ORIGINAL

E-022-13

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED
SEP 20 2013
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name: Proctor Hospital
Address: 5409 North Knoxville Avenue
City: Peoria Zip Code: 61614 County: Peoria
Name of current licensed entity for the facility: Proctor Hospital
Does the current licensee: own this facility Yes OR lease this facility _____(if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X__ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. David Koehler
State Senate District Number: 46 Mailing address of the State Senator: 400 Northeast Jefferson, Suite 200, Peoria, Illinois 61603
Illinois State Representative for the district where the facility is located: Rep. Jehan Gordon-Booth
State Representative District Number: 92 Mailing address of the State Representative: 300 East War Memorial Drive, Suite 303, Peoria, Illinois 61634

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

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: Methodist Health Services Corporation
Address: 221 NE Glen Oak Avenue
City, State & Zip Code: Peoria, Illinois 61636
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 _____

4. **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: The license will continue to be held by Proctor Hospital as the proposed transaction involves a membership substitution.
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3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: Iowa Health System d/b/a UnityPoint Health
Address: 1776 West Lakes Parkway, Suite 400
City, State & Zip Code: West Des Moines, Iowa 50266-8239
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: Proctor Health Care Incorporated
Address: 5409 North Knoxville Avenue
City, State & Zip Code: Peoria, Illinois 61614
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6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - ✓ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - ✓ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - o 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;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - ✓ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **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.**

8. **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.**

9. **ANTICIPATED ACQUISITION PRICE:** $0 (See Explanatory Note 9 for additional information)

10. **FAIR MARKET VALUE OF THE FACILITY:** $10,000,000 (See Explanatory Note 10 for additional information) (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** November 6, 2013

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

13. **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. Limited Liability Companies and Partnerships must provide the name and address of each partner/member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4**.

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits 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 and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5**.

15. **FINANCIAL STATEMENTS.** (co-applicants must also provide this information). Provide a copy of the applicants latest audited financial statements, and append it to this application as **ATTACHMENT #6**. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ___, and indicate the date the entity was formed _____.

16. 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: Edward J. Green, Esq., Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800
City, State & Zip Code: Chicago, Illinois 60654
Telephone: 312-832-4375

17a. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Debbie Simon, President & CEO, Methodist Health Services Corporation
Address: 221 NE Glen Oak Avenue
City, State & Zip Code: Peoria, Illinois 61636
Telephone: 309-672-5929

17b. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Denny Drake, Esq., Vice President & General Counsel, UnityPoint Health
Address: 1776 West Lakes Parkway, Suite 400
City, State & Zip Code: West Des Moines, Iowa 50266-8239
Telephone: 515-241-6212

18. CERTIFICATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds 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: Debbie Simon

Typed or Printed Name of Authorized Officer: Debbie Simon

Title of Authorized Officer: President & CEO, Methodist Health Services Corporation

Address: 221 NE Glen Oak Avenue

City, State & Zip Code: Peoria, Illinois 61636

Telephone: (309) 672-5929 Date: 09/18/2013

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

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Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Kevin Vermeer

Title of Authorized Officer: Executive Vice President, Iowa Health System d/b/a UnityPoint Health

Address: 1776 West Lakes Parkway, Suite 400

City, State & Zip Code: West Des Moines, Iowa 50266-8239

Telephone: (515) 241-8215 Date: 09/18/2013

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

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Name: Edward J. Green, Esq., Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800
City, State & Zip Code: Chicago, Illinois 60654
Telephone: 312-832-4375

17a. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Debbie Simon, President & CEO, Methodist Health Services Corporation
Address: 221 NE Glen Oak Avenue
City, State & Zip Code: Peoria, Illinois 61636
Telephone: 309-672-5929

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Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Paul Macek

Title of Authorized Officer: President & CEO, Proctor Health Care Incorporated

Address: 5409 North Knoxville Avenue

City, State & Zip Code: Peoria, Illinois 61614

Telephone: (309) 691-1058 Date: 09/09/2013

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

Attachment 1
Application Fee

A check in the sum of Two Thousand, Five Hundred Dollars ($2,500) and payable to the Illinois Department of Public Health is attached at Attachment 1.

Attachment 2
Funding

There is no purchase price associated with the Transaction (as described and defined in Attachment 3).

Attachment 3
Narrative

Methodist Health Services Corporation ("MHSC"), Iowa Health System d/b/a UnityPoint Health ("UnityPoint Health"), and Proctor Health Care Incorporated ("Proctor") hereby seek a Certificate of Exemption ("COE") from the Illinois Health Facilities & Services Review Board (the "Board") to allow consummation of the proposed transaction (the "Transaction") set forth in that certain Affiliation Agreement (the "Affiliation Agreement"), whereby MHSC will become the sole corporate member of Proctor. MHSC, UnityPoint Health and Proctor are collectively referred to as the "Applicants."

MHSC provides comprehensive, coordinated care to patients throughout central Illinois, including Peoria and surrounding communities (the "Region") through its affiliates and subsidiaries. MHSC is the sole corporate member of Methodist Medical Center of Illinois ("Methodist Medical Center"). Methodist Medical Center, which is located in Peoria, has more than more than 3,000 employees and a medical staff of over 600 and is a recognized leader in healthcare, combining advanced technology and comprehensive services with patient satisfaction that's among the best in the nation.

UnityPoint Health is the sole corporate member of MHSC. UnityPoint Health is one of the nation's most integrated health systems. Through relationships with more than 280 physician clinics, 30 hospitals in metropolitan and rural communities and home care services throughout its 8 regions, UnityPoint Health provides care throughout Iowa and Illinois. UnityPoint Health entities employ more than 24,000 employees, working toward innovative advancements to deliver the Best Outcome for Every Patient Every Time. Each year, through more than 4 million patient visits, UnityPoint Health, UnityPoint Clinic and UnityPoint at Home provides a full range of coordinated care to patients and families. With annual revenues of $2.7 billion, UnityPoint Health is the nation's 13th largest nonprofit health system and the fourth largest nondenominational health system in the United States of America. UnityPoint Health provides community benefit programs and services to improve the health of people in its communities.

Proctor is the sole corporate member of Proctor Hospital. Proctor Hospital has been a vital healthcare contributor to the Region since 1882. Proctor Hospital is located in north Peoria on a spacious 55-acre park-like campus. Proctor Hospital is licensed for 220 beds and has 1,136 employees. The Illinois Institute for Addiction Recovery at Proctor Hospital is known nationally for its comprehensive inpatient and outpatient addiction treatment program and services. Proctor Hospital's Center for Senior Behavioral Health is the first Center of its kind in Peoria. And BlueCross BlueShield has designated Proctor Hospital as a Blue Distinction Center+ for Knee and Hip Replacement for its excellent continuum of care for orthopedic patients. Proctor First Care and Proctor Medical Group offices provide urgent and primary care throughout central Illinois. The Hult Center for Healthy Living, which provides health education to schools, families, civic groups, social agencies, businesses, churches and other entities, serves approximately 60,000 people annually.

The Applicants desire to enter into the Transaction for the purpose of achieving and furthering the following objectives: (i) to carry out and advance the common historical missions of MHSC and Proctor of striving to meet the health care needs of the Region; (ii) to continue to expand access to affordable healthcare services in the Region; (iii) to assist Proctor to resolve its financial challenges and enable Proctor Hospital to provide affordable, convenient and high quality healthcare services to the Region;

(iv) to provide Methodist Medical Center options to expand capacity, improve efficiency, and improve service delivery, all in an efficient and cost effective manner for the benefit of residents of the Region; (v) to work together to develop viable responses to the rapidly changing market impacting health care delivery systems, including federal health care reform legislation, reductions in reimbursement and movement toward global and full-risk payment models; (vi) to advance excellence in clinical innovations, access, services, quality, cost, outcomes, and medical education for both Methodist Medical Center and Proctor Hospital; (vii) to expand medical education opportunities in the Region and assist in the development and training of much needed physicians and other health care professionals; and (viii) to allow Proctor Hospital and its community leadership, through this collaborative process with Methodist Medical Center, to see a viable continuation of its historical mission, i.e., enhancing the quality, availability, and efficiency of healthcare delivery for the Region.

By bringing together the strengths of MHSC and Proctor to the Region, the Applicants intend to expand health services, increase efficiency and improve quality while preserving and enhancing their legacy and commitment to the Region. The Transaction will also result in measurable benefits to consumers and payers through quality improvements, development of new services, efficiency enhancements and other potential cost savings.

As the sole corporate member of Proctor, MHSC has agreed that it will cause Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, to perform their respective obligations under all then-existing contracts, leases and agreements to which Proctor and/or Proctor's affiliates and subsidiaries, including Proctor Hospital, is a party.

MHSC has agreed to assume or otherwise ensure the satisfaction of the liabilities and obligations of Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, when due, including without limitation the following: (1) any outstanding obligations of Proctor Hospital under the Master Trust Indenture dated July 15, 1987, as supplemented and amended, among Proctor, Proctor Hospital, Proctor Health Care Foundation and Wells Fargo Bank, National Association, as successor master trustee, which secures the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) and the Illinois Finance Authority Revenue Bonds, Series 2010 (Proctor Hospital); and (2) any outstanding obligations of Proctor Hospital (and Proctor the other Proctor affiliates and subsidiaries) under the Proctor qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

UnityPoint Health, as the sole corporate member of MHSC, has guaranteed the full, prompt, and complete performance by MHSC of all of the terms, covenants, conditions and other provisions set forth in the Affiliation Agreement to be performed by MHSC (or its affiliates). UnityPoint Health has also agreed to either: (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) on a parity with the existing bonds of UnityPoint Health and its obligated group; or (2) defease the Proctor Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which the Proctor Bonds were issued.

Because the Transaction will result in a change in the membership or sponsorship of a not-for-profit corporation that owns or controls an Illinois licensed health facility (as well as its physical plant and capital assets), the Transaction constitutes a change of ownership under Section 1130.140 of the Board's rules. The Transaction is contingent upon the approval of the Board and the granting of a COE.

The Transaction is expected to close on November 6, 2013.

Attachment 4
Background of Applicants

The following documents are attached at Attachment 4:

1. Certificate of Good Standing for Methodist Health Services Corporation (issued by the Illinois Secretary of State).

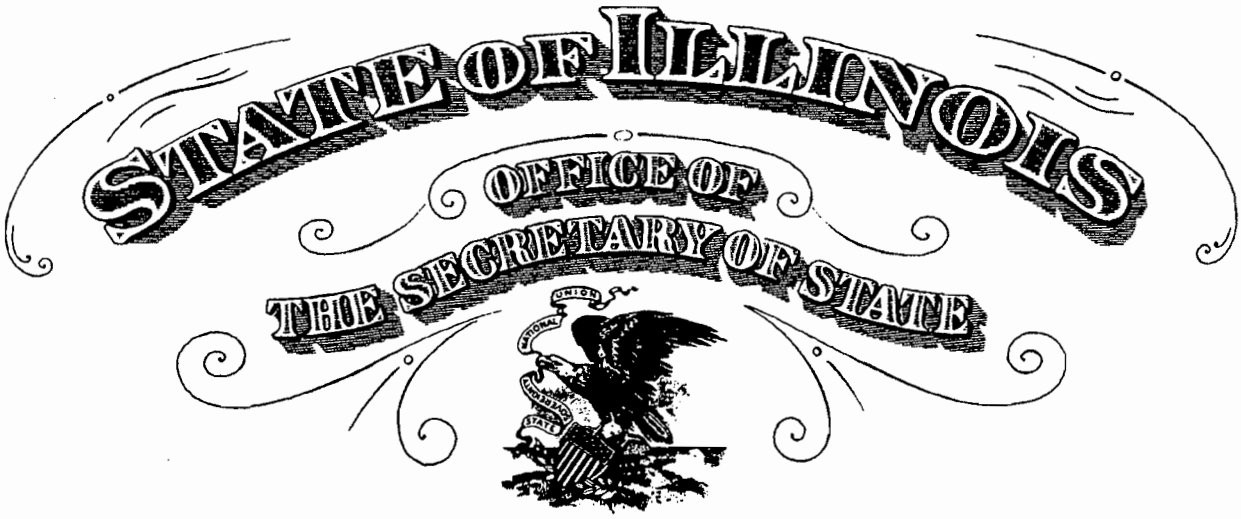
2. Certificate of Good Standing for Iowa Health System d/b/a UnityPoint Health (issued by the Iowa Secretary of State).

3. Certificate of Good Standing for Iowa Health System d/b/a UnityPoint Health (issued by the Illinois Secretary of State).

4. Certificate of Good Standing for Proctor Health Care Incorporated (issued by the Illinois Secretary of State)

5. Organizational charts for Proctor Health Care Incorporated and Proctor Hospital prior to and following the Transaction.

File Number 5257-769-1



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

METHODIST HEALTH SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 25, 1981, 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.

Authentication #: 1325301912

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

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 10TH *day of* SEPTEMBER *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

IOWA SECRETARY OF STATE
MATT SCHULTZ

CERTIFICATE OF EXISTENCE

Date: 9/10/2013

Name: IOWA HEALTH SYSTEM (504RDN - 181348)
Date of Incorporation: 12/31/1994
Duration: PERPETUAL

I, Matt Schultz, Secretary of State of the State of Iowa, custodian of the records of incorporations, certify the following for the nonprofit corporation named on this certificate:

a. The entity is in existence and duly incorporated under the laws of Iowa.

b. All fees required under the Revised Iowa Nonprofit Corporation Act due the Secretary of State have been paid.

c. The most recent biennial report required has been filed with the Secretary of State.

d. Articles of dissolution have not been filed.

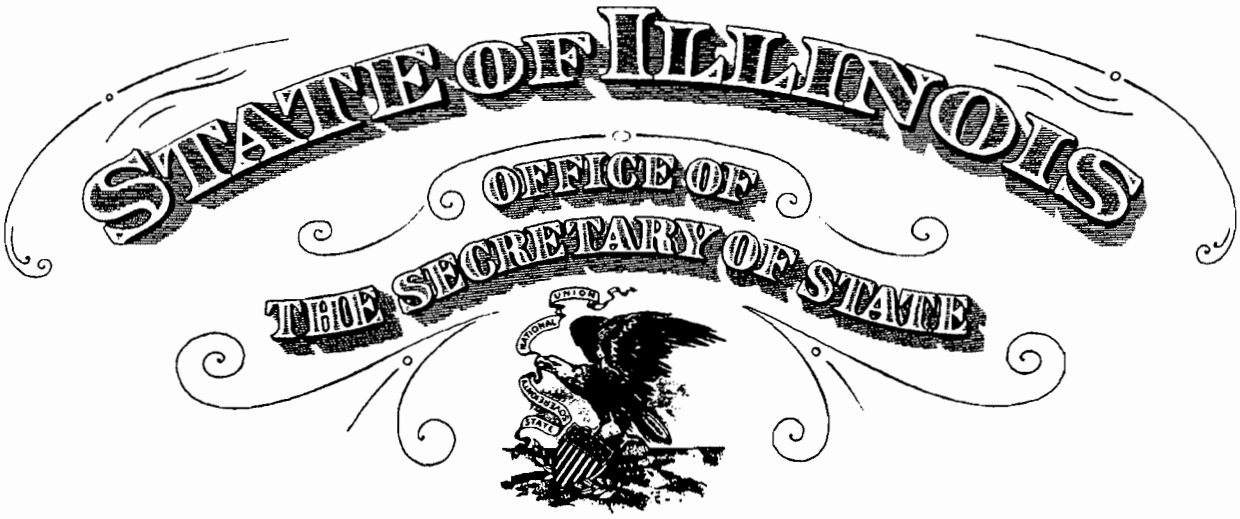
Certificate ID: **CS83851**

To validate certificates visit:
sos.iowa.gov/ValidateCertificate

Matt Schultz, Iowa Secretary of State

ATTACHMENT
4

File Number 6720-693-2



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

IOWA HEALTH SYSTEM, INCORPORATED IN IOWA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 15, 2010, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 1325402150

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

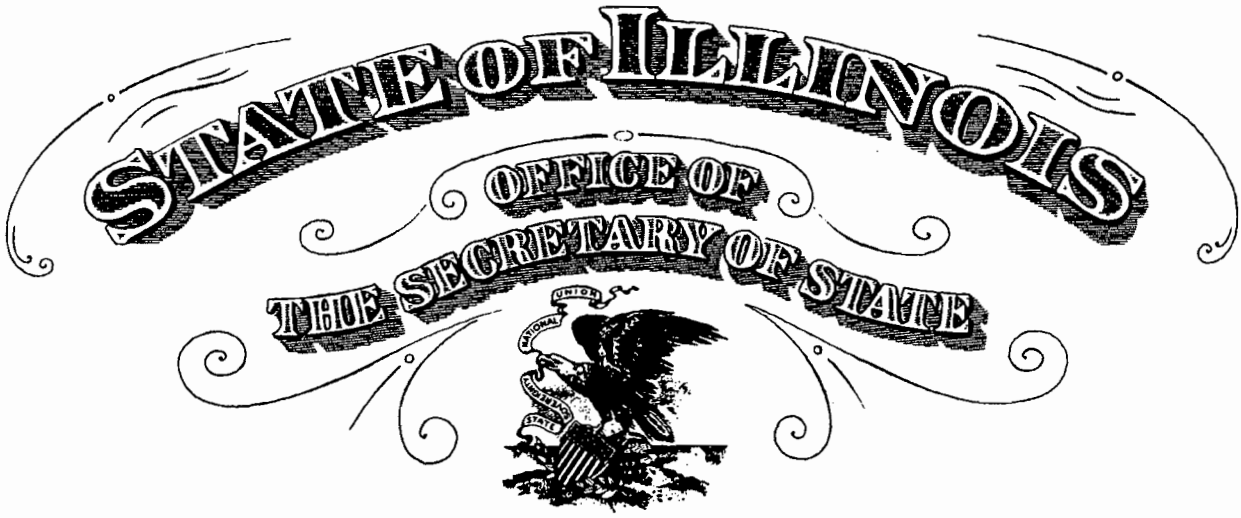
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 11TH *day of* SEPTEMBER *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

File Number 5308-523-7



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

PROCTOR HEALTH CARE INCORPORATED, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MAY 13, 1983, 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.

Authentication #: 1325301918

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

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 10TH *day of* SEPTEMBER *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

Before Transaction

Proctor Health Care Incorporated

Proctor Hospital

After Transaction

Methodist Health Services Corporation

|

Proctor Health Care Incorporated

|

Proctor Hospital

Attachment 5
Transaction Documents

On September 9, 2013, MHSC and Proctor (and Proctor Health Care Foundation) executed an Affiliation Agreement regarding the Transaction. A copy of the Affiliation Agreement is attached at Attachment 5.

AFFILIATION AGREEMENT

BY AND AMONG

PROCTOR HEALTH CARE INCORPORATED,

PROCTOR HEALTH CARE FOUNDATION

AND

METHODIST HEALTH SERVICES CORPORATION

September 9, 2013

AFFILIATION AGREEMENT

This Affiliation Agreement ("***Agreement***") is entered into as of September 9, 2013 (the "***Effective Date***"), by and among **PROCTOR HEALTH CARE INCORPORATED,** an Illinois not-for-profit corporation ("***Proctor***"), **PROCTOR HEALTH CARE FOUNDATION,** an Illinois not-for-profit corporation ("***Proctor Foundation***") (collectively the "***Proctor Parties***"), and **METHODIST HEALTH SERVICES CORPORATION,** an Illinois not-for-profit corporation ("***MHSC***"). The Proctor Parties and MHSC are sometimes hereinafter referred to collectively as "***Parties***," and each, individually, as "***Party***."

RECITALS

A. Proctor, through its affiliates and subsidiaries, including Proctor Hospital ("***Proctor Hospital***"), has provided a broad range of services and programs to meet the health care needs of the central Illinois region, including Peoria and surrounding communities (collectively, the "***Region***"), including without limitation an acute care hospital, outpatient diagnostic services, medical practices, and an addiction recovery center (collectively, the "***Proctor Businesses***").

B. MHSC is affiliated with Iowa Health System, an Iowa nonprofit corporation doing business in Iowa and Illinois under the fictitious name UnityPoint Health (hereafter "**UPH**"). MHSC provides a broad range of health care services and programs through its hospitals, clinics and other facilities. MHSC has provided health care services to the Region and believes an affiliation with Proctor can improve access to health care, reduce costs to the relevant markets and improve the quality of services provided by the combined organizations.

C. The Parties desire to enter into a transaction in which Proctor and MHSC will become affiliated as set forth in this Agreement for the purpose of achieving and furthering the following objectives: (i) to carry out and advance the common historical missions of MHSC and Proctor of striving to meet the health care needs of the Region; (ii) to continue to expand access to affordable healthcare services in the Region; (iii) to assist Proctor to resolve its financial challenges and enable the Proctor campus to provide affordable, convenient and high quality healthcare services to the Region; (iv) to provide MHSC's Methodist Medical Center of Illinois (of which MHSC is the sole member) ("***MMCI***") options to expand capacity, improve efficiency, and improve service delivery, all in an efficient and cost effective manner for the benefit of residents of the Region; (v) to work together to develop viable responses to the rapidly changing market impacting health care delivery systems, including federal health care reform legislation, reductions in reimbursement and movement toward global and full-risk payment models; (vi) to advance excellence in clinical innovations, access, services, quality, cost, outcomes, and medical education for both MMCI and Proctor; (vii) to expand medical education opportunities in the community and assist in the development and training of much needed physicians and other health care professionals; and (viii) to allow Proctor and its community leadership, through this collaborative process with MMCI, to see a viable continuation of its historical mission, i.e., enhancing the quality, availability, and efficiency of healthcare delivery for the Region.

D. By bringing together the strengths of MHSC and Proctor to the Region, the Parties intend to expand health services, increase efficiency and improve quality while preserving and enhancing their legacy and commitment to the Region. The transactions that are contemplated by this Agreement (the "***Transaction***") will result in measurable benefits to consumers and payers through quality improvements, development of new services, efficiency enhancements and other potential cost savings.

E. The Parties desire to enter into this Agreement and enter into or effectuate the other agreements and documents that are attached to this Agreement and/or otherwise referenced by or entered into in connection with this Agreement (collectively, the "***Affiliation Documents***") for the purpose of setting forth the terms and conditions of the agreement between them relating to the Transaction, as well as certain representations, warranties, and covenants made by each Party as an inducement to the other Party to execute and deliver this Agreement and to consummate the Transaction.

AGREEMENT

In consideration of the mutual covenants and agreements and in reliance upon the representations and warranties contained in this Agreement, and intending to be legally bound, MHSC and the Proctor Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Capitalized terms used herein shall have the meanings ascribed to them on Schedule 1.1 attached hereto and incorporated herein.

ARTICLE II
AFFILIATION STRUCTURE; GOVERNANCE

Section 2.1 Corporate Restructuring of Proctor as of the Closing Date.

(a) As of the Closing Date Proctor will be restructured to have a sole corporate member and MHSC will become the sole member of Proctor with the full rights and powers prescribed by Law and by the Amended Proctor Charter Documents (defined below). To accomplish the foregoing, Proctor shall as of the Closing cause to be filed with the Illinois Secretary of State duly adopted Amended and Restated Articles of Incorporation of Proctor consistent with this Agreement and in form reasonably satisfactory to Proctor and MHSC (the "***Amended Proctor Articles***").

(b) As of the Closing Date, Proctor and MHSC shall take any and all necessary action to cause the Bylaws of Proctor to be amended and restated consistent with this Agreement and in form reasonably satisfactory to Proctor and MHSC (the "***Amended Proctor Bylaws***") (the Amended Proctor Articles and Amended Proctor Bylaws are hereinafter referred to as the "***Amended Proctor Charter Documents***").

(c) Effective as of the Closing, MHSC shall have the rights and powers prescribed by Law, this Agreement and the Amended Proctor Charter Documents as

the sole member of Proctor. Proctor or any of the Proctor Subsidiaries, as applicable, serving as the corporate member or shareholder of each Proctor Subsidiary, as of the Closing shall remain the corporate member or shareholder of such Proctor Subsidiary after the Closing, and the governing documents of the Proctor Subsidiaries shall be amended effective as of the Closing to reflect MHSC's rights as set forth in the Amended Proctor Charter Documents.

(d) Effective as of the Closing, Proctor and the Proctor Subsidiaries shall be subject to Sections 2.3(b) and 2.3(c) of the Strategic Affiliation Agreement ("***SAA***") between UPH and MHSC, executed June 9, 2011, in the same manner as other MHSC Entities (as defined in the SAA). Additionally, the Parties and UPH acknowledge that effective as of the Closing, Proctor and the Proctor Subsidiaries will have the same rights and benefits described in Article 10 of the SAA as other MHSC Entities. Notwithstanding the foregoing, nothing in this Section 2.1(d) shall be construed to alter the specific rights and obligations of the Parties as set forth in this Agreement.

Section 2.2 Corporate Restructuring of Proctor Foundation.

(a) As of the Closing Date, Proctor Foundation will be restructured such that Proctor Foundation will have no members and a self-perpetuating board of directors (the "***Proctor Foundation Board***"), and the Proctor Foundation Board will include at least four (4) representatives who are members of the Board of Directors of Proctor as of the Effective Date and at least two (2) representatives of MHSC. To accomplish the foregoing, the Proctor Parties shall as of the Closing take any and all necessary action (i) to cause to be filed with the Illinois Secretary of State duly adopted Amended and Restated Articles of Incorporation of Proctor Foundation consistent with this Agreement and in form reasonably satisfactory to the Proctor Parties and MHSC (the "***Amended Proctor Foundation Articles***"), and (ii) to cause the Bylaws of Proctor Foundation to be amended and restated consistent with this Agreement and in form reasonably satisfactory to the Proctor Parties and MHSC (the "***Amended Proctor Foundation Bylaws***") (the Amended Proctor Foundation Articles and the Amended Proctor Foundation Bylaws are hereinafter referred to as the "***Amended Proctor Foundation Charter Documents***"). The Amended Proctor Foundation Charter Documents will provide that the Proctor Foundation will fulfill its commitments set forth in this Agreement and the other Affiliation Documents, and that the prior written permission of MHSC shall be required before any changes are made to the Amended Proctor Foundation Charter Documents that change or alter the Proctor Foundation's commitments contained in this Agreement and the other Affiliation Documents, or the rights of Proctor or MHSC provided in this Agreement.

(b) On the Closing Date Proctor Foundation shall transfer, convey and assign to Proctor or a Proctor Subsidiary, as applicable, (i) any real property or Personal Property and any other Assets held by Proctor Foundation that are used in connection with the operation of Proctor Hospital or any of the Proctor Subsidiaries (the "***Transferred Operations Assets***"), and (ii) except as provided in Section 4.1, any liabilities or obligations of Proctor Foundation that are related to Transferred Operations Assets.

Section 2.3 MHSC Board Appointments. MHSC agrees to take the necessary steps to expand, effective as of the Closing Date, the MHSC Board by three (3) seats and to appoint (initially and in the future) three (3) individuals to fill such seats on the MHSC Board who have been recommended by Proctor Foundation as described herein. MHSC agrees to take the necessary steps and to cause MMCI to take the necessary steps, to expand, effective as of the Closing Date, the MMCI Board by three (3) seats and to appoint (initially and in the future) three (3) individuals to fill such seats on the MMCI Board who have been recommended by Proctor Foundation as described herein. The initial appointees to the MMCI Board will be individuals who served on the Proctor Hospital Board as of the Effective Date. As of the Closing Date, the Proctor Foundation Board will make the initial recommendations, and going forward new recommendations for the three (3) seats on the MHSC Board and the three (3) seats on the MMCI Board would be made as openings occur by the Proctor Foundation Board. Proctor Foundation's right to recommend members of the MHSC Board and the MMCI Board will end on the earlier of: (1) the merger of the Proctor Foundation with the Methodist Medical Center Foundation, or (2) ten (10) years after the closing. MHSC further agrees that until the right to recommend members of the MHSC Board and the MMCI Board ends as described herein, the three (3) new seats on each such Board will only be filled by individuals recommended by Proctor Foundation, as applicable.

Section 2.4 Use of Proctor Name. Following the Closing Date, Proctor Foundation will have a perpetual, non-exclusive right to use the "Proctor" name and related marks consistent with its prior use so long as Proctor Foundation remains an organization exempt from federal income tax and complies with the provisions of this Agreement and the other Affiliation Documents.

ARTICLE III
OPERATIONAL COMMITMENTS

Section 3.1 Proctor Identity and Heritage. The Parties acknowledge and agree that Proctor Hospital and other Proctor service delivery sites may be renamed following the Closing Date in order to incorporate the MHSC and UPH identity into all Proctor patient care delivery sites. Notwithstanding the foregoing, in recognition of the heritage and contribution over the years to the Region, the name "Proctor" will continue as a part of the renaming of Proctor Hospital or the Proctor campus for a period of at least five (5) years following the Closing Date in an appropriate fashion that complements the MHSC and UPH identity, into all current Proctor patient care delivery sites. Thereafter, decisions relating to the continued use of the Proctor name will be made by the MHSC Board.

Section 3.2 Honoring Donor Restrictions. MHSC shall continue to use in an appropriate fashion that complements the MMCI identity, and shall not change the name of, any services, programs or facilities that were designated prior to the Closing Date in exchange for a donation to Proctor or a Proctor Subsidiary or in honor of a person or organization that made a donation to Proctor, Proctor Foundation or a Proctor Subsidiary (including without limitation the name "Hult" for the Hult Center for Healthy Living, the name "Rashid" for the Ameel Rashid Addiction Recovery Center, and the name "Burklund" for the Burklund Cardiac Rehab Center) (so long as such services, programs or facilities continue to exist). Proctor Foundation will continue to coordinate the naming of other facilities and areas in honor of major gift donors in accordance with a list of donor recognition opportunities (including facilities or spaces and

corresponding donation amounts) mutually agreed upon between Proctor Foundation and MHSC from time to time.

Section 3.3 Services Commitments.

(a) Consistent with the requirements set forth by the Illinois Health Facilities and Services Review Board (the "***IHFSRB***"), MHSC will not substantially change the categories of service or the number of beds at Proctor Hospital for a period of at least twelve (12) months following the Closing Date.

(b) MHSC agrees that for a period of not less than five (5) years immediately following the Closing Date, MHSC shall not convey, merge, consolidate, convert or sell the Proctor Hospital campus.

(c) The Parties will work together to develop a shared vision for the integration of patient care services between the MMCI downtown campus and the Proctor campus (the "***Shared Vision***"). MHSC agrees that for a period of not less than five (5) years immediately following the Closing Date, MHSC shall operate the Proctor campus as an integral part of MHSC's delivery of healthcare in the Region consistent with the agreed-upon Shared Vision. MHSC shall operate programs and services on the Proctor campus with a commitment to quality, safety, and patient satisfaction that is generally similar to and consistent with MHSC's commitment to quality, safety, and patient satisfaction at other facilities within MHSC's health care system.

Section 3.4 Charity Care Policy. Consistent with the requirements of the IHFSRB, Proctor Hospital will not adopt a charity care policy that is more restrictive than the policy in effect during the year prior to Closing for at least twenty-four (24) months after the Closing Date. Thereafter, Proctor will continue to provide care to the indigent and to the uninsured as is deemed appropriate by the MHSC Board and consistent with MHSC's overall policy, provided Proctor's provision of care remains consistent with all applicable legal requirements.

ARTICLE IV
FINANCIAL COMMITMENTS

Section 4.1 Proctor Foundation Assets and Liabilities Post Closing. Except as may otherwise be agreed upon between Proctor Foundation and MHSC or Methodist Medical Center Foundation in light of their shared missions and purposes, Proctor Foundation shall retain all of its cash and investments, and all liabilities related thereto, as of the Closing Date and, except as to the Transferred Operations Assets, MHSC shall acquire no rights relating to assets of the Proctor Foundation under this Agreement or any of the other Affiliation Documents. Furthermore, following the Closing, Proctor Foundation shall not assume nor be obligated to pay or assume, and none of the assets of the Proctor Foundation shall become liable for or subject to any liability, indebtedness (including tax-exempt indebtedness), commitment or obligation of Proctor, the Proctor Subsidiaries or MHSC, whether known or unknown, fixed or contingent, recorded or unrecorded, currently existing or hereafter arising. The Parties agree to take all necessary steps to remove Proctor Foundation from the "Obligated Group" under the MTI (as

defined below) as of the Closing Date. Proctor Foundation shall, however, remain subject to its own debts and liabilities, including debts and liabilities incurred prior to Closing in connection with businesses or activities conducted by Proctor Foundation prior to Closing but transferred to MHSC or another party at Closing as a part of this Transaction.

Section 4.2 Proctor Liabilities Post Closing. Proctor and the Proctor Subsidiaries, as applicable, shall retain all of the Fee Owned Real Property and the Assets as of the Closing Date. MHSC acknowledges and agrees that by becoming the sole member of Proctor, all then-existing contracts, leases and agreements to which Proctor or any Proctor Subsidiary is a party, including without limitation, loan agreements, tax-exempt bond-financing agreements and physician and other employment agreements, will remain in effect in accordance with their terms. MHSC shall cause Proctor and/or the respective Proctor Subsidiaries to perform their obligations under all such contracts, leases and agreements in accordance with their terms. However, MHSC is not further restricted by this Agreement from taking any action permitted by such contracts, leases and agreements. MHSC further acknowledges that all outstanding liabilities of Proctor and the Proctor Subsidiaries, as of the Closing Date (collectively, the "***Proctor Liabilities***"), shall either remain as liabilities of Proctor or the Proctor Subsidiaries, as applicable or shall be assumed or otherwise satisfied by MHSC or its designee. MHSC agrees that it will assume or otherwise ensure the satisfaction by Proctor of the Proctor Liabilities when due, including without limitation the following:

(a) Any outstanding obligations of Proctor Hospital under that certain Loan Agreement between Regions Bank (as Lender), Illinois Finance Authority (as Issuer) and Proctor Hospital (as Borrower), dated as of December 1, 2010;

(b) Any outstanding obligations of the Proctor Parties and Proctor Hospital under the Master Trust Indenture dated July 15, 1987 among the Proctor Parties, Proctor Hospital, and Jefferson Trust and Savings Bank of Peoria (the "***MTI***"); and

(c) Any outstanding obligations of the Proctor Parties, Proctor Hospital, or any other Affiliates of Proctor under the qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PROCTOR

Proctor, and to the extent applicable, Proctor Foundation, hereby represents and warrants to MHSC as of the Effective Date and the Closing Date as follows:

Section 5.1 Organization; Power.

(a) Each of the Proctor Parties and the Proctor Subsidiaries is duly organized, validly existing, and in good standing under the Laws of the State of Illinois. Each of the Proctor Parties has all the requisite corporate power and authority to own and operate its business as it is now being conducted. Between the Effective Date and the Closing Date neither Proctor Parties nor Proctor Subsidiaries will amend its Articles or Bylaws without the prior written consent of MHSC.

(b) Each Proctor Subsidiary has the power and authority to own, lease and operate their respective properties and assets and to carry on their businesses as they are presently being conducted. The Proctor Parties have and will exercise the corporate power and authority to bind the Proctor Subsidiaries to adhere to each term and condition of this Agreement applicable to them.

Section 5.2 Exempt Status. Each of the Proctor Parties and the Tax-Exempt Subsidiaries is an organization exempt from taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, and has received a determination letter of its tax-exempt status from the Internal Revenue Service, and no such determination has not been revoked, rescinded or modified. No action or proceeding has been instituted or, to the Knowledge of the Proctor Parties, threatened to challenge the tax-exempt status of the Proctor Parties or the Tax-Exempt Subsidiaries.

Section 5.3 Authority; No Violation. The execution and delivery of this Agreement by the Proctor Parties and the consummation by the Proctor Parties of the transactions contemplated by this Agreement, including, without limitation, the execution and delivery of the other Affiliation Documents and the consummation of the transactions contemplated thereby, have been duly and validly authorized by the applicable governing bodies of the Proctor Parties. This Agreement and the other Affiliation Documents are valid and binding obligations of the Proctor Parties, enforceable in accordance with their respective terms and conditions. Except as has been disclosed by Proctor to MHSC, the execution and delivery of, the consummation of the transactions contemplated by, and compliance with the provisions of this Agreement and the other Affiliation Documents by the Proctor Parties will not:

(a) conflict with or result in a breach of any provision of the Articles of Incorporation or Bylaws of any of the Proctor Parties or Proctor Subsidiaries, or result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions, or provisions of any Contract to which any of the Proctor Parties or Proctor Subsidiaries is a party, or by which any of the Proctor Parties or Proctor Subsidiaries, or any of their respective properties or assets may be bound, except for those conflicts, breaches or defaults as to which valid, binding, and enforceable waivers or consents have been obtained;

(b) violate any judgment, order, writ, injunction, or decree of any Governmental Entity applicable to any of the Proctor Parties or Proctor Subsidiaries or any of their properties or assets; or

(c) cause, or give any person grounds to cause (with or without notice, the passage of time, or both), the maturity of any material liability or obligation of any of the Proctor Parties or Proctor Subsidiaries to be accelerated or increased.

Section 5.4 Litigation and Other Liabilities. No action, suit or proceeding has been instituted or is pending, or to the Knowledge of Proctor has been threatened, to restrain, prohibit or otherwise challenge the legality or validity of the transactions contemplated by this Agreement. Proctor has provided to MHSC a list of all claims, actions, suits or proceedings involving Proctor or a Proctor Subsidiary not reflected on the Proctor Financial Statements that, in

the reasonable judgment of Proctor, will cause Proctor or a Proctor Subsidiary to experience a Loss in excess of the Material Loss Threshold.

Section 5.5 Financial Statements.

(a) Proctor has delivered to MHSC complete and accurate copies of the consolidated and consolidating balance sheets, income statements, and statements of cash flows of Proctor together with the Proctor Subsidiaries, as audited by RSM McGladrey, as of and for the periods ended December 31 in each of the fiscal years 2010 through 2012 (collectively, "***Proctor Audited Financial Statements***"), and the unaudited consolidated and consolidating balance sheets, income statements for each month, and statements of cash flows of Proctor together with the Proctor Subsidiaries for each quarter in fiscal year 2013 that is available as the Effective Date (together, "***Proctor Unaudited Financial Statements***"). The Proctor Audited Financial Statements and the Proctor Unaudited Financial Statements (including any related schedules or notes) (collectively, "***Proctor Financial Statements***") are complete and accurate in all material respects (subject, as to the Proctor Unaudited Financial Statements, to changes resulting from audit and customary year-end adjustments), have been prepared from the books and records of Proctor together with the Proctor Subsidiaries in accordance with GAAP that were, except as otherwise stated therein, consistently followed throughout the periods involved, and fairly present on their respective dates all known and material liabilities, direct and contingent, of Proctor together with the Proctor Subsidiaries required to be presented or noted in accordance with those principles as interpreted and otherwise presented by RSM McGladrey for Proctor together with the Proctor Subsidiaries. The balance sheets included in the Proctor Financial Statements fairly present the financial condition of Proctor together with the Proctor Subsidiaries on their respective dates, and the income statements and statements of cash flows fairly present the results of the operations of Proctor together with the Proctor Subsidiaries for the periods indicated (subject, as to the balance sheets and statements included in the Proctor Unaudited Financial Statements, to changes resulting from audit and to customary year-end adjustments).

(b) Except as otherwise disclosed therein, the income statements included in Proctor Financial Statements do not reflect any items of special or nonrecurring income or expense or any other income or expense not earned in the Ordinary Course of Business and consistent with applicable industry standards and practices. Proctor together with the Proctor Subsidiaries has no materially significant assets (except goodwill) or debts, obligations, or liabilities, absolute or contingent, that are not stated and reflected on the Proctor Financial Statements.

(c) Proctor has provided to MHSC a complete and accurate list of all bond debt and bank debt to which Proctor or the Proctor Subsidiaries are parties as of the Closing Date (the "***Proctor Indebtedness***").

Section 5.6 No Brokers' or Finders' Fees. Except as has been disclosed by Proctor to MHSC, no agent, broker, investment banker, person, or firm has been retained by either of the Proctor Parties in connection with the transactions contemplated by this Agreement.

Section 5.7 Absence of Certain Changes or Events. Except as has been disclosed by Proctor to MHSC, since December 31, 2012, there has not been any change that would have a Material Adverse Effect on Proctor together with the Proctor Subsidiaries, and Proctor together with the Proctor Subsidiaries have operated the Proctor Businesses in the Ordinary Course of Business consistent with past practices.

Section 5.8 Regulatory Compliance. To the Knowledge of Proctor, except as has been disclosed by Proctor to MHSC, Proctor and the Proctor Subsidiaries are in compliance in all material respects with all applicable statutes, rules, regulations and requirements of all federal, state and local commissions, boards, bureaus and agencies having jurisdiction over its operations. Proctor and the Proctor Subsidiaries timely filed all reports, data and other information required to be filed with such commissions, boards, bureaus and agencies where a failure to file timely would have a Material Adverse Effect on Proctor and the Proctor Subsidiaries.

Section 5.9 Medicare and Medicaid Programs.

(a) Each of Proctor Hospital and Proctor Health Systems is qualified for participation in the Medicare and Medicaid programs, and has a current and valid provider contract with the Medicare and Medicaid programs. Belcrest Services, Ltd. is qualified for participation in the Medicare program, and has a current and valid provider contract with the Medicare program. Each of Proctor Hospital, Proctor Health Systems and Belcrest Services, Ltd. (the "***Proctor Medicare Providers***") is in compliance with the material conditions of participation in the programs in which it participates, and has received all approvals or qualifications necessary for reimbursement from such programs relating to its operations. No Proctor Medicare Provider has received any written notice from either the Medicare or Medicaid programs of any pending or threatened investigations or surveys, and Proctor has no Knowledge that any such investigations or surveys are pending, threatened or imminent.

(b) Neither Proctor nor any of the Proctor Subsidiaries have been excluded from participation in the Medicare, Medicaid or CHAMPUS/TRICARE programs, nor to the Knowledge of Proctor is any such exclusion threatened. Based upon and in reliance upon Proctor's or a Proctor Subsidiary'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://exclusions.oig.hhs.gov/), 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.sam.gov), none of the officers or directors of Proctor or the Proctor Subsidiaries nor any of the Proctor Employees have been excluded from participation in the Medicare, Medicaid or CHAMPUS/TRICARE programs.

(c) Except as has been disclosed by Proctor to MHSC, within the past two (2) years, neither Proctor nor any of the Proctor Subsidiaries has been required to pay any fines, settlements or civil monetary penalties under applicable Law regarding false, fraudulent, or impermissible claims under, or payments to induce a reduction or limitation of health care services to beneficiaries of, any state or federal health care program. To the Knowledge of Proctor, except as has been disclosed by Proctor to

MHSC, neither Proctor nor any of the Proctor Subsidiaries is currently the subject of any investigation or proceeding that may result in such payments or fines, settlements or civil monetary penalties.

Section 5.10 Licenses; Permits. As of the Effective Date, Proctor or a Proctor Subsidiary, as applicable, possesses, and will maintain through the Closing Date, all material licenses and permits ("***Permits***") necessary for the operation of the Proctor Businesses, all of which are (and will remain through the Closing Date) in full force and effect, and a list of which have been provided by Proctor to MHSC.

Section 5.11 Taxes.

(a) All Tax Returns required to be filed by Proctor or a Proctor Subsidiary on or prior to the Closing Date have been duly and timely filed, each such Tax Return has been prepared in compliance with all applicable Laws and regulations, and all such Tax Returns are true, accurate and complete in all material respects. Proctor or a Proctor Subsidiary, as applicable, has paid, or made the provision for the payment of, all Taxes on a timely basis, except for Taxes not yet due and payable for which adequate reserves have been established in accordance with GAAP.

(b) No Tax Return filed by Proctor or a Proctor Subsidiary is currently under audit by any taxing authority and no notice of any such audit has been received, no deficiencies for any Taxes have been proposed, asserted or assessed by any taxing authority with respect to liabilities for Taxes that have not been fully paid or finally settled and an adequate reserve in accordance with GAAP has been established in the Proctor Financial Statements with respect to any Taxes that may successfully be proposed, assessed or asserted. There are no outstanding agreements or waivers extending the statute of limitations applicable to any taxable year or Tax Return of Proctor or the Proctor Subsidiaries.

(c) Proctor and the Proctor Subsidiaries have complied with all withholding Tax requirements and procedures and, in the case of social security, unemployment, employee payroll and withholding Taxes, has withheld amounts from its employees and, with respect to such employees, has filed all Tax Returns regarding employee income Tax withholding and social security, unemployment Taxes and all other payroll Taxes in compliance with applicable Tax withholding provisions and has made all required remittances in respect of such amounts withheld.

(d) During the five (5) years preceding the Effective Date, there has been no change in any method of accounting utilized by Proctor or any Proctor Subsidiary that would require any adjustment to taxable income pursuant to the Code (or any similar or corresponding provision of state, local or foreign Law), and neither the IRS nor any other Governmental Entity has proposed any such adjustment or change in the method of accounting.

Section 5.12 Benefit Plans.

(a) Proctor has provided to MHSC a true, correct and complete list of all of Proctor Employee Plans. Proctor has delivered to MHSC true and complete copies of all of the Proctor Employee Plans, each as amended and in full force and effect.

(b) Proctor has provided to MHSC a true, correct and complete list of each Proctor Employee Plan that is subject to Title IV of ERISA ("***Defined Benefit Plans***") that Proctor or any entity that is under common control with Proctor, within the meaning of Section 4001(b) of ERISA (each, an "***ERISA Affiliate***"), maintains or has ever maintained. Except as has been disclosed by Proctor to MHSC, neither Proctor nor any ERISA Affiliate has ever terminated or withdrawn from a Defined Benefit Plan.

(c) Neither Proctor (or any Proctor Subsidiary) nor any ERISA Affiliate contributes to, is obligated to contribute to, has contributed to, or has been obligated to contribute to, and none of the Proctor Employees is a participant in, any multiemployer plan, within the meaning of Section 4001(a)(3) or Section 3(37) of ERISA.

(d) All of the Proctor Employee Plans that are subject to Section 4980B of the Code are in material compliance in all respects with the requirements of such Section.

(e) Except as has been disclosed by Proctor to MHSC, to the Knowledge of Proctor, (i) Proctor and the Proctor Subsidiaries are in material compliance in performing its contractual obligations under each Proctor Employee Plan and any related trust agreements or insurance Contracts, (ii) all contributions and other payments required to be made to any Proctor Employee Plan have been made, or reserves adequate for such contributions or other payments have been set aside therefor, (iii) Proctor and the proctor Subsidiaries have paid all liabilities for insurance premiums for benefits provided on or prior to the Closing Date under the insured Proctor Employee Plans and have paid all amounts due prior to the Closing Date as contributions under each Proctor Employee Plan that is a pension plan within the meaning of Section 3(2) of ERISA, and (iv) no benefit under any Proctor Employee Plan will be established or become accelerated, vested or payable by reason of any transaction contemplated by this Agreement or any other Affiliation Documents.

(f) To the Knowledge of Proctor, no event has occurred in connection with any Proctor Employee Plan under which Proctor or any proctor Subsidiary could be subject to any risk of liability under ERISA Sections 409, 502(i), or 502(l) or Section 4975 of the Code.

(g) To the Knowledge of Proctor, no transaction under any Contract will result in liability to the Pension Benefit Guaranty Corporation ("***PBGC***") or any other entity under Section 4062, 4063, 4064 or 4069 of ERISA or Subtitle E of Title IV of ERISA, or otherwise, with respect to Proctor or any Proctor Subsidiary or any entity under common control with Proctor or a Proctor Subsidiary, within the meaning of

Section 4001(b) of ERISA. To the Knowledge of Proctor, no reportable event, within the meaning of Section 4043(b) and (c) of ERISA, as to which the requirements of Section 4043(a) of ERISA have not been waived by the PBGC, has occurred with respect to any Proctor Employee Plan.

(h) None of the Proctor Employee Plans that are welfare plans, within the meaning of Section 3(1) of ERISA, provides for any retiree benefits, and neither Proctor nor any Proctor Subsidiary nor any ERISA Affiliate has any obligation to provide health care coverage for any former Proctor Employees or dependents, relatives or beneficiaries of former Proctor Employees, other than continuation coverage mandated under Section 4980B of the Code or any comparable Law.

Section 5.13 Labor Matters. Except as has been disclosed by Proctor to MHSC:

(a) There are no employment contracts or agreements for a specified duration, agreements providing for severance or other benefits in the event of termination, or agreements establishing a standard of just cause for dismissal between Proctor or any Proctor Subsidiary and any current or former Proctor Employee.

(b) Neither Proctor nor any Proctor Subsidiary is bound by any collective bargaining or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to the Proctor Employees.

(c) Neither Proctor nor any Proctor Subsidiary is delinquent in payments to any Proctor Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed by them to the Effective Date or amounts required to be reimbursed to such Proctor Employees.

(d) There are no complaints, charges, lawsuits or other proceedings pending or, to the Knowledge of Proctor, threatened by or before any Governmental Entity by or on behalf of any present or former Proctor Employee, any applicant for employment or classes of the foregoing alleging breach of any express or implied contract of employment, any Law or regulation governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship.

(e) Each Person whom Proctor or a Proctor Subsidiary currently retains as a consultant or independent contractor or previously retained as a consultant or independent contractor qualifies, and at all times while performing services for Proctor or such Proctor Subsidiary, qualified as an independent contractor and not as an employee of Proctor or such Proctor Subsidiary under the Code.

Section 5.14 Personal Property. Except as has been disclosed by Proctor to MHSC, Proctor or the applicable Proctor Subsidiary has, and on the Closing Date will have, good and valid title to and ownership of its Personal Property (other than Personal Property leased pursuant to Contracts for which Proctor or a Proctor Subsidiary has a valid leasehold interest). Except as has been disclosed by Proctor to MHSC, and subject to any personal property leases,

none of the Personal Property will be subject to, as of the Closing Date, any Liens except for Permitted Encumbrances.

Section 5.15 Material Contracts

(a) Proctor has provided to MHSC a list of all of the following Contracts to which Proctor or any of the Proctor Subsidiaries is a party (collectively, the "***Material Contracts***"):

(i) promissory notes, guarantees, mortgages, security agreements, or other evidences of Indebtedness;

(ii) partnership or joint venture agreements;

(iii) all employment, bonus, compensation and severance agreements involving payments in excess of the Material Contract Threshold Amount per year;

(iv) all agreements with third party payers, including Medicare, Medicaid and Blue Cross provider agreements and provider network agreements, involving annual payments in excess of the Material Contract Threshold Amount;

(v) agreements between (A) physicians and other health care providers and (B) health facilities for lease or sublease of real property or clinical personnel;

(vi) agreements for sale (other than in the Ordinary Course of Business) of Assets;

(vii) agreements requiring capital expenditures in excess of the Material Contract Threshold Amount;

(viii) all Contracts relating to any bond indebtedness for which Proctor or any of the Proctor Subsidiaries is obligated; and

(ix) all Contracts which are not specifically referred to in (i)–(viii) above, and which by their terms cannot be canceled without cause and without payment of a penalty in excess of $250,000 within five (5) years from the date of this Agreement and which involve payments by Proctor or any of the Proctor Subsidiaries in excess of the Material Contract Threshold Amount over the remaining term of the Contract;

(x) any Contract concerning confidentiality or any Contract concerning non-competition, non-disclosure or non-solicitation

(b) Except as has been disclosed by Proctor to MHSC, neither Proctor nor any of the Proctor Subsidiaries has received any written notice of any default or event that with notice or lapse of time, or both, would constitute a default by Proctor or any of the Proctor Subsidiaries under any Material Contract, except for defaults that would not have a Material Adverse Effect.

Section 5.16 Intellectual Property. Proctor has provided to MHSC a complete and accurate list and summary description of all Intellectual Property owned, used or licensed by Proctor in the operation of Proctor or Proctor Hospital (***"Proctor's Intellectual Property"***). Proctor exclusively owns or has the exclusive right to use all of Proctor's Intellectual Property, and Proctor's Intellectual Property is all of the Intellectual Property necessary to operate the Proctor Business as presently conducted. There is neither pending nor, to the Knowledge of Proctor, threatened, any suit, action, claim, arbitration, grievance, litigation, administrative or legal or other proceeding, or investigation, contesting the validity of, or Proctor's right to use, any of Proctor's Intellectual Property. Neither Proctor nor any Proctor Subsidiary is a party to any proceeding which constitutes a claim of infringement, violation or misappropriation by Proctor or such Proctor Subsidiary of any Intellectual Property of any third party, and to the Knowledge of Proctor, no such proceeding is threatened. To the Knowledge of Proctor, no third party is currently infringing upon, interfering with, misappropriating or otherwise conflicting with any item of Proctor's Intellectual Property.

Section 5.17 Real Estate.

(a) Proctor has provided to MHSC (i) a list of all real property owned in fee simple by any of the Proctor Entities (***"Fee Owned Real Property"***), (ii) a list of all real property (***"Leased Real Property"***) leased to any of the Proctor Entities (***"Real Property Leases"***), and (iii) a list of all real property owned by any of the Proctor Entities or in which any of the Proctor Subsidiaries has an interest, which is leased to a third party or a Proctor Subsidiary (***"Third Party Real Property Leases"***).

(b) Subject to the Permitted Encumbrances, (i) the applicable Proctor Entity has good and indefeasible title to the Fee Owned Real Property and the improvements located thereon, and (ii) the applicable Proctor Entity has a valid leasehold estate in the Leased Real Property pursuant to the Real Property Leases, in each case free and clear of all Liens.

(c) Except as has been disclosed by Proctor to MHSC, no Proctor Entity has received any notice from a Governmental Entity of any material violation of Law with respect to any Proctor Real Property (i) that remains uncured or (ii) the failure to cure which is reasonably likely to result in a Material Adverse Effect.

(d) No Proctor Entity has received any written notice of any unsatisfied requests for material repairs, restorations or improvements to any Proctor Real Property from any Governmental Entity. To Proctor's Knowledge, the Proctor Real Property is in compliance with the Americans with Disabilities Act and similar state Laws.

(e) There is no pending, or to Proctor's Knowledge threatened, condemnation or similar proceeding affecting the whole or any portion of the Proctor Real Property.

(f) Water, electric, gas and sewer utility services and storm drainage facilities currently available to the Fee Owned Real Property are adequate for the operation of the Proctor Business as currently conducted and are currently being

supplied to the Fee Owned Real Property by utility companies or municipalities and, to the Knowledge of Proctor, there is no condition which will result in the Fee Owned Real Property losing access to such utility services;

(g) All real estate taxes and assessments levied against the Fee Owned Real Property and delinquent as of the Effective Date have been paid, and that will be delinquent as of the Closing Date will be paid.

Section 5.18 Environmental.

(a) Proctor and the Proctor Subsidiaries are and have been at all times in compliance in all material respects with all Hazardous Materials Laws. Except as has been disclosed by Proctor to MHSC, (i) Proctor has obtained all Permits that are required with respect to the Proctor Real Property or Proctor Hospital under applicable Hazardous Materials Laws, all of which are in full force and effect, and (ii) Proctor, the Proctor Subsidiaries and the Proctor Real Property are and have been at all times in material compliance with the terms and conditions of all such Permits, and the Proctor Businesses have been conducted in material compliance with all applicable Hazardous Materials Laws.

(b) Except as has been disclosed by Proctor to MHSC, (i) neither Proctor nor the Proctor Subsidiaries is subject to any judgment, order or decree under any Hazardous Material Law or relating to any Release or Environmental Condition; (ii) there is no claim, action, suit, proceeding or announced investigation pending or, to the Knowledge of Proctor, threatened or contemplated, by or before any third party, including any Governmental Entity, relating to any Release or Environmental Condition; (iii) there are no enforcement, clean-up, removal, mitigation or other governmental or regulatory actions instituted, or, to the Knowledge of Proctor, threatened or contemplated, pursuant to any Hazardous Materials Laws concerning or dealing with the Proctor Real Property; and (iv) to the Knowledge of Proctor, there are no occurrences or conditions at the Proctor Real Property that could give rise to any such governmental or regulatory action or third-party claim, or that could subject Proctor, MHSC or the Proctor Real Property to any restrictions on ownership, occupancy, transferability or use of the Proctor Real Property under any Hazardous Materials Laws.

(c) Except as has been disclosed by Proctor to MHSC, (i) to the Knowledge of Proctor there has been no Release of Hazardous Materials on, at, about, under or from any Proctor Real Property or any other real estate previously owned or operated by Proctor or a Proctor Subsidiary, (ii) no building, equipment or other improvement on the Fee Owned Real Property or, to Proctor's Knowledge, the Leased Real Property, contains any asbestos-containing materials, polychlorinated biphenyls, or underground storage tank for which Proctor or a Proctor Subsidiary has any liability or responsibility; (iii) Proctor and the Proctor Subsidiaries conduct, and in the past have conducted, any storage, recycling, treatment, disposal or offsite transportation of Hazardous Materials in compliance with Hazardous Materials Laws; and (iv) Proctor has provided MHSC copies of all environmental studies, reports, data and assessments or investigations, including "Phase I" and "Phase II" reports, in its possession or

control that are related to the environmental condition or compliance status of the Proctor Real Property or any other real properties for which Proctor or a Proctor Subsidiary may have liability for violations of Hazardous Materials Laws.

Section 5.19 Consents and Approvals. Proctor has provided to MHSC a list of each notice, request for consent, waiver, authorization or approval submitted to any Governmental Entity or any third party, and each declaration to or filing or registration with any Governmental Entity required in connection with the execution and delivery of this Agreement by the Proctor Parties or the performance by the Proctor Parties of obligations under this Agreement.

Section 5.20 Knowledge; No Untrue or Inaccurate Representations or Warranties. To Proctor's Knowledge, the representations and warranties of the Proctor Parties contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the transactions contemplated by this Agreement, are accurate, correct and complete, and do not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF MHSC

MHSC hereby represents and warrants to the Proctor Parties as of the Effective Date and the Closing Date as follows:

Section 6.1 Organization; Power. MHSC is duly organized, validly existing, and in good standing under the Laws of the State of Illinois. MHSC has all the requisite corporate power and authority to own and operate its respective business as it is now being conducted.

Section 6.2 Exempt Status. MHSC is an organization exempt from taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, and has received a determination letter of its tax-exempt status from the Internal Revenue Service, and no such determination has been revoked, rescinded or modified. No action or proceeding has been instituted or, to the Knowledge of MHSC, threatened to challenge the tax-exempt status of MHSC.

Section 6.3 Authority; No Violation. The execution and delivery of this Agreement by MHSC and UPH and the consummation by MHSC of the transactions contemplated by this Agreement, including, without limitation, the execution and delivery of the other Affiliation Documents and the consummation of the transactions contemplated thereby, have been duly and validly authorized by all necessary corporate action. This Agreement and the other Affiliation Documents are valid and binding obligations of MHSC, enforceable in accordance with their respective terms and conditions. Except as has been disclosed by MHSC to Proctor, the execution and delivery of, the consummation of the transactions contemplated by, and compliance with the provisions of, this Agreement and the other Affiliation Documents by MHSC will not:

(a) conflict with or result in a breach of any provision of the respective Articles of Incorporation or Bylaws of MHSC, or result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions,

or provisions of any Contract to which UPH or MHSC is a party, or by which UPH or MHSC or any of their respective properties or assets may be bound, except for those conflicts, breaches or defaults as to which valid, binding, and enforceable waivers or consents have been obtained;

(b) violate any judgment, order, writ, injunction, or decree of any Governmental Entity applicable to UPH or MHSC or any of their properties or assets; or

(c) cause, or give any person grounds to cause (with or without notice, the passage of time, or both), the maturity of any material liability or obligation of UPH or MHSC to be accelerated or increased.

Section 6.4 No Litigation. No action, suit or proceeding has been instituted or is pending, or to the Knowledge of MHSC has been threatened, to restrain, prohibit, or otherwise challenge the legality or validity of the transactions contemplated by this Agreement.

Section 6.5 No Brokers' or Finders' Fees. Except as has been disclosed by MHSC to Proctor, no agent, broker, investment banker, person, or firm has been retained by MHSC in connection with the transactions contemplated by this Agreement.

Section 6.6 Consents and Approvals. MHSC has provided to Proctor a list of each notice, request for consent, waiver, authorization or approval submitted to any Governmental Entity or any third party, and each declaration to or filing or registration with any Governmental Entity required in connection with the execution and delivery of this Agreement by UPH and MHSC or the performance by UPH and MHSC of obligations under this Agreement.

Section 6.7 Absence of Certain Changes or Events. Except as has been disclosed by MHSC to Proctor, since December 31, 2012 there has not been any change that would have a Material Adverse Effect on MHSC, and MHSC has operated its businesses in the Ordinary Course of Business consistent with past practices.

Section 6.8 Regulatory Compliance. To the Knowledge of MHSC, except as has been disclosed by MHSC to Proctor, MHSC and MMCI are in compliance in all material respects with all applicable statutes, rules, regulations and requirements of all federal, state and local commissions, boards, bureaus and agencies having jurisdiction over their respective operations, including, without limitation, the Internal Revenue Service. UPH, MHSC and MMCI have timely filed all reports, data and other information required to be filed with such commissions, boards, bureaus and agencies where a failure to file timely would have a Material Adverse Effect on MHSC or MMCI.

Section 6.9 Medicare and Medicaid Programs.

(a) MMCI is qualified for participation in the Medicare and Medicaid programs, has a current and valid provider contract with the Medicare and Medicaid programs and is in compliance with the material conditions of participation in such programs.

(b) Except as has been disclosed by MHSC to Proctor, within the past two (2) years, neither UPH, MHSC, MMCI nor any other entity affiliated with MHSC has been required to pay any fines, settlements or civil monetary penalties under applicable Law regarding false, fraudulent, or impermissible claims under, or payments to induce a reduction or limitation of health care services to beneficiaries of, any state or federal health care program. To the Knowledge of MHSC, except as has been disclosed by MHSC to Proctor, neither UPH, MHSC, MMCI nor any other affiliate of MHSC is currently the subject of any investigation or proceeding that may result in such payments or fines, settlements or penalties.

(c) Neither UPH, MHSC, MMCI nor any other entity affiliated with UPH has been excluded from participation in the Medicare, Medicaid or CHAMPUS/TRICARE programs, nor to the Knowledge of MHSC is any such exclusion threatened. Based upon and in reliance upon MHSC'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://exclusions.oig.hhs.gov/), 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.sam.gov), none of the officers, directors or employees of UPH, MHSC, MMCI or any other affiliate of UPH has been excluded from participation in the Medicare, Medicaid or CHAMPUS/TRICARE programs.

Section 6.10 Licenses: Permits. To the Knowledge of UPH and MHSC, as of the Effective Date MMCI possesses, and will maintain through the Closing Date, all Permits necessary for the operation of its current business, all of which are (and will remain through the Closing Date) in full force and effect.

Section 6.11 Knowledge: No Untrue or Inaccurate Representations or Warranties. To the Knowledge of MHSC, the representations and warranties of MHSC contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the transactions contemplated by this Agreement, are accurate, correct and complete, and do not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

ARTICLE VII
ADDITIONAL COVENANTS AND AGREEMENTS OF THE PARTIES

Section 7.1 General. From the Effective Date through the Closing Date, neither the Proctor Parties nor MHSC will take any action that would cause any of their respective representations or warranties in this Agreement not to be true and correct in any material respect as of the Closing Date, except by written authorization of the other. Each Party shall use its best efforts to carry out and comply with the provisions of this Agreement, to satisfy the conditions applicable to it, and to consummate the transactions contemplated by this Agreement.

Section 7.2 Conduct of Business. From the Effective Date through the Closing Date, unless MHSC otherwise consents in writing, Proctor will (a) operate only in the Ordinary Course of Business diligently and in good faith, consistent with past practice, including without

limitation paying accounts payable and other obligations as near as possible to when they become due and payable (subject to the availability of necessary cash and the management of other obligations in the ordinary course of business); (b) not incur any extraordinary liabilities, without the prior written consent of MHSC; (c) maintain all existing policies of insurance (or comparable policies) in full force and effect; (d) preserve the business organization of Proctor intact; (e) use commercially reasonable efforts to preserve Proctor's existing relationships with patients, residents, suppliers, customers, clients, employees and others having business relations with Proctor such that the Proctor Businesses will not be impaired; (f) not increase the salary or other compensation of any director, officer, or employee, except for increases in the Ordinary Course of Business; and (g) not increase the coverage or benefits available under any (or create any new) severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, insurance, pension, health or welfare plan or other employee benefit plan or arrangement made to, for or with any of the directors, officers, employees, agents or representatives of Proctor or a Proctor Subsidiary or otherwise modify or amend such plan or arrangement. Subject to applicable regulatory limitations, between the Effective Date and the Closing Date, Proctor will (y) confer with MHSC on a regular basis to keep it informed with respect to operational matters of a material nature and to report the general status of the ongoing operations of Proctor Hospital, and (z) coordinate planning and development activities related to the post-Closing operation of the Proctor Businesses with MHSC. Proctor and MHSC shall each appoint a liaison as of the Effective Date to coordinate these efforts.

Section 7.3 Consents and Permits. The Parties will use their best efforts prior to Closing to obtain all certifications, consents, approvals, orders, qualifications, waivers and other actions of any kind required of any Person in connection with the consummation of the transactions contemplated by this Agreement. Proctor shall cooperate with and assist MHSC with any actions reasonably required to obtain any permit, license, registration, or approval necessary for MHSC to operate the Proctor Businesses following the Closing Date.

Section 7.4 Access to Information and Records.

(a) Between the Effective Date and the Closing Date, Proctor will provide MHSC and its employees, accountants, consultants, legal counsel, agents and other authorized representatives reasonable access during regular business hours and upon reasonable notice to the assets, properties, contracts, commitments, plans, work papers, books and records of Proctor and the Proctor Subsidiaries for the purpose of making such investigations concerning the Proctor Businesses as MHSC may desire, and Proctor will furnish MHSC such information as MHSC may from time to time reasonably require with respect to Proctor and the Proctor Subsidiaries. MHSC and its employees, accountants, consultants, legal counsel, agents and other authorized representatives may make photographs or photocopies of any of the foregoing, unless such activity is prohibited by Law. Any information obtained by MHSC pursuant to this Section 7.4(a) will be subject to the confidentiality provisions in Section 7.5.

(b) Notwithstanding any other provision of this Section 7.4, the obligations of Proctor and MHSC under this Section 7.4 shall be subject to the guidelines established by legal counsel to the Proctor Parties and MHSC, including without limitation, antitrust counsel.

Section 7.5 Confidentiality.

(a) General. The Parties agree that the terms and conditions of this Agreement will remain confidential unless otherwise required by Law to be disclosed. No Party will distribute this Agreement or any part of this Agreement or reveal any of the terms of this Agreement to any Person other than their employees, agents, Affiliates, legal counsel, accountants, or other consultants on a need-to-know basis. The Parties acknowledge and agree, however, that this Agreement will be summarized in a mutually agreed upon statement to inform the Parties' respective interested constituencies about the nature of the transactions contemplated by this Agreement.

(b) Confidential and Proprietary Information. The Proctor Parties and MHSC each agrees that, during the term of this Agreement and thereafter, neither will disclose, cause to be disclosed, or otherwise allow to be disclosed, any confidential or proprietary information of the other that possesses independent economic value to such Party from not being generally known by others who can obtain economic value from its disclosure or use (***"Confidential Information"***). Each understands that it may ask the other to render an opinion as to whether the other considers certain knowledge to be confidential or proprietary information, if such a question should arise.

(c) Return of Confidential, Proprietary and Trade Secret Information. Upon termination of this Agreement for any reason, the Proctor Parties and MHSC each agrees to return all confidential, proprietary and trade secret information and property of the other received in connection with the transactions and undertakings contemplated by this Agreement, including but not limited to all books, records, contracts, documents, insurance policies and other information, and any other proprietary data or objects acquired through the provisions of this Agreement; provided, however, that one copy of any documents containing confidential, proprietary or trade secret information may be retained in the files of the receiving Party's outside counsel as long as such files are restricted from access by the receiving Party and its representatives (other than the outside counsel); provided further, that the receiving Party may have access to those documents in the case of any dispute between the Parties regarding the enforcement of any alleged agreement between the Parties. Notwithstanding the return by the receiving Party of the documents containing confidential, proprietary and trade secret information, the receiving Party will continue to be bound by its obligations of confidentiality and other obligations under this Agreement.

(d) Exclusion from "Confidential Information." For purposes of this Agreement, Confidential Information will not include information (i) that is or becomes available to the public other than as a result of wrongful disclosure by the Party to which it was disclosed, (ii) that is independently developed by the Party to which it was disclosed, (iii) that was known by the Party to which it was disclosed prior to the disclosure of it to that Party or (iv) that was disclosed to a Party to this Agreement by a person or entity (other than a Party to this Agreement or any of its agents) that was not known by such Party to which it was disclosed to be bound by a confidentiality agreement with, or other obligation of secrecy to, the other Party to this Agreement with respect to the information that was disclosed; provided, however, that

any information that otherwise would constitute "confidential information" will not be deemed "confidential information" as between the Parties to this Agreement to the extent that the information results from joint or collaborative efforts or involvement of employees of MHSC and the Proctor Parties, in which case the information will be deemed to be the mutual property of the Parties to this Agreement.

(e) Reasonableness of Restrictions. The Parties acknowledge and agree that the restrictions specified in this Agreement are reasonable in view of the nature of their respective businesses. If the scope of any stated restriction is too broad to permit enforcement of such restriction to its full extent, then such restriction will be enforced to the maximum extent permitted by Law.

Section 7.6 Environmental. Between the Effective Date and the Closing Date, Proctor shall provide MHSC and its employees, consultants, agents and other authorized representatives reasonable access to the Proctor Real Property upon reasonable notice for the purpose of making reasonable investigations, at MHSC's sole cost and expense, concerning the environmental condition of the Proctor Real Property, and Proctor shall furnish MHSC such information as MHSC may from time to time reasonably require with respect to such investigations. MHSC will conduct its testing at times and in a manner that will not cause Proctor any material loss of business or damage to property or equipment. MHSC shall also promptly repair and return to its original condition any areas disturbed by its environmental investigations or sampling. At the request of Proctor, MHSC shall provide copies of any data or reports (including drafts) documenting the results of any environmental investigations conducted by MHSC.

Section 7.7 Employee Matters and Benefits.

(a) As of the Closing, MHSC shall and shall cause Proctor and the Proctor Subsidiaries to honor all Proctor Employee Plans and all employment and consulting agreements and arrangements to which Proctor or any of the Proctor Subsidiaries is a party as of the Closing in accordance with their terms as in effect immediately prior to the Closing, inclusive of any rights or benefits arising as a result of the transaction contemplated by this Agreement; provided that such Plans, agreements and arrangements have been duly disclosed as set forth herein or in response to MHSC's due diligence requests, as applicable; however, MHSC's obligations shall not apply to employees whose employment with Proctor began after September 1, 2013.

(b) For a period of at least six (6) months following the Closing, MHSC shall cause Proctor and the Proctor Subsidiaries to continue the employment of each of the Proctor Employees, unless such employee voluntarily resigns or is terminated (i) for job performance reasons (using the same standard MHSC uses for its similarly situated employees) or (ii) in accordance with implementation of the Shared Vision. Proctor Employees who continue their employment with MHSC, or a Proctor Subsidiary following the Closing Date are hereinafter referred to as the "***Continuing Employees***."

(c) For at least six (6) months after the Closing, MHSC shall provide each Continuing Employee with compensation (including salary, wages and opportunities

for bonuses, incentive pay, overtime and premium pay), employee benefits, location of employment and position of employment that are, in each case, the same as or better, than those provided to such Continuing Employee immediately prior to the Closing. However, MHSC's obligations shall not apply to employees whose employment at Proctor began after September 1, 2013. Following such six (6) month period, MHSC shall ensure that the Continuing Employees receive compensation (including salary, wages and opportunities for bonuses, incentive pay, overtime and premium pay) and employee benefits that are either (i) the same as or better than those provided immediately prior to the Closing, or (ii) to the same extent and in the same manner as similarly situated MHSC employees.

(d) To the extent that an MHSC Employee Plan is made available to any Continuing Employee on or after the Closing, MHSC shall cause to be granted to such Continuing Employee credit for all service with Proctor or any Proctor Subsidiary (and their predecessors) prior to the Closing for purposes of eligibility to participate and vesting where length of service is relevant (including, but not limited to, for purposes of vacation, sick and paid time off accrual, retirement and severance pay entitlement). Similarly, in the event that MHSC transitions Proctor employees from Proctor benefit plans to MHSC benefit plans, MHSC will waive waiting periods and pre-existing condition exclusions.

(e) In addition, and without limiting the generality of the foregoing, if following the Closing any new Employee Plan is instituted for Continuing Employees (a "***New Plan***") that replaces coverage under a comparable Proctor Employee Plan in which such Continuing Employees participated immediately prior to the Closing (an "***Old Plan***"): (A) each Continuing Employee shall be immediately eligible to participate, without any waiting time, in any and all such New Plan; and (B) for purposes of each New Plan providing medical, dental, pharmaceutical, vision and/or disability benefits to any Continuing Employee, (i) MHSC shall cause all waiting periods, pre-existing condition exclusions, evidence of insurability requirements and actively-at-work or similar requirements of the New Plan to be waived for such Continuing Employee and his or her covered dependents to the extent such requirements had been met under the Old Plan which the New Plan replaced, and (ii) to the extent reasonably possible MHSC shall cause any eligible expenses incurred by such Continuing Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such employee's participation in the corresponding New Plan begins to be given full credit under the New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Continuing Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with the New Plan, and (iii) MHSC shall credit the accounts of such Continuing Employees under any New Plan which is a flexible spending plan with any unused and unforfeited balance in the account of such Continuing Employee under the applicable Old Plan.

(f) Any vacation or paid time off accrued but unused by a Continuing Employee as of immediately prior to the Closing shall be credited to such Continuing Employee following the Closing, either through compensation for the amount of time

accrued, or by allowing such accrued time to roll over from year to year until it has been used. In no event shall such Continuing Employees forfeit any accrued vacation or accrued paid time off as a result of participation in an MHSC Employee Plan.

(g) MHSC agrees that in connection with any employment decisions necessitated by the consolidation of existing MHSC operations and operations of Proctor or Proctor Subsidiaries, all employment decisions will be made based upon job performance history, experience, educational background, seniority with the legacy institution (i.e., MHSC, MMCI or Proctor Hospital), and other bona fide qualifications for each applicable position, rather than based upon the location of the position or the fact that an individual employee previously held a position at that location.

(h) MHSC acknowledges that Proctor Foundation shall have the right to specifically enforce each of the provisions in this Section 7.7 pursuant to Section 11.1 hereof. No Proctor Employees or Proctor Continuing Employees shall have any third party beneficiary rights to enforce any term of this Agreement.

Section 7.8 Post-Closing Commitments. After the Closing, the Parties will execute and deliver such further instruments or documents and take such further actions as reasonably may be required for carrying out or better effecting the transactions contemplated by this Agreement.

ARTICLE VIII
CONDITIONS OF CLOSING

Section 8.1 Mutual Conditions to Closing. The obligations of each of the Parties to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by applicable Law, in a written instrument executed and delivered by the Party or Parties waiving such condition(s):

(a) Accuracy of Representations and Warranties. The representations and warranties of each other Party contained in this Agreement shall have been true and correct in all material respects as of the Effective Date and, in addition, such representations and warranties shall be true and correct in all material respects as of the Closing Date, with the same effect as though made as of the Closing Date, except as affected by transactions contemplated by this Agreement or approved in writing by the Party or Parties for whose benefit the applicable representation or warranty was made.

(b) Performance of Agreements. Each Party shall have performed and complied with, in all material respects, all of its obligations and agreements contained in this Agreement that are required to be completed prior to the Closing (including, without limitation, the Closing deliveries set forth in Section 10.2 or Section 10.3, as applicable).

(c) IHFSRB Approval. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained on or before the Closing Date, including, without limitation, approval of the Certificate of Exemption Application by the IHFSRB.

(d) No Governmental or Other Proceeding or Litigation. No order of any Governmental Entity shall be in effect that restrains or prohibits any transaction contemplated by this Agreement. No suit, action, investigation, inquiry or proceeding by any Governmental Entity or other person or entity shall be pending or threatened against any Party to this Agreement that challenges the validity or legality, or seeks to restrain the consummation of, the transactions contemplated by this Agreement. No written advice shall have been received by any Party to this Agreement from any Governmental Entity stating that an action or proceeding will be filed if the transactions contemplated by this Agreement are consummated or seeking to invalidate or restrain such transactions.

(e) Approvals Relating to Proctor Indebtedness. Proctor shall have obtained on or prior to Closing written waivers, releases or consents, as applicable, relating to the Proctor Indebtedness as may be required in connection with carrying out the terms of this Agreement and the consummation of the Transaction (the "***Proctor Indebtedness Approvals***").

Section 8.2 MHSC Additional Condition to Closing. The obligation of MHSC to consummate the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of the following condition, which may be waived, in whole or in part, to the extent permitted by applicable Law, in a written instrument executed and delivered by MHSC waiving such condition(s): In the event there shall have occurred between the Effective Date and the Closing Date any casualty or other similar event which would prevent MHSC from operating Proctor Hospital following the Closing Date in substantially the same manner as it is operated as of the Effective Date, MHSC may elect by notice to Proctor not to proceed to Closing and such notice shall constitute a termination of this Agreement with the Parties waiving any rights to damages against each other; provided that MHSC shall not exercise such right if the Parties promptly and mutually agree upon a resolution of such matter that is acceptable to each Party in its respective sole discretion.

ARTICLE IX
TERMINATION

Section 9.1 Termination. This Agreement may be terminated (1) by the mutual consent of the Parties at any time prior to the Closing; (2) upon written notice of termination by either the Proctor Parties or MHSC to the other in the event that prior to the Closing there has been received a written notification that any Governmental Entity intends to restrain or prohibit the consummation of the transactions contemplated by this Agreement; (3) on or after March 15, 2014, by the Proctor Parties or MHSC upon written notice of termination to the other if the pre-closing conditions contained in Section 8.1 or, with respect to MHSC, Section 8.2, have not been satisfied or waived; or (4) upon written notice of termination in the event of the default by a Party of any of its obligations hereunder, or the inaccuracy of any material representation or warranty

made by the defaulting Party, and the failure of the defaulting Party to cure such default or misrepresentation within fifteen (15) days after receipt of notice from the non-defaulting Party.

Section 9.2 Expenses. MHSC and the Proctor Parties each shall bear their own costs and fees in connection with any termination or unwinding of this Agreement, provided this section shall not be deemed to otherwise limit any Party's right to damages that it may have incurred as a result of any termination or unwinding under this Agreement.

Section 9.3 Effect of Termination. In the event of the termination and abandonment of this Agreement, this Agreement shall forthwith become void and have no effect, without any liability on the part of any Party or any of the directors, officers, or members of a Party, except with respect to this Section 9.3, Section 7.5 and Article XII; provided, however, that no such termination (or any provision of this Agreement) shall relieve any Party from liability for any damages for a willful breach of any covenant hereunder. The provisions of this Section 9.3, Section 7.5 and Article XII shall survive any termination hereof pursuant to Section 9.1.

ARTICLE X
CLOSING AND CLOSING DELIVERABLES

Section 10.1 The Closing. The Closing will take place at the offices of Proctor, 5409 N. Knoxville Avenue, Peoria, Illinois, at 10:00 A.M., Peoria time, on Thursday, November 6, 2013 or at such other place and time and/or on such other date as the Parties may mutually agree in writing.

Section 10.2 Deliveries by the Proctor Parties to MHSC at the Closing. At the Closing, and simultaneously with the deliveries by MHSC to the Proctor Parties specified in Section 10.3, the Proctor Parties will deliver or cause to be delivered to MHSC the following:

(a) A copy of the resolutions of (i) the Proctor Board of Directors, certified by the Secretary of Proctor, approving and authorizing the Transaction and execution and delivery of this Agreement and the other Affiliation Documents, including the Amended Proctor Charter Documents; (ii) the Boards of Directors of the Proctor Subsidiaries, certified by the respective Secretary of each such Subsidiary, approving the necessary amendments to the governing documents of each respective Subsidiary as described in Section 2.1(c); and (iii) the Proctor Foundation Board of Directors, certified by the Secretary of Proctor Foundation, approving and authorizing the Transaction and execution and delivery of this Agreement and the other Affiliation Documents, including the Amended Proctor Foundation Charter Documents;

(b) Amended Proctor Articles and Amended Proctor Bylaws, certified by the Secretary of Proctor, with the Amended Proctor Articles in proper form for filing with the Illinois Secretary of State;

(c) Amended Articles and Amended Bylaws of each Proctor Subsidiary, certified by the respective Secretaries of the Proctor Subsidiaries, with the Amended Articles in proper form for filing with the Illinois Secretary of State;

(d) Amended Proctor Foundation Articles and Amended Proctor Foundation Bylaws, certified by the Secretary of Proctor Foundation, with the Amended Proctor Foundation Articles in proper form for filing with the Illinois Secretary of State;

(e) A certificate, dated as of the Closing Date, signed by the Secretary of Proctor, providing the incumbency of the principal executive officers executing and delivering this Agreement and the other Affiliation Documents at the Closing on behalf of Proctor;

(f) A certificate, dated as of the Closing Date, signed by the Secretary of Proctor Foundation, providing the incumbency of the principal executive officers executing and delivering this Agreement and the other Affiliation Documents at the Closing on behalf of Proctor Foundation;

(g) Certificates of the chief executive officer of each Proctor Party, certifying the accuracy of the respective representations and warranties with respect to each Proctor Party contained in this Agreement and the compliance with and fulfillment of all covenants, agreements, obligations, and conditions required by this Agreement;

(h) A certificate of good standing issued by the Illinois Secretary of State as to Proctor, the Proctor Subsidiaries, and the Proctor Foundation, dated not more than ten (10) days prior to Closing;

(i) Evidence of the Proctor Indebtedness Approvals as reasonably required by MHSC; and

(j) Such other agreements, documents, certificates, consents or instruments reasonably requested by MHSC as necessary to effectuate the Transactions on the terms contemplated by this Agreement.

Section 10.3 Deliveries by MHSC to the Proctor Parties at the Closing. At the Closing, and simultaneously with the deliveries by the Proctor Parties to MHSC specified in Section 10.2, MHSC will deliver or cause to be delivered to the Proctor Parties the following:

(a) A copy of the resolutions of the UPH Executive Committee and the MHSC Board of Directors, certified by the respective Secretaries of UPH and MHSC, approving and authorizing the Transaction and execution and delivery of this Agreement and the other Affiliation Documents;

(b) A certificate, dated as of the Closing Date, signed by the Secretary of MHSC, providing the incumbency of the principal executive officers executing and delivering this Agreement and the other Affiliation Documents at the Closing on behalf of MHSC;

(c) A certificate, dated as of the Closing Date, signed by the Secretary of UPH, providing the incumbency of the principal executive officers executing and

delivering this Agreement and any other Affiliation Documents (as applicable) at the Closing on behalf of UPH;

(d) Certificate of the chief executive officer of MHSC certifying the accuracy of the respective representations and warranties with respect to MHSC contained in this Agreement and the compliance with and fulfillment of all covenants, agreements, obligations, and conditions required by this Agreement.

(e) A certificate of good standing issued by the Illinois Secretary of State as to MHSC, dated not more than ten (10) days prior to Closing;

(f) A certificate of good standing issued by the Iowa Secretary of State as to UPH, dated not more than ten (10) days prior to Closing; and

(g) Such other agreements, documents, certificates, consents or instruments reasonably requested by the Proctor Parties as necessary to effectuate the Transactions on the terms contemplated by this Agreement.

ARTICLE XI
BREACH AND REMEDIES

Section 11.1 Specific Performance. The Parties acknowledge and agree that for a period of five (5) years after the Closing, irreparable damage may occur in the event that any of the provisions of Article III, Article IV or Article VII were not performed in accordance with their specific terms or were otherwise breached. The Parties further acknowledge and agree that money damages may not be an adequate remedy for the breach of the covenants under Article III, Article IV or Article VII. Accordingly, it is agreed that, until the earlier of (i) a period of five (5) years following the Closing Date, or (ii) two (2) years following discovery of the breach, Proctor Foundation or MHSC shall be entitled to seek to obtain an injunction (without the posting of any bond and without proof of actual damages) to prevent breaches or threatened breaches of the post-Closing covenants under Article III, Article IV, or Article VII and/or to specific performance of this Agreement. The remedies provided for in this Section 11.1 shall expire on the fifth anniversary of the Closing Date. The remedies provided for in the Section 11.1 shall not be deemed to be the exclusive remedies for a breach but shall be in addition to all other remedies available at Law or in equity.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Counterparts. This Agreement may be executed by the Parties in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Section 12.2 Entire Agreement. Except as otherwise specifically agreed upon among the Parties, this Agreement and any schedules, exhibits or other agreements entered into in connection with this Agreement, including, without limitation, the Affiliation Documents, constitute the entire agreement between the Parties pertaining to the subject matter contained in

this Agreement and the Affiliation Documents and supersede all prior and contemporaneous agreements, representations, and understandings of the Parties, whether oral or written.

Section 12.3 Exhibits and Schedules. Any exhibits and schedules attached to this Agreement are incorporated by reference and made a part of this Agreement as if those exhibits and schedules were set forth at length in the text of this Agreement.

Section 12.4 Expenses. Each Party will pay all of its own costs and expenses incurred in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement.

Section 12.5 Gender. Any reference to gender will be deemed to include the masculine, the feminine, and the neuter genders unless the context otherwise requires.

Section 12.6 Headings. The subject headings of the articles and sections of this Agreement are included for purposes of convenience only, and will not affect the construction or interpretation of any of its provisions.

Section 12.7 Amendment. This Agreement may be amended, supplemented or modified at any time only by a written instrument duly executed by all of the Parties to this Agreement.

Section 12.8 Notices. All notices and other communications given or made pursuant to this Agreement will be in writing and will be deemed to have been duly given on the date delivered, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested), or by nationally recognized overnight delivery service, in each case, to the Parties at the following addresses (or at such other address for a Party as will be specified by notice given in accordance with this Section):

If to MHSC, to:

Debbie Simon
President and CEO
Methodist Health Services Corporation
221 NE Glen Oak Avenue
Peoria, Illinois 61636

with a copy to:

Denny Drake
Vice President, General Counsel and Compliance Officer
UnityPoint Health
1776 West Lakes Parkway, Suite 400
West Des Moines, Iowa 50266-8239

And

Kevin E. Vermeer
Executive Vice President
UnityPoint Health
1776 West Lakes Parkway, Suite 400
West Des Moines, Iowa 50266-8239

If to Proctor, to:

Proctor Health Care Incorporated
5409 N. Knoxville Ave.
Peoria, Illinois 61614
Attention: CEO

If to Proctor Foundation, to:

Proctor Health Care Foundation
5409 N. Knoxville Ave.
Peoria, Illinois 61614
Attention: Chairman

with a copy to:

James G. Wiehl
Norton Rose Fulbright
190 Carondelet Plaza, Suite 1690
St. Louis, Missouri 63105

Section 12.9 Third Party Beneficiary. Proctor Foundation shall be considered the sole third party beneficiary of all rights running to Proctor hereunder or under the other Affiliation Documents.

Section 12.10 Publicity. MHSC and the Proctor Parties agree that they will not make public statements regarding the agreements or transactions contemplated by this Agreement without first obtaining the approval of the other so that the public statement will be mutually agreeable to, and be jointly issued by, the Parties.

Section 12.11 Rights of Parties. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement upon any person other than the Parties to it and their respective successors and assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any Party to this Agreement or to give any third person any right of subrogation or action against any Party to this Agreement.

Section 12.12 Successors; Assignment. This Agreement will be binding upon, and will inure to the benefit of, the Parties and their respective successors and assigns. The Proctor Parties may not assign or transfer any rights or obligations under this Agreement without the prior written consent of MHSC. Except with respect to an entity controlling, controlled by or under

common control with MHSC, MHSC may not assign or transfer any rights or obligations under this Agreement without the prior written consent of Proctor Foundation.

Section 12.13 Partial Invalidity. In case any one or more of the provisions contained in this Agreement is, for any reason, held to be invalid, illegal or unenforceable in any respect, as long as the benefits expected to be derived by each of the Parties are not materially affected, such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, but this Agreement will be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained in this Agreement. If such a provision is held to be invalid, illegal or unenforceable in any respect, the Parties agree to use their best efforts to mutually agree upon changes to this Agreement to cause each such provision to be valid, legal and enforceable and to preserve the benefits expected to be derived by each of the Parties under this Agreement.

Section 12.14 Failure or Delay Not Waiver; Remedies Cumulative. No failure or delay on the part of any Party to this Agreement in the exercise of any right under this Agreement shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement in this Agreement, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. A Party may waive any of the terms or conditions of this Agreement to which it is entitled to the benefit thereof, but only by a written notice signed by such Party waiving such terms or conditions. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 12.15 Governing Law; Venue. This Agreement and all questions arising under this Agreement shall be determined and enforced in accordance with the Laws of the State of Illinois, except for any choice of Law provisions of Illinois Law that would result in the application of the substantive Laws of another jurisdiction. The Parties agree that all actions or proceedings arising in connection with this agreement shall be tried and litigated, without the benefit of a jury, the right to which, if any, is hereby explicitly waived by the parties, only in the state and federal courts located in Peoria County, Illinois, and the parties hereby irrevocably consent and submit to the jurisdiction and venue of the state and federal courts located in Peoria County, Illinois, in connection with any legal action relating to this agreement.

Section 12.16 Good Faith. This Agreement and the other Affiliation Documents contain a number of provisions that require the consent or cooperation of MHSC (acting alone or in some cases in conjunction with a Proctor Party) or one or more Proctor Parties (acting alone or in some cases in conjunction with MHSC). MHSC and the Proctor Parties agree to act in good faith at all times, including, without limitation, deciding whether to consent to an action requested by the other.

Section 12.17 Joint Drafting/Interpretation. MHSC and the Proctor Parties acknowledge and agree that this Agreement has been jointly prepared by MHSC and the Proctor Parties and their respective legal counsel and will not be strictly construed against MHSC or the Proctor Parties. MHSC and each Proctor Party acknowledges and agrees that each (a) has read this Agreement in its entirety prior to executing it, (b) understands the provisions and effects of this Agreement and (c) has consulted with such attorneys, accountants, and other financial

advisors as each has deemed appropriate in connection with such Party's execution of this Agreement.

Section 12.18 No Tax Representations. Each Party acknowledges that it is relying solely on its advisors to determine the tax consequences of the transactions contemplated pursuant to this Agreement and that no representation or warranty has been made by any Party as to the tax consequences of such transactions. This Section 12.18 shall not be construed as limiting any representations, warranties, covenants and/or agreements made by the Parties elsewhere in this Agreement related to Taxes.

Section 12.19 Attorneys' Fees. Except as otherwise specifically provided herein, if any action or proceeding is brought by any Party with respect to this Agreement, or with respect to the interpretation, enforcement or breach hereof, the prevailing Party in such action shall be entitled to an award of all reasonable costs of litigation, including, without limitation, reasonable attorneys' fees, to be paid by the losing Party, in such amounts as may be determined by the court having jurisdiction of such action or proceeding.

[SIGNATURES ON FOLLOWING PAGE;
REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[Signature Page to Affiliation Agreement]

IN WITNESS WHEREOF, MHSC and the Proctor Parties have executed this Affiliation Agreement on the day and year first above written.

PROCTOR HEALTH CARE INCORPORATED

By:_____
Name: Paul Macek
Title: Chief Executive Officer

METHODIST HEALTH SERVICES CORPORATION

By_____
Name: Debbie Simon
Title: President and CEO

By_____
Name: Peter Johnsen, Ph.D.
Name: Chair

PROCTOR HEALTH CARE FOUNDATION

By_____
Name: Dennis Triggs
Title: Chairman

GUARANTY AND CLOSING AGREEMENT

UPH hereby agrees to the provisions of this Agreement that relate to UPH, and, as the sole member of MHSC, does hereby guaranty, for the benefit of Proctor, Proctor Foundation, the Proctor Subsidiaries, and their respective successors and permitted assigns, the full, prompt and complete performance by MHSC (and its permitted successors and assigns) of all of the terms, covenants, conditions and other provisions set forth herein or in any other documents contemplated hereby, to be performed by MHSC or its Affiliates. UPH agrees that, simultaneously with the Closing of the Transaction, UPH shall either (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006 (Proctor Hospital) (the "Bonds") on a parity with the existing bonds of UPH and its obligated group, or (2) defease the Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which such the Bonds were issued.

UNITYPOINT HEALTH:

By:_____
Name: Kevin E. Vermeer
Title: Executive Vice President

[Signature Page to Affiliation Agreement]

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PROCTOR HEALTH CARE INCORPORATED

By:_____
Name: Paul Macek
Title: Chief Executive Officer

METHODIST HEALTH SERVICES CORPORATION

By_____
Name: Debbie Simon
Title: President and CEO

By_____
Name: Peter Johnsen, Ph.D.
Name: Chair

PROCTOR HEALTH CARE FOUNDATION

By_____
Name: Dennis Triggs
Title: Chairman

GUARANTY AND CLOSING AGREEMENT

UPH hereby agrees to the provisions of this Agreement that relate to UPH, and, as the sole member of MHSC, does hereby guaranty, for the benefit of Proctor, Proctor Foundation, the Proctor Subsidiaries, and their respective successors and permitted assigns, the full, prompt and complete performance by MHSC (and its permitted successors and assigns) of all of the terms, covenants, conditions and other provisions set forth herein or in any other documents contemplated hereby, to be performed by MHSC or its Affiliates. UPH agrees that, simultaneously with the Closing of the Transaction, UPH shall either (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006 (Proctor Hospital) (the "Bonds") on a parity with the existing bonds of UPH and its obligated group, or (2) defease the Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which such the Bonds were issued.

UNITYPOINT HEALTH:

By:_____
Name: Kevin E. Vermeer
Title: Executive Vice President

SCHEDULE 1.1
DEFINITIONS

"Affiliate" means any Person (other than an individual) that, directly or through one or more intermediaries, controls, is controlled by or is under common control with another Person and includes the power to direct or cause the direction of the management and policies of the Person. With respect to the Proctor Parties, Affiliate does not include Proctor Foundation.

"Affiliation Documents" shall have the meaning set forth in the Recitals.

"Agreement" shall have the meaning set forth in the Introductory Paragraph.

"Amended Proctor Articles" shall have the meaning set forth in Section 2.1(a).

"Amended Proctor Bylaws" shall have the meaning set forth in Section 2.1(b).

"Amended Proctor Charter Documents" shall have the meaning set forth in Section 2.1(b).

"Amended Proctor Foundation Articles" shall have the meaning set forth in Section 2.2(a).

"Amended Proctor Foundation Bylaws" shall have the meaning set forth in Section 2.2(a).

"Amended Proctor Foundation Charter Documents" shall have the meaning set forth in Section 2.2(a).

"Assets" shall mean the assets, properties, goodwill and businesses whether owned or leased and constituting, associated with, employed by, or used in the ownership or operation of Proctor and the Proctor Subsidiaries, including the Personal Property, accounts receivable, cash and all other property of every kind and description, wherever located, whether tangible or intangible, as such assets shall exist on the Closing Date.

"Closing" means the consummation of the transactions contemplated hereunder.

"Closing Date" means the date and time at which the Closing actually occurs.

"Code" means the Internal Revenue Code of 1986, as amended, supplemented and replaced from time to time, together with the regulations related thereto.

"Confidential Information" shall have the meaning set forth in Section 7.5(b).

"Continuing Employees" shall have the meaning set forth in Section 7.7(b).

"Contract" means any agreement, lease, license, contract, agreement, note, mortgage, indenture, arrangement or other instrument or obligation.

"Defined Benefit Plans" shall have the meaning set forth in Section 5.12(b).

"Effective Date" shall have the meaning set forth in the Introductory Paragraph.

"Employee Plans" means any pension, retirement, profit-sharing, deferred compensation, stock purchase, stock option, bonus or other incentive plan, any program, arrangement, agreement or understanding relating to or otherwise affecting the delivery of medical, dental or other health benefits to Employees, any life insurance, accident, disability, workers' compensation, severance or separation plan, or any other employee benefit plan, including, without limitation, any Plan, and, with respect to all of the above, to which one or more of Proctor or an ERISA Affiliate contributes, is a party or is bound or under which it may have liability and under which Employees are eligible to participate or derive a benefit.

"Environmental Condition" means any condition with respect to soil, surface waters, groundwater, land, stream sediments, surface or subsurface strata, ambient air or any environmental medium, whether or not yet discovered, which under Hazardous Material Laws could or does result in any Loss, contribution, cost recovery or other obligation, including, without limitation, any condition resulting from any Release, any Hazardous Materials, any UST System from any of the Proctor Parties' or Proctor Subsidiaries' operations and/or any activities of any previous owner, tenant, occupant, operator or user of any of the Real Estate, and/or activities conducted by any other person on any part of the Real Estate.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute.

"ERISA Affiliate" shall have the meaning set forth in Section 5.12(b).

"Excluded Matter" shall have the meaning set forth in the definition of Material Adverse Effect.

"Fee Owned Real Property" shall have the meaning set forth in Section 5.17(a).

"GAAP" means the accounting principles generally accepted in the United States, from time to time, consistently applied.

"Governmental Entity" means any court, administrative agency or commission or other governmental entity, authority or instrumentality, whether foreign or domestic.

"Hazardous Materials" means any hazardous or toxic substance, material, waste, pollutant or contaminant that is or becomes considered as such by any Governmental Entity or is otherwise regulated or subject to liability under the Hazardous Materials Laws of any such jurisdiction, and includes, without limitation, any material or substance that is or becomes defined or included in the definition of "hazardous substance," "hazardous waste," "hazardous chemical," "toxic substance," "toxic chemical," "pollutant," "contaminant," or "regulated substance" or words of similar import under any Hazardous Materials Law.

"Hazardous Materials Laws" means (a) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980; the Emergency Planning and Community Right-to-Know Act; the Hazardous Materials Transportation Act; the Toxic Substances Control Act; the Occupational Safety and Health Act of 1970; the Federal Water Pollution Control Act; the Solid

Waste Disposal Act; the Clean Air Act; the Clean Water Act; the Safe Drinking Water Act; the Resource Conservation and Recovery Act (including, without limitation, Subtitle I relating to UST Systems); and the Federal Insecticide, Fungicide and Rodenticide Act; (b) regulations promulgated under any of the above statutes; (c) any applicable federal, state or local Law, that relates to Environmental Conditions, pollution, protection of the environment, public health and safety with respect to exposure to Hazardous Materials, human health, industrial hygiene, Hazardous Materials or UST Systems; in each case, as amended; and (d) the applicable terms and conditions associated with any Permit issued to and held by any Proctor Party or Proctor Subsidiary pursuant to any of the foregoing.

"IHFSRB" shall have the meaning set forth in Section 3.3(a).

"Indebtedness" means any indebtedness of a Person for the repayment of borrowed money (including capital leases, installment purchase contracts and guarantees of indebtedness) that is shown as a liability on the balance sheet of such Person or that is properly capitalized on the balance sheet of such Person in accordance with GAAP.

"Intellectual Property" means all patents and patent rights, registered and unregistered trademarks and trademark rights, trade names and trade name rights, domain names, service marks and service mark rights, service names and service name rights, brand names, inventions, concepts, processes, methods, designs, devices, tools, materials, samples, drawings, specifications, techniques, algorithms, formulae, improvements, copyrights and copyright rights, works of authorship including any written, pictorial, graphic or audiovisual work, trade dress, business and product names, logos, slogans, trade secrets, computer programs, databases, software (whether in source or object code) and related documentation, technical information, engineering and technical drawings, test data and results, know-how, license, royalty or other agreements relating to any of the foregoing, all claims and causes of action relating to any of the foregoing (including claims and causes of action for past infringement), all existing patent applications, whether pending or abandoned and applications related to or derived therefrom, including all divisional applications, continuation applications, or continuation-in-part applications derived therefrom, all patents that may be granted therefrom, and all reissues or extensions of such patents, all applications for and registrations of trademarks, service marks, copyrights and Proctor domain names, all other proprietary information or intellectual property rights of any character or description worldwide, including derivative works and improvements thereof, all licenses and agreements granting rights in or to any of the foregoing, and all licenses and agreements pursuant to which any of the foregoing have been licensed or transferred to another Person.

"IRS" means Internal Revenue Service.

"Knowledge" means:

With respect to Proctor, the actual knowledge, after a reasonable inquiry under the circumstances, of Paul Macek, Todd Baker, Gary Zmrhal, and each of the individual members of the Board of Directors of Proctor. As to environmental matters, Proctor's property manager shall be included. As to HIPAA matters, Proctor's Privacy and Security Officer shall be included. As to compliance matters, Angie Moore shall be included.

With respect to MHSC, the actual knowledge, after a reasonable inquiry under the circumstances, of Debbie Simon, Terry Waters, Rob Quin, Kevin Vermeer, Denny Drake, and each of the individual members of the Boards of Directors of UPH and MHSC.

"Law" means all applicable foreign, federal, state or local laws, treaties, statutes, codes, orders, decree, stipulation, injunction, ordinances, rules or regulations, or common law doctrine.

"Leased Real Property" shall have the meaning set forth in Section 5.17(a).

"Lien" means any lien, encumbrance (excluding, with respect to real property, any zoning requirements), security interest, mortgage, pledge, claim, option or restriction of any kind whatsoever.

"Loss" means any liability, loss, damage, injury, claim, cost or expense (including, without limitation, expenses of investigation and defense and reasonable fees and disbursements of counsel), Liens (other than Permitted Liens) or other obligations of any nature whatsoever, including, without limitation, governmental action.

"Material Adverse Effect" means a material adverse effect on the business, assets, properties, results of operations or financial condition of the applicable Party (taken as a whole), other than an effect resulting from an Excluded Matter. "***Excluded Matter***" means any one or more of the following as applied to the applicable Party: (i) the effect of any change in the United States or foreign economies or securities or financial markets in general; (ii) the effect of any change that generally affects any industry in which the Party or its Subsidiaries operates; (iii) the effect of any change arising in connection with earthquakes, hurricanes, flooding or other weather-related matters, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date of this Agreement; (iv) the effect of any action taken by such Party or its Subsidiaries with respect to the transactions contemplated hereby; (v) any matter of which a Party or its Subsidiaries is aware on the Effective Date; (vi) the effect of any changes in applicable Law or accounting rules; (vii) the failure of a Party or its Subsidiaries to meet any of its internal projections; or (viii) any effect resulting from the public announcement of this Agreement, compliance with terms of this Agreement, or the consummation of the transactions contemplated hereby.

"Material Contract Threshold Amount" shall mean $250,000.00.

"Material Contracts" shall have the meaning set forth in Section 5.15(a).

"Material Loss Threshold" shall mean $250,000.00.

"MHSC" shall have the meaning set forth in the Introductory Paragraph.

"MHSC Employee Plans" means the Employee Plans of MHSC and its Subsidiaries.

"MMCI" shall have the meaning set forth in the Recitals.

"MTI" shall have the meaning set forth in Section 4.2(b).

"New Plan" shall have the meaning set forth in Section 7.7(e).

"Old Plan" shall have the meaning set forth in Section 7.7(e).

"Ordinary Course of Business" means an action (i) that is in the ordinary course of business consistent with the past custom and practice of Proctor and the Proctor Subsidiaries in the operation of the Proctor Business and (ii) that could reasonably be expected to be similar in nature and magnitude to actions customarily taken in the ordinary course of operations of other companies in a business or industry similar to the Proctor Business.

"Party" or "Parties" shall have the meaning set forth in the Introductory Paragraph.

"PBGC" shall have the meaning set forth in Section 5.12(g).

"Permits" shall have the meaning set forth in Section 5.10.

"Permitted Encumbrances" means and includes:

(i) liens for taxes or other charges or assessments by any Governmental Entity to the extent that the payment thereof is not in arrears or otherwise due or is being contested in good faith and by appropriate proceedings;

(ii) encumbrances in the nature of zoning restrictions, building and land-use Laws, ordinances, orders, decrees, restrictions, easements, servitudes, oil, gas or other mineral interests or leases, royalty interests, reservations or other title imperfections or any other conditions imposed by or pursuant to any agreement with any Governmental Entity or other Person; provided, however, that the same in the aggregate do not materially detract from the value of the Proctor Real Property as currently used or materially interfere with the current operation or use of the Proctor Real Property or the business operations of Proctor or any Proctor Subsidiary;

(iii) any Lien or title imperfection with respect to the Proctor Real Property created by MHSC or resulting from any act or omission of MHSC;

(iv) all agreements, leases, occupancy agreements, instruments, documents, Liens, licenses, encumbrances or other title imperfections that have been disclosed by Proctor to MHSC;

(v) (A) undetermined or inchoate liens or charges constituting or securing the payment of expenses that were incurred incidental to the conduct of the Proctor Businesses and (B) materialmen's, mechanics', repairmen's, employees', contractors', operators', warehousemen's, and carriers' liens or other similar liens, security interests or charges arising in the Ordinary Course of Business incidental to the conduct of the Proctor Businesses, securing amounts the payment of which is not delinquent and that will be paid in the Ordinary Course of Business or, if delinquent, that is being contested in good faith and for which a foreclosure sale of the Proctor Businesses cannot occur within ten (10) days;

(vi) any Liens or security interests created by Law or created in leases, easements, licenses, rights-of-way or other real property interests for rental or for compliance with the terms of such leases, easements, licenses, rights-of-way or other real property interests, provided payment of any debt secured is not delinquent or, if delinquent, is being contested in good faith in the Ordinary Course of Business with any action to foreclose or attach any of the Proctor Real Property on account thereof properly stayed;

(vii) all defects, irregularities and Liens that are (A) imposed by the terms and conditions of any Governmental Entities affecting the Proctor Businesses, (B) imposed by the terms and conditions of this Agreement or any of the other Affiliation Documents, or (C) waived in writing by MHSC;

(viii) all Liens securing indebtedness of Proctor or any Proctor Subsidiary which, by the terms of this Agreement, are to remain outstanding or be assumed by MHSC after the Closing; and

(ix) all Liens that will be released or removed at or prior to Closing;

"Person" means any natural person, firm, limited partnership, general partnership, association, corporation, limited liability company, company, trust, other organization (whether or not a legal entity), public body or government, including any Governmental Entity.

"Personal Property" means all tangible personal property of every kind and nature located on or used in connection with the operation of the Proctor Businesses, including, without limitation, all furniture, fixtures, shelving, furnishings, signage, leasehold improvements, machinery, equipment, typewriters, telephone systems, computers, computer equipment and computer systems, computer hardware, office equipment, vehicles, parts, tools, supplies and other items of equipment of any nature whatsoever.

"Proctor" shall have the meaning set forth in the Introductory Paragraph.

"Proctor Audited Financial Statements" shall have the meaning set forth in Section 5.5(a).

"Proctor Businesses" shall have the meaning set forth in the Recitals.

"Proctor Employees" means the employees of Proctor or a Proctor Subsidiary.

"Proctor Employee Plans" means the Employee Plans of Proctor and the Proctor Subsidiaries as disclosed in accordance with Section 5.12(a) and (b).

"Proctor Entities" shall mean Proctor, Proctor Foundation and the Proctor Subsidiaries.

"Proctor Financial Statements" shall have the meaning set forth in Section 5.5(a).

"Proctor Foundation" shall have the meaning set forth in the Introductory Paragraph.

"Proctor Foundation Board" shall have the meaning set forth in Section 2.2(a).

"Proctor Hospital" shall have the meaning set forth in the Recitals.

"Proctor Indebtedness" shall have the meaning set forth in Section 5.5(c).

"Proctor Indebtedness Approvals" shall have the meaning set forth in Section 8.1(e).

"Proctor's Intellectual Property" shall have the meaning set forth in Section 5.16.

"Proctor Liabilities" shall have the meaning set forth in Section 4.2.

"Proctor Medicare Providers" shall have the meaning set forth in Section 5.9(a).

"Proctor Party" or "Proctor Parties" shall have the meaning set forth in the Introductory Paragraph.

"Proctor Real Property" means the Fee Owned Real Property and the Leased Real Property.

"Proctor Subsidiaries" means Proctor Hospital; Belcrest Services, Ltd.; Proctor Health Systems; Health Plus, Inc.; and Hult Center for Health Living. As used in this Agreement, "Proctor Subsidiaries" shall not include Proctor Foundation.

"Proctor Unaudited Financial Statements" shall have the meaning set forth in Section 5.5(a).

"Region" shall have the meaning set forth in the Recitals.

"Real Property Leases" shall have the meaning set forth in Section 5.17(a).

"Release" means any presence, release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials in violation of Hazardous Materials Law.

"SAA" shall have the meaning set forth in Section 2.1(d).

"Shared Vision" shall have the meaning set forth in Section 3.3(c).

"Subsidiary" means, with respect to any Person, (i) any corporation (for-profit or nonprofit), partnership, limited liability company or other entity a majority of the interests of which having voting power under ordinary circumstances to elect at least a majority of the board of directors or other Persons performing similar functions is at the time owned or controlled, directly or indirectly, by such Person or by one or more of the other direct or indirect Subsidiaries of such Person or a combination thereof (regardless of whether, at the time, interests of any other class or classes shall have, or might have, voting power by reason of the occurrence of any contingency), (ii) a partnership in which such Person or any direct or indirect Subsidiary of such Person is a general partner or (iii) a limited liability company in which such Person or any direct or indirect Subsidiary of such Person is a managing member or manager.

"Tax" means any federal, state, local or foreign tax, assessment, charge, duty or fee or similar charge of any kind whatsoever (whether imposed directly or through withholding), including, without limitation, any net income, gross income, gross receipts, excise, property, sales, use (or any similar tax), transfer, franchise, payroll, withholding, social security, employment, environmental, business or license fee or other tax, including any interest, penalties and additions imposed with respect to such amounts, in each case with respect to the income, operations or assets of the Proctor Parties or MHSC, as applicable.

"Tax Exempt Subsidiaries" means Proctor Hospital, Proctor Health Systems, and Hult Center for Healthy Living, Inc.

"Tax Returns" means all federal, state, local and foreign tax returns, declarations, estimates, statements, reports, claims for refund, schedules, forms, and information returns and other documents (including any related supporting information) and any amended Tax Return filed or required to be filed in connection with the determination, assessment or collection of any Tax or the administration of any Laws, regulations or administrative requirements relating to any Tax.

"Third Party Real Property Leases" shall have the meaning set forth in Section 5.17(a).

"Transaction" shall have the meaning set forth in the Recitals.

"Transferred Operations Assets" shall have the meaning set forth in Section 2.2(b).

"UPH" shall have the meaning set forth in the Recitals.

Attachment 6
Financial Statements

The following documents are attached at Attachment 6:

1. Proof of UnityPoint Health's "Aa3" bond rating from Moody's Investor's Services (dated as of September 4, 2013).

2. Proof of UnityPoint Health's "AA-" bond rating from Fitch Ratings (dated as of August 29, 2013).

3. UnityPoint Health's audited consolidated financial statements for the year ended December 31, 2012 (which includes comparative data for the year ended December 31, 2011).

MHSC has no outstanding bonds. MHSC's financial performance is not separately reported.

Pursuant to the terms of the Affiliation Agreement, MHSC will become the sole corporate member of Proctor. As the sole corporate member of Proctor, MHSC has agreed that it will cause Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, to perform their respective obligations under all then-existing contracts, leases and agreements to which Proctor and/or Proctor's affiliates and subsidiaries, including Proctor Hospital, is a party.

MHSC has agreed to assume or otherwise ensure the satisfaction of the liabilities and obligations of Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, when due, including without limitation the following: (1) any outstanding obligations of Proctor Hospital under the Master Trust Indenture dated July 15, 1987, as supplemented and amended, among Proctor, Proctor Hospital, Proctor Health Care Foundation and Wells Fargo Bank, National Association, as successor master trustee, which secures the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) and the Illinois Finance Authority Revenue Bonds, Series 2010 (Proctor Hospital); and (2) any outstanding obligations of Proctor Hospital (and Proctor the other Proctor affiliates and subsidiaries) under the Proctor qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

UnityPoint Health, as the sole corporate member of MHSC, has guaranteed the full, prompt, and complete performance by MHSC of all of the terms, covenants, conditions and other provisions set forth in the Affiliation Agreement to be performed by MHSC (or its affiliates). UnityPoint Health has also agreed to either: (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) on a parity with the existing bonds of UnityPoint Health and its obligated group; or (2) defease the Proctor Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which the Proctor Bonds were issued.

For informational purposes only, the following documents are also attached at Attachment 6:

4. Proof of Methodist Medical Center's "A2" bond rating from Moody's Investor's Service (dated as of April 24, 2013).

5. Proof of Methodist Medical Center's "A-" bond rating from Fitch Ratings (dated as of May 2, 2013).

6. Proof of Proctor's "B2" bond rating from Moody's Investor's Service (dated as of June 11, 2013).

7. Proof of Proctor's "BB-" bond rating from Standard & Poor's Ratings Service (dated as of July 23, 2013).

8. Proctor's audited consolidated financial statements for the year ended December 31, 2012 (which includes comparative data for the year ended December 31, 2011).

9. Proctor's unaudited consolidated financial statements for the seven months ended July 31, 2013.

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa3 to Iowa Health System d/b/a Unity Point Health's Series 2013A & C bonds; outlook stable

Global Credit Research - 04 Sep 2013

$651 million of Aa3 rated debt to be outstanding

IOWA FINANCE AUTHORITY
Hospitals & Health Service Providers
IA

Moody's Rating

ISSUE	RATING
Revenue Bonds, Series 2013A	Aa3
Sale Amount $102,225,000	
Expected Sale Date 09/12/13	
Rating Description Revenue: Other	
Revenue Bonds, Series 2013C	Aa3
Sale Amount $72,075,000	
Expected Sale Date 09/12/13	
Rating Description Revenue: Other	

Moody's Outlook STA

Opinion

NEW YORK, September 04, 2013 --Moody's Investors Service has assigned Aa3 unenhanced ratings to Iowa Health System (IHS) d/b/a Unity Point's $102.3 million of Series 2013A and $72.1 million of Series 2013C fixed rate revenue bonds issued by the Iowa Finance Authority. At this time we have affirmed the Aa3 unenhanced rating on $476.7 million of outstanding rated debt (see RATED DEBT section of this report). The outlook remains stable. The Aa3 rating reflects adequate balance sheet with adequate liquidity and moderate pro forma debt load along with good debt service coverage for this growing multi-hospital system. Operating performance is temporarily hindered by multiple strategic initiatives to position the system for future delivery of healthcare. Iowa Health System recently changed its name to UnityPoint Health to reflect its transformation in clinical delivery.

IHS anticipates issuing an additional $80 million of variable rate bonds whose tenders will be supported by a letter of credit and will be rated separately. The proceeds from these bonds will be used to refinance a portion of outstanding lines of credit as well as an existing direct placement bonds.

SUMMARY RATING RATIONALE

The affirmation of the Aa3 rating and stable outlook are attributable to an adequate balance sheet with absolute liquidity growth and a moderate debt load, good peak debt service coverage for this sizable ($2.7 billion revenue, 15 hospital) and growing integrated health system with the leading market share in Iowa and expansion/diversification into neighboring Illinois. These strengths are countered by a weakened operating cash flow margin resulting from implementing multiple strategic initiatives including consolidation of physician group practices, development of an accountable care organization, and implementation of EPIC electronic medical record (EMR) system. Indirect debt is a growing challenge with increases in operating leases and an underfunded pension plan, although lease obligations are projected to decline and pension plan restructuring has reduced exposure to pension funding.

STRENGTHS

*IHS is the largest health care system in Iowa, owning 12 hospitals in 10 cities, with expansion in Illinois where it now operates three hospitals in three cities, resulting in strong geographic diversity, plus an affiliation with an additional hospital. IHS's total operating revenues grew 14% in fiscal year (FY) 2012 to $2.7 billion.

*IHS maintains strong market position in key urban markets across Iowa and bordering western Illinois with several leading or near leading market positions, which provides good contracting leverage with payers.

*IHS has favorable Moody's-adjusted maximum annual debt service (MADS) coverage of 5.6 times in FY 2012 (comparable to the Aa3 median 6.0 times) before the 2015 bullet payment on the Series 1985B bonds ($23 million).

*The system's multiyear growth in absolute unrestricted cash and investments, including a 7.3% increase in FY 2012 and 3.6% in the first six months of FY 2013, resulted in cash on hand of 216 days as of June 30, 2013, slightly below the Aa3 median of 239 days. Correspondingly, cash-to-direct debt grew to 289% as of June 30, 2013, favorable to the Aa3 median of 177%.

*IHS generated operating profitability in all acute care markets in FY 2012, although physician employment losses increased with growth in the physician strategy.

*IHS is developing accountable care organizations (ACOs) including a Medicare shared savings plan, working with insurers, and enhancing the physician network, which are expected to position the organization for future healthcare environment.

CHALLENGES

*In FY 2012, four urban markets (excluding physician practice revenues) accounting for 64% of system operating revenues (Des Moines, Quad Cities, Cedar Rapids, and Peoria) operate in highly competitive markets.

*FY 2013 six months represents the fourth year of decline in operating cash flow margin to 8.7% in through June 30, 2013 from 8.8% in FY 2012 (FY 2012 excludes rural floor adjustment of $14.1 million), with operating performance including costs associated with EMR, physician employment, and ACO development. EMR non-recurring expenses of $3.8 million in year-to-date 2013 and $20.7 million are offset by $14.2 million and $24.7 million in meaningful use monies in 2013 and 2012, respectively.

*An increase in operating leases and slight underfunding of defined benefit pension plan (81% funded) reflected as indirect debt in FY 2012 increased the debt load by 54% and weakened comprehensive cash-to-debt to 116% and comprehensive debt-to-cash flow to 3.8 times.

*IHS is undertaking several strategic initiatives at one time to occupy management, including ACO development, physician network growth and consolidation, EPIC implementation, and acquisitions/affiliations.

DETAILED CREDIT DISCUSSION

USE OF PROCEEDS: The proceeds of the Series 2013A and 2013C bonds will be used to (1) reimburse for prior capital expenditures ($40 million); (2) provide funds for future capital projects ($60 million); (3) refinance a portion of the Series 2005A bonds ($70 million); and (4) pay the costs of issuance.

LEGAL SECURITY: The bonds are secured by revenues through a joint and several obligation of the Obligated Group. The Obligated Group consists of the majority of the system, including Iowa Health System, Central Iowa Health System, Central Iowa Hospital Corporation d/b/a Iowa Methodist Medical Center and d/b/a Iowa Lutheran Hospital, Central Iowa Health Properties Corporation, St. Luke's Healthcare, St. Luke's Methodist Hospital, Allen Health Systems, Inc., Allen Memorial Hospital Corporation, St. Luke's Health Systems, Inc., Northwest Iowa Hospital Corp. d/b/a St. Luke's Regional Medical Center of Sioux City, St. Luke's Health Resources, Finley Tri-States Health Group, Inc., The Finley Hospital, Trinity Health Systems, Inc., Trinity Regional Medical Center of Fort Dodge, Iowa, Trinity Regional Health System, Trinity Medical Center d/b/a Trinity Medical Center - Rock Island, and d/b/a Trinity Medical Center - Bettendorf, and d/b/a Trinity Medical Center - Moline, In Trust, d/b/a Iowa Health Home Care and Iowa Physicians Clinic Medical Foundation d/b/a Iowa Health Physicians. The Obligated Group makes up over 79.21% of the system's total assets. Current Obligated Group Members may withdraw from the Obligated Group and other entities may become Obligated Group Members, all in accordance with the provisions of the Master Trust Indenture.

Management is considering adding Methodist Hospital of Illinois to the Obligated Group in the near future, at which

time its debt would become secured by the IHS Obligated Group.

INTEREST RATE DERIVATIVES: IHS has seven interest rate swap agreements with three counterparties for hedging purposes on existing debt (Series 2009A-E bonds) for an aggregate notional amount of $224.1 million (as of June 30, 2013) and maturing in 2023 and 2035. The notional amount of each swap declines annually with a corresponding decline in principal outstanding, and IHS's obligations under the swap agreements are secured on parity with bonds issued under the Master Indenture. Two of the swaps are with JPMorgan ($121.0 million notional), three with Morgan Stanley ($81.8 million notional), and two with DBAG ($21.4 million notional). Interest paid under these swaps ranges from 3.323% to 3.51%, and IHS receives 62.4% of three month LIBOR plus 0.29% or 62.4% of one month LIBOR plus 0.29%, or 61.9% of one month LIBOR plus 0.31%.

IHS has three additional fixed to variable rate swap agreements that are not direct hedges against debt including one with Morgan Stanley ($70.6 million notional amount, maturing 2037), one with DBAG ($60.5 million notional amount, maturing 2035), and one with Union ($70.6 million notional amount, maturing 2037). IHS pays 3.268%-3.75% and receives 61.9% of one month LIBOR plus 0.31% or 62.4% of one month LIBOR plus 0.29%. In additional, IHS has a basis swap with Morgan Stanley for $60.0 million notional amount that expires 2030.

The total net market value of all the swaps as of June 30, 2013 was a liability of $63.3 million, an improvement over the $92.1 million liability at FYE 2012. No collateral posting was required.

MARKET POSITION/COMPETITIVE STRATEGY: STRONG GEOGRAPHIC DIVERSITY ACROSS IOWA WITH EXPANSION INTO ILLINOIS; COMPETITIVE PRESSURES EXIST IN KEY MARKETS

Moody's views IHS's geographic diversity across Iowa and western Illinois and good market shares locally and state-wide as key credit strengths. IHS has grown to become a $2.7 billion revenue healthcare system that operates 15 acute care hospitals in eight markets across Iowa and western Illinois - Cedar Rapids, Des Moines, Dubuque, Fort Dodge, Sioux City, Waterloo, the Quad Cities, and Peoria - as well as a diverse network of physician practices. IHS maintains affiliations of various degrees with an additional 14 independent hospitals in the state.

In three of its markets (Des Moines, Dubuque, and Sioux City) IHS competes directly with a Mercy Health Network (MHN) facility. MHN is a joint venture between two multi-state health systems - Aa3-rated Catholic Health Initiatives (CHI) and Aa2-rated Trinity Health. IHS faces additional competitive pressures from local providers within several of its markets.

With 64% of system revenues in FY 2012 derived from four urban markets, some concentration of cash flow exists. Des Moines is the system's largest market with four hospitals, including a children's hospital, and represents a sizable concentration of system operating revenues (23%). IHS opened its Methodist West hospital in 2009, and holds the leading market share of 42.8% against a very close second to MHN's 40.6% (all market shares provided by management). Quad Cities also operates four hospitals and represents the second largest market with 14% of system revenues. Quad Cities holds a leading market share of 33.2% against Genesis Health System's (rated A1 stable) very close 32.3% market share, with IHS's local market flagship in Illinois and Genesis's in Iowa. Cedar Rapids generated just under 14% of system operating revenues in FY 2012, and holds the leading market share of 48% to Mercy Hospital's 36%. Peoria accounted for just over 13% of FY 2012 system revenues, and represents a new market with greater than 10% of total revenues with its first full year as a member of IHS. Of the four top revenue markets, Peoria is the only one without a leading market position, at 27% versus OSF's much higher 46%. IHS is currently in discussion with Proctor Hospital (rated B2, under review for possible downgrade) for an affiliation. Should Proctor Hospital become part of IHS, IHS would implement expense savings through the elimination of duplication of administrative services, cost reductions, and a possible reconfiguration of services across sites. Revenue improvement through more sites and greater access is likely.

Despite market diversity, we believe that IHS remains vulnerable to any Iowa state legislative actions that would affect all markets simultaneously, including changes to Medicaid funding, although this risk has been reduced with expansion in Illinois.

OPERATING PERFORMANCE: RECENT DECLINE IN MARGINS ANTICIPATED TO STABLIZE AND REVERSE IN THE NEAR TERM; DEBT COVERAGE REMAINS VERY GOOD

Operating cash flow margin declined for the third consecutive audit year in FY 2012, to report a weaker 8.8% margin (removed $14.1 million of CMS rural floor settlement). Performance was negatively affected by the undertaking of several initiatives, including the implementation of the EPIC EMR system, enhanced physician employment strategy, and development of an ACO. FY 2012 performance was bolstered by a net $7.1 million

received under the Iowa Hospital Provider Assessment Program and $24.7 million in meaningful use dollars (against implementation costs). Total operating revenues grew 14.0% to $2.7 billion with same store growth (3.5% per management) and the addition of Methodist Hospital of Illinois in Peoria. As a result, adjusted debt-to-cash flow improved to 2.7 times and MADS coverage remained good at 5.6 times on a moderate debt load.

Installation of EPIC began in 2011 but was largely accomplished in FY 2012 when the majority of the larger facilities came on-line, including Des Moines, Cedar Rapids and the Quad Cities. Management estimates a net $20.7 million decline in cash flow due to the EMR implementation with overtime, use of agency personnel, and other costs. Hospital implementation continued in FY 2013 and Methodist Hospital is anticipated to be added in 2014. The ambulatory network will be converted to EPIC in 2014 and will continue to moderate performance levels.

Recently, Iowa Health System undertook a change in vision, moving itself to a larger regional provider of physician driven care. Under this initiative the system rebranded itself to become UnityPoint Health. Disparate medical groups in different communities began to come together in UnityPoint Clinic to create a more common culture. With a move to a greater focus on population centered care, UnityPoint Health is expanding physician involvement in the organization, has a Pioneer ACO with 10,000 lives in Fort Dodge, and is working with Wellmark on a shared savings contract for the commercially insured with 220,000 lives.

Operating performance is budgeted to improve in FY 2013 with revenue enhancement and cost control initiatives, of which $32 million (annualized) were put into place in the first quarter of FY 2013. Through the first six months of FY 2013, total operating revenues were flat yet operating cash flow improved 2.7% over the same period of the prior year. As a result, the operating cash flow margin improved to 8.7% from 8.5% for the same period of the prior year. Revenue growth was stymied by volume pressures. Admissions declined 2.9% from the same period of the prior year after growing 10% in FY 2012 with a full year of Methodist Hospital. All markets except Des Moines experienced admission declines with an overall decline in admissions in Iowa in 2012, and movement to outpatient settings. In the first six months, however, emergency room visits and outpatient surgeries were also down (2.2% and 3.5%, respectively). IHS continued to receive meaningful use monies in 2013 ($14 million through six months) to help bolster revenues. Management reports a good July and, along with additional meaningful use dollars, anticipates improvement in the operating cash flow margin by fiscal yearend.

BALANCE SHEET: CONTINUE GROWTH IN LIQUIDITY STRENGTHENS BALANCE SHEET WITH MODERATE DEBT LOAD

Absolute unrestricted cash and investments increased 7.4% in FY 2012 to $1.43 billion, and an additional 3.6% in the first half of FY 2013 to $1.48 million to grow cash on hand to 216 days. Liquidity growth was stymied in 2012 due to the cash acquisition of an equity interest in the Quincy Medical Group in Quincy, IL, a sizable $24.5 million contribution to the pension plans in excess of pension expense, and an increase in accounts receivable days due to the EPIC installation. Nonetheless, cash-to-direct debt remains comfortable at 178% at FYE 2012 and 189% at June 30, 2013. Monthly liquidity remains high at 193 days at FYE 2012, but will likely decline with planned increased investment in alternative securities. Liquidity will increase $40 million with the current bond issue due to reimbursement for prior capital expenditures. At FYE 2012 HIS was conservatively invested with 18% in cash and cash equivalents and 77% in fixed income securities. The conservative investment structure is in advance of restructuring the investment portfolio to include a greater exposure to alternative securities to gain greater return.

The current bond issues will increase the debt load 8.7%, about $70 million over FYE 2012 due to normal principal payments FY 2013 on existing debt. The pro forma debt load remains moderate at 32% debt-to-operating revenues. The Series 2013A and C fixed rate bonds will provide $40 million in direct reimbursement, $60 million in project funds, and $71 million to partially refund the Series 2005A fixed rate bonds. The Series 2013B bonds, yet to be issued, will refinance $80 million of an outstanding bank line of credit as well as direct purchase bonds. Post financing, the system will have 57% in a fixed rate mode and 43% in a variable rate mode. The $378 million of variable rate mode debt will be $265 million whose tenders are supported by letters of credit with four different banks, $95 million of direct placement index mode rate debt, and $19 million in a revolving line of credit. The LOCs expire in 2015 and 2016, and the direct placement expire 2013 (December, management in discussion for extension), 2016 and 2019. Cash-to-demand debt is strong at 452% and monthly liquidity to demand debt is strong at 418% at FYE 2012.

OUTLOOK

The stable outlook reflects our belief that the decline in operations in FY 2012 and flat performance is year-to-date 2013 is temporary due to multiple strategic initiatives driving non-recurring expenses, and that operating cash flow generation will improve in the second half of FY 2013 with completion of major parts of these initiatives. The moderate debt load and adequate balance sheet provide flexibility in the short term to address the lower

performance level.

WHAT COULD MOVE THE RATING UP

Positive rating movement could be driven by further growth in the revenue base and geographic expansion with marked improvement in the operating cash flow margin. The strengthening of the balance sheet with both growth in liquidity and improvement in debt metrics, along with greater diversification of cash flow and strengthening of market positions in key markets would be contributing considerations for a rating upgrade.

WHAT COULD MOVE THE RATING DOWN

Downward pressures on the rating include an inability to improve on operating cash flow margin in the near term, a weakening of balance sheet metrics, or a material increase in debt load. Material market share loss in key markets would also pressure the rating.

KEY INDICATORS

Assumptions & Adjustments:

-Based on financial statements for Iowa Health System and Subsidiaries

-First number reflects audit year ended December 31, 2011

-Second number reflects audit year ended December 31, 2012

-Bad debt reflected as a revenue deduction both years, including $1 million reclassification from operating expenses in each year

-Rural floor settlement of $14.1 million removed from revenues in FY 2012

-Investment returns removed from operating revenues ($1.3 million in FY 2011 and $3.2 million in FY 2012) and normalized at 6% in non-operating

-Comprehensive debt includes direct debt, operating leases, and pension obligation, if applicable

-Monthly liquidity to demand debt ratio is not included if demand debt is de minimis

*Inpatient admissions: 104,305; 113,826

*Observation stays: 18,756; 22,526

*Medicare % of gross revenues: 43%; 42%

*Medicaid % of gross revenues: 11%; 12%

*Total operating revenues ($): $2.36 billion; $2.71 billion

*Revenue growth rate (%) (3 yr CAGR): 7.0%; 10.4%

*Operating margin (%): 2.9%; 1.6%

*Operating cash flow margin (%): 9.7%; 8.8%

*Debt to cash flow (x): 3.24 times; 2.70 times

*Days cash on hand: 214 days; 208 days

*Maximum annual debt service (MADS) ($): $59.2 million; $58.4 million

*MADS coverage with reported investment income (x): 3.28 times; 6.50 times

*Moody's-adjusted MADS Coverage with normalized investment income (x): 4.66 times; 5.64 times

*Direct debt ($): $793.0 million; $802.3 million

*Cash to direct debt (%): 168%; 178%

*Comprehensive debt: $1.23 billion; $1.23 billion

*Cash to comprehensive debt (%): 109%; 116%

*Monthly liquidity to demand debt (%): 356%; 418%

RATED DEBT (debt outstanding as of June 30, 2013)

-Series 2009A and B variable rate bonds ($99.6 million outstanding), rated Aa1/VMIG 1 under joint support structure and reflecting letter of credit with JP Morgan Chase (expiring December 1, 2015) and Aa3 rating of IHS

-Series 2009C variable rate bonds ($28.6 million outstanding), Aa3 unenhanced rating, Index Interest Rate mode direct placement with Wells Fargo Bank, NA (expiring December 1, 2013)

-Series 2009D and E variable rate bonds ($96.2 million outstanding), Aa3 unenhanced rating, Index Interest Rate mode direct placement with PNC ($53.2 million, expiring August 1, 2019) and Union Bank ($43.0 million, expiring August 1, 2019)

-Series 2008A fixed rate bonds ($143.9 million outstanding), rated Aa3, insured by Assured Guaranty

-Series 2005A fixed rate bonds ($181.4 million outstanding), rated Aa3, insured by Assured Guaranty

-Series 1985B variable rate bonds ($23.0 million outstanding) supported by a bank letter of credit from Wells Fargo Bank, NA expiring August 15, 2015, rated Aa3/VMIG 1

Methodist Medical Center of Illinois debt separately rated:

-Series 2011B variable rate demand bonds ($51.2 million) supported by letter of credit from PNC Bank and US Bank, A2 underlying

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for 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 certain 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 certain 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.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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MOODY'S
INVESTORS SERVICE

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FitchRatings

FITCH RATES UNITYPOINT HEALTH (IOWA HEALTH SYSTEM) SERIES 2013 REVS 'AA-'; OUTLOOK STABLE

Fitch Ratings-Chicago-29 August 2013: Fitch Ratings has assigned 'AA-' ratings to the following bonds expected to be issued by the Iowa Finance Authority on behalf of UnityPoint Health:

--$103,000,000 health facilities revenue bonds series 2013A;
--$79,000,000 variable rate health facilities revenue bonds series 2013B1/B2/B3*;
--$73,000,000 health facilities revenue bonds series 2013C.

*The 'AA-' rating is an underlying rating. The series 2013B1/B2/B3 bonds are expected to be supported by a letter of credit from Union Bank. Fitch will issue a rating based upon the LOC support at a future date.

Additionally, Fitch has affirmed the 'AA-' rating on the approximately $433.1 million of Iowa Finance Authority revenue bonds issued on behalf of UnityPoint Health.

The Rating Outlook is Stable.

The series 2013A and C bonds will be fixed rate and the series 2013B bonds will be variable rate demand bonds supported by a letter of credit from Union Bank. Proceeds of the series 2013A/B/C bonds will be used to (1) refund UnityPoint Health's outstanding series 2009C bonds and approximately $70 million of the series 2005A bonds, (2) refinance a $50 million line of credit which was previously used to refund the series 2009F bonds, (3) reimburse UnityPoint Health for approximately $40 million of prior capital expenditures, (4) fund approximately $60 million of various capital projects, and (5) pay costs of issuance.

Pro forma maximum annual debt service (MADS) is expected to equal $59.1 million and assumes that the $23 million series 1985B bullet maturity in 2015 amortizes per the master trust indenture. The series 2013A and 2013C bonds are expected to price the week of September 9 via negotiation. The series 2013B bonds are expected to price the week of September 30 via negotiation.

SECURITY
Bond payments are secured by a pledge of the gross receipts of the obligated group.

KEY RATING DRIVERS

SOLID LIQUIDITY: Unrestricted liquidity continues to strengthen, with 191.8% cash-to-debt and 26.0x cushion ratio at June 30, 2013 comparing favorably to Fitch's 'AA' category medians of 173.6% and 23.4x, respectively. The expected reimbursement financing will further strengthen liquidity metrics.

STABLE OPERATING PROFITABILITY: Operating profitability has remained stable with operating EBITDA margin averaging 9.8% since fiscal 2007 and is consistent with the 'AA-' rating.

LIGHT DEBT BURDEN: UnityPoint Health's pro forma debt burden remains light with pro forma MADS equal to 2.2% of revenue. The light debt burden and solid profitability result in strong pro forma MADS coverage by EBITDA of 6.7x in fiscal 2012 (Dec. 31 fiscal year end) and the six-month interim period ending June 30, 2013 (the interim period).

BROAD OPERATING FOOTPRINT: With 15 hospitals located across eight operating regions and over $2.7 billion in annual revenues, UnityPoint Health's broad operating platform provides for additional credit stability.

RATING SENSITIVITIES

MAINTENANCE OF CURRENT PROFILE: Fitch expects that UnityPoint Health's stable operating profitability and light debt burden will continue to provide for strong MADS coverage, while the solid liquidity position provides cushion against potential operating pressures.

CREDIT PROFILE
UnityPoint Health, headquartered in Des Moines, Iowa, operates 15 hospitals and over 280 physician clinics across eight operating regions in Iowa and Illinois. Total operating revenues equaled $2.7 billion in fiscal 2012.

BROAD OPERATING FOOTPRINT
UnityPoint Health has maintained a stable system-wide inpatient market share of approximately 38% and maintains the first or second market share position in each region. However, each region is highly competitive and over 75% of the system's revenue is generated by five regions. The high degree of competition and concentration of operating revenues remains a credit concern.

The system acquired Methodist Medical Center (rated 'A' by Fitch) in Peoria, Illinois in October 2011. Methodist has been consolidated into UnityPoint Health's financials since the transaction closed; however, it is not currently in the obligated group. Located approximately 90 miles away from UnityPoint Health's operations in the Quad Cities, Peoria represents expansion into a new market.

Iowa Health System began doing business as UnityPoint Health in April 2013 to reflect its broadened operating platform and increased operations outside of Iowa.

Fitch's analysis is based upon UnityPoint Health's consolidated financial statements. The obligated group accounted for 84.0% of consolidated operating revenues and 82.5% of consolidated total assets in fiscal 2012. UnityPoint Health plans to add Methodist to the obligated group by the end of 2013. Including Methodist, the obligated group would account for 97.3% of consolidated operating revenues and 97.7% of consolidated total assets.

SOLID LIQUIDITY
Unrestricted liquidity continues to strengthen, increasing 22.5% since fiscal 2010 to $1.54 billion at June 30, 2013. Cash-to-pro forma debt of 167.9% and cushion ratio of 26.0x are solid relative to Fitch's 'AA' category medians of 173.6% and 23.4x, respectively. Liquidity metrics will be further bolstered by $40 million of reimbursement financing from the series 2013 bond issuance.

STABLE OPERATING PROFITABILITY
Operating profitability has remained stable and consistent with the rating category. Operating EBITDA margin averaged 9.8% since fiscal 2007 and equaled 9.4% in fiscal 2012 relative to Fitch's 'AA' category median of 11.8%. Operating profitability was slightly compressed in fiscal 2012 due to the system-wide implementation of its electronic health record (EHR) system. EHR implementation has been completed in seven of UnityPoint Health's eight regions, with Peoria expected to go live in fiscal 2014.

Operating profitability in the interim period was negatively pressured by soft volumes in the Quad Cities and Sioux City markets with an operating EBITDA margin of 8.9%. However, performance in the interim period is stronger than that achieved in the prior year's six-month interim period and management expects fiscal year end results to exceed the levels achieved in fiscal 2012.

LIGHT DEBT BURDEN
Pro forma total debt is expected to increase to approximately $872 million from $801.3 million at June 30, 2013. Despite the increase in total debt, UnityPoint Health's leverage and debt burden remain light with pro forma debt-to- capitalization equal to 30.9% and pro forma MADS equal to 2.2x relative to Fitch's respective 'AA' category medians of 32.7% and 2.6x.

The light debt burden and solid operating profitability produced strong pro forma MADS coverage by EBITDA of 6.7x in both fiscal 2012 and the interim period, respectively, easily exceeding

Fitch's 'AA' category median of 5.0x. Additionally, pro forma MADS coverage by operating EBITDA of 4.4x in fiscal 2012 and 4.1x in the interim period are consistent with Fitch's 'AA' category median of 4.3x.

DISCLOSURE
UnityPoint Health covenants to provide annual disclosure within 120 days after the end of the fiscal year and quarterly disclosure within 60 days of the end of the first three fiscal quarters. Disclosure is provided through the UnityPoint Health website and the Municipal Securities Rulemaking Board's EMMA System.

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Applicable Criteria and Related Research:
--'U.S. Nonprofit Hospitals and Health Systems Rating Criteria', May 20, 2013.

Applicable Criteria and Related Research:
U.S. Nonprofit Hospitals and Health Systems Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708361

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Iowa Health System and Subsidiaries

Auditor's Report and Consolidated Financial Statements

December 31, 2012 and 2011

BKD LLP
CPAs & Advisors

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Iowa Health System and Subsidiaries

December 31, 2012 and 2011

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Independent Auditor's Report

Board of Directors
Iowa Health System and Subsidiaries

We have audited the accompanying consolidated financial statements of Iowa Health System and Subsidiaries (the Health System), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of December 31, 2012 and 2011, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of the Health System and the balance sheets and statements of operations for the Colleges of Nursing within the Health System listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, changes in net assets and cash flows of the individual entities. 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 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.

BKD, LLP

Kansas City, Missouri
April 25, 2013

Iowa Health System and Subsidiaries

Consolidated Balance Sheets

December 31, 2012 and 2011

Assets

	2012	2011
	(in thousands)	
Current Assets		
Cash and cash equivalents	$ 140,990	$ 96,536
Short-term investments	64,408	183,951
Assets limited as to use – required for current liabilities	14,405	11,914
Patient accounts receivable, less estimated uncollectibles; 2012 – $54,909, 2011 – $55,774	378,555	344,880
Other receivables	43,318	43,277
Inventories	50,910	49,109
Prepaid expenses	26,111	30,409
Total current assets	718,697	760,076
Assets Limited As to Use, Noncurrent		
Held by trustee under bond indenture agreements	2,925	2,924
Internally designated	882,472	783,197
Total assets limited as to use, noncurrent	885,397	786,121
Property, Plant and Equipment, Net	1,324,488	1,257,472
Other Long-term Investments	413,049	348,581
Investments in Joint Ventures and Other Investments	74,608	54,665
Contributions Receivable, Net	65,179	61,189
Other	23,941	30,332
Total assets	$ 3,505,359	$ 3,298,436

See Notes to Consolidated Financial Statements

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Liabilities and Net Assets

	2012	2011
	(in thousands)	
Current Liabilities		
Current maturities of long-term debt	$ 73,022	$ 73,258
Accounts payable	122,637	128,153
Accrued payroll	144,046	127,908
Accrued interest	8,209	9,685
Estimated settlements due to third-party payers	58,006	67,348
Other current liabilities	60,297	55,284
Total current liabilities	466,217	461,636
Long-term Debt, Net	727,585	720,837
Other Long-term Liabilities	358,835	383,859
Total liabilities	1,552,637	1,566,332
Net Assets		
Unrestricted	1,838,514	1,627,211
Temporarily restricted	64,935	57,824
Permanently restricted	49,273	47,069
Total net assets	1,952,722	1,732,104
Total liabilities and net assets	$ 3,505,359	$ 3,298,436

Iowa Health System and Subsidiaries

Consolidated Statements of Operations

Years Ended December 31, 2012 and 2011

	2012	2011
	(in thousands)	
Unrestricted Revenue		
Patient service revenue (net of contractual allowances)	$ 2,686,008	$ 2,327,416
Provision for patient uncollectible accounts	(131,413)	(93,586)
Net patient service revenue	2,554,595	2,233,830
Other operating revenue	171,263	140,273
Net assets released from restrictions used for operations	6,686	6,064
Total unrestricted revenue	2,732,544	2,380,167
Expenses		
Salaries and wages	1,004,380	867,878
Physician compensation and services	324,361	263,883
Employee benefits	240,868	230,462
Supplies	445,913	407,434
Other expenses	458,941	377,559
Depreciation and amortization	163,895	131,439
Interest	31,734	30,936
Provision for uncollectible accounts	1,054	818
Total expenses	2,671,146	2,310,409
Operating Income	61,398	69,758
Nonoperating Gains (Losses)		
Investment income	134,815	(1,094)
Contribution received in affiliation with Methodist Peoria	-	180,325
Other, net	1,382	(37,068)
Total nonoperating gains (losses), net	136,197	142,163
Excess of Revenues Over Expenses	197,595	211,921
Change in the fair value of interest rate swaps	1,065	(20,281)
Net assets released from restrictions used for capital expenditures	7,140	5,705
Change in defined benefit pension plan gains (losses) and prior costs (credits)	2,805	(53,479)
Contributions of or for acquisition of property and equipment	962	245
Other, net	1,736	(1,142)
Increase in Unrestricted Net Assets	$ 211,303	$ 142,969

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2012 and 2011

	2012	2011
	(in thousands)	
Unrestricted Net Assets		
Excess of revenues over expenses	$ 197,595	$ 211,921
Change in the fair value of interest rate swaps	1,065	(20,281)
Net assets released from restrictions used for capital expenditures	7,140	5,705
Change in defined benefit pension plan gains (losses) and prior costs (credits)	2,805	(53,479)
Contributions of or for acquisition of property and equipment	962	245
Other, net	1,736	(1,142)
Increase in unrestricted net assets	211,303	142,969
Temporarily Restricted Net Assets		
Contribution received in affiliation with Methodist Peoria	-	8,635
Contributions	15,309	12,734
Investment income	2,350	1,549
Government grants	871	3,674
Net assets released from restrictions used for operations	(6,686)	(6,064)
Net assets released from restrictions used for capital expenditures	(7,140)	(5,705)
Change in net unrealized gains (losses) on investments	429	(411)
Change in beneficial interest in net assets of affiliate	3,932	1,695
Other, net	(1,954)	(3,777)
Increase in temporarily restricted net assets	7,111	12,330
Permanently Restricted Net Assets		
Contribution received in affiliation with Methodist Peoria	-	3,897
Contributions	510	384
Investment income (loss)	1,032	(357)
Change in net unrealized gains (losses) on investments	169	(31)
Change in beneficial interest in net assets of affiliate	493	7
Other, net	-	1
Increase in permanently restricted net assets	2,204	3,901
Increase in Net Assets	220,618	159,200
Net Assets, Beginning of Year	1,732,104	1,572,904
Net Assets, End of Year	$ 1,952,722	$ 1,732,104

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Iowa Health System and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
	(in thousands)	
Operating Activities		
Increase in net assets	$ 220,618	$ 159,200
Items not requiring (providing) operating cash		
Net (gains) losses on investments	(113,539)	17,912
Net unrealized (gains) losses on swaps	(5,469)	51,482
Restricted contributions, investment income and government grants received	(13,984)	(17,984)
Contributions of or for acquisition of property and equipment	(962)	(245)
Depreciation and amortization	163,895	131,439
Change in defined pension plans' liability	(2,805)	53,479
Contribution received in affiliation with Methodist Peoria	-	(192,857)
Amortization of debt issuance costs	773	430
Loss on disposition of assets	1,127	1,494
Gain on bond extinguishment	(1,856)	-
Equity in earnings of joint ventures	(23,468)	(18,635)
Change in beneficial interest in net assets of affiliate	(4,425)	(1,702)
Changes in		
Receivables	(33,716)	(44,478)
Inventories, prepaid expenses, and other assets	5,903	(12,727)
Accounts payable, accrued liabilities and other liabilities	(7,194)	9,981
Due to third-party payers	(9,342)	580
Net cash provided by operating activities	175,556	137,369
Investing Activities		
Capital expenditures	(227,323)	(174,356)
Proceeds from sale of assets	2,328	2,536
Increase in assets limited as to use, net	(25,937)	(15,224)
Cash acquired in affiliation with Methodist Peoria	-	27,082
Decrease in short-term investments	122,329	46,110
Increase in other long-term investments	(29,002)	(17,048)
Investments in joint ventures	(19,011)	(2,613)
Distributions received from joint ventures	25,135	18,985
Net cash used in investing activities	(151,481)	(114,528)
Financing Activities		
Proceeds from issuance of long-term debt and lines of credit	81,993	-
Payments of debt	(22,032)	(24,655)
Payments on early extinguishment of debt	(54,528)	-
Proceeds from restricted contributions, investment income and government grants	13,984	17,984
Proceeds from contributions for acquisition of property and equipment	962	245
Net cash provided by (used in) financing activities	20,379	(6,426)
Increase in Cash and Cash Equivalents	44,454	16,415
Cash and Cash Equivalents, Beginning of Year	96,536	80,121
Cash and Cash Equivalents, End of Year	$ 140,990	$ 96,536

See Notes to Consolidated Financial Statem

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Iowa Health System and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2012 and 2011

	2012	2011
	(in thousands)	
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 33,210	$ 32,307
Capital lease obligations incurred for property and equipment	3,869	10,974
Property and equipment purchases in accounts payable	28,854	27,614
Affiliation with Methodist Peoria		
Assets acquired	-	514,902
Liabilities assumed	-	322,045

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization

Iowa Health System is an Iowa nonprofit corporation formed in December 1994. Iowa Health System and its subsidiaries (the Health System) provide inpatient and outpatient care and physician services from fifteen hospital facilities and various ambulatory service and clinic locations in Iowa and Illinois. Primary, secondary, and tertiary care services are provided to residents of Iowa, Illinois, and adjacent states.

Basis of Presentation

The consolidated financial statements include the accounts of Iowa Health System and its subsidiaries listed below:

- Central Iowa Health System and Subsidiaries (d/b/a Iowa Health - Des Moines) (Des Moines)
- Methodist Health Services Corporation and Subsidiaries (Peoria)
- Trinity Regional Health System and Subsidiaries (Rock Island)
- St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
- Allen Health Systems, Inc. and Subsidiaries (Waterloo)
- St. Luke's Health System, Inc. (Sioux City)
- Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
- Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
- Iowa Physicians Clinic Medical Foundation (d/b/a Iowa Health Physicians & Clinics)
- Intrust (d/b/a Iowa Health Home Care)

Effective October 1, 2011, the Health System entered into an Affiliation agreement with Methodist Health Services Corporation (MHSC) under which MHSC became an affiliate of the Health System. For the year ended December 31, 2012 and the three months ended December 31, 2011, net revenues of $362,273 and $89,832, respectively, were recorded in the consolidated financial statements.

All significant intercompany balances 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Short-term Investments

Cash equivalents consist of demand deposits, repurchase agreements, money market funds and other debt securities with original maturities of three months or less at the date of purchase, other than those included in assets limited as to use. Short-term investments consist of debt securities with maturities between 91 and 365 days of the balance sheet date.

At times, the Health System's cash accounts exceeded federally insured limits. Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts, beginning December 31, 2010, at all FDIC insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the $250 limit on FDIC insurance per covered institution. Management believes that the institutions where cash accounts are maintained are financially stable and that the credit risk related to deposits is minimal.

Assets Limited as to Use

Assets limited as to use include amounts held by trustees under bond indenture agreements and related documents and assets internally designated by the Board of Directors for identified purposes and over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities are classified as current assets.

Inventories

Inventories consist of supplies and are stated at the lower of cost or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in fixed income securities are measured at fair value in the consolidated balance sheets. The fair values are based on quoted market prices or dealer quotes.

Investments in joint ventures and other affiliates, which are more than 20% and not more than 50% owned, are recorded using the equity method. Other investments are reported at cost, as adjusted for permanent impairment in value, if any.

Realized gains and losses from the sale of investments, interest and dividends, except those earned as a function of operations, and unrealized gains and losses on investments classified as trading securities and those carried at fair value pursuant to ASC Topic 825, are reported as non-operating gains (losses) unless restricted by a donor. Unrealized and realized gains and losses and investment income on investments restricted by donors are included as a component of the change in net assets.

The Health System elected the fair value option for its private investment funds (PIF) that are primarily limited liability corporations and partnerships. Management has elected the fair value option for the PIFs because it more accurately reflects the portfolio returns and financial position of the Health System. Gains and losses on investments subject to the fair value option are reported in investment income in nonoperating gains (losses) in the accompanying consolidated statements of operations.

Refer to Notes 5 and 13 for additional disclosures regarding balance sheet line items and fair value of those investments carried under Topic 825.

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost less accumulated depreciation. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the assets. Depreciation of assets under capital lease is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Donated property, plant and equipment are recorded at fair market value at the date of donation.

The Health System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for a project, net of interest earned on investments acquired with the proceeds of the borrowing. During 2012 and 2011, the Health System capitalized $950 and $1,067 of interest expense, respectively.

Long-lived Asset Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2012 and 2011.

Other Assets

Other assets include certain patient records and other intangible assets that are stated at cost less accumulated amortization. In addition, other assets include goodwill. Annually, the Health System performs an impairment test of all goodwill and any identified impairment loss is recognized as expense. Other assets also include deferred financing costs, which are amortized over the period the obligation is expected to be outstanding. The Health System has $3,509 and $3,804 of goodwill at December 31, 2012 and 2011, respectively. Other intangible assets at December 31, 2012 and 2011 were $9,075 and $11,264, respectively, which are subject to amortization.

Net Assets

Net assets are classified into three mutually exclusive classes: unrestricted, temporarily restricted and permanently restricted. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors in perpetuity. The expiration of donor restrictions is recorded in the period in which the restrictions expire.

Temporarily restricted net assets are generally restricted for capital expenditures, passage of time or other donor specified restrictions.

Excess of Revenues Over Expenses

Excess of revenues over expense transactions affecting unrestricted net assets are reflected in the consolidated statements of operations. Consistent with industry practice, the effective portion of derivative instruments qualifying for hedge accounting carried at fair value, change in defined benefit plans, and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess of revenues over expenses. Transactions related to temporarily or permanently restricted net assets are recorded as additions or deductions to net assets and reflected in the consolidated statements of changes in net assets. Non-controlling interest included as part of excess of revenues over expenses was $768 and $1,058 as of December 31, 2012 and 2011, respectively.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amount, primarily from patients and third-party payers, for services provided, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are provided, and adjusted in future periods as final settlements are determined.

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the accompanying consolidated statements of operations as a component of net patient service revenue.

As a service to the patient, the Health System bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides contractual allowances based on these amounts. Additionally, an allowance for uncollectible accounts is provided for expected uncollectible deductibles and copayments on accounts for which the patient is responsible. For receivables associated with self-pay patients, the Health System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Health System's allowance for uncollectible accounts at December 31, 2012 and 2011 was $54,909 and $55,774, respectively. The allowance for uncollectible accounts (including a portion allowed for financial assistance) for self-pay patients was approximately 93% and 92% of self-pay accounts receivable at December 31, 2012 and 2011, respectively. The provision for patient uncollectible accounts for the year ended December 31, 2012 was $131,413 compared to $93,586 for the year ended December 31, 2011. The increase in expense was a result of modifications to collection policies that include accelerated write-offs as well as a full year of operations of MHSC during 2012 compared to only three months in 2011.

Patient service revenues at established rates less third-party payer contractual adjustments (but before the provision for uncollectible accounts), recognized in the years ended December 31 were approximately:

	2012	2011
Medicare	$ 936,419	$ 821,743
Medicaid	266,881	230,718
Wellmark	660,354	600,442
Commercial and other	692,515	563,135
Self-pay	129,839	111,378
	$ 2,686,008	$ 2,327,416

Patient accounts receivable at established rates, less contractual allowances and the provision for uncollectible accounts, by payer class at December 31 were as follows:

	2012	2011
Medicare	$ 101,560	$ 92,493
Medicaid	45,366	42,565
Wellmark	64,972	61,664
Commercial and other	124,416	109,795
Self-pay	42,241	38,363
	$ 378,555	$ 344,880

Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Amounts determined to be charity care are not reported as revenue.

Functional Expenses

The Health System provides general health care services, including acute inpatient, outpatient, physician, ambulatory, long-term and home health care, and incurs related general and administrative expenses. Expenses related to providing these services for the years ended December 31 were as follows:

	2012	2011
General health care services	$ 2,176,883	$ 1,908,342
Management, general and administrative	491,349	399,386
Research	2,914	2,681
	$ 2,671,146	$ 2,310,409

Contributions and Beneficial Interest in Net Assets

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-imposed restrictions are considered fulfilled as soon as the stipulated time has expired or the qualifying expenditure has been made. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Contributions not expected to be collected within a year are recorded at the present value of expected future cash flows using a risk-free interest rate over the term of the contribution. Contributions of property are recorded at fair value when received.

Interests in charitable trusts and perpetual trusts are carried at the present value of expected future cash flows, which approximates fair value. The Health System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the Health System is accounted for in a manner similar to the equity method. The Interest is stated at fair value, and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the Health System are recognized as increases or decreases in the Interest.

Estimated Malpractice Costs, Health Insurance and Workers' Compensation

An annual estimated provision is accrued for the self-insured portion of medical malpractice, health insurance, and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

Claims liabilities are recorded at the gross amount, without consideration of insurance recoveries. Expected recoveries are presented separately as receivables in the consolidated balance sheets.

Interest Rate Swap Agreements

The Health System has entered into various interest rate swap agreements (the Swaps) to reduce the effect of changes in cash flows primarily related to interest rate fluctuations on the Health System's various variable rate demand bond issues. The Swaps were entered into for the risk management purpose of reducing the variability in cash flows related to the Health System's variable rate debt.

As described in Note 8, the Health System has designated certain swaps as hedges, while other swaps have not been designated as hedging instruments. The effective portion of changes in the fair value of swaps designated as hedges is recognized as a component of other changes in net assets, while the ineffective portion of these swaps changes in fair value, and all changes in fair value of swaps not designated as hedges, is recorded as a component of nonoperating gains (losses) in excess of revenues over expenses.

The Swaps are recognized on the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps designated as hedging instruments are recorded as an increase or decrease to interest expense. The net cash payments or receipts under the Swaps not designated as hedges are recorded as an increase or decrease to other nonoperating income (loss).

Income Taxes

Iowa Health System and most of its subsidiaries are classified as tax-exempt organizations as described in Sections 501(c)(3) and 501(c)(2) of the Internal Revenue Code (the Code). Tax-exempt organizations are not subject to federal and state income taxes on related income, pursuant to Section 501(a) of the Code. These organizations are subject to federal and state income taxes to the extent they have unrelated business income as described under provisions of Section 511 of the Code.

The Health System files Form 990 for substantially all of its operating entities in the U.S. federal jurisdiction and is no longer subject to examination by tax authorities for the years before 2009. The Health System has no material uncertain tax positions.

Certain subsidiaries are subject to federal and state income taxes. Some of these corporations have accumulated net operating loss carryforwards that are available to offset future taxable income during the carryforward period. No income tax benefit has been recognized for the net operating loss carryforwards or other potential deferred tax assets in the consolidated financial statements because the Health System believes realization of these benefits is unlikely.

Retirement Plans

Substantially all employees meeting age and length of service requirements participate in defined contribution plans. Certain subsidiaries also have defined benefit plans, most of which have been substantially frozen. Pension costs for the defined benefit plans, which are composed of normal costs and amortization of prior service costs related to defined benefit plans, are funded currently.

Note 2: Affiliation with Methodist Peoria

On October 1, 2011, the Health System executed an affiliation agreement with MHSC, a not-for-profit health care organization operating as The Methodist Medical Center of Illinois, located in Peoria, Illinois. The results of MHSC's operations have been included in the consolidated financial statements since that date. As a result of the affiliation, the Health System has expanded its service area into Central Illinois and continues to further its mission and strategic goals in the ever changing health care provider landscape. The Health System continues to incorporate MHSC into its infrastructure as a way of achieving cost savings through the elimination of certain duplicative administrative and other functions. The affiliation was accomplished by the Health System becoming the sole member of MHSC and having the ability to appoint the board members of MHSC. No consideration was transferred for the net assets of MHSC, thus the fair value of unrestricted net assets received by the Health System is shown as contribution revenue in the consolidated statement of operations for the year ended December 31, 2011.

The Health System incurred $787 of costs in connection with this affiliation. These costs are included in other expenses in the consolidated statement of operations for the year ended December 31, 2011.

The following table summarizes the fair value of the assets acquired and liabilities assumed recognized at the affiliation date:

Recognized fair value of identifiable assets acquired and liabilities assumed

Current assets	$	104,780
Property, plant and equipment		244,919
Noncurrent assets		165,203
Total assets		514,902
Current liabilities		89,268
Long-term debt		109,891
Long-term liabilities		122,886
Total liabilities		322,045
Total contribution received	$	192,857

Summary of contribution received by net asset classification

Unrestricted contribution received	$	180,325
Temporarily restricted contribution received		8,635
Permanently restricted contribution received		3,897
Total contribution received	$	192,857

The affiliation resulted in an inherent contribution received of $192,857, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. Acquisition of the unrestricted net assets is included in contribution revenue in the consolidated statement of operations for the year ended December 31, 2011. The temporarily and permanently restricted net assets are included as increases to those classes of net assets in the amounts of $8,635 and $3,897, respectively, for the year ended December 31, 2011.

MHSC contributed revenues of $89,832, excess revenues over expenses of $8,646, and changes in unrestricted, temporarily restricted, and permanently restricted net assets of $3,177, $356, and $23, respectively, to the Health System for the period from the affiliation date through December 31, 2011.

Note 3: Charity Care

The Health System provides charity care and financial assistance discounts for medically necessary health care services provided to persons who meet the Health System's policy. The policy provides a percentage discount to the patient that decreases at gradually higher income levels or higher levels of household net assets. The benchmark upon which the income level is compared to is the Federal Poverty Income Guideline and is updated annually. Patients who are already receiving benefits from certain identified government programs qualify for presumptive eligibility.

The availability of charity care is widely communicated to all patients and patients are notified prior to receiving services if their treatment does not fall within the guidelines of the policy. Amounts charged for care that is provided to individuals eligible for charity may not be more than the amounts generally billed to individuals who have insurance covering such care. Amounts billed are based on either the best, or an average of the three best, negotiated commercial rates, or Medicare rates.

Accounts that are classified by the Health System as charity care are not reported as net patient service revenue. In some cases, the charity care is subsidized by contributions from volunteer organizations or other donors. Charity care subsidies are not material to the consolidated financial statements.

Cost of charity care is calculated by applying hospital specific cost-to-charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of non-patient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services. The amount of charity care provided at cost was $49,752 and $39,045 for the years ended December 31, 2012 and 2011, respectively.

Community benefit is also provided through reduced price services and free programs offered throughout the year. The Health System provides an array of uncompensated activities and services intended to meet the community health needs. These activities include wellness programs, community education programs, and various health screening programs. The cost of providing these community benefit services is reported on Schedule H of the Health System's IRS Form 990.

Note 4: Third-Party Reimbursement

As a provider of health care services, the Health System generally grants credit to patients without requiring collateral or other security. The Health System routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. These health insurance programs or providers are commonly referred to as third-party payers and include the Medicare and Medicaid programs, Wellmark, and various health maintenance and preferred provider organizations.

A major portion of the Health System's revenue is derived from these third-party payers. Significant changes have been made, and may be made, in certain of these programs, which could have a material, adverse impact on the financial condition of the Health System. These changes include federal and state laws and regulations, particularly those pertaining to Medicare and Medicaid.

The Health System has agreements with certain third-party payers that provide for payment of services at amounts that differ from established rates. Third-party payer payment rates vary by payer and include established charges; contracted rates less than established charges; prospectively determined rates per discharge, per procedure, or per diem; retroactively determined cost-based rates.

The impact of current economic conditions on government budgets may have an adverse effect on the cash flow from government-sponsored Medicare or Medicaid programs. The State of Illinois has experienced significant financial difficulties as a result of the downturn in the economy, which has caused significant payment delays for services that have been rendered under the Medicaid program. As of December 31, 2012 and 2011, the Health System has net accounts receivable of $21,205 and $20,915, respectively, which are owed from the State of Illinois. Management believes that these receivables are fully collectible for historical services rendered, however, the State of Illinois will be evaluating the need to reduce Medicaid expenditures going forward. Any changes to reimbursement rates in the future could have a negative impact on cash flow for services rendered in the future.

Value Based Contracting

Trimark Physicians Group, a 54 member multi-specialty physician group employed by Trimark, a wholly owned subsidiary of the Health System's Trinity Health Systems, Inc. subsidiary, and Trinity Regional Medical Center of Fort Dodge were selected to participate in the Pioneer Accountable Care Organization (ACO) Model, a transformative new initiative sponsored by the Centers for Medicare and Medicaid Services Innovation Center (CMMI). The Pioneer ACO (Trinity Pioneer ACO, L.C.) began operations on January 1, 2012 as the only physician group and hospital in Iowa participating in the model program. Through the Pioneer ACO Model, Trimark and Trinity will work with CMMI to provide Medicare beneficiaries with higher quality care, while reducing growth in Medicare expenditures through enhanced care coordination.

Effective April 1, 2012, the Health System's wholly owned subsidiary, Iowa Health Accountable Care, L.C., which is included in the consolidated financial statements, and Wellmark, Inc., doing business as Wellmark Blue Cross and Blue Shield, entered into an agreement to create Iowa's first commercial health plan ACO. The new ACO focuses on coordinating care to improve quality, provide greater value, and slow increases in health care costs. This agreement covers approximately 50,000 lives, whereby Health System providers will be rewarded for lowering cost per attributed member below a target level, and covers approximately 140,000 lives, whereby Health System providers will be rewarded for their ability to meet measures regarding patient experience, chronic and follow-up care, and primary prevention.

Effective July 1, 2012, the Health System again through its wholly owned subsidiary, Iowa Health Accountable Care, L.C., was accepted by the Centers for Medicare and Medicaid Services (CMS) as a Medicare Shared Savings Program ACO. This ACO covers approximately 74,000 lives and will allow the Health System to work with CMS to provide Medicare fee-for-service beneficiaries with high quality service and care, while reducing the growth in Medicare expenditures through enhanced care coordination.

Incentives earned under these ACO contracts will be recorded as additional reimbursement and included in net patient service revenue in the consolidated statements of operations. During the year ended December 31, 2012, $2,293 was recognized related to these contracts.

Iowa Medicaid State Plan

In 2011, the state of Iowa enacted a Medicaid State Plan in which an annual tax assessment is levied on certain hospital providers in order to provide funding for Medicaid to obtain federal matching funds. A portion of these additional federal funds are then redistributed to participating Iowa hospitals through increased Medicaid payments in order to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients.

The Health System's tax assessment during 2012 and 2011 was $12,157 and $16,566, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately $19,304 and $28,738, respectively, and is included in net patient service revenue in the consolidated statements of operations, resulting in a net increase in operating income of $7,147 and $12,172, respectively.

Illinois Medicaid State Plan

The Illinois Medicaid State Plan serves a similar purpose as the Iowa plan but has been in place since 2006. Under the amended Illinois Medicaid State Plan, proceeds from the tax assessment are used to obtain federal matching funds, all of which must be distributed to Illinois hospitals and physicians to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Health System's tax assessment in 2012 and 2011 relate to Trinity Regional Health System and MHSC. The 2011 amounts related to MHSC are only from the date of affiliation with MHSC.

In 2012 and 2011, the Health System's tax assessment was $17,483 and $10,632, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately $34,316 and $19,577, respectively, and is included in net patient service revenue in the consolidated statements of operations, resulting in a net increase in operating income of $16,833 and $8,945 in 2012 and 2011, respectively.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under both the Medicare and Medicaid program are generally made for up to four years based on a statutory formula. The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Health System initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive

reporting periods. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause final amounts to differ materially from initial payments under the program.

The Health System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

Several of the Health System's affiliates have completed the first-year requirements under the Medicare program and the Health System has recorded revenue of $17,452 and $1,362 during 2012 and 2011, respectively, which is included in other operating revenue in the consolidated statements of operations. This revenue also includes portions accrued related to the second-year of the program to the extent management is reasonably assured the applicable objectives are being met during the reporting period.

For the Medicaid program, the majority of the Health System's affiliates completed the first-year requirements during 2011 and $9,789 of revenue is included in other operating revenue in the consolidated statements of operations for the year ended December 31, 2011. An additional $7,235 was recognized during 2012, in the same manner, related mostly to the second-year of the program.

Revenue recorded for both the Medicare and Medicaid program EHR funds relate to the implementation of EHR technology within the Health System's hospitals as well as affiliated physician group practices.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

Note 5: Investments

Investment Summary

Short-term investments consist of debt securities, primarily U.S. Government agency obligations and corporate bonds, and totaled $64,408 and $183,951 at December 31, 2012 and 2011, respectively.

A summary of investments reported as assets limited as to use at December 31 is as follows:

	2012	2011
Held by trustees under bond indenture agreements		
Cash equivalents and short-term investments	$ 2,897	$ 2,887
Mortgage-backed securities	28	37
	2,925	2,924
Internally designated		
Cash equivalents and short-term investments	134,714	13,686
U.S. Treasury obligations	5,071	18,658
U.S. Government agency obligations	2,515	6,625
Asset-backed securities		
Home equity	590	14,398
Other	57	5,455
Mortgage-backed securities		
Government	1,708	48,191
Non-government	546	33,280
Certificates of deposit	379	474
Corporate bonds	5,351	44,451
Corporate bonds - PIF	-	155,250
Equity securities		
Domestic	8,613	95,087
International	147	34
Equity securities - PIF		
Domestic	-	121,574
International	-	59,729
Mutual funds		
Domestic	1,050	-
International	112,669	58,595
Emerging markets	17,417	47,582
Index	470	975
Equity	268,496	665
Fixed income	316,490	2,801
Other	143	283
Hedge fund-of-funds	20,336	66,189
Interest receivable	115	1,129
	896,877	795,111
Total assets limited as to use	899,802	798,035
Less amount required to meet current obligations	14,405	11,914
Noncurrent portion of assets limited as to use	$ 885,397	$ 786,121

Assets held by trustee under bond indenture agreements are required to be held in separate trust accounts. A summary of these trust accounts aggregated by their required use at December 31 is as follows:

	2012	2011
Collateral and other accounts	$ 2,925	$ 2,924

Internally designated assets are summarized below based on the designation at December 31:

	2012	2011
Capital improvements	$ 861,101	$ 757,670
Self-insured reserves	35,383	37,049
Bond interest account	393	392
	$ 896,877	$ 795,111

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

Investments presented as other long-term investments at December 31 are summarized as follows:

	2012	2011
Restricted cash equivalents and short-term investments	$ 33,822	$ 5,116
U.S. Treasury obligations	1,203	4,591
U.S. Government agency obligations	661	1,593
Asset-backed securities		
Home equity	155	3,293
Other	14	1,248
Mortgage-backed securities		
Government	434	11,024
Non-government	132	7,613
Corporate bonds	861	9,648
Corporate bonds - PIF	-	35,513
Equity securities		
Domestic	5,805	25,956
International	407	179
Equity securities - PIF		
Domestic	-	27,809
International	-	13,663
Mutual funds		
Domestic	1,273	19,659
International	48,722	26,878
Emerging markets	5,438	11,375
Index	3,936	2,217
Equity	111,008	29,718
Fixed income	152,030	65,126
Other	14,732	4,482
Hedge fund-of-funds	23,332	35,256
Notes receivable	15	15
Interest receivable	159	422
Insurance policies	4,419	4,199
Real estate	1,255	1,050
Interest rate swaps *(see Note 8)*	3,236	938
Total other long-term investments	$ 413,049	$ 348,581

The following schedule summarizes the investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended December 31:

	2012	2011
Investment return		
Interest and dividends	$ 28,415	$ 18,859
Realized gains on sales of investments	143,430	31,383
Unrealized losses on trading investments	(82,144)	(55,890)
Unrealized gains (losses) on other-than-trading investments	598	(442)
Equity in earnings of joint ventures	23,468	18,635
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825	51,655	7,037
	$ 165,422	$ 19,582
Investment return classification		
Unrestricted net assets		
Other operating revenue	$ 26,627	$ 19,926
Nonoperating gains (losses) – investment income	134,815	(1,094)
Temporarily restricted net assets	2,779	1,138
Permanently restricted net assets	1,201	(388)
	$ 165,422	$ 19,582

Private Investment Funds

At December 31, 2012 and 2011, 3% and 45%, respectively, of the Health System's investments were invested in PIFs whose portfolios are primarily invested in debt and marketable equity securities. These investments are included in either internally designated or other long-term investments in the investment summary tables (previously presented) based on the underlying investments. The amounts included in the investment summary tables at December 31 are as follows:

	2012	2011
Corporate bonds	$ -	$ 190,763
Equity securities	-	222,775
Hedge fund-of-funds	43,668	101,445
	$ 43,668	$ 514,983

The large decline in PIFs from December 31, 2011 is due to a change in investment strategy within the Health System. In June 2012, the Health System's Investment Committee replaced the former investment advisor, who was engaged to provide guidance and recommendations regarding selection of individual investment managers utilized in the investment portfolio, with a new advisor who utilizes a manager-of-managers approach through the use of proprietary registered mutual funds. Through this transition, a large portion of the Health System's investments in PIFs have been liquidated.

As of December 31, 2012, the remaining PIFs consist of an alternative fund, two hedge fund-of-funds and one private equity fund. The investment strategy of the alternative fund is to invest in income producing real estate properties utilizing a low level of leverage. The hedge fund-of-funds utilize strategies aiming to provide low return volatility through tactical investment strategies while earning a total rate of return in excess of rates achieved from a standard index. The private equity fund has a strategy of investing in early-stage companies and entrepreneurs within the health care industry. There is no public market for shares in the PIFs. The value of the investments in the PIFs is determined based on the fair values of the underlying securities. These four funds are collectively referred to as hedge fund-of-funds within the Investments and Fair Value tables included within Note 5 and Note 13, respectively, of the notes to these consolidated financial statements.

In situations when investments do not have readily determinable fair values (PIFs), the fund managers provide the net asset value (NAV) per share, or its equivalent, to the Health System. The NAV provided by the fund managers is supported by underlying audit reports of the private investment funds. The Health System previously adopted ASU 2009-12, which provided a practical expedient for certain investments to use net asset value per share to measure fair value. Accordingly, the Health System uses the NAV as a practical expedient for fair value for each of its PIFs.

The PIFs have certain limits regarding advance notice and timing of withdrawals. They generally require advance notice of at least two days prior to a month end to withdraw funds. One fund, which represents approximately 55% of the PIF funds at December 31, 2012, requires a 95-day notice to withdraw funds, either quarterly or semiannually, based on the initial purchase date of the investments. In addition, withdrawals may be limited by the PIFs underlying investment funds' ability to liquidate their holdings.

During 2011, the Health System committed to investing $10,000 in the private equity PIF with a lock-up period of ten years. The Health System's interest is nonredeemable and the Health System has contributed $1,505 to this investment as of December 31, 2012.

Investments in Joint Ventures

At December 31, 2012 and 2011, investments in joint ventures amounted to $60,054 and $42,710, respectively. Other investments also included in this line in the consolidated balance sheets consist primarily of the cash surrender value of life insurance policies and real estate held for investment.

On June 22, 2012, the Health System purchased a 45% interest in Quincy Physicians & Surgeons Clinic, S.C., doing business as Quincy Medical Group (QMG), of Quincy, Illinois for $18,743. QMG is a multi-specialty physician practice group with over 120 physicians practicing 27 specialties. The physician relationships gained through this investment will enable strong collaboration and clinical innovation between QMG and the Health System's affiliated physicians. As of December 31, 2012, the carrying value of the Health System's investment in QMG is $18,972.

The joint ventures consist of 43 privately held health care organizations in which the Health System's ownership interest ranges from 20% to 50%. The joint ventures had the following financial information as of and for the years ended December 31:

	2012	2011
Total assets	$ 247,699	$ 160,253
Net revenues	354,057	151,325
Net income	58,992	43,065

The Health System's share of earnings on the investments in joint ventures is included in other operating revenue in the consolidated statements of operations. The Health System recorded activity related to joint ventures for the years ended December 31 as follows:

	2012	2011
Earnings on investments in joint ventures	$ 23,468	$ 18,635
New investments in joint ventures	19,011	2,613
Distributions received from joint ventures	25,135	18,985

The Health System both purchases services and sells services and supplies to several joint ventures. In 2012 and 2011, services purchased from joint ventures totaled $15,540 and $11,016, respectively. Services and supplies sold to joint ventures in 2012 and 2011 were $7,438 and $9,105, respectively.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

Note 6: Property, Plant and Equipment

Property, plant and equipment are stated at cost and are summarized at December 31 as follows:

	2012	2011
Land	$ 97,434	$ 95,753
Land improvements	52,868	64,770
Buildings, improvements and fixed equipment	1,606,253	1,547,915
Moveable equipment	1,147,808	1,007,797
	2,904,363	2,716,235
Less accumulated depreciation and amortization	1,644,431	1,504,900
	1,259,932	1,211,335
Construction/information systems installation in progress	64,556	46,137
Net property, plant and equipment	$ 1,324,488	$ 1,257,472

As of December 31, 2012 and 2011, the Health System has committed approximately $133,904 and $123,272, respectively, for costs related to various hospital construction and information systems projects. The Health System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

Note 7: Long-term Debt

Long-term debt at December 31, 2012 and 2011 is summarized as follows:

	Payable Through	Issuance Type (1)	Interest Rate (2)	2012	2011
Hospital Facility Revenue Bonds					
Series 2011A	2021	Fixed	3.29%	$ 52,960	$ 57,960
Series 2011B	2041	VRDB	0.14%, 0.10%	51,220	51,220
Series 2009A	2035	VRDB	0.13%, 0.06%	51,255	52,860
Series 2009B	2035	VRDB	0.13%, 0.06%	51,255	52,860
Series 2009C	2035	Variable	1.11%, 1.16%	29,450	30,375
Series 2009D	2035	Variable	0.78%, 0.16%	54,730	56,445
Series 2009E	2039	Variable	0.95%, 0.16%	43,000	43,000
Series 2009F	2039	Fixed	5.00%	-	50,000
Series 2008A	2037	Fixed	2.50% - 5.625%	143,910	146,040
Series 2008	2028	Variable	N/A, 13.45%	-	4,528
Series 2006	2031	VRDB	0.25%, 0.25%	12,715	13,110
Series 2005	2031	Fixed	4.00% - 4.50%	3,517	3,622
Series 2005A	2035	Fixed	2.50% - 5.625%	186,690	192,540
Series 1985B	2015	VRDB	0.15%, 0.14%	23,000	23,000
Total hospital facility revenue bonds				703,702	777,560
Capital lease obligations	2026	Fixed	0% - 5.92%	16,117	14,669
Revolving lines of credit	2014	Variable	0.75% - 1.00%	81,993	-
Other notes and mortgages	2021	Fixed	8.00%	493	775
				802,305	793,004
Current maturities				(73,022)	(73,258)
Unamortized bond premium (discount)				(1,698)	1,091
Long-term portion				$ 727,585	$ 720,837

(1) Fixed rate, variable rate, or variable rate demand bonds (VRDB)
(2) Variable rates shown as of December 31, 2012 and 2011, respectively

The Series 2011 Bonds are obligations of MHSC that were issued prior to their affiliation with the Health System. The Methodist Medical Center of Illinois, a subsidiary of MHSC, is the sole obligor under the bond indenture, which requires the maintenance of certain financial ratios through the master trust indenture and letter of credit agreement (related to the variable rate demand bonds).

The Series 2009, 2008, and 2005 Bonds (collectively "the Bonds") are general obligations of the Health System and its affiliates. The Health System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements and bank letter of credit agreements (related to the variable rate demand bonds). The Bonds are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made, and certain funds be maintained by the trustee for interest payment and bond retirement purposes.

The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The Health System maintains letters of credit that can be drawn on should the bonds not be remarketed. These letters of credit expire beginning in 2013 through 2016 and are renewable, subject to trustee approval and at the option of the providers, throughout the term of the bonds. Outstanding amounts under the letters of credit are due at the earlier of expiration of the agreement or over a period of three years, commencing after an initial outstanding period of 366 days or more.

The 2009C bonds have a mandatory tender date of December 1, 2013; however, if the Health System continues to be in compliance with the representations included within the master bond trust indenture, they can defer tendering for 366 days at December 31, 2012. The Health System is currently in compliance with all representations and, therefore, the date of mandatory tender is in excess of one year as of December 31, 2012.

The $50,000 of 2009F bonds were subject to mandatory tender on August 14, 2012. On that date, the Health System repurchased the full amount outstanding and surrendered them to the trustee for cancellation.

In September 2012, the Health System completed an interest rate mode conversion for the 2009D and 2009E bonds converting the interest rate from a daily rate to an index rate. The interest rate modification was not considered a significant modification of terms; thus, all costs incurred from the mode conversion were expensed during the year. As part of this conversion, a Direct Note Obligation for the 2009D and 2009E bonds was issued to a financial institution, eliminating the supporting letter of credit requirement.

On January 6, 2012 and August 1, 2012, the Health System entered into two separate revolving line of credit facilities that provide for revolving credit in an aggregate principal amount of up to $50,000 each. The interest rates applicable to loans under the new credit agreements are based on LIBOR plus applicable margins, either 0.45% or 0.60%, as defined in the agreements. Additionally, a commitment fee of 0.10% to 0.125% is required on the average daily undrawn portion of the facilities. These credit facilities mature on August 9, 2013 and January 5, 2014. These agreements contain various financial covenants that mirror those in the Health System's master bond trust indenture.

Aggregate annual maturities of long-term debt during the years ending December 31 are as follows:

	Accelerated Maturities with Letter of Credit Expirations	Scheduled Maturities Based on Loan Agreements
2013	$ 73,022	$ 73,022
2014	168,930	54,141
2015	107,365	43,123
2016	21,580	23,576
2017	19,036	24,406
Thereafter	412,372	584,037
	$ 802,305	$ 802,305

Note 8: Interest Rate Swaps

Swaps Designated as Hedging Instruments

As a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Health System entered into the following interest rate swap agreements:

Trade Date	Maturity Date	Current Notional Amount	Health System Pays	Health System Receives	Accounting Treatment	Fair Value 2012	Fair Value 2011
2005	2035	$ 186,690	3.5%	62.4% of LIBOR + 29 bps	Cash Flow Hedge	$ (36,024)	$ (37,026)

In 2005, the Health System entered into three interest rate swap agreements, which effectively converted the Series 2005B variable rate bonds into fixed rate debt at a rate of 3.5% (4.1% including transaction costs). During 2009, these swaps were redesignated to hedge the Series 2009 A-D Bonds. The swap agreements have an aggregate notional amount of $186,690 at December 31, 2012.

Management has designated the above interest rate swap agreements as cash flow hedging instruments, and has determined that these agreements are highly effective. The aggregate fair value of the swap agreements is recorded as a long-term liability of $(36,022) at December 31, 2012 and $(37,026) at December 31, 2011. The change in fair value of $1,004 and $(20,342) for the years ended December 31, 2012 and 2011, respectively, is reported as part of the change in unrealized gains and losses on swaps. Interest, the net of what the Health System pays and receives under the two legs of the swaps, is settled monthly on each swap agreement and is reported as interest expense.

The Health System has provisions within certain interest rate swap agreements that would require it to post collateral should the negative fair value of the agreements exceed certain thresholds, which are between $25,000 and $55,000 depending on the agreement, or the Health System's credit rating fall below Aa3 by Moody's or AA- by S&P. As of December 31, 2012, the Health System has not been requested to post collateral under these agreements.

The table below presents certain information regarding the Health System's interest rate swap agreements designated as a cash flow hedge. The Health System has additional derivative instruments at December 31, 2012 and 2011 that are no longer designated as hedging instruments under ASC 815 *(Derivatives and Hedging)*, as shown below:

	2012	2011
Long-term Liability		
Fair value of interest rate swap agreement	$ (36,022)	$ (37,026)
Unrestricted Net Assets		
Gain (loss) recognized in changes in unrealized gains and losses on investments (effective portion)	1,004	(20,342)

Other Swap Agreements

The Health System has also entered into the following interest rate swap agreements which are no longer designated as hedging instruments. The Health System has elected to carry these swaps as an investing activity, until such time that satisfactory termination values can be obtained, or their respective maturity date.

Trade Date	Maturity Date	Notional Amount	Health System Pays	Health System Receives	Fair Value 2012	Fair Value 2011
2006	2030	$ 60,000	100% of SIFMA*	68.0% of LIBOR + 59.2 bps*	$ 3,236	$ 938
2006	2037	141,200	3.8%	61.9% of LIBOR + 31 bps	(40,491)	(42,529)
2006	2023	42,700	3.5%	61.9% of LIBOR + 31 bps	(7,689)	(7,593)
2005	2035	62,230	3.3%	62.4% of LIBOR + 29 bps	(11,087)	(11,312)
					$ (56,031)	$ (60,496)

* Rate represents the terms of the swap agreement, as originated. The agreement has been amended for the period until November 15, 2014. Until that date, MHSC will not make a quarterly payment and will receive fixed quarterly payments of $188. After that date, the terms revert back to the original contracted terms, which are as stated in the table above.

The aggregate fair value of the unhedged swap agreements are recorded as long-term investments of $3,236 and $938 and long-term liabilities of $(59,267) and $(61,434), as of December 31, 2012 and 2011, respectively. The change in fair value of $4,465 and $(31,141) is included as a component of other income (loss) as of December 31, 2012 and 2011, respectively. Interest, the net of what the Health System pays and receives, is settled monthly or quarterly on each swap agreement and is reported as other income (loss).

In prior years, certain swap agreements previously designated as hedges by the Health System were deemed to be ineffective. The effective portion of these changes in fair value, previously deemed effective, is being amortized into other income (loss) over the remaining life of the swap. As of December 31, 2012 and 2011, $(638) and $(699) of net unrealized losses remain in net assets to be amortized and $(61) was amortized into other loss in both 2012 and 2011.

Other Swaps:

	2012	2011
Other Long-term Investments		
Fair value of interest rate swap agreement	$ 3,236	$ 938
Other Long-term Liabilities		
Fair value of interest rate swap agreement	(59,267)	(61,434)
Unrestricted Net Assets		
Change in unrestricted net assets amortizing into Other, net	61	61
Other, Net		
Gain (loss) recognized in income from changes in fair value of interest rate swap	4,465	(31,141)
Gain recognized in income from amortization of unrecognized gains (losses) in unrestricted net assets	(61)	(61)

During 2012, the Health System novated several interest rate swap agreements, which were not designated as hedges, to new counterparties to alleviate the underlying insurance and collateral exposure. This novation did not modify any of the terms of the original swap agreements. Management determined that these did not constitute new hedging instruments, and therefore the accounting for the agreements has not changed.

Note 9: Related-Party Transactions

The Health System leases real estate from certain companies controlled by members of the Board of Directors of the Health System or its subsidiaries. Minimum payments under these operating leases are $5,305 per year. The leases expire in various periods through 2021. Rent expense under these leases, including a pro rata portion of certain operating expenses of the facilities, was $5,567 and $4,915 for 2012 and 2011, respectively. At December 31, 2012 and 2011, the Health System also had outstanding debt with such parties related to real estate capital lease obligations of $10,486 and $10,963, respectively. The Health System also leases real estate to physicians who may serve the Health System through board of director or medical director roles.

The Health System purchases a variety of services and products from companies affiliated with members of the Boards of Directors of the Health System and/or its subsidiaries. Services and products purchased from these affiliated companies during 2012 and 2011 totaled $16,187 and $13,693, respectively, of which $8,131 and $4,902, respectively, were related to construction project costs. In addition, the Health System purchases services from several joint ventures and sells services and supplies to several joint ventures in which the Health System is also an investor.

The Health System has recorded receivables for amounts held by nonconsolidated foundations on behalf of the Health System of $44,142 and $41,527 as of December 31, 2012 and 2011, respectively. Contributions received from nonconsolidated foundations and other related parties were $2,925 and $2,326 in 2012 and 2011, respectively.

The Health System believes these transactions are consummated under commercially reasonable business arrangements.

Note 10: Retirement Benefit Plans

Defined Contribution Retirement Plans

The Health System has several defined contribution benefit plans, which are available to substantially all employees meeting age and length of service requirements. Participating employers annually determine the amount, if any, of the Health System's contributions to the plan. Total benefit expenses under the defined contribution plans were approximately $53,790 and $46,250 for 2012 and 2011, respectively. The Health System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were $1,521 and $2,394 for 2012 and 2011, respectively.

Defined Benefit Plans

Prior to 2001, substantially all employees of four of the Health System's subsidiaries were covered by noncontributory defined benefit pension plans, all of which have subsequently been frozen to new participants or terminated. The Health System's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Health System may determine to be appropriate from time to time.

Upon the affiliation with MHSC (Peoria) during 2011, the Health System inherited their noncontributory defined benefit pension plan, which has been frozen to new participants since 2007. Pension benefits are based on compensation of employees and years of service and are actuarially determined. As part of the accounting for the affiliation transaction, unrecognized pension benefit costs in unrestricted net assets were eliminated as they will not be recognized through earnings on the Health System's financial statements.

As of December 31, 2012, MHSC froze its defined benefit pension plan. Subsequent to this date, no additional benefits will be accrued by participants in the plan. There is currently no arrangement to terminate the plan and contributions will continue to the extent the plan remains underfunded. As a result of this plan freeze, a curtailment gain of $8,914 was recognized in the consolidated statements of operations.

The Health System expects to contribute $11,525 to the plans in 2013.

The following tables set forth information about each defined benefit plan:

	As of December 31, 2012			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Change in benefit obligation				
Benefit obligation, beginning of year	$ 201,605	$ 231,059	$ 124,563	$ 61,016
Service cost	-	5,046	105	459
Interest cost	9,878	11,251	6,115	3,052
Amendments	-	-	-	65
Actuarial loss	9,826	14,298	6,835	5,205
Benefits paid	(7,751)	(6,049)	(3,925)	(2,558)
Curtailment gain from freezing benefits	-	(24,337)	-	-
Benefit obligation, end of year	213,558	231,268	133,693	67,239
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	189,326	124,395	94,318	55,465
Actual return on plan assets	22,897	15,342	9,863	4,351
Employer contributions	5,150	10,155	4,894	4,300
Benefits paid	(7,751)	(6,049)	(3,925)	(2,558)
Fair value of plan assets, end of year	209,622	143,843	105,150	61,558
Funded status, end of year	$ (3,936)	$ (87,425)	$ (28,543)	$ (5,681)
Accumulated benefit obligation	$ 213,558	$ 231,268	$ 133,599	$ 67,239

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	As of December 31, 2012			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Liabilities recognized in the balance sheets sheets				
Current liabilities	$ -	$ (568)	$ -	$ -
Noncurrent liabilities	(3,936)	(86,857)	(28,543)	(5,681)
	$ (3,936)	$ (87,425)	$ (28,543)	$ (5,681)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost				
Net loss	$ 32,864	$ 583	$ 48,285	$ 21,608
Net prior service credit	-	-	-	(3,760)
	$ 32,864	$ 583	$ 48,285	$ 17,848
Amounts expected to be recognized within one year				
Net loss	$ 1,514	$ -	$ 3,923	$ 1,825
Net prior service credit	-	-	-	(278)
	$ 1,514	$ -	$ 3,923	$ 1,547
Other changes in plan assets recognized in changes in net assets				
Net (gain) loss	$ (1,257)	$ 9,687	$ 4,773	$ 4,970
Prior service cost	-	-	-	65
Curtailment gain from freezing benefits	-	(15,423)	-	-
Amortization of				
Net loss	(1,994)	-	(3,882)	(1,567)
Prior service (cost) credit	(42)	26	-	651
Total recognized in changes in net assets	$ (3,293)	$ (5,710)	$ 891	$ 4,119

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	As of December 31, 2012			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2012				
Discount rate	4.55%	4.55%	4.55%	4.55%
Rate of compensation increase	N/A	N/A	5.00%	N/A
Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2012				
Discount rate	5.00%	5.00%	5.00%	5.00%
Expected return on plan assets	6.30%	8.50%	8.25%	7.50%
Rate of compensation increase	N/A	3.25%	N/A	N/A
Components of net periodic benefit cost				
Service cost	$ -	$ 5,046	$ 105	$ 459
Interest cost	9,878	11,251	6,115	3,052
Expected return on plan assets	(11,814)	(10,730)	(7,801)	(4,115)
Amortization of prior service cost (credit)	42	(26)	-	(651)
Recognized net actuarial loss	1,994	-	3,882	1,567
Curtailment gain from freezing benefits	-	(8,914)	-	-
Net periodic benefit cost (benefit)	$ 100	$ (3,373)	$ 2,301	$ 312

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	As of December 31, 2011			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Change in benefit obligation				
Benefit obligation, beginning of year	$ 175,394	$ 219,916 *	$ 106,552	$ 53,276
Service cost	3,941	1,320	116	353
Interest cost	10,313	2,870	6,271	3,126
Actuarial loss	20,639	8,417	15,580	6,111
Benefits paid	(8,682)	(1,464)	(3,956)	(1,850)
Benefit obligation, end of year	201,605	231,059	124,563	61,016
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	181,094	118,836 *	89,605	50,064
Actual return on plan assets	9,639	5,441	3,730	3,951
Employer contributions	7,275	1,582	4,939	3,300
Benefits paid	(8,682)	(1,464)	(3,956)	(1,850)
Fair value of plan assets, end of year	189,326	124,395	94,318	55,465
Funded status, end of year	$ (12,279)	$ (106,664)	$ (30,245)	$ (5,551)
Accumulated benefit obligation	$ 201,605	$ 206,435	$ 124,349	$ 61,016

* As of October 1, 2011

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	As of December 31, 2011			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Liabilities recognized in the balance sheets				
Noncurrent liabilities	$ (12,279)	$ (106,664)	$ (30,245)	$ (5,551)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost				
Net loss	$ 36,115	$ 5,569	$ 47,394	$ 18,205
Net prior service cost (credit)	42	-	-	(4,476)
	$ 36,157	$ 5,569	$ 47,394	$ 13,729
Amounts expected to be recognized within one year				
Net loss	$ 1,994	$ -	$ 3,882	$ 1,567
Net prior service cost (credit)	42	-	-	(651)
	$ 2,036	$ -	$ 3,882	$ 916
Other changes in plan assets recognized in changes in net assets				
Net loss	$ 25,240	$ 5,569	$ 18,976	$ 6,087
Amortization of				
Net loss	-	-	(2,166)	(859)
Prior service (cost) credit	(46)	-	-	651
Total recognized in changes in net assets	$ 25,194	$ 5,569	$ 16,810	$ 5,879

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	As of December 31, 2011			
	Des Moines	Peoria	Cedar Rapids	Waterloo
Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2011				
Discount rate	5.00%	5.00%	5.00%	5.00%
Rate of compensation increase	4.00%	3.25%	5.00%	N/A
Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2011				
Discount rate	6.00%	5.25%	6.00%	6.00%
Expected return on plan assets	8.00%	8.50%	8.00%	8.00%
Rate of compensation increase	4.00%	3.25%	N/A	N/A
Components of Net Periodic Benefit Cost				
Service cost	$ 3,941	$ 1,320	$ 116	$ 353
Interest cost	10,313	2,870	6,271	3,126
Expected return on plan assets	(14,239)	(2,594)	(7,126)	(3,928)
Amortization of prior service cost (credit)	46	-	-	(651)
Recognized net actuarial loss	-	-	2,166	859
Net periodic benefit cost (benefit)	$ 61	$ 1,596	$ 1,427	$ (241)

The Health System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. Government securities, and other specified investments, based on certain target allocation percentages.

ATTACHMENT 6

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. Target asset allocation percentages for 2012 and 2011 were as follows:

		2012			
		Des Moines	Peoria	Cedar Rapids	Waterloo
Equity securities	Not to exceed	20%	50%	45%	25%
Fixed income	Not to exceed	80	30	55	75
Private investment funds	Not to exceed	-	20	-	-

		2011			
		Des Moines	Peoria	Cedar Rapids	Waterloo
Equity securities	Not to exceed	20%	60%	50%	25%
Fixed income	Not to exceed	80	25	50	75
Private investment funds	Not to exceed	-	15	-	-

Plan assets are re-balanced quarterly. At December 31, 2012 and 2011, plan asset allocations are as follows:

	2012				2011			
	Des Moines	Peoria	Cedar Rapids	Waterloo	Des Moines	Peoria	Cedar Rapids	Waterloo
Cash equivalents and short-term investments	7 %	-	1 %	5 %	-	-	3 %	3 %
U.S. Treasury obligations	-	-	-	-	-	-	8	10
U.S. Government agency obligations	-	-	-	-	-	-	10	12
Asset-backed securities								
Home equity	-	-	-	-	-	-	1	1
Other	-	-	-	-	-	-	2	2
Mortgage-backed securities								
Government	-	-	-	-	-	-	2	2
Non-government	-	-	-	-	-	-	3	4
Corporate bonds	9	-	-	-	11 %	-	27	34
Corporate bonds - PIF	-	-	-	-	69	-	-	6
Equity securities								
Domestic	-	-	-	-	3	-	7	3
Equity securities - PIF								
Domestic	-	-	-	-	8	-	17	10
International	-	-	-	-	3	-	6	3
Mutual funds								
Domestic	-	-	-	-	1	-	3	2
International	8	17 %	18	10	3	13 %	6	4
Emerging markets	7	-	-	1	2	-	5	3
Equity	13	33	27	15	-	30	-	-
Fixed income	56	30	54	69	-	27	-	-
Other	-	4	-	-	-	4	-	-
Hedge fund-of-funds - PIF	-	16	-	-	-	26	-	1
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Defined Benefit Plan Assets

The valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the year ended December 31, 2012.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. Level 2 plan assets include U.S. Treasury obligations, U.S. Government obligations, collateralized mortgage and other collateralized asset obligations, corporate debt and PIFs. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. The plans have no Level 3 investments.

The value of certain investments classified as PIFs is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Health System expects to have the ability to redeem with the investee within 12 months after the reporting date are categorized as Level 2.

The following tables present the fair value measurements of the Health System's pension plans' assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011:

	2012			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents and short-term investments	$ 18,891	$ 18,891	$ -	$ -
Corporate bonds	18,273	-	18,273	-
Mutual funds				
International	66,021	66,021	-	-
Emerging markets	15,533	15,533	-	-
Equity	112,235	112,235	-	-
Fixed income	259,698	259,698	-	-
Other	6,016	6,016	-	-
Hedge fund-of-funds - PIF	23,506	-	23,506	-
	$ 520,173	$ 478,394	$ 41,779	$ -

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	2011			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents and short-term investments	$ 3,830	$ 457	$ 3,373	$ -
U.S. Treasury obligations	12,717	-	12,717	-
U.S. Government agency obligations	15,490	-	15,490	-
Asset-backed securities				
Home equity	1,122	-	1,122	-
Other	2,707	-	2,707	-
Mortgage-backed securities				
Government	3,323	-	3,323	-
Non-government	5,158	-	5,158	-
Corporate bonds	64,543	46	64,497	-
Corporate bonds - PIF	134,808	-	134,808	-
Equity securities				
Domestic	13,457	13,457	-	-
Equity securities - PIF				
Domestic	35,814	-	35,814	-
International	12,796	-	12,796	-
Mutual funds				
Domestic	6,639	6,639	-	-
International	29,358	29,358	-	-
Emerging markets	11,034	11,034	-	-
Equity	36,856	36,856	-	-
Fixed income	34,277	34,277	-	-
Other	5,415	5,415	-	-
Hedge fund-of-funds - PIF	33,124	-	33,124	-
	$ 462,468	$ 137,539	$ 324,929	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2012:

2013	$ 23,943
2014	25,531
2015	27,383
2016	30,645
2017	31,525
2018 - 2022	183,513

Note 11: Risk Management

The Health System's hospitals are primarily self-insured for professional and general liability for amounts of $5,000 per claim ($3,000 per claim for MHSC) and $30,000 in the aggregate annually. Professional and general liability insurance coverage is maintained on a claims-made basis, with a liability limit of $35,000. Other entities of the Health System maintain their professional and general liability coverage on a claims-made basis with no significant deductibles.

The Health System is primarily self-insured for workers' compensation and employee health care claims. Workers' compensation claims individually and in the aggregate that exceed certain amounts are covered by insurance.

Property insurance is maintained with at least 90% replacement value coverage and minimal deductibles. Business interruption insurance coverage is also maintained by the Health System.

The Health System has accrued as other liabilities of $71,118 and $72,724 for self-insured losses at December 31, 2012 and 2011, respectively. These liabilities are presented on a gross basis and any expected offsetting insurance recoveries are reported as a receivable. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience and consultation with external insurance consultants and actuaries, and include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the Health System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the Health System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At December 31, 2012 and 2011, the cash and investments amounted to $35,383 and $37,049, respectively.

Note 12: Lease Commitments

Certain property and equipment is being leased under long-term noncancelable operating leases. In most cases, management expects that, in the normal course of operations, the leases will be renewed or replaced by other leases. The total rent expense under operating leases for 2012 and 2011 was $50,919 and $46,499, respectively.

The following is a schedule by year of future minimum rental payments required under noncancelable operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2012:

2013	$ 33,368
2014	25,534
2015	18,742
2016	14,828
2017	12,163
Thereafter	48,375
Total minimum payments required	$ 153,010

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An entity must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Financial Instruments Measured at Fair Value on a Recurring Basis

The valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the years ended December 31, 2012 or 2011. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Treasury obligations, U.S. Government agency obligations, collateralized mortgage and other collateralized asset obligations, corporate debt, and PIFs. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The only financial instruments with Level 3 measurements that the Health System holds are beneficial interests in trusts, which are discussed below. Inputs and valuation techniques used for these Level 3 interests are described below.

The value of certain investments classified as PIFs is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Health System expects to have the ability to redeem with the investee within 12 months after the reporting date are categorized as Level 2.

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Beneficial Interests in Trusts

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Trusts that have a definite duration based on the terms of the trust document, and where the Health System has the ability to redeem the investment for the underlying assets at some future point, are classified within Level 2 of the valuation hierarchy due to the nature of the valuation inputs. For trusts that are perpetual in nature, in which the underlying assets will never be available to the Health System, the interest is classified within Level 3 of the hierarchy.

Fair Value Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011:

		2012 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash equivalents and short-term investments	$ 73,379	$ 13,301	$ 60,078	$ -
U.S. Treasury obligations	6,274	-	6,274	-
U.S. Government agency obligations	3,123	-	3,123	-
Asset-backed securities				
Home equity	745	-	745	-
Other	71	-	71	-
Mortgage-backed securities				
Government	2,149	-	2,149	-
Non-government	678	-	678	-
Certificates of deposit	379	379	-	-
Corporate bonds	5,933	-	5,933	-
Equity securities				
Domestic	14,201	14,201	-	-
International	501	501	-	-
Mutual funds				
Domestic	2,093	2,093	-	-
International	161,291	161,291	-	-
Emerging markets	22,842	22,842	-	-
Index	4,240	4,240	-	-
Equity	379,504	379,504	-	-
Fixed income	468,494	468,494	-	-
Other	14,711	14,711	-	-
Hedge fund-of-funds - PIF	43,668	-	43,668	-
Insurance policies	4,419	-	4,419	-
Beneficial interest in trusts	12,390	-	5,787	6,603
Financial Liabilities				
Interest rate swap agreements (net)	(92,053)	-	(92,053)	-
	$ 1,129,032	$ 1,081,557	$ 40,872	$ 6,603

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2012 and 2011

	2011			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash equivalents and short-term investments	$ 205,626	$ 17,410	$ 188,216	$ -
U.S. Treasury obligations	23,249	-	23,249	-
U.S. Government agency obligations	8,140	-	8,140	-
Asset-backed securities				
Home equity	17,691	-	17,691	-
Other	6,703	-	6,703	-
Mortgage-backed securities				
Government	59,252	-	59,252	-
Non-government	40,893	-	40,893	-
Certificates of deposit	474	474	-	-
Corporate bonds	53,718	-	53,718	-
Corporate bonds - PIF	190,763	-	190,763	-
Equity securities				
Domestic	120,855	120,855	-	-
International	135	135	-	-
Equity securities - PIF				
Domestic	149,383	-	149,383	-
International	73,392	-	73,392	-
Mutual funds				
Domestic	19,659	19,659	-	-
International	85,031	85,031	-	-
Emerging markets	58,811	58,811	-	-
Index	3,192	3,192	-	-
Equity	30,383	30,383	-	-
Fixed income	67,927	67,927	-	-
Other	4,780	4,780	-	-
Hedge fund-of-funds - PIF	101,444	-	101,444	-
Insurance policies	4,199	-	4,199	-
Beneficial interest in trusts	11,521	-	5,497	6,024
Financial Liabilities				
Interest rate swap agreements (net)	(97,522)	-	(97,522)	-
	$ 1,239,699	$ 408,657	$ 825,018	$ 6,024

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

	2012	2011
Balance, beginning of year	$ 6,024	$ 5,487
Gain on beneficial interests in perpetual trusts	579	537
Balance, end of year	$ 6,603	$ 6,024

Financial Instruments Not Measured at Fair Value

The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments, which include cash and cash equivalents, short-term investments, receivables, accounts payable, accrued liabilities, estimated settlements due to third-party payers, and other current liabilities.

The carrying amount of the variable rate bonds and notes is assumed to approximate fair value. For the fixed-rate bonds, the estimated fair value is based on quoted prices for similar liabilities and is obtained from a financial institution that deals in these types of instruments. Other debt obligations are insignificant, and the carrying amounts are assumed to approximate fair value.

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates. The fair market value of the Health System's financial instruments at December 31 approximates the carrying value except as follows:

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2012				
Financial Liabilities				
Long-term debt, excluding capital leases and interest rate swaps	$ 784,490		$ 825,639	
December 31, 2011				
Financial Liabilities				
Long-term debt, excluding capital leases and interest rate swaps	$ 779,426		$ 803,109	

Note 14: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	2012	2011
Purchase of equipment	$ 18,235	$ 13,594
Indigent care/operations	27,139	29,121
Health education	8,182	6,217
For use in future periods	10,220	5,071
Other	1,159	3,821
Total temporarily restricted net assets	$ 64,935	$ 57,824

Permanently restricted net assets are restricted to the following as of December 31:

	2012	2011
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted)	$ 25,150	$ 24,291
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors)	24,123	22,778
Total permanently restricted net assets	$ 49,273	$ 47,069

Note 15: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Health System's conditional asset retirement obligations primarily relate to asbestos contained in various buildings. Environmental regulations in the states where the Health System operates require the Health System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

A summary of changes in asset retirement obligations, which are included on the accompanying consolidated balance sheets in other long-term liabilities, during 2012 and 2011 is included in the table below.

	2012	2011
Liability, beginning of year	$ 12,798	$ 12,108
Liabilities incurred	14	-
Liabilities settled	(494)	(1,052)
Accretion expense	1,066	718
Liabilities assumed in affiliation with MHSC	-	1,024
Changes in estimates, including timing	414	-
Liability, end of year	$ 13,798	$ 12,798

Note 16: Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. The Health System has a corporate compliance plan intended to meet federal guidelines. As a part of this plan, the Health System performs periodic internal reviews of its compliance with laws and regulations. As part of the Health System's compliance efforts, the Health System investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis. The Health System believes that these compliance programs and procedures lead to substantial compliance with current laws and regulations.

The Health System is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties, which could be material. At this time, the Health System is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the Health System does not believe it would materially affect the financial position of the Health System.

Guarantees

The Health System has guaranteed approximately $23,040 and $24,747 at December 31, 2012 and 2011, respectively, relating to long-term debt for the construction of a cancer center, a medical office building that includes clinic and office space, a family practice residency program education facility, and debt related to joint ventures.

Employment Contracts

The Health System is committed for noncancelable physician employment contracts in the following amounts, prior to inflationary adjustments and bonuses based on future events:

2013	$ 1,914
2014	845
2015	24

Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid, and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Iowa has not indicated whether it will participate in the expansion of the Medicaid program. The ultimate impact on the overall reimbursement to the Health System of any decision to be made cannot be quantified at this point. The state of Illinois has currently indicated it will participate in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Health System's net patient service revenue. Additionally, it is possible the Health System will experience payment delays and other operational challenges during PPACA's implementation.

Note 17: Subsequent Events

Subsequent events have been evaluated through April 25, 2013, which is the date the financial statements were issued.

Certain provisions of the Federal Government's *Budget Control Act of 2011* went into effect on January 1, 2013. Among these are mandatory payment reductions under the Medicare Fee-for-Service program, known as sequestration. The *American Taxpayer Relief Act of 2012* postponed sequestration for two months, but the order was issued by President Obama on March 1, 2013. Under these provisions, Medicare reimbursement was reduced by two percent on all claims with dates-of-service or dates-of-discharge on or after April 1, 2013. Under current law, sequestration is scheduled to last through 2021. The continuation of these payment cuts for an extended period of time will have an adverse effect on operating results of the Health System.

On April 16, 2013, the Health System began being publically known as UnityPoint Health. This name change reflects the transformation of clinical processes underway within the Health System and the adaptation to better address the health care needs of communities, including building a model of delivering health care that coordinates care around the patient while focusing on improving the quality of care and reducing costs. The legal name of the parent will remain Iowa Health System, with the UnityPoint Health name reflecting a doing business as (d/b/a). This name change impacts the subsidiary entities as well. As part of this transition, some of the Health System's subsidiaries will be changing their legal names, but most will just be changes in the d/b/a.

Iowa Health System and Subsidiaries

Schedule 1

Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	IHDM	MHSC	TRHS	SLHC	AHS	SLHS	THS	TRI-ST	IHP	IHHC	IHS & Other	Eliminations	Consolidated
Current Assets													
Cash and cash equivalents	$ 29,769	$ 30,535	$ 17,534	$ 17,255	$ 6,857	$ 8,549	$ 9,533	$ 5,130	$ 3,138	$ 3,297	$ 9,393	$	$ 140,990
Short-term investments	20,697	410	7,227	9,043	4,384	2,811	449	1,205	5,635	2,523	10,024		64,408
Assets limited as to use - required for current liabilities	5,822		3,312	2,734	957	1,042	538						14,405
Patient accounts receivable, less estimated uncollectibles	94,160	55,941	56,400	52,424	25,842	23,500	17,746	15,804	19,068	17,670			378,555
Other receivables	8,884	5,050	1,638	5,912	2,905	2,358	2,043	3,172	1,813	2,057	7,486		43,318
Inventories	11,261	4,154	9,231	7,771	5,675	3,587	3,065	2,258	2,584	1,255	69		50,910
Prepaid expenses	2,486	2,953	1,426	1,536	1,109	697	568	579	474	101	14,182		26,111
Due from affiliates	403		(122)	433	69	83	107	273	17,656	191	39,476	(58,569)	-
Total current assets	173,482	99,043	96,646	97,108	47,798	42,627	34,049	28,421	50,368	27,094	80,630	(58,569)	718,697
Assets Limited As to Use, noncurrent													
Held by trustee under bond indenture agreements	2,925												2,925
Internally designated	461,123	3,701	152,308	110,703	1,228	49,796	45,022	58,065			526		882,472
Total assets limited as to use, noncurrent	464,048	3,701	152,308	110,703	1,228	49,796	45,022	58,065			526		885,397
Property, Plant and Equipment, net	260,842	244,543	152,067	166,730	104,992	76,105	78,743	50,476	22,621	6,520	160,849		1,324,488
Other Long-term Investments	47,013	165,196	2,368	22,210	99,988	1,298	13,817	299	34,568	18,103	8,189		413,049
Investments in Joint Ventures and Other Investments	69,628	13,009	7,709	15,513	7,565	12,325	4,653	4,586		517	22,292	(83,189)	74,608
Contributions Receivable, net	6,846	5,787	3,455	35,311	2,821	3,464	1,324	6,171					65,179
Other	882	1,440	1,588	1,666	3,551	385	1,370	57	745		12,257		23,941
Due From Affiliates					150			90			465,545	(465,785)	-
Total assets	$ 1,022,741	$ 532,719	$ 416,141	$ 449,241	$ 268,093	$ 186,000	$ 178,978	$ 148,165	$ 108,302	$ 52,234	$ 750,288	$ (607,543)	$ 3,505,359

Liabilities and Net Assets

	IHDM	MHSC	TRHS	SLHC	AHS	SLHS	THS	TRI-ST	IHP	IHHC	IHS & Other	Eliminations	Consolidated
Current Liabilities													
Current maturities of long-term debt	$ 206	$ 5,365	$ 1,512	$	$ 20	$ 11	$ 366	$	$ 472	$ 191	$ 64,879	$	$ 73,022
Accounts payable	22,999	23,830	16,796	12,028	8,731	9,131	4,689	5,148	4,567	3,869	10,849		122,637
Accrued payroll	31,089	11,801	14,717	20,180	11,793	6,511	7,360	5,467	19,907	5,648	9,573		144,046
Accrued interest	12	220									7,977		8,209
Estimated settlements due to third-party payers	3,863	31,368	8,360	4,091	6,214	1,798	802	814		696			58,006
Due to affiliates	18,253	571	8,788	10,035	7,472	6,686	1,559	1,386	40	1,002	2,607	(58,399)	-
Other current liabilities	12,646	8,113	7,309	6,788	4,838	2,471	2,317	2,832	6,065	952	6,140	(174)	60,297
Total current liabilities	89,068	81,268	57,482	53,122	39,068	26,608	17,093	15,647	31,051	12,358	102,025	(58,573)	466,217
Long-term Debt, net	26,539	99,010	14,720	3	30	34			9,443	360	577,446		727,585
Other Long-term Liabilities	29,278	108,086	12,151	38,418	13,811	6,213	11,170	808	23,067	1,022	114,811		358,835
Due to Affiliates	128,798		124,400	71,782	58,900	54,607	20,440	6,753		105		(465,785)	-
Total liabilities	273,683	288,364	208,753	163,325	111,809	87,462	48,703	23,208	63,561	13,845	794,282	(524,358)	1,552,637
Net Assets													
Unrestricted	722,694	230,238	196,655	247,479	148,307	94,758	124,038	118,786	44,741	38,056	(44,053)	(83,185)	1,838,514
Temporarily restricted	10,222	10,133	9,126	20,325	4,149	2,211	4,393	3,984		333	59		64,935
Permanently restricted	16,142	3,984	1,607	18,112	3,828	1,569	1,844	2,187					49,273
Total net assets	749,058	244,355	207,388	285,916	156,284	98,538	130,275	124,957	44,741	38,389	(43,994)	(83,185)	1,952,722
Total liabilities and net assets	$ 1,022,741	$ 532,719	$ 416,141	$ 449,241	$ 268,093	$ 186,000	$ 178,978	$ 148,165	$ 108,302	$ 52,234	$ 750,288	$ (607,543)	$ 3,505,359

Definitions

IHDM - Iowa Health - Des Moines and Subsidiaries (Des Moines)
MHSC - Methodist Health Services Corp. and Subsidiaries (Peoria)
TRHS - Trinity Regional Health System and Subsidiaries (Rock Island)
SLHC - St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
AHS - Allen Health Systems, Inc. and Subsidiaries (Waterloo)
SLHS - St. Luke's Health System, Inc. (Sioux City)
THS - Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
TRI-ST - Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
IHP - Iowa Health Physicians & Clinics
IHHC - Iowa Health Home Care
IHS & Other - Iowa Health System and other Subsidiaries

ATTACHMENT 6

Iowa Health System and Subsidiaries

Schedule 2

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2012

	IHDM	MHSC	TRHS	SLHC	AHS	SLHS	THS	TRI-ST	IHP	IHHC	IHS & Other	Eliminations	Consolidated
Revenue													
Patient service revenue (net of contractual allowances)	$ 636,100	$ 354,890	$ 404,027	$ 365,557	$ 213,882	$ 163,234	$ 136,264	$ 97,229	$ 223,420	$ 92,608	$	$ (1,203)	$ 2,686,008
Provision for patient uncollectible accounts	(31,751)	(19,009)	(29,743)	(14,902)	(7,933)	(13,513)	(6,025)	(3,929)	(4,608)				(131,413)
Net patient service revenue	604,349	335,881	374,284	350,655	205,949	149,721	130,239	93,300	218,812	92,608		(1,203)	2,554,595
Other operating revenue	27,783	25,749	12,864	21,474	11,031	6,557	12,593	5,684	23,823	2,635	196,481	(175,411)	171,263
Net assets released from restrictions used for operations	2,947	643	702	736	511		145	101		773	128		6,686
Total revenue	635,079	362,273	387,850	372,865	217,491	156,278	142,977	99,085	242,635	96,016	196,609	(176,614)	2,732,544
Expenses													
Salaries and wages	227,171	118,821	129,779	142,206	71,621	52,728	48,159	35,333	76,312	49,888	52,362		1,004,380
Physician compensation and services	53,906	46,119	32,308	30,855	16,234	13,490	27,253	4,908	104,119	227	16	(5,074)	324,361
Employee benefits	58,788	22,992	32,158	37,119	18,537	13,750	11,925	8,054	17,452	11,334	10,770	(2,011)	240,868
Supplies	117,057	50,956	76,185	59,181	47,377	27,620	20,043	14,596	18,874	13,424	600		445,913
Other expenses	114,140	73,353	91,731	74,298	38,365	33,798	26,563	25,738	50,836	14,328	86,438	(170,647)	458,941
Depreciation and amortization	33,370	24,676	17,424	17,843	12,690	7,155	6,424	5,911	4,400	2,026	31,976		163,895
Interest	7,669	2,476	6,837	3,865	3,043	2,743	1,165	477	508	44	27,590	(24,683)	31,734
Provision for uncollectible accounts	85		122	115	22	32				678			1,054
Total expenses	612,186	339,393	386,544	365,482	207,889	151,316	141,532	95,017	272,501	91,949	209,752	(202,415)	2,671,146
Operating Income (Loss)	22,893	22,880	1,306	7,383	9,602	4,962	1,445	4,068	(29,866)	4,067	(13,143)	25,801	61,398
Nonoperating Gains (Losses)													
Investment income	58,458	13,975	16,977	14,101	10,652	5,706	5,930	6,455	3,304	2,017	2,567	(5,327)	134,815
Other, net	372	3,978	272	8	61	(10)	(113)	128	6		(3,320)		1,382
Total nonoperating gains (losses), net	58,830	17,953	17,249	14,109	10,713	5,696	5,817	6,583	3,310	2,017	(753)	(5,327)	136,197
Revenue Over (Under) Expenses	$ 81,723	$ 40,833	$ 18,555	$ 21,492	$ 20,315	$ 10,658	$ 7,262	$ 10,651	$ (26,556)	$ 6,084	$ (13,896)	$ 20,474	$ 197,595

Definitions

IHDM - Iowa Health - Des Moines and Subsidiaries (Des Moines)
MHSC - Methodist Health Services Corp. and Subsidiaries (Peoria)
TRHS - Trinity Regional Health System and Subsidiaries (Rock Island)
SLHC - St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
AHS - Allen Health Systems, Inc. and Subsidiaries (Waterloo)
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THS - Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
TRI-ST - Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
IHP - Iowa Health Physicians & Clinics
IHHC - Iowa Health Home Care
IHS & Other - Iowa Health System and other Subsidiaries

ATTACHMENT 6

Iowa Health System and Subsidiaries

Schedule 3

Iowa Health - Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	IHDM	CIHC	IHF	CIHP	IHHC	IHP	Eliminations	Consolidated
Current Assets								
Cash and cash equivalents	$	$ 28,674	$ 520	$ 575	$	$	$	$ 29,769
Short-term investments		20,697						20,697
Assets limited as to use - required for current liabilities		5,822						5,822
Patient accounts receivable, less estimated uncollectibles		94,160						94,160
Other receivables		8,878	5	1				8,884
Inventories		11,159	102					11,261
Prepaid expenses		2,414	30	42				2,486
Due from affiliates		2,227		5,823			(7,647)	403
Total current assets		174,031	657	6,441			(7,647)	173,482
Assets Limited As to Use, noncurrent								
Held by trustee under bond indenture agreements		2,925						2,925
Internally designated		392,480	68,643					461,123
Total assets limited as to use, noncurrent		395,405	68,643					464,048
Property, Plant and Equipment, net		234,555	74	26,213				260,842
Other Long-term Investments		9,330	37,683					47,013
Investments in Joint Ventures and Other Investments		29,126	22	4,543	33,476	25,615	(23,154)	69,628
Contributions Receivable, net			6,846					6,846
Other		838		44				882
Due From Affiliates		2,548					(2,548)	-
Total assets	$ -	$ 845,833	$ 113,925	$ 37,241	$ 33,476	$ 25,615	$ (33,349)	$ 1,022,741

Liabilities and Net Assets

	IHDM	CIHC	IHF	CIHP	IHHC	IHP	Eliminations	Consolidated
Current Liabilities								
Current maturities of long-term debt	$	$ 206	$	$	$	$	$	$ 206
Accounts payable		22,298	1	700				22,999
Accrued payroll		30,903	186					31,089
Accrued interest		12						12
Estimated settlements due to third-party payers		3,863						3,863
Due to affiliates		23,808	365	1,727			(7,647)	18,253
Other current liabilities		12,517		129				12,646
Total current liabilities		93,607	552	2,556			(7,647)	89,068
Long-term Debt, net		26,539						26,539
Other Long-term Liabilities		28,157	1,121					29,278
Due to Affiliates		128,018		3,328			(2,548)	128,798
Total liabilities		276,321	1,673	5,884			(10,195)	273,683
Net Assets								
Unrestricted		545,999	86,247	31,357	33,476	25,615		722,694
Temporarily restricted		7,319	9,863				(6,960)	10,222
Permanently restricted		16,194	16,142				(16,194)	16,142
Total net assets		569,512	112,252	31,357	33,476	25,615	(23,154)	749,058
Total liabilities and net assets	$ -	$ 845,833	$ 113,925	$ 37,241	$ 33,476	$ 25,615	$ (33,349)	$ 1,022,741

Definitions

IHDM - Iowa Health - Des Moines
CIHC - Central Iowa Hospital Corporation
IHF - Iowa Health Foundation
CIHP - Central Iowa Health Properties Corporation
IHHC - Iowa Health Home Care, IHDM portion
IHP - Iowa Health Physicians & Clinics, IHDM portion

Iowa Health System and Subsidiaries

Schedule 4

Iowa Health - Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2012

	IHDM	CIHC	IHF	CIHP	IHHC	IHP	Eliminations	Consolidated
Revenue								
Patient service revenue (net of contractual allowances)	$	$ 636,630	$	$	$	$	$ (530)	$ 636,100
Provision for patient uncollectible accounts		(31,751)						(31,751)
Net patient service revenue		604,879					(530)	604,349
Other operating revenue		46,718		5,344	2,264	(17,508)	(9,035)	27,783
Net assets released from restrictions used for operations		2,924	23					2,947
Total revenue		654,521	23	5,344	2,264	(17,508)	(9,565)	635,079
Expenses								
Salaries and wages		226,026	1,087	58				227,171
Physician compensation and services		57,976					(4,070)	53,906
Employee benefits		58,488	276	24				58,788
Supplies		117,048	6	3				117,057
Other expenses	78	116,777	612	2,168			(5,495)	114,140
Depreciation and amortization		31,960	16	1,394				33,370
Interest		7,465		204				7,669
Provision for uncollectible accounts		85						85
Total expenses	78	615,825	1,997	3,851			(9,565)	612,186
Operating Income (Loss)	(78)	38,696	(1,974)	1,493	2,264	(17,508)		22,893
Nonoperating Gains								
Investment income		44,336	11,023		1,009	2,090		58,458
Other, net			372					372
Total nonoperating gains, net		44,336	11,395		1,009	2,090		58,830
Revenue Over (Under) Expenses	$ (78)	$ 83,032	$ 9,421	$ 1,493	$ 3,273	$ (15,418)	$ -	$ 81,723

Definitions

IHDM - Iowa Health - Des Moines
CIHC - Central Iowa Hospital Corporation
IHF - Iowa Health Foundation
CIHP - Central Iowa Health Properties Corporation
IHHC - Iowa Health Home Care, IHDM portion
IHP - Iowa Health Physicians & Clinics, IHDM portion

Iowa Health System and Subsidiaries

Schedule 5

Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	MHSC	MMCI	MSI	MMCF	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	$ 2,761	$ 27,285	$ 199	$ 290	$	$ 30,535
Short-term investments		410				410
Patient accounts receivable, less estimated uncollectibles	66	55,875				55,941
Other receivables	180	4,696	174			5,050
Inventories	346	3,808				4,154
Prepaid expenses	10	2,938		5		2,953
Due from affiliates	128	4,483			(4,611)	-
Total current assets	3,491	99,495	373	295	(4,611)	99,043
Assets Limited As to Use, noncurrent						
Internally designated		3,701				3,701
Property, Plant and Equipment, net	27	166,669	77,847			244,543
Other Long-term Investments		147,250		17,946		165,196
Investments in Joint Ventures and Other Investments	359	30,745		142	(18,237)	13,009
Contributions Receivable, net		5,787				5,787
Other	122	1,318				1,440
Total assets	$ 3,999	$ 454,965	$ 78,220	$ 18,383	$ (22,848)	$ 532,719

Liabilities and Net Assets

Current Liabilities						
Current maturities of long-term debt	$	$ 5,365	$	$	$	$ 5,365
Accounts payable	97	23,494	239			23,830
Accrued payroll	526	11,275				11,801
Accrued interest		220				220
Estimated settlements due to third-party payers		31,368				31,368
Due to affiliates	1,186	700	3,296		(4,611)	571
Other current liabilities		7,173	905	35		8,113
Total current liabilities	1,809	79,595	4,440	35	(4,611)	81,268
Long-term Debt, net		99,010				99,010
Other Long-term Liabilities		107,975		111		108,086
Total liabilities	1,809	286,580	4,440	146	(4,611)	288,364
Net Assets						
Unrestricted	2,190	154,268	73,780	10,096	(10,096)	230,238
Temporarily restricted		10,133		4,177	(4,177)	10,133
Permanently restricted		3,984		3,964	(3,964)	3,984
Total net assets	2,190	168,385	73,780	18,237	(18,237)	244,355
Total liabilities and net assets	$ 3,999	$ 454,965	$ 78,220	$ 18,383	$ (22,848)	$ 532,719

Definitions
MHSC - Methodist Health Services Corporation
MMCI - Methodist Medical Center of Illinois
MSI - Methodist Services, Inc.
MMCF - Methodist Medical Center Foundation

Iowa Health System and Subsidiaries

Schedule 6

Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2012

	MHSC	MMCI	MSI	MMCF	Eliminations	Consolidated
Revenue						
Patient service revenue (net of contractual allowances)	$ 574	$ 355,978	$	$	$ (1,662)	$ 354,890
Provision for patient uncollectible accounts		(19,009)				(19,009)
Net patient service revenue	574	336,969			(1,662)	335,881
Other operating revenue	12,190	25,069	7,578	211	(19,299)	25,749
Net assets released from restrictions used for operations		202		441		643
Total revenue	12,764	362,240	7,578	652	(20,961)	362,273
Expenses						
Salaries and wages	10,059	108,588		174		118,821
Physician compensation and services		46,119				46,119
Employee benefits	2,662	20,580	20	45	(315)	22,992
Supplies	9	50,934	11	2		50,956
Other expenses	366	87,337	5,670	626	(20,646)	73,353
Depreciation and amortization	17	21,790	2,869			24,676
Interest		2,476				2,476
Total expenses	13,113	337,824	8,570	847	(20,961)	339,393
Operating Income (Loss)	(349)	24,416	(992)	(195)		22,880
Nonoperating Gains						
Investment income	12	12,909		1,054		13,975
Other, net		3,061		917		3,978
Total nonoperating gains, net	12	15,970		1,971		17,953
Revenue Over (Under) Expenses	$ (337)	$ 40,386	$ (992)	$ 1,776	$ -	$ 40,833

Definitions
MHSC - Methodist Health Services Corporation
MMCI - Methodist Medical Center of Illinois
MSI - Methodist Services, Inc.
MMCF - Methodist Medical Center Foundation

Iowa Health System and Subsidiaries

Schedule 7

Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	TRHS	TMC	VNHA	THF	THE	TM	IHP	Eliminations	Consolidated
Current Assets									
Cash and cash equivalents	$ 372	$ 12,107	$	$ 300	$ 1,509	$ 3,246	$	$	$ 17,534
Short-term investments		2,687		7		4,533			7,227
Assets limited as to use - required for current liabilities		3,312							3,312
Patient accounts receivable, less estimated uncollectibles		48,528			463	7,409			56,400
Other receivables		76				1,562			1,638
Inventories		7,436			316	1,479			9,231
Prepaid expenses		1,130		38	33	225			1,426
Due from affiliates	3	8,246			14	6		(8,391)	(122)
Total current assets	375	83,522		345	2,335	18,460		(8,391)	96,646
Assets Limited As to Use, noncurrent									
Internally designated	13,859	128,402		4,253		5,794			152,308
Property, Plant and Equipment, net		133,519			480	18,068			152,067
Other Long-term Investments		2,134		234					2,368
Investments in Joint Ventures and Other Investments	2,749	7,391	(567)		116		3,613	(5,593)	7,709
Contributions Receivable, net						3,455			3,455
Other		1,225				363			1,588
Due from Affiliates		5,700						(5,700)	-
Total assets	$ 16,983	$ 361,893	$ (567)	$ 4,832	$ 2,931	$ 46,140	$ 3,613	$ (19,684)	$ 416,141

Liabilities and Net Assets

	TRHS	TMC	VNHA	THF	THE	TM	IHP	Eliminations	Consolidated
Current Liabilities									
Current maturities of long-term debt	$	$	$	$	$	$ 1,512	$	$	$ 1,512
Accounts payable	60	14,899		10	40	1,787			16,796
Accrued payroll	661	12,081		6	69	1,900			14,717
Estimated settlements due to third-party payers		7,731				629			8,360
Due to affiliates	4,613	8,738		630	222	2,976		(8,391)	8,788
Other current liabilities	29	6,664		16	(143)	743			7,309
Total current liabilities	5,363	50,113		662	188	9,547		(8,391)	57,482
Long-term Debt, net						14,720			14,720
Other Long-term Liabilities		11,170		68		913			12,151
Due to Affiliates		124,400				5,700		(5,700)	124,400
Total liabilities	5,363	185,683		730	188	30,880		(14,091)	208,753
Net Assets (Deficit)									
Unrestricted	11,620	173,523	(567)	32	2,743	8,683	3,613	(2,992)	196,655
Temporarily restricted		1,320		2,463		6,577		(1,234)	9,126
Permanently restricted		1,367		1,607				(1,367)	1,607
Total net assets (deficit)	11,620	176,210	(567)	4,102	2,743	15,260	3,613	(5,593)	207,388
Total liabilities and net assets (deficit)	$ 16,983	$ 361,893	$ (567)	$ 4,832	$ 2,931	$ 46,140	$ 3,613	$ (19,684)	$ 416,141

Definitions

TRHS - Trinity Regional Health System
TMC - Trinity Medical Center
VNHA - Trinity Visiting Nurses and Homemakers Association
THF - Trinity Health Foundation
THE - Trinity Health Enterprises, Inc.
TM - Trinity Muscatine
IHP - Iowa Health Physicians & Clinics, TRHS portion

Schedule 8

Iowa Health System and Subsidiaries

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	TRHS	TMC	VNHA	THF	THE	TM	IHP	Eliminations	Consolidated
Revenue									
Patient service revenue (net of contractual allowances)	$	$ 341,105	$	$	$ 4,865	$ 58,057	$	$	$ 404,027
Provision for patient uncollectible accounts		(25,807)			(50)	(3,886)			(29,743)
Net patient service revenue		315,298			4,815	54,171			374,284
Other operating revenue	393	16,782	(309)		50	3,533	(6,505)	(1,080)	12,864
Net assets released from restrictions used for operations				702					702
Total revenue	393	332,080	(309)	702	4,865	57,704	(6,505)	(1,080)	387,850
Expenses									
Salaries and wages	330	110,198		388	1,335	17,528			129,779
Physician compensation and services		23,934				8,376		(2)	32,308
Employee benefits	72	25,700		92	332	6,052		(90)	32,158
Supplies	17	67,696		7	2,346	6,073		46	76,185
Other expenses	594	77,938		1,337	691	12,180		(1,009)	91,731
Depreciation and amortization		15,381			134	1,909			17,424
Interest		6,673				319		(155)	6,837
Provision for uncollectible accounts		122							122
Total expenses	1,013	327,642		1,824	4,838	52,437		(1,210)	386,544
Operating Income (Loss)	(620)	4,438	(309)	(1,122)	27	5,267	(6,505)	130	1,306
Nonoperating Gains									
Investment income	1,594	14,126	416	25		714	259	(157)	16,977
Other, net				139		133			272
Total nonoperating gains, net	1,594	14,126	416	164		847	259	(157)	17,249
Revenue Over (Under) Expenses	$ 974	$ 18,564	$ 107	$ (958)	$ 27	$ 6,114	$ (6,246)	$ (27)	$ 18,555

Definitions

TRHS - Trinity Regional Health System
TMC - Trinity Medical Center
VNHA - Trinity Visiting Nurses and Homemakers Association
THF - Trinity Health Foundation
THE - Trinity Health Enterprises, Inc.
TM - Trinity Muscatine
IHP - Iowa Health Physicians & Clinics, TRHS portion

Iowa Health System and Subsidiaries

Schedule 9

St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	SLMH	CARE	CC-STL	STL-HR	JONES	CARDIO LC	STEAM, INC.	IHP	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	$ 8,427	$ 1,348	$ 929	$ 770	$ 5,736	$ 45	$	$	$	$ 17,255
Short-term investments	7,159				1,884					9,043
Assets limited as to use - required for current liabilities	2,734									2,734
Patient accounts receivable, less estimated uncollectibles	46,148	1,148	931		3,143	1,054				52,424
Other receivables	5,291			6	467	69	79			5,912
Inventories	7,500		58		213					7,771
Prepaid expenses	1,341	42	10		34	78	31			1,536
Due from affiliates	1,434			1,498	(3)	150	60		(2,706)	433
Total current assets	80,034	2,538	1,928	2,274	11,474	1,396	170		(2,706)	97,108
Assets Limited As to Use, noncurrent										
Internally designated	100,710				9,993					110,703
Property, Plant and Equipment, net	141,464	4,308	279	1,668	13,343	395	4,600		673	166,730
Other Long-term Investments	21,463					747				22,210
Investments in Joint Ventures and Other Investments	12,450							9,426	(6,363)	15,513
Contributions Receivable	34,351				960					35,311
Other	1,107					559				1,666
Due From Affiliates	11,635			1,349					(12,984)	-
Total assets	$ 403,214	$ 6,846	$ 2,207	$ 5,291	$ 35,770	$ 3,097	$ 4,770	$ 9,426	$ (21,380)	$ 449,241

Liabilities and Net Assets

	SLMH	CARE	CC-STL	STL-HR	JONES	CARDIO LC	STEAM, INC.	IHP	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt										
Accounts payable	$ 10,406	$ 452	$ 404	$	$ 498	$ 121	$ 147	$	$	$ 12,028
Accrued payroll	18,200	331	127		826	696				20,180
Estimated settlements due to third-party payers	3,784		7		300					4,091
Due to affiliates	11,598	96	398		648	1			(2,706)	10,035
Other current liabilities	6,407	106	10	140		125				6,788
Total current liabilities	50,395	985	946	140	2,272	943	147		(2,706)	53,122
Long-term Debt, net			3							3
Other Long-term Liabilities	37,143			528		747				38,418
Due to Affiliates	73,131	261	4,864		6,510				(12,984)	71,782
Total liabilities	160,669	1,246	5,813	668	8,782	1,690	147		(15,690)	163,325
Net Assets (Deficit)										
Unrestricted	209,229	5,600	(3,606)	4,623	26,028	1,407	462	9,426	(5,690)	247,479
Temporarily restricted	15,204				960		4,161			20,325
Permanently restricted	18,112									18,112
Total net assets (deficit)	242,545	5,600	(3,606)	4,623	26,988	1,407	4,623	9,426	(5,690)	285,916
Total liabilities and net assets	$ 403,214	$ 6,846	$ 2,207	$ 5,291	$ 35,770	$ 3,097	$ 4,770	$ 9,426	$ (21,380)	$ 449,241

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources
JONES - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
STEAM, INC. - St. Luke's Coe Steam, Inc.
IHP - Iowa Health Physicians & Clinics, SLHC portion

ATTACHMENT 6

Schedule 10

Iowa Health System and Subsidiaries

St. Luke's Healthcare and Subsidiaries (Cedar Rapids)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	SLMH	CARE	CC-STL	STL-HR	JONES	CARDIO LC	STEAM, INC.	IHP	Eliminations	Consolidated
Revenue										
Patient service revenue (net of contractual allowances)	$ 313,215	$ 11,488	$ 7,020	$	$ 21,211	$ 13,713	$	$	$ (1,090)	$ 365,557
Provision for patient uncollectible accounts	(13,774)		(49)		(790)	(289)				(14,902)
Net patient service revenue	299,441	11,488	6,971		20,421	13,424			(1,090)	350,655
Other operating revenue	24,348	259	2	228	590	850	1,311	(1,620)	(4,494)	21,474
Net assets released from restrictions used for operations	736									736
Total revenue	324,525	11,747	6,973	228	21,011	14,274	1,311	(1,620)	(5,584)	372,865
Expenses										
Salaries and wages	122,908	5,897	2,931		6,147	4,103			220	142,206
Physician compensation and services	19,209	26	12		1,702	10,250			(344)	30,855
Employee benefits	32,968	782	466	5	1,920	932			46	37,119
Supplies	54,941	1,220	467		1,448	1,084	84		(63)	59,181
Other expenses	65,264	2,767	3,111	91	4,620	1,997	1,211		(4,763)	74,298
Depreciation and amortization	15,125	292	93	108	1,222	770	233			17,843
Interest	3,875	42	183		340	104			(679)	3,865
Provision for uncollectible accounts	115									115
Total expenses	314,405	11,026	7,263	204	17,399	19,240	1,528		(5,583)	365,482
Operating Income (Loss)	10,120	721	(290)	24	3,612	(4,966)	(217)	(1,620)	(1)	7,383
Nonoperating Gains										
Investment income	12,370				1,176			555		14,101
Other, net					8					8
Total nonoperating gains, net	12,370				1,184			555		14,109
Revenue Over (Under) Expenses	$ 22,490	$ 721	$ (290)	$ 24	$ 4,796	$ (4,966)	$ (217)	$ (1,065)	$ (1)	$ 21,492

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources
JONES - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
STEAM, INC. - St. Luke's Coe Steam, Inc.
IHP - Iowa Health Physicians & Clinics, SLHC portion

ATTACHMENT 6

Iowa Health System and Subsidiaries

Schedule 11

Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	AHS	AMH	MFAH	AC	IHP	IHHC	Eliminations	Consolidated
Current Assets								
Cash and cash equivalents	$	$ 6,145	$ 712	$	$	$	$	$ 6,857
Short-term investments		4,381	3					4,384
Assets limited as to use - required for current liabilities		957						957
Patient accounts receivable, less estimated uncollectibles		25,842						25,842
Other receivables		2,556		349				2,905
Inventories		5,675						5,675
Prepaid expenses		999		110				1,109
Due from affiliates		80					(11)	69
Total current assets		46,635	715	459			(11)	47,798
Assets Limited As to Use, noncurrent								
Internally designated		1,152	76					1,228
Property, Plant and Equipment, net		104,992						104,992
Other Long-term Investments		94,444	5,166	378				99,988
Investments in Joint Ventures and Other Investments		1,866	1,036	4,221	6,087	164	(5,809)	7,565
Contributions Receivable		1,955	866					2,821
Other		3,551						3,551
Due From Affiliates		150						150
Total assets	$ -	$ 254,745	$ 7,859	$ 5,058	$ 6,087	$ 164	$ (5,820)	$ 268,093

Liabilities and Net Assets

	AHS	AMH	MFAH	AC	IHP	IHHC	Eliminations	Consolidated
Current Liabilities								
Current maturities of long-term debt	$	$ 20	$	$	$	$	$	$ 20
Accounts payable		8,683	4	44				8,731
Accrued payroll		11,793						11,793
Estimated settlements due to third-party payers		6,214						6,214
Due to affiliates	3	7,472	8				(11)	7,472
Other current liabilities		4,814	12	12				4,838
Total current liabilities	3	38,996	24	56			(11)	39,068
Long-term Debt, net		30						30
Other Long-term Liabilities		13,277	46	488				13,811
Due to Affiliates		58,900						58,900
Total liabilities	3	111,203	70	544			(11)	111,809
Net Assets (Deficit)								
Unrestricted	(3)	139,789	1,977	293	6,087	164		148,307
Temporarily restricted		1,798	3,939	2,348			(3,936)	4,149
Permanently restricted		1,955	1,873	1,873			(1,873)	3,828
Total net assets (deficit)	(3)	143,542	7,789	4,514	6,087	164	(5,809)	156,284
Total liabilities and net assets	$ -	$ 254,745	$ 7,859	$ 5,058	$ 6,087	$ 164	$ (5,820)	$ 268,093

Definitions

AHS - Allen Health System
AMH - Allen Memorial Hospital Corporation
MFAH - Memorial Foundation of Allen Hospital
AC - Allen College
IHP - Iowa Health Physicians & Clinics, AHS portion
IHHC - Iowa Health Home Care, AHS portion

Schedule 12

Iowa Health System and Subsidiaries

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	AHS	AMH	MFAH	AC	IHP	IHHC	Eliminations	Consolidated
Revenue								
Patient service revenue (net of contractual allowances)	$	$ 213,882	$	$	$	$	$	$ 213,882
Provision for patient uncollectible accounts		(7,933)						(7,933)
Net patient service revenue		205,949						205,949
Other operating revenue		6,396	39	8,225	(4,233)	581	23	11,031
Net assets released from restrictions used for operations		126	9	376				511
Total revenue		212,471	48	8,601	(4,233)	581	23	217,491
Expenses								
Salaries and wages		67,062	295	4,264				71,621
Physician compensation and services		16,234						16,234
Employee benefits		17,462	74	978			23	18,537
Supplies		47,178	5	194				47,377
Other expenses	23	36,464	161	1,717				38,365
Depreciation and amortization		12,690						12,690
Interest		3,034	9					3,043
Provision for uncollectible accounts		1		21				22
Total expenses	23	200,125	544	7,174			23	207,889
Operating Income (Loss)	(23)	12,346	(496)	1,427	(4,233)	581		9,602
Nonoperating Gains								
Investment income		9,450	560		407	235		10,652
Other, net		63	(2)					61
Total nonoperating gains, net		9,513	558		407	235		10,713
Revenue Over (Under) Expenses	$ (23)	$ 21,859	$ 62	$ 1,427	$ (3,826)	$ 816	$ -	$ 20,315

Definitions

AHS - Allen Health System
AMH - Allen Memorial Hospital Corporation
MFAH - Memorial Foundation of Allen Hospital
AC - Allen College
IHP - Iowa Health Physicians & Clinics, AHS portion
IHHC - Iowa Health Home Care, AHS portion

Iowa Health System and Subsidiaries

St. Luke's Health System, Inc. (Sioux City)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Schedule 13

Assets

	SLHS	SLRMC	SLHR	PACE	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	$ 187	$ 6,970	$ 993	$ 399	$	$ 8,549
Short-term investments		2,811				2,811
Assets limited as to use - required for current liabilities		1,042				1,042
Patient accounts receivable, less estimated uncollectibles		22,286	941	311	(38)	23,500
Other receivables	26	2,226	99	7		2,358
Inventories		3,550	37			3,587
Prepaid expenses	25	617	32	23		697
Due from affiliates	40	43,853			(43,810)	83
Total current assets	278	83,355	2,102	740	(43,848)	42,627
Assets Limited As to Use, noncurrent						
Internally designated		49,796				49,796
Property, Plant and Equipment, net	14,450	59,029	2,574	52		76,105
Other Long-term Investments		1,298				1,298
Investments in Joint Ventures and Other Investments	11,499	826				12,325
Contributions Receivable		3,464				3,464
Other		385				385
Total assets	$ 26,227	$ 198,153	$ 4,676	$ 792	$ (43,848)	$ 186,000

Liabilities and Net Assets (Deficit)

Current Liabilities						
Current maturities of long-term debt	$	$ 11	$	$	$	$ 11
Accounts payable	7	8,304	190	668	(38)	9,131
Accrued payroll		6,284	197	30		6,511
Estimated settlements due to third-party payers		1,657		141		1,798
Due to affiliates	2,622	5,987	41,826	61	(43,810)	6,686
Other current liabilities	389	1,923	159			2,471
Total current liabilities	3,018	24,166	42,372	900	(43,848)	26,608
Long-term Debt, net		34				34
Other Long-term Liabilities		6,025	188			6,213
Due to Affiliates	9,960	44,647				54,607
Total liabilities	12,978	74,872	42,560	900	(43,848)	87,462
Net Assets (Deficit)						
Unrestricted	13,249	119,501	(37,884)	(108)		94,758
Temporarily restricted		2,211				2,211
Permanently restricted		1,569				1,569
Total net assets (deficit)	13,249	123,281	(37,884)	(108)		98,538
Total liabilities and net assets	$ 26,227	$ 198,153	$ 4,676	$ 792	$ (43,848)	$ 186,000

Definitions
SLHS - St. Luke's Health System
SLRMC - St. Luke's Regional Medical Center
SLHR - St. Luke's Health Resources
PACE - Souixland PACE

Schedule 14

Iowa Health System and Subsidiaries

St. Luke's Health System, Inc. (Sioux City)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	SLHS	SLRMC	SLHR	PACE	Eliminations	Consolidated
Revenue						
Patient service revenue (net of contractual allowances)	$	$ 143,390	$ 11,998	$ 8,631	$ (785)	$ 163,234
Provision for patient uncollectible accounts		(12,708)	(805)			(13,513)
Net patient service revenue		130,682	11,193	8,631	(785)	149,721
Other operating revenue	4,109	3,056	259	4	(871)	6,557
Total revenue	4,109	133,738	11,452	8,635	(1,656)	156,278
Expenses						
Salaries and wages	9	47,323	3,926	1,470		52,728
Physician compensation and services		8,306	4,915	269		13,490
Employee benefits		12,406	1,003	341		13,750
Supplies	3	25,848	494	1,275		27,620
Other expenses	936	26,724	3,069	4,725	(1,656)	33,798
Depreciation and amortization	1,030	5,827	260	38		7,155
Interest	557	2,186				2,743
Provision for uncollectible accounts		32				32
Total expenses	2,535	128,652	13,667	8,118	(1,656)	151,316
Operating Income (Loss)	1,574	5,086	(2,215)	517		4,962
Nonoperating Gains (Losses)						
Investment income	152	5,554				5,706
Other, net	(10)					(10)
Total nonoperating gains (losses), net	142	5,554				5,696
Revenue Over (Under) Expenses	$ 1,716	$ 10,640	$ (2,215)	$ 517	$ -	$ 10,658

Definitions

SLHS - St. Luke's Health System
SLRMC - St. Luke's Regional Medical Center
SLHR - St. Luke's Health Resources
PACE - Souixland PACE

Iowa Health System and Subsidiaries

Schedule 15

Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	THS	TRMC	BMHC	THF	TBC	TPG	TP ACO	IHHC	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	$ 442	$ 2,086	$ 989	$ 1,228	$ 1,884	$ 2,904	$	$	$	$ 9,533
Short-term investments		449								449
Assets limited as to use - required for current liabilities		538								538
Patient accounts receivable, less estimated uncollectibles		12,897	183			4,666				17,746
Other receivables	220	1,370			14	439				2,043
Inventories		2,582				483				3,065
Prepaid expenses	4	391	1		6	138	28			568
Due from affiliates	34	6,365	5		28	382			(6,707)	107
Total current assets	700	26,678	1,178	1,228	1,932	9,012	28		(6,707)	34,049
Assets Limited As to Use, noncurrent										
Internally designated		32,929		12,093						45,022
Property, Plant and Equipment, net	438	64,209	897	1	12,333	865				78,743
Other Long-term Investments	671			4,046		9,100				13,817
Investments in Joint Ventures and Other Investments	38,201	17,785						2,130	(53,463)	4,653
Contributions Receivable				1,324						1,324
Other	23	1,231				116				1,370
Due From Affiliates		74							(74)	-
Total assets	$ 40,033	$ 142,906	$ 2,075	$ 18,692	$ 14,265	$ 19,093	$ 28	$ 2,130	$ (60,244)	$ 178,978

Liabilities and Net Assets

	THS	TRMC	BMHC	THF	TBC	TPG	TP ACO	IHHC	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt	$	$ 366	$	$	$	$	$	$	$	$ 366
Accounts payable	2	3,702	4	7	61	913				4,689
Accrued payroll	512	4,552	49	13	9	2,225				7,360
Estimated settlements due to third-party payers		1,012	(210)							802
Due to affiliates	894	1,529	1,172	1,544	112	2,865	150		(6,707)	1,559
Other current liabilities	23	1,786	29	4	412	63				2,317
Total current liabilities	1,431	12,947	1,044	1,568	594	6,066	150		(6,707)	17,093
Other Long-term Liabilities	769	1,268	34			9,099				11,170
Due to Affiliates		20,440	74						(74)	20,440
Total liabilities	2,200	34,655	1,152	1,568	594	15,165	150		(6,781)	48,703
Net Assets (Deficit)										
Unrestricted	37,833	101,754	923	12,115	13,671	3,928	(122)	2,130	(48,194)	124,038
Temporarily restricted		4,653		3,146					(3,406)	4,393
Permanently restricted		1,844		1,863					(1,863)	1,844
Total net assets (deficit)	37,833	108,251	923	17,124	13,671	3,928	(122)	2,130	(53,463)	130,275
Total liabilities and net assets	$ 40,033	$ 142,906	$ 2,075	$ 18,692	$ 14,265	$ 19,093	$ 28	$ 2,130	$ (60,244)	$ 178,978

Definitions

THS - Trinity Health Systems
TRMC - Trinity Regional Medical Center
BMHC - Berryhill Mental Health Clinic
THF - Trinity Health Foundation
TBC - Trinity Building Corporation
TPG - Trimark Physicians Group
TP ACO - Trinity Pioneer ACO
IHHC - Iowa Health Home Care, THS portion

Schedule 16

Iowa Health System and Subsidiaries

Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	THS	TRMC	BMHC	THF	TBC	TPG	TP ACO	IHHC	Eliminations	Consolidated
Revenue										
Patient service revenue (net of contractual allowances)	$	$ 93,426	$ 2,172	$	$	$ 40,666	$	$	$	$ 136,264
Provision for patient uncollectible accounts		(4,991)	(47)			(987)				(6,025)
Net patient service revenue		88,435	2,125			39,679				130,239
Other operating revenue	3,223	7,589	106	26	2,105	3,793		1,293	(5,542)	12,593
Net assets released from restrictions used for operations		107		38						145
Total revenue	3,223	96,131	2,231	64	2,105	43,472		1,293	(5,542)	142,977
Expenses										
Salaries and wages	2,355	34,197	1,016	137	131	10,240	83			48,159
Physician compensation and services		7,869	499			18,883	2			27,253
Employee benefits	454	8,239	242	45	33	2,894	18			11,925
Supplies	5	16,972	21	2	13	3,030				20,043
Other expenses	66	21,201	400	318	1,155	8,946	19		(5,542)	26,563
Depreciation and amortization	60	5,197	96	2	753	316				6,424
Interest		1,161	4							1,165
Total expenses	2,940	94,836	2,278	504	2,085	44,309	122		(5,542)	141,532
Operating Income (Loss)	283	1,295	(47)	(440)	20	(837)	(122)	1,293		1,445
Nonoperating Gains (Losses)										
Investment income	1	3,612		2,104	3	5		205		5,930
Other, net		(413)		300						(113)
Total nonoperating gains (losses), net	1	3,199		2,404	3	5		205		5,817
Revenue Over (Under) Expenses	$ 284	$ 4,494	$ (47)	$ 1,964	$ 23	$ (832)	$ (122)	$ 1,498	$ -	$ 7,262

Definitions

THS - Trinity Health Systems
TRMC - Trinity Regional Medical Center
BMHC - Berryhill Mental Health Clinic
THF - Trinity Health Foundation
TBC - Trinity Building Corporation
TPG - Trimark Physicians Group
TP ACO - Trinity Pioneer ACO
IHHC - Iowa Health Home Care, THS portion

Iowa Health System and Subsidiaries

Schedule 17

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	$	$ 4,813	$ 317	$	$ 5,130
Short-term investments		1,205			1,205
Patient accounts receivable, less estimated uncollectibles		15,438	366		15,804
Other receivables		3,149	23		3,172
Inventories		2,258			2,258
Prepaid expenses		578	1		579
Due from affiliates		330	3	(60)	273
Total current assets		27,771	710	(60)	28,421
Assets Limited As to Use, noncurrent					
Internally designated		58,065			58,065
Property, Plant and Equipment, net		50,369	107		50,476
Other Long-term Investments		299			299
Investments in Joint Ventures and Other Investments	14	4,572			4,586
Contributions Receivable		4,543	1,628		6,171
Other		55	2		57
Due From Affiliates		90			90
Total assets	$ 14	$ 145,764	$ 2,447	$ (60)	$ 148,165

Liabilities and Net Assets

Current Liabilities					
Accounts payable	$	$ 5,137	$ 11	$	$ 5,148
Accrued payroll		5,222	245		5,467
Estimated settlements due to third-party payers		790	24		814
Due to affiliates		1,389	57	(60)	1,386
Other current liabilities		2,701	131		2,832
Total current liabilities		15,239	468	(60)	15,647
Other Long-term Liabilities		806	2		808
Due to Affiliates		6,753			6,753
Total liabilities		22,798	470	(60)	23,208
Net Assets					
Unrestricted	14	118,423	349		118,786
Temporarily restricted		2,356	1,628		3,984
Permanently restricted		2,187			2,187
Total net assets	14	122,966	1,977		124,957
Total liabilities and net assets	$ 14	$ 145,764	$ 2,447	$ (60)	$ 148,165

Definitions
TRI-ST - Finley Tri-States Health Group, Inc.
Finley - The Finley Hospital
VNA - Visiting Nurse Association

Iowa Health System and Subsidiaries

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Revenue					
Patient service revenue (net of contractual allowances)	$	$ 96,721	$ 508	$	$ 97,229
Provision for patient uncollectible accounts		(3,929)			(3,929)
Net patient service revenue		92,792	508		93,300
Other operating revenue		3,507	2,177		5,684
Net assets released from restrictions used for operations		93	8		101
Total revenue		96,392	2,693		99,085
Expenses					
Salaries and wages		33,486	1,847		35,333
Physician compensation and services		4,908			4,908
Employee benefits		7,479	575		8,054
Supplies		14,555	41		14,596
Other expenses		25,497	241		25,738
Depreciation and amortization		5,880	31		5,911
Interest		477			477
Total expenses		92,282	2,735		95,017
Operating Income (Loss)		4,110	(42)		4,068
Nonoperating Gains					
Investment income		6,454	1		6,455
Other, net		69	59		128
Total nonoperating gains, net		6,523	60		6,583
Revenue Over Expenses	$ -	$ 10,633	$ 18	$ -	$ 10,651

Definitions

TRI-ST - Finley Tri-States Health Group, Inc.
Finley - The Finley Hospital
VNA - Visiting Nurse Association

Iowa Health System and Subsidiaries

Schedule 19

Affiliated Colleges
Balance Sheet Information
(In Thousands)
December 31, 2012

Assets

	MC	TCN	AC	SLC
Current Assets				
Cash and cash equivalents	$ 2,195	$ 107	$	$ 195
Student loan and other receivables	275	112	349	53
Inventories	8			
Prepaid expenses	90	6	110	4
Total current assets	2,568	225	459	252
Property, Plant and Equipment, net	972	1,436		105
Other Long-term Investments			378	
Interest in Net Assets of Foundation	1,242	2,087	4,221	1,619
Other				248
Total assets	$ 4,782	$ 3,748	$ 5,058	$ 2,224

Liabilities and Net Assets

Current Liabilities				
Current maturities of long-term debt	$	$ 69	$	$
Accounts payable	51	11	44	100
Accrued payroll	91	84		242
Other current liabilities	182	259	12	110
Total current liabilities	324	423	56	452
Long-term Debt, net		1,457		
Other Long-term Liabilities		4	488	6
Total liabilities	324	1,884	544	458
Net Assets				
Unrestricted	3,216	(309)	293	(169)
Temporarily restricted	526	883	2,348	852
Permanently restricted	716	1,290	1,873	1,083
Total net assets	4,458	1,864	4,514	1,766
Total liabilities and net assets	$ 4,782	$ 3,748	$ 5,058	$ 2,224

Definitions
MC - Methodist College (Peoria)
TCN - Trinity College of Nursing & Health Sciences (Quad Cities)
AC - Allen College (Waterloo)
SLC - St. Luke's College (Sioux City)

Note 1: Fixed assets utilized by AC belong to their parent hospital corporation, Allen Memorial Hospital Corporation (AMH), and thus are not reflected in the balance sheet of the College. AC receives the benefit of using certain space within AMH's facilities, but donated revenue and donated expense is not reflected within the income statement of AC (located in

Note 2: Certain assets and liabilities, such as cash and accrued liabilities, are also not shown separately on the AC balance sheet, but rather included in AMH.

Schedule 20

Iowa Health System and Subsidiaries

Affiliated Colleges

Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2012

	MC	TCN	AC	SLC
Revenue				
Tuition and student revenue	$ 10,068	$ 3,009	$ 7,737	$ 2,450
Governmental pass-thru		15		876
Grant revenue		76	465	9
Other revenue		34	23	185
Net assets released from restrictions used for operations			376	
Total revenue	10,068	3,134	8,601	3,520
Expenses				
Salaries and wages	4,476	1,853	4,264	2,071
Employee benefits	1,111	452	978	572
Supplies	228	66	194	169
Other expenses	2,303	468	1,717	855
Depreciation and amortization	525	120		2
Interest		60		
Provision for uncollectible accounts		122	21	20
Total expenses	8,643	3,141	7,174	3,689
Operating Income (Loss)	1,425	(7)	1,427	(169)
Revenue Over (Under) Expenses	$ 1,425	$ (7)	$ 1,427	$ (169)

Definitions

MC - Methodist College (Peoria)
TCN - Trinity College of Nursing & Health Sciences (Quad Cities)
AC - Allen College (Waterloo)
SLC - St. Luke's College (Sioux City)

MOODY'S
INVESTORS SERVICE

Rating Update: Moody's affirms A2 rating assigned to Methodist Medical Center's (IL) bonds; Outlook revised to positive from stable

Global Credit Research - 24 Apr 2013

Action affects $51.2 million rated debt

ILLINOIS HEALTH FACILITIES AUTHORITY
Hospitals & Health Service Providers
IL

Opinion

NEW YORK, April 24, 2013 --Moody's Investors Service has affirmed the A2 underlying rating assigned to Methodist Medical Center of Illinois' (MMCI) bonds. The rating outlook is revised to positive from stable. The rating action applies to $51.2 million of Series 2011B bonds, as listed at the end of this report.

SUMMARY RATING RATIONALE: The A2 rating affirmation reflects MMCI's solid market presence in a highly competitive service area, very healthy coverage of a modest debt load, ample liquidity, recent strengthening of MMCI's operating performance and affiliation with Aa3 rated Iowa Health System (now d.b.a. UnityPoint Health). The revision of the rating outlook to positive from stable reflects our belief that MMCI's financial profile will strengthen and balance sheet indicators will continue to grow with support from its new parent corporation for capital expenditures and other operating infrastructure.

STRENGTHS

*Iowa Health System (now d.b.a. UnityPoint Health) became the sole member of MMCI in October, 2011. While there is no guarantee of the debt, MMCI benefits from access to funding for capital expansion projects, and expertise with regard to physicians, strategy and operations

*Balance sheet profile is very healthy with unrestricted cash and investments of $189.0 million as of December 31, 2012 equating to an ample 213 days and 181% cash-to-debt

*Following multi-year softening, profitability has rebounded strongly in FY 2012 to an unaudited operating income of $14.9 million or 4.1% margin, (when excluding pension curtailment gain of $8 million)

*MMCI obligated group has exhibited a historically conservative approach to financing capital needs, resulting in a well below average debt burden. Based on unaudited year end 2012, leverage is light at 1.9 times debt to cash-flow and 29% debt to revenue; with no plans to add additional borrowing to MMCI obligated group measures should strengthen

*Stable market share position of 27%; strategic expansion initiatives aimed at building alliances with hospitals, payers and physicians will likely continue to fortify MMCI's position

*Sizable and growing employed physician group, Methodist Medical Group (MMG), accounts for a substantial 70% of adult admissions and reduces System's dependency on the greater Peoria independent physician market

*Stable to generally growing demand for both inpatient and outpatient services, reflecting success in signing Caterpillar Network Products that brought access to 10,000 HMO lives in the market and an additional 60,000 PPO lives

*MMCI will receive $10.7 million in net funds annually from the Illinois Hospital Assessment Program through June 30, 2014

*Reduced balance sheet risk with termination of majority of swap exposure and freezing of pension plan

CHALLENGES

*Losses incurred by MMG persist, though have been reduced, and will likely to continue to pressure margins in the

near to midterm

*Peoria remains a challenging market characterized by shifting alliances between physicians, hospitals and payers as well as exclusive third party contracting.

*Modest demographics of greater Peoria market

DETAILED CREDIT DISCUSSION

LEGAL SECURITY: Unrestricted receivables of MMCI; negative mortgage lien

INTEREST RATE DERIVATIVES: MMCI currently has one floating-to-floating rate swap (basis swap) outstanding with a notional amount of $60 million. Morgan Stanley is the counterparty; no collateral is posted.

DEBT STRUCTURE: Approximately 47% of debt outstanding is variable with a demand feature supported by a letter of credit from PNC and US Bank which expires in May, 2016

RECENT DEVELOPMENTS / RESULTS:

Since our last review, MMCI has completed several major strategies and the benefits of the strategies are evident in stable to growing aggregate demand and improved operating performance. Initiatives have included affiliating with Iowa Health System (now d.b.a. UnityPoint Health), inclusion in new third party contracts, and improving performance at MMG. Opportunity for quality collaboration, integration of key functions and ongoing expense savings exists with the affiliation, though clinical consolidation is not a performance objective given the distinct market in which MMCI operates as compared with other system affiliates.

MMCI captures a solid 27% market share of its four county primary service area, representing stable market capture. However, the Peoria market remains dynamic and challenging, exhibiting relatively weak socio-economic indicators that are below average as well as shifting alliances between physicians, hospitals and payers. St. Francis Hospital, the flagship of the OSF Healthcare System (debt rated A3), remains the leading provider in the primary service area with 44% market share. Proctor Hospital (debt rated Ba2, under review for possible downgrade) captures a distant and declining 9.6% market share.

MMG is a sizable employed physician group (155 providers) that accounts for 70% of MMCI's inpatient admissions and substantial revenues. However, the group operates at a loss, materially tempering system margins. MMG, and physicians that are affiliated with MMCI, are also critical to strategies related to MMCI's platform for health reform. To that end, Methodist will look to further align with independent physicians either through employment, joint ventures, or management agreements. At this point, however, most large physicians groups are aligned with MMCI or a competitor, providing some greater stability going forward in physician referrals.

The payer environment in Peoria is challenging. MMCI had secured some contracts with Caterpillar in the last few years which have resulted in additional demand. However, Saint Francis maintains its exclusive contract with Humana (which purchased OSF's Health Plan) and Blue Cross. While a longer term opportunity for MMCI to capture once elusive market share exists, the continuation of these exclusives does appear to limit MMCI's top-line growth. MMCI has filed an anti-trust lawsuit against OSF St. Francis alleging anti-competitive conduct with respect to the major commercial contracts that remain exclusionary.

Following a multi-year trend of softening margins, MMCI reported significant improvement in fiscal year 2012 with operating income of $14.9 million or 4.1% margin, (when excluding pension curtailment gain of $8 million). Operating cashflow in 2012 was more than $42.0 million (11.6%), compared with $34.7 million (9.2%) in fiscal year 2011 (2011 performance adjusted for merger related expenses). Cash flow translated into an above average 6.5 times maximum annual debt service coverage and a very low (favorable) 1.9 times debt-to-cashflow. Margin improvement reflects MMCI's comprehensive margin improvement programs aimed at efficiencies and standardization.

Unrestricted cash and investments strengthened to $189 million at December 31, 2012, equating to an ample 213 days and 181% cash-to-debt, exceeding A2 medians (195 days and 147% cash to debt). Investments are highly liquid with 90% available on a monthly basis and 100% of liquidity available on an annual basis. Monthly liquidity provides over 3.0 times coverage of demand debt with optional tender features. The pension plan was frozen in 2012 and a swap was terminated in late 2011, reducing unexpected demands on cash and cash-flow. As there are no plans to add debt to the MMCI obligated group we expect that balance sheet measures will strengthen. New debt issuances, to address strategic and capital needs of MMCI are expected to be the obligation of UnityPoint

Health. Any new borrowing would be a triggering event for MMCI to become a part of the UnityPoint Health obligated group.

Outlook

The revision of the rating outlook to positive from stable reflects our belief that MMCI's financial profile will strengthen and balance sheet indicators will continue to grow with support from its new parent corporation for capital expenditures and other operating infrastructure

What could change the rating--UP

Continued improvement in operating performance and related margins; increasing demand; maintenance of balance sheet strength

What could change the rating--DOWN

Reversal of current financial momentum; material increase in debt of MMCI obligated group or material decline in unrestricted cash; loss of market share or demand declines that translate into weakened financial profile

KEY INDICATORS

Assumptions & Adjustments:

-Based on Methodist Health Services Corp as consolidated in Iowa Health System and Subsidiaries Audit

-First number reflects audit year ended December 31, 2011, bad debt reflected as an expense

-Second number reflects internally prepared financials reflecting year ended December 31, 2012, bad debt reflected as a contra revenue

-Investment returns smoothed at 6% unless otherwise noted

-Comprehensive debt includes direct debt, operating leases, and pension obligation, if applicable (2012 pension data not available until final audit released)

*Inpatient admissions: 15,638; 15,548

*Observation stays: 2,848; 3,824

*Medicare % of gross revenues: 46.3%; 44.8%

*Medicaid % of gross revenues: 16.5%; 15.9%

*Total operating revenues ($): $379.3 million; $362.3 million

*Revenue growth rate (%) (3 yr CAGR): 4.1%; 4.1%

*Operating margin (%): 2.1%; 4.1%

*Operating cash flow margin (%): 9.2%; 11.6%

*Debt to cash flow (x): 2.6 times; 1.9 times

*Days cash on hand: 174 days; 213 days

*Maximum annual debt service (MADS) ($): $8.8 million; $8.8 million

*MADS coverage with reported investment income (x): 4.3 times; 6.8 times

*Moody's-adjusted MADS Coverage with normalized investment income (x): 5.1 times; 6.5 times

*Direct debt ($): $109.2 million; $104.2 million

*Cash to direct debt (%): 153%; 181%

*Comprehensive debt: $215.8 million; N/A

*Cash to comprehensive debt (%): 78%; N/A

RATED DEBT

Series 2011B, variable rate demand bonds supported by letter of credit from PNC Bank and US Bank, A2 underlying

CONTACTS

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METHODOLOGY

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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INVESTORS SERVICE

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FitchRatings

FITCH REVISES OUTLOOK ON METHODIST MEDICAL CENTER (IL) TO POSITIVE; AFFIRMS 'A-' 2011B REVS

Fitch Ratings-Chicago-02 May 2013: Fitch Ratings affirms the 'A' long-term underlying rating on approximately $52 million of the Illinois Finance Authority's variable rate demand revenue bonds, series 2011B. The bonds are issued on behalf of Methodist Medical Center of Illinois (Methodist).

The series 2011B bonds are supported by a letter of credit from PNC Bank (PNC).

Fitch has also revised the Rating Outlook for Methodist to Positive from Stable.

SECURITY

The bonds are secured by a pledge of unrestricted receivables of the obligated group.

KEY RATING DRIVERS

IMPROVED FINANCIAL METRICS: The Positive Outlook is supported by Methodist's strong balance sheet metrics and improved cash flow generation in fiscal 2012, which has led to very strong debt service coverage.

PARTNERSHIP WITH IOWA HEALTH: In addition to its solid financial performance, the Positive Outlook is also supported by the benefits Methodist garners from its partnership with Iowa Health System (Iowa Health; now d/b/a UnityPoint Health; rated 'AA-'; Stable Outlook by Fitch). They include operating and capital purchase savings, inclusion in Iowa Health's accountable care organization (ACO) value-based contracting structure and capital funding.

GOOD PHYSICIAN ALIGNMENT: Methodist has focused on growing its physician group over the last few years and the Methodist Medical Group accounts for approximately 70% of adult admissions.

COMPETITIVE SERVICE AREA: A primary credit concern is the competitive service area with three hospitals and reliance upon one large employer, Caterpillar. However, Methodist's market share has been relatively stable since 2005.

CAPITAL NEEDS MODERATED: Plans to build a replacement facility have been scaled down and now management is focused on the renovation and expansion of the existing main campus and outpatient diagnostic center. In addition, Iowa Health has pledged $175 million to Methodist for capital projects. Fitch views this favorably as Methodist may have capital needs in the future in order to stay current in a competitive service area.

RATING SENSITIVITIES

POTENTIAL FOR UPWARD RATING MOVEMENT: Sustained improved operations and balance sheet ratios could result in upward rating movement.

CREDIT PROFILE

Methodist officially became a member of Iowa Health in October 2011 when it became the eighth senior affiliate. Iowa Health and Methodist are in the process of integrating key functions. Although Methodist has not joined Iowa Health's obligated group to-date, management plans to when it coincides with an Iowa Health debt issuance. Fitch expects Methodist to continue to achieve efficiencies as a result of the partnership.

In fiscal 2012 (Dec. 31 year-end), Methodist reported $22.8 million in operating income. This translates into a solid 6.3% operating margin compared to 3.1% in fiscal 2011 and 2.7% in 2010. Operating EBITDA margin was also very strong in fiscal 2012 at 13.8% compared to the 'A' category median of 9.8%. However, part of the improvement in fiscal 2012 was due to non-recurring items. This included a net $8 million curtailment credit from a pension freeze on Dec. 31, 2012 and the receipt of $3 million in meaningful use funds.

Despite this, Fitch believes Methodist's operating performance should continue to benefit from its relationship with Iowa Health, which has already resulted in over $2 million of efficiency gains. Management has budgeted a 4% operating margin in fiscal 2013, which Fitch believes is conservative.

Of note, Methodist's profitability is dependent on supplemental funding, including $5.3 million of Medicare disproportionate share funding (DSH) and $11.1 million in net proceeds from the Medicaid Provider Assessment Program in 2012. Methodist will benefit from a potential change in the provider assessment program in fiscal 2013. This should increase its net benefit to approximately $17 million annually and extend the program through 2015.

Liquidity indicators are very good for the rating level. At Dec. 31, 2012 (fiscal year-end), Methodist had $192.3 million of unrestricted cash and investments, an 18% increase from fiscal 2011. This equates to a solid 223 days cash on hand, 23.7x cushion ratio and 184.2% cash-to-debt. These all compare favorably to the 'A' category medians of 191 days, 16.3x and 116.4%, respectively.

Methodist currently has approximately $104.2 million in debt outstanding (about 51% fixed rate and 49% variable rate). Total debt includes about $52.96 million in outstanding fixed rate debt privately placed with PNC, which Fitch does not rate but considers in its analysis. The series 2011B variable rate demand bonds carry a letter of credit from PNC Bank and US Bank, which doesn't expire until May 2016. Methodist has a $60 million fixed annuity basis swap in place that expires in 2030 and currently has a positive market value of about $3 million. Methodist may become part of Iowa Health's obligated group at a later date.

Methodist's debt burden is moderate with MADS comprising 2.2% of total fiscal 2012 revenues compared to the 'A' category median of 2.8%. Solid operating cash flow resulted in an excellent operating EBITDA MADS coverage of 7.0x in fiscal 2012 and 5.6x in fiscal 2011 against the 'A' category median of 4.1x. Methodist froze its current defined pension plan effective December 31, 2012, which Fitch views positively as overall expense savings are estimated at $10 million over the next seven years.

Methodist completed $60 million in capital projects in 2010, including a new hospital entrance, main lobby renovation and a new attached parking garage. Methodist also opened a new outpatient center in an attractive service area in April 2010. Management had additional plans to build a new patient tower. However, they have been placed on indefinite hold. Management is now focusing on the renovation and expansion of the existing main campus outpatient diagnostic center (about $5 million project) exterior re-facing and removal of a parking debt (about $10 million project).

After averaging about $40 million annually in capital spending from fiscal 2008-2010 spending has decreased significantly and was about $20.5 million in fiscal 2012 and $23.4 million in fiscal 2011. In conjunction with the partnership with Iowa Health, Methodist received a $175 capital commitment. Fitch views this favorably as Methodist may need to make capital improvements in the medium term in response to OSF Healthcare System's (OSF; rated 'A'; Stable Outlook by Fitch) recently completed $400 million, 440,000 square foot addition to its campus in 2010.

The competitive nature of the primary service area is the primary credit concern. Peoria is a highly competitive healthcare environment with three hospitals located within a four mile radius. Methodist filed an antitrust lawsuit against OSF in February 2013 alleging that OSF has engaged in anti-competitive conduct affecting several major commercial insurers.

Methodist holds the number two market share position in its primary service area, with 27.4% of the inpatient admissions as of 2012. OSF is market share leader with 44.6% of inpatient admissions.

Proctor Hospital (Proctor), the third hospital in the service area, is located four miles from Methodist and holds 9.6% of the market share. Caterpillar, the largest employer in the service area, had an exclusive PPO contract with OSF from 1992 to 2010. Caterpillar opened its contract in 2010 and both Methodist and Proctor joined Caterpillar's PPO network effective July 1, 2010.

Especially because of the competitive nature of the service area, Fitch views Methodist's physician employment model favorably as employed physicians account for about 70% of all inpatient admissions. Methodist employs more than 155 provider FTEs of which about 60% are primary care physicians and about 40% are specialists. The pace of physician practice acquisitions has decreased in fiscal 2012 after several years of significant growth but management continues to recruit, including specialists and local independent primary care physicians.

The Positive Outlook is based on Fitch's expectation that Methodist will continue to garner efficiencies from its relationship with Iowa Health, leading to sustained strong financial performance.

Methodist is a 329 licensed-bed regional tertiary medical center located in Peoria, Illinois, approximately 150 miles southwest of Chicago. Methodist had total operating revenues of $362.3 million in fiscal 2012. Methodist covenants to provide annual financial statements to EMMA within 120 days of year end in addition to quarterly disclosure within 60 days of the first three fiscal quarters.

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Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in the U.S. Municipal Revenue-Supported Rating Criteria, this action was additionally informed by information from the Underwriter.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria' (June 12, 2012);
--'Nonprofit Hospitals and Health Systems Rating Criteria' (July 23, 2012).

Applicable Criteria and Related Research
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
Nonprofit Hospitals and Health Systems Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=683418

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MOODY'S
INVESTORS SERVICE

Rating Update: Moody's downgrades Proctor Hospital's (IL) long-term bond rating to B2 from Ba2; hospital remains under review for further downgrade

Global Credit Research - 11 Jun 2013

Action affects approximately $22.5 million of rated debt

ILLINOIS FINANCE AUTHORITY
Hospitals & Health Service Providers
IL

Opinion

NEW YORK, June 11, 2013 --Moody's Investors Service has downgraded the long-term rating assigned to Proctor Hospital (IL) to B2 from Ba2. This action affects the Series 2006A Bonds (approximately $22.5 million outstanding) issued through the Illinois Finance Authority. The hospital remains on the Ratings Under Review list for further downgrade.

SUMMARY RATING RATIONALE

The downgrade follows a sharp drop in absolute cash and investments, continued operating losses and declining operating cash flow through fiscal year end (FYE) December 2012 and four months of fiscal year (FY) 2013. The financial and operational problems are primarily due to revenue cycle problems caused by implementation of a new IT system. Additionally, management reports Proctor has violated its cash-to-debt covenant on its variable Series 2010 Bonds, a private placement through Regions Bank, but has obtained a waiver for its covenants on known violations that existed through March 31, 2013. In its FY 2012 audit, management disclosed it signed a memorandum of understanding (MOU) to establish a strategic alignment with OSF Healthcare System who will assist the organization in remaining financially viable.

CHALLENGES

*Absolute cash and investments dropped sharply in FY 2012 to 39 days cash on hand, 36% cash to debt and $12.0 million unrestricted cash at FYE 2012 from 64 days cash on hand, 54% cash to debt and unrestricted cash of $20.5 million at FYE 2011. Proctor violated its cash-to-debt covenant at September 30, 2012 with privately placed term loan agreement. Lender Regions Bank has granted a waiver on all its known covenant violations that existed through March 31, 2013. The decline in cash is driven by problems with implementation of Proctor's new IT system.

*Decline in operating performance in fiscal year (FY) 2012 to -4.3% operating margin and 2.8% operating cash flow margin (compared to -0.6% operating margin and 6.0% operating cash flow margin in FY 2011), driven by IT problems and also a 7% drop in admissions. Poor operating performance continued through four months FY 2013 with -4.4% operating margin and 2.4% operating cash flow margin (compared to a -0.3% operating margin and 6.8% operating cash flow margin a year earlier).

*Highly competitive Peoria market; Proctor's market share continues to trail those of St. Francis Hospital of the OSF Healthcare System (A3/positive outlook) and Methodist Medical Center (A2/positive outlook and a member of Aa3 rated Iowa Health System, now known as UnityPoint Health). Proctor is considerably smaller than its competitors with $115 million in total revenues (based on FY 2012 financial statements with bad debt as a deduction from revenue) and inpatient admissions of less than 7,000.

*Relative reliance on Medicare (49% of gross revenues in FY 2012, compared to a median of 44% for all rated hospitals), which heightens Proctor's vulnerability to federal reimbursement reductions in FY 2012 and beyond.

*Average of plant (19.6 years at FYE 2012) is expected to remain elevated and nearly double the national median of 10.3 years; capital spending fell to 0.8 times depreciation in FY 2012 and rose to 1.4 times depreciation in FY 2011 following two years of below 1.0 times spending.

*Defined benefit pension plan, which was frozen in 2008, remains underfunded: at FYE 2012; plan assets equaled

64% of the $70.3 million projected benefit obligation (as compared to 61.8% funded status in FY 2011 and $65.2 million projected obligation).

STRENGTHS

*Management has proactively signed a MOU to become strategically aligned with OSF Healthcare System; executed transaction, while months from completion, is likely to assist the organization in remaining financially viable.

*Management has engaged outside consulting/accounting team with expertise in improving revenue cycle problems introduced by new health IT system.

*Relatively high acuity for a small community hospital, as evidenced by a Medicare case mix index (CMI) of 1.42 in FY 2012.

DETAILED CREDIT DISCUSSION

LEGAL SECURITY: Debt service on the Series 2006A bonds is secured by a pledge of unrestricted receivables of the Obligated Group (which consists of Proctor Health Care Incorporated, Proctor Hospital, and Proctor Health Care Foundation), a mortgage on certain real property of the corporation and a debt service reserve fund held by the trustee for the Series 2006A Bonds. Our analysis refers to the consolidated financial statements of Proctor Health Care Inc. and Related Organizations (the System). The Obligated Group represented 86% and 91%, respectively, of the system's total assets and operating revenues in FY 2012. Proctor's comprehensive debt consists primarily of two series of outstanding bonds: the rated Series 2006A fixed rate bonds, of which $22.5 million is outstanding; and the unrated Series 2010 variable rate bonds, of which $10.1 million is outstanding. The Series 2010 bonds were privately placed with Regions Bank under a term loan agreement of five years. The Series 2010 bonds carry a variable interest rate of 66% of LIBOR plus 242 basis points and are secured by a revenue and mortgage pledge on parity with the Series 2006A bonds. The 2006B bonds were originally supported by a letter of credit (LOC) with JPMorgan Chase, NA. The LOC was replaced in December 2010 by the term loan agreement with Regions Bank. Per the covenants of the term loan agreement, Proctor must maintain a Minimum Annual Debt Service coverage of 1.25 times (measured quarterly), cash to debt of at least 50% (measured quarterly), and days cash on hand of at least 60 days (measured semi-annually).

INTEREST RATE DERIVATIVES: None.

RECENT DEVELOPMENTS/RESULTS

The downgrade of Proctor's debt rating to B2 from Ba2 reflects Proctor's sharp drop in cash and investments and weak financial performance as a small provider ($115 million in total revenues in FY 2012) in a competitive service area. Due to problems implementing a new health IT system and also a pay down in debt, Proctor's cash levels dropped sharply in FY 2012 to 39 days cash on hand, 36% cash to debt and $12.0 million unrestricted cash from 64 days cash on hand, 54% cash to debt and unrestricted cash of $20.5 million at FYE 2011. Proctor violated its days cash and cash-to-debt covenants at September 30, 2012 with privately placed term loan agreement. Lender Regions Bank has granted a waiver on all its known covenant violations that existed through March 31, 2013According to management, Proctor's unrestricted cash and investments are allocated among equities (53%), cash (26%), and fixed income (21%). Management notes that 100% of cash and investments could be liquidated within one month.

In FY 2012, Proctor posted operating loss of $4.9 million (compared to a loss of approximately $688,000 in FY 2011) and operating cash flow of $3.2 million (compared to $7.5 million in FY 2011). Consequently, the operating margin fell to -4.3% in FY 2012 from -0.6% in FY 2011, while the operating cash flow margin fell to 2.8% in FY 2012 from 6.0 in FY 2011. Moody's adjusted maximum annual debt service (MADS) coverage fell to 0.88 times from 1.59 times while adjusted debt to cash flow deteriorated from 6.58 times to 14.42 times. Management attributes the weakened financial performance to the IT issues and inpatient admissions, which fell 7.2% in FY 2012. Management has engaged outside consulting/accounting team with expertise in improving revenue cycle problems.

The hospital is somewhat dependent on Medicare, which comprised 49% of gross revenues in FY 2012, compared to the national median of 44% for all rated hospitals. Not-for-profit hospitals have experienced declines in federal Medicare reimbursement in recent years and will likely experience continued reductions as healthcare reform is implemented and the federal government continues to face budget deficits. Proctor is implementing various strategies to mitigate declines in Medicare reimbursement, including streamlining its admissions and

discharge processes in order to reduce the average length of stay. Regardless, this relatively high reliance on Medicare exacerbates the already considerable challenges management faces in its efforts to improve operating performance.

The rating also incorporates the Peoria region's economy, which is characterized by unemployment rates that trend above the state and nation. The City of Peoria's general obligation bonds are rated Aa2 with a stable outlook. While Peoria's economy has diversified somewhat from a traditionally industrial-agricultural base, it is still heavily reliant on industrial manufacturing and Caterpillar, Inc. (A2/stable outlook), a manufacturer of construction equipment that employs approximately 16,000 people locally. Although Caterpillar's local operations are reportedly stable, the regional economy's relative dependence on a single employer is a fundamental credit weakness.

For nearly twenty years, Caterpillar had exclusive HMO and PPO contracts with OSF St. Francis Hospital. In July 2010, Caterpillar opened its contracts to Proctor, Methodist, and several other hospitals in Illinois, with a three-year agreement for Proctor. Proctor management had previously projected that market share and inpatient admissions would improve due to a new affiliation with Caterpillar Network Products, however the volume improvement occurred on the less-profitable outpatient side.

As the smallest provider in the service area, Proctor's market position continues to trail those of OSF and Methodist, and in the FY 2012 audit, management disclosed its plan for Proctor to become strategically aligned with OSF. A completed affiliation agreement, while months from away, likely would assist Proctor in remaining financially viable. No decision about the debt obligation, either remaining with Proctor or being absorbed into a larger parent, has been made at this time.

Proctor's debt to capitalization ratio has crept up in recent years: the ratio at FYE 2012 of 68% represents an increase from 54% just five years earlier (the national median is 40%). With an age of plant of nearly 20 years and a capital spending level of less than 1.0 times during FY 2012, we believe Proctor will be challenged to maintain its infrastructure without further depleting its cash and/or significantly increasing its debt levels. Management reports that capital spending plans through FY 2013 range from a minimum of approximately $500,000 to fund urgent projects to a maximum of $7.6 million to fund urgent, essential, and desired projects. The capital plan is expected to be supported with cash rather than additional borrowing.

Proctor's defined benefit pension plan remains underfunded. The funded ratio was 64% at FYE 2012, compared to a projected benefit obligation of $70.3 million. Proctor froze its defined benefit pension plan in 2008, and all new participants are covered by a defined contribution plan, a change that we believe should stabilize pension liabilities over the long term. Management reports that in FY 2012 it utilized relief offered under the MAP-21 program; the FY 2012 funded ratio is higher than the 62% ratio at FYE 2011.

OUTLOOK

The negative rating outlook reflects our expectation that Proctor's financial performance will remain pressured, particularly due to Medicare reimbursement reductions that exacerbate Proctor's operating challenges. We also believe that balance sheet ratios will remain low, and credit quality will continue to be vulnerable to the risks associated with variable rate debt, particularly given the covenant violation of the term loan agreement with Regions Bank. Furthermore, we believe Proctor's third place market position will continue in the highly competitive the Peoria service area.

WHAT COULD MAKE THE RATING GO UP

While a rating upgrade is unlikely at this time, we would consider action depending on the outcome of the finalized alignment contemplated by the MOU with OSF, a larger healthcare system; an upgrade for Proctor as a standalone hospital would require significant and sustained improvement in operating performance and cash position; ability to address ongoing capital needs without adversely affecting balance sheet measures; patient volume growth that leads to increased market share and operating revenues to levels consistent with higher rating categories

WHAT COULD MAKE THE RATING GO DOWN

Further weakening of balance sheet ratios and/or operating performance; expiration of covenant waiver from Regions Bank without improvement in liquidity; decreased market share that materially affects patient volumes and operating revenues; inability to offset reductions in Medicare reimbursement; inability to manage capital needs without significantly impairing cash and/or debt levels

KEY INDICATORS

Assumptions & Adjustments:

-Based on financial statements for Proctor Health Care Incorporated and Related Organizations

-First number reflects audit year ended December 31, 2011

-Second number reflects audit year ended December 31, 2012

-FY 2012 total operating revenues include bad debt as a revenue deduction; this adjustment is reflected in the 3 yr CAGR

-Investment returns normalized at 6% unless otherwise noted

-Comprehensive debt includes direct debt, operating leases, and pension obligation, if applicable

-Monthly liquidity to demand debt ratio is not included if demand debt is de minimis

*Inpatient admissions: 7,179; 6,661

*Observation stays: 1,863; 1,730

*Medicare % of gross revenues:52%; 49%

*Medicaid % of gross revenues: 4.9%; 5.5%

*Total operating revenues ($): $123.4 million; $114.7 million

*Revenue growth rate (%) (3 yr CAGR): 2.5%; 0.7%

*Operating margin (%): -0.6%; -4.3%

*Operating cash flow margin (%): 6.0%; 2.8%

*Debt to cash flow (x): 6.58x; 14.42x

*Days cash on hand: 64 days; 39 days

*Maximum annual debt service (MADS) ($): $4.7 million; $4.5 million

*MADS coverage with reported investment income (x): 1.44x; 0.86x

*Moody's-adjusted MADS Coverage with normalized investment income (x):1.59x; 0.88x

*Direct debt ($): $38.3 million; $33.5 million

*Cash to direct debt (%): $53.8%; 35.9%

*Comprehensive debt: $81.3 million; $80.4 million

*Cash to comprehensive debt (%): 25.3%; 15%

*Monthly liquidity to demand debt (%): 135.4%; 111.5%

RATED DEBT (debt outstanding as of December 31, 2012)

-Series 2006A Fixed Rate Hospital Revenue Bonds ($22.5 million); B2 rating under Review for downgrade

CONTACTS

Obligor: Mr. Gary Zmrhal, Interim Chief Financial Officer, Proctor Hospital, 309-691-1064

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Illinois Health Facilities Authority
Proctor Hospital; Hospital

Credit Profile

Illinois Hlth Fac Auth, Illinois
Proctor Hosp, Illinois

series 2006A

Long Term Rating	BB-/Negative	Downgraded

Rationale

Standard & Poor's Ratings Services lowered its long-term rating to 'BB-' from 'BB+' on the Illinois Health Facilities Authority's $22.5 million series 2006A fixed-rate revenue refunding bonds issued for Proctor Hospital. The outlook is negative.

The rating action reflects our view of the hospital's considerable drop in cash as a result of additional spending required for electronic health records (EHR) installation, which also resulted in an increase in receivables and operating losses in fiscal 2012. Days' cash decreased to levels weak for the rating and violated the hospital's privately placed bond covenants as of Dec. 31, 2012. Although we believe that the hospital's financial metrics have deteriorated to levels that are commensurate with a lower rating, management has identified various cost saving initiatives and is working to improve its collections to return its cash to previous levels. We thus anticipate that cash metrics will strengthen over the next year. Proctor has also received waivers for privately placed bond covenants. In addition, the hospital entered into a memorandum of understanding (MOU) with OSF Healthcare System and anticipates a decision on a potential strategic affiliation to be made in the next six to 12 months. We will monitor the development of this relationship and any impact to Proctor's credit profile as and when the terms of the agreement are finalized.

The 'BB-' rating further reflects our view of Proctor's:

- Small, competitive service area, with two larger providers capturing a majority of the market;
- High reliance on the top 10 physician admitters, who generally account close to half of the inpatient admissions although the medical staff has been stable;
- Operating losses in fiscal 2012 that have continued in fiscal 2013 to date;
- Debt service coverage, cash-on-hand and cash-to-debt covenant violations, although the hospital has received waivers for its privately placed debt;
- Cash decline resulting from unanticipated spending related to the EHR installation and consequent growth in receivables;
- Moderately high debt levels; and
- High average age of plant.

Partly offsetting the above weaknesses, in our view, are the hospital's:

- Relatively favorable utilization in fiscal 2012, although volumes have decreased in fiscal 2013 to date; and

- Lack of plans for major capital projects or debt issuances in the near term.

Proctor Hospital is a 174-staffed-bed acute care hospital located in Peoria, Ill. Gross revenue of the parent company, the hospital, and a foundation, as well as a mortgage pledge of the hospital, secure the bonds. Non-obligated entities include Belcrest Services, a for-profit company that manages a durable medical equipment business and five urgent care sites; Proctor Health Systems, which provides physician practice management; Health Plus, a third-party administrator that negotiates with insurance companies and administers Proctor's self-insured health plan; and Hult Health Educational Center, a community educational center.

This analysis focuses on the consolidated organization as a whole, and the numbers in this report are based on the consolidated fiscal 2012 audit and the unaudited first four months of fiscal 2013. Proctor's fiscal year ends Dec. 31. As of April 30, 2013, Proctor had $28 million in long-term debt, approximately 34% of which was in the form of privately placed bonds. Proctor is not party to any swap transactions.

Outlook

The negative outlook reflects our view of the hospital's balance sheet deterioration and operating losses, primarily resulting from the hospital's EHR installation in 2012, and volume declines in fiscal 2013 to date. Although the hospital has identified and implemented several initiatives to increase cash and improve its operating margins, the balance sheet has very limited flexibility for any unanticipated operating pressures or cash outlays. In addition, we will monitor the progress of the hospital's relationship with OSF and any related impact to its overall credit profile. If, in the next year, operating performance does not improve to positive levels, cash declines, or the hospital continues to default on its bond covenant requirements, a lower rating is likely. We could revise the outlook to stable if operating performance improves to levels that generate coverage above bond covenant requirements and cash begins to grow while the hospital maintains its credit strengths. A return to a stable outlook would also depend on Proctor's ability to sustain all of its improvements. A higher rating is unlikely in the next two years given weak cash and projected slow cash growth.

Enterprise Profile

Economic fundamentals

Proctor serves Peoria, Tazewell, and Woodford counties, which together have a relatively large and slightly growing population estimated at 362,823 in 2012. The local economy is anchored by Caterpillar Inc., with more than 17,000 employees, and the health care industry which is the second-largest employer in the greater Peoria area. Although the economy is relatively stable, the unemployment rate in Peoria County remains high, at 10.6% as of January 2013, which is slightly above state levels. The hospital has a payor mix with an average mix of commercial and governmental volumes, but its bad debt expense continues to grow. The payor mix could shift toward higher Medicaid if the state follows through on expanding Medicaid coverage in the next few years. In addition, any other changes in the payor mix stemming from the state insurance exchange, which is to be established in 2015, are uncertain.

Market position

The hospital is located in Peoria, Ill., about 150 miles southwest of Chicago. Its business position is just adequate, in our view, because of heavy market competition.

The service area is competitive because of the presence of two larger hospitals that are four miles away: St. Francis Medical Center (the flagship of 'A' rated OSF Healthcare System), with 616 licensed beds, and Methodist Medical Center, with 320 licensed beds. St. Francis and Methodist, located across the street from each other, dominate the market, capturing 51% and 34% of the share, respectively. Proctor has historically collaborated with OSF on specific service lines and is moving forward with a strategic alignment to preserve its competitive position. Proctor is located in a growing northwest suburb of Peoria, and its 15% share of the market has been stable for several years.

Utilization has been relatively favorable in the past three fiscal years, with volume in 2012 following trends similar to those in 2011. Inpatient utilization grew in fiscal 2012 partly because of a hospitalist program initiated in 2010 and improved classification of observation-versus-inpatient cases. Admissions were thus 3% higher at 6,120. Inpatient surgeries grew considerably because of higher orthopedics volume and a recent focus on improving operating room processes. Outpatient surgeries continue to decline partly because of a shift in gastrointestinal volume to physician clinics. Volumes in fiscal 2013 to date have decreased across the board compared with the prior-year period. Management had budgeted modest volume growth for fiscal 2013.

Proctor has some noted programs in cardiac services, including open-heart surgery, and orthopedics.. It also has an addiction treatment clinic and a comprehensive wound-care clinic and developed a geropsychiatric program in 2012. The hospital also has 20 staffed skilled nursing beds, admissions to which decreased 7% in fiscal 2012.

Table 1

Proctor Hospital Utilization

	--First five months ended May 31--	--Fiscal year ends Dec. 31--	
	2013	**2012**	**2011**
Admissions*	2,425	6,120	5,960
Patient days*	10,735	24,959	25,056
Observation visits	682	1,730	1,863
Emergency room visits	8,294	20,575	20,128
Inpatient surgeries	953	2,564	2,157
Outpatient surgeries	2,039	5,821	6,470
Births	216	623	635
Full-time equivalent employees	769	796	820

*Excludes births, psych, rehab, and long-term care.

Proctor has 171 active physicians and is dependent on its top 10 physicians, who accounted for close to half of the inpatient admissions. Management reports that Proctor maintains good relationships with its physicians, including the Peoria-based main cardiology and cardiac surgery group, which has more than 30 physicians in a medical office building on Proctor's campus. Future recruiting is focused on strengthening the hospital's primary care network by adding physicians and nurse practitioners.

ATTACHMENT
6

Management

On May 29, 2013, Proctor Hospital entered into an MOU with OSF Healthcare to pursue a strategic alignment. Management anticipates a final decision in the next six to 12 months. Any potential impact to Proctor's credit profile is uncertain, but given Proctor's historical relationship with the system we anticipate that the structure will benefit Proctor's competitive position and financial health. The senior administration team has seen some turnover in the past year in the chief financial officer (CFO) and chief medical officer (CMO) positions. The hospital has an interim CFO and is evaluating its CMO position. Proctor is governed by a five- to 15-member board consisting of prominent community members. The hospital has a separate 18-member board that includes physician representation as well as community members. In our view, the hospital board has an appropriate committee structure that oversees strategic and business affairs.

Financial Profile

Change in accounting for bad debt

In accordance with the publication of our report "New Bad Debt Accounting Rules Will Alter Some U.S. Not-for-Profit Health Care Ratios But Won't Affect Ratings," on Jan. 19, 2012 on RatingsDirect, we recorded the fiscal 2012 audit and year-to-date financials, including the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2011-07 but not in prior periods. The new accounting treatment means that Proctor's fiscal 2012 and subsequent financial statistics are directly comparable neither with the results for 2011 and prior years, nor with the 2011 median ratios. For an explanation of how the change in accounting for bad debt affects each financial measure, including the direction and size of the change, please see the above report.

Operations

Operating performance in the past five years has fluctuated between surpluses and losses, but the losses accelerated to $4.9 million (negative 4.2% margin) in fiscal 2012 compared with a $686,000 loss (negative 0.6% margin) in fiscal 2010. This was because of the costs related to the EHR installation and a decline in net patient revenue from some volume softness. The hospital also annually loses close to $950,000 from the state's Medicaid Hospital Assessment Program, which is set to expire in June 2014. Operating losses continued in fiscal 2013 to date at $1.7 million (negative 4.4% margin), primarily because of volume declines. Proctor has budgeted a 1% operating margin in fiscal 2013, anticipating volume growth in key services such as surgery, $1.8 million in EHR federal incentives, and labor expense savings resulting from improved productivity and the planned closure of one of its addiction recovery centers. Management reports that despite the year-to-date performance, Proctor should end the year close to its budget.

Expenses related to Proctor's medical office building and modest investment related income resulted in a $5.1 million loss (negative 4.4% margin) of excess income in fiscal year 2012. As a result, maximum annual debt service coverage declined to a weak 0.9x in fiscal 2012 including operating leases. Management reports that Proctor violated its privately placed debt service covenant as of March 31, 2013 but that it received waivers for the all of its requirements for its privately placed debt.

Balance sheet

Unrestricted reserves further deteriorated in the past fiscal year because of a decline in cash to $11 million as of April

31, 2013 from $19 million as of Dec. 31, 2011. Management attributes the decline to unanticipated spending related to the hospital's EHR installation. In addition, the installation resulted in an increase in receivables in 2012, further constraining cash. The hospital's accounts receivable (AR) grew to 75 days as of fiscal year-end 2012 compared with 60 days as of fiscal year-end 2011. Management reports concerted efforts to improve its collections, with a target of reducing its AR to 45 days by August 2013. Standard & Poor's unrestricted cash numbers no longer include a portion of unrestricted reserves held in board-designated assets and cash and short-term investments equal to the hospital's incurred but unreported unfunded professional liabilities. Cash on hand declined to 37 days, and unrestricted cash to long-term debt decreased to 41% as of April 30, 2013. Both metrics are weak for the rating and, in our view, the balance sheet lacks capacity to cope with any operating challenges or capital needs. Approximately half of Proctor's assets were classified as Level 1 securities as of Dec. 31, 2012.

As of April 30, 2013, Proctor had $28 million in long-term debt, approximately 34% of which was in the form of variable-rate, privately placed bonds. The hospital paid off its $2.5 million line of credit that it had secured for cash flow purposes. In 2010 Proctor refinanced its series 2006B variable-rate bonds with $15.5 million of series 2010 variable-rate bond proceeds directly placed with Regions Bank. The terms of the agreement decreased the cash-on-hand covenant to 55 days before Dec. 31, 2011, after which it increases to 60 days, tested semiannually. Other covenants include a 1.25x debt service coverage ratio and 50% cash to debt, both tested quarterly. Violation of these covenants can trigger an event of default that could accelerate the bond payments. The hospital received a waiver from the bank for violating these covenants. Proctor's bond disclosure documents report 36.4 days' cash on hand, or 31.3% cash to debt, as of Dec. 31, 2012.

Leverage is high at 65% debt to capitalization and further increases to a level we consider high, 77%, after adjustment for Proctor's underfunded pension plan. The plan was closed to new entrants in August 2008. The funded status of its defined benefit plan was 64% as of Dec. 31, 2012. Proctor contributed $2.8 million to the plan in fiscal 2012 and anticipates contributing close to $2 million in fiscal 2013. The plan's assets are invested 33% in fixed income and cash and the remainder in equities and real estate.

Capital expenses dropped to less than depreciation levels in 2012 after elevated spending in 2011 for the hospital's EHR installation ($4 million). Proctor implemented EHR during 2011 and 2012 for a total cost of $7.8 million, $3.3 million of which was funded by the series 2010 bond proceeds. The remaining cost will be incurred in the form of lease payments. Proctor has estimated receiving $1.8 million in incentives from meeting the federal meaningful use criteria in 2013. With reserved capital spending, the average age of plant has grown to a high 20 years. However, management reports that Proctor has no major capital projects or planned debt issuances.

Table 2

Proctor Hospital Financial Summary

	--First four months ended April 30--		--Fiscal year ended Dec. 31--	
	2013*	**2012***	**2011**	**2010**
Financial performance				
Net patient revenue ($000s)	35,230	110,988	119,275	119,826
Total operating revenue ($000s)	37,628	116,518	125,131	126,469
Total operating expenses ($000s)	39,279	121,398	125,817	124,708

Table 2

Proctor Hospital Financial Summary (cont.)				
Operating income ($000s)	(1,651)	(4,880)	(686)	1,761
Operating margin (%)	(4.39)	(4.19)	(0.55)	1.39
Net non-operating income ($000s)	(21)	(249)	(638)	(228)
Excess income ($000s)	(1,672)	(5,129)	(1,324)	1,533
Excess margin (%)	(4.45)	(4.41)	(1.06)	1.21
Operating EBIDA margin (%)	2.37	2.75	5.96	7.95
EBIDA margin (%)	2.32	2.54	5.48	7.79
Net available for debt service ($000s)	871	2,950	6,819	10,405
Maximum annual debt service ($000s)	4,131	4,131	4,131	4,131
Maximum annual debt service coverage (x)	0.63	0.71	1.65	2.52
Operating lease-adjusted coverage (x)	N.A.	0.85	1.38	1.94
Liquidity and financial flexibility				
Unrestricted cash and investments ($000s)	11,429	10,894	19,426	22,997
Unrestricted days' cash on hand	37.3	34.6	59.4	70.9
Unrestricted cash/total long-term debt (%)	40.9	37.1	59.5	64.1
Cash available/contingent liability debt (%)	N.A.	108	147	148
Average age of plant (years)	N.A.	19.6	18.8	17.9
Capital expenditures/Depreciation and amortization (%)	24.4	77.6	140.9	51.7
Debt and liabilities				
Total long-term debt ($000s)	27,935	29,366	32,648	35,904
Long-term debt/capitalization (%)	65.1	64.6	58.1	48.7
Contingent liabilities ($000s)	N.A.	10,075	13,175	15,500
Contingent liabilities/total long-term debt (%)	N.A.	34.3	40.4	43.2
Debt burden (%)	3.64	3.50	3.29	3.24
Defined benefit plan funded status (%)	N.A.	63.54	61.53	73.93

*Bad debt classified as a reduction to net patient revenue. N.A.--Not available.

Related Criteria And Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012

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STANDARD & POOR'S
RATINGS SERVICES

130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 18872001

July 18, 2013

Proctor Hospital
5409 North Knoxville Avenue
Peoria, IL 61614
Attention: Mr. Roger Armstrong, Vice President, Finance & CFO

Re: ***Illinois Health Facility Authority , Revenue Bonds (Proctor Hospital)***

Dear Mr. Armstrong:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have lowered our credit rating from "BB+" to "BB-" while affirming the negative outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003.

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Sincerely yours,

Standard & Poor's

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ah
enclosure
cc: Ms. Pamela A. Lenane
Mr. Stephen Circone

STANDARD
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Proctor Health Care Incorporated and Related Organizations

Consolidated Financial Report and
Supplementary Information
December 31, 2012

ATTACHMENT
6

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ATTACHMENT
6

McGladrey

Independent Auditor's Report

To the Board of Trustees
Proctor Health Care Incorporated
Peoria, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Proctor Health Care Incorporated and Related Organizations (collectively referred to as Proctor) which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of the RSM International network of independent accountl

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Proctor as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows 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 supplementary 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 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

Peoria, Illinois
May 29, 2013

Proctor Health Care Incorporated and Related Organizations

Consolidated Balance Sheets
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ **1,177,489**	$ 1,658,177
Investments	**10,861,045**	18,888,719
Assets limited as to use	**1,375,068**	1,382,367
Receivables		
Patient accounts receivable, net of allowance for doubtful accounts of approximately $5,924,000 in 2012; $4,224,000 in 2011	**22,896,540**	19,383,277
Other receivables	**3,108,530**	1,488,159
Inventory	**3,773,438**	3,919,250
Prepaid expenses	**1,369,672**	1,778,353
Total current assets	**44,561,782**	48,498,302
Assets limited or restricted as to use:		
Assets held by trustee under indenture agreements	**4,965,441**	6,804,513
Less amount required to meet current obligations	**1,375,068**	1,382,367
	3,590,373	5,422,146
Property and equipment, net	**53,852,203**	56,758,407
Beneficial interest in perpetual trust	**6,207,856**	5,904,606
Other assets	**748,118**	795,011
Total assets	$ **108,960,332**	$ 117,378,472
Liabilities and Net Assets		
Current Liabilities:		
Short-term note payable	$ **-**	$ 2,000,000
Current portion of capital lease obligations	**193,810**	308,650
Current portion of long-term debt	**3,100,000**	3,100,000
Accounts payable and accrued expenses	**20,601,468**	17,757,960
Outstanding checks in excess of bank balance	**716,904**	380,031
Estimated third-party payor settlements	**5,227,381**	5,034,803
Total current liabilities	**29,839,563**	28,581,444
Capital lease obligations, net of current portion	**-**	193,765
Long-term debt, net of current portion	**29,365,601**	32,454,401
Retirement plan benefit obligation	**25,633,314**	25,204,981
Other long-term liabilities	**193,303**	128,264
Total liabilities	**85,031,781**	86,562,855
Commitments and Contingencies (Notes 6, 7, 8, 9, 10 and 11)		
Net Assets:		
Unrestricted	**16,073,120**	23,541,946
Temporarily restricted	**1,647,575**	1,369,065
Permanently restricted	**6,207,856**	5,904,606
Total net assets	**23,928,551**	30,815,617
Total liabilities and net assets	$ **108,960,332**	$ 117,378,472

See Notes to Consolidated Financial Statements.

Proctor Health Care Incorporated and Related Organizations

Consolidated Statements of Operations
Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenue:		
Patient service revenue, net of contractual allowances and discounts	**$ 115,206,387**	$ 117,536,975
Less provision for doubtful accounts	**6,065,388**	4,875,081
Net patient service revenue	**109,140,999**	112,661,894
Other operating revenue	**5,121,327**	4,877,637
Net assets released from restrictions	**410,654**	985,643
Total operating revenue	**114,672,980**	118,525,174
Operating expenses:		
Patient care, support, and administrative	**111,637,838**	111,393,045
Interest and amortization of deferred financing costs	**1,629,780**	1,697,057
Net pension cost (benefit)	**(166,421)**	(332,181)
Provision for depreciation	**6,449,319**	6,446,419
Net loss from impairment and disposition of property and equipment	**900,072**	75,085
Total operating expenses	**120,450,588**	119,279,425
Loss from operations	**(5,777,608)**	(754,251)
Nonoperating income (losses):		
Gifts and bequests	**916,892**	76,739
Investment income (loss), net	**1,675,168**	(499,579)
Medical office building operations, net	**(738,165)**	(931,212)
Fundraising, development, and health care support	**(208,426)**	(188,275)
Other, net	**60,906**	(70,446)
Total nonoperating income (losses)	**1,706,375**	(1,612,773)
Deficiency of revenues and gains over expenses and losses	**(4,071,233)**	(2,367,024)
Other changes in unrestricted net assets:		
Pension-related changes other than net periodic pension cost	**(3,397,593)**	(11,925,127)
Decrease in unrestricted net assets	**$ (7,468,826)**	$ (14,292,151)

See Notes to Consolidated Financial Statements.

Proctor Health Care Incorporated and Related Organizations

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted net assets:		
Deficiency of revenues and gains over expenses and losses	**$ (4,071,233)**	$ (2,367,024)
Pension related changes other than net periodic pension cost	**(3,397,593)**	(11,925,127)
Decrease in unrestricted net assets	**(7,468,826)**	(14,292,151)
Temporarily restricted net assets:		
Contributions	**689,164**	1,257;385
Net assets released from restrictions	**(410,654)**	(985,643)
Increase in temporarily restricted net assets	**278,510**	271,742
Permanently restricted net assets:		
Change in value of beneficial interest in perpetual trust	**303,250**	(400,141)
Increase (decrease) in permanently restricted net assets	**303,250**	(400,141)
Decrease in net assets	**(6,887,066)**	(14,420,550)
Net assets:		
Beginning of year	**30,815,617**	45,236,167
End of year	**$ 23,928,551**	$ 30,815,617

See Notes to Consolidated Financial Statements.

Proctor Health Care Incorporated and Related Organizations

Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Decrease in net assets	**$ (6,887,066)**	$ (14,420,550)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Provision for depreciation, inclusive of depreciation of $561,870 in 2012 and $566,640 in 2011 reported with medical office building operations	**7,011,189**	7,013,059
Net loss from impairment and disposition of property and equipment	**900,072**	75,085
Change in pension liability	**428,333**	10,306,216
Amortization of deferred financing costs	**62,679**	62,679
Accretion of original issue discount	**11,200**	11,200
Change in value of beneficial interest in perpetual trust	**(303,250)**	400,141
Net realized and unrealized losses (gains) on investments	**(1,401,791)**	846,612
Provision for doubtful accounts	**6,065,388**	4,875,081
Changes in assets and liabilities:		
(Increase) decrease in:		
Patient accounts receivable	**(9,578,651)**	(6,658,209)
Other receivables	**(1,620,371)**	(145,184)
Inventory	**145,812**	(218,774)
Prepaid expenses	**408,681**	(785,523)
Other assets	**(15,786)**	86
Increase (decrease) in:		
Other long-term liabilities	**65,039**	120,040
Outstanding checks in excess of bank balance	**336,873**	380,031
Accounts payable and accrued expenses	**2,843,508**	3,746,479
Estimated third-party payor settlements	**192,578**	(859,660)
Net cash (used in) provided by operating activities	**(1,335,563)**	4,748,809
Cash Flows from Investing Activities		
Acquisition of property and equipment	**(5,005,057)**	(9,084,580)
Proceeds from sale of property and equipment	**-**	40,694
Proceeds from sales and maturities of investments	**19,238,524**	7,875,827
Purchase of investments	**(7,969,987)**	(4,877,423)
Increase in cash surrender value of life insurance	**-**	(12,913)
Net cash provided by (used in) investing activities	**6,263,480**	(6,058,395)

(Continued)

Proctor Health Care Incorporated and Related Organizations

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Financing Activities		
Principal payments and advance refunding of long-term debt	**$ (3,100,000)**	$ (2,325,000)
Principal payments on capital lease obligations	**(308,605)**	(280,873)
Payments on short-borrowings and line-of-credit	**(2,000,000)**	-
Proceeds from short-borrowings and line-of-credit	**-**	1,000,000
Net cash used in financing activities	**(5,408,605)**	(1,605,873)
Net decrease in cash and cash equivalents	**(480,688)**	(2,915,459)
Cash and cash equivalents:		
Beginning of year	**1,658,177**	4,573,636
End of year	**$ 1,177,489**	$ 1,658,177
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 1,563,200**	$ 1,593,014
Supplemental Schedule of Noncash Financing Activities		
Equipment acquired under capital leases	**$ -**	$ 117,764

See Notes to Consolidated Financial Statements.

Note 1. Description of Organization and Summary of Significant Accounting Policies

Organization and basis of consolidation: The accompanying consolidated financial statements include the accounts of Proctor Health Care Incorporated (Corporation), Proctor Hospital (Hospital), Proctor Health Care Foundation (Foundation), Belcrest Services, Ltd. (Belcrest), Proctor Health Systems (PHS), Professional Medical Associates (PMA), Health Plus, Inc., and Hult Center for Healthy Living (Hult) (collectively referred to herein as Proctor or Proctor Health Care Incorporated and Related Organizations).

The Hospital is a not-for-profit acute care hospital which provides health care services through its inpatient and outpatient facilities located in and around Peoria, Illinois. The Foundation and Corporation are not-for-profit corporations whose primary purposes are to support and encourage health care related services by providing financial and management assistance to the Hospital. The Hospital is controlled by the Corporation and is the sole corporate member of the Foundation. Belcrest is a wholly owned subsidiary of the Corporation, established as a for-profit corporation to provide health care related services. PHS is a wholly owned subsidiary of the Corporation, established to provide physician practice management services on behalf of the Proctor health care delivery system. PMA was established to provide professional medical services and is controlled by the Corporation. Health Plus, Inc. is a managed care company, which contracts with providers and insurers of health care in the Central Illinois market. Health Plus, Inc. is a wholly-owned subsidiary of the Corporation. The Hospital is the sole corporate member of Hult, a community educational center located on the Hospital's campus. Effective April 4, 2011, Hult acquired Cancer Center for Healthy Living, Inc., a cancer support center to empower those touched by cancer to live life to the fullest. As such, Hult recorded the donation of the contribution received related to the acquisition of Cancer Center for Healthy Living, Inc. for approximately $196,000 in the consolidated statements of operations.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include contractual allowances for accounts receivable, allowance for doubtful accounts, liability resulting from the Corporation's defined benefit pension plan, and the professional and general liability insurance accrual.

Cash and cash equivalents: Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with maturities of three months or less at the date of purchase, whose use is not limited or restricted.

Patient receivables: Proctor recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, Proctor recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of Proctor's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

The Hospital's allowance for uncollectible accounts for self-pay patients increased from 36% of self-pay accounts receivable at December 31, 2011, to 37% of self-pay accounts receivable at December 31, 2012. In addition, the Hospital's provision for doubtful accounts, which includes primarily self-pay, increased $1,190,307 from $4,875,081 in 2011 to $6,065,388 in 2012. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2011 or 2012. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Inventory: Inventory, consisting primarily of medical supplies and pharmaceuticals, is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Assets limited or restricted as to use: Assets limited or restricted as to use include assets held by a trustee under bond indenture agreements and assets restricted by donors. Amounts required to meet current liabilities related to the bonds, as disclosed in Note 6, have been reclassified as current assets in the accompanying consolidated balance sheets.

(Deficiency) excess of revenues and gains over expenses and losses: The consolidated statements of operations include (deficiency) excess of revenues and gains over expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Transactions incidental to the provision of health care services are reported as nonoperating gains and losses. Changes in unrestricted net assets which are excluded from (deficiency) excess of revenues and gains over expenses and losses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, pension related changes other than net periodic pension costs, 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).

Net patient service revenue: The Hospital, Belcrest, and PHS have agreements with third-party payors that provide for payments to the Hospital, Belcrest, and PHS at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. The impact to net patient service revenue of such items was a change of approximately ($424,000) and $205,000 in 2012 and 2011, respectively.

Charity care: The Hospital provides care to patients who meet the criteria established under its charity care policy without charge or at amounts less than its rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital's policy is to treat patients in immediate need of medical services without regard to their ability to pay for services. The Hospital maintains records to identify and monitor the level of charity care it provides.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets and are classified as trading. Investment income (including realized gains and losses on investments, unrealized gains and losses, interest, and dividends) is included in the (deficiency) of revenues and gains over expenses and losses in the accompanying consolidated statements of operations unless the income or loss is restricted by donors.

Temporarily restricted net assets: Temporarily restricted net assets represent those assets whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets at December 31, 2012 and 2011, principally represent amounts restricted by donors for acquisition of equipment, performance of specific activities or are time restricted.

Permanently restricted net assets: Permanently restricted net assets consist of amounts held in perpetuity as designated by donors. The Hospital records its proportionate share of its beneficial interest in the perpetual trust based upon the fair value of the assets held in the trust. Income distributions received during the year from the trust are recorded as unrestricted contribution income as they are used for current operations annually.

Donor-restricted gifts: Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as nonoperating gains. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When 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 accompanying consolidated statements of operations as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. These contributions include the investment income received from the beneficial interest in the perpetual trust.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset primarily computed using the straight-line method as follows:

	Years
Land improvements	5 - 20
Buildings	10 - 40
Equipment	5 - 20

Deferred financing costs: Deferred financing costs, which are included in "other assets" in the accompanying consolidated balance sheets, are amortized over the period the obligations are outstanding using the straight-line method which approximates the effective interest method.

Long-term debt: Interest expense is recognized when it accrues on the related debt. Interest expense includes amortization of deferred financing costs.

Interest earned on bond trustee investments in the bond sinking, revenue, and interest funds is utilized for debt service payments and is recorded as nonoperating gains. Interest earned on project fund and debt service reserve fund investments is recorded as other operating revenue.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Tax status: The Corporation, Hospital, Foundation, PHS, and Hult, are not-for-profit corporations as defined in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income under Section 501(a) of the Code. Belcrest and Health Plus, Inc. are for-profit corporations subject to federal and state income taxes. No provision for income taxes is reflected in the accompanying consolidated financial statements, as Belcrest and Health Plus, Inc. have incurred cumulative net operating losses for both financial reporting and federal income tax purposes and PMA is currently inactive through December 31, 2012. Deferred tax assets arising from net operating loss carryforwards have been offset in their entirety by a valuation allowance of the same amount at both December 31, 2012 and 2011.

The guidance for accounting for uncertainty in income taxes prescribes a more-likely-than-not recognition threshold and measurement attribute for financial statement recognition of a tax position taken or expected to be taken. Amounts requiring recognition under the guidance are reflected as a liability for uncertain tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There were no uncertain tax benefits identified or recorded as a liability as of December 31, 2012 and 2011.

The Organizations are no longer subject to U.S. federal, or state income tax examinations by tax authorities for years before 2009.

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 relive 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.

Conditional asset retirement obligations: Proctor Health Care Incorporated and Related Organizations recognize a liability exists for the fair value of any unconditional asset retirement obligation if the fair value of the liability can be estimated. An obligation is unconditional if there is a legal obligation to perform the retirement. Substantially all of the impact of adopting this guidance relates to the estimated cost to remove asbestos from the Hospital. Proctor Health Care Incorporated and Related Organizations have not recorded any assets, liabilities or changes in net assets as a result of the adoption of this guidance.

Asset impairment and project abandonments: Annually, Proctor evaluates assets on its books to determine if there are any asset impairments. During the year ended December 31, 2012, the Hospital recognized an impairment loss of approximately $967,119 related to the discontinued use of its previous patient and financial information technology (IT) system which was replaced by a new IT system during 2012 (refer to Note 3). The impairment loss represents the unamortized carrying value of this software system on the date of its discontinued use. During the year ended December 2011, there were no asset impairments recognized.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Endowments of Not-for-Profit Organizations: Proctor accounts for its endowments in accordance with the guidance for the net assets classification for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The guidance also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. Proctor receives investment income from its beneficial interest in perpetual trust. The board has designated the investment income of that trust to be spent on current operations.

Grant revenue: Grant revenue is recognized as earned when the related eligible expenditures are incurred. Grant revenue of approximately $331,000 and $449,000 was recognized for the years ended December 31, 2012 and 2011, respectively.

Incentive revenue: The Health Information Technology for Economic and Clinical Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 included $27 billion in incentives through Medicare reimbursement systems to foster electronic health record (EHR) adoption. These funds are paid to Organizations to adopt, implement, upgrade and demonstrate meaningful use of certified EHR technology. Proctor recognizes this revenue when all the eligibility requirements, including time requirements, are met. As a result, incentives recognized totaling $234,000 for the year ended December 31, 2012, are included in other revenue. Income from incentive payments is subject to retrospective adjustments as incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, Proctor's compliance with the meaningful use criteria is subject to audit by the federal government.

Pension and postretirement plans: The guidance for accounting for defined pension and other postretirement plans requires Proctor to recognize the funded status of its pension plan in the balance sheet, with a corresponding change to net assets. The funded status is the difference between the fair value of plan assets and benefit obligations.

Reclassifications: Certain balances on the consolidated financial statements and the notes to consolidated financial statements for the year ended December 31, 2011 have been reclassified with no effect on revenues, expenses or net assets, to be consistent with the classifications adopted for the year ended December 31, 2012.

Recent accounting pronouncements: In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance is effective for annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material effect on Proctor's fair value disclosures included in the notes to the consolidated financial statements.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

In July 2011, the FASB issued guidance which amends the current presentation and disclosure requirements for health care entities that recognize significant amounts of patient service revenue at the time the services are rendered without assessing the patient's ability to pay. This guidance requires health care entities to reclassify the provision for doubtful accounts from an operating expense to a deduction from patient service revenue. In addition, this guidance requires more disclosure on the policies for recognizing revenue, assessing bad debts, as well as quantitative and qualitative information regarding changes in the allowance for doubtful accounts. This guidance was to be applied retrospectively to all prior periods presented effective for fiscal years beginning after December 31, 2011, except for disclosure requirements which are to be applied on a prospective basis. This amendment was adopted for the year ended December 31, 2012, and retrospectively applied to the year ended December 31, 2011. Prior year amounts have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in additional disclosures, as described above, and in a reclassification of *Provision for doubtful accounts* which totaled $4,875,081 from operating expenses to a deduction from patient service revenue for the year ended December 31, 2011.

ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, to address the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows of not-for-profit entities. The amendments in this Update require an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The amendments in this Update are effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted.

Note 2. Net Patient Service Revenue

The Hospital, Belcrest, and PHS have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with significant third-party payors follows:

Medicare: Inpatient acute care, outpatient, home health, and skilled services rendered to Medicare program beneficiaries are paid at prospectively determined rates. The prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. These rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Medicare prospective payment system and the appropriateness of the patients' admission are subject to validation reviews.

Certain services provided to Medicare beneficiaries are reimbursed at tentative reimbursement rates with final settlement determined after submission of annual reimbursement reports and audits thereof by the Medicare fiscal intermediary. The Medicare fiscal intermediary has audited Medicare reimbursement reports through 2007.

Note 2. Net Patient Service Revenue (Continued)

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates-per-discharge. Outpatient and home health services rendered to Medicaid program beneficiaries are reimbursed based upon fee schedules or per-visit rates. Medicaid payment methodologies and rates are subject to modification based on the amount of funding available to the State of Illinois Medicaid program.

The Federal Centers for Medicare and Medicaid Services (CMS) approved State of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program). Under the Program, the Hospital receives additional Medicaid reimbursement from the State and pays a related assessment.

During December 2008, CMS renewed the Program for an additional five years and the Program was subsequently extended through June 30, 2014. Under the Program, the Hospital receives additional Medicaid reimbursement from the State and pays a related assessment. For the years ended December 31, 2012 and 2011, the Hospital recognized total reimbursement revenue related to this Program of approximately $1,847,000 and $1,738,000 annually and incurred assessments of approximately $2,824,000 and $2,686,000, respectively. The net payments of approximately $977,000 in 2012 and $948,000 in 2011, are reported as a charge to "patient care, support, and administrative expenses" in the consolidated statements of operations.

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% all Illinois Medicaid payments received by hospitals (excluding Safety Net Providers, as defined, and Critical Access Hospitals) effective July 1, 2012.

Illinois Blue Cross: The Hospital participates in three Blue Cross contracts: an indemnity plan, a preferred provider plan, and an HMO plan. The indemnity plan is reimbursed based on charges for inpatient and outpatient services. Inpatient reimbursement is subject to a settlement based on the hospital's cost per day. Blue Cross has audited reimbursement reports for the indemnity plan through 2010. Payments for the preferred provider plan and HMO plan are based on a per diem for inpatient services and a percent of covered charges for outpatient services.

Other: The Hospital, Belcrest, and PHS have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital, Belcrest, and PHS under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per-diem rates.

The mix of net patient service revenue for the years ended December 31, 2012 and 2011, is as follows:

	2012	2011
Medicare	39%	38%
Medicaid	1%	2%
Blue Cross	19%	16%
Other third-party payors and self pay	41%	44%
	100%	100%

Note 2. Net Patient Service Revenue (Continued)

The mix of net receivables from patients and third-party payors, before allowance for doubtful accounts, at December 31, 2012 and 2011 was as follows:

	2012	2011
Medicare	17%	23%
Medicaid	8%	4%
Blue Cross	8%	13%
Other	26%	30%
Self pay	41%	30%
	100%	100%

Note 3. Property and Equipment

A summary of property and equipment at December 31, 2012 and 2011 follows:

	2012	2011
Land	$ 9,022,852	$ 9,022,852
Land improvements	7,203,373	6,781,127
Buildings	79,896,645	75,867,646
Leasehold improvements	446,309	446,309
Equipment	83,511,163	79,348,654
	180,080,342	171,466,588
Less accumulated depreciation	126,416,095	121,412,527
	53,664,247	50,054,061
Construction in progress	187,956	6,704,346
	$ 53,852,203	$ 56,758,407

Construction in progress relates to various projects that were ongoing in the Hospital at December 31, 2012. The projects in progress at December 31, 2012 are expected to be completed during 2013. Construction in progress at December 31, 2011 primarily related to an IT project, committed under contract for the purchase and lease of a patient and financial IT system which included an electronic health records system (EHRS) with costs of approximately $4,326,000. The purchase of this IT system and the related equipment was partially funded with Hospital revenue bonds which amounted to approximately $3.3 million during 2010. Refer to Note 11 for further discussion of the EHRS project and lease contract. The projects in progress at December 31, 2011 were placed in service during 2012.

Note 3. Property and Equipment (Continued)

A summary of the provision for depreciation for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Proctor Hospital	$ 6,179,521	$ 6,217,315
Belcrest Services	119,227	118,963
Proctor Health Systems	59,382	64,547
Other	91,189	45,594
	6,449,319	6,446,419
Proctor Health Care Foundation (included with medical office building operations net losses)	561,870	566,640
	$ 7,011,189	$ 7,013,059

In connection with the implementation and conversion to the Hospitals new IT system described above, the Hospital's unamortized carrying value of its previous IT patient and financial system was written off during 2012 as an impairment loss which amounted to approximately $967,000 for the year ended December 31, 2012.

Note 4. Investments

A summary of the investments and assets limited or restricted as to use at December 31, 2012 and 2011 follows:

	2012	2011
Investments:		
Cash and cash equivalents, consisting primarily of money market funds	$ 549,668	$ 940,941
Corporate stock	2,032,934	2,206,317
Foreign equities	334,153	315,490
Mutual funds	3,834,467	11,526,012
Corporate bonds	961,112	895,203
International bonds	140,101	122,513
Government and agency bonds	1,458,211	1,295,876
Mortgage and asset backed securities	1,517,007	1,545,322
Accrued interest	33,392	41,045
	10,861,045	18,888,719
Assets held by trustee under bond indenture agreements:		
Short-term investments consisting primarily of money market funds	4,965,441	6,804,513
	$ 15,826,486	$ 25,693,232

Note 4. Investments (Continued)

The composition of investment income on Proctor Health Care Incorporated and Related Organizations' investment portfolio for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Interest and dividend income, net of fees and expenses	$ 274,849	$ 355,450
Net realized gains on sale of investments	344,460	194,397
Changes in net unrealized gains (losses)	1,057,331	(1,041,009)
	$ 1,676,640	$ (491,162)

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2012 and 2011 as follows:

	2012	2011
Nonoperating income (losses) - investment income (losses), net	$ 1,675,168	$ (499,579)
Interest and dividend income included in other operating revenue	1,472	8,417
	$ 1,676,640	$ (491,162)

Note 5. Line-of-Credit and Short-Term Note Payable

The Hospital had a secured line-of-credit with JPMorgan Chase Bank, NA (JPMorgan), which expired May 31, 2012. The line-of-credit offered the Hospital a maximum of $2,500,000 with a variable interest rate which was at the lender's prime rate. There was an outstanding balance of $0 and $2,000,000 on the line-of-credit at May 31, 2012 and December 31, 2011, respectively. The line-of-credit was collateralized by a lien on the Hospital's marketable securities and other assets.

Note 6. Long-Term Debt and Capital Lease Obligations

The Corporation, the Hospital and the Foundation, collectively known as the Obligated Group, entered into a Master Trust Indenture (MTI) dated July 15, 1987. The purpose of the MTI is to provide a mechanism for the efficient and economical issuance of notes by the members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The MTI requires individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit. The Obligated Group pledged a security interest in their gross revenues as collateral on borrowings under the MTI. The Hospital's Series 2006A and Series 2006B Bonds were all issued pursuant to the MTI and have been designated as tax exempt for federal income tax purposes. In accordance with the provisions of the Obligated Group's Bond Trust Indentures, Obligated Group members are required to make deposits into principal and interest sinking funds to cover debt service on outstanding obligations as they come due. Such deposits are held by a trustee and are reported within assets limited as to use or restricted in the accompanying consolidated balance sheets.

In May 2006, the Hospital issued $22,525,000 of Series A Revenue Refunding Bonds through the Illinois Health Facilities Authority. The proceeds of the bonds were used to advance refund the then-outstanding Revenue Bonds, Series 1991 and to pay certain expenses incurred in connection with the issuance of the Series 2006A. The Series 2006A Bonds bear interest at a fixed rate of 5.125%.

Note 6. Long-Term Debt and Capital Lease Obligations (Continued)

In May 2006, the Hospital issued $21,905,000 of Series B Variable Rate Demand Revenue Bonds, through the Illinois Health Facilities Authority. The proceeds of the bonds were used to advance refund the then-outstanding Adjustable Demand Revenue Bonds, Series 1996, to pay certain expenses incurred in connection with the issuance of the Series 2006B Bonds and to finance capital improvement projects for the Hospital. Interest was paid on the Series 2006B Bonds at a variable rate. The Series 2006B Bonds were also collateralized by a letter-of-credit issued by JPMorgan, pursuant to the terms of a Reimbursement Agreement. The letter-of-credit collateralized the outstanding balance of the Series 2006B bond issue and carried a fee of 2.25% of the unused letter of credit amount. The Series 2006B Bonds were paid off and the letter-of-credit was closed during December 2010 with the issuance of the Series 2010 Bond.

In December 2010, the Hospital issued a $15,500,000 Revenue Bond, Series 2010, tax-exempt bond through the Illinois Finance Authority. The proceeds of the bond were used to advance refund the outstanding Revenue Bonds, Series 2006B, to pay certain expenses incurred in connection with the issuance of the Series 2010 Bond and to finance capital improvements projects for the Hospital. Interest is paid on the Series 2010 Bond at a variable rate.

Total long-term debt consists of the following as of December 31, 2012 and 2011:

	2012	2011
Revenue Refunding Bonds, Series 2006A, 5.125%, dated May 1, 2006, due in varying amounts beginning January 2016 through January 1, 2025	$ 22,525,000	$ 22,525,000
Variable Rate Revenue Bond, Series 2010, dated December 1, 2010, due in varying amounts through January 2016, variable interest rate, 2.590% at December 31, 2012	10,075,000	13,175,000
	32,600,000	35,700,000
Less unamortized discount	134,399	145,599
Less current portion	3,100,000	3,100,000
Long-term portion	$ 29,365,601	$ 32,454,401

Pursuant to the terms of the MTI, the Obligated Group is required to maintain a prescribed amount of cash and comply with certain covenants including certain financial and debt service ratios. Proctor's Series 2010 variable rate bond contains a loan agreement with a bank that also requires certain financial covenants to be maintained. These covenants include, among other things, liquidity, cash-to-debt, and minimum debt service coverage ratios. Certain of these financial covenants were not met during 2012 and the bank has subsequently waived such noncompliance.

Note 6. Long-Term Debt and Capital Lease Obligations (Continued)

Scheduled principal repayments on long-term debt obligations for the next five years and thereafter, are as follows:

Year Ending December 31,	Amount
2013	$ 3,100,000
2014	3,100,000
2015	3,100,000
2016	1,310,000
2017	1,825,000
Thereafter	20,165,000
	$ 32,600,000

Proctor leases equipment and a storage unit under capitalized leases which expire through December 2013. The capitalized cost of the equipment and storage unit is approximately $1,190,000 with accumulated depreciation as of December 31, 2012 of $993,986. The equipment and storage unit and the related liability under the capital leases were recorded at the present value of the future payments due under the leases, as determined with interest rates which range from 4.8% to 8.4%.

The following is a schedule of the future minimum lease payments due in 2013 under the capital leases together with the present value of the net minimum lease payments as of December 31, 2012:

Total minimum lease payments	$ 200,107
Less the amount representing interest	(6,297)
Present value of net minimum lease payments	$ 193,810

Note 7. Retirement Plans

The Corporation sponsors a qualified noncontributory defined benefit pension plan (Plan) covering substantially all employees of the Hospital, Corporation, Belcrest and Proctor Health Systems. The benefits are based on years of service and the employee's compensation during the highest five consecutive years of the last 15 years of employment. The Corporation makes annual contributions to the Plan in an amount equal to the current service cost plus amortization of prior service cost over 30 years as determined by the Plan's consulting actuaries. Pension cost is determined using the projected unit credit method.

On August 19, 2008, the Board of Directors amended the Plan to freeze the participants' accrued benefits, effective December 31, 2008. No employees shall commence or recommence participation in the Plan after December 31, 2009. Compensation for periods after December 2008 shall not be considered in the calculation of average compensation. Additionally, service completed after December 31, 2008 will be taken into account solely for purposes of determining vesting, early retirement benefit and any actuarial reduction. The Board of Directors voted to adopt the provisions of a defined contribution plan for all employees who meet the eligibility requirements, effective January 1, 2009, as described below.

Note 7. Retirement Plans (Continued)

The table below sets forth the Plan's funded status, amounts recognized in the accompanying consolidated financial statements and assumptions at December 31:

	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 65,525,803	$ 57,148,901
Interest cost	3,043,272	3,211,652
Actuarial loss	4,451,445	7,480,113
Benefits paid	(2,715,953)	(2,314,863)
Benefit obligation at end of year	70,304,567	65,525,803
Change in plan assets:		
Fair value of plan assets at beginning of year	40,320,822	42,250,136
Actual return on plan assets	4,263,545	(901,179)
Employer contributions	2,802,839	1,286,728
Benefits paid	(2,715,953)	(2,314,863)
Fair value of plan assets at end of year	44,671,253	40,320,822
Funded status at year-end, recognized on the balance sheets	$ (25,633,314)	$ (25,204,981)
Amounts not yet recognized in net periodic pension cost	$ 34,174,758	$ 30,777,165
Information for pension plans with an accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	$ 70,304,567	$ 65,252,803
Components of net periodic pension cost:		
Interest cost	$ 3,043,272	$ 3,211,652
Expected return on plan assets	(3,864,206)	(3,853,776)
Amortization of net loss	654,513	309,943
Net periodic pension costs	$ (166,421)	$ (332,181)

Note 7. Retirement Plans (Continued)

The estimated net loss for the Plan that will be amortized into net periodic pension cost for the year ended December 31, 2012, is $941,335.

	2012	2011
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.25%	4.75%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine net periodic pension cost:		
Discount rate	4.75%	5.75%
Expected return on plan assets	8.00%	8.50%
Rate of compensation increase	N/A	N/A

The Corporation's Finance Committee oversees the investment policy of the Pension Fund. In establishing the investment policy for the Pension Fund, the Committee takes into consideration the long-term nature of the asset pool as well as the participant's needs and assesses the risk and returns characteristics of the various asset classes available to institutional investors and utilizes the guidance of outside investment consultants. The Committee establishes the target asset allocation and permissible ranges of eligible investment asset classes which are subject to change. The performance objective of the Pension Fund's investment assets is to exceed, after investment management fees, the actuarial assumed rate of return and a customized blended benchmark. The benchmark will consist of a weighted-average of market indices that represent a passive implementation of the investment policy targets.

The Proctor Health Care Incorporated Pension Plan and Trust weighted-average asset allocation at December 31, 2012 and 2011 is as follows:

	Target Allocation	2012	2011
Cash and cash equivalents	-	1%	1%
Foreign equities - mutual funds and common stocks	30%	32%	30%
Domestic equities - mutual funds and common stocks	30%	27%	26%
Real estate	10%	11%	11%
Mutual funds - fixed income	15%	14%	15%
Mutual fund - stable value fund	15%	15%	17%
	100%	100%	100%

Note 7. Retirement Plans (Continued)

The following table sets forth by level, within the fair value hierarchy, (see Note 13 for information on the fair value hierarchy) the Plan's assets measured at fair value on a recurring basis as of December 31, 2012:

	Assets at Fair Value as of December 31, 2012			
	Total	Level 1	Level 2	Level 3
Domestic Common stocks:				
Healthcare	$ 605,118	$ 605,118	$ -	$ -
Financial services	973,407	973,407	-	-
Consumer discretionary	680,308	680,308	-	-
Consumer staples	662,655	662,655	-	-
Materials	156,978	156,978	-	-
Energy	350,788	350,788	-	-
Information technology	735,124	735,124	-	-
Industrials	1,095,520	1,095,520	-	-
Foreign common stocks:				
Healthcare	238,947	238,947	-	-
Financial services	67,060	67,060	-	-
Consumer discretionary	-	-	-	-
Consumer staples	189,094	189,094	-	-
Materials	34,539	34,539	-	-
Energy	135,825	135,825	-	-
Information technology	299,227	299,227	-	-
Industrials	95,920	95,920	-	-
Mutual funds:				
Small cap funds	4,125,554	4,125,554	-	-
Large cap funds	2,412,549	2,412,549	-	-
International funds	13,209,976	13,209,976	-	-
Fixed income	6,428,882	6,428,882	-	-
Collective Trust funds:				
RREEF Real Estate Portfolio	4,825,071	-	4,825,071	-
Wells Fargo Stable Return Fund	6,911,921	-	6,911,921	-
	44,234,463	$ 32,497,471	$ 11,736,992	$ -
Cash and cash equivalents	413,960			
Accrued interest	22,830			
Total fair value of plan assets	$ 44,671,253			

Note 7. Retirement Plans (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets measured at fair value on a recurring basis as of December 31, 2011:

	Assets at Fair Value as of December 31, 2011			
	Total	Level 1	Level 2	Level 3
Domestic common stocks:				
Healthcare	$ 458,341	$ 458,341	$ -	$ -
Financial services	731,442	731,442	-	-
Consumer discretionary	535,844	535,844	-	-
Consumer staples	738,669	738,669	-	-
Materials	157,133	157,133	-	-
Energy	295,970	295,970	-	-
Information technology	846,565	846,565	-	-
Industrials	725,965	725,965	-	-
Foreign common stocks:				
Healthcare	88,895	88,895	-	-
Financial services	77,600	77,600	-	-
Consumer discretionary	54,078	54,078	-	-
Consumer staples	405,642	405,642	-	-
Energy	106,564	106,564	-	-
Information technology	111,783	111,783	-	-
Industrials	195,377	195,377	-	-
Mutual funds:				
Small cap funds	3,887,563	3,887,563	-	-
Large cap funds	2,080,253	2,080,253	-	-
International funds	10,993,462	10,993,462	-	-
Fixed income	6,346,781	6,346,781	-	-
Collective Trust funds:				
RREEF Real Estate Portfolio	4,390,054	-	4,390,054	-
Wells Fargo Stable Return Fund	6,785,124	-	6,785,124	-
	40,013,105	$28,837,927	$11,175,178	$ -
Cash and cash equivalents	278,866			
Accrued interest	28,851			
Total fair value of plan assets	$40,320,822			

Contributions: The Hospital expects to contribute $1,960,943 to the Plan during the year ending December 31, 2013.

Note 7. Retirement Plans (Continued)

Estimated future benefit payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending December 31,	Amount
2013	$ 3,119,926
2014	3,307,250
2015	3,510,338
2016	3,607,049
2017	3,774,340
2018-2022	20,711,527

Proctor has a defined contribution 401(k) plan covering all employees who have attained age twenty-one. Proctor is required to match 50% of a participant's pretax contributions up to a maximum of 6% of a participant's eligible compensation as defined by the plan for participants who have completed one year of service with at least 1,000 hours worked. In addition, Proctor is required to make a non-elective contribution of 3% of each participant's eligible compensation under the Safe Harbor provisions of the plan. On April 23, 2009, Proctor amended the plan to suspend the matching contribution indefinitely. Proctor's contribution expense under the plan totaled approximately $1,149,000 and $1,711,000 for the years ended December 31, 2012 and 2011, respectively.

Proctor established a supplemental executive retirement plan during 2011 for its chief executive officer (retroactive to include benefits related to 2010). Total expense related to this plan amounted to approximately $70,000 and $125,000 during 2012 and 2011, respectively.

Note 8. Professional and General Liability

The Hospital, Belcrest, and PHS (the Covered Organizations) have participated in the Illinois Provider Trust (Trust) since 1979. The Trust, which operates on a pooled-risk basis, provides professional and general liability coverage, risk management, claims management, and other related administrative services to member organizations. All coverage through December 31, 2001 was on an occurrence basis. Effective January 1, 2002, primary professional and general liability coverage is on the occurrence basis while excess coverage is on a claims-made basis. Effective January 1, 2005, all primary and general liability coverage is on a claims-made basis. Funding to the Trust is determined by annual actuarial valuations based on the member organizations' loss experience.

If the actual loss experience of the Trust exceeds the actuarially projected loss experience, additional contributions to the Trust would be required from the participating organizations. The Covered Organizations made no additional contributions for the years ended December 31, 2012 and 2011. The net contributions to the Trust by the Covered Organizations were approximately $954,000 and $1,783,000 for the years ended December 31, 2012 and 2011, respectively, and have been charged to operating expenses as management's best estimate of professional and general liability cost.

Note 8. Professional and General Liability (Continued)

The Covered Organizations accrue the expenses of their shares of malpractice claim costs for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Such estimates are based on the Covered Organizations' own claims experience. The Covered Organizations did not consider any accrual necessary for the years ended December 31, 2012, and 2011 related to reported claims. The Covered Organizations have recorded liabilities of approximately $1,144,000 and $1,121,000 for claims incurred but not reported (IBNR) related to claims occurring subsequent to January 1, 2005 which were not reported as of December 31, 2012, and 2011, respectively. These liabilities are included in "accounts payable and accrued expenses" on the consolidated balance sheets as of December 31, 2012, and 2011. The liability was discounted using a discount rate of 5%. The undiscounted liability as of December 31, 2012, and 2011 was approximately $1,394,000 and $1,366,000, respectively.

The Covered Organizations have secured professional and general liability insurance coverage for 2013. There are no assurances that the Covered Organizations will be able to renew existing policies or procure coverage on similar terms in the future as a result of current environmental factors affecting the insurance industry.

Note 9. Self-Funded Health Insurance

The Corporation is self-insured for employee health claims. Estimates for claims payable, which include both reported and unreported claims, are recorded in accrued expense, at which time the related claim expense is also recorded. The Corporation has purchased stop-loss insurance coverage for annual claims in excess of $300,000 per individual. The expenses, net of employee premiums, associated with the self-insurance plan amounted to approximately $5,537,000 and $6,016,000 for the years ended December 31, 2012, and 2011, respectively.

Note 10. Concentrations of Credit Risk

The Corporation and related organizations maintain cash accounts with financial institutions in amounts which, at times, may be in excess of the FDIC insured limit. The Corporation and related organizations have not experienced any losses in these accounts and believe they are not exposed to any significant risks.

The Hospital, Belcrest, and PHS grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of net patient revenue and receivables are disclosed in Note 2.

Note 11. Commitments and Contingencies

Operating leases: The Hospital has acquired the use of certain equipment under various operating lease arrangements. Lease expense under these agreements totaled approximately $3,550,000 and $2,980,000 for years ended December 31, 2012, and 2011, respectively. Future minimum lease payments under noncancelable long-term operating leases at December 31, 2012 are as follows:

Year Ending December 31,	Amount
2013	$ 2,180,900
2014	1,853,070
2015	1,222,072
2016	224,624
	$ 5,480,666

Other lease: Proctor Hospital was committed under contract for the purchase and lease of an IT patient and financial system including EHRS software and equipment in the amount of approximately $4,326,000, as described in Note 3. The portion of the equipment and software leased is $1,008,111. The lease begins on the date the equipment is fully installed, with monthly lease payments of $94,581 beginning at the time of completion. The installation process began in March 2011, with interim rent payments totaling approximately $190,500 for 2011. During 2012, two segments of the lease became fully installed. Monthly payments of $27,271 began in January 2012 at the time the first segment was fully installed, with the term ending July 2015. Monthly payments of $56,156 began in October 2012 at the time the second segment was fully installed, with the term ending April 2016. The final segment is expected to be fully implemented in 2013, with the remaining $11,154 payment for 44 months beginning at installation date.

Litigation: Proctor Health Care Incorporated and Related Organizations are involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Proctor Health Care Incorporated and Related Organizations' future consolidated financial position or results of operations.

Medicare reimbursement: For the years ended December 31, 2012, and 2011, Proctor Health Care Incorporated and Related Organizations recognized approximately $44,900,000 and $44,700,000, respectively, of net patient service revenue from services provided to Medicare beneficiaries. Recent federal legislation has included provisions to reduce Medicare payments to health care providers as well as phase out cost-based reimbursement mechanisms. Changes in Medicare reimbursement as a result of the Centers for Medicare and Medicaid Services' implementation of the provisions of recent Medicare legislation may have an adverse effect on net patient service revenue.

Regulatory investigations: The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. Proctor Health Care Incorporated and Related Organizations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material adverse effect on Proctor Health Care Incorporated and Related Organizations' consolidated financial position or results of operations.

Note 11. Commitments and Contingencies (Continued)

Health care reform: As a result of federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over substantially the next decade. To date, this federal health care reform legislation has not materially affected Proctor's consolidated financial statements.

CMS Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's 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. CMS began rolling out this program in early 2010 in Illinois. Management cannot reliably predict the impact of future RAC audits on Proctor's results of operations or cash flows.

Note 12. Fair Values of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, other current assets, and accounts payable, approximates fair value based on the current maturity of these instruments. Proctor also has assets whose use is limited, investments and debt. The fair value of assets whose use is limited and investments is based upon quoted market rates or, if not available, estimated market rates. The fair value of Proctor's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to Proctor. The fair value of Proctor's long-term debt at December 31, 2012 and 2011 was approximately $32,015,000 and $32,775,000, respectively. Proctor also has a beneficial interest in a perpetual trust. The fair value of the interest is based upon the fair value of the debt and equity investments held by the trust as reported by the Trustee. Proctor owns a 25% interest in the trust.

Note 13. Fair Value Measurements

The fair value standard 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. The guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Note 13. Fair Value Measurements (Continued)

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When Proctor changes its valuation inputs for measuring financial assets at fair value, either due to changes in current market conditions or other factors, it may need to transfer those assets to another level in the hierarchy based on the new inputs used. Proctor recognizes these transfers at the end of the reporting period that the transfers occur. For the year ended December 31, 2012, there were no significant transfers of financial assets between the hierarchy levels. For the year ended December 31, 2011, the beneficial interest in perpetual trust was transferred from a Level 2 classification to a Level 3 classification due to additional information obtained during the year.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments and Assets Whose Use is Limited (recurring):
Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid corporate and international bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow.

Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, and certain corporate, asset backed and other securities.

The fair value of the beneficial interests in perpetual trust held by others is derived from the underlying fair value of the investments held in the trust. The value of those investments is determined in the same manner as investments described above.

Note 13. Fair Value Measurements (Continued)

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2012			
Assets:				
Corporate stock				
Healthcare	$ 234,633	$ 234,633	$ -	$ -
Financial services	358,467	358,467	-	-
Consumer discretionary	259,016	259,016	-	-
Consumer staples	243,311	243,311	-	-
Materials	57,657	57,657	-	-
Energy	185,603	185,603	-	-
Information technology	282,755	282,755	-	-
Industrials	411,492	411,492	-	-
Foreign equities				
Healthcare	24,309	24,309	-	-
Financial services	83,142	83,142	-	-
Consumer staples	74,994	74,994	-	-
Information technology	104,434	104,434	-	-
Industrials	33,572	33,572	-	-
Materials	13,702	13,702	-	-
Mutual funds				
Small cap funds	1,001,820	1,001,820	-	-
Large cap funds	298,027	298,027	-	-
International funds	2,456,686	2,456,686	-	-
Fixed income	77,934	77,934	-	-
Corporate bonds	961,112	961,112	-	-
International bonds	140,101	140,101	-	-
Government and agency bonds	1,458,211	-	1,458,211	-
Mortgage & asset backed securities	1,517,007	-	1,517,007	-
Beneficial interest in perpetual trust	6,207,856	-	-	6,207,856
	$ 16,485,841	$ 7,302,767	$ 2,975,218	$ 6,207,856

Note 13. Fair Value Measurements (Continued)

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2011			
Assets:				
Corporate stock				
Healthcare	$ 214,089	$ 214,089	$ -	$ -
Financial services	334,600	334,600	-	-
Consumer discretionary	269,449	269,449	-	-
Consumer staples	341,451	341,451	-	-
Materials	70,501	70,501	-	-
Energy	186,616	186,616	-	-
Information technology	391,335	391,335	-	-
Industrials	398,276	398,276	-	-
Foreign equities				
Healthcare	33,950	33,950	-	-
Financial services	39,384	39,384	-	-
Consumer staples	178,243	178,243	-	-
Information technology	47,907	47,907	-	-
Industrials	16,006	16,006	-	-
Mutual funds				
Small cap funds	1,304,841	1,304,841	-	-
Large cap funds	2,868,685	2,868,685	-	-
International funds	5,144,326	5,144,326	-	-
Fixed income	2,208,160	2,208,160	-	-
Corporate bonds	895,203	594,285	300,918	-
International bonds	122,513	62,684	59,829	-
Government and agency bonds	1,295,876	-	1,295,876	-
Mortgage & asset backed securities	1,545,322	-	1,545,322	-
Beneficial interest in perpetual trust	5,904,606	-	-	5,904,606
	$ 23,811,339	$ 14,704,788	$ 3,201,945	$ 5,904,606

Note 13. Fair Value Measurements (Continued)

The following table presents additional information about assets measured at fair value for which Proctor has utilized Level 3 inputs to determine fair value:

	2012	2011
Balance, beginning of year	$ 5,904,606	$ -
Transfer from Level 2	-	6,304,747
Distributions	(197,288)	(247,481)
Realized and unrealized gains (losses)	500,538	(152,660)
Balance, end of year	$ 6,207,856	$ 5,904,606

Note 14. Charity Care

In the ordinary course of business, Proctor renders services to patients who are financially unable to pay for medical care. Proctor 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 for patients that are uninsured or underinsured, which is primarily based on individual or family income compared to published poverty levels, as well as other factors such as, but not limited to, employment status and the amount and frequency of healthcare services. Because Proctor does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Proctor maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on Proctor'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 December 31, 2012, and 2011 was approximately $571,000 and $826,000, respectively. Proctor did not receive any funds from restricted contributions or gifts specifically designated to offset the cost of charity care during the years ended December 31, 2012, and 2011, respectively.

Note 15. Medical Office Building Operations

The results of the Foundation's medical office building operations for the years ended December 31, 2012, and 2011 are as follows:

	2012	2011
Rental revenues:		
Physicians	$ 1,213,576	$ 1,074,504
Proctor Hospital	583,710	566,607
Proctor Health Systems	117,728	180,771
Belcrest	63,079	52,954
Other	30,401	6,390
	2,008,494	1,881,226
Expenses:		
Housekeeping and maintenance	814,956	862,879
Other occupancy expenses	605,316	582,587
Provision for depreciation	561,870	566,640
	1,982,142	2,012,106
Net income (loss) from medical office building operations	26,352	(130,880)
Less rental revenue from Proctor-related entities	764,517	800,332
	$ (738,165)	$ (931,212)

The Foundation rents space primarily to physicians and to the Hospital in its medical office building under various operating lease agreements. Future minimum lease payments to be received from unrelated parties under noncancelable long-term operating leases at December 31, 2012 are approximately as follows:

Year Ending December 31,	Amount
2013	$ 1,045,576
2014	823,165
2015	429,211
2016	277,541
2017	104,559
2018-2019	104,559
	$ 2,784,611

Note 16. Functional Expenses

Proctor provides comprehensive quality health care services to the residents of the Peoria, Illinois area. The expenses included in the consolidated statements of operations are primarily related to providing these health care related services. For the years ended December 31, 2012, and 2011, these expenses are as follows:

	2012	2011
Operating:		
Health care services	$108,096,136	$107,078,882
General and administrative	12,354,452	12,200,543
	120,450,588	119,279,425
Nonoperating - included in nonoperating income (losses):		
Fundraising, development, and health care support	208,426	188,275
Medical office building operations	1,982,142	2,012,106
Other nonoperating expenses	228,722	214,612
	2,419,290	2,414,993
	$122,869,878	$121,694,418

Note 17. Subsequent Events

Subsequent events have been evaluated through May 29, 2013, the date of the issuance of the consolidated financial statements.

On May 29, 2013, Proctor Health Care Incorporated (PHCI) executed a Memorandum of Understanding (MOU) with OSF Healthcare System, an Illinois not-for-profit corporation. Under the Terms of the MOU, it is contemplated that PHCI will enter into a strategic alignment with OSF Healthcare System (OSF). The executed MOU provides that both PHCI and OSF directly engage in the development of a Definitive Agreement which would set forth the specific terms and conditions, as well as the nature of the transaction.

Proctor Health Care Incorporated and Related Organizations

Consolidating Schedule - Balance Sheet Information
December 31, 2012

	Proctor Hospital	Proctor Health Care Incorporated	Proctor Health Care Foundation	Belcrest Services, Ltd.
Assets				
Current Assets:				
Cash and cash equivalents	$ 125,065	$ -	$ 138,278	$ 40,274
Investments	96,255	-	10,351,777	-
Assets limited as to use	1,375,068	-	-	-
Receivables:				
Patient accounts receivable, net	20,720,811	-	-	1,411,891
Due from affiliates	15,306,675	5,826,614	901,737	392,168
Other receivables	2,638,684	-	95,389	156,687
Inventory	3,442,714	-	-	330,724
Prepaid expenses	1,363,773	-	-	5,899
Total current assets	45,069,045	5,826,614	11,487,181	2,337,643
Assets limited or restricted as to use:				
Assets held by trustee under indenture agreements	4,965,441	-	-	-
Less amount required to meet current obligations	1,375,068	-	-	-
	3,590,373	-	-	-
Property and equipment, net	41,642,692	-	5,452,809	3,865,403
Investment in affiliates, at cost	-	17,561,753	-	-
Beneficial interest in perpetual trust	6,207,856	-	-	-
Other assets	432,357	-	309,347	-
Total assets	$ 96,942,323	$ 23,388,367	$ 17,249,337	$ 6,203,046
Liabilities and Net Assets				
Current Liabilities:				
Current portion of capital lease obligations	$ 193,810	$ -	$ -	$ -
Current portion of long-term debt	3,100,000	-	-	-
Due to affiliates	4,393,866	1,924,112	453,723	5,829,812
Accounts payable and accrued expenses	19,203,885	48	265,358	735,226
Outstanding checks in excess of bank balance	716,904	-	-	-
Estimated third-party payor settlements	5,227,381	-	-	-
Total current liabilities	32,835,846	1,924,160	719,081	6,565,038
Long-term debt, net of current portion	29,365,601	-	-	-
Retirement plan benefit obligation	25,633,314	-	-	-
Other long-term liabilities	78,000	68,250	8,053	19,500
Total liabilities	87,912,761	1,992,410	727,134	6,584,538
Net Assets:				
Unrestricted	2,311,087	21,395,957	15,938,019	(381,492)
Temporarily restricted	510,619	-	584,184	-
Permanently restricted	6,207,856	-	-	-
Total net assets	9,029,562	21,395,957	16,522,203	(381,492)
Total liabilities and net assets	$ 96,942,323	$ 23,388,367	$ 17,249,337	$ 6,203,046

ATTACHMENT
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Proctor Health Systems	Health Plus, Inc.	Hult	Eliminations	Consolidated
$ 195,870	$ (5,776)	$ 683,778	$ -	$ 1,177,489
-	-	413,013	-	10,861,045
-	-	-	-	1,375,068
763,838	-	-	-	22,896,540
172,819	-	-	(22,600,013)	-
140,205	-	77,565	-	3,108,530
-	-	-	-	3,773,438
-	-	-	-	1,369,672
1,272,732	(5,776)	1,174,356	(22,600,013)	44,561,782
-	-	-	-	4,965,441
-	-	-	-	1,375,068
-	-	-	-	3,590,373
1,628,620	-	1,262,679	-	53,852,203
-	-	-	(17,561,753)	-
-	-	-	-	6,207,856
1,000	5,414	-	-	748,118
$ 2,902,352	$ (362)	$ 2,437,035	$ (40,161,766)	$ 108,960,332
$ -	$ -	$ -	$ -	$ 193,810
-	-	-	-	3,100,000
9,308,783	640,733	48,984	(22,600,013)	-
373,973	250	22,728	-	20,601,468
-	-	-	-	716,904
-	-	-	-	5,227,381
9,682,756	640,983	71,712	(22,600,013)	29,839,563
-	-	-	-	29,365,601
-	-	-	-	25,633,314
19,500	-	-	-	193,303
9,702,256	640,983	71,712	(22,600,013)	85,031,781
(6,799,904)	(641,345)	1,812,551	(17,561,753)	16,073,120
-	-	552,772	-	1,647,575
-	-	-	-	6,207,856
(6,799,904)	(641,345)	2,365,323	(17,561,753)	23,928,551
$ 2,902,352	$ (362)	$ 2,437,035	$ (40,161,766)	$ 108,960,332

ATTACHMENT 6

Proctor Health Care Incorporated and Related Organizations

Consolidating Schedule - Balance Sheet Information
December 31, 2011

	Proctor Hospital	Proctor Health Care Incorporated	Proctor Health Care Foundation	Belcrest Services, Ltd.
Assets				
Current Assets:				
Cash and cash equivalents	$ 646,928	$ -	$ 121,206	$ 129,721
Investments	5,951,538	-	12,585,522	-
Assets limited as to use	1,382,367	-	-	-
Receivables:				
Patient accounts receivable, net	17,524,227	-	-	1,264,845
Due from affiliates	13,272,658	6,011,529	5,559	256,280
Other receivables	1,211,209	-	113,252	12,485
Inventory	3,619,589	-	-	299,661
Prepaid expenses	1,755,972	-	-	6,195
Total current assets	45,364,488	6,011,529	12,825,539	1,969,187
Assets limited or restricted as to use:				
Assets held by trustee under indenture agreements	6,804,513	-	-	-
Less amount required to meet current obligations	1,382,367	-	-	-
	5,422,146	-	-	-
Property and equipment, net	44,106,057	-	5,632,633	3,975,018
Investment in affiliates, at cost	-	17,535,033	-	-
Beneficial interest in perpetual trust	5,904,606	-	-	-
Other assets	495,036	-	293,561	-
Total assets	$ 101,292,333	$ 23,546,562	$ 18,751,733	$ 5,944,205
Liabilities and Net Assets				
Current Liabilities:				
Short-term note payable	$ 2,000,000	$ -	$ -	$ -
Current portion of capital lease obligations	308,650	-	-	-
Current portion of long-term debt	3,100,000	-	-	-
Due to affiliates	3,497,444	1,844,057	821,511	5,149,147
Accounts payable and accrued expenses	16,393,903	48	297,176	601,752
Outstanding checks in excess of bank balance	380,031	-	-	-
Estimated third-party payor settlements	5,034,803	-	-	-
Total current liabilities	30,714,831	1,844,105	1,118,687	5,750,899
Capital lease obligations, net of current portion	193,765	-	-	-
Long-term debt, net of current portion	32,454,401	-	-	-
Retirement plan benefit obligation	25,204,981	-	-	-
Other long-term liabilities	50,000	43,750	9,514	12,500
Total liabilities	88,617,978	1,887,855	1,128,201	5,763,399
Net Assets:				
Unrestricted	6,624,444	21,658,707	16,939,912	180,806
Temporarily restricted	145,305	-	683,620	-
Permanently restricted	5,904,606	-	-	-
Total net assets	12,674,355	21,658,707	17,623,532	180,806
Total liabilities and net assets	$ 101,292,333	$ 23,546,562	$ 18,751,733	$ 5,944,205

Proctor Health Systems	Health Plus, Inc.	Hult	Eliminations	Consolidated
$ 83,971	$ (70)	$ 676,421	$ -	$ 1,658,177
-	-	351,659	-	18,888,719
-	-	-	-	1,382,367
594,205	-	-	-	19,383,277
164,692	-	-	(19,710,718)	-
73,648	-	77,565	-	1,488,159
-	-	-	-	3,919,250
13,216	-	2,970	-	1,778,353
929,732	(70)	1,108,615	(19,710,718)	48,498,302
-	-	-	-	6,804,513
-	-	-	-	1,382,367
-	-	-	-	5,422,146
1,692,531	-	1,352,168	-	56,758,407
-	-	-	(17,535,033)	-
-	-	-	-	5,904,606
1,000	5,414	-	-	795,011
$ 2,623,263	$ 5,344	$ 2,460,783	$ (37,245,751)	$ 117,378,472
$ -	$ -	$ -	$ -	$ 2,000,000
-	-	-	-	308,650
-	-	-	-	3,100,000
7,798,063	600,496	-	(19,710,718)	-
380,419	-	84,662	-	17,757,960
-	-	-	-	380,031
-	-	-	-	5,034,803
8,178,482	600,496	84,662	(19,710,718)	28,581,444
-	-	-	-	193,765
-	-	-	-	32,454,401
-	-	-	-	25,204,981
12,500	-	-	-	128,264
8,190,982	600,496	84,662	(19,710,718)	86,562,855
(5,567,719)	(595,152)	1,835,981	(17,535,033)	23,541,946
-	-	540,140	-	1,369,065
-	-	-	-	5,904,606
(5,567,719)	(595,152)	2,376,121	(17,535,033)	30,815,617
$ 2,623,263	$ 5,344	$ 2,460,783	$ (37,245,751)	$ 117,378,472

Proctor Health Care Incorporated and Related Organizations

Consolidating Schedule - Statement of Operations Information
Year Ended December 31, 2012

	Proctor Hospital	Proctor Health Care Incorporated	Proctor Health Care Foundation	Belcrest Services, Ltd.
Operating revenue:				
Patient service revenue, net of contractual allowances and discounts	$ 104,895,843	$ -	$ -	$ 6,848,921
Less provision for doubtful accounts	5,443,997	-	-	299,273
Net patient service revenue	99,451,846	-	-	6,549,648
Other operating revenue	4,060,680	-	-	232,021
Net assets released from restrictions	13,527	-	397,127	-
Total operating revenue	103,526,053	-	397,127	6,781,669
Operating expenses:				
Patient care, support, and administrative	99,731,417	262,750	9,993	7,229,740
Interest and amortization of deferred financing costs	1,629,770	-	-	-
Net pension cost (benefit)	(166,421)	-	-	-
Provision for depreciation	6,179,521	-	-	119,227
Loss from impairment and disposition of property and equipment	900,072	-	-	-
Total operating expenses	108,274,359	262,750	9,993	7,348,967
Income (loss) from operations	(4,748,306)	(262,750)	387,134	(567,298)
Nonoperating income (losses):				
Gifts and bequests	24	-	916,868	-
Investment income, net	354,417	-	1,269,383	-
Medical office building operations, net	-	-	26,352	-
Fundraising, development, and health care support	-	-	(184,435)	-
Other, net	478,101	-	(417,195)	-
Total nonoperating income (losses)	832,542	-	1,610,973	-
Excess (deficiency) of revenues and gains over expenses and losses	(3,915,764)	(262,750)	1,998,107	(567,298)
Other changes in unrestricted net assets:				
Transfer from Proctor Health Care Foundation to Proctor Hospital	3,000,000	-	(3,000,000)	-
Transfer from Belcrest Services, Ltd. to Proctor Health Systems	-	-	-	5,000
Additional capital contribution	-	-	-	-
Pension-related changes other than net periodic pension cost	(3,397,593)	-	-	-
Decrease in unrestricted net assets	$ (4,313,357)	$ (262,750)	$ (1,001,893)	$ (562,298)

ATTACHMENT
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Proctor Health Systems	Health Plus, Inc.	Hult	Eliminations	Consolidated
$ 3,461,623	$ -	$ -	$ -	$ 115,206,387
322,118	-	-	-	6,065,388
3,139,505	-	-	-	109,140,999
553,574	-	807,180	(532,128)	5,121,327
-	-	-	-	410,654
3,693,079	-	807,180	(532,128)	114,672,980
4,860,872	72,913	790,789	(1,320,636)	111,637,838
10	-	-	-	1,629,780
-	-	-	-	(166,421)
59,382	-	91,189	-	6,449,319
-	-	-	-	900,072
4,920,264	72,913	881,978	(1,320,636)	120,450,588
(1,227,185)	(72,913)	(74,798)	788,508	(5,777,608)
-	-	-	-	916,892
-	-	51,368	-	1,675,168
-	-	-	(764,517)	(738,165)
-	-	-	(23,991)	(208,426)
-	-	-	-	60,906
-	-	51,368	(788,508)	1,706,375
(1,227,185)	(72,913)	(23,430)	-	(4,071,233)
-	-	-	-	-
(5,000)	-	-	-	-
-	26,720	-	(26,720)	-
-	-	-	-	(3,397,593)
$ (1,232,185)	$ (46,193)	$ (23,430)	$ (26,720)	$ (7,468,826)

ATTACHMENT 6

Proctor Health Care Incorporated and Related Organizations

Consolidating Schedule - Statement of Operations Information
Year Ended December 31, 2011

	Proctor Hospital	Proctor Health Care Incorporated	Proctor Health Care Foundation	Belcrest Services, Ltd.
Operating revenue:				
Patient service revenue, net of contractual allowances and discounts	$ 106,366,523	$ -	$ -	$ 6,904,014
Less provision for doubtful accounts	4,291,024	-	-	203,933
Net patient service revenue	102,075,499	-	-	6,700,081
Other operating revenue	4,334,443	-	-	72,385
Net assets released from restrictions	811,368	-	83,490	-
Total operating revenue	107,221,310	-	83,490	6,772,466
Operating expenses:				
Patient care, support, and administrative	99,603,927	309,920	6,250	6,999,630
Interest and amortization of deferred financing costs	1,697,057	-	-	-
Net pension cost (benefit)	(332,181)	-	-	-
Provision for depreciation	6,217,315	-	-	118,963
Net loss from impairment and disposition of property and equipment	75,085	-	-	-
Total operating expenses	107,261,203	309,920	6,250	7,118,593
Income (loss) from operations	(39,893)	(309,920)	77,240	(346,127)
Nonoperating income (losses):				
Gifts and bequests	190	-	76,549	-
Investment income (loss), net	(148,960)	-	(317,733)	-
Medical office building operations, net	-	-	(130,880)	-
Fundraising, development, and health care support	-	-	(190,315)	-
Other, net	(8,667)	-	(100,612)	38,833
Total nonoperating income (losses)	(157,437)	-	(662,991)	38,833
Excess (deficiency) of revenues and gains over expenses and losses	(197,330)	(309,920)	(585,751)	(307,294)
Other changes in unrestricted net assets:				
Additional capital contribution	-	-	-	-
Pension-related changes other than net periodic pension cost	(11,925,127)	-	-	-
(Decrease) increase in unrestricted net assets	$ (12,122,457)	$ (309,920)	$ (585,751)	$ (307,294)

Proctor Health Systems	Health Plus, Inc.	Hult	Eliminations	Consolidated
$ 4,266,438	$ -	$ -	$ -	$ 117,536,975
380,124	-	-	-	4,875,081
3,886,314	-	-	-	112,661,894
331,786	-	718,517	(579,494)	4,877,637
-	90,785	-	-	985,643
4,218,100	90,785	718,517	(579,494)	118,525,174
5,312,343	(85,944)	624,705	(1,377,786)	111,393,045
-	-	-	-	1,697,057
-	-	-	-	(332,181)
64,547	-	45,594	-	6,446,419
-	-	-		75,085
5,376,890	(85,944)	670,299	(1,377,786)	119,279,425
(1,158,790)	176,729	48,218	798,292	(754,251)
-	-	-	-	76,739
79	-	(32,965)	-	(499,579)
-	-	-	(800,332)	(931,212)
-	-	-	2,040	(188,275)
-	-	-	-	(70,446)
79	-	(32,965)	(798,292)	(1,612,773)
(1,158,711)	176,729	15,253	-	(2,367,024)
-	23,215	-	(23,215)	-
-	-	-	-	(11,925,127)
$ (1,158,711)	$ 199,944	$ 15,253	$ (23,215)	$ (14,292,151)

ATTACHMENT 6

PROCTOR HEALTH CARE INCORPORATED AND RELATED ORGANIZATIONS

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Revenue and Expenses

For the Seven Months Ended July 31, 2013

		MTD		Year	
		Current Actual	Current Budget	YTD Actual	YTD Budget
Net patient service revenue	$	8,867,754	9,527,106	59,510,985	67,807,538
Released from Restrictions for Operations		32,632	63,544	224,212	444,808
Other operating revenue		569,756	412,326	5,795,384	2,660,261
Total operating revenue		9,470,142	10,002,976	65,530,581	70,912,607
Operating expenses:					
Professional care, support & administrative		9,066,846	9,303,055	64,094,577	66,898,947
Interest and amortization of deferred financing costs		123,504	126,360	871,053	884,520
Provision for depreciation		488,742	608,345	3,523,438	4,259,223
Total operating expenses		9,679,091	10,037,760	68,489,067	72,042,690
Income from operations		(208,950)	(34,784)	(2,958,487)	(1,130,083)
Nonoperating gains (losses):					
Gifts and bequests		13,475	15,584	75,945	109,088
Investment income		(9,156)	34,754	1,177,324	243,278
Unrealized Gains or Loss on Trading Portfolio		280,715	20	(432,925)	-
Fundraising and development		(29,488)	(17,777)	(113,074)	(124,140)
Healthcare support		-	(5,611)	-	-
Medical office building operation, net		(38,024)	(53,089)	(261,317)	(360,416)
Other		(13,694)	(9,500)	(92,186)	(105,710)
Total nonoperating gains (losses)		203,827	(35,619)	353,767	(237,900)
Revenue and gains in excess of expenses and losses	$	(5,123)	(70,403)	(2,604,720)	(1,367,983)

ATTACHMENT 6

Proctor Health Care Incorporated and Related Organizations
Consolidating Schedule-Income Statement Information
For the Month Ended July 31, 2013

	Proctor Hospital	Proctor Health Care Foundation	Hult	Proctor Health Care Incorporated	Proctor Health Systems	Belcrest	HealthPlus	Elminations	Consolidated
Net patient service revenue	$ 8,108,336	-		-	243,590	515,828	-	-	8,867,754
Released from Restrictions for Operations	29,173	3,459			-	-			32,632
Other operating revenues	446,771	-	98,381	-	52,360	18,477	-	(46,232)	569,756
Total operating revenues	8,584,280	3,459	98,381	-	295,950	534,305	-	(46,232)	9,470,142
Operating expenses:									
Professional care, support & administration	8,079,899	-	77,146	16,467	389,328	599,279	4,916	(100,190)	9,066,846
Interest and amortization of deferred financing costs	123,504	-		-			-	-	123,504
Provisions for depreciation	470,576	-	5,260	-	4,059	8,848	-	-	488,742
Total operating expenses	8,673,979	-	82,406	16,467	393,386	608,127	4,916	(100,190)	9,679,091
Income from operations	(89,699)	3,459	15,974	(16,467)	(97,437)	(73,822)	(4,916)	53,958	(208,950)
Nonoperating gains (losses):									
Gifts and Bequests	-	13,475		-			-	-	13,475
Investment income	-	6,544	(15,700)	-	-	-	-	-	(9,156)
Unrealized Gains or (loss) on Trading Portfolio	1,018	267,787	11,910	-			-		280,715
Fundraising and development	-	(28,572)		-			-	(916)	(29,488)
Healthcare support	-	-		-			-	-	-
Other grants	-	(4,194)		-			-	-	(4,194)
Medical office building operation, net	-	15,018		-			-	(53,042)	(38,024)
Property held for expansion	(9,500)	-		-			-	-	(9,500)
Loss on bond refinancing	-	-		-			-	-	-
Total Nonoperating gains (losses)	(8,482)	270,057	(3,790)	-	-	-	-	(53,958)	203,827
Revenue and gains in excess of expenses and losses	$ (98,181)	273,516	12,184	(16,467)	(97,437)	(73,822)	(4,916)	-	(5,123)

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ATTACHMENT 6

Proctor Health Care Incorporated and Related Organizations
Consolidating Schedule-Income Statement Information
For the Seven Months Ended July 31, 2013

	Proctor Hospital	Proctor Health Care Foundation	Hult	Proctor Health Care Incorporated	Proctor Health Systems	Belcrest	HealthPlus	Elminations	Consolidated
Net patient service revenue	$ 53,994,578	-		-	1,778,203	3,738,204	-	-	59,510,985
Released from restrictions for Operations	203,320	20,892		-	-	-			224,212
Other operating revenues	5,143,716	-	635,047	-	310,170	64,014	-	(357,563)	5,795,384
Total operating revenues	59,341,615	20,892	635,047	-	2,088,374	3,802,217	-	(357,563)	65,530,581
Operating expenses:									
Professional care, support & administration	57,171,047	-	597,656	115,664	2,646,863	4,271,862	32,473	(740,989)	64,094,577
Interest and amortization of deferred financing costs	871,053	-		-		-	-	-	871,053
Provisions for depreciation	3,391,159	-	38,620	-	30,867	62,792	-	-	3,523,438
Total operating expenses	61,433,259	-	636,276	115,664	2,677,730	4,334,654	32,473	(740,989)	68,489,067
Income from operations	(2,091,644)	20,892	(1,229)	(115,664)	(589,357)	(532,436)	(32,473)	383,425	(2,958,487)
Nonoperating gains (losses):							-		
Gifts and Bequests	-	75,945		-			-	-	75,945
Investment income	(22,101)	1,183,108	16,317	-	-	-	-	-	1,177,324
Unrealized Gains or (loss) on Trading Portfolio	3,770	(447,603)	10,907	-	-	-	-	-	(432,925)
Fundraising and development	-	(100,942)		-			-	(12,131)	(113,074)
Healthcare support	-	-		-			-	-	-
Other grants	-	(25,686)		-			-	-	(25,686)
Medical office building operation, net	-	109,977		-			-	(371,294)	(261,317)
Property held for expansion	(66,500)	-		-			-	-	(66,500)
Loss on bond refinancing	-	-		-			-	-	-
Total Nonoperating gains (losses)	(84,830)	794,799	27,224	-	-	-	-	(383,425)	353,767
Revenue and gains in excess of expenses and losses	$ (2,176,474)	815,691	25,995	(115,664)	(589,357)	(532,436)	(32,473)	-	(2,604,720)

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ATTACHMENT 6

PROCTOR HEALTH CARE INCORPORATED
AND RELATED ORGANIZATIONS
Consolidated Balance Sheets
July 31, 2013 and June 30, 2013

Assets		July 31, 2013	June 30, 2013	December 31, 2012
Current:				
Cash and cash equivalents	$	1,708,288	1,187,031	1,150,551
Investments		8,613,233	8,335,193	10,861,046
Assets limited as to use		696,229	1,871,460	1,805,246
Receivables:				
Patient accounts, net of allowance for uncollectible accounts		17,584,879	18,112,716	23,548,916
Other receivables		3,993,600	3,309,989	1,816,631
Net receivables		21,578,478	21,422,705	25,365,547
Inventories		3,933,789	3,696,712	3,754,265
Prepaid expenses		1,976,045	1,410,090	1,369,672
Total current assets		38,506,062	37,923,191	44,306,326
Assets whose use is limited or restricted:				
Cash and investments held by bond trustee		3,439,744	4,893,912	4,965,441
Less amounts required to meet current obligations		(696,229)	(1,871,460)	(1,805,246)
		2,743,515	3,022,452	3,160,195
Property, plant and equipment:				
Plant and equipment, net of accumulated depreciation		41,519,673	41,963,494	44,825,414
Land		9,271,853	9,271,853	9,271,853
Construction in progress		449,427	255,454	70,913
Net property, plant and equipment		51,240,952	51,490,800	54,168,180
Interest in perpetual trust		6,390,089	6,543,678	6,207,856
Other assets		708,836	714,059	748,997
Total other assets		7,098,925	7,257,737	6,956,852
	$	99,589,454	99,694,180	108,591,554

ATTACHMENT
6

PROCTOR HEALTH CARE INCORPORATED
AND RELATED ORGANIZATIONS
Consolidated Balance Sheets
July 31, 2013 and June 30, 2013

Liabilities and Net Assets	July 31, 2013	June 30, 2013	December 31, 2012
Current:			
Line of Credit	$ -	-	-
Current installments of long-term debt	3,100,000	3,100,000	3,100,000
Accounts payable and accrued expenses	18,531,443	17,164,962	21,237,509
Due to third-party payors	4,878,363	4,994,459	5,315,830
Total current liabilities	26,509,806	25,259,421	29,653,339
Capital leases	45,832	65,188	193,809
Long-term debt, excluding current installments	27,047,134	27,821,201	29,365,601
Retirement Plan Obligation	24,505,222	24,912,835	25,633,735
Other long-term liabilities	5,573	5,573	(1,355)
Net assets:			
Unrestricted	13,839,757	13,845,477	16,293,721
Temporarily restricted	735,944	730,710	762,271
Permanently restricted	6,900,185	7,053,774	6,690,432
Total net assets	21,475,886	21,629,961	23,746,424
	$ 99,589,454	99,694,180	108,591,553

ATTACHMENT
6

Proctor Health Care Incorporated and Related Organizations
Consolidating Schedule-Balance Sheet Information
For the Seven Months Ended July 31, 2013

	Proctor Hospital	Proctor Health Care Foundation	Proctor Health Care Incorporated	Hult	Proctor Health Systems	Belcrest	HealthPlus	Elminations	Consolidated
Liabilities and Net Assets									
Current:									
Line of Credit	$ -	-	-	-	-	-	-	-	-
Current installment of long-term debt	3,100,000	-	-				-	-	3,100,000
Accounts payable	12,084,006	313,132	-	3,059	3,938	269,547.83	250	-	12,673,932
Due to affiliates	4,458,658	144,050	2,052,055	43,031	9,636,982	6,128,512	662,147	(23,125,434)	-
Construction Retainage	-	-	-	-	-	-	-	-	-
Due to third parties	4,878,363	-	-	-	-	-	-	-	4,878,363
Accrued expenses	4,993,948	-	68,298	15,759	308,090	471,416	-	-	5,857,511
Total current liabilities	29,514,974	457,182	2,120,353	61,849	9,949,009	6,869,475	662,397	(23,125,434)	26,509,806
									-
									-
									-
									-
									-
Capital lease obligations	45,833	-	-	-	-	-	-	-	45,833
Long term Debt, net of current portion	27,047,134	-	-	-	-	-	-	-	27,047,134
Retirement benefit Obligations	24,505,222	-	-	-	-	-	-	-	24,505,222
Other long term liabiltiies		5,573	-	-	-	-	-	-	5,573
									-
Net assets:									
Unrestricted	3,467,705	13,823,708	21,280,293	1,840,699	(7,390,211)	(913,924)	(657,422)	(17,611,091)	13,839,757
Temporarily restricted	86,237	649,707	-	-	-	-	-	-	735,944
Permanently restricted	6,417,819	-	-	482,366	-	-	-	-	6,900,185
Total net assets	9,971,760	14,473,415	21,280,293	2,323,065	(7,390,211)	(913,924)	(657,422)	(17,611,091)	21,475,886
									-
									-
	$ 91,084,924	14,936,169	23,400,646	2,384,914	2,558,798	5,955,551	4,975	(40,736,525)	99,589,454

0232

ATTACHMENT 6

PROCTOR HEALTH CARE INCORPORATED
AND RELATED ORGANIZATIONS

Statement of Operating Cash Flow

For the Seven Months Ended July 31, 2013

Increase (decrease) in Net Assets	$	(2,270,538)
Adjustments to reconcile change in Net Assets to Net Cash provided by operating activities:		
Net Unrealized Gains on Investments		432,925
Amortization of Deferred Financing Cost		43,092
Provision for Depreciation		3,876,500
Provision for Doubtful Accounts		3,024,613
Change in Net Value of Beneficial Interest in Perpetual Trust		(182,233)
Change in Pension Liability		(1,128,513)
Change in Assets and Liabilities:		
(Increase) decrease in:		
Change in Patient Accounts Receivable		2,939,424
Change in Other Receivables		(2,176,969)
Inventory		(179,524)
Prepaid Expense		(606,373)
Accounts Payable and Accrued Expense		(2,706,066)
Third Party Liabilities		(437,467)
Change in Other assets		3,998
Cash available (used)		632,869
Cash Flows from Investing Activities:		
Acquisition of Property Plant and Equipment, Net		(949,272)
Net change in Investments (exclusive of Unrealized Gains)		1,814,887
Cash available (used)		865,616
Cash Flows from Financing Activities:		
Change in Capital Leases		(147,977)
Draw on Line of Credit		0
Pay Down Line of Credit		0
Net change in Assets whose use is limited		1,525,697
Repayment of Bond and Note Obligations and Amortization of Deferred Financing		(2,318,467)
Cash available (used)		(940,747)
Net change in Cash and Cash Equivalents		557,737
Cash at beginning of year		1,150,551
Cash at end of period	$	1,708,288

ATTACHMENT
6

Explanatory Note 9
Anticipated Acquisition Price

There is no "acquisition price" associated with the Transaction.

Rather, pursuant to the terms of the Affiliation Agreement, MHSC will become the sole corporate member of Proctor. As the sole corporate member of Proctor, MHSC has agreed that it will cause Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, to perform their respective obligations under all then-existing contracts, leases and agreements to which Proctor and/or Proctor's affiliates and subsidiaries, including Proctor Hospital, is a party.

MHSC has agreed to assume or otherwise ensure the satisfaction of the liabilities and obligations of Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, when due, including without limitation the following: (1) any outstanding obligations of Proctor Hospital under the Master Trust Indenture dated July 15, 1987, as supplemented and amended, among Proctor, Proctor Hospital, Proctor Health Care Foundation and Wells Fargo Bank, National Association, as successor master trustee, which secures the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) and the Illinois Finance Authority Revenue Bonds, Series 2010 (Proctor Hospital); and (2) any outstanding obligations of Proctor Hospital (and Proctor the other Proctor affiliates and subsidiaries) under the Proctor qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

UnityPoint Health, as the sole corporate member of MHSC, has guaranteed the full, prompt, and complete performance by MHSC of all of the terms, covenants, conditions and other provisions set forth in the Affiliation Agreement to be performed by MHSC (or its affiliates). UnityPoint Health has also agreed to either: (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) on a parity with the existing bonds of UnityPoint Health and its obligated group; or (2) defease the Proctor Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which the Proctor Bonds were issued.

Explanatory Note 10
Fair Market Value

The anticipated fair market value of Proctor Hospital in this Transaction is approximately $10,000,000, which is the approximate net asset value of Proctor Hospital as of July 31, 2013.

Explanatory Notes
Section 1130.520

1130.520(b)(1)
No Change in Services or Beds

Consistent with the requirements set forth in Sections 1130.520(b)(1) and 1110.240(b), MHSC will not close, discontinue, or substantially reduce the number of beds or any categories of service (recognized by the Board) at Proctor Hospital for a period of at least twelve (12) months following the Closing Date of the Transaction (i.e., November 6, 2013). See Section 3.3(a) of the Affiliation Agreement.

That said, and as set forth in the Recitals and Section 3.3(c)of the Affiliation Agreement, between the Effective Date of the Affiliation Agreement (i.e., September 9, 2013) and the Closing Date of the Transaction, the Applicants have agreed to work together to develop a one hospital, two campus shared vision for the integration of patient care services between Methodist Medical Center and Proctor Hospital (the "Shared Vision"). As part of that Shared Vision, it is possible that certain patient care services (including certain categories of service recognized by the Board) may be discontinued or substantially reduced at Proctor Hospital (or at Methodist Medical Center) at some point in the future to achieve and further the objectives of the Affiliation Agreement, including, but not limited to: (i) developing viable responses to the rapidly changing market impacting health care delivery systems, including federal health care reform legislation, reductions in reimbursement and movement toward global and full-risk payment models; (ii) advancing excellence in clinical innovations, access, services, quality, cost, outcomes, and medical education for both Methodist Medical Center and Proctor Hospital; and (iii) creating measurable benefits to consumers and payers through quality improvements, development of new services, efficiency enhancements and other potential cost savings through the elimination of redundant services. Critically, the Applicants will ensure that the Shared Vision will not negatively impact the overall level of patient care services (including any categories of service recognized by the Board) in the Region. To the extent the Shared Vision ultimately outlines any discontinuations or substantial reductions in any category of service recognized by the Board at Proctor Hospital within twelve (12) months following the Closing Date of the Transaction, MHSC (and Proctor Hospital) will first seek a Certificate of Need from the Board for any such discontinuations or substantial reductions in any category of service recognized by the Board.

1130.520(b)(2)
Transaction Documents

On September 9, 2013, MHSC and Proctor (and Proctor Health Care Foundation) executed an Affiliation Agreement regarding the Transaction. A copy of the Affiliation Agreement is attached at Attachment 5. The effectiveness of the Affiliation Agreement is expressly conditioned upon the issuance of a COE from the Board. See Section 8.1(c) of the Affiliation Agreement.

1130.520(b)(3)
Qualified to Provide Healthcare in Illinois

MHSC and UnityPoint Health have the qualifications, background and character to adequately provide a proper standard of healthcare service to the communities served by Proctor and Proctor's subsidiaries

and affiliates, including Proctor Hospital. MHSC has had no adverse actions taken against any facility owned or operated by MHSC in Illinois during the three (3) years prior to the filing of this COE Application. See the attached affidavit at Attachment 7 from Ms. Debbie Simon ("Ms. Simon"), the President and CEO of MHSC, attesting to the foregoing statements. UnityPoint Health has had no adverse actions taken against any facility owned or operated by UnityPoint Health in Illinois during the three (3) years prior to the filing of this COE Application. See the attached affidavit at Attachment 7 from Mr. Kevin Vermeer ("Mr. Vermeer"), the Executive Vice President and CFO of UnityPoint Health, attesting to the foregoing statements. Proctor has had no adverse actions taken against any facility owned or operated by Proctor in Illinois during the three (3) years prior to the filing of this COE Application. See the attached affidavit at Attachment 7 from Mr. Paul Macek ("Mr. Macek"), the President and CEO of Proctor, attesting to the foregoing statements.

1130.520(b)(4)
Sufficient Funding

Pursuant to the terms of the Affiliation Agreement, MHSC will become the sole corporate member of Proctor. As the sole corporate member of Proctor, MHSC has agreed that it will cause Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, to perform their respective obligations under all then-existing contracts, leases and agreements to which Proctor and/or Proctor's affiliates and subsidiaries, including Proctor Hospital, is a party.

MHSC has agreed to assume or otherwise ensure the satisfaction of the liabilities and obligations of Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, when due, including without limitation the following: (1) any outstanding obligations of Proctor Hospital under the Master Trust Indenture dated July 15, 1987, as supplemented and amended, among Proctor, Proctor Hospital, Proctor Health Care Foundation and Wells Fargo Bank, National Association, as successor master trustee, which secures the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) and the Illinois Finance Authority Revenue Bonds, Series 2010 (Proctor Hospital); and (2) any outstanding obligations of Proctor Hospital (and Proctor the other Proctor affiliates and subsidiaries) under the Proctor qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

UnityPoint Health, as the sole corporate member of MHSC, has guaranteed the full, prompt, and complete performance by MHSC of all of the terms, covenants, conditions and other provisions set forth in the Affiliation Agreement to be performed by MHSC (or its affiliates). UnityPoint Health has also agreed to either: (1) together with its obligated group, guaranty the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) on a parity with the existing bonds of UnityPoint Health and its obligated group; or (2) defease the Proctor Bonds in accordance with the terms of the Bond Indenture dated May 1, 2006 under which the Proctor Bonds were issued.

UnityPoint Health has received an "Aa3" bond rating from Moody's Investor's Service (September 4, 2013 rating) and an "AA-" bond rating from Fitch Ratings (August 29, 2013 rating), copies of which are attached at Attachment 6.

Thus, MHSC has sufficient funding and financial support to consummate the Transaction set forth in this COE Application and to operate Proctor Hospital for the next three years (and long thereafter).

1130.520(b)(5)
Ownership

MHSC will maintain ownership and control of Proctor Hospital for at least 36 months following the closing of the Transaction set forth in this COE Application. Indeed, MHSC has agreed to maintain ownership and control of Proctor Hospital for at least 60 months following the closing of the Transaction set forth in this COE Application. See Section 3.3(b) of the Affiliation Agreement.

1130.520(b)(6)
Pending CON Project

MHSC has no pending Certificate of Need projects. UnityPoint Health has no pending Certificate of Need projects. Proctor has no pending Certificate of Need projects.

1130.520(b)(7)
Charity Care

As set forth in Section 3.4 of the Agreement and in the attached affidavits from Ms. Simon and Mr. Vermeer, neither MHSC nor UnityPoint Health will cause Proctor Hospital to adopt more restrictive charity care policies following the proposed Transaction, and for no less than two years thereafter. Ms. Simon's and Mr. Vermeer's charity care affidavits are attached at Attachment 8. Mr. Macek, on behalf of Proctor, has also submitted an affidavit that states that Proctor will not cause Proctor Hospital to adopt more restrictive charity care policies following the proposed Transaction, and for no less than two years thereafter. Mr. Macek's charity care affidavit is attached at Attachment 8.

Thereafter, Proctor Hospital will continue to provide care to the indigent and to the uninsured as is deemed appropriate by the MHSC Board of Directors and consistent with MHSC's overall policy, provided Proctor Hospital's provision of care remains consistent with all applicable legal requirements. See Section 3.4 of the Affiliation Agreement.

The charity care policy currently in place at Proctor Hospital is attached at Attachment 8.

1130.520(b)(8)
Project Completion

MHSC and Proctor intend to close the Transaction set forth in this COE Application on November 6, 2013 (long before the expiration of the two (2) year life span of an issued COE).

1130.520(d)(1)
Community Benefits

The Applicants desire to enter into the Transaction for the purpose of achieving and furthering the following objectives (all of which will benefit the Region): (i) to carry out and advance the common historical missions of MHSC and Proctor of striving to meet the health care needs of the Region; (ii) to continue to expand access to affordable healthcare services in the Region; (iii) to assist Proctor to resolve its financial challenges and enable Proctor Hospital to provide affordable, convenient and high

quality healthcare services to the Region; (iv) to provide Methodist Medical Center options to expand capacity, improve efficiency, and improve service delivery, all in an efficient and cost effective manner for the benefit of residents of the Region; (v) to work together to develop viable responses to the rapidly changing market impacting health care delivery systems, including federal health care reform legislation, reductions in reimbursement and movement toward global and full-risk payment models; (vi) to advance excellence in clinical innovations, access, services, quality, cost, outcomes, and medical education for both Methodist Medical Center and Proctor Hospital; (vii) to expand medical education opportunities in the Region and assist in the development and training of much needed physicians and other health care professionals; and (viii) to allow Proctor Hospital and its community leadership, through this collaborative process with Methodist Medical Center, to see a viable continuation of its historical mission, i.e., enhancing the quality, availability, and efficiency of healthcare delivery for the Region.

Pursuant to the terms of the Affiliation Agreement, MHSC will become the sole corporate member of Proctor. As the sole corporate member of Proctor, MHSC has agreed that it will cause Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, to perform their respective obligations under all then-existing contracts, leases and agreements to which Proctor and/or Proctor's affiliates and subsidiaries, including Proctor Hospital, is a party.

MHSC has agreed to assume or otherwise ensure the satisfaction of the liabilities and obligations of Proctor and Proctor's affiliates and subsidiaries, including Proctor Hospital, when due, including without limitation the following: (1) any outstanding obligations of Proctor Hospital under the Master Trust Indenture dated July 15, 1987, as supplemented and amended, among Proctor, Proctor Hospital, Proctor Health Care Foundation and Wells Fargo Bank, National Association, as successor master trustee, which secures the Illinois Finance Authority Revenue Refunding Bonds, Series 2006A (Proctor Hospital) and the Illinois Finance Authority Revenue Bonds, Series 2010 (Proctor Hospital); and (2) any outstanding obligations of Proctor Hospital (and Proctor the other Proctor affiliates and subsidiaries) under the Proctor qualified noncontributory defined benefit pension plan, as amended and restated January 1, 2013.

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1130.520(d)(2)
Cost Savings

By bringing together the strengths of MHSC and Proctor to the Region, the Applicants intend to expand health services, increase efficiency and improve quality while preserving and enhancing their legacy and commitment to the Region. The Transaction will also result in measurable benefits to consumers and payers through quality improvements, development of new services, efficiency enhancements and other potential cost savings.

1130.520(d)(3)
Quality Control

MHSC and UnityPoint Health take great pride in the quality of services that each of their many facilities has traditionally provided. MHSC and UnityPoint Health are committed to the on-going training and development of its employees and staff and will continue to invest in state-of-the art facilities and equipment.

1130.520(d)(4)
Organizational Structure Following the Transaction

Under the proposed Transaction, MHSC will become the sole corporate member of Proctor. Organizational charts for Proctor (and Proctor Hospital) prior to and following the Transaction are attached at Attachment 4.

1130.520(d)(5)
Selection of Board

Following the Transaction, the Proctor Hospital Board of Directors will be dissolved and the MHSC Board of Directors will be expanded by three (3) seats. Three (3) individuals, recommended by the Proctor Health Care Foundation Board of Directors, will be selected to fill said seats on the MHSC Board of Directors.

In addition, the Methodist Medical Center Board of Directors will be expanded by three (3) seats. Three (3) individuals, recommended by the Proctor Health Care Foundation Board of Directors, will be selected to fill said seats on the Methodist Medical Center Board of Directors. The initial appointees to the Methodist Medical Center Board of Directors will be individuals who served on the Proctor Hospital Board of Directors as of the Effective Date of the Affiliation Agreement (i.e., September 9, 2013).

As of the Closing Date of the Transaction, the Proctor Health Care Foundation Board will make the initial recommendations, and going forward new recommendations for the three (3) seats on the MHSC Board of Directors and the three (3) seats on the Methodist Medical Center Board of Directors would be made as openings occur by the Proctor Health Care Foundation Board of Directors. The right of the Proctor Health Care Foundation Board of Directors to recommend members for the MHSC Board of Directors and the Methodist Medical Center Board of Directors will end on the earlier of: (1) the merger of the Proctor Health Care Foundation with the Methodist Medical Center of Illinois Foundation, or (2) ten (10) years after the Closing Date of the Transaction. MHSC has further agreed that until the right to recommend members of the MHSC Board of Directors and the Methodist Medical Center Board of Directors has ended, the three (3) new seats on each of the MHSC Board of Directors and the Methodist Medical Center Board of Directors will only be filled by individuals recommended by Proctor Health Care Foundation, as applicable.

See Section 2.3 of the Affiliation Agreement.

1130.520(d)(6)
1110.240 Compliance

See Explanatory Notes for Section 1110.240 set forth below.

1130.520(d)(7)
No Change in Services or Beds

Consistent with the requirements set forth in Sections 1130.520(b)(1), 1130.520(d)(7) and 1110.240(b), MHSC will not close, discontinue, or substantially reduce the number of beds or any categories of service (recognized by the Board) at Proctor Hospital for a period of at least twelve (12) months following the Closing Date of the Transaction (i.e., November 6, 2013). See Section 3.3(a) of the Affiliation Agreement.

That said, and as set forth in the Recitals and Section 3.3(c) of the Affiliation Agreement, between the Effective Date of the Affiliation Agreement (i.e., September 9, 2013) and the Closing Date of the Transaction, the Applicants have agreed to work together to develop a one hospital, two campus shared vision for the integration of patient care services between Methodist Medical Center and Proctor Hospital (the "Shared Vision"). As part of that Shared Vision, it is possible that certain patient care services (including certain categories of service recognized by the Board) may be discontinued or substantially reduced at Proctor Hospital (or at Methodist Medical Center) at some point in the future to achieve and further the objectives of the Affiliation Agreement, including, but not limited to: (i) developing viable responses to the rapidly changing market impacting health care delivery systems, including federal health care reform legislation, reductions in reimbursement and movement toward global and full-risk payment models; (ii) advancing excellence in clinical innovations, access, services, quality, cost, outcomes, and medical education for both Methodist Medical Center and Proctor Hospital; and (iii) creating measurable benefits to consumers and payers through quality improvements, development of new services, efficiency enhancements and other potential cost savings through the elimination of redundant services. Critically, the Applicants will ensure that the Shared Vision will not negatively impact the overall level of patient care services (including any categories of service recognized by the Board) in the Region. To the extent the Shared Vision ultimately outlines any discontinuations or substantial reductions in any category of service recognized by the Board at Proctor Hospital within twelve (12) months following the Closing Date of the Transaction, MHSC (and Proctor Hospital) will first seek a Certificate of Need from the Board for any such discontinuations or substantial reductions in any category of service recognized by the Board.

UnityPoint Health
Methodist

221 Northeast Glen Oak Avenue
Peoria, Illinois 61636-0002
(309) 672-5522
www.unitypoint.org/peoria

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(3), No Adverse Actions Certification

Dear Ms. Avery and Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(3), that there have been no adverse actions taken against any facility owned or operated by Methodist Health Services Corporation during the three (3) years prior to the filing of this Certificate of Exemption.

Sincerely,

Debbie Simon
President & CEO

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Notary Public

"OFFICIAL SEAL"
Gina M Lundholm
Notary Public, State of Illinois
My Commission Expires 9/18/2014

UnityPoint Health

Kevin E. Vermeer
1776 West Lakes Parkway, Suite 400
West Des Moines, IA 50266
Office: (515) 241-6550
Fax: (515) 241-6220
unitypoint.org

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
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Springfield, Illinois 62761-0001

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Dear Ms. Avery and Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(3), that there have been no adverse actions taken against any facility owned or operated by Iowa Health System d/b/a UnityPoint Health in Illinois during the three (3) years prior to the filing of this Certificate of Exemption.

Sincerely,

Kevin E. Vermeer
Executive Vice President

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Pamela K. Hoskins
Notary Public

PAMELA K. HOSKINS
Commission Number 179554
My Commission Expires
May 24, 2016

PROCTOR
HOSPITAL

5409 North Knoxville Avenue
Peoria, IL 61614
Phone 309-691-1000

Paul E. Macek
President and Chief Executive Officer

September 16, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(3), No Adverse Actions Certification

Dear Ms. Avery and Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(3), that there have been no adverse actions taken against any facility owned or operated by Proctor Health Care Incorporated during the three (3) years prior to the filing of this Certificate of Exemption.

Sincerely,

Paul Macek
President & CEO

SUBSCRIBED AND SWORN
to before me this 16 day
of September, 2013.

Lori Blackburn
Notary Public

LORI BLACKBURN
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
January 24, 2017

UnityPoint Health
Methodist

221 Northeast Glen Oak Avenue
Peoria, Illinois 61636-0002
(309) 672-5522
www.unitypoint.org/peoria

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(7), Charity Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(7), that Methodist Health Services Corporation ("MHSC") shall not cause Proctor Health Care Incorporated ("PHCI") or any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, to adopt more restrictive charity care policies following the proposed transaction between MHSC and PHCI, and for no less than two years thereafter.

Sincerely,

Debbie Simon

Debbie Simon
President & CEO

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Gina M Lundholm

Notary Public

"OFFICIAL SEAL"
Gina M Lundholm
Notary Public, State of Illinois
My Commission Expires 9/18/2014

UnityPoint Health

Kevin E. Vermeer
1776 West Lakes Parkway, Suite 400
West Des Moines, IA 50266
Office: (515) 241-6550
Fax: (515) 241-6220
unitypoint.org

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(7), Charity Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(7), that Iowa Health System d/b/a UnityPoint Health shall not cause Proctor Health Care Incorporated ("PHCI") or any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, to adopt more restrictive charity care policies following the proposed transaction between Methodist Health Services Corporation and PHCI, and for no less than two years thereafter.

Sincerely,

Kevin E. Vermeer
Executive Vice President

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Pamela K. Hoskins
Notary Public

PAMELA K. HOSKINS
Commission Number 179554
My Commission Expires
May 24, 2016

ATTACHMENT
8

PROCTOR
HOSPITAL

5409 North Knoxville Avenue
Peoria, IL 61614
Phone 309-691-1000

Paul E. Macek
President and Chief Executive Officer

September 16, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(7), Charity Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(7), that Proctor Health Care Incorporated ("PHCI") shall not cause PHCI or any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, to adopt more restrictive charity care policies following the proposed transaction between Methodist Health Services Corporation and PHCI, and for no less than two years thereafter.

Sincerely,

Paul Macek
President & CEO

SUBSCRIBED AND SWORN
to before me this 16 day
of September, 2013.

Notary Public

LORI BLACKBURN
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
January 24, 2017

Department: Patient Financial Services
Effective Date: May 15, 2013
Review Date: N/A
Date Revised: July 9, 2013
Date Approved: [click here to insert text]
Approved by: [click here to insert text]

PROCTOR HOSPITAL
Charity Care, Financial Assistance and Illinois Uninsured Discount

SECTION: Patient Accounting

SCOPE: ◉ Departmental ○ Organizational

PURPOSE:

This policy is established to provide the operational guidelines for Proctor Hospital to identify uninsured patients who are Financially Indigent or may qualify for charity care (free care), or financial assistance, may be presumed eligible based on the state of IL guidelines. To provide guidelines to process patient applications and to bill and collect from uninsured patients.

SUBJECT: Charity Care, Financial Assistance and Illinois Uninsured Discount

POLICY:

1. Charity care or Financial Assistance. Proctor Hospital shall provide charity care (free care) or financial assistance to uninsured or under insured patients for their emergency, non-elective care, who qualify as financially indigent as set forth below. Charity care (100% discount) under this policy shall be available for uninsured patients with incomes below 200% of the federal poverty guidelines, subject to income and asset verification. For patients who are between 201% and 300% of the federal poverty guidelines, an 80% discount is available. See attachment A for eligibility guidelines.
2. Billing and collection processes for uninsured patients. All uninsured patients receiving care a Proctor Hospital will be treated with respect and in a professional manner before, during and after receiving care.
3. An application is valid for six (6) months for patients living in the state of Illinois. A new application will be required if six months have elapsed between the original approval and the next date of service.

PROCEDURE:

A. **Charity Care and Financial Assistance Process**

1. **Application.** Each patient applying for charity care or financial assistance shall complete a Financial Assistance Worksheet. An example of the Financial Assistance Worksheet is attached. The Assistance application allows for the collection of necessary information to determine eligibility for financial assistance. If a patient may be eligible for state or federal assistance, they must comply with the application process and supply required documentation. Failure to do so may jeopardize your ability to receive charity care.

Family size:
Adults: The number of people in an adult patient's household, including spouse and any dependents of the patient or the patient's spouse.

Minors: Persons under the age of 18. In calculating the number of people in a minors household, Proctor will include the patient, the patient's mother, dependents of the patient's mother, the patient's father, and dependents of the patient's father.

Calculation of income:
Adults: Determine the sum of the total yearly gross income of the patient and the patient's spouse. Proctor may consider other financial assets of the patient and the patient's family (as defined above) and the patient's or the patient's family's ability to pay

Minors: If the patient is a minor, determine the income from the patient, the patient's mother and the patient's father. Proctor Hospital may consider other financial assets of the patient and family members (as defined above) and the patient's or patient's family's ability to pay.

4. **Income Verification.** Proctor Hospital shall request that the patient verify the income and provide documentation requested.
   a. **Documentation verifying income.** Income may be verified through any of the following:

- Tax returns (previous year)
- IRS form W-2
- Pay check remittance
- Social Security
- Worker's Compensation or Unemployment Compensation Determination letters
- Qualification with the preceding 6 (six) months for governmental assistance program; food stamps; Illinois Women, Infants and Children (WIC); Illinois Supplemental Nutrition Assistance Program (SNAP); Illinois Low income home Energy Assistance program (LIHEAP); National school lunch program; Illinois temporary Assistance for Needy Families (TANF)*
- Bank statements, which include payroll deposits

   b. ***Documentation unavailable.** In cases where the patient is unable to provide documentation verifying income, the Hospital may verify the

patient's income based on the patients eligibility in a state run program or by using a reporting credit agency (ex: Transunion, Equifax, etc).

i. **Presumptive eligibility for Financial Assistance** is based on the patient qualifying for one of the above state or federal programs.

Illinois Women, Infants and Children (WIC)
Eligibility is for women who are pregnant and for up to six months after the birth of the infant or up to one year if breastfeeding; and infants and children up to one year of age. The income threshold is 185% FPL, or 200% FPL if also enrolled in certain state medical programs. The two-page enrollment document shows service start and end dates. The program is administered by the Illinois Dept of Human Services.
Verification: See enrollment documentation from patient (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

Illinois Supplemental Nutrition Assistance Program (SNAP)
Eligibility is for individuals with incomes up to 130% FPL, or 200% FPL if the household includes an individual age 60 or older, disabled or a veteran. An Illinois LINK card is issued with funds for groceries deposited monthly for a specific time period, typically six months, but can be as long as 12 or 24 months. The program is administered by the Illinois Dept of Human Services.
Verification: See new LINK card (effective May 2013. There is a nine-digit number on the card that -- along with patient's social security number and date of birth -- can be used online to verify if the account is active. Illinois EBT Link Card:Login

The Illinois Dept. of Human Services recommends the best option for verification is to call 1-800-678-5465; with the card number they can verify if there is a pending dollar benefit on that card. Hospitals are not to ask for the patient's PIN number, rather have the patient enter the PIN and the hospital staff listens. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

Illinois Low Income Home Energy Assistance Program (LIHEAP)
Eligibility is for individuals with incomes up to 150% FPL and is for that year's upcoming winter season. Illinois Dept of Commerce & Economic Opportunity administers the program. See the list of local agencies on its website.
Verification: A dated letter is sent notifying of eligibility. If patient has lost the letter, the local notifying agency could assist with a copy. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

National School Lunch Program
Eligibility is for individuals with incomes up to 130% FPL for free lunches, or up to 185% FPL for subsidized lunches. The U.S. Dept of Agriculture administers the program.
Verification: A letter from the local school district is sent notifying eligibility for that school year and up to 30 days into the next school year. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

Illinois Rental Housing Support Program
Eligibility is for individuals with incomes up to 30% of the area median income. It is administered by the Illinois Housing Development Authority. This link has the median

income by area in Illinois. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

Illinois Temporary Assistance for Needy Families (TANF)
Eligibility is for pregnant women or families with a child under age 19 (if 18 must be full-time high school student). The income threshold is not based on FPL; instead it is tied to payment thresholds by county and family size. Generally eligible individuals would be below 200% FPL. The program is administered by the Illinois Dept of Human Services. If the person is working, this brochure shows how much can earn and still be eligible. Benefits are deposited on a LINK card. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

Sample documents from IHA are below. (http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

SAMPLE – DO NOT DUPLICATE

Your WIC Appointments

Certification/Follow-up Details:
- ✓ Women/Infant/Child being certified
- ✓ WIC ID Card
- ✓ Proof of Identity, Residency, Income
- ✓ Proof of Pregnancy, if applicable
- ✓ Immunization Record
- ✓ Health Referral, if applicable

Education/Other Bring:
- ✓ WIC ID Card
- ✓ Photo ID

Name	Date/Time	Completed Follow-up	Rescheduled Other
Dwit and Kamen	7/5/97 10:00 am		✓

FOR INFORMATION ONLY

SAMPLE – DO NOT DUPLICATE

State of Illinois
Department of Human Services
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) I.D. Card

This I.D. Card must be presented at the clinic for food vouchers (WIC Checks) issuance. Failure to do so may result in delayed pick up.

Issuing Local Agency Information:
Name, Address, Phone and Fax Required

ABC County Health Department
WIC Clinic #12345
Garden Vegetable Lane
WIC City, IL 61072
Phone: (217) 999-5555 Fax: (217) 999-4444

Participant Information:
Group I.D. # Dwit and Kamen

Name and I.D. #

Dwit Tomato 1835-9406-0184

Kamen Tomato 1835-1841-2345-00

FOR INFORMATION ONLY

Signature:
Participant/Parent/Guardian/Caretaker: Dwit Tomato
Other Parent/Proxy: M. Kamen Tomato
Other Parent/Proxy:

My Rights:
- I can be assured fairness and safe treatment. The state agency for issuing WIC and the agency for WIC/Food, Care and for a fair hearing if I believe I have been treated unfairly. I can talk with WIC staff I don't agree or feel I
- I can get information about WIC and how it works.
- I can get information about participating and participating agencies.
- I have been given special attention.
- I can ask questions about WIC Checks. Ask questions to the agency food WIC checks. I can ask questions about WIC Checks.
- I can ask questions about the WIC Checks.
- I can ask questions about the WIC Checks.
- I can ask questions about the WIC Checks.
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- I can ask questions about the WIC Checks.
- I can ask questions about the WIC Checks.
- I can ask questions about the WIC Checks.

My (or my proxy's) Responsibilities:
- I will provide true and complete information.
- I will let WIC a know if there are any changes in income, address, or family size.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.
- I will use WIC Checks for my family.

In cases of program abuse you may be asked, suspended, or terminated from the WIC program or

ATTACHMENT
8

SAMPLE – DO NOT DUPLICATE

Using WIC Food Instruments/Checks

At the WIC approved store:

1. Take your I.D. Card, WIC Checks, and WIC Food List.
2. Use between the "First Day to Use" and "Last Day to Use" dates.
3. Buy only WIC-approved foods. Use the WIC Food List to get the "Local Expenses Bound" when noted.
4. Be sure to get everything listed on the item checks or returns are allowed.
5. If your store does not have the food you want, shop at another WIC approved food store.

At the store register:

1. Present your I.D. Card (you store has the right to refuse the sale if you do not present your WIC I.D. Card or additional identification).
2. Separate WIC foods from the other food being purchased.
3. Sign AFTER the cashier fills in the actual amount of each. THE SIGNATURE ON THE CHECKS MUST MATCH YOUR SIGNATURE ON THE I.D. CARD.
4. No money will be exchanged.

Lost or Stolen WIC Food Instruments/Checks cannot be replaced.

In accordance with Federal Law and Department of Agriculture (USDA) policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call toll free (866) 632-9992 (Voice). Individuals who are hearing impaired or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (Spanish). USDA is an equal opportunity provider and employer.

If you have questions or concerns, contact:

Illinois Department of Human Services
Bureau of Family Nutrition
[illegible] E. Monroe St
Springfield, IL 62701
1-800-[illegible]-6134
Or 217-[illegible], during business hours (M-F 8:30 – 5:00)

WIC Category

[illegible]

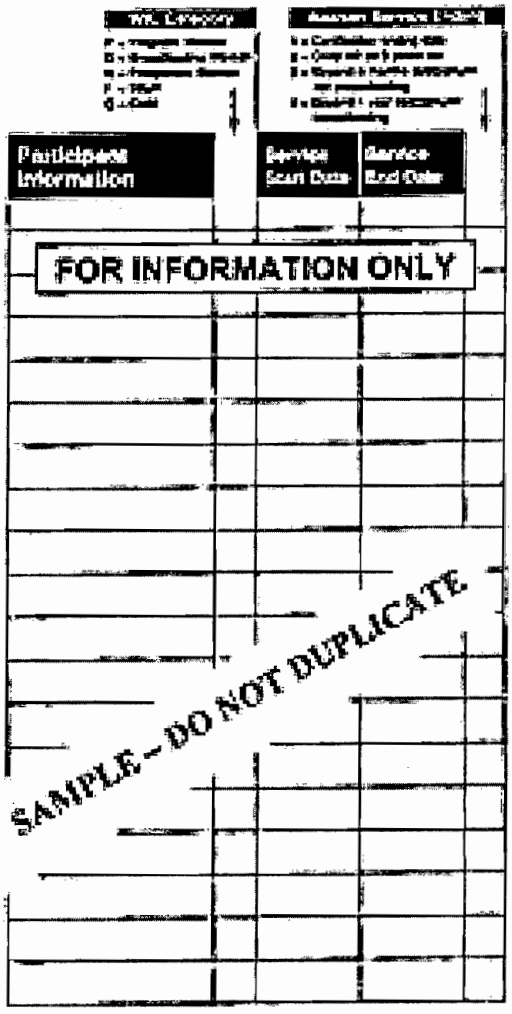
Assistance Services Ending

[illegible]

Participant Information	Service Start Date	Service End Date

FOR INFORMATION ONLY

SAMPLE – DO NOT DUPLICATE



Appeal Rights:

You may appeal any decision made by this agency within 60 days regarding your eligibility for the program. If you are denied participation or if you are disqualified from the program, this will serve as notice of your right to a fair hearing. A fair hearing and/or appeal may be made personally or by a representative such as a relative, friend, legal counsel or other representation by contacting the Local Agency Administrator at the address listed on the front side of this card.

Service Ending Information:

Your WIC Certification period will end on the date listed above. In order to remain on WIC and to continue benefits without interruption, make sure you come to the appointment time reserved for you. Failure to keep WIC appointments will result in reduced amounts of food.

[illegible]

ATTACHMENT
8

38/08 DHS State of Illinois
Department of Human Services

ID: 51845

Notice of Decision on Application for Cash, Medical and/or SNAP Benefits

Date of Notice	Cat.	L.C.	Group	Basic	Caseload Number
APRIL 06, 2012	08	333	00	840251	[redacted]

Local Office 480/444

[redacted] 203

NORTHERN LOCAL OFFICE
8000 ST. LOUIS ST.
SADLIE, IL 60076-2979

THIS NOTICE TELLS YOU WHAT ASSISTANCE YOU WILL GET AND WHO WILL GET IT. THIS NOTICE ALSO TELLS YOU WHAT ASSISTANCE YOU WILL NOT GET AND WHY. THE NOTICE THEN TELLS YOU HOW YOU CAN APPEAL IT YOU DISAGREE WITH OUR DECISIONS.

LOCAL OFFICE TELEPHONE NUMBER: (847) 745-3300
FOR THE HEARING IMPAIRED WHO HAVE A
TELEPHONE DEVICE FOR THE DEAF (TTY), CALL: (847) 745-3308

REGARDING YOUR APPLICATION FOR SNAP BENEFITS FILED ON: 03/30/12

YOU WILL RECEIVE YOUR SNAP BENEFITS FOR 03/16/12 THROUGH 04/15/12
IN THE AMOUNT OF $ 200.00.

CASH AND SNAP BENEFITS ARE AVAILABLE ON THE ILLINOIS LINK CARD. UNLESS YOU RECEIVED A CARD AT THE OFFICE WHERE YOU APPLIED ONE WILL BE MAILED TO YOU. TO CHOOSE YOUR PIN OR REQUEST A REPLACEMENT CARD CONTACT THE ILLINOIS LINK HELP LINE AT 1-800-678-LINK (5465) TTY 1-877-785-2459 OR GO TO THE ILLINOIS LINK CARD WEBSITE AT WWW.LINK.ILLINOIS.COM.

CLAIM-CONDOC (R-10-00)

ATTACHMENT
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DHS
Illinois Department of Human Services

Pat Quinn, Governor

Michelle R. B. Saddler, Secretary

100 South Grand Avenue, East • Springfield, Illinois 62762
401 South Clinton • Chicago, Illinois 60607

Date: February 2, 2012
Recipient:
Recipient Number:
Case Name:
Case Number: [redacted]

TO WHOM IT MAY CONCERN:

Please be advised the following person(s) receives:

FOOD STAMPS IN THE AMOUNT OF $ 200.00 MONTHLY.

CASH IN THE AMOUNT OF $ 0.00 MONTHLY.

MEDICAL FOR THE FOLLOWING:

N/A

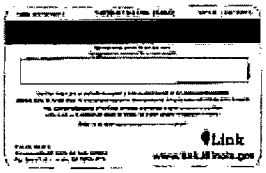
Respectfully,

[redacted]

The case worker [redacted] can be reached at (773) 863-6300 Ext [redacted]

If you wish to contact your DHS office, you may write us at the Family Community Resource Center Snap Employment & training, 1542 West 59th Street, 1st Floor, Chicago IL 60636-1735. Our phone numbers are: PHONE (773) 863-6300, TTY (866) 439-3712, and FAX 863-6307.

LO-0100 (11/02) SF



(http://ihatoday.org/Health-care-Issues/Health-care-Finance/Government-Programs)

ATTACHMENT
8

PROCTOR HOSPITAL

Financial Assistance Worksheet

Patient Name_____ Date of Birth_____

Guarantor (Responsible Party) Information
Name _____ Date of Birth_____
Social Security #_____
Address _____Apt #_____
City, State, Zip_____
Home Phone _____
Marital Status Single Married Widowed Divorced Legally Separated
Employer Name _____
Wage _____ Hour /Week /Year Full or Part Time

Spouse Name _____Date of Birth_____
Social Security #_____
Spouse Employer Name _____
Wage _____ Hour /Week /Year Full or Part Time

Family Size: Means the number of persons in the household including minors
Name:_____Date of Birth_____Rltnshp_____
Name:_____Date of Birth_____Rltnshp_____
Name:_____Date of Birth_____Rltnshp_____
Name:_____Date of Birth_____Rltnshp_____
Name:_____Date of Birth_____Rltnshp_____
Name:_____Date of Birth_____Rltnshp_____

Monthly Income ***(include information and documentation for spouse if married)***
Provide a copy of your _____ Federal Income Tax Return.
Employment $_____ **Provide copy of (2) most recent pay stubs**.
Social Security, Retirement and/or Pension $_____**Provide copy of check or annual income statement**
Other $_____ **Provide copy of documentation** Child Support/Alimony $_____
If you are unemployed with no income, what is the date you last worked_____?
Provide a copy of your unemployment letter indicating amount collected from the state and a letter explaining how you are surviving and meeting your daily expenses. If another party is providing these means for you, please provide a signed document from that party. The document will only be used to process this application for assistance. It does NOT make the other party responsible for your bill.

If temporarily disabled, provide a written statement from your doctor that includes the date you are expected to return to work.

Monthly Expenses
Mortgage or Rent $ _____ Auto Payment $ _____
Auto/Home Insurance $ _____ Health/Life Insurance $ _____
Utilities/phone/cable $ _____ Credit Card Payments $ _____
Child Care / Tuition $ _____ Cild Support/Alimony $ _____
Medical Expenses $ _____ Medication $ _____

Medicaid Eligibility Screening (check all that apply)
Disabled ____ Blind ____ Pregnant ____ Dependent children under 18 live in your home ____

If any of the above are checked, you must apply for assistance through Medicaid before being considered for Proctor Hospital's Assistance Program. If you are denied by the Medicaid program, provide a copy of your denial with this application.

Are you currently enrolled in any of the following state or federal assistance programs?
___ Illinois Women, Infants and Children (WIC)
___ Illinois Supplemental Nutrition Assistance Program (SNAP)
___ Illinois Low income home Energy Assistance Program (LIHEAP)
___ National School Lunch Program
___ Illinois Rental Housing Support Program
___ Illinois Temporary Assistance for Needy Families (TANF)
If so, please provide documentation that you participate in one or more of these programs.

Attach a letter if you have additional information to provide regarding your financial hardship.

"I declare under the penalty of perjury that the answers I have given are true and correct to the best of my knowledge. I understand that I may be asked to prove my statements and my eligibility statements will be subject to verification by contact with my employer, bank, credit verification and property searches. I hereby give consent to Proctor Hospital to verify any information provided herein with any person or entity."

_____ _____
Signature Date

Return completed application to:
Proctor Hospital
PO BOX 3336
Peoria, IL 61612
If you have anyquestions, call 309-691-1083.

ATTACH ALL REQUIRED DOCUMENTATION. INCOMPLETE APPLICATIONS WILL NOT BE PROCESSED.

Created on 6 18 2010
Updated June 18, 2013
FinancialAssistanceWorksheet.doc

5409 North Knoxville Avenue
Peoria, IL 61614
Telephone: 30-691-1083
Email patientaccounts@proctor.org

Dear Patient:

Thank you for your interest in Proctor Hospital's Financial Assistance Program. As part of our mission, we are committed to providing healthcare to those who may lack the financial means to pay for their services. We also provide help to patients in obtaining payment from third parties such as Medicare and Medicaid. If you are eligible for Medicaid, and you are not currently enrolled, we can help you apply.

Proctor Charity care may be applied for when there is a balance due on an account. The PDF form available through our website must be completed and signed by you. We use income guidelines established by the U.S. Department of Health and Human services to determine if you are eligible for charity care. We do verify assets regarding your eligibility so please provide that information as promptly as possible. Return the information to Proctor Hospital Patient Accounting, P.O. Box 3336, Peoria, IL 61612. Incomplete applications will not be processed.

Proctor Hospital is pleased to be able to offer you and your family excellent healthcare in a safe environment. We look forward to working with you in helping resolve the financial aspects of your care.

For more information, please contact our Patient Accounting Department at 309-691-1083.

Sincerely,
Proctor Hospital

Attachment A

Financial Assistance Eligiblitiy Guidelines

Based on Federal Poverty Guidelines effective January 1, 2013

Schedule A

Financially indigent -100% diiscount

Schedule B

Medically indigent- discount from services

Number in Household	100%	200%		300%	400%
1	$11,490	$22,980		$34,470	$45,960
2	$15,510	$31,020		$46,530	$62,040
3	$19,530	$39,060		$58,590	$78,120
4	$23,550	$47,100		$70,650	$94,200
5	$27,570	$55,140		$82,710	$110,280
6	$31,590	$63,180		$94,770	$126,360
7	$35,610	$71,220		$106,830	$142,440
8	$39,630	$79,260		$118,890	$158,520
For each addltional person, add	$4,020	$8,040		$12,060	$16,080
Discount		100%		80%	60%
Financially Indigent					

Financial Assistance Eligibility Determination
OFFICE USE ONLY

Patient Name:_____

Account Number(s):_____**Annual income$**_____

Total Charges:$**_____ **Balance due:$_____

Income Verification code: _____ **Number in Household:**_____

1. **Is Total yearly Income equal to or less than 200% of the Federal Poverty Guidelines? (See Financial Assistance Eligibility Guidelines-schedule A). Circle one:**
   Yes Approved for 100% financial assistance as financially indigent
   No Does not qualify for assistance as financially indigent. Continue to step 2.

2. **Is the balance due greater than 10% of Total Yearly income? Circle one:**
   Yes Continue to step 3
   No Patient does not qualify for Financial Assistance

3. **Is the Total yearly income equal to or less than 400% of the Federal Poverty Guidelines?** (see Financial Assistance Eligibility Guidelines-Schedule B) **Circle one:**
   Yes Total Yearly income is greater than _____% and less than _____% of the Federal poverty Guidelines. Patient qualifies for _____% discount.
   No continue to step 4
4. **Is the balance due greater than 50% of the Total yearly income? Circle one:**
   Yes Balance due is _____% of the total yearly income. Eligible for _____% discount as Medically indigent. Continue to step 5.
   No Patient does not qualify for Financial Assistance

5. $_____ Multiply by _____%= $_____ $_____
   Balance due % discount Discounted amount Remaining balance

Employee Name (Print):_____
Employee Signature: _____
Date: _____

Approved by: _____ $1-$10,000 Director
Approved by: _____ $10,001 - $50,000 Director and CFO
Approved by: _____ $50,001+ Director, CFO, CEO

Income Verification Codes

1	IRS Form W-2, Wage and Earnings statement	6	Bank statements
2	Pay check remittance/Stub	7	Patient deceased, no estate
3	Tax returns	8	Government Program
4	Social Security, Workers Comp or Unemployment Letter	9	Other
5	Telephone Verification by employer		

ATTACHMENT
8

Explanatory Notes
Section 1110.240

1110.240(b)
Impact Statement

As support for this Criterion, please see the above Explanatory Notes for Sections 1130.520(b)(1), 1130.520(d)(1), 1130.520(d)(2), 1130.520(d)(7), and the Narrative set forth in Attachment 3.

1110.240(c)
Access

As set forth in the attached affidavits from Ms. Simon and Mr. Vermeer, neither MHSC nor UnityPoint Health will cause Proctor Hospital to adopt more restrictive admission policies or take measures to reduce access to care at Proctor, or the other Proctor healthcare facilities, subsidiaries and affiliates, including Proctor Hospital, following the proposed Transaction. Ms. Simon's and Mr. Vermeer's access affidavits are attached at Attachment 9. Mr. Macek, on behalf of Proctor, has also submitted an affidavit that states that Proctor will not adopt more restrictive admission policies or take measures to reduce access to care at Proctor, or the other Proctor healthcare facilities, subsidiaries and affiliates, including Proctor Hospital, following the proposed Transaction. Mr. Macek's access affidavit is attached at Attachment 9.

The admission policy for Proctor Hospital is attached at Attachment 9.

1110.240(d)
Other Health Care Providers

The proposed Transaction set forth in this COE Application will only benefit the communities currently served by MHSC and Proctor. The proposed Transaction will not negatively impact any other healthcare provider in the service areas currently served by Proctor and its and subsidiaries and affiliates, including Proctor Hospital.

UnityPoint Health
Methodist

221 Northeast Glen Oak Avenue
Peoria, Illinois 61636-0002
(309) 672-5522
www.unitypoint.org/peoria

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1110.240(c), Admission Policy & Access to Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1110.240(c), that Methodist Health Services Corporation ("MHSC") shall not cause Proctor Health Care Incorporated ("PHCI") or any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, to adopt more restrictive admission policies or take measures to reduce access to care at any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, following the proposed transaction between MHSC and PHCI.

Sincerely,

Debbie Simon

Debbie Simon
President & CEO

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Gina M Lundholm
Notary Public

"OFFICIAL SEAL"
Gina M Lundholm
Notary Public, State of Illinois
My Commission Expires 9/18/2014

UnityPoint Health

Kevin E. Vermeer
1776 West Lakes Parkway, Suite 400
West Des Moines, IA 50266
Office: (515) 241-6550
Fax: (515) 241-6220
unitypoint.org

September 18, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

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I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1110.240(c), that Iowa Health System d/b/a UnityPoint Health shall not cause Proctor Health Care Incorporated ("PHCI") or any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, to adopt more restrictive admission policies or take measures to reduce access to care at any of the PHCI healthcare facilities, subsidiaries, and affiliates, including Proctor Hospital, following the proposed transaction between Methodist Health Services Corporation and PHCI.

Sincerely,

Kevin E. Vermeer
Executive Vice President

SUBSCRIBED AND SWORN
to before me this 18th day
of September, 2013.

Pamela K. Hoskins
Notary Public

PAMELA K. HOSKINS
Commission Number 179554
My Commission Expires
May 24, 2016

September 16, 2013

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1110.240(c), Admission Policy & Access to Care Certification

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Sincerely,

Paul Macek
President & CEO

SUBSCRIBED AND SWORN
to before me this 16 day
of September, 2013.

Notary Public

LORI BLACKBURN
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
January 24, 2017

4819-3188-4821.1

ATTACHMENT
9

Open Printer-Friendly Version of the Embedded Policy File

Department:
Effective Date:
Review Date:
Date Revised:
Date Approved:
Approved by:

PROCTOR HOSPITAL
Title: Outpatient Registration

SECTION: Patient Registration

SUBJECT: Registration of Outpatients

PURPOSE: To register patients for outpatient treatment and obtain accurate demographic and insurance information in a timely and efficient manner.

SCOPE: ◉ Departmental ○ Organizational

POLICY: It is the policy of the Patient Financial Services Department for the Patient Registration Staff to register patients presenting for outpatient treatment and obtain accurate demographic and insurance information.

PROCEDURE: In order to ensure consistent practices are followed by the Patient Registration Staff while registering patients for outpatient treatment, the following guidelines will be used and enforced:

A. Outpatient Lobby Registration
1. Use the mnemonic VNB (view name board) and register patients in the following order:
   a. ADM (full admission or observation)
   b. STAT (stat testing)
   c. ADV (advance registration)
2. The Registrar will walk to the lobby area to call and greet the patient and invite the patient to their registration services are to be performed.
3. Put an "x" next to the patient name to delete from the name board.
4. Use the mnemonic REG (Registration) and register the patient.
5. Obtain all demographic and insurance information from the patient or the patient's legal representative.
6. Obtain the physician order from the patient or SOLCOM.
7. Complete the Patient Authorization Form with the patient or the patient's legal representative.
8. Blink scan the patient face sheet, physician order, patient authorization and any other necessary documentation
9. Direct the patient to the appropriate department with their face sheet, physician order and labels.

B. Outpatient AM Admit Pretesting Patients
1. Follow all instructions in Section A and page the Pre Admission RN to alert the RN that the patient has arrived Admission RN will give instruction as to where to send the patient.

C. Outpatient Surgery Patients
1. Use VNB and locate the patients with OPS (outpatient surgery) next to their name.
2. Go the outpatient surgery waiting area and ask the volunteer which section the patient is located in and go to th patient, and bring the patient back to the registration area.
3. Put an "x" next to the patient name to delete from the name board.
4. Use the mnemonic REG (registration) and register the patient.
5. Obtain all demographic and insurance information from the patient or the patient's legal representative.

Open Printer-Friendly Version of the Embedded Policy File

Department:
Effective Date:
Review Date:
Date Revised:
Date Approved:
Approved by:

PROCTOR HOSPITAL
Title: Registration of Full Admissions and Observation Patients

SECTION: Patient Registration

SUBJECT: Registration of Full Admissions and Observation Patients

PURPOSE: To register full admissions and observation patients and obtain accurate patient demographic and insurance information in a timely and efficient manner.

SCOPE: ◉ Departmental ○ Organizational

POLICY: It is the policy of the Patient Financial Services Department for the Patient Registration Staff to register patients presenting for full admission or observation status obtaining accurate patient demographic and insurance information in a timely and efficient manner.

PROCEDURE: In order to ensure consistent practices are followed by the Patient Registration Staff when registering full admissions or observation status patients, the following guidelines will be used and enforced:

A. Full Admission Status from the physician office or home.
1. The physician's office will call before the patient presents and will provide the following information:
a. Patient name
b. Patient date of birth
c. Admitting Physician
d. Admitting diagnosis
2. If a patient presents for admission and Registration has not received a call from the physician office for admissi the physician office and obtain the necessary information under section A, 1.
3. After the information in section A, 1 is obtained the Registrar will call the appropriate nursing unit based on di patient room from 7:00 a.m. – 3:00 p.m. Monday – Friday. From 3:00 p.m. – 7:00 a.m. Monday – Friday and on the Clinical Manager must be paged and will determine bed placement.
4. The patient will be placed on the VNB (view name board) upon arrival as an admission. Refer to the Outpatier
5. Use the mnemonic ADM (admission) and register the patient. On the last page of the registration fields, place comments.
6. The Registrar will obtain all patient demographic and insurance information from the patient or the patient's le
7. The Registrar will complete the Advance Directive Questionnaire with the patient or the patient's legal represe
8. The Registrar will complete the Patient Authorization Form with the patient or the patient's legal representativ
9. The Registrar will blink scan the patient face sheet, patient authorization form, advance directive questionnaire documentation.
10. The Registrar will call the nursing unit the patient will be placed on and give notification that the patient has a
11. The Registrar will arrange for the patient to be escorted to the nursing unit by wheelchair. The patient face sh Directive Questionnaire must be sent with the patient to the nursing unit.

Methodist Health Services Corporation - Proctor Hospital
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