B-1	$ **52,650**	February 2040	**3.96%**	61.8% of one-month LIBOR plus 0.31%
2008B-2	$ **21,060**	February 2040	**4.05%**	61.8% of one-month LIBOR plus 0.31%
2008B-2	$ **31,590**	February 2040	**3.93%**	61.8% of one-month LIBOR plus 0.31%
2009A	$ **30,000**	February 2031	**3.59%**	67.0% of one-month LIBOR

The following is a summary of the outstanding positions at June 30, 2011:

Bond Series	Notional Amount	Maturity Date	Rate Paid	Rate Received
2008B-1	$ 53,595	February 2040	3.93%	61.8% of one-month LIBOR plus 0.31%
2008B-2	$ 21,438	February 2040	4.05%	61.8% of one-month LIBOR plus 0.31%
2008B-2	$ 32,157	February 2040	3.93%	61.8% of one-month LIBOR plus 0.31%
2009A	$ 30,000	February 2031	3.59%	67.0% of one-month LIBOR

8. Derivatives and Other Financial Instruments (continued)

As required in ASC 815-10-25-1, the Corporation is required to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as part of a hedging relationship and, further, on the type of hedging relationship. For derivative instruments that are designated as hedging instruments, the Corporation must designate the hedging instrument based upon the exposure being hedged as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The fair value of derivative instruments at June 30, 2012 and 2011, is as follows:

Derivatives Not Designated as Hedging Instruments Under ASC 815-10	Location on Consolidated Balance Sheets	June 30, 2012	June 30, 2011
Interest rate swap agreements	Other liabilities	**$ (38,221)**	$ (20,266)

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended June 30, 2012 and 2011, are as follows:

Derivatives Not Designated as Hedging Instruments Under ASC 815-10	Location of (Loss) Gain Recognized in Nonoperating (Losses) Gains in Consolidated Statements of Operations and Changes in Net Assets	June 30, 2012	June 30, 2011
Interest rate swap agreements	(Loss) gain on interest rate swaps	**$ (17,955)**	$ 4,492

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the gain or loss is recorded as a change in unrestricted net assets, whereas for derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. At June 30, 2012 and 2011, the Corporation had no derivative instruments that are designated and qualify as a fair value hedge or hedge of a net investment in a foreign currency.

8. Derivatives and Other Financial Instruments (continued)

In November 2001, the Corporation entered into a 30-year interest rate swap agreement with a counterparty. The agreement effectively converted $30,000 of the Corporation's Series 2001C Bond issue (refunded in October 2009 by Series 2009A) from a variable rate that approximates the Securities Industry and Financial Markets Association (SIFMA) 30-day rate (0.18% and 0.09% at June 30, 2012 and 2011, respectively), reset on a weekly basis, to a fixed rate of 3.59%. Financial settlement of the terms of the agreement occurs on a monthly basis. The agreement expires in 2031.

In April 2006, the Corporation entered into two 33-year interest rate swap agreements with two counterparties with notional amounts of $57,140 for each swap. The swaps effectively locked in future refunding savings by exchanging a variable rate of 61.8% of one-month LIBOR plus 0.31% with a fixed rate of 3.93%. The agreements became effective on February 1, 2007, at the option of the Corporation.

In April 2011, the Corporation entered into a swap novation agreement for its 2008B-2 swap with an additional counterparty for a notional amount of $21,060. This swap novation effectively locked in future cash flows by exchanging a variable rate of 61.8% of one-month LIBOR plus 0.31% with a fixed rate of 4.0485% and raised the collateral posting threshold on the novated portion of the swap to $10,000. The agreement became effective May 4, 2011.

In December 2011, the Corporation entered into a swap novation agreement for its 2008B-1 swap with an additional counterparty for a notional amount of $52,650. This swap novation effectively locked in future cash flows by exchanging a variable rate of 61.8% of one-month LIBOR plus 0.31% with a fixed rate of 3.96% and raised the collateral posting threshold on the novated portion of the swap to $20,000. The agreement became effective December 21, 2011.

8. Derivatives and Other Financial Instruments (continued)

A summary of the market values of the outstanding swap agreements at June 30, 2012 and 2011, is as follows:

	Notional Amount	2012 Fair Value	2011 Fair Value
Fixed pay LIBOR swap (2008B-1)	$ 52,650	$ **(15,047)**	$ (7,959)
Fixed pay LIBOR swap (2008B-2)	31,590	**(9,383)**	(5,186)
Fixed pay LIBOR swap (2008B-2)	21,060	**(5,947)**	(3,183)
Fixed pay LIBOR swap (2009A)	30,000	**(7,844)**	(3,938)

Net interest paid or received under the interest rate swap agreements is included in interest expense. The net differential paid by the Corporation as a result of the interest rate swap agreements amounted to approximately $4,783 and $4,774 for the years ended June 30, 2012 and 2011, respectively. These amounts are reflected as an increase to interest expense. The net fair value of the swaps was a liability of $38,221 and $20,266 included in other liabilities at June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the interest rate swap agreements do not qualify for hedge accounting; therefore, the change in the fair value has been reflected as loss on interest rate swaps in the nonoperating section of the consolidated statements of operations and changes in net assets.

For the year ended June 30, 2012, the Corporation recorded approximately $17,955 in nonoperating losses, which relates to a loss of $21,476 due to the change in the swaps' value and a gain of $3,521 to reflect the fair value of the credit adjustment related to the uncollateralized portion of the swap balance.

For the year ended June 30, 2011, the Corporation recorded approximately $4,492 in nonoperating gains, which relates to a gain of $2,769 due to the change in the swaps' value and a gain of $1,723 to reflect the fair value of the credit adjustment related to the uncollateralized portion of the swap balance.

8. Derivatives and Other Financial Instruments (continued)

Certain of the Corporation's derivative instruments contain provisions that require the Corporation's debt to maintain a certain long-term credit rating from each of the major credit rating agencies. If the Corporation's debt were to fall below these thresholds, the counterparties to the derivative instruments could request either immediate additional collateralization or ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on June 30, 2012 and 2011, is $38,221 and $20,266, respectively. The Corporation has posted collateral of $750 and $2,316 at June 30, 2012 and 2011, respectively, in the normal course of business. This amount is recorded as a current asset in the consolidated balance sheets. If ratings fell below the current levels and the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2012, the Corporation would be required to post total collateral as outlined in the table below to its counterparties.

Bond Rating	Collateral Requirement
S&P/Moody's:	
A+/A2 (Current)	$ 750
A-/A3	8,761
BBB+/Baa1	23,761
BBB/Baa2	40,700
BBB-/Baa3	41,450
Below BBB-/Baa3	42,200

ASC 820-10-50-2 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 participants at the measurement date and establishes a framework for measuring fair value.

8. Derivatives and Other Financial Instruments (continued)

ASC 820-10-50-2 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

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

8. Derivatives and Other Financial Instruments (continued)

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 table presents the financial instruments carried at fair value as of June 30, 2012, by caption, on the consolidated balance sheet by the ASC 820-10-50-2 valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 2,503	$ –	$ –	$ 2,503
Assets whose use is limited	5,325			5,325
Externally designated under debt agreements:				
Money market[a]	3,843	–	–	3,843
Total externally designated under debt agreements	3,843	–	–	3,843
Externally designated for self-insurance mutual funds[a]	93,344	–	–	93,344
Board-designated investments:				
Cash and equivalents	317	–	–	317
Domestic common stocks[c]	47,154	–	–	47,154
Foreign stocks[c]	3,775	–	–	3,775
Mutual funds – equity[a]	158,391	–	–	158,391
Mutual funds – fixed income[a]	166,478	–	–	166,478
Mutual funds – balanced[a]	38,512	–	–	38,512
Total board-designated investments	414,627	–	–	414,627
Collateral (included in prepaid expenses and other current assets):				
Money market[a]	750	–	–	750
Total	$ 520,392	$ –	$ –	$ 520,392
Liabilities				
Swaps[d]	$ –	$ 38,221	$ –	$ 38,221

8. Derivatives and Other Financial Instruments (continued)

The following table presents the financial instruments carried at fair value as of June 30, 2011, by caption, on the consolidated balance sheet by the ASC 820-10-50-2 valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 13,222	$ –	$ –	$ 13,222
Externally designated under debt agreements:				
Money market[a]	2,619	–	–	2,619
Municipal bonds[b]	–	4,618	–	4,618
Total externally designated under debt agreements	2,619	4,618	–	7,237
Externally designated for self-insurance mutual funds[a]	89,448	–	–	89,448
Board-designated investments:				
Cash and equivalents	5,534	–	–	5,534
Domestic common stocks[c]	48,041	–	–	48,041
Foreign stocks[c]	3,966	–	–	3,966
Mutual funds – equity[a]	154,928	–	–	154,928
Mutual funds – fixed income[a]	136,116	–	–	136,116
Mutual funds – balanced[a]	36,284	–	–	36,284
Total board-designated investments	384,869	–	–	384,869
Collateral (included in prepaid expenses and other current assets):				
Money market[a]	2,316	–	–	2,316
Total	$ 492,474	$ 4,618	$ –	$ 497,092
Liabilities				
Swaps[d]	$ –	$ 20,266	$ –	$ 20,266

[a] Pricing for mutual funds and money market funds is based on the open market and is valued on a daily basis.

8. Derivatives and Other Financial Instruments (continued)

(b) Pricing is based on the market value of the securities and is valued on a monthly basis. Information used to value this account is provided by International Data Corporation (IDC). In the event that a security is not actively traded in the open market, the characteristics are matched to a comparable issue from the market data to appropriately value the holding.

(c) Equities are priced based on the open market and are valued on a daily basis.

(d) Pricing is based on discounted cash flows to reflect a credit spread to the LIBOR discount curve in order to reflect "nonperformance" risk. The credit spread adjustment is derived from how other comparable entities' bonds price and trade in the market.

The carrying values of cash and cash equivalents, assets limited as to use, patient accounts receivable, accounts payable, other accrued expenses, and estimated amounts due to/from third-party payors approximate their fair values at June 30, 2012 and 2011, due to the short-term nature of these financial instruments. The estimated fair value of long-term debt (including current portion) based on quoted market prices for the same or similar issues was $281,789 and $277,171 at June 30, 2012 and 2011, respectively.

9. Long-Term Debt

Long-term debt consists of the following at June 30:

	2012	2011
Illinois Finance Authority		
Revenue Bonds, Series 2012A:		
Serial Bonds, interest at 4.1% to 5.5%, due in varying annual installments from 2013 to 2018	$ 14,975	$ –
Term Bonds, interest at 5.0%, due in 2020	11,050	–
Revenue Bonds, Series 2009A:		
Variable Rate Securities, interest payable monthly at a floating rate (0.29% and 0.09% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2011 to 2034	43,295	43,395
Revenue Bonds, Series 2008A:		
Serial Bonds, interest at 6.0%, due in varying annual installments from 2021 to 2026	15,375	15,375
Term Bonds, interest at 6.0%, due in 2028	6,150	6,150
Term Bonds, interest at 6.25%, due in 2033	8,450	8,450
Term Bonds, interest at 5.50%, due in 2040	56,125	56,125
Revenue Bonds, Series 2008B-1:		
Variable Rate Securities, interest payable monthly at a floating rate (0.18% and 0.08% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	52,925	53,875
Revenue Bonds, Series 2008B-2:		
Variable Rate Securities, interest payable monthly at a floating rate (0.20% and 0.07% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	52,925	53,875
Revenue Bonds, Series 2008C:		
Variable Rate Securities, interest payable monthly at a floating rate (0.20% and 0.07% at June 30, 2012 and 2011, respectively), and principal due in varying annual installments from 2010 to 2040	11,235	11,700
Revenue Bonds, Series 2001A:		
Serial Bonds, interest at 4.1% to 5.5%, due in varying annual installments from 2010 to 2018	–	17,520
Term Bonds, interest at 5.0%, due in 2020	–	11,050
JP Morgan Chase, Line of Credit, Due August 31, 2013		
Interest at LIBOR + 0.0175% (1.995% at June 30, 2012)	1,000	–
	273,505	277,515
Less current maturities	5,325	5,010
Unamortized discount net on bonds payable	(318)	(330)
Long-term debt	$ 267,862	$ 272,175

9. Long-Term Debt (continued)

Edward Health Services Corporation and Subsidiaries' long-term debt is issued pursuant to the Amended and Restated Master Trust Indenture dated as of September 1, 1997, and subsequently amended and supplemented. The master trust indenture establishes an "Obligated Group," consisting of Edward Hospital, Edward Health Services Corporation, Edward Health Ventures, Edward Health & Fitness Center, and Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital. All members of the Obligated Group are jointly and severally obligated to pay all debt under the master trust indenture and are required to maintain their status as tax-exempt, not-for-profit health care providers.

Annual maturities, assuming remarketing of the 2009A, 2008B, and 2008C obligations, on the debt (including mandatory sinking fund deposits) for each of the next five years are as follows:

2013	$ 5,325
2014	5,575
2015	5,835
2016	6,125
2017	6,335

In April 2001, the Corporation issued Series 2001A, B, and C Revenue Bonds through the Illinois Health Facilities Authority. The bond proceeds were used to finance the costs of acquiring, constructing, renovating, and equipping certain health care facilities as part of a modernization and expansion program and to reimburse the Hospital for certain prior capital expenditures.

In April 2008, the Corporation issued Series 2008A, B, and C Revenue Bonds through the Illinois Finance Authority. The proceeds were used to refund the Series 2007 obligations.

In October 2009, the Corporation issued Series 2009A Revenue Bonds through the Illinois Finance Authority. The proceeds were used to refund the Series 2001C obligations.

In March 2012, the Corporation issued Series 2012A Revenue Bonds through the Illinois Finance Authority which were sold through a private placement. The proceeds were used to refund the Series 2001A obligations.

9. Long-Term Debt (continued)

The Corporation has entered into several credit agreements, which expire on November 28, 2014, and August 31, 2016, with banks under the terms of which the banks agree to make liquidity loans to the Corporation in the amount necessary to purchase the variable rate demand direct obligations if not remarketed. The maximum amount of the liquidity loans would be principal of $160,380 at June 30, 2012, plus accrued interest. The liquidity loans would be payable quarterly in equal installments over five years with the initial payment being due 90 days following the expiration of the credit agreement.

Under the terms of the master trust indenture, various amounts are held on deposit with a trustee for bond redemption, interest payments, and certain construction expenditures. In addition, the master trust indenture requires the Corporation to maintain certain financial ratios and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness.

Externally designated investments under debt agreements consisted of the following at June 30:

	2012	2011
Debt service reserve funds	$ –	$ 2,227
Project funds	3,843	–
	$ 3,843	$ 2,227

Interest expense, including interest capitalized during 2012 and 2011, was $12,194 and $13,212, respectively. Interest capitalized during 2012 and 2011 was $1,294 and $670, respectively.

10. Employee Defined-Contribution Retirement Plan

The Corporation maintains two defined-contribution retirement plans for employees. Employees of the Corporation and its subsidiaries participate in the Corporation's 401(k). During 2008, the 403(b) plan was frozen, and employees of the Corporation and its tax-exempt subsidiaries began contributing employee contribution to the 401(k) plan.

The employer contributions include a discretionary basic contribution based upon a percentage of the employee's compensation and a matching contribution based upon the amount of the employee's contribution. Pension expense was approximately $10,219 and $9,216 in 2012 and 2011, respectively.

11. Related-Party Transactions

During the years ended June 30, 2012 and 2011, NHCA paid the Corporation $9,186 and $10,758, respectively, for medical services.

12. Commitments

At June 30, 2012, the Corporation had commitments totaling approximately $9,776 related to construction and modernization projects.

The Corporation leases office space under leases that are classified as operating leases. The future minimum lease payments for office space leases with initial or noncancelable lease terms in excess of one year are as follows:

Year ending June 30:	
2013	$ 4,156
2014	3,924
2015	3,886
2016	3,552
2017	3,134
Thereafter	8,564
	$ 27,216

Rental expense amounted to approximately $4,566 and $4,293 for the years ended June 30, 2012 and 2011, respectively.

13. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to this and general and administrative functions for the years ended June 30 are as follows:

	2012	2011
Health care services	**$ 443,246**	$ 433,161
General and administrative	**112,140**	111,665
	$ 555,386	$ 544,826

14. Goodwill and Other Intangible Assets

Goodwill and other intangible assets for the Corporation at June 30, 2012 and 2011, was $31,651 and $31,902, net of accumulated amortization of $6,613 and $6,340, respectively. Intangible assets primarily consist of goodwill and non-compete agreements related to physician practice acquisitions. Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily non-compete agreements, are amortized over their expected useful lives. Amortization relating to non-compete agreements was $251 and $273 for 2012 and 2011, respectively.

15. Subsequent Events

The Corporation evaluated events and transactions occurring subsequent to June 30, 2012 through September 26, 2012, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements.

In addition, there were no nonrecognized subsequent events requiring disclosure.

Details of Consolidation and Supplementary Information

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Report of Independent Auditors on Details of Consolidation and Supplementary Information

The Board of Trustees
Edward Health Services Corporation

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and then additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 26, 2012

A member firm of Ernst & Young Global Limited

Supplementary Information

Edward Health Services Corporation and Subsidiaries

Supplementary Information
(Dollars in Thousands)

Charity and Other Unreimbursed Care

The Corporation maintains a policy whereby patients in need of medical services are treated without regard to their ability to pay for such services. The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, as well as the estimated difference between the cost of services provided to Medicaid and Medicare patients and the expected reimbursement from Medicaid and Medicare. In addition, the Corporation reports the cost associated with services provided to the community as charity care. The following information measures the level of charity care provided during the years ended June 30:

	2012	2011
Charity care provided, at cost	$ 13,433	$ 13,653
Excess of allocated cost over reimbursement for services provided to Medicaid patients	17,719	15,539
Excess of allocated cost over reimbursement for services provided to Medicare patients	45,396	43,184
Community services provided, at cost	10,382	6,660
	$ 86,930	$ 79,036

Details of Consolidation

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Balance Sheet

June 30, 2012
(Dollars in Thousands)

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Edward Ambulance Services	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Assets												
Current assets:												
Cash and cash equivalents	$ 2,503	$ -	$ 137	$ 985	$ 16	$ 1,108	$ 139	$ (1)	$ 56	$ 35	$ 20	$ 8
Assets limited as to use, externally designated investments under debt agreements	5,325	-	-	5,325	-	-	-	-	-	-	-	-
Patient accounts receivable, less allowances for doubtful accounts	88,105	-	-	77,415	-	-	1,228	3,416	6,046	-	-	-
Estimated amounts due from third-party payors	1,941	-	-	1,941	-	-	-	-	-	-	-	-
Inventories	9,198	-	-	8,888	-	-	-	-	127	183	-	-
Premium receivable	-	(4,272)	-	-	-	4,272	-	-	-	-	-	-
Prepaid expenses and other current assets	7,855	(1,144)	2,740	3,562	405	1,184	13	855	103	23	(17)	131
Total current assets	114,927	(5,416)	2,877	98,116	421	6,564	1,380	4,270	6,332	241	3	139
Assets limited as to use, less current portion:												
Externally designated investments under debt agreements	3,843	-	-	3,843	-	-	-	-	-	-	-	-
Externally designated for self-insurance	93,344	-	-	-	-	93,344	-	-	-	-	-	-
Board-designated investments	414,627	-	44,300	326,868	5,309	-	-	(242)	18,129	11,303	6,479	2,481
	511,814	-	44,300	330,711	5,309	93,344	-	(242)	18,129	11,303	6,479	2,481
Other assets:												
Interest in restricted net assets of the Foundation	-	(1,248)	-	1,169	-	-	-	-	79	-	-	-
Investments in EPOCLP and Linden Oaks	-	(25,056)	179	2,816	-	-	-	22,061	-	-	-	-
Deferred financing costs, net	3,613	-	-	3,586	-	-	-	-	-	-	27	-
Goodwill and other intangible assets, net	31,651	-	-	28,240	-	-	-	3,209	202	-	-	-
Due from affiliates	-	(28,008)	24,971	-	-	-	-	3,037	-	-	-	-
Investments in affiliates and other	15,049	(57,070)	58,170	7,560	579	-	23	5,730	-	-	-	57
Reinsurance recoverable for reinsured losses	7,632	-	-	-	-	7,632	-	-	-	-	-	-
	57,945	(111,382)	83,320	43,371	579	7,632	23	34,037	281	-	27	57
Land, buildings, and equipment:												
Land and improvements	41,257	-	-	10,000	-	-	-	30,277	980	-	-	-
Buildings and improvements	506,042	-	-	364,408	-	-	-	92,168	17,477	22,572	9,405	12
Furniture and equipment	208,163	-	-	196,187	-	-	807	4,983	2,147	3,158	96	785
Construction-in-progress	38,089	-	-	34,499	-	-	-	2,000	1,554	-	36	-
Less allowances for depreciation	401,778	-	-	333,922	-	-	92	38,598	9,336	13,534	5,503	793
	391,773	-	-	271,172	-	-	715	90,830	12,822	12,196	4,034	4
	$ 1,076,459	$ (116,798)	$ 130,497	$ 743,370	$ 6,309	$ 107,540	$ 2,118	$ 128,895	$ 37,564	$ 23,740	$ 10,543	$ 2,681

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Balance Sheet (continued)

June 30, 2012
(Dollars in Thousands)

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Edward Ambulance Services	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Liabilities and net assets												
Current liabilities:												
Accounts payable	$ 26,658	$ –	$ 4,605	$ 19,050	$ 55	$ 48	$ 188	$ 1,401	$ 914	$ 295	$ 92	$ 10
Accrued expenses	47,864	(105)	5,763	32,084	160	102	64	6,435	2,082	929	251	99
Estimated amounts due to third-party payors	95,698	–	–	92,154	–	–	387	–	3,157	–	–	–
Current maturities of long-term debt	5,325	–	–	5,325	–	–	–	–	–	–	–	–
Total current liabilities	175,545	(105)	10,368	148,613	215	150	639	7,836	6,153	1,224	343	109
Long-term debt, less current maturities	267,862	–	–	266,862	–	–	1,000	–	–	–	–	–
Professional and general liability	47,139	–	198	8,474	–	37,376	–	481	471	136	3	–
Due to affiliates	–	(84,844)	–	–	–	56,836	–	24,971	–	–	3,037	–
Reserve for reinsured losses	7,632	–	–	–	–	7,632	–	–	–	–	–	–
Unearned premium reserve	–	(5,415)	–	–	–	5,415	–	–	–	–	–	–
Other liabilities	47,874	497	908	46,469	–	–	–	–	–	–	–	–
Total liabilities	546,052	(89,867)	11,474	470,418	215	107,409	1,639	33,288	6,624	1,360	3,383	109
Net assets:												
Unrestricted net assets	529,065	(25,684)	119,023	271,783	4,753	131	479	95,607	30,861	22,380	7,160	2,572
Temporarily restricted net assets	949	(935)	–	857	948	–	–	–	79	–	–	–
Permanently restricted net assets	393	(312)	–	312	393	–	–	–	–	–	–	–
Total net assets	530,407	(26,931)	119,023	272,952	6,094	131	479	95,607	30,940	22,380	7,160	2,572
	$ 1,076,459	$ (116,798)	$ 130,497	$ 743,370	$ 6,309	$ 107,540	$ 2,118	$ 128,895	$ 37,564	$ 23,740	$ 10,543	$ 2,681

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended June 30, 2012
(Dollars in Thousands)

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Edward Ambulance Services	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Revenues												
Net patient service revenue before provision for bad debts	$ 593,675	$ (893)	$ -	$ 518,367	$ -	$ -	$ 1,882	$ 33,200	$ 41,119	$ -	$ -	$ -
Provision for bad debts	(38,290)	-	-	(31,909)	-	-	-	(2,411)	(3,970)	-	-	-
Net patient service revenue after provision for bad debts	555,385	(893)	-	486,458	-	-	1,882	30,789	37,149	-	-	-
Other operating revenue	30,410	(95,649)	64,006	8,626	2,082	9,489	1	26,073	2,609	9,112	1,912	2,149
	585,795	(96,542)	64,006	495,084	2,082	9,489	1,883	56,862	39,758	9,112	1,912	2,149
Expenses												
Salaries and wages	238,089	(330)	26,665	157,364	361	-	658	29,727	19,020	3,588	-	1,036
Employee benefits	55,896	(717)	7,521	38,408	22	-	136	5,255	4,246	755	-	270
Medical fees	9,716	-	-	7,109	-	-	-	2,451	156	-	-	-
Purchased services	32,430	(75,052)	7,107	85,370	110	-	462	8,943	3,849	1,244	118	279
Supplies and other	151,265	(20,444)	19,498	122,469	801	12,145	346	10,119	3,083	2,336	465	447
Depreciation and amortization	34,753	-	-	28,395	-	-	92	4,481	867	739	178	1
Interest	11,123	(1,994)	-	11,113	-	-	10	1,772	-	-	222	-
Medicaid tax	16,089	-	-	12,596	-	-	-	-	3,493	-	-	-
	549,361	(98,537)	60,791	462,824	1,294	12,145	1,704	62,748	34,714	8,662	983	2,033
Operating income (loss) before impaired software	36,434	1,995	3,215	32,260	788	(2,656)	179	(5,886)	5,044	450	929	116
Impairment of software	6,029	-	-	6,029	-	-	-	-	-	-	-	-
Operating income (loss)	30,405	1,995	3,215	26,231	788	(2,656)	179	(5,886)	5,044	450	929	116
Nonoperating												
Realized gains and investment income	3,059	(1,994)	2,122	2,141	37	224	-	237	141	85	48	18
Unrealized (losses) gains on investments, net	(389)	-	(374)	(2,058)	(63)	2,432	-	(16)	(150)	(90)	(51)	(19)
Loss on interest rate swaps	(17,955)	-	-	(17,955)	-	-	-	-	-	-	-	-
Other nonoperating (losses) gains	(258)	(6,125)	50	(951)	-	-	-	6,783	(15)	-	-	-
	(15,543)	(8,119)	1,798	(18,823)	(26)	2,656	-	7,004	(24)	(5)	(3)	(1)
Excess of revenues and gains over expenses and losses	14,862	(6,124)	5,013	7,408	762	-	179	1,118	5,020	445	926	115

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Edward Ambulance Services	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Unrestricted net assets												
Excess of revenues and gains over expenses and losses	$ 14,862	$ (6,124)	$ 5,013	$ 7,408	$ 762	$ –	$ 179	$ 1,118	$ 5,020	$ 445	$ 926	$ 115
Transfers from (to) affiliates and other, net	–	(300)	–	2,032	(3,032)	–	300	–	1,000	–	–	–
Net assets released from restrictions and used for purchase of fixed assets	432	–	–	–	432	–	–	–	–	–	–	–
Increase (decrease) in unrestricted net assets	15,294	(6,424)	5,013	9,440	(1,838)	–	479	1,118	6,020	445	926	115
Temporarily restricted net assets												
Contributions	793	(791)	–	751	792	–	–	–	41	–	–	–
Net assets released from restrictions and used for operations	(430)	852	–	(850)	(430)	–	–	–	(2)	–	–	–
Net assets released from restrictions and used for purchase of fixed assets	(432)	–	–	–	(432)	–	–	–	–	–	–	–
(Decrease) increase in temporarily restricted net assets	(69)	61	–	(99)	(70)	–	–	–	39	–	–	–
Increase (decrease) in net assets	15,225	(6,363)	5,013	9,341	(1,908)	–	479	1,118	6,059	445	926	115
Net assets at beginning of year	515,182	(20,568)	114,010	263,611	8,002	131	–	94,489	24,881	21,935	6,234	2,457
Net assets at end of year	$ 530,407	$ (26,931)	$ 119,023	$ 272,952	$ 6,094	$ 131	$ 479	$ 95,607	$ 30,940	$ 22,380	$ 7,160	$ 2,572

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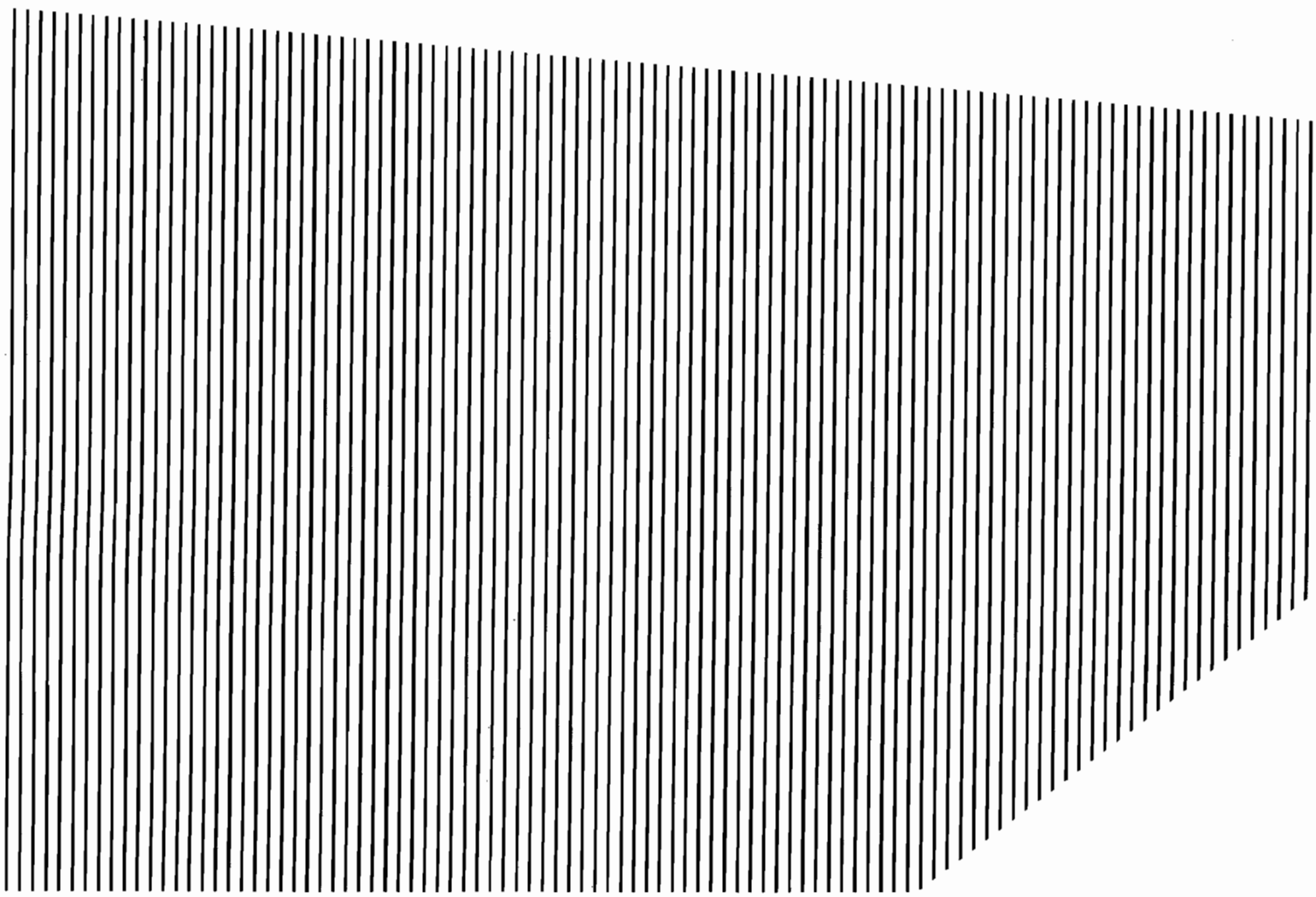

Elmhurst Memorial Healthcare and Subsidiaries

Financial Report
June 30, 2012

ATTACHMENT 6

Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Balance sheets	2
Statements of operations and changes in unrestricted net assets	3
Statements of changes in net assets	4
Statements of cash flows	5
Notes to consolidated financial statements	6 – 35
Independent Auditor's Report on the Supplementary Information	36
Supplementary Information	
Consolidating balance sheet information - 2012	37 – 38
Consolidating statement of operations and changes in unrestricted net assets information - 2012	39 – 40
Consolidating balance sheet information - 2011	41 – 42
Consolidating statement of operations and changes in unrestricted net assets information - 2011	43 – 44

McGladrey

Independent Auditor's Report

To the Board of Trustees
Elmhurst Memorial Healthcare
Elmhurst, Illinois

We have audited the accompanying consolidated balance sheets of Elmhurst Memorial Healthcare and Subsidiaries ("Elmhurst") as of June 30, 2012 and 2011, 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 financial statements are the responsibility of Elmhurst's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elmhurst Memorial Healthcare and Subsidiaries as of June 30, 2012 and 2011, and the results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

Chicago, Illinois
September 24, 2012, except for
Note 16, as to which the date is
November 14, 2012

Member of the RSM International network of independent accounting, tax and consulting firms.

Elmhurst Memorial Healthcare and Subsidiaries

Consolidated Balance Sheets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ **19,639,323**	$ 23,339,411
Short-term investments	**1,112,672**	1,111,519
Patient accounts receivable - less allowances for uncollectible accounts of $12,640,000 in 2012 and $11,262,000 in 2011	**66,626,246**	58,609,224
Inventories	**7,149,569**	7,518,757
Prepaid expenses, interest receivable, and other	**10,530,647**	8,955,528
Amounts due from third-party payors	**11,455,785**	12,362,561
Total current assets	**116,514,242**	111,897,000
Investments and Assets Limited as to Use		
Internally designated for capital improvements	**188,934,325**	254,728,404
Externally designated investments under bond agreements	**36,116,963**	31,772,065
Other investments and assets limited as to use	**5,041,422**	5,184,913
Total investments and assets limited as to use	**230,092,710**	291,685,382
Cash and Investments Posted as Swap Collateral	**33,006,309**	3,071,351
Land, Buildings, and Equipment - net	**573,787,554**	617,754,041
Prepaid Pension, Deferred Financing Costs, and Other	**14,512,217**	14,190,865
	$ **967,913,032**	$ 1,038,598,639
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ **21,031,487**	$ 70,032,811
Accrued payroll and other	**29,753,122**	25,843,876
Amounts due to third-party payors	**30,602,314**	28,351,919
Current maturities of debt	**5,849,267**	5,330,004
Borrowings under lines of credit	**20,000,000**	-
Total current liabilities	**107,236,190**	129,558,610
Long-Term Debt, excluding current maturities	**501,167,655**	506,862,261
Other Liabilities	**57,268,757**	36,924,815
Accrued Pension	**59,986,565**	15,422,911
Total liabilities	**725,659,167**	688,768,597
Net Assets		
Unrestricted	**237,274,671**	344,521,228
Temporarily restricted	**4,489,679**	4,819,299
Permanently restricted	**489,515**	489,515
	242,253,865	349,830,042
	$ **967,913,032**	$ 1,038,598,639

See Notes to Consolidated Financial Statements.

Elmhurst Memorial Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Unrestricted Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Revenues:		
Net patient service revenue	**$ 388,422,359**	$ 351,433,096
Other revenue	**21,523,880**	17,640,810
	409,946,239	369,073,906
Expenses:		
Salaries and benefits	**182,648,092**	170,002,163
Supplies	**62,882,821**	56,741,466
Purchased services and other	**105,218,796**	96,349,018
Provision for bad debts	**22,650,261**	24,585,166
Depreciation and other charges relating to buildings and equipment	**53,538,658**	34,158,449
Medicaid tax	**7,312,614**	7,310,342
One-time costs associated with new hospital	**-**	4,628,954
	434,251,242	393,775,558
Operating loss	**(24,305,003)**	(24,701,652)
Nonoperating income (expense):		
Investment income	**9,599,382**	12,529,020
Unrealized (losses) gains on investments	**(10,388,862)**	35,352,995
Interest expense	**(15,044,147)**	(7,662,371)
Expenses related to debt and investments	**(2,527,184)**	(969,232)
Amortization of deferred financing costs	**(140,494)**	(145,481)
Cash settlements on interest rate swaps	**(1,929,526)**	1,008,257
Unrealized (loss) gain on interest rate swaps	**(19,810,840)**	4,694,741
Change in unrealized gain on hedge fund investments	**1,532,821**	(677,730)
	(38,708,850)	44,130,199
Excess (deficit) of revenue over expenses	**(63,013,853)**	19,428,547
Other changes in unrestricted net assets:		
Discontinued operations (Note 14)	**(1,688,478)**	2,412,465
Amortization of gain on discontinuation of hedge accounting	**177,334**	178,463
Pension and supplemental plan related changes, other than net periodic pension cost	**(42,721,560)**	26,851,456
Temporarily restricted contributions released for capital projects	**-**	2,000,000
	(44,232,704)	31,442,384
(Decrease) increase in unrestricted net assets	**$ (107,246,557)**	$ 50,870,931

See Notes to Consolidated Financial Statements.

Elmhurst Memorial Healthcare and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted net assets:		
Excess (deficit) of revenue over expenses	**$ (63,013,853)**	$ 19,428,547
Discontinued operations (Note 14)	**(1,688,478)**	2,412,465
Amortization of gain on discontinuation of hedge accounting	**177,334**	178,463
Pension and supplemental plan related changes, other than net periodic pension cost	**(42,721,560)**	26,851,456
Temporarily restricted contributions released for capital projects	**-**	2,000,000
(Decrease) increase in unrestricted net assets	**(107,246,557)**	50,870,931
Temporarily restricted net assets:		
Contributions for medical education programs, capital purchases, and other purposes	**2,060,828**	2,712,314
Net assets released from restrictions and used for operations, capital purposes, and medical education programs	**(2,390,448)**	(4,020,288)
Decrease in temporarily restricted net assets	**(329,620)**	(1,307,974)
(Decrease) increase in net assets	**(107,576,177)**	49,562,957
Net assets:		
Beginning of year	**349,830,042**	300,267,085
End of year	**$ 242,253,865**	$ 349,830,042

See Notes to Consolidated Financial Statements.

Elmhurst Memorial Healthcare and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
(Decrease) increase in net assets	**$ (107,576,177)**	$ 49,562,957
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and other charges relating to buildings and equipment	**53,538,658**	34,543,448
Loss on disposal of assets	**365,176**	27,939
Amortization of deferred financing costs	**140,494**	145,481
Amortization of bond discount/premium	**154,661**	140,466
Unrealized losses (gains) on investments	**8,856,041**	(34,675,265)
Unrealized loss (gain) on interest rate swaps	**19,810,840**	(4,694,741)
Restricted contributions	**-**	(2,000,000)
Change in patient accounts receivable:		
Net increase in patient accounts receivable	**(22,578,632)**	(46,542,020)
Increase in contractual allowances	**17,620,385**	36,810,486
Provision for bad debts	**22,650,261**	25,233,612
Write-offs of accounts receivable	**(25,709,036)**	(22,314,856)
(Decrease) increase in prepaid pension, deferred financing costs, and other	**512,154**	1,002,631
Net change in other assets and liabilities	**47,267,346**	(54,766,368)
Net cash provided by (used in) operating activities	**15,052,171**	(17,526,230)
Cash Flows from Investing Activities		
Acquisition of buildings and equipment	**(56,383,012)**	(125,812,087)
Proceeds from sale of buildings and equipment	**160,237**	31,350
Purchases of investments	**(23,544,006)**	(40,198,167)
Proceeds from sales and maturities of investments	**76,279,484**	198,947,521
Cash and investments posted as swap collateral	**(29,934,958)**	(3,071,351)
Net cash (used in) provided by investing activities	**(33,422,255)**	29,897,266
Cash Flows from Financing Activities		
Borrowings on lines of credit	**20,000,000**	-
Proceeds from restricted contributions - net of assets released from restrictions	**-**	2,000,000
Repayment of long-term debt	**(5,330,004)**	(5,225,004)
Net cash provided by (used in) financing activities	**14,669,996**	(3,225,004)
(Decrease) increase in cash and cash equivalents	**(3,700,088)**	9,146,032
Cash and cash equivalents:		
Beginning of year	**23,339,411**	14,193,379
End of year	**$ 19,639,323**	$ 23,339,411
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	**$ 11,594,310**	$ 11,296,800
Supplemental Schedule of Noncash Investing and Financing Activities		
Capital acquisitions funded through accounts payable	**$ 1,354,098**	$ 47,639,526

See Notes to Consolidated Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization: Elmhurst Memorial Healthcare and Subsidiaries ("Elmhurst") is an integrated delivery system that provides health care services to the residents of eastern Du Page and western Cook counties. Elmhurst provides a broad continuum of services and is committed to providing high-quality, comprehensive patient care that is designed to meet the total needs of the patient.

Elmhurst functions in a leadership role in improving the health of the community through an emphasis on health maintenance, education, and rehabilitation, as well as diagnosis and treatment.

Elmhurst is the sole corporate member of Elmhurst Memorial Hospital (the "Hospital") and is also the sole shareholder of Elmhurst Memorial Health Technologies, LLC ("HTI"). The Hospital is the sole corporate member of Elmhurst Memorial Home Health ("Home Health") and Elmhurst Memorial Hospital Foundation (the "Foundation").

Principles of consolidation: The consolidated financial statements include the accounts and transactions of Elmhurst, the Hospital, Home Health, HTI, and the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements is primarily related to the determination of the net patient accounts receivable and settlements with third-party payors, the accrual for professional liability, accrued pension cost and the valuation of alternative investments and derivative financial instruments. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the consolidated financial statements.

Cash equivalents: Elmhurst considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Throughout the year, Elmhurst may have amounts on deposit with financial institutions in excess of those insured by the Federal Deposit Insurance Corporation. Elmhurst has not experienced any losses in such accounts.

Patient accounts receivable, allowance for uncollectible accounts and amounts due from/to third party-payors: The collection of receivables from third-party payors and patients is the Hospital's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual allowances or discounts provided to third-party payors.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Patient receivables due directly from patients are carried at the original charge for the service provided less amounts covered by third-party payors and less estimated allowances for uncollectible accounts and charity. Management estimates the allowance for uncollectible accounts based on the aging of its accounts receivable and its historical collection experience for each payor type. Management estimates the allowance for charity based on the Hospital's charity care policy and historical charity care experience. Recoveries of receivables previously written off as uncollectible are recorded as a reduction of the provision for bad debts when received. The provision for bad debts for the year ended June 30, 2011, was increased by a change in estimate related to prior year receivables of approximately $4,300,000.

The past due status of receivables is determined on a case-by-case basis depending on the payor responsible. Interest is generally not charged on past due accounts.

Receivables or payables related to estimated settlements on various third-party payor contracts, primarily Medicare and Blue Cross, are reported as amounts due from or to third-party payors. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the Hospital's collection of accounts receivable, cash flows and results of operations.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist mainly of supplies.

Investments and assets limited as to use: Investments in equity securities, mutual funds, and debt securities are measured at fair value in the consolidated financial statements, based on prices available in active markets for identical instruments. Elmhurst has designated its investments as trading securities. Accordingly, investment gains and losses (including interest, dividends, and realized and unrealized gains and losses) are included in excess of revenue over expenses unless the income or loss is restricted by donor or law (see Note 5). The fair values of investments in hedge funds and equity securities held in commingled funds are valued based on the net asset value provided by the respective fund manager or general partners, where the fair value of the underlying securities, which may or may not be traded in an active market, is the most significant input to the resulting net asset value. Elmhurst is a passive participant in these funds and manages its holdings in these funds similar to its holdings in other financial instruments. Investments in real estate are measured at fair value based on current appraisal value. Unrealized gains and losses on hedge funds are included in excess (deficit) of revenue over expenses (see Note 5). Investment returns on permanently restricted assets are allocated to purposes specified by the donor, either as temporarily restricted or unrestricted.

Assets limited as to use consist of investments set aside by the Board of Trustees for future capital acquisitions and improvements, medical education, and other health care programs over which the Board retains control and may, at its discretion, subsequently use for other purposes. Additionally, assets limited as to use include investments held by trustees under bond agreements.

Fair value of financial instruments: Financial instruments consist primarily of cash and cash equivalents, investments, derivatives, patient accounts receivable, amounts due to/from third-party payors, accounts payable, and long-term debt. Except for derivatives and long-term debt, the fair value of these instruments approximated their financial statement carrying amount at June 30, 2012 and 2011, because of their short-term maturity. See Note 6 for additional fair value disclosures.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Joint ventures: Elmhurst Memorial Hospital has a joint venture arrangement with Elmhurst Outpatient Surgery Center, LLC which includes a 51.6 percent interest in the entity. This investment, which totaled $2,932,615 and $2,916,787 as of June 30, 2012 and 2011, respectively, is accounted for on the equity basis and is included in other assets in the accompanying consolidated balance sheets.

Elmhurst Memorial Healthcare has a joint venture arrangement with Cyberknife Center of Chicago, LLC, which includes a 20.0 percent interest in the entity. This investment, which totaled $182,423 and $109,807 as of June 30, 2012 and 2011, respectively, is accounted for on the equity basis and is included in other assets in the accompanying consolidated balance sheets.

Land, buildings, and equipment: Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation for land, buildings, and equipment is provided over the estimated useful lives of each class of depreciable assets using the straight-line method and the half-year convention. Land improvements are depreciated over 25.5 to 40.5 years, buildings over 20.5 to 40.5 years, and equipment over 3.5 to 20.5 years. Interest expense incurred during the development and construction of properties, net of interest income earned on unspent bond proceeds, is capitalized as part of the property cost and is depreciated over the useful life of the property. Net interest expense of $9,198,075 was capitalized for the year ended June 30, 2011.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are included in the income or loss from operations unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as 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.

Deferred financing costs and intangible assets: Expenses incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related financing using a method which approximates the effective-yield method. Intangible assets are principally amortized over a period of 15 years using the straight-line method.

Derivative instruments and hedging activities: Derivative instruments are recorded at fair value, which considers, among other factors, nonperformance risk. Gains and losses on nonhedging or the ineffective portion of hedging derivative instruments are recorded as components of nonoperating income and gains and losses on the effective portion of hedging instruments are recorded as components of Other Changes in Unrestricted Net Assets within the Consolidated Statements of Operations and Changes in Unrestricted Net Assets (see Note 8). When a hedge is dedesignated but the hedged transactions are still probable to occur, gains and losses on the hedging instrument arising subsequent to the date of dedesignation are recorded as components of nonoperating income, and gains or losses previously recorded as components of Other Changes in Unrestricted Net Assets are amortized to nonoperating income when the hedged transactions affect income.

Accrued professional liability: The provision for accrued professional liability includes estimates of the ultimate costs of claims incurred but not reported and is actuarially determined.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Net assets: Elmhurst may classify its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of Elmhurst and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of Elmhurst and/or the passage of time. Assets released from restrictions that are used for the purchase of fixed assets or capital purposes are reported in the Consolidated Statements of Operations and Changes in Net Assets as additions to unrestricted net assets. Assets released from restrictions that are used for operating purposes are reported in the Consolidated Statements of Operations and Changes in Net Assets as Other Revenue. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by Elmhurst.

Donor-restricted gifts: Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets as net assets released from restrictions.

Net patient service revenue: Elmhurst has agreements with third-party payors that provide for payments to Elmhurst 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 service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. See Note 2 for additional information.

Charity care: Elmhurst provides care to all patients regardless of their ability to pay. Uncompensated care and community service provided by Elmhurst are excluded from net patient service revenue. See Note 4 for additional information.

Medicare and Medicaid Electronic Health Records ("EHR") Incentive Programs: The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid Incentive Programs beginning in Federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. Elmhurst has implemented certified EHR technology that has enabled it to demonstrate its meaningful use and to qualify for the incentive programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's cost reports. The final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary. The EHR Incentive Programs are expected to continue through September 30, 2014, and the incentive payments will be calculated annually. After that date, hospitals that are not meaningful users of certified users of certified EHR technology will be subject to a potential decrease in their Medicare and Medicaid payments. Elmhurst accounts for EHR incentive funds using the grant accounting model.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Elmhurst successfully registered for the Medicare EHR Incentive Program in April 2012. Elmhurst completed the attestation process in May 2012 after demonstrating the ninety days of continuous use as a meaningful user. In June 2012, Elmhurst received $2,878,870 of Medicare EHR incentive for the Federal fiscal year ending September 30, 2012, and has recorded this amount as Other Operating Revenue in the accompanying Consolidated Statement of Operation and Changes in Unrestricted Net Assets for the year ended June 30, 2012.

Elmhurst successfully registered for the Illinois Medicaid EHR Incentive Program in April 2012 and completed the attestation process in May 2012. As of June 30, 2012, Elmhurst has recorded $300,000 for Medicaid EHR incentive for the State's fiscal year ended June 30, 2012. This amount is other operating revenue in the accompanying Consolidated Statement of Operations and Changes in Unrestricted Net Assets for the year ended June 30, 2012. The related receivable is included in Prepaid Expenses, Interest Receivable, and Other Assets in the accompanying June 30, 2012 Consolidated Balance Sheet.

Excess (deficit) of revenue over expenses: The Consolidated Statements of Operations and Changes in Unrestricted Net Assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess (deficit) of revenue over expenses, include the effective portion of interest rate swaps, pension and supplemental plan related changes other than net periodic pension cost, the results of discontinued operations, and 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.

Operating income (loss): The Consolidated Statements of Operations and Changes in Unrestricted Net Assets include operating income. Changes in unrestricted net assets, which are excluded from operating income (loss), include unrestricted contributions, interest and financing costs, and other income which management views as outside of normal operating activity.

Income and other taxes: Elmhurst Memorial Healthcare, Elmhurst Memorial Hospital, Elmhurst Memorial Home Health and Elmhurst Memorial Hospital Foundation have received determination letters from the Internal Revenue Service stating that they are exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying consolidated financial statements.

HTI, a wholly owned subsidiary of Elmhurst, is a for-profit limited liability corporation.

For the year ended June 30, 2012, HTI had net operating income of $33,432 for financial statement purposes that was offset by previous years' net operating losses (NOL). In accordance with Internal Revenue Service regulations, an NOL may be carried forward 20 years to offset taxable income that exists in those years. At June 30, 2012, approximately $4,566,397 of NOL was available to be carried forward.

As a result of the NOL, HTI has no Federal tax expense or tax liability for the years ended June 30, 2012 and 2011. The deferred tax asset related to the NOL is offset by a valuation allowance, as realization of the tax benefits of the NOL carryforward is not assured.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Elmhurst Memorial Healthcare and Elmhurst Memorial Healthcare Group each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the following: the tax exempt status of each entity, the continued tax exempt status of bonds issued by the obligated group, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Upon the adoption of the Financial Accounting Standards Board (FASB)-issued guidance at July 1, 2008, and as of each subsequent fiscal year-end, there were no unrecognized tax benefits identified and recorded as a liability.

Forms 990 and 990T filed by Elmhurst Memorial Healthcare and its subsidiaries are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by Elmhurst Memorial Healthcare and its subsidiaries are no longer subject to examination for the tax years 2007 and prior.

New accounting guidance: During the year ended June 30, 2012, Elmhurst adopted the disclosure guidance contained in FASB Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure – a consensus of the FASB Emerging Issues Task Force*. This ASU requires that the measurement of charity care by a health care entity for disclosure purposes be based on the direct and indirect costs of providing the charity care, and that Elmhurst provide disclosure regarding the method used to identify or determine such costs. See Note 4 for further information.

During the year ended June 30, 2012, Elmhurst adopted the provisions of FASB ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which further clarifies that health care entities should not net insurance recoveries against the related claim liabilities. In connection with Elmhurst's retrospective application of ASU 2010-24, Elmhurst recorded an increase to its Prepaid Pension, Deferred Financing Costs, and Other Assets and Other Liabilities as of June 30, 2012 and 2011 of $4,094,000 and $3,120,000, respectively. This increase represents Elmhurst's estimate of its recoveries for certain claims in excess of Elmhurst's self-insured retention levels for professional liability claims. The adoption of ASU 2010-24 had no impact on Elmhurst's results of operations, net assets or cash flows.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Pending pronouncement: In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities – a consensus of the FASB Emerging Issues Task Force. ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

For public entities such as Elmhurst, the provisions of ASU 2011-07 are effective for fiscal years and interim periods within those years beginning after December 15, 2011, with early adoption permitted. The changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by ASU 2011-07 should be provided for the period of adoption and subsequent reporting periods. Elmhurst is assessing the impact of the implementation of ASU 2011-07 on its consolidated financial statements.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2. Net Patient Service Revenue

Net patient service revenue in 2012 and 2011 was increased by the effect of favorable third-party payor settlements and related changes in estimates of approximately $2,839,000 and $845,000, respectively. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care and outpatient care services rendered to Medicare program beneficiaries under prospectively determined rates per discharge (Prospective Payment Systems). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital's classification of patients under Prospective Payment Systems and the appropriateness of the patient's admissions are subject to validation reviews. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual reimbursement reports by the Hospital and audits by the Medicare fiscal intermediary.

Elmhurst has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of such appeals cannot be determined at this time. Any resulting gains will be recognized in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets when realized.

Medicaid: The Hospital is reimbursed at prospectively determined rates for each Medicaid inpatient discharge. Outpatient services are reimbursed based on established fee screens. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the Medicaid program.

Note 2. Net Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Medicaid Hospital Tax Assessment Program: The Hospital is part of the State of Illinois hospital tax assessment program which is administered by the Illinois Department of Public Aid. The laws and regulations authorizing this Program have been extended through June 30, 2014. There is no assurance of the continuation of this program after June 30, 2014. Under this program, the Hospital is to receive annually approximately $8,678,000 from the State and pay annually a provider tax assessment approximating $7,304,000. For the years ended June 30, 2012 and 2011, the Hospital has recorded $8,677,882 in assessment revenue (included in net patient service revenue) and $7,312,614 and $7,310,342, respectively, in assessment expense (Medicaid tax).

On June 14, 2012, the Governor of Illinois signed the Save Medicaid Access and Resources Together (SMART) Act. The SMART Act reduces by 3.5 percent all Illinois Medicaid payments received by hospitals (excluding Safety Net Providers, as defined, and Critical Access Hospitals) effective July 1, 2012.

The SMART Act also includes an enhanced hospital tax assessment program that, if approved by the Centers for Medicare and Medicaid Services (CMS), will extend the program through December 31, 2014 and generate additional funds that will be used to attract additional Federal matching funds. The additional funds will be used to provide new hospital payments designed to preserve and improve access to hospital services for residents throughout Illinois. Management believes that the enhanced hospital tax assessment program, if approved by CMS, will not have a significant effect on the Hospital.

Blue Cross: Substantially all of the Hospital's reimbursement from Blue Cross is derived from three managed care contracts, that provide cost-based reimbursement to the Hospital. The Hospital also participates as a provider of health care services under another cost-based reimbursement agreement with Blue Cross.

Managed care organizations: The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis of payment under these agreements includes discounts from established charges, prospectively determined per diem and case rates, and cost-based methodologies.

Note 3. Concentrations of Credit Risk

Elmhurst grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net patient accounts receivable from patients and third-party payors as of June 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	26 %	19 %
Medicaid	10	6
Managed care (other than Blue Cross)	33	37
Blue Cross	10	10
Self-pay	11	13
Other	10	15
	100 %	100 %

Note 4. Charity Care

In the ordinary course of business, Elmhurst renders services to patients who are financially unable to pay for medical care. Elmhurst provides care to these patients who meet certain criteria under its charity care policy without charge or at amounts less than the established rates. Charity care eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because Elmhurst does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Elmhurst maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on the Elmhurst's estimated direct and indirect costs of providing charity care services. That estimate is made by calculating a ratio of cost to gross charges, applied to the uncompensated charges associated with providing charity care to patients. The amount of charity care provided during the years ended June 30, 2012 and 2011 was approximately $7,096,000 and $7,482,000, respectively.

Note 5. Investments and Assets Limited as to Use

Investments and assets limited as to use as of June 30, 2012 and 2011, consisted of the following:

	2012	2011
Cash and cash equivalents	$ 15,581,971	$ 9,783,278
Certificates of deposit	-	300,495
Equity securities:		
U.S.	69,847,649	70,638,673
Non-U.S.	22,813,912	25,699,977
Global real estate	17,206,263	17,362,959
Fixed income securities:		
U.S. government obligations	15,145,907	29,691,115
Corporate bonds	7,811,005	22,410,548
Mutual funds and trusts invested in U.S. fixed-income securities	22,523,180	46,025,258
Trust invested in global fixed-income securities	19,074,236	23,538,334
Hedge funds	29,805,561	34,860,762
Mutual fund invested in TIPS and commodities	10,420,698	11,510,502
Real estate	975,000	975,000
	$ 231,205,382	$ 292,796,901

Assets limited as to use and short-term investments are classified at June 30, 2012 and 2011, as follows:

	2012	2011
Short-term investments	$ 1,112,672	$ 1,111,519
Investments and assets limited as to use	230,092,710	291,685,382
	$ 231,205,382	$ 292,796,901

Other investments and assets limited as to use as of June 30, 2012 and 2011, consisted of the following:

	2012	2011
Internally designated for medical education and other health care services	$ 4,081,029	$ 4,549,283
Temporarily restricted donor assets	470,878	146,115
Donor assets restricted into perpetuity	489,515	489,515
	$ 5,041,422	$ 5,184,913

Note 5. Investments and Assets Limited as to Use (Continued)

Investment returns for the years ended June 30, 2012 and 2011, consisted of the following:

	2012	2011
Interest and dividend income	$ 4,074,393	$ 5,465,990
Realized income - net	5,524,989	7,063,030
Investment income	$ 9,599,382	$ 12,529,020

Investment returns on externally designated investments related to Elmhurst's debt were $722,702 and $763,490 during the years ended June 30, 2012 and 2011, respectively. These amounts are presented as other operating revenue in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets and all other investment returns are presented as nonoperating investment income.

Note 6. Fair Value Disclosures

Fair value measurements: Guidance provided by the FASB 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. In determining fair value, Elmhurst uses various methods including market, income and cost approaches. Based on these approaches, Elmhurst often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Elmhurst utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques Elmhurst is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1. Quoted prices for identical instruments in active markets.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the years ended June 30, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Note 6. Fair Value Disclosures (Continued)

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Alternative Investments

The fair value of alternative investments (hedge funds) is $29,805,561 and $34,860,762 at June 30, 2012 and 2011, respectively. Of these amounts, $15,772,361 and $17,652,139 was invested in a fund of hedge funds with quarterly liquidity requiring 95 days notice for redemption and $14,033,200 and $17,208,623 was invested in a fund of hedge funds with quarterly liquidity requiring 60 days notice for redemption as of June 30, 2012 and 2011, respectively. Alternative investments with no market activity are valued using the market values of the underlying investments held by the investment fund. Management's estimate of the fair value of hedge funds and equities held in commingled funds are based on information provided by the fund managers or general partners, which in turn is based on the most recent information available to the fund manager for the underlying investments.

In determining the appropriate levels, Elmhurst performs a detailed analysis of the assets and liabilities that are subject to the FASB-issued guidance. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Interest Rate Swaps

Currently, Elmhurst uses interest rate swaps to manage interest rate risks. The valuation of these instruments is determined by utilizing widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity and uses observable market-based inputs, including LIBOR rate curves.

	Liability Derivatives			
	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments*				
Interest rate contracts	Other liabilities	$ 32,722,314	Other liabilities	$ 13,088,685
Total derivatives		$ 32,722,314		$ 13,088,685

* Note 8 provides additional information on Elmhurst's purpose for entering into derivatives.

Note 6. Fair Value Disclosures (Continued)

	Location of Gain (Loss) Recognized in Excess of Revenue over Expenses	Amount of Gain (Loss) Recognized in Excess of Revenue over Expenses	
		2012	2011
Derivatives not designated as hedging instruments:			
Interest rate contracts	Nonoperating income (expense)	$ (21,740,366)	$ 5,702,998

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis, as of June 30, 2012 and 2011.

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash	$ 15,581,971	$ -	$ -	$ 15,581,971
Certificates of deposit	-	-	-	-
Equity securities:				
U.S.	15,088,448	54,759,201	-	69,847,649
Non-U.S.	-	22,813,912	-	22,813,912
Global real estate	17,206,263	-	-	17,206,263
Fixed income securities:				
U.S. government and government agency obligations	15,145,907	-	-	15,145,907
Corporate bonds	-	7,811,005	-	7,811,005
Mutual funds and trusts invested in U.S. fixed-income securities	11,031,651	11,491,529	-	22,523,180
Trust invested in global fixed-income securities	-	19,074,236	-	19,074,236
Hedge funds	-	29,805,561	-	29,805,561
Mutual fund invested in TIPS and commodities	10,420,698	-	-	10,420,698
Real estate	-	975,000	-	975,000
Total investments	$ 84,474,938	$ 146,730,444	$ -	$ 231,205,382
Interest rate swaps	$ -	$ (32,722,315)	$ -	$ (32,722,315)

Note 6. Fair Value Disclosures (Continued)

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash	$ 9,783,278	$ -	$ -	$ 9,783,278
Certificates of deposit	-	300,495	-	300,495
Equity securities:				-
U.S.	15,657,019	54,981,654	-	70,638,673
Non-U.S.	168,904	25,531,073	-	25,699,977
Global real estate	17,362,959	-	-	17,362,959
Fixed income securities:				
U.S. government and government agency obligations	29,691,115	-	-	29,691,115
Corporate bonds	13,557,416	8,853,132	-	22,410,548
Mutual funds and trusts invested in U.S. fixed-income securities	15,815,030	30,210,228	-	46,025,258
Trust invested in global fixed-income securities	-	23,538,334	-	23,538,334
Hedge funds	-	34,860,762	-	34,860,762
Mutual fund invested in TIPS and commodities	11,510,502	-	-	11,510,502
Real estate	-	975,000	-	975,000
Total investments	$ 113,546,223	$ 179,250,678	$ -	$ 292,796,901
Interest rate swaps	$ -	$ (13,088,685)	$ -	$ (13,088,685)

Fair value of financial instruments: The following methods and assumptions were used by Elmhurst to estimate the fair value of other financial instruments not described above:

The carrying values of cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses and amounts due to or from third-party payors are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues, was approximately $15,714,000 more than its carrying value at June 30, 2012, and approximately $9,132,000 less than its carrying value at June 30, 2011.

Note 7. Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, less accumulated depreciation, at June 30, 2012 and 2011, as follows:

	2012	2011
Land and land improvements	$ 104,768,334	$ 103,369,601
Buildings	563,527,658	571,667,791
Equipment	242,424,391	234,735,258
Construction in progress	2,761,831	3,612,826
Land held for future use	954,860	954,860
	914,437,074	914,340,336
Less accumulated depreciation	(340,649,520)	(296,586,295)
	$ 573,787,554	$ 617,754,041

In June 2011, Elmhurst opened its new integrated health care campus. The campus currently includes a replacement hospital and additional physician offices. As of June 30, 2012, the old campus was still being used for cancer treatment services and is expected to be used for cancer services through 2013 up until the new cancer center is built on the new health care campus. The Hospital recognized an impairment charge of $8,186,000 in 2012 related to the fair value of its Berteau campus as of September 2011 when the decision was made to relocate all services off of the Berteau campus. This charge is included in Depreciation and Other Charges Relating to Buildings and Equipment in the accompanying Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2012. The Hospital also reassessed the depreciable lives associated with the buildings and equipment remaining at Berteau and will depreciate the remaining book value over the period ending June 30, 2013. The net book value of the fixed assets and land at the old hospital campus was $7,947,053 and $18,970,719 as of June 30, 2012 and 2011, respectively. The fixed assets at the old hospital campus will be fully depreciated by June 30, 2013.

Net interest cost capitalized during the year ended June 30, 2011 was $9,198,074. The accumulated capitalized interest cost as of June 30, 2011 was $17,401,539.

Note 8. Long-Term Debt

Long-term debt at June 30, 2012 and 2011 consists of the following:

	2012	2011
5.00% to 6.25% secured revenue refunding bonds, dated December 15, 2002 (Series 2002D), due in varying annual principal installments through January 1, 2028	$ 124,546,719	$ 126,688,396
Variable rate direct note obligation Series 1985C and 1985D (0.18% and 0.10% at June 30, 2012 and 2011, respectively), maturing on December 15, 2012	5,333,296	8,533,300
Variable rate direct note obligation Series 2004A (0.30% and 0.25% at June 30, 2012 and 2011, respectively), maturing on January 1, 2034	6,482,000	6,482,000
Secured revenue bonds Series 2008A (4.5% to 5.625%), dated May 15, 2008, due in varying annual principal installments through January 1, 2037	120,511,207	120,344,869
Variable rate demand revenue bonds, Series 2008B (0.17% and 0.04% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	100,000,000	100,000,000
Variable rate demand revenue bonds, Series 2008C (0.31% and 0.10% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	75,000,000	75,000,000
Variable rate demand revenue bonds, Series 2008D (0.14% and 0.06% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	50,000,000	50,000,000
Variable rate demand revenue bonds, Series 2008E (0.30% and 0.24% at June 30, 2012 and 2011, respectively), maturing on January 1, 2048	25,000,000	25,000,000
Other long-term borrowings	143,700	143,700
	507,016,922	512,192,265
Less current maturities of long-term debt	(5,849,267)	(5,330,004)
Long-term debt less current maturities	$ 501,167,655	$ 506,862,261

In August 2006, Elmhurst entered into a $12,000,000 loan through the Illinois Facilities Authority's Pooled Financing Program related to the Series 1985C and 1985D Project Loan Agreements. Proceeds from the loan were used to reimburse Elmhurst for routine capital expenditures with tax-exempt uses.

Note 8. Long-Term Debt (Continued)

In May 2008, Elmhurst issued $124,820,000 fixed-rate revenue bonds (Series 2008A). The proceeds were used to establish a Project Fund (to reimburse Elmhurst for costs related to the construction of the new hospital campus), establish a Capitalized Interest Fund (to pay the interest costs during construction), and to establish a Debt Service Reserve Fund.

In May 2008, Elmhurst also issued $250,000,000 variable rate revenue bonds (Series 2008B through E). A portion of the proceeds were used to redeem the Series 2006E Direct Note Bonds. The remainder of the proceeds were used to establish Project Funds (to reimburse Elmhurst for cost related to the construction of the new hospital campus) and Capitalized Interest Funds (to pay the interest costs during construction). The bonds are puttable on demand by the bondholders. Elmhurst uses a remarketing agent to resell any tendered bonds to new investors. Elmhurst has obtained irrevocable letters of credit to secure repayment of the bond financing, and to provide short-term liquidity in the event bonds are put to Elmhurst and are not able to be immediately remarketed. If the letters of credit were to be drawn upon as a result of failed efforts to remarket any tendered bonds, amounts drawn would be repayable in quarterly installments over a 36-month period commencing 367 days after being drawn, or sooner if the bonds are subsequently remarketed to new investors.

The maturities and annual sinking fund requirements for the fiscal years ending June 30, 2013 through 2017, on the outstanding long-term debt are as follows, assuming remarketing of variable rate unsecured demand revenue bonds: 2013 - $5,849,267; 2014 - $7,121,325; 2015 - $5,362,813; 2016 - $5,545,625; 2017 - $5,516,755 and thereafter - $477,621,137. As described above, if variable rate unsecured demand revenue bonds fail to remarket, Elmhurst would have to make accelerated debt repayments.

The revenue bonds are collateralized by substantially all assets of Elmhurst. The provisions of the indenture require the Obligated Group (comprised of Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, and Elmhurst Memorial Home Health) to maintain certain financial covenants, including a minimum annual debt service coverage level, and a minimum number of days cash on hand.

During 2012, Elmhurst obtained an unsecured $10,000,000 working capital line of credit with JP Morgan Chase Bank that matures on January 4, 2013. Borrowings bear interest at a variable rate (1.48 percent at June 30, 2012). The balance outstanding on the line of credit at June 30, 2012 was $10,000,000.

During 2012, Elmhurst obtained an unsecured $10,000,000 working capital line of credit with RBS Citizens, NA that matures on January 16, 2013. Borrowings bear interest at a variable rate (1.74 percent at June 30, 2012). The balance outstanding on the line of credit at June 30, 2012 was $10,000,000.

In 1998, Elmhurst established a program to actively manage its interest cost. The program seeks to achieve the lowest interest cost consistent with an acceptable level of risk given varying interest rate environments. Elmhurst has established a long-term targeted mix of 50 percent fixed and 50 percent variable interest rate exposure. Long-term tax-exempt and taxable financings form the base for the program. These financings are necessarily timed to coincide with the periodic acquisition of qualified assets. Based upon the interest rate environment at the time of such financings, fixed or variable rate modes of financing are utilized. Derivatives (interest rate swaps) are used to achieve the targeted mix when underlying financings do not. Market conditions often limit the ability of the program to fully achieve its goals and consequently swap terms (maturity, notional amounts, etc.) do not perfectly match the terms of the underlying debt.

Note 8. Long-Term Debt (Continued)

During the years ended June 30, 2012 and 2011, Elmhurst had the following interest rate swap agreements in place:

Floating Interest Rate Agreement ("Basis Swap") – Elmhurst entered a Basis Swap in May 2002 to lower total interest cost by earning income from spreads between taxable and tax-exempt interest rates. Elmhurst pays the SIFMA floating rate index and receives 76.21 percent of one-month LIBOR on a $50,000,000 notional amount, extending over a 20-year period. The Basis Swap does not qualify for hedge accounting. Gains and losses are recorded as Nonoperating Income (Expense) in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Fixed Receiver Interest Rate Swap Agreement ("Fixed Receiver") – Elmhurst entered this swap in August 2003 to increase its exposure to floating interest rate debt after its 2002D fixed-rate refinancing resulted in a higher fixed interest rate exposure. Elmhurst paid the SIFMA floating rate index and received a fixed rate of 4.64 percent on a notional amount of $40,000,000. This agreement was terminated in July 2011. Gains and losses are recorded as Nonoperating Income (Expense) in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

2008 Fixed Payer Interest Rate Swap Agreement ("2008 Fixed Payer") – Elmhurst entered this swap strategy with three separate counterparties in July 2005 to hedge its fixed interest rate exposure for the planned 2008 bond issue related to the new facility. While terms with the three counterparties differ slightly, the following express the aggregate terms of the entire strategy. The exchange of payments was not effective until January 2008 to coincide with the planned bond issue. Elmhurst pays a fixed rate of 4.135 percent in exchange for the SIFMA floating rate index on a notional amount of $120,000,000 for 30 years. The term of the swap is matched to the expected life and amortization on 50 percent of the 2008 bonds. The 2008 Fixed Payer Swap was designated for hedge accounting through June 30, 2008. Gains and losses through June 30, 2008, were recorded as Changes in Unrestricted Net Assets in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets. On July 1, 2008, Elmhurst dedesignated the hedge. Gains and losses on the hedging instrument arising subsequent to the date of dedesignation are recorded as components of Nonoperating Income, and gains or losses previously recorded as components of Other Changes in Unrestricted Net Assets are amortized to Nonoperating Income when the previously hedged interest expense is recognized.

Fixed Spread Floating Interest Rate Agreements ("Fixed Spread Basis Swaps") – Elmhurst entered this swap strategy with three separate counterparties in July 2005 with the objective of reducing total interest cost by earning income from spreads between taxable and tax-exempt interest rates. Effective January 2008, Elmhurst began paying the SIFMA floating rate index and receive 67 percent of one-month LIBOR, plus 0.76 percent on a $120,000,000 notional amount, extending over a 30-year period. In April 2008, Elmhurst entered into another Fixed Spread Basis Swap with two counterparties. Elmhurst pays the SIFMA floating rate index and receives 61.3 percent of one-month LIBOR, plus a fixed spread of 0.73 percent on a $140,000,000 notional amount over a 30-year period. The Fixed Spread Basis Swaps do not qualify for hedge accounting. Gains and losses are recorded as Nonoperating Income (Expense) in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Note 8. Long-Term Debt (Continued)

Constant Maturity Swaps – Elmhurst entered this swap strategy with two counterparties in June 2006 with the objective of reducing total interest cost by earning income from spreads between one-month and five-year interest rates. Under the agreements with both counterparties, payments began in January 2007. Elmhurst pays 67 percent of one-month LIBOR in exchange for 61.3 percent of five-year LIBOR on $60,000,000 or 50 percent of the LIBOR exposure of the Fixed Spread Basis Swap until 2032. In addition, Elmhurst had paid 76.21 percent of one-month LIBOR in exchange for 76.21 percent of five-year LIBOR - 0.35 percent on $25,000,000 or 50 percent its LIBOR exposure on the basis swap. This swap was terminated during fiscal year 2011, resulting in a gain of $1,482,000 that was recorded in cash settlements on interest rate swaps under non-operating income (expense). The remaining Constant Maturity Swap is not designated for hedge accounting. Gains and losses are recorded as Nonoperating Income (Expenses) in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Elmhurst has provisions in its swap agreements that require the posting of collateral. The amount of collateral to be posted is determined based on a combination of Elmhurst's credit rating and the mark-to-market valuation. Based on Elmhurst's credit rating as of June 30, 2012, collateral is required to be posted when the counterparty mark-to-market valuation results in a liability ranging from more than $0 to more than $3,000,000. At June 30, 2012 and 2011, Elmhurst has posted $33,006,309 and $3,071,351, respectively, of collateral, in the form of cash and investments, with the counterparties. The maximum amount of collateral if conditions were different as of June 30, 2012 is an additional $3,000,000.

Note 8. Long-Term Debt (Continued)

The following tables provide details on the swap agreements and reconciliation to the consolidated financial statements:

Derivative Contract Terms	Basis Swap	Fixed Receiver	Fixed Payer	Fixed Spread Basis Swaps	Constant Maturity Swaps	Fixed Spread Basis Swaps	Total of Interest Rate Swap Contracts
Execution date	May 2002	August 2003	July 2005	July 2005	June 2006	April 2008	
2011 Notional amount	$ 50,000,000	$ 40,000,000	$ 120,000,000	$ 120,000,000	$ 60,000,000	$ 140,000,000	$ 530,000,000
2012 Notional amount	50,000,000	-	120,000,000	120,000,000	60,000,000	140,000,000	490,000,000
Elmhurst pays the counterparty	SIFMA	SIFMA	4.135%	SIFMA	5-yr LIBOR	SIFMA	
Counterparty pays Elmhurst	76.2% 1-mo. LIBOR	4.64%	SIFMA	67% LIBOR + 0.76%	1-mo. LIBOR	61.3% LIBOR + 0.73%	
Termination date	May 2022	Terminated July 2011	January 2038	January 2038	January 2032	June 2038	
Qualifies for hedge accounting	no	no	no	no	no	no	
Market Value Asset (Liability) of Derivative Contracts (1)							
Balance, July 1, 2010	$ (1,341,358)	$ 955,665	$ (14,835,028)	$ (231,352)	$ 3,932,424	$ (6,440,985)	$ (17,960,634)
Changes in value	692,442	(715,192)	1,043,250	2,058,109	(330,414)	2,123,754	4,871,949
Balance, June 30, 2011	(648,916)	240,473	(13,791,778)	1,826,757	3,602,010	(4,317,231)	(13,088,685)
Changes in value	115,158	(240,473)	(23,557,336)	1,868,698	(787,840)	2,968,163	(19,633,630)
Balance, June 30, 2012	$ (533,758)	$ -	$ (37,349,114)	$ 3,695,455	$ 2,814,170	$ (1,349,068)	$ (32,722,315)

(1) Amounts are presented within other liabilities within the consolidated balance sheets.

Net Cash Flow Received (Paid) by Elmhurst Under Derivative Contracts	Basis Swap	Fixed Receiver	Fixed Payer	Fixed Spread Basis Swaps	Constant Maturity Swaps	Fixed Spread Basis Swaps	Total Swap Cash Flow
Year Ended June 30, 2011							
Cash from contractual payments	$ (30,145)	$ 1,812,817	$ (4,659,918)	$ 857,637	$ 2,163,866	$ 864,000	$ 1,008,257
Year Ended June 30, 2012							
Cash from contractual payments	$ 16,406	$ 450,608	$ (4,795,396)	$ 951,613	$ 403,020	$ 1,044,223	$ (1,929,526)

Note 9. Operating Leases

The Hospital has operating leases for specific property, plant, and equipment.

Rent paid and recorded under operating leases was $3,697,466 and $3,248,457 for the years ended June 30, 2012 and 2011, respectively.

The future minimum lease commitments under these operating leases as of June 30, 2012, are as follows:

Years ending June 30:	
2013	$ 2,475,779
2014	1,830,900
2015	555,208
	$ 4,861,887

Note 10. Employee Retirement Plans

Elmhurst has a noncontributory retirement plan which qualifies as a pension plan under ASC Topic 715, *Compensation – Retirement Benefits.* The plan covers substantially all full-time employees. It is Elmhurst's policy to make contributions in amounts calculated by the actuarial consultant to adequately fund benefit programs and meet ERISA requirements. In addition, Elmhurst also maintains an unfunded noncontributory, supplemental defined benefit retirement plan (SERP) for certain executive employees.

Note 10. Employee Retirement Plans (Continued)

Information regarding the benefit obligations and assets of the pension plan and SERP as of and for the years ended June 30, 2012 and 2011 is as follows:

	2012		2011	
	Pension	SERP	Pension	SERP
Accumulated benefit obligation	$ 196,749,032	$ 2,164,860	$ 160,040,495	$ 1,732,378
Projected benefit obligation:				
Projected benefit obligation, beginning of year	$ 181,385,944	$ 1,732,378	$ 179,632,937	$ 5,815,475
Service cost	6,866,783	126,806	6,997,084	118,288
Interest cost	10,253,497	89,690	9,726,499	289,011
Plan changes	-	129,476	-	
Actuarial (gains) losses	33,260,462	310,643	(9,865,127)	(168,933)
Benefits paid	(5,827,813)	-	(5,105,449)	(4,321,463)
Projected benefit obligation, end of year	225,938,873	2,388,993	181,385,944	1,732,378
Change in plan assets:				
Fair value of plan assets, beginning of year	165,963,033	-	138,716,172	-
Actual return on plan assets	817,088	-	26,852,310	-
Contributions	5,000,000	-	5,500,000	4,321,463
Benefits paid	(5,827,813)	-	(5,105,449)	(4,321,463)
Fair value of plan assets, end of year	165,952,308	-	165,963,033	-
Funded status, end of year	$ (59,986,565)	$ (2,388,993)	$ (15,422,911)	$ (1,732,378)

The unfunded pension liability is reported as Accrued Pension on the accompanying Consolidated Balance Sheets. At June 30, 2012 and 2011, $2,008,993 and $1,382,378, respectively, of the unfunded SERP liability is included in Other Liabilities and $380,000 and $350,000, respectively, is included in Accrued Payroll and Other Liabilities on the accompanying Consolidated Balance Sheets.

Plan items not yet recognized as a component of periodic pension expense, but included as a separate component of unrestricted net assets at June 30, 2012 and 2011, are as follows:

	2012		2011	
	Pension	SERP	Pension	SERP
Unrecognized prior service cost	$ 154,737	$ 351,708	$ 323,159	$ 323,130
Unrecognized net actuarial loss	97,447,916	379,777	54,557,934	69,134
	$ 97,602,653	$ 731,485	$ 54,881,093	$ 392,264

Note 10. Employee Retirement Plans (Continued)

Pension related changes other than net periodic pension cost that have been included as a reduction of unrestricted net assets consist of:

	2012		2011	
	Pension	SERP	Pension	SERP
Net actuarial (gain) loss arising during the period	$ 46,201,423	$ 310,643	$ (22,744,701)	$ (168,933)
Prior service cost	-	129,476	-	-
Prior service cost amortized during the period	(168,422)	(100,898)	(168,422)	(160,399)
Net actuarial loss amortized during the period	(3,311,441)	-	(3,899,838)	(262,582)
	$ 42,721,560	$ 339,221	$ (26,812,961)	$ (591,914)

	2012		2011	
	Pension	SERP	Pension	SERP
Assumptions:				
Discount rate used to determine benefit obligation	4.75 %	4.75 %	5.75 %	5.75 %
Discount rate used to determine net periodic benefit cost	5.75 %	5.75 %	5.50 %	5.50 %
Rate of increase in compensation levels	5.00 %	5.00 %	5.00 %	5.00 %
Expected long-term rate of return on assets	8.00 %	N/A	8.00 %	N/A

The estimated net actuarial loss and prior service cost that will be amortized as a component of net periodic benefit cost during fiscal 2013 are $7,312,834 and $154,737, respectively, for the pension plan. The estimated net actuarial loss and prior service cost that will be amortized as a component of net periodic benefit costs during fiscal 2013 is $20,125 and $92,574, respectively, for the SERP.

Elmhurst expects to contribute $5,000,000 to the Plan during fiscal 2013, and $380,000 to the SERP during fiscal 2013.

In June 2012, Elmhurst Memorial Healthcare (EMHC) amended its defined benefit plan to allow for a one-time lump sum distribution to certain terminated vested but not yet retired participants that have earned benefits within a certain range. In July 2012, EMHC sent letters to 1,047 participants to offer the one-time lump sum distribution. EMHC anticipates that these distributions will be made from plan assets in October 2012 and will not exceed $20,000,000.

Note 10. Employee Retirement Plans (Continued)

The allocation of pension plan assets at June 30, 2012 and 2011 is as follows:

	Target	2012	2011
Equity securities	55 %	58 %	55 %
Fixed-income securities	25	28	31
Alternative investments	20	14	14
Total	100 %	100 %	100 %

The pension fund is managed in accordance with the policies established by the Investment Committee of the Board (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.

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Plan's investment portfolio. Assumed projected rates of return for each asset category are selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio is developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Expected future benefit payments for the plan years ending December 31 are as follows:

Pension Plan	2012	
	Pension	SERP
2013	$ 6,969,000	$ 380,000
2014	7,737,000	-
2015	8,541,000	2,220,000
2016	9,384,000	-
2017	10,230,000	-
2018-2022	64,297,000	2,460,000

Note 10. Employee Retirement Plans (Continued)

Net periodic benefit cost for the years ended June 30, 2012 and 2011, includes the following components:

	2012		2011	
	Pension	SERP	Pension	SERP
Service cost - benefits earned during the year	$ 6,866,783	$ 126,806	$ 6,997,084	$ 118,287
Interest cost on projected benefit obligation	10,253,497	89,690	9,726,499	289,011
Expected return on plan assets	(13,758,049)	-	(13,972,736)	-
Amortization of prior service cost	168,422	100,898	168,422	160,399
Amortization of actuarial loss	3,311,441	-	3,899,838	-
Settlement expense	-	-	-	262,582
	$ 6,842,094	$ 317,394	$ 6,819,107	$ 830,279

Elmhurst also maintains contributory savings plans (the "Savings Plans") covering substantially all employees of Elmhurst. Participants may make voluntary contributions to the Savings Plans, which are partially matched by Elmhurst. For each dollar of participant contribution, Elmhurst matches 50 percent of the first 3 percent of pay and 25 percent of the second 3 percent of pay. Certain matching benefits were suspended in 2010. EMH did not have a matching program in 2011, but did match during 2012. Additional contributions may be made by Elmhurst at its discretion. Costs of the Savings Plans charged to salaries and benefits totaled $1,758,564 and $105,299 for the years ended June 30, 2012 and 2011, respectively.

The tables below present the balances of pension assets measured at fair value on a recurring basis, as of June 30, 2012 and 2011:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash	$ 3,378,378	$ -	$ -	$ 3,378,378
Mutual funds invested in U.S. fixed-income securities	-	17,750,492	-	17,750,492
Trust invested in global fixed-income securities	-	25,688,979	-	25,688,979
Equity securities:				
U.S.	13,237,532	51,799,060	-	65,036,592
Non-U.S.		23,548,460	-	23,548,460
Global real estate	8,050,239	-	-	8,050,239
Hedge funds	-	22,499,168	-	22,499,168
Total investments	$ 24,666,149	$ 141,286,159	$ -	$ 165,952,308

Note 10. Employee Retirement Plans (Continued)

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash	$ 4,145,802	$ -	$ -	$ 4,145,802
Mutual funds invested in U.S. fixed-income securities	24,017,936	6,032,706	-	30,050,642
Trust invested in global fixed-income securities	-	16,793,957	-	16,793,957
Equity securities:				
U.S.	13,800,483	49,266,073	-	63,066,556
Non-U.S.	-	20,690,515	-	20,690,515
Global real estate	8,123,552	-	-	8,123,552
Hedge funds	-	23,092,009	-	23,092,009
Total investments	$ 50,087,773	$ 115,875,260	$ -	$ 165,963,033

Note 11. Professional and General Liabilities Insurance

Elmhurst is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will be resolved without a material impact on the Hospital's financial position. Substantially, all claims made prior to July 1, 1979, are covered by commercial insurance. On July 1, 1979, the Hospital entered into a contractual agreement with the Chicago Hospital Risk Pooling Program (CHRPP) that, through its risk-sharing provisions, provided the Hospital with insurance coverage for professional and general liability claims. CHRPP is a multi-hospital trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. As a self-insurance administrator, CHRPP enables risk-sharing among Illinois hospitals. Beneficiary hospitals are obligated to make additional contributions, if necessary, to maintain the trust assets at a level adequate to support anticipated disbursements, as defined in the trust agreement. Substantially all claims made between July 1, 1979 and December 1, 2005, are covered by CHRPP. For the period July 1, 1979 to December 31, 2002, CHRPP coverage was on the occurrence-basis. Effective January 1, 2003, CHRPP changed its coverage from occurrence-basis to claims-made.

In June 2010, CHRPP notified its current and former members that it had resolved to discontinue the issuance of hospital professional and comprehensive general liability coverage and commence a voluntary "run-off" of its claim portfolio effective January 1, 2011.

CHRPP engaged the services of an independent consultant for actuarial valuations of self-insured funding requirements and has designated attorneys to handle professional and general liability claims. The Hospital has established its risk management program and claims-handling procedures in accordance with guidelines issued by the United States Department of Health and Human Services. The self-insurance funding, which is expensed when amounts are funded into the self-insurance trust, was recommended and certified by an independent actuarial firm. As stated above, the Hospital's insurance premiums are subject to retrospective adjustments. Management does not believe any retrospective adjustments would be material.

Note 11. Professional and General Liabilities Insurance (Continued)

Since 2005, the Hospital has a self-insured retention program in which the Hospital retains the risk for all claims with individual values under $3,000,000. The Hospital has obtained insurance coverage on a claims-made basis for amounts exceeding $3,000,000 up to $33,000,000. The Hospital has engaged an independent actuary to determine the estimated cost of the retained risk and has recorded expense in accordance with the actuary's estimate. At June 30, 2012 and 2011, the Hospital recorded a liability, discounted at 4.50 percent in 2012 and 2011, of $23,765,000 and $23,447,428, respectively, for incurred but not reported claims arising under both its own self-insurance program and the CHRPP program. The effect of discounting the liability is approximately $4,280,000 and $4,446,000, respectively, at June 30, 2012 and 2011. This liability consists of $2,359,987 and $2,215,654 reported in Accounts Payable at June 30, 2012 and 2011, respectively, and $21,405,013 and $21,231,774 reported in Other Liabilities at June 30, 2012 and 2011, respectively, on the Consolidated Balance Sheets. The Hospital has elected to not establish a corresponding self-insured trust asset to fund this liability as of June 30, 2012, because management believes that it has enough liquidity in its cash, short-term investments, and the capital reserve fund.

Based on significant favorable loss experience that has emerged over several years for the Hospital, the Hospital adjusted certain assumptions in the June 30, 2012 actuarial valuation that resulted in a reduction of the liability and related expense of approximately $4,500,000.

Note 12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, respectively, are available for the following purposes:

	2012	2011
Pledges restricted to benefit future periods	$ 4,018,801	$ 4,673,164
Medical education	91,300	63,000
Other health care programs	379,578	83,135
	$ 4,489,679	$ 4,819,299

Permanently restricted net assets of $489,515 at June 30, 2012 and 2011 are investments to be held in perpetuity, the income from which is expendable for medical education.

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of medical education, and other health care programs amounting to $2,390,448 and $2,020,288, respectively, and were recorded as Other Revenue in the accompanying Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Note 12. Temporarily and Permanently Restricted Net Assets (Continued)

The expected timing of pledge payments and value of pledges receivable recorded as of June 30, 2012, are as follows:

Years ending June 30:	
2013	$ 835,391
2014	700,100
2015	604,500
2016	538,499
2017	505,000
Thereafter	1,155,920
	4,339,410
Less - present value discounts	(265,163)
Less - allowance for uncollectible pledges	(55,446)
Pledges receivable, net	4,018,801
Less current portion included in prepaid expenses, interest receivable, and other assets	(835,391)
Noncurrent portion included in prepaid pension, deferred financing costs, and other assets	$ 3,183,410

Note 13. Functional Expenses

Elmhurst provides comprehensive quality health care services to the residents of eastern Du Page and western Cook counties. Expenses related to these functions at June 30, 2012 and 2011 are as follows:

	2012	2011
Health care services	$ 342,585,902	$ 310,902,629
General and administrative	90,324,258	81,504,133
Fundraising	1,341,082	1,368,796
	$ 434,251,242	$ 393,775,558

Note 14. Discontinued Operations

Effective February 28, 2012, inpatient behavioral health and transitional care center services at the Berteau Campus were discontinued. Operating results for these discontinued operations are reported separately as discontinued operations in the consolidating statements of operations. As of June 30, 2011, Elmhurst had net patient accounts receivable of $1,616,800 recorded on the consolidated balance sheet related to these discontinued operations. As of June 30, 2012, there was no receivable recorded on the consolidated balance sheet related to the discontinued operations. Net patient service revenue for these discontinued operations during the years ended June 30, 2012 and 2011 were $5,464,079 and $9,464,284, respectively.

See Note 7 for information regarding impairment and accelerated depreciation of the Berteau Campus.

Note 15. Commitments and Contingencies

Medicare and Medicaid reimbursement: Significant cuts to both the Medicare and Medicaid programs are under consideration by the U.S. Congress as it looks to cut federal spending. Such cuts in Medicaid and Medicare reimbursement, if enacted, could have a significant adverse effect on the Corporation's financial statements.

Litigation: Elmhurst is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of the lawsuits cannot be determined with certainty, management believes the ultimate disposition of such matters will not have a material effect on Elmhurst's consolidated financial statements.

Regulatory investigation: The U.S. Department of Justice, other federal agencies and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on Elmhurst's financial position or results from operations.

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 Hospital is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

CMS Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS implemented the RAC program in Illinois in 2010. Management does not believe that RAC audits will have a material effect on the Corporation's results of operations or cash flows. At June 30, 2012 and 2011, the Hospital recorded a reserve for estimated amounts that will be repaid under the RAC program based on the Hospital's RAC program experience to date.

Property and Sales Tax Exemption: On June 14, 2012, the Governor of Illinois signed into law legislation that governs property and sales tax exemption for not-for-profit hospitals. The law took effect on the date it was signed. Under the law, in order to maintain its property and sales tax exemption, the value of specified services and activities of a not-for-profit hospital must equal or exceed the estimated value of the hospital's property tax liability, as determined under a formula in the law. The specified services are those that address the health care needs of low-income or underserved individuals or relieve the burden of government with regard to health care services, and include: the cost of free or discounted services provided pursuant to the hospital's financial assistance policy; other unreimbursed costs of addressing the health needs of low-income and underserved individuals; direct or indirect financial or in-kind subsidies of State and local governments; the unreimbursed cost of treating Medicaid and other means-tested program recipients; the unreimbursed cost of treating dual-eligible Medicare/Medicaid patients; and other activities that the Illinois Department of Revenue determines relieve the burden of government or address the health of low-income or underserved individuals. Management believes that the Hospital meets the requirements under the law to maintain its property and sales tax exemption.

Note 15. Commitments and Contingencies (Continued)

Elmhurst has filed a property tax-exemption application for a portion of the Center for Health and for its new hospital, and awaits a decision from the Illinois Department of Revenue. As of June 30, 2012, Elmhurst has recorded a refund receivable of approximately $2,595,000 for a portion of property taxes paid relating to the Center for Health for tax years 2008, 2009, 2010, and 2011 and for all property taxes paid relating to the new hospital for tax year 2011. Management continues to believe that the application will be approved and that the related property taxes will be refunded.

Note 16. Subsequent Events

Elmhurst has evaluated subsequent events for potential recognition and/or disclosure through September 24, 2012, the date the consolidated financial statements were originally issued. With respect to the matter described in the following paragraph, Elmhurst has evaluated subsequent events for potential recognition and/or disclosure through November 14, 2012, the date the consolidated financial statements were reissued.

On November 14, 2012, the letters of credit supporting Elmhurst's variable rate revenue bonds Series 2008B through E (see Note 8) were renewed through July 15, 2013.

McGladrey

Independent Auditor's Report on the Supplementary Information

To the Board of Trustees
Elmhurst Memorial Healthcare
Elmhurst, Illinois

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

McGladrey LLP

Chicago, Illinois
September 24, 2012, except for
Note 16, as to which the date is
November 14, 2012

Member of the RSM International network of independent accounting, tax and consulting firms.

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Balance Sheet Information
June 30, 2012

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Assets									
Current Assets									
Cash and cash equivalents	$ 19,639,323	$ -	$ 15,871,077	$ 1,655,148	$ 2,113,098	$ -	$ 1,274,322	$ 1	$ 838,775
Short-term investments	1,112,672	-	-	-	1,112,672	-	-	-	1,112,672
Patient accounts receivable - less allowances for uncollectible accounts	66,626,246	-	5,614,933	(27)	61,011,340	-	59,104,749	1,906,591	-
Inventories	7,149,569	-	-	-	7,149,569	-	7,084,339	65,230	-
Prepaid expenses, interest receivable, and other	10,530,647	(5,799)	1,393,312	80,295	9,062,839	-	8,176,498	9,902	876,439
Amounts due from third-party payors	11,455,785	-	-	-	11,455,785	-	11,455,785	-	-
Amounts due from affiliated organizations	-	(2,493,990)	-	24,435	2,469,555	-	2,455,410	-	14,145
Total current assets	116,514,242	(2,499,789)	22,879,322	1,759,851	94,374,858	-	89,551,103	1,981,724	2,842,031
Investments and Assets Limited as to Use									
Internally designated for capital improvements	188,934,325	-	188,934,325	-	-	-	-	-	-
Externally designated investments under bond agreements	36,116,963	-	34,615,563	-	1,501,400	-	1,501,400	-	-
Other investments and assets limited as to use	5,041,422	-	-	-	5,041,422	-	-	-	5,041,422
Total investments and assets limited as to use	230,092,710	-	223,549,888	-	6,542,822	-	1,501,400	-	5,041,422
Land, Buildings, and Equipment - net	573,787,554	-	81,703,007	-	492,084,547	-	491,649,084	435,463	-
Investment in Subsidiaries	-	(477,901)	477,901	-	-	(10,974,507)	10,974,507	-	-
Cash and Investments Posted as Swap Collateral	33,006,309	-	33,006,309	-	-	-	-	-	-
Prepaid Pension, Deferred Financing Costs, and Other	14,512,217	-	4,119,769	-	10,392,448	-	7,209,038	-	3,183,410
	$ 967,913,032	$ (2,977,690)	$ 365,736,196	$ 1,759,851	$ 603,394,675	$ (10,974,507)	$ 600,885,132	$ 2,417,187	$ 11,066,863

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Balance Sheet Information (Continued)
June 30, 2012

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Liabilities and Net Assets/ Shareholder's Equity									
Current Liabilities									
Accounts payable	$ 21,031,487	$ (5,799)	$ 2,332,816	$ 12,135	$ 18,692,335	$ -	$ 18,633,602	$ 54,106	$ 4,627
Accrued payroll and other	29,753,122	-	11,017,297	5,486	18,730,339	-	18,140,406	589,933	-
Amounts due to third-party payors	30,602,314	-	-	-	30,602,314	-	30,710,899	(108,585)	-
Current maturities of debt	5,849,267	-	5,849,267	-	-	-	-	-	-
Borrowings under lines of credit	20,000,000	-	20,000,000	-	-	-	-	-	-
Due to affiliated organizations	-	(2,493,990)	24,435	1,264,329	1,205,226	-	1,205,226	-	-
Total current liabilities	107,236,190	(2,499,789)	39,223,815	1,281,950	69,230,214	-	68,690,133	535,454	4,627
Long-Term Debt, excluding current maturities	501,167,655	-	501,167,655	-	-	-	-	-	-
Other Liabilities	57,268,757	-	33,767,022	-	23,501,735	-	23,414,006	-	87,729
Accrued Pension	59,986,565	-	-	-	59,986,565	-	59,986,565	-	-
Total liabilities	725,659,167	(2,499,789)	574,158,492	1,281,950	152,718,514	-	152,090,704	535,454	92,356
Net Assets/Shareholders' Equity									
Common stock - at par	-	(7,502,470)	-	7,502,470	-	-	-	-	-
Additional paid-in capital	-	(2,552,286)	-	2,552,286	-	-	-	-	-
Unrestricted net assets/retained earnings	237,274,671	9,576,855	(208,422,296)	(9,576,855)	445,696,967	(5,995,313)	443,815,234	1,881,733	5,995,313
Temporarily restricted net assets	4,489,679	-	-	-	4,489,679	(4,489,679)	4,489,679	-	4,489,679
Permanently restricted net assets	489,515	-	-	-	489,515	(489,515)	489,515	-	489,515
	242,253,865	(477,901)	(208,422,296)	477,901	450,676,161	(10,974,507)	448,794,428	1,881,733	10,974,507
	$ 967,913,032	$ (2,977,690)	$ 365,736,196	$ 1,759,851	$ 603,394,675	$ (10,974,507)	$ 600,885,132	$ 2,417,187	$ 11,066,863

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information
Year Ended June 30, 2012

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Revenues:									
Net patient service revenue	$ 388,422,359	$ -	$ 47,165,122	$ -	$ 341,257,237	$ -	$ 330,979,050	$ 10,278,187	$ -
Other revenue	21,523,880	-	2,026,312	1,522,455	17,975,113	-	15,810,019	5,753	2,159,341
	409,946,239	-	49,191,434	1,522,455	359,232,350	-	346,789,069	10,283,940	2,159,341
Expenses:									
Salaries and benefits	182,648,092	-	-	975,229	181,672,863	-	175,824,976	5,245,167	602,720
Supplies	62,882,821	-	1,142,121	114,936	61,625,764	-	60,672,626	765,063	188,075
Purchased services and other	105,218,796	-	45,565,851	398,858	59,254,087	2,754,299	54,753,315	1,198,300	548,173
Provision for bad debts	22,650,261	-	2,430,017	-	20,220,244	-	20,152,041	66,091	2,112
Depreciation and other charges relating to buildings and equipment	53,538,658	-	1,019,431	-	52,519,227	-	52,296,214	223,013	-
Medicaid tax	7,312,614	-	-	-	7,312,614	-	7,312,614	-	-
	434,251,242	-	50,157,420	1,489,023	382,604,799	2,754,299	371,011,786	7,497,634	1,341,080
Operating income (loss)	(24,305,003)	-	(965,986)	33,432	(23,372,449)	(2,754,299)	(24,222,717)	2,786,306	818,261
Nonoperating income (expense):									
Investment income	9,599,382	-	9,520,625	-	78,757	-	-	-	78,757
Unrealized (losses) gains on investments	(10,388,862)	-	(10,314,506)	-	(74,356)	-	16,530	-	(90,886)
Interest expense	(15,044,147)	-	(15,044,147)	-	-	-	-	-	-
Expenses related to debt and investments	(2,527,184)	-	(2,527,184)	-	-	-	-	-	-
Amortization of deferred financing costs	(140,494)	-	(140,494)	-	-	-	-	-	-
Cash settlements on interest rate swaps	(1,929,526)	-	(1,929,526)	-	-	-	-	-	-
Unrealized loss on interest rate swaps	(19,810,840)	-	(19,810,840)	-	-	-	-	-	-
Distribution of restricted revenue	-	-	-	-	-	2,754,299	-	-	(2,754,299)
Gain (loss) on investment in subsidiaries	-	(33,432)	33,432	-	-	1,502,204	(1,502,204)	-	-
Change in unrealized gain on hedge fund investments	1,532,821	-	1,532,821	-	-	-	-	-	-
	(38,708,850)	(33,432)	(38,679,819)	-	4,401	4,256,503	(1,485,674)	-	(2,766,428)

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information (Continued)
Year Ended June 30, 2012

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Excess (deficit) of revenue over expenses	$ (63,013,853)	$ (33,432)	$ (39,645,805)	$ 33,432	$ (23,368,048)	$ 1,502,204	$ (25,708,391)	$ 2,786,306	$ (1,948,167)
Other changes in unrestricted net assets:									
Discontinued operations	(1,688,478)	-	-	-	(1,688,478)	-	(1,688,478)	-	-
Amortization of gain on discontinuation of hedge accounting	177,334	-	177,334	-	-	-	-	-	-
Pension and supplemental plan related changes, other than net periodic pension cost	(42,721,560)	-	-	-	(42,721,560)	-	(42,721,560)	-	-
	(44,232,704)	-	177,334	-	(44,410,038)	-	(44,410,038)	-	-
(Decrease) increase in unrestricted net assets	$ (107,246,557)	$ (33,432)	$ (39,468,471)	$ 33,432	$ (67,778,086)	$ 1,502,204	$ (70,118,429)	$ 2,786,306	$ (1,948,167)

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Balance Sheet Information
June 30, 2011

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Assets									
Current Assets									
Cash and cash equivalents	$ 23,339,411	$ -	$ 17,444,553	$ 1,762,045	$ 4,132,813	$ -	$ 2,155,635	$ 1	$ 1,977,177
Short-term investments	1,111,519	-	-	-	1,111,519	-	-	-	1,111,519
Patient accounts receivable - less allowances for uncollectible accounts	58,609.224	-	5,005,236	(27)	53,604,015	-	52,539,400	1,064,615	-
Inventories	7,518,757	-	-	-	7,518,757	-	7,430,914	87,843	-
Prepaid expenses, interest receivable, and other	8,955,528	(10,959)	803,302	78,257	8,084,928	-	7,029,907	19,573	1,035,448
Amounts due from third-party payors	12,362,561	-	-	-	12,362,561	-	12,362,561	-	-
Amounts due from affiliated organizations	-	(2,401,387)	-	-	2,401,387	-	2,401,387	-	-
Total current assets	111,897,000	(2,412,346)	23,253,091	1,840,275	89,215,980	-	83,919,804	1,172,032	4,124,144
Investments and Assets Limited as to Use									
Internally designated for capital improvements	254,728,404	-	254,728,404	-	-	-	-	-	-
Externally designated investments under bond agreements	31,772,065	-	30,322,638	-	1,449,427	-	1,449,427	-	-
Other investments and assets limited as to use	5,184,913	-	-	-	5,184,913	-	-	-	5,184,913
Total investments and assets limited as to use	291,685,382	-	285,051,042	-	6,634,340	-	1,449,427	-	5,184,913
Land, Buildings, and Equipment - net	617,754,041	-	80,385,942	-	537,368,099	-	536,942,225	425,874	-
Investment in Subsidiaries	-	(444,469)	444,469	-	-	(12,806,331)	12,806,331	-	-
Cash and Investments Posted as Swap Collateral	3,071,351	-	3,071,351	-	-	-	-	-	-
Prepaid Pension, Deferred Financing Costs, and Other	14,190,865	-	4,386,857	-	9,804,008	-	6,146,594	-	3,657,414
	$ 1,038,598,639	$ (2,856,815)	$ 396,592,752	$ 1,840,275	$ 643,022,427	$ (12,806,331)	$ 641,264,381	$ 1,597,906	$ 12,966,471

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Balance Sheet Information (Continued)
June 30, 2011

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Liabilities and Net Assets/ Shareholder's Equity									
Current Liabilities									
Accounts payable	$ 70,032,811	$ (10,959)	$ 1,303,040	$ 14,136	$ 68,726,594	$ -	$ 68,574,026	$ 80,507	$ 72,061
Accrued payroll and other	25,843,876	-	6,785,796	11,537	19,046,543	-	18,296,397	750,146	-
Amounts due to third-party payors	28,351,919	-	-	-	28,351,919	-	28,435,908	(83,989)	-
Current maturities of debt	5,330,004	-	5,330,004	-	-	-	-	-	-
Due to affiliated organizations	-	(2,401,387)	1,031,254	1,370,133	-	-	-	-	-
Total current liabilities	129,558,610	(2,412,346)	14,450,094	1,395,806	116,125,056	-	115,306,331	746,664	72,061
Long-Term Debt, excluding current maturities	506,862,261	-	506,862,261	-	-	-	-	-	-
Other Liabilities	36,924,815	-	14,222,594	-	22,702,221	-	22,614,142	-	88,079
Accrued Pension	15,422,911	-	-	-	15,422,911	-	15,422,911	-	-
Total liabilities	688,768,597	(2,412,346)	535,534,949	1,395,806	154,250,188	-	153,343,384	746,664	160,140
Net Assets/Shareholders' Equity									
Common stock - at par	-	(7,502,470)	-	7,502,470	-	-	-	-	-
Additional paid-in capital	-	(2,552,286)	-	2,552,286	-	-	-	-	-
Unrestricted net assets/retained earnings	344,521,228	9,610,287	(138,942,197)	(9,610,287)	483,463,425	(7,497,517)	482,612,183	851,242	7,497,517
Temporarily restricted net assets	4,819,299	-	-	-	4,819,299	(4,819,299)	4,819,299	-	4,819,299
Permanently restricted net assets	489,515	-	-	-	489,515	(489,515)	489,515	-	489,515
	349,830,042	(444,469)	(138,942,197)	444,469	488,772,239	(12,806,331)	487,920,997	851,242	12,806,331
	$ 1,038,598,639	$ (2,856,815)	$ 396,592,752	$ 1,840,275	$ 643,022,427	$ (12,806,331)	$ 641,264,381	$ 1,597,906	$ 12,966,471

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information
Year Ended June 30, 2011

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Revenues:									
Net patient service revenue	$ 351,433,096	$ -	$ 44,899,936	$ -	$ 306,533,160	$ -	$ 298,089,734	$ 8,443,426	$ -
Other revenue	17,640,810	(9,309,165)	1,959,269	10,129,698	14,861,008	-	12,290,360	7,460	2,563,188
	369,073,906	(9,309,165)	46,859,205	10,129,698	321,394,168	-	310,380,094	8,450,886	2,563,188
Expenses:									
Salaries and benefits	170,002,163	-	145,188	9,540,369	160,316,606	-	155,252,817	4,529,898	533,891
Supplies	56,741,466	-	2,451,792	88,985	54,200,689	-	53,381,399	665,557	153,733
Purchased services and other	96,349,018	(9,309,165)	49,298,424	377,002	55,982,757	2,607,347	51,545,276	1,148,073	682,061
Provision for bad debts	24,585,166	-	1,999,907	250	22,585,009	-	22,484,881	101,018	(890)
Depreciation	34,158,449	-	1,269,552	25	32,888,872	-	32,629,954	258,918	-
Medicaid tax	7,310,342	-	-	-	7,310,342	-	7,310,342	-	-
One time costs associated with new hospital	4,628,954	-	-	-	4,628,954	-	4,628,954	-	-
	393,775,558	(9,309,165)	55,164,863	10,006,631	337,913,229	2,607,347	327,233,623	6,703,464	1,368,795
Operating income (loss)	(24,701,652)	-	(8,305,658)	123,067	(16,519,061)	(2,607,347)	(16,853,529)	1,747,422	1,194,393
Nonoperating income (expense):									
Investment income	12,529,020	-	12,301,052	-	227,968	-	-	-	227,968
Unrealized gains on investments	35,352,995	-	34,600,402	-	752,593	-	513,859	-	238,734
Interest expense	(7,662,371)	-	(7,662,467)	-	96	-	96	-	-
Expenses related to debt and investments	(969,232)	-	(969,232)	-	-	-	-	-	-
Amortization of deferred financing costs	(145,481)	-	(145,481)	-	-	-	-	-	-
Cash settlements on interest rate swaps	1,008,257	-	1,008,257	-	-	-	-	-	-
Unrealized gain on interest rate swaps	4,694,741	-	4,694,741	-	-	-	-	-	-
Distribution of restricted revenue	-	-	-	-	-	2,607,347	-	-	(2,607,347)
Gain (loss) on investment in subsidiaries	-	(123,067)	123,067	-	-	(1,650,693)	1,650,693	-	-
Change in unrealized gain on hedge fund investments	(677,730)	-	(677,730)	-	-	-	-	-	-
	44,130,199	(123,067)	43,272,609	-	980,657	956,654	2,164,648	-	(2,140,645)

Elmhurst Memorial Healthcare and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information (Continued)
Year Ended June 30, 2011

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
Excess (deficit) of revenue over expenses	$ 19,428,547	$ (123,067)	$ 34,966,951	$ 123,067	$ (15,538,404)	$ (1,650,693)	$ (14,688,881)	$ 1,747,422	$ (946,252)
Other changes in unrestricted net assets:									
Discontinued operations	2,412,465	-	-	-	2,412,465	-	2,412,465	-	-
Amortization of gain on discontinuation of hedge accounting	178,463	-	178,463	-	-	-	-	-	-
Pension and supplemental plan related changes other than net periodic pension cost	26,851,456	-	-	-	26,851,456	-	26,851,456	-	-
Temporarily restricted contributions released for capital projects	2,000,000		-	-	2,000,000	-	-		2,000,000
	31,442,384	-	178,463	-	31,263,921	-	29,263,921	-	2,000,000
Increase in unrestricted net assets	$ 50,870,931	$ (123,067)	$ 35,145,414	$ 123,067	$ 15,725,517	$ (1,650,693)	$ 14,575,040	$ 1,747,422	$ 1,053,748

MOODY'S
INVESTORS SERVICE

Announcement: MOODY'S AFFIRMS EDWARD HEALTH SERVICES CORPORATION'S (IL) A2 BOND RATING; OUTLOOK IS POSITIVE

Global Credit Research - 14 Nov 2011

EDWARD HEALTH SERVICES CORPORATION (IL) HAS A TOTAL OF $277.5 MILLION OF RATED DEBT OUTSTANDING

New York, November 14, 2011 – Moody's Investors Service has affirmed the A2 long-term bond rating assigned to Edward Health Services Corporation's (IL) $278 million of outstanding bonds issued by the Illinois Health Facilities Authority. The outlook is positive.

RATING RATIONALE:

The A2 rating is based on Edward's location in a solid demographic area, history of strong operating margins, and very good and liquid unrestricted investment position. These strengths are offset by increasing competition in a crowed and rapidly consolidating market, trend of modest revenue growth, relatively high variable rate debt, and expected increase in capital spending and possibly debt. The positive outlook is based on our expectation that operating margins and liquidity will be maintained; a rating upgrade will be considered upon further clarification of the funding of capital projects and our continued evaluation of Edward's ability to respond to competitive pressures, stabilize surgical volume and grow revenue.

STRENGTHS

- History of strong operating cash flow margins with 13.4% average operating cash flow over the last five years and 13.9% in FY 2011, which is strong relative to A2 medians despite low revenue growth

- Located in Aaa-rated Naperville and the fourth largest city in Illinois, EHSC benefits from strong population growth (10.5% from 2000-2010) and wealth measures ($100,503 median household income; $397,000 median home value)

- Strong cash with recent growth resulting in 291 days cash on hand at FYE 2011; cash-to-demand debt is strong at 245%

- Defined contribution pension plan

CHALLENGES

- Crowded competitive market 25 miles west of Chicago with a dozen similarly sized hospitals within a 20-mile radius; the market is becoming increasingly competitive with rapid consolidation among hospitals and more competition for physician groups

- Trend of low revenue growth averaging 2.5% between 2009 and 2011 in part due to declines in outpatient and total surgeries

- Relatively high variable rate debt load at 59%; swap exposure with a collateral posting in FY 2011

- Following two years of low capital spending, capital expenditures are projected to increase to $83 million in FY12, more than double FY11; the hospital is considering issuing debt to partly fund the program, which will weaken debt measures

Outlook

The positive outlook is based on our expectation that operating margins and liquidity will be maintained

WHAT COULD MAKE THE RATING GO UP

A rating upgrade will be considered upon further clarification of the funding of capital projects and our continued evaluation of Edward's ability to respond to competitive pressures, stabilize surgical volume and grow revenue.

WHAT COULD MAKE THE RATING GO DOWN

Material increase in debt beyond current projections that would weaken coverage ratios and weaken financial position without a commensurate increase in cash flow; loss of market share due to elevated competition; unexpected and prolonged decline in operating performance

The principal methodology used in this rating was Not-for-Profit Hospitals and Health Systems published in January 2008. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, confidential and proprietary Moody's Investors Service information, and confidential and proprietary Moody's Analytics information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

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