ORIGINAL

E-04414
RECEIVED
OCT 31 2014
HEALTH FACILITIES & SERVICES REVIEW BOARD

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

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name_____Adventist Hinsdale Hospital_____
Address _____120 North Oak Street_____
City _____Hinsdale, IL_____ Zip Code __60525__ County ____DuPage_____
Name of current licensed entity for the facility ___Adventist Hinsdale Hospital_____
Does the current licensee: own this facility ____X_____ OR lease this facility_____(if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X___ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen.____Kirk Dillard_____
State Senate District Number ____24_____ Mailing address of the State Senator _____
_____One South Cass Avenue Westmont, IL 60559_____
Illinois State Representative for the district where the facility is located: Rep. ___Patricia Bellock_____
State Representative District Number ___47_____ Mailing address of the State Representative _____
_____ One South Cass Avenue Westmont, IL 60559_____

2. **OUTSTANDING PERMITS**. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes X No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____
12-078 Adventist Cancer Institute 13-074 discontinuation of comprehensive physical rehabilitation category of service__

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant _____PLEASE SEE ATTACHED_____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

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 ___Adventist Hinsdale Hospital_____
Address_____120 North Oak Street_____
City, State & Zip Code _Hinsdale, IL 60525_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship _____
Not-for-Profit Corporation __X____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

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

Exact Legal Name of Entity to be Licensed ___Adventist Hinsdale Hospital_____
Address_____120 North Oak Street_____
City, State & Zip Code _Hinsdale, IL 60525_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship _____
Not-for-Profit Corporation __X____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

/

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant ___Alexian Brothers-AHS Midwest Region Health Co._____
Address _____3040 West Salt Creek Road_____
City, State & Zip Code _____Arlington Heights, IL 60005_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant _____Ascension Health_____
Address _____4600 Edmundson Road _____
City, State & Zip Code _____St. Louis, MO 63134_____ _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant ____ Adventist Health System Sunbelt Healthcare Corporation _____
Address _____900 Hope Way_____
City, State & Zip Code____Altamonte Springs, FL 32714_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant ___Alexian Brothers Health System_____
Address _____3040 West Salt Creek Road_____
City, State & Zip Code ___Arlington Heights, IL 60005_____
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 _____

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Address _____120 North Oak Street_____
City, State & Zip Code ____Hinsdale, IL 60525_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant _____Adventist Health System/Sunbelt, Inc._____
Address _____900 Hope Way_____
City, State & Zip Code____Altamonte Springs, FL 32714_____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
___X____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental _____
Limited Liability Company _____ Other, specify _____

6. **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;
   - o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o 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;
   - X 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.**
   not applicable

9. **ANTICIPATED ACQUISITION PRICE: $____not applicable_____**

10. **FAIR MARKET VALUE OF THE FACILITY: $__330,756,560.10_____**
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION: ____January 1, 2015_____**

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 __X*__ , and indicate the date the entity was formed _September 30, 2014___

    *Alexian Brothers-AHS Midwest Region Health Co., which will serve as the joint operating company

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: Peg Wendell Vice President and General Counsel, Alexian Brothers Health System
Address: 3040 West Salt Creek Road
City, State & Zip Code: Arlington Heights, IL 60005
Telephone ( ) Ext. 847/385-7148

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

Name: Jacob M. Axel President, Axel & Associates, Inc.
Address: 675 North Court, Suite 210
City, State & Zip Code: Palatine, IL 60067
Telephone ( ) Ext. 847/776-7101

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: Mark A. Frey

Typed or Printed Name of Authorized Officer: Mark A. Frey

Title of Authorized Officer: President / CEO

Address: 3040 Salt Creek Lane

City, State & Zip Code: Arlington Heights, Ill 60005

Telephone (847) 385-7101 Date: 10/29/14

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 Katherine A. Arbuckle

Title of Authorized Officer: Senior Vice President and Chief Financial Officer

Address: Ascension Health -- 4600 Edmundson Rd.

City, State & Zip Code: St. Louis, MO 63134

Telephone (314) 733. 8436 Date: 9.24.14

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

Ascension Health

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Name: Ms. Nanette Bufalino Regional Chief Legal Officer-Adventist Midwest Region
Address: 120 North Oak Street
City, State & Zip Code: Hinsdale, IL 60521
Telephone (630) 856-6050 Ext.

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

Name: Jacob M. Axel_President, Axel & Associates, Inc.
Address: 675 North Court Suite 210
City, State & Zip Code: Palatine, IL 60067
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Signature of Authorized Officer

Typed or Printed Name of Authorized Officer David L. Crane

Title of Authorized Officer: Vice President

Address: 5101 S. Willow Springs Rd

City, State & Zip Code: La Grange IL 60525

Telephone (708) 245-6000 Date: 9/29/14

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

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Signature of Authorized Officer: Mark A. Frey

Typed or Printed Name of Authorized Officer: Mark A. Frey

Title of Authorized Officer: President/CEO, ABHS

Address: 3040 Salt Creek Lane,

City, State & Zip Code: Arlington Heights, Ill 60005

Telephone (847) 385-7101 Date: 10/29/14

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Address: ___120 North Oak Street_____
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Telephone (630) 856-6050 Ext. _____

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City, State & Zip Code: ____Palatine, IL 60067_____
Telephone (847) 776-7101 Ext. _____

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Signature of Authorized Officer _____

Typed or Printed Name of Authorized Officer Michael Goebel

Title of Authorized Officer: Chief Executive Officer

Address: 120 N. Oak St.

City, State & Zip Code: Hinsdale, IL 60521

Telephone (630) 856-6056 Date: 9/29/14

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

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Name: Jacob M. Axel_President, Axel & Associates, Inc.
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Signature of Authorized Officer David L Crane

Typed or Printed Name of Authorized Officer David L. Crane

Title of Authorized Officer: Vice President

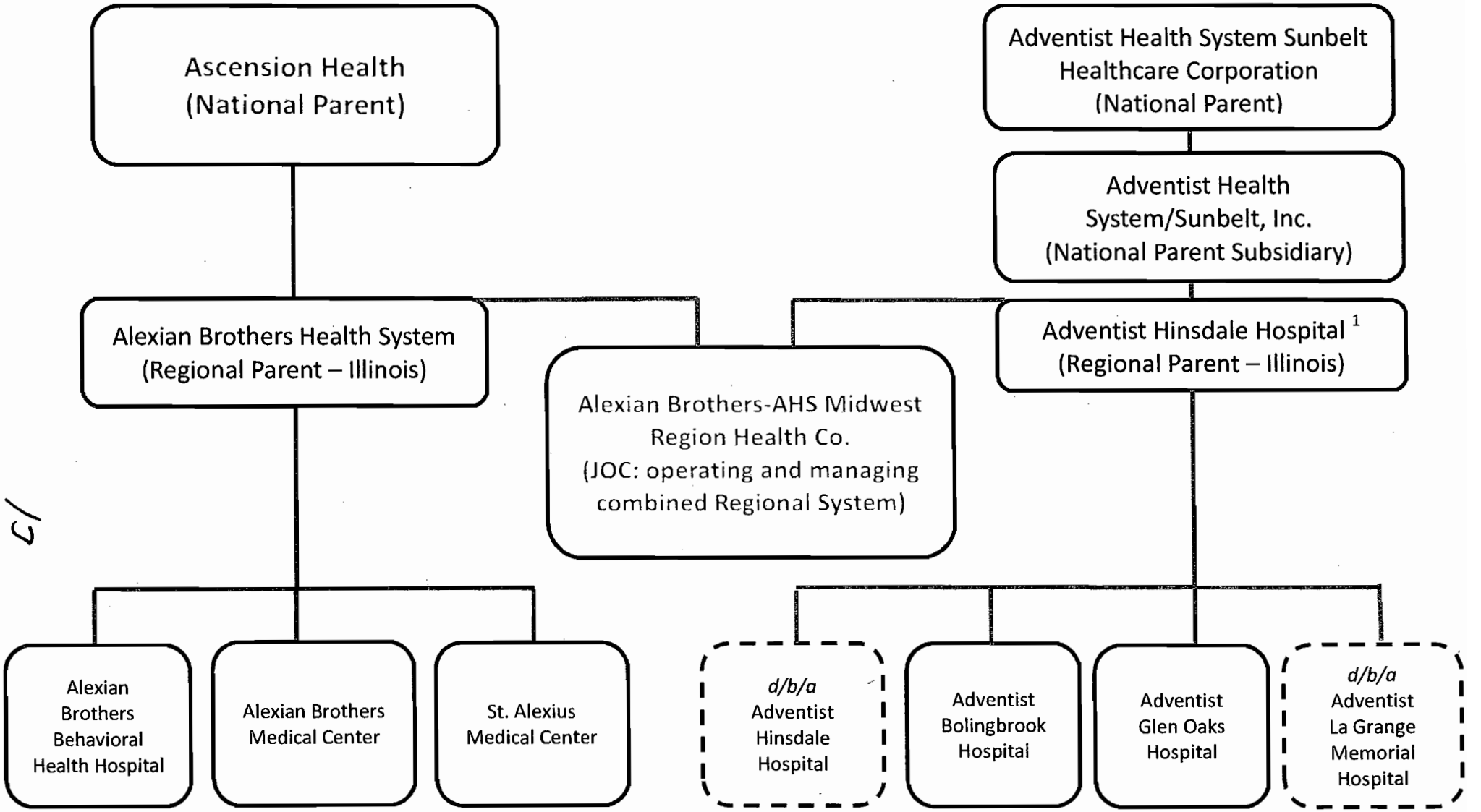
Address: 5101 S. Willow Springs Rd.

City, State & Zip Code: La Grange IL 60525

Telephone (708) 245-6000 Date: 9/29/14

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

Proposed Ascension - Adventist Joint Operating Company



= legal entity

= operating division of legal entity

[1] Once regulatory approval is obtained, the legal entity "Adventist Hinsdale Hospital" will change its name to "Adventist Midwest Health" and will establish "Adventist Hinsdale Hospital" and "Adventist La Grange Memorial Hospital" as d/b/a's for the licensed health care facilities it operates.

6. Any projects for which Permits have been issued have been completed, are obligated, or will be completed or altered in accordance with the provisions of this Section.

7. None of the above-identified hospitals will adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction; and the charity care policy will remain in effect for a two-year period following the change of ownership/change of control transaction.

8. Failure to complete the project in accordance with applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval (or by a later date established by HFSRB upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption.

Sincerely,

David L Crane

David Crane
President & CEO

Date: September 25, 2014

Notarized:

Mary L. Pirc
Notary Public

September 25, 2014
Date

OFFICIAL SEAL
MARY L PIRC
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 02/03/17

7. None of the above-identified hospitals will adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction; and the charity care policy will remain in effect for a two-year period following the change of ownership/change of control transaction.

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Sincerely,

Mark A. Frey
President & CEO

Date: Mark A. Frey

Notarized: Melissa Kulik
Melissa Kulik
September 23, 2014

MELISSA KULIK
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
May 19, 2018

ASCENSION HEALTH

September 23, 2014

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

This letter is being provided as part of the Certificate of Exemption applications addressing the changes of ownership/changes of control of the following hospitals:

- Alexian Brothers Behavioral Health Hospital, Hoffman Estates, Illinois
- Alexian Brothers Medical Center, Elk Grove Village, Illinois
- St. Alexius Medical Center, Hoffman Estates, Illinois
- Adventist Bolingbrook Hospital, Bolingbrook, Illinois
- Adventist GlenOaks Hospital, Glendale Heights, Illinois
- Adventist Hinsdale Hospital, Hinsdale, Illinois
- Adventist La Grange Memorial Hospital, La Grange, Illinois

I hereby attest on behalf of Ascension Health to the following:

1. The categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for any of the above-identified hospitals for at least 12 months following the completion date of the change of ownership/change of control.

2. A transaction document signed by all required parties has been provided, and that document contains a provision that execution is subject to HFSRB issuance of an exemption, and that document contains the conditions and terms of the change of ownership/change of control.

3. No adverse action has been taken against any Illinois applicant health care facility currently controlled by Ascension Health by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any Illinois health care facility owned or operated by Ascension Health, directly or indirectly, within three years preceding the filing of the applications.

4. A bond rating sufficient to meet HFSRB requirements is held by the applicants.

5. Ownership and control of the above-identified hospitals is intended to be maintained for a minimum of three years.

4600 Edmundson Road, St. Louis, MO 63134 | 314-733-8000 | www.ascensionhealth.org

18

6. Any projects for which Permits have been issued have been completed, are obligated, or will be completed or altered in accordance with the provisions of this Section.

7. None of the above-identified hospitals will adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction; and the charity care policy will remain in effect for a two-year period following the change of ownership/change of control transaction.

8. Failure to complete the project in accordance with applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval (or by a later date established by HFSRB upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption.

Sincerely,

Katherine A. Arbuckle
Senior Vice President and Chief Financial Officer
Ascension Health

Date: 9-23-2014

Notarized: Jennifer May

JENNIFER MAY
Notary Public, Notary Seal
State of Missouri
St. Charles County
Commission # 12387737
My Commission Expires August 26, 2016

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Adventist Health System/Sunbelt Obligated Group's (FL) Ser. 2014E; outlook stable

Global Credit Research - 26 Jun 2014

Parity bonds upgraded to Aa2; $2.2B debt affected

COLORADO HEALTH FACILITIES AUTHORITY
Hospitals & Health Service Providers
FL

Moody's Rating

ISSUE	RATING
Hospital Revenue Bonds, Series 2014E	Aa2

Sale Amount $75,000,000
Expected Sale Date 07/22/14
Rating Description Revenue: Other

Moody's Outlook STA

Opinion

NEW YORK, June 26, 2014 --Moody's Investors Service has assigned a Aa2 rating to Adventist Health System/Sunbelt Obligated Group's Series 2014E fixed rate hospital revenue bonds to be issued through the Colorado Health Facilities Authority. The action reflects a rating upgrade from Aa3. At this time we are upgrading the ratings to Aa2 and Aa2/VMIG 1 from Aa3 and Aa3/VMIG 1 assigned to AHS's $2.2 billion of outstanding debt (see RATED DEBT list below). The rating outlook is revised to stable from positive at the higher rating level.

SUMMARY RATING RATIONALE

The rating upgrade to Aa2 reflects Adventist Health System/Sunbelt Obligated Group's consistent and strong financial performance and growth in absolute cash levels under the direction of a highly experienced management team that adheres to a centralized operating model and has demonstrated discipline in financial accountability and capital spending to preserve liquidity. Credit challenges for the organization include an increase in leverage associated with the upcoming borrowing, the competitive makeup in AHS's largest markets, and the organization's atypical cash flow distribution for a multi-state system that shows high reliance on one state (Florida) for system cash flow. The stable rating outlook at the higher rating level reflects our expectation of continued strong performance, significant debt pay-down in FY 2015 and 2016, and subsequent improvement in debt coverage measures.

STRENGTHS

*AHS continues to report strong financial performance as the system's operating cash flow margin remained steady at 14.0% in FY 2013, comparable to performance in FY 2014 (14.1% margin).

*Growth in AHS's unrestricted cash and investments continued in FY 2013, to $4.7 billion at the end of FY 2013, up from $4.2 billion at fiscal year-end (FYE) 2012. The organization has a very liquid and conservative investment allocation. In order to preserve and grow liquidity, management has implemented a disciplined capital spending methodology and has limited spending in recent years to 67% of operating cash flow. In addition, the organization's $1.0 billion revolving line of credit supports AHS's excellent liquidity position.

*AHS's debt structure remains conservative with pro forma 88% fixed rate debt. Management has significantly de-risked the balance sheet in recent years, including the decision to terminate all swaps during FY 2012. Although leverage is increasing with the proforma issuance, management has highlighted a plan to pay down $890 million of

high-coupon debt in 2015 and 2016 as bonds become callable.

*AHS has a de minimis defined benefit pension exposure ($22 million unfunded liability in FY 2012) as most hospitals in the system provide defined contribution plans only to employees.

*According to Moody's Economy.com, Florida's economic recovery is gaining momentum. In the last quarter of 2013, total employment in Florida grew at the fourth fastest rate in the nation, and it claimed nearly 30% of the jobs created in the South at the end of last year.

*AHS's strong daily liquidity metrics support a relatively small self liquidity program ($379 million bonds outstanding).

CHALLENGES

*Following the issuance of $485 million of bank private placements in FY 2013, debt coverage measures worsened and now compare unfavorably to the Aa2 medians. On a pro-forma basis (including the proposed $75 million of fixed rate bonds and $130 million of new money private placements) debt coverage measures weaken further: debt to cash flow of 3.1 times, MADS coverage of 5.1 times, cash-to-debt of 125%, and 50% debt-to-operating revenues compare unfavorably to the Aa2 medians of 2.4 times, 7.3 times, 222%, and 33%, respectively. As part of its strategic focus on reducing interest expense, management has committed to redeeming $890 million of outstanding bonds in 2015 and 2016 when these higher coupon bonds become callable, and debt coverage measures are expected to improve at that time. Given the unfavorable current and proforma debt metrics, failure to redeem the debt as planned could result in a rating downgrade.

*Unlike most of the other multi-state systems rated by Moody's, AHS has a high concentration in Florida, with this division generating approximately 65% of the system's total annual operating cash flow.

*Several of AHS markets face tough competition, particularly Orlando, which is highly competitive between two systems; Tampa with the presence of several multi-site systems, Denver, and the fragmented Chicago market.

DETAILED CREDIT DISCUSSION

USE OF PROCEEDS: The proceeds of the Series 2014E Bonds will be used for the acquisition, construction and equipping of certain facilities of AHS and for capital improvements.

LEGAL SECURITY: The system's outstanding debt is secured by a joint and several gross revenue pledge of the obligated group, which includes nearly all of the system hospitals and represents 95% of system revenues. Adventist established a new Master Trust Indenture that is expected to become effective in the third quarter of FY 2014 (with the Series 2014A-E bond holders' consent, AHS will have 51% bondholder approval). Bonds will continue to be secured by a gross revenue pledge of the obligated group and no mortgage pledge. Key provisions in the new MTI include a 1.15 times rate covenant in the most recent fiscal year based on the annual debt service requirement (compared to the current requirement which measures coverage of the maximum annual debt service). Additional bonds test is a 1.15 times coverage of historical pro forma debt service coverage. Per management, the bank covenants on the private placement debt are the following: 1.15 times rate covenant; 75 days cash on hand; no more than 65% debt to capitalization.

INTEREST RATE DERIVATIVES: None. AHS terminated its entire $1.09 billion swap portfolio during FY 2012.

MARKET POSITION/COMPETITIVE STRATEGY: FLORIDA CONTINUES TO REPRESENT NEARLY TWO THIRDS OF SYSTEM CASH FLOW ALTHOUGH MOST MARKETS REPORT STRONG OPERATING CASH FLOW MARGINS

Comprised of 43 acute care hospital campuses in 10 states, AHS is a large multistate system with $7.6 billion in total revenues. A majority of the system's operating cash flow (65%) is generated by the system's Florida division with 22 hospitals and anchored by Florida Hospital in Orlando. The multi-state division includes operations in Colorado, Georgia, Illinois, Kansas, Kentucky, North Carolina, Tennessee, Texas, and Wisconsin, with the Colorado market being the second largest contributor to the system's operating cash flow behind the Florida division.

AHS has recently segmented its operations in Florida into three regions: East Florida region in Volusia/Flagler counties, Central Florida region centered in Orlando, and the West Florida Region in the Tampa Bay area. Combined, the Florida Division generated a total $4.9 billion in annual operating revenue in FY 2013. AHS's largest market, the Central Florida region, continues to operate with strong cash flow margins (13.8% in FY 2013) as the

organization has made several large physician practice acquisitions (cardiac and urology) in recent years which have resulted in favorable volume growth and market share capture from its competitor. Florida Hospital competes primarily with Orlando Health (rated A3, negative), a $1.9 billion revenue system also with multiple hospital sites in Orlando. Management reports an increase in market share at Florida Hospital to 52.5% in FY 2013, up from 47.7% in FY 2009. Growth initiatives for AHS's operations in the Orlando market include the expected opening of a new Women's pavilion in the second quarter of FY 2015. The pavilion will be a 12-story patient tower with 14 labor/delivery suites and 3 operating rooms. In addition, a new 3-story tower in Kissimmee is expected to be complete by February 2015, and the first phase of a larger scale expansion at Winter Garden is expected to be complete in early 2015.

With a population of more than two million residents in the service area, Orlando can support two large health systems. According to moodyseconomy.com, the Orlando economy is growing due to the area's fast-healing tourism industry. Last year, area businesses created more jobs than in any year since 2006, and Orlando's growth was the fifth fastest among major metro areas with at least one million residents. Over the last two years, Orange County's population has increased more than that of any other Florida county. The unemployment rate as of March 2014 had declined to 5.5%, down significantly from a peak of 11.3% in 2011.

The West Florida region based in Tampa is another competitive market, although strong performing market for the system with a 11.2% operating cash flow margin in FY 2014. Favorable financial performance in this market was driven by very strong financial performance at the newly opened (October 2012) Wesley Chapel facility with a 23.5% operating cash flow margin in FY 2013. Management expects strong performance in this market to continue in FY 2014, with a 14.2% operating cash flow margin projected. Continued growth at Florida Hospital - Wesley Chapel, expansion of the emergency room and ICU at Florida Hospital -Tampa, and a recent affiliation with Tampa General Hospital (rated A3, positive) to joint venture on outpatient projects are expected to drive strong performance in this market going forward.

New developments in the East Florida region in Volusia/Flagler counties include AHS's partnership with Health First (rated A3, stable) for a Medicare Advantage product beginning January 1, 2014. The partnership includes a private label placement of Health First's insurance products using Florida Hospital's name (Florida Hospital Care Advantage) and network. AHS has the option in the future to purchase up to 49% ownership of the joint venture.

In the multi-state division, strong markets include Denver (15% operating cash flow margin), Kansas City (14% margin), Texas (10.7% margin) and Chicago (7.8% margin). While these facilities do well financially, they operate in very competitive markets with the presence of other large systems also seeking market share and physician loyalty. Recent developments at the multi-state division include the opening of Castle Rock Adventist Hospital in Colorado in August 2013. Currently cash flow negative, the organization is expected to generate positive cash flow beginning in FY 2014. A new development in the Chicago market is AHS's recent announcement of the signing of a letter of intent with Alexian Brothers Health System (rated A2, stable), part of multi-state system Ascension Health Alliance (Aa2, stable). The partnership is expected to be a joint operating company, similar to the model in place in the Denver market with AHS's partnership with Catholic Health Initiatives. AHS and Alexian Brothers are currently in the due diligence process, with the partnership expected to be complete by Fall 2014.

Management's philosophy of operating a highly centralized system with all significant strategic decisions made by senior management has contributed to a strong track record of improving results. Management holds each hospital and market accountable for meeting budget with swift interaction when inconsistent trends or challenges surface. For over a decade management has adhered to a disciplined approach to capital spending at each facility and in certain cases, divesting of hospitals whose capital needs would not deliver an acceptable return on investment. Likewise, Adventist has turned down various merger or acquisition opportunities that were not accretive to the system. We expect this discipline to continue.

OPERATING PERFORMANCE: TREND OF IMPROVING ANNUAL RESULTS CONTINUED IN FY 2013

Adventist continues to report consistently strong performance annually. In FY 2013 the system's operating cash flow margin was 14.0%, comparable to performance in FY 2014 (14.1% operating cash flow margin), continuing a multi-year trend of strong and stable financial profitability. A strong focus on expense management, and favorable volume growth and rate increases in most markets drove strong performance in FY 2014. While same-store volumes dropped slightly (1%), same-store observation stays increased by 17.3%. Same-store revenue growth in FY 2013 was 6.1%.

Favorable financial performance continues through the first quarter of FY 2014 (13.7% operating cash flow margin), with management's new focus on leveraging its technology systems to improve clinical documentation, revenue cycle and cash collections, and implement a shared service delivery model and integrated system for

finance, HR and supply chain. In addition, AHS continues is focus on supply chain savings, with $32 million in savings budgeted for FY 2014.

BALANCE SHEET POSITION: ADDITIONAL PROFORMA LEVERAGE STRAINS DEBT METRICS ALTHOUGH SIGNIFICANT DEBT PAYDOWN EXPECTED IN FY 2015 AND 2016

In FY 2013 AHS borrowed $485 million through direct bank placements for reimbursement of prior capital spending, resulting in improved liquidity in FY 2013. Unrestricted cash and investments increased to $4.7 billion (259 days cash on hand) at the end of FY 2013, up from $4.2 billion (240 days cash on hand) at FYE 2012, a function of both the capital reimbursement and strong cash flow generation. Cash-to-debt at FYE 2013 improved to 132%, up from 127% at FYE 2012.

The proposed financing of an additional $75 million of fixed rate bonds and $130 million of new money bank private placements (for reimbursement of prior capital spending) results in a weakening of debt metrics on a proforma basis. Debt to cash flow of 3.1 times, MADS coverage of 5.1 times, cash-to-debt of 125%, and 50% debt-to-operating revenues compare unfavorably to the Aa2 medians of 2.4 times, 7.3 times, 222%, and 33%, respectively. As part of its strategic initiative to reduce interest expense, management has committed to redeeming $890 million of outstanding bonds in 2015 and 2016 when these higher coupon bonds become callable, and debt coverage measures are expected to improve at that time. The expectation that these bonds will be paid off in one to two years was a critical factor to the rating upgrade. Given the unfavorable proforma debt metrics, failure to redeem the debt as planned could result in a rating downgrade.

The organization has a very liquid and conservative investment allocation. In order to preserve and grow liquidity, management has implemented a disciplined capital spending methodology which limits spending to 67% of operating cash flow. In addition, the organization's $1.0 billion revolving line of credit (undrawn) supports AHS's excellent liquidity position.

Currently AHS has $379 million in weekly variable rate demand bonds and long-term mode (LASERS) bonds. Bonds in the long-term mode ($42 million) have a mandatory tender date on November 17, 2015. Based on Moody's analysis of same-day available funds, a direct deposit account at a P-1 rated bank and a large portfolio of directly-owned U.S. agency bonds ($2.3 billion in total after Moody's-applied discounts), AHS's same-day liquidity coverage amply supports the Aa2/VMIG 1 rating. Adventist also has a $1.0 billion credit facility as another external source of liquidity, although Moody's has not been asked to review this line for incorporation in the self-liquidity analysis and therefore we do not include it in our coverage calculation. AHS provides monthly reporting of assets in its self liquidity program to Moody's.

OUTLOOK

The stable outlook reflects our expectation that AHS will continue its history of strong financial performance and balance sheet growth that will drive down the weakened debt coverage metrics following the upcoming intended borrowing.

WHAT COULD CHANGE THE RATING GO UP

A rating upgrade would be contingent upon significantly improved liquidity and debt metrics, ongoing strong financial performance, and materially increased diversification of operating revenues and cash flow.

WHAT COULD CHANGE THE RATING GO DOWN

A rating downgrade could occur if the organization experiences a departure from current performance levels that represents a new, lower level of earnings, if there is additional debt beyond the proposed financing that stresses debt metrics, or if the proposed plan of finance to redeem $890 million of callable bonds in FY 2015 and 2016 does not occur.

KEY INDICATORS

Assumptions & Adjustments:

-Based on financial statements for Adventist Health System

-First number reflects audit year ended December 31, 2012

-Second number reflects audit year ended December 31, 2013, including $205 million of proforma debt

-Excludes $52 million of non-recurring revenues in FY 2012 and $7 million of non-recurring expenses in FY 2012 related to the rural floor settlement

-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: 337,495; 345,044

*Medicare % of gross revenues: 43.4; 45.7%

*Medicaid % of gross revenues: 13.6%; 13.9%

*Total operating revenues ($): 7.3 billion; 7.6 billion

*Revenue growth rate (%) (3 yr CAGR): 8.6; 6.4%

*Operating margin (%): 6.4%; 6.6%

*Operating cash flow margin (%): 14.1%; 14.0%

*Debt to cash flow (x): 2.9; 3.1

*Days cash on hand: 239; 259

*Maximum annual debt service (MADS) ($): 233.7 million; 272.3 million

*MADS coverage with reported investment income (x): 4.7; 4.2

*Moody's-adjusted MADS Coverage with normalized investment income (x): 5.6; 5.1

*Direct debt ($): 3.2 billion; 3.8 billion

*Cash to direct debt (%): 128%; 125%

*Comprehensive debt ($): 4.0 billion; 4.4 billion

*Cash to comprehensive debt: 107%; 108%

*Monthly liquidity to demand debt: 239%; 209%

RATED DEBT (debt outstanding as of December 31, 2013)

Fixed Rate Bonds:

*Series 1997B: Aa2 (also insured by MBIA); Illinois Development Fin. Auth.

*Series 2005 A-D: Aa2; Highlands County Health Facilities Auth., FL

*Series 2005I-2; Aa2; Highlands County Health Facilities Auth., FL

*Series 2006C: Aa2; Highlands County Health Facilities Auth., FL

*Series 2006D-F: Aa2; Colorado Health Facilities Auth.

*Series 2006G: Aa2; Highlands County Health Facilities Auth., FL

*Series 2008B-1; Aa2; Highlands County Health Facility Auth., FL

*Series 2009C, D, E; Aa2; Kansas Development Finance Auth.

*Series 2012A; Aa2; Kansas Development Finance Auth.

Auction Rate bonds:

*Series 2000B: Aa2 (also insured by MBIA); Ill Development Fin. Auth.

Variable Rate Bonds (Self Liquidity):

*Series 2007A1-A2: Aa2/VMIG 1 (weekly mode); Highlands County Health Facilities Auth., FL

*Series 2008A1: Aa2, put date: November 17, 2015 (LASERS); Highlands County Health Facilities Auth., FL

*Series 2012I: Aa2/VMIG 1 (weekly mode); Highlands County

Adventist also has several series of bonds that are private placement debt and not rated ($1.6 billion, proforma).

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. The additional methodology used in the short term underlying rating was the Rating Methodology for Municipal Bonds and Commercial Paper Supported by a Borrower's Self-Liquidity published in January 2012. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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Analysts

Sarah A. Vennekotter
Lead Analyst
Public Finance Group
Moody's Investors Service

Beth I. Wexler
Backup Analyst
Public Finance Group
Moody's Investors Service

Lisa Martin
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

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INVESTORS SERVICE

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FITCH AFFIRMS ASCENSION HEALTH ALLIANCE SR CREDIT GROUP REVS AT 'AA+'; OUTLOOK STABLE

Fitch Ratings-Chicago-15 September 2014: Fitch Ratings has affirmed the ratings on the following revenue bonds that have been issued by or on behalf of Ascension Health Alliance (Ascension) through various conduit issuing authorities:

--Approximately $3.9 billion of Ascension Health Alliance Senior Credit Group bonds at 'AA+';
--Approximately $503 million of Ascension Health Alliance Subordinate Credit Group bonds at 'AA';
--Approximately $425 million of Ascension Health Alliance taxable bonds at 'AA+';
--Approximately $1.1 billion of variable-rate and short-term debt currently outstanding based on the adequacy of Ascension's self-liquidity at 'F1+';
--$1 billion Ascension Health Alliance Taxable Commercial Paper (CP) Program at 'F1+'

The Rating Outlook is Stable.

KEY RATING DRIVERS:

BROAD OPERATING FOOTPRINT: Fitch believes Ascension's broad operating footprint, including 102 general acute care hospitals in 23 states and the District of Columbia, helps to insulate Ascension's overall credit profile from adverse economic, demographic and operational changes in any one of its markets. Further, a key strategy is to expand and diversify its care continuum beyond inpatient acute care services as well as develop greater health plan capabilities.

LIGHT DEBT BURDEN: Ascension's light debt burden is viewed as a key credit strength which will allow for solid debt coverage should profitability be compressed going forward. Maximum annual debt service (MADS) equates to a light 1.8% of annualized 2014 total revenues which is lower than the 'AA' category median of 2.6%. MADS coverage by net and operating EBITDA through the nine months ended March 31, 2014 was a strong 5.7x and 5.2x, respectively.

ROBUST LIQUIDITY: At March 31 2014, Ascension's unrestricted cash and investments increased to $12.7 billion from $9.7 billion at the end of third quarter 2013 (3Q'13). Liquidity metrics remain strong relative to Fitch's 'AA' category median, with days cash on hand of 252.6, a cushion ratio of 35.8x and cash to debt of 200.4%.

STRONG MANAGEMENT PRACTICES: While Ascension's sheer size could present a challenge in its ability to react quickly to the rapidly changing health care delivery environment, Fitch views Ascension's management practices and information systems as a credit strength which should allow the organization to successfully navigate the changing landscape. Management continues to drive greater efficiencies through a consolidation of redundant services, has demonstrated a willingness to create joint venture partnerships where appropriate, and divest money-losing/poorly positioned operations.

RATING SENSITIVITIES:

PROFITABILITY DETERIORATION: While Ascension's light debt burden and strong liquidity provide significant credit strength, a sustained deterioration in profitability due to weaker core operations (i.e. declining clinical volumes, weaker reimbursement, etc.) would likely result in negative rating action.

SECURITY:
Senior bonds are secured by a security interest in the pledged revenues of the Senior Credit Group.

CREDIT SUMMARY:
Ascension, headquartered in St. Louis, MO, is the largest Catholic-sponsored health care provider in the United States. The System operates 102 general acute care hospitals, 69 outpatient surgery centers, 372 primary care clinics and over 4,900 employed physicians located across 23 states and the District of Columbia. On a fully consolidated basis, Ascension Health Alliance reported total revenues of $17.1 billion in fiscal 2013.

BROAD OPERATING FOOTPRINT
Ascension's wide geographic diversity and large scale of operations make it unique among Fitch's not-for-profit healthcare systems. Fitch views Ascension's broad operating footprint as a credit strength as it helps to insulate the system from adverse economic, demographic and operational challenges in any one of its markets. The diversity of its markets allows Ascension's management team to identify industry changes and test strategies that can then be exported throughout the system. Through its various subsidiaries, Ascension has been able to test new technologies and incubate various strategies without putting the enterprise at risk. Ascension has been expanding its presence in non-acute service lines such as long-term care, home health, senior housing and outpatient rehabilitation in an effort to prepare for value-based reimbursement models. Ascension has entered into a variety of risk-based reimbursement contracts in various markets to develop knowledge and expertise for the expected growth in value-based reimbursement models.

Similarly, Ascension has entered into a non-binding Letter of Intent to acquire a multi-state health insurance company to accelerate and expand its health plan capabilities to support risk-based contracting and health management services including third party administration. The completion of the proposed transaction is subject to the parties executing final definitive agreements and obtaining all necessary approvals. According to management, the purchase price would not be material to Ascension's financial or operational profile with closing possible by the end of calendar year 3Q'14.

LIGHT DEBT BURDEN
Ascension's light debt burden is considered a key credit strength. Fitch used MADS of $355.6 million (which includes certain debt of Alexian Brothers, St. John Health System and Ministry Health system, formerly part of Marian Health System, that remains outside the Ascension Credit Group) which equates to a light 1.8% of annualized fiscal 2014 revenues. Debt-to-capitalization at March 31, 2014 was 26.1% which compares favorably to the 'AA' median of 31.1%. Ascension's light debt burden, combined with adequate profitability for the rating category generates strong coverage of debt service. Historical coverage of MADS by EBITDA was a very solid 5.7x in fiscal 2013 and remained steady at 5.7x through the nine-month interim period. Fitch notes that MADS coverage for 2013 is understated in light of only three months of revenues from the Marian Health System transaction being reflected in consolidated audited results.

Although light relative to Fitch's 'AA' category medians, Ascension's operating profitability has been fairly stable over the last four fiscal years. Operating margins from recurring operations have ranged between 2.8% and 4% while operating EBITDA margins from recurring operations have ranged between 8.1% and 9.5% over that period. Through the nine months ended March 31, 2014, Ascension generated $1.38 billion of operating EBITDA on total revenues of $15 billion, resulting in a 9.2% operating EBITDA margin from recurring operations. Operating results reflect the system's continued investment in physician alignment and sub-acute business lines, its on-going investment in its Symphony software platform and softer clinical volumes and payor mix. Ascension's strong liquidity and light debt burden currently offset any concerns regarding the somewhat compressed operating profitability relative to the 'AA' category median.

ROBUST LIQUIDITY

Ascension's strong liquidity position provides a substantial financial cushion as the system positions itself for the changes anticipated under the Affordable Care Act and further executes its strategic plan. At March 31, 2014, unrestricted cash and investments improved to $12.7 billion from $9.7 billion at 3Q 2013 reflecting the addition of the systems formerly affiliated with Marian Health System, and strong investment returns. Ascension's liquidity ratios compare favorably to Fitch's 'AA' category medians with days cash on hand of 252.6, cushion ratio of 35.8x and cash-to-debt of 200.4%.

STRONG MANAGEMENT PRACTICES

While Ascension's sheer size could present a challenge to its ability to react quickly to the rapidly changing health care delivery environment, Fitch views Ascension's management practices as a credit strength which should allow the organization to successfully navigate the changing landscape. Ascension's substantial investment in its Symphony information and enterprise risk management platform is nearing its completion with 21 of 25 Ministry Organizations expected to be fully operational by the end of 2014. Fitch believes this will improve information flow allowing for timely decisionmaking and identifying additional areas ready for further operational efficiencies. Ascension has demonstrated a willingness to create joint venture partnerships where appropriate, test strategies that can be exported through the system and divest money-losing/poorly positioned operations. Additionally, Fitch believes Ascension is very well positioned as a preferred merger partner, particularly among religion-sponsored providers, as the not-for-profit health sector further consolidates in response to healthcare reform.

SELF-LIQUIDITY

The 'F1+' rating is based on the sufficiency of Ascension's liquid resources and written procedures to fund any un-remarketed variable rate demand bonds (VRDBs) and multi-annual put bonds. As of Aug. 31, 2014, the corporation had a total of $587 million of tax exempt weekly VRDBs, $393 million of variable-rate bonds in seven-month Windows mode and approximately $40.8 million of multi-annual put bonds which come due within 90 days that are supported by Ascension's internal liquidity. Ascension has a taxable CP program which has been authorized up to $1 billion of which there were no amounts outstanding at Aug. 31, 2014. Ascension has staggered the put dates on its multi-annual puts such that Ascension's maximum put exposure in any given week including its weekly VRDBs and multi-annual puts supported by self-liquidity is approximately $668 million in the next 13 months. Liquidity is supplemented by a $1 billion line of credit which has an expiration date of Nov. 9, 2014. Wells Fargo Bank, N.A. acts as the administrative agent on the line of credit. Based on Fitch's Rating Criteria related to Self-Liquidity, Ascension had 'eligible' cash and investments (including bank credit facilities) in excess of the 125% threshold of its maximum put exposure for assignment of the 'F1+' rating.

DISCLOSURE

Ascension has covenanted to provide audited financial information and annual operating data within 180 days of each fiscal year end and quarterly unaudited financial information for the first three quarters within 60 days of each fiscal quarter end. The annual and quarterly financial releases and all notices of material events will be filed by the bond trustee with the Municipal Securities Rulemaking Board's EMMA system. Additionally, Ascension has made annual and quarterly financial information available on its website at www.ascensionhealth.org. Fitch views Ascension's disclosure content and practices positively.

Contact:
Primary Analyst
Jim LeBuhn
Senior Director
+1-312-368-2059
Fitch Ratings, Inc.
70 W. Madison Street
Chicago, IL 60602

Secondary Analyst
Adam Kates
Director
+1-312-368-3180

Committee Chairperson
Eva Thein
Senior Director
+1-212-908-0674

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'U.S. Nonprofit Hospitals and Health Systems Rating Criteria' (May 30, 2014);
--'Revenue Supported Rating Criteria' (June 16, 2014);
--Rating U.S. Public Finance Short-Term Debt (Dec. 9, 2013)

Applicable Criteria and Related Research:
Rating U.S. Public Finance Short-Term Debt
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=724680
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012
U.S. Nonprofit Hospitals and Health Systems Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=746860

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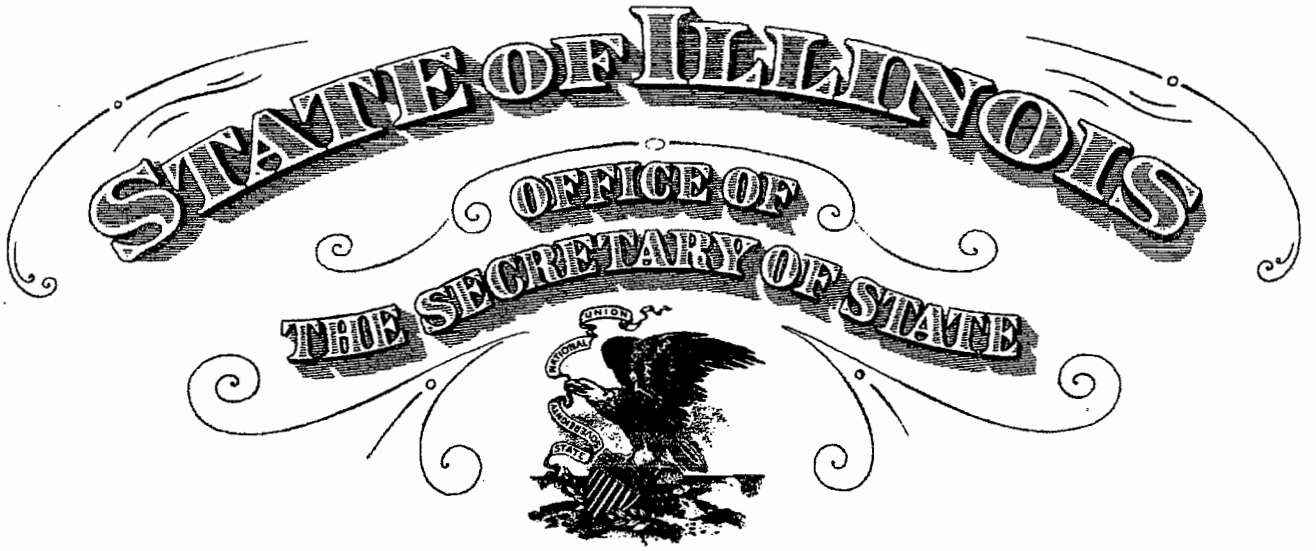
File Number 6964-462-7



To all to whom these Presents Shall Come, Greeting:

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

ALEXIAN BROTHERS-AHS MIDWEST REGION HEALTH CO., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 26, 2014, 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 #: 1427301564

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

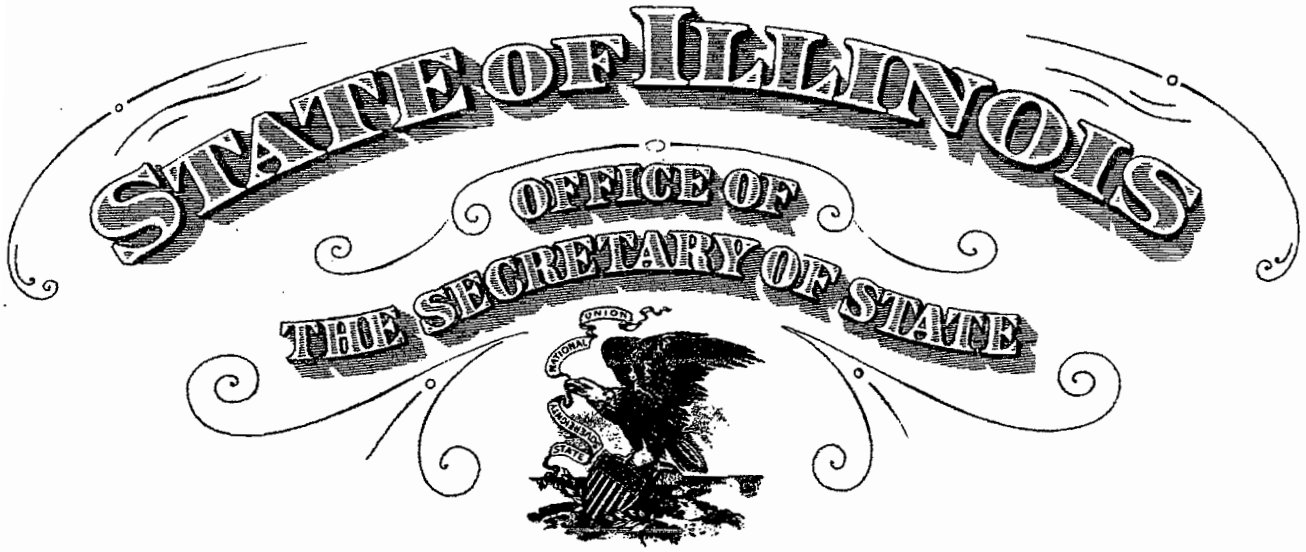
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 30TH *day of* SEPTEMBER *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

Attachment 4

File Number 6783-860-2



To all to whom these Presents Shall Come, Greeting:

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

ASCENSION HEALTH, INCORPORATED IN MISSOURI AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 27, 2011, 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 #: 1421801200

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

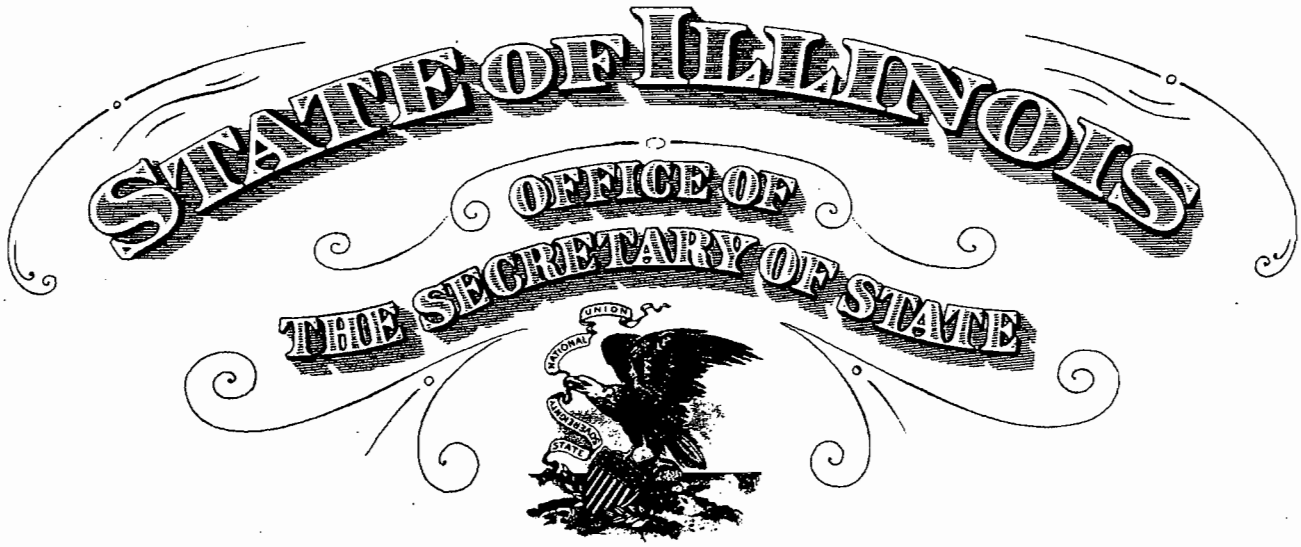
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 6TH *day of* AUGUST *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

File Number 5938-890-8



To all to whom these Presents Shall Come, Greeting:

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

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION, INCORPORATED IN FLORIDA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 28, 1997, AND MUST CONDUCT ALL AFFAIRS IN THIS STATE UNDER THE ASSUMED NAME OF ADVENTIST HEALTH SYSTEM, 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 #: 1426901664

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* 26TH *day of* SEPTEMBER *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

Attachment 4

35

File Number 5322-408-3

To all to whom these Presents Shall Come, Greeting:

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

ALEXIAN BROTHERS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 03, 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 #: 1421801266

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

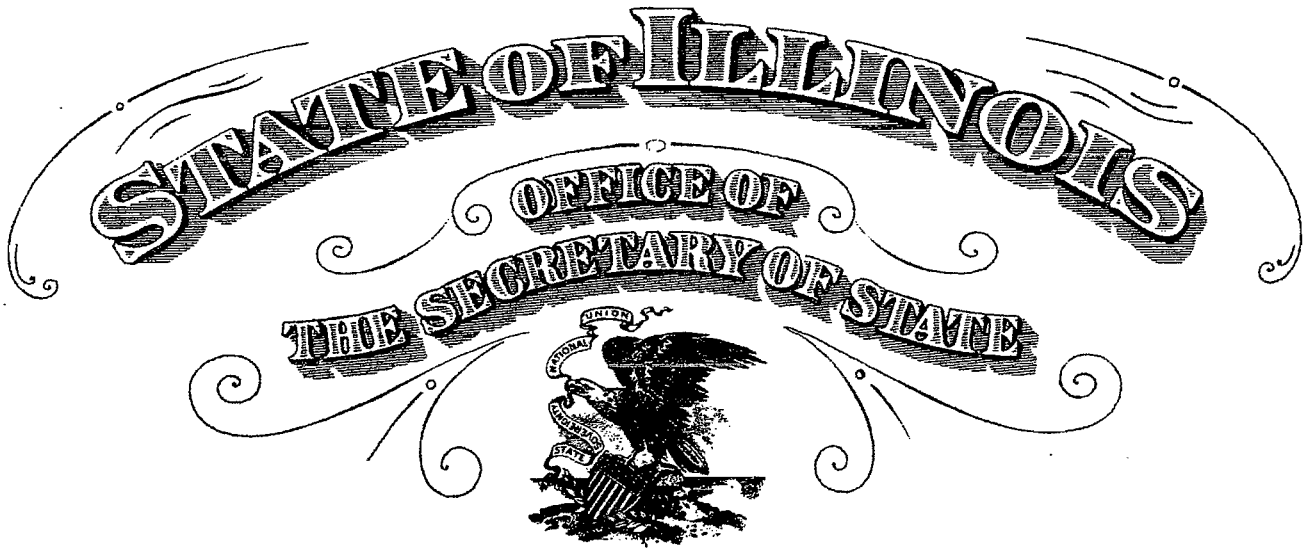
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 6TH *day of* AUGUST *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

File Number 0940-715-4



To all to whom these Presents Shall Come, Greeting:

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

ADVENTIST HINSDALE HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 01, 1904, 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 #: 1421300328

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

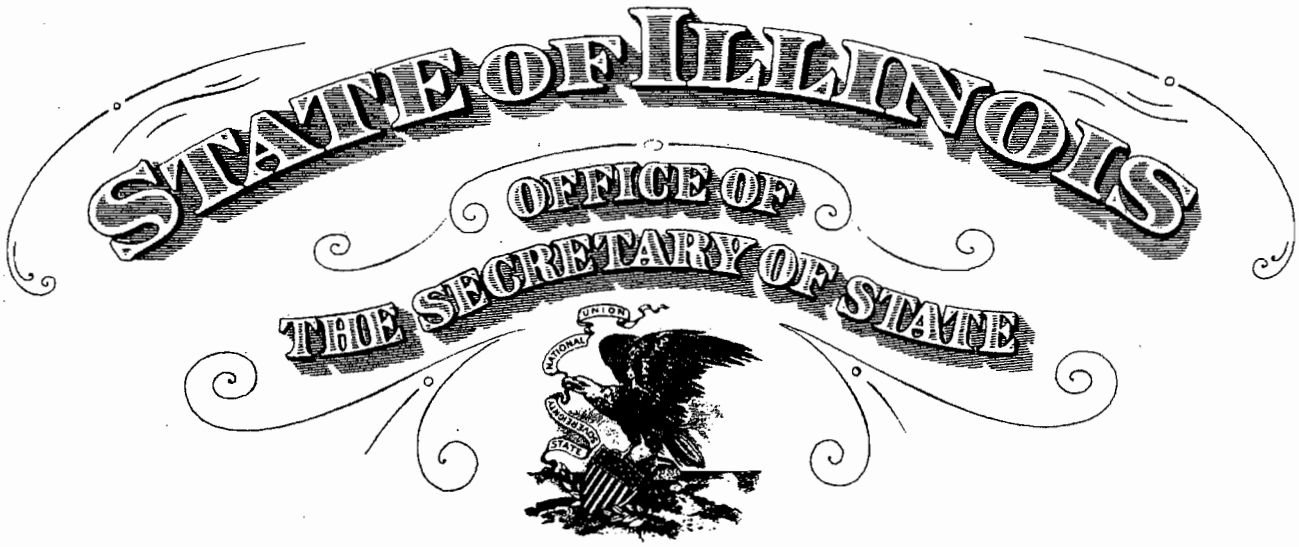
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* AUGUST *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

File Number 5938-879-7



To all to whom these Presents Shall Come, Greeting:

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

ADVENTIST HEALTH SYSTEM/SUNBELT, INC., INCORPORATED IN FLORIDA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 28, 1997, 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 #: 1421300334

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* 1ST *day of* AUGUST *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

PROPRIETARY INFORMATION

AFFILIATION AGREEMENT

BETWEEN

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION

AND

ASCENSION HEALTH

October 30, 2014

Table of Contents

Page

ARTICLE I DEFINITIONS 2

ARTICLE II DESCRIPTION OF AB-AMCO AND ITS OBJECTIVES 8
- 2.1 Function of AB-AMCO as a Joint Operating Company 8
- 2.2 Purposes of AB-AMCO 8
- 2.3 Separate Corporate Existence 9
- 2.4 Cooperation and Good Faith 10
- 2.5 Catholic Identity, Values, and Ascension Membership of the Alexian Covered Affiliates 10
- 2.6 Seventh-day Adventist Identity, Values and Membership of the AMH Covered Affiliates 10
- 2.7 Ethical Consideration Applicable to Ascension and its Covered Affiliates 10
- 2.8 Ethical Consideration Applicable to Adventist and its Covered Affiliates 11

ARTICLE III POWERS AND OBLIGATIONS CONCERNING AB-AMCO AND THE COVERED AFFILIATES 11
- 3.1 AB-AMCO Powers and Obligations Concerning the Covered Affiliates 11
- 3.2 Medical Staff 13
- 3.3 Purchased Services and Party Services 13
- 3.4 Use of Covered Affiliates' Resources and Employees 13
- 3.5 Covered Affiliates Senior Executives and Human Resource Function 13
- 3.6 AB-AMCO Executives 14
- 3.7 Mission and Ministry Executives 14

ARTICLE IV FINANCIAL RELATIONSHIPS 15
- 4.1 Allocation of Free Cash Flow 15
- 4.2 Capital Expenditures 15
- 4.3 Contributions 15
- 4.4 Distributions 15
- 4.5 Title to Assets 16
- 4.6 Existing Indebtedness 16
- 4.7 Future Indebtedness 16

ARTICLE V DISPUTE RESOLUTION & DEADLOCKS 16
- 5.1 Dispute Resolution; Remedies 16
- 5.2 Informal Dispute Resolution, Mediation and Arbitration 17
- 5.3 Definition of Deadlock; Procedure 18

ARTICLE VI EXPANSION OPPORTUNITIES 18
- 6.1 Corporate Opportunities 18
- 6.2 Identification of Candidates 19
- 6.3 Admission of Candidates 20
- 6.4 Effect on Presumptive Split 20

ARTICLE VII CLOSING 20
7.1 Closing 20
7.2 Deliverables of the Parties at the Closing 20

ARTICLE VIII REPRESENTATIONS AND WARRANTIES OF ADVENTIST 21
8.1 Corporate Capacity; Qualification to do Business 21
8.2 Corporate Powers; Consents; Absence of Conflicts with Other Agreements, Etc. 22
8.3 Binding Agreement 22
8.4 No Joint Ventures 22
8.5 Real Property 22
8.6 Title to Assets 23
8.7 Insurance 23
8.8 Financial Statements Disclosure 24
8.9 Licenses and Permits 24
8.10 Certificates of Need 24
8.11 Medicare Participation/Accreditation 25
8.12 Regulatory Compliance 25
8.13 Agreements and Commitments 25
8.14 Employee Relations 26
8.15 Litigation or Proceedings 26
8.16 Third Party Payor Cost Reports 26
8.17 Medical Staff Matters 27
8.18 Tax Liabilities Disclosures 27
8.19 Environmental Laws Disclosures 27
8.20 Asbestos Disclosures 28
8.21 No Material Omissions 28
8.22 Exclusion from Health Care Programs 28
8.23 Compliance With Laws 28
8.24 Absence of Changes Since Financial Statement Date 28
8.25 Absence of Intellectual Property Infringement 29
8.26 Tax Exempt Status 29

ARTICLE IX REPRESENTATIONS AND WARRANTIES OF ASCENSION 29
9.1 Corporate Capacity; Qualification to do Business 29
9.2 Corporate Powers; Consents; Absence of Conflicts with Other Agreements, Etc. 30
9.3 Binding Agreement 30
9.4 No Joint Ventures 30
9.5 Real Property 30
9.6 Title to Assets 31
9.7 Insurance 31
9.8 Financial Statements Disclosure 32
9.9 Licenses and Permits 32
9.10 Certificates of Need 32
9.11 Medicare Participation/Accreditation 33
9.12 Regulatory Compliance 33

9.13 Agreements and Commitments 33
9.14 Employee Relations 34
9.15 Litigation or Proceedings 34
9.16 Third Party Payor Cost Reports 35
9.17 Medical Staff Matters 35
9.18 Tax Liabilities Disclosures 35
9.19 Environmental Laws Disclosures 36
9.20 Asbestos Disclosures 36
9.21 No Material Omissions 36
9.22 Exclusion from Health Care Programs 36
9.23 Compliance With Laws 36
9.24 Absence of Changes Since Financial Statement Date 37
9.25 Absence of Intellectual Property Infringement 37
9.26 Tax Exempt Status 37

ARTICLE X PRE-CLOSING COVENANTS 38
10.1 Interim Conduct of Business 38
10.2 Preserve Accuracy of Representations and Warranties 39
10.3 Access to Information 40
10.4 Compliance with Laws 40
10.5 Third Party Authorizations 40
10.6 Confidentiality 41
10.7 Corporate Reorganization 41

ARTICLE XI CONDITIONS TO CLOSING 41
11.1 Regulatory Approvals 41
11.2 Accuracy of Warranties; Performance of Covenants 41
11.3 No Pending Action 41
11.4 No Bankruptcy 41
11.5 Consents 42
11.6 Delivery of Other Agreements 42
11.7 Bond Counsel and External Auditor Review 42

ARTICLE XII PRE-CLOSING TERMINATION 42
12.1 Termination Events 42
12.2 Effect of Termination 42

ARTICLE XIII POST-CLOSING TERMINATION 43
13.1 Termination of the Agreement 43
13.2 Termination With Cause 43
13.3 Termination Without Cause 45
13.4 Dissolution 47
13.5 Dissolution Procedures 47
13.6 Distribution on Dissolution 47
13.7 Distribution Instructions 47
13.8 Actions Following Dissolution 47
13.9 Valuation 48

ARTICLE XIV INDEMNIFICATION 49
14.1 Indemnification 49
14.2 Procedure for Indemnification 49

ARTICLE XV GENERAL PROVISIONS 49
15.1 Amendment and Waiver 49
15.2 Confidentiality 50
15.3 Notices 50
15.4 Expenses 51
15.5 Counterparts 51
15.6 Entire Transaction 51
15.7 Governing Law 52
15.8 Headings 52
15.9 Articles 52
15.10 Gender 52
15.11 Partial Invalidity 52
15.12 Exhibits 52
15.13 Assignment; Transfer of Interest 52
15.14 Binding Agreement 52
15.15 Third Party Beneficiaries 52

Exhibit 1.3 AB-AMCO Service Area
Exhibit 1.17 Covered Affiliates of Adventist and Ascension
Exhibit 1.18 Ethical and Religious Directives for Catholic Health Care Services
Exhibit 1.25(a) Persons with Knowledge
Exhibit 1.25(b) Persons with Knowledge
Exhibit 2.2 Non-Tax Exempt AMH and Alexian Covered Affiliates
Exhibit 3.5 Senior Executives
Exhibit 3.6 AB-AMCO Executives
Exhibit 8.4 AMH Joint Ventures
Exhibit 9.4 Alexian Joint Ventures

AFFILIATION AGREEMENT

This **AFFILIATION AGREEMENT** (the "**Agreement**") is made and entered into this 30th day of October, 2014 (the "**Effective Date**"), by and between Adventist Health System Sunbelt Healthcare Corporation, a Florida not-for-profit corporation ("**Adventist**"), having its principal place of business at 900 Hope Way, Altamonte Springs, Florida 32714, and Ascension Health, a Missouri not-for-profit corporation ("**Ascension**"), having its principal place of business at 101 South Hanley Road, Suite 450, St. Louis, Missouri 63105 (each of Adventist and Ascension are sometimes referred to herein individually as a "**Party**" or collectively as the "**Parties**").

RECITALS

WHEREAS, Adventist owns and operates a regional health system of health care providers and ancillary organizations in Illinois through certain Affiliates operating under the d/b/a, Adventist Midwest Health ("**AMH**"); and

WHEREAS, Ascension is the sole corporate member of Alexian Brothers Health System, an Illinois not-for-profit corporation ("**Alexian**"), having its principal place of business at 3040 Salt Creek Lane, Arlington Heights, Illinois 60005, and operating a regional health system of health care providers and ancillary organizations in Illinois through certain Affiliates; and

WHEREAS, Adventist and Ascension share a common and unifying mission to provide effective, efficient quality health care and health care related services in Illinois; and

WHEREAS, the Parties have witnessed a period of profound and unprecedented change in the health care industry, including accelerating demand for health care cost containment, quality accountability and innovative delivery models that efficiently and effectively coordinate the delivery of health care across broad populations, all of which have encouraged health care providers to create health care affiliations in order to preserve and enhance their ability to fulfill their missions in an increasingly challenging environment; and

WHEREAS, in response to the evolution of healthcare delivery and design, the Parties have agreed to enter into this Agreement to set forth the terms and conditions upon which they will affiliate for the purpose of (i) creating a strong regional health care delivery network, with expanded geographic coverage, designed to offer population care management and improve the health of the regional community, (ii) combining operations to realize economies of scale and reduce costs for patients and purchasers of health care services, (iii) achieving sufficient economic and clinical integration so as to lawfully engage in joint negotiations, pricing and strategic planning, and (iv) facilitating the sharing of medical expertise, specialties and resources for enhanced care model, all in accordance with their missions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

ARTICLE I
DEFINITIONS

In addition to the words and terms defined elsewhere in this Agreement, the following words and terms as used in this Agreement shall have the meanings attributed to them below:

1.1 **"AB-AMCO"** shall mean Alexian Brothers-AHS Midwest Region Health Co., with AMH and Alexian serving as its sole corporate members, as such name may be amended with the Illinois Secretary of State upon mutual agreement of the Parties.

1.2 **"AB-AMCO Assets"** means all assets owned by AB-AMCO but not the assets owned by the Parties or the Covered Affiliates.

1.3 **"AB-AMCO Service Area"** shall mean all of the counties listed on **Exhibit 1.3**.

1.4 **"Adventist Master Trust Indenture"** means: (i) the Second Amended and Restated Master Trust Indenture dated as of August 1, 2014, and all supplements thereto, (ii) all loan agreements, credit agreements and other documents secured by such Adventist Master Trust Indenture relating to any debt financing of the Adventist Obligated Group (as defined below) of which Adventist Health System/Sunbelt, Inc. and some or all of its Covered Affiliates are members (including, without limitation, any loan agreements, credit agreements or lease agreements under which proceeds are made available to such Obligated Group), and (iii) any successor agreements or indentures of the same or similar effect as any of the foregoing, in each case, as the same may be amended or restated from time to time.

1.5 **"Adventist Obligated Group"** means Adventist Health System/Sunbelt, Inc. and those organizations that from time to time are members of an obligated group under the Adventist Master Trust Indenture.

1.6 **"Affiliate"** when used in connection with a particular entity means any Person directly or indirectly controlled by, or under common control with, such entity. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to appoint a majority of the board of directors, board of managers, board of trustees or similar body, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

1.7 **"Affiliation"** means a material relationship or a material arrangement of any kind to: (i) merge with any Person, (ii) consolidate with any Person, (iii) enter into a contract with any Person for the management and operation of any health care facility, (iv) lease any health care facility (i.e., the entire premises) to or from any Person (but not any office suites or other medical practice space, such as physician leases within a medical office building); (v) become an Affiliate of any Person, (vi) enter into any joint venture or other arrangement which involves the granting of one or more reserved powers or the sharing of profits and/or losses with any Person, or (vii) enter into any arrangement with any Person by which such Person becomes a controlling entity.

1.8 **"Alexian Master Trust Indenture"** means: any master trust indenture, supplemental indentures, and loan documents relating to any debt financing of (i) the Alexian Obligated Group

(including without limitation any loan agreements or lease agreements under which proceeds are made available to the Alexian Obligated Group), and (ii) any successor agreements or indentures of the same or similar effect as any of the foregoing, in each case, as the same may be amended from time to time.

1.9 **"Alexian Obligated Group"** means Alexian Brothers Health System and those organizations that from time to time are members of an obligated group under an Alexian Master Trust Indenture or an Ascension Master Trust Indenture.

1.10 **"Ascension Master Trust Indenture"** means: any master trust indenture, supplemental indentures, and loan documents relating to any debt financing of (i) the Ascension Obligated Group (including without limitation any loan agreements or lease agreements under which proceeds are made available to the Ascension Obligated Group), (ii) the Alexian Obligated Group (including without limitation any loan agreements or lease agreements under which proceeds are made available to the Alexian Obligated Group), and (iii) any successor agreements or indentures of the same or similar effect as any of the foregoing, in each case, as the same may be amended from time to time.

1.11 **"Ascension Obligated Group"** means Ascension and those organizations that from time to time are members of an obligated group under an Ascension Master Trust Indenture.

1.12 **"Board"** means the Board of Directors of AB-AMCO.

1.13 **"Closing"** shall mean the closing of the transactions contemplated by this Agreement, which shall be effective as of 12:00:01 a.m. on the Closing Date.

1.14 **"Closing Date"** shall mean such date that is the first day of the month following the last to be fulfilled or waived of the regulatory approvals and conditions precedent to Closing (other than those conditions that by their nature cannot be satisfied until the Closing, but subject to the fulfillment or waiver of those conditions) (subject to applicable Law) in accordance with this Agreement, or at such other date as mutually agreed to by the Parties.

1.15 **"Code"** means the Internal Revenue Code of 1986, as amended from time to time or, any successor internal revenue law.

1.16 **"Corporate Documents"** means an entity's articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, and comparable documents, as appropriate given the entity's form of legal organization.

1.17 **"Covered Affiliate"** means an Affiliate of either Party that will be managed and operated by AB-AMCO pursuant to this Agreement, as listed on **Exhibit 1.17** hereto, and any additional Affiliate of either Party that the Parties in the future agree should be a Covered Affiliate through a written amendment of **Exhibit 1.17** signed by the Parties.

1.18 **"Directives"** means the *Ethical and Religious Directives for Catholic Health Care Services* as approved, issued and amended from time to time, by the United States Conference of Catholic Bishops, and as implemented by the Ordinary (bishop or archbishop) of the diocese in

which the respective Ascension facility or provider operates. A copy of the Directives is attached hereto as **Exhibit 1.18** hereto.

1.19 **"Director(s)"** means the person(s) serving on the Board.

1.20 **"Effective Date"** means the effective date of this Agreement, which shall be the date set forth in the introductory paragraph.

1.21 **"GAAP"** means generally accepted accounting principles of the United States, as amended from time to time, applied (solely with respect to the calculations to be made in **Article IV**) as agreed upon by the Parties prior to Closing.

1.22 **"Income Tax"** means any tax based on income assessed by federal, state, county and local taxation authorities.

1.23 **"Indebtedness"** shall mean, with respect to any Person, all obligations (including all obligations in respect of principal, accrued interest, penalties, expenses, fees and premiums) of such Person for any: (a) indebtedness for borrowed money (including overdraft facilities); (b) deferred price of property, goods or services; (c) reimbursement and other obligations for surety bonds, letters of credit and bankers acceptances; (d) obligations evidenced by notes, bonds, debentures or similar contracts; (e) capital lease obligations; (f) contracts relating to interest rate protection, swap agreements and collar agreements (including any breakage or similar costs payable in connection with any of the foregoing); (g) guaranties of any of the foregoing; and (h) any amendment, renewal, extension, revision or refunding of any such liability or obligation; provided that Indebtedness shall not include any of the items listed above made or incurred by one Person in favor of an affiliate of such Person.

1.24 **"Intellectual Property"** shall mean patents, trademarks, service marks, trade names and other such intellectual property rights necessary or intended for operations.

1.25 **"Knowledge"** shall mean, with respect to Adventist and/or AMH, the actual knowledge after reasonable investigation of the individuals listed on **Exhibit 1.25(a)** and, with respect to Ascension and/or Alexian, the actual knowledge after reasonable investigation of the individuals listed on **Exhibit 1.25(b)**.

1.26 **"Law"** or **"Laws"** shall mean all federal, state and local statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, awards (including, without limitation, awards of any arbitrator), judgments and decrees applicable to the specified Persons or entities and to the businesses and assets thereof (including, without limitation, laws relating to securities registration and regulation; the sale, leasing, ownership or management of real property; employment practices, terms and conditions, and wages and hours; building standards, land use and zoning; safety, health and fire prevention; and environmental protection).

1.27 **"Legacy Liabilities"** shall mean liabilities or obligations of any nature, including any legal or consulting fees incurred in connection therewith, or out-of-pocket expenses related to any corresponding settlement or similar governmental agency agreement requiring audit reporting or other compliance oriented obligations, arising from an act, omission or contractual arrangement that either occurs before the Closing Date, or begins before the Closing Date and

HS

continues after the Closing Date, (whether known or unknown and whether absolute, accrued, contingent or otherwise) except to the extent the liabilities or obligations are reflected or reserved against on the balance sheet as of the Closing Date. For avoidance of doubt, Legacy Liabilities are solely those charged against, or incurred by, a Party or its respective Covered Affiliate by a third party and shall not reflect any actual or potential financial impact on the other Party or its respective Covered Affiliates.

1.28 **"Ordinary Course of Business"** shall mean an action taken by a Person only if that action: (i) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person, (ii) does not require special or separate authorization by the governing body or owners of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature, and (iii) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person.

1.29 **"Permitted Encumbrances"** means (i) encumbrances for Taxes not yet due and payable or being diligently contested in good faith and for which appropriate reserves have been established in accordance with GAAP (provided that Permitted Encumbrances shall not apply to omitted or reassessed Taxes imposed due to incorrect, false or misleading real estate tax exemption applications or annual exemption certifications filed pursuant to 35 ILCS 200/15-10), (ii) liens for inchoate mechanics' and materialmen's liens for construction in progress and workmen's, repairmen's, warehousemen's and carriers' liens arising in the Ordinary Course of Business, (iii) easements, restrictive covenants, rights of way and other similar restrictions of record that do not impair in any material respect the value of the assets or the continued conduct of the business of any Party or its continued use of its assets in the manner currently used, (iv) zoning, building and other similar restrictions that do not impair in any material respect the value the asset or the continued conduct of the business of any Party or its continued use of its assets in the manner currently used, (v) encumbrances, encroachments and other imperfections of title, licenses or encumbrances, if any, of record that do not impair in any material respect the value of the asset or the continued conduct of the business of any Party or its continued use of its assets in the manner currently used, (vi) encumbrances arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the Ordinary Course of Business, (vii) in the case of leased property, all matters, whether or not of record, affecting the title of the lessor (and any underlying lessor) of the leased property do not impair in any material respect the value of its asset or the continued conduct of the business of any Party or its continued use of its assets in the manner currently used and (viii) encumbrances arising under the Ascension Master Trust Indenture, the Alexian Master Trust Indenture or the Adventist Master Trust Indenture.

1.30 **"Person"** means any individual, partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, or other association, and the heirs, executors, administrators, legal representatives, successors, and assigns of such individual, entity, or association where the context so requires.

1.31 **"Presumptive Split"** shall be the basis upon which AMH and Alexian share, respectively, in free cash flow as set forth in **Article IV** and further developed in the Financial Integration Plan referenced therein, and divide, respectively, the AB-AMCO Assets upon dissolution, as described in **Section 13.6**. The Presumptive Split shall be based on an analysis conducted by Deloitte that shall be conducted prior to Closing and subject to adjustment only by mutual agreement of the Parties pursuant to **Section 6.4** below.

1.32 **"Proceeding"** shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving any Governmental Entity or arbitrator.

1.33 **"System Fee"** shall mean any fees or assessments by Adventist or Ascension against their respective Covered Affiliates as members of the applicable Party's health care delivery system. Each Party shall be entitled to determine the amount of the respective Party's System Fee, provided that the methodology applied by each Party to determine such amount is the same methodology applied by each Party to determine the amount assessed against other health care facilities it sponsors that are not managed by AB-AMCO. For the purposes of clarification, each Party's System Fee is not intended to include pass-through costs, such as the salary and benefits of each Party's Covered Affiliate executives on the Party's payroll or distribution by the Party of vendor invoices paid by the Party and allocated among the Party's facilities for contracted services, supplies, subscriptions, insurance, fees or other expenses directly related to or used by the respective Party's Covered Affiliates.

1.34 **"Supermajority Vote"** means the act of a majority of directors present at a meeting of the Board of AB-AMCO at which a quorum is present, such majority consisting of the affirmative vote of a majority of the Adventist Directors and the affirmative vote of a majority of the Ascension Directors, as set forth in the bylaws of AB-AMCO; provided, however, that in the event of a Delinquent Party Board Adjustment as such term is defined in the Financial Integration Plan agreed upon by the Parties, "**Supermajority Vote**" will retain the definition specified above in this **Section 1.34** solely with respect to approvals related to **Sections 2.5, 2.6, 2.7, 2.8, 3.5, 3.6** and **3.7** of this Agreement; in the event of a Delinquent Party Board Adjustment, with respect to all other approvals requiring Supermajority Vote, "**Supermajority Vote**" will mean the act of a majority of directors present at a meeting of the Board of AB-AMCO at which a quorum is present, such majority consisting of both the affirmative vote of a simple majority of the Directors and the affirmative vote of a majority of the Non-Delinquent Party Directors as such term is defined in the Financial Integration Plan.

1.35 **"Tenets"** shall mean those religious beliefs and practices of the Seventh-day Adventist Church, including religious tenets.

Each of the following terms is defined in the Section or on the page set forth opposite such term.

Definition	**Section**
15-year Anniversary	13.3
AAA	5.2(b)

AB-AMCO Executives 3.6
Accommodated Transaction ..... 3.1(c)(ii)
Adventist ..... Preamble
AHP ..... 3.1(a)
Alexian ..... Recitals
Alexian Employees 9.14
Alexian Financial Statements 9.8
Alexian Interim Financial Statements 9.8
Alexian Real Property 9.5
Alexian Returns ..... 9.18(a)
Alexian Unaudited Financial Statements 9.8
AMH ..... Recitals
AMH Employees 8.14
AMH Financial Statements 8.8
AMH Interim Financial Statements 8.8
AMH Real Property 8.5
AMH Returns ..... 8.18(a)
AMH Unaudited Financial Statements 8.8
Appellate Rules ..... 5.2(f)
Approved Transaction ..... 3.1(c)(iii)
Candidate 6.2
CERCLA 8.19
Competing Business ..... 6.1(c)
Contribution 4.3
CPI ..... 13.2(c)(i)(1)
Deadlock ..... 5.3(a)
De Minimis Disposition ..... 3.1(c)(iii)
Financial Integration Plan ..... 4.1(a)
Indemnified Party 14.2
Indemnifying Party 14.2
Initial Value ..... 13.3(a)
LEIE 8.22
Loss ..... 13.2(c)(i)(2)
Management Level 3.5
Mission and Ministry Executive 3.7
Not For Profit Corporation Act ..... 2.2(g)
OIG 8.22
Party or Parties ..... Preamble
Permissible Assignee Transaction ..... 3.1(c)(i)
RCRA 8.19
Senior Executives 3.5
Target 6.1
Transaction ..... 6.1(c)
Transaction Party ..... 3.1(c)(ii)
True-Up ..... 4.1(a)
Underlying Award ..... 5.2(f)

Exhibits

Exhibit 1.3 ..... AB-AMCO Service Area
Exhibit 1.17 ..... Covered Affiliates of Adventist and Ascension
Exhibit 1.18 ..... Ethical and Religious Directives for Catholic Health Care Services
Exhibit 1.25(a) ..... Persons with Knowledge
Exhibit 1.25(b) ..... Persons with Knowledge
Exhibit 2.2 ..... Non-Tax Exempt AMH and Alexian Covered Affiliates
Exhibit 3.5 ..... Senior Executives
Exhibit 3.6 ..... AB-AMCO Executives
Exhibit 8.4 ..... AMH Joint Ventures
Exhibit 9.4 ..... Alexian Joint Ventures

ARTICLE II
DESCRIPTION OF AB-AMCO AND ITS OBJECTIVES

2.1 **Function of AB-AMCO as a Joint Operating Company**. AB-AMCO shall function as a joint operating company, and, as such, shall manage and have authority over the Covered Affiliates pursuant and subject to the terms of this Agreement. AB-AMCO represents the common and unifying commitment of the Parties to work together for the good of the communities and customers served by their respective health care facilities and other providers in the AB-AMCO Service Area. The Parties share a common commitment to caring for the whole person through programs such as pastoral care, charity care, community wellness, health education, and health care for the indigent. This common commitment shall be continued and enhanced through the operations of AB-AMCO. However, at all times, governance and management of the Covered Affiliates shall be conducted in a manner that is respectful of and preserves the distinct identity, values, philosophy and faith tradition of such facilities and providers as either Seventh-day Adventist or Catholic.

2.2 **Purposes of AB-AMCO**. The purposes of AB-AMCO are to operate exclusively for charitable, educational, scientific and religious purposes within the meaning of Section 501(c)(3) of the Code, or any corresponding provision of any future United States internal revenue law and to support and benefit or carry out some or all of the purposes and functions of AMH and Alexian, each of which is an organization or consists of organizations described in Section 501(c)(3) of the Code and exempt from taxation under Section 501(a) of the Code, except as disclosed on **Exhibit 2.2**. In furtherance of the foregoing, the specific purposes of AB-AMCO include the following:

a. To provide a financially and operationally integrated organization for the common management and operation of the health care facilities and operations of AMH and Alexian, through the Covered Affiliates, with the following specific goals:

i. to increase the quality of health care services in the AB-AMCO Service Area;

ii. to improve the health status of communities served;

iii. to provide a broad scope and a continuum of health care services available through multiple outlets with a focus upon community health benefit;

iv. to improve cost effectiveness and efficiencies in the delivery of health care services;

v. to enable the Parties to meet healthcare needs in the market by eliminating unnecessary duplication of services, consolidating managerial decisions and offering third party payors unified access to cost effective services; and

vi. to assume and manage risk in the delivery of health care services.

b. To establish, maintain, support and stimulate the development of a health care network, including, without limitation, hospitals, clinics and other facilities that provide inpatient or outpatient care, accommodation, diagnosis and treatment to persons suffering from injury, disease or any other condition where medical, surgical, rehabilitative, nursing and associated professional services may be required.

c. To foster the conduct of such educational and research activities related to rendering care to the sick and injured or the protection of health, as, in the judgment of the Board, may be justified by the facilities, personnel, funds or other requirements that are or can be made available.

d. To foster and/or participate in activities designed and carried on to promote the general health, rehabilitation and social needs of the community.

e. To purchase, sell, transfer, distribute, receive, own, hold, use, lease, mortgage, pledge and otherwise deal in and with such real and/or personal property, whether tangible or intangible (including intellectual property), of whatever nature or kind and of whatever amount or value, including that which may be given, devised, bequeathed, granted or donated to AB-AMCO and including shares or other interests in obligations of domestic or foreign corporations, trusts, associations, partnerships or individuals, as may be necessary, suitable or proper to serve any of the purposes of or to support and assist any Covered Affiliate of AB-AMCO.

f. To conduct quality management, quality assurance, risk management activities, and peer review of licensed health care professionals in accordance with the quality management programs established by licensed or certified health care facilities managed and operated by AB-AMCO.

g. To engage in any activity that may legally be engaged in by corporations formed under the Illinois General Not For Profit Corporation Act of 1986, as amended (the "**Not For Profit Corporation Act**").

2.3 **Separate Corporate Existence**. Each of Adventist and its Covered Affiliates and Ascension and its Covered Affiliates shall preserve and retain its separate corporate existence, except as provided in **Section 10.7**. The members of each of the foregoing entities' Boards of Trustees/Directors shall continue to be elected, appointed and removed by the Person, body or authority designated by such Party in its Corporate Documents.

2.4 **Cooperation and Good Faith**. In their dealings with each other, the Parties shall be guided by their joint commitment to the purpose and mission of AB-AMCO, and, when differences arise, they shall act in good faith and use their best efforts to find innovative and fair approaches to reconcile their differences, guided always by the fundamental understanding that only through a clear, collective commitment can the objectives of AB-AMCO be realized.

2.5 **Catholic Identity, Values, and Ascension Membership of the Alexian Covered Affiliates**. The Alexian Covered Affiliates shall continue to be Catholic organizations and Affiliates of Ascension. The Alexian Covered Affiliates shall carry out the mission of Ascension in a manner consistent with the core values of Ascension. As Affiliates of Ascension, the Alexian Covered Affiliates are obligated to comply with the Ascension mission, canonical and civil legal obligations. AB-AMCO will not exercise any power or control which would cause the Alexian Covered Affiliates to violate the mission, canonical or legal obligations of Ascension or Alexian. The Parties agree to be bound by the following ethical principles and acknowledge the implications of these principles on the operation of integrated health services: direct abortions, euthanasia and assisted suicide, as described in the Directives, will not be permitted by any Covered Affiliate or within any facility of an Alexian Covered Affiliate. AB-AMCO shall act in good faith not to cause any Alexian Covered Affiliate to act in a way that is contrary to this Agreement.

2.6 **Seventh-day Adventist Identity, Values and Membership of the AMH Covered Affiliates**. The AMH Covered Affiliates shall continue to be Seventh-day Adventist organizations and Affiliates of Adventist. The AMH Covered Affiliates shall carry out the mission of Adventist, and shall continue to adhere to the values of the Seventh-day Adventist Church and Adventist, including, but not limited to, implementing a policy to ensure that the Chief Executive Officer of each AMH Covered Affiliate owning a hospital, or of each such hospital itself as applicable, shall be a member of the Seventh-day Adventist Church, as further addressed in **Section 3.5** below. In addition, the AMH Covered Affiliates may maintain, implement and amend from time to time policies and procedures to preserve the Seventh-day Adventist culture and mission as it recruits and retains Management Level employees (as defined in **Section 3.5** below). AB-AMCO will not exercise any power or control which would cause AMH or its Covered Affiliates to violate beliefs, mission, or legal obligations of the Seventh-day Adventist Church, Adventist or AMH. AB-AMCO shall act in good faith not to cause AMH or its Covered Affiliates to act in a way that is contrary to this Agreement.

2.7 **Ethical Consideration Applicable to Ascension and its Covered Affiliates**. Activities of Ascension and its Covered Affiliates, including their participation in AB-AMCO, are subject to the Directives. If Ascension determines, in good faith, that any actions or proposed actions of AB-AMCO, AMH or its Affiliates, or any other non-Catholic Affiliate cause any Alexian Covered Affiliate to violate the Directives, Ascension shall request a special meeting of the Parties. During such meeting, Party representatives shall work together in good faith to resolve the issue in a manner that does not violate the Directives. It is understood and agreed, however, that (i) AB-AMCO will not be involved in providing, overseeing, managing, or directing any procedures or practices prohibited by the Directives, and (ii) Ascension's determinations regarding Diocesan interpretation or application of the Directives are not subject to further analysis, interpretation or dispute resolution procedure and shall be controlling. No revenues earned by or expenses incurred by any AMH Covered Affiliate for procedures or practices

prohibited by the Directives shall be included in the calculation of free cash flow, which calculation is further addressed in **Article IV**. In addition, no funds related to procedures or practices prohibited by the Directives will be paid to AB-AMCO or flow through AB-AMCO.

2.8 **Ethical Consideration Applicable to Adventist and its Covered Affiliates**. Activities of Adventist and its Covered Affiliates, including their participation in AB-AMCO, are committed to the Tenets. If Adventist determines, in good faith, that any actions or proposed actions of AB-AMCO, Alexian or its Affiliates, or any other non-Adventist Affiliate cause any AMH Covered Affiliate to violate the Tenets, Adventist shall request a special meeting of the Parties. During such meeting, Party representatives shall work together in good faith to resolve the issue in a manner that does not violate the Tenets. It is understood and agreed, however, that Adventist's determinations regarding the Seventh-day Adventist Church's interpretation or application of the Tenets are not subject to further analysis, interpretation or dispute resolution procedure and shall be controlling.

ARTICLE III
POWERS AND OBLIGATIONS CONCERNING AB-AMCO AND THE COVERED AFFILIATES

3.1 **AB-AMCO Powers and Obligations Concerning the Covered Affiliates.**

a. The Corporate Documents of AB-AMCO provide AMH and Alexian with certain limited reserved powers with respect to the governance of AB-AMCO, its facilities, subsidiaries and joint ventures and the Covered Affiliates. Among these limited reserved powers, AMH shall retain ultimate authority for the policies and management of Adventist Health Partners. Inc. ("**AHP**"). Notwithstanding the foregoing, AB-AMCO shall have the power to make recommendations related to the policies and management of AHP and AHP shall be a Covered Affiliate as such term is defined in this Agreement. However, AB-AMCO shall not control AHP unless and until the AHP bylaws are amended to provide to the contrary.

b. The Corporate Documents of AB-AMCO, the AMH Covered Affiliates, and the Alexian Covered Affiliates will be closing deliverables as indicated in **Article VII**; each of these shall be incorporated by reference herein as set forth in **Section 7.2**. As of the Closing Date, AB-AMCO shall serve as the operator and manager of the Covered Affiliates, and shall have the full and complete authority to carry out the mission of the Parties and to operate and manage the Covered Affiliates, but without control over AHP, subject only to the terms and conditions of this Agreement, and the powers and authorities reserved to AMH and Alexian under the Corporate Documents of AB-AMCO. To the extent that a Covered Affiliate maintains an interest in a joint venture, AB-AMCO shall have the same authority as the existing Covered Affiliate in connection with the management of such joint venture. For the avoidance of doubt, AB-AMCO shall not have any authority over facilities or other businesses operated by joint ventures and other entities in which a Covered Affiliate holds a non-controlling ownership interest.

c. Neither Party shall take or suffer any action that would have the effect of prohibiting the operation and management of the Covered Affiliates in accordance with this Agreement and the applicable Party shall and, as may be applicable, any Covered Affiliate shall,

take any action (or cause any action to be taken) to permit such operation and management. For purposes of clarification:

i. Either Party may at its sole discretion enter into a transaction whereby it merges or consolidates with a third party, transfers all of its membership interest in Alexian or AMH (as applicable) to a third party, or divests all of the respective assets of Alexian or AMH (as applicable) to a third party, provided, however, that (a) such transaction is not solely limited to one involving Alexian or AMH (as applicable), but rather is one involving substantially all of the operations of such Party, and (b) to the extent the then-controlling party is not already a Party to this Agreement, it will take automatic assignment of this Agreement and participate in AB-AMCO in accordance with this Agreement (any such transaction, a "**Permissible Assignee Transaction**").

ii. For any merger, consolidation, transfer or divestiture to a third party who for whatever reason cannot assume all of the duties and obligations of the merging, consolidating, transferring or divesting Party (such Party, the "**Transaction Party**"), within a pre-closing thirty (30) day consideration period either Party may at its sole discretion (i.e., dispute resolution will not apply to such decision) terminate this Agreement rather than accommodate the third party transaction. Such termination, irrespective of which Party initiates the termination, will result in termination penalties to the Transaction Party, as further provided in **Section 13.2(c)**. Any such transaction which is to be accommodated by the non-Transaction Party (i.e., neither Party serves notice of termination related thereto) shall be deemed an "**Accommodated Transaction**."

iii. Any transaction whereby either Party sells part of its respective assets managed and operated pursuant to this Agreement to a third party, or transfers part of its membership interest in any of its respective Covered Affiliates to a third party, shall be subject to the Supermajority Vote of the AB-AMCO Board as further addressed in the AB-AMCO Bylaws (any such transaction, an "**Approved Transaction**"); provided, however, that either Party may unilaterally direct the disposition of any particular asset within AB-AMCO with a value not to exceed Three Million Dollars ($3,000,000) whether in an individual transaction or a series of related transactions (the "**De Minimis Disposition**") as part of a larger company-wide initiative within such Party.

d. AB-AMCO shall employ, lease or contract with such qualified professional staff as may be necessary to carry out its duties and obligations under this Agreement. AB-AMCO shall not have any right to receive any distribution of property or assets of Adventist, Ascension, or any of their respective Affiliates upon the dissolution of any such entity or upon the closure of any facility owned by such entity. Except as provided in this Agreement, the delegation of powers to AB-AMCO pursuant to the terms and conditions of this Agreement and the Corporate Documents shall be irrevocable during the term of this Agreement. AB-AMCO shall manage the Covered Affiliates and, in good faith, shall exercise such powers and fulfill such obligations in furtherance of the commitment of the Parties and the purposes and mission of AB-AMCO set

forth in **Sections 2.1** and **2.2** of this Agreement and in accordance with the terms and conditions of this Agreement. In exercising such powers and fulfilling such obligations, AB-AMCO shall consider each Covered Affiliates' respective identity, religious values, culture, mission, purposes, goals, and local responsibilities.

3.2 **Medical Staff.** As of the Closing Date, decisions on admitting and clinical privileges and medical staff memberships at the facility of any Covered Affiliate with a medical staff shall be a function delegated to the respective Covered Affiliate by the Board and shall be carried out in compliance with the standards of The Joint Commission or with the standards of any successor accreditation organization. Nothing in this Agreement shall preclude, however, the integration or partial integration of such medical staffs during the term of this Agreement by Supermajority Vote of the Board, and, to the extent such integration occurs, decisions on admitting and clinical privileges and medical staff memberships at any Covered Affiliate's facility shall be made in accordance with the process established by Supermajority Vote of the Board.

3.3 **Purchased Services and Party Services.** All services and supplies not provided by AB-AMCO yet required for the operation of AB-AMCO and the Covered Affiliates, including services to be provided by any Party, shall be provided in accordance with a plan to be developed and mutually agreed upon by the Parties.

3.4 **Use of Covered Affiliates' Resources and Employees.** Each Party, on behalf of its Covered Affiliates, hereby grants to AB-AMCO, pursuant to this Agreement: (i) the authority to use and direct the use of the Covered Affiliates, including but not limited to their facilities, equipment, supplies, and other resources as applicable; (ii) the authority to manage and operate the Covered Affiliates; and (iii) the authority to cause employees of each Covered Affiliate to serve on AB-AMCO committees and task forces and to otherwise perform such functions as may be required by AB-AMCO in support of managing and operating the Covered Affiliates. Notwithstanding the above, AMH shall retain final approval power over the policies and management of AHP unless and until AMH cedes such authority to AB-AMCO pursuant to amendments to the AHP bylaws.

3.5 **Covered Affiliates Senior Executives and Human Resource Function.** As of Closing, the senior executive team of the Covered Affiliates (the "**Senior Executives**") includes all C-suite officers, the director of human resources and such other executives as set forth on **Exhibit 3.5**. The Parties may mutually agree to add, remove or amend the titles of the Senior Executives from time to time without amending **Exhibit 3.5**. The Senior Executives shall be employed by or leased to AB-AMCO. The appointment, retention and removal of the CEO of each Covered Affiliate, or each hospital facility in the event of multiple hospitals under a single Covered Affiliate, shall be at the discretion of the CEO of AB-AMCO. Each such CEO shall be responsible for the appointment, retention and removal of the rest of the Senior Executives at his or her Covered Affiliate or hospital facility, as applicable, in consultation with the CEO of AB-AMCO. The appointment of the Senior Executives for the AMH Covered Affiliates, or each hospital facility in the event of multiple hospitals under a single Covered Affiliate, shall also require the approval of Adventist. AB-AMCO shall ensure that human resources recruitment and employment functions preserve the respective culture and mission aspects which are reflected in the traditions of the AMH Covered Affiliates and the Alexian Covered Affiliates. In order to preserve the Seventh-day Adventist culture and mission, hiring at the department

director level and above, but not including Senior Executives (the "**Management Level**"), with respect to the AMH Covered Affiliates, or each hospital facility in the event of multiple hospitals under a single Covered Affiliate, shall be conducted at the respective AMH Covered Affiliate or hospital facility by an individual designated by the chief executive officer of the respective AMH Covered Affiliate or hospital facility. Policies shall be implemented to ensure that the Chief Executive Officer of each such hospital facility shall be a member of the Seventh-day Adventist Church and, as addressed in **Section 2.6** above, the AMH Covered Affiliates may maintain, implement and amend from time to time policies and procedures to preserve the Seventh-day Adventist culture and mission as it recruits and retains Management Level employees. The chief executive officers of the AMH Covered Affiliates and their respective hospital facilities shall report to the CEO of AB-AMCO or to another AB-AMCO Executive, defined below, as determined by the CEO of AB-AMCO.

3.6 **AB-AMCO Executives**. As of Closing, the AB-AMCO executive positions with senior management responsibility for AB-AMCO are the CEO, the CFO, the Executive Vice President of AB-AMCO and such other executives as set forth on **Exhibit 3.6** (the "**AB-AMCO Executives**"). The Parties may mutually agree to add, remove or amend the titles of AB-AMCO Executives from time to time without amending **Exhibit 3.6**. The initial CEO of AB-AMCO shall be Mark Frey. The initial Executive Vice President of AB-AMCO shall be David Crane. The Parties will mutually determine the initial CFO of AB-AMCO. Following the Closing Date, a Supermajority Vote shall be required for the Board to appoint a new CEO of AB-AMCO, and the CEO shall then appoint the Executive Vice President and CFO. The AB-AMCO Board or the AB-AMCO CEO, as applicable, shall select the AB-AMCO Executives such that at all times, at least one (1) of the AB-AMCO Executives shall be a member in good standing of the Seventh-day Adventist Church, selected from a list provided by Adventist, and at least one (1) of the AB-AMCO Executives shall be selected from a list provided by Ascension. A simple majority vote of the Board, or a simple majority vote of the Directors selected by Adventist, or a simple majority vote of the Directors selected by Ascension shall be sufficient to remove the CEO of AB-AMCO. These positions and others staffed by AB-AMCO shall be as identified on **Exhibit 3.6** as may be modified by the AB-AMCO Board from time to time.

3.7 **Mission and Ministry Executives**. Each Party shall appoint one individual (referred to as the "**Mission and Ministry Executive**") who shall assist the CEO of AB-AMCO in carrying out the respective mission and ministry of the Parties in managing and operating the Covered Affiliates. The Mission and Ministry Executive shall be responsible for the oversight of their respective Party's mission and ministry at their respective Covered Affiliates and shall serve as a liaison between AB-AMCO and the respective Party on matters related to the mission and ministry of the Parties. The Mission and Ministry Executive shall be selected by the CEO of AB-AMCO and shall be acceptable to the respective Parties. The retention and removal of the Mission and Ministry Executive shall be at the discretion of the CEO of AB-AMCO.

ARTICLE IV
FINANCIAL RELATIONSHIPS

4.1 **Allocation of Free Cash Flow**.

a. True-Up. The Parties will share the financial risks and rewards of AB-AMCO Service Area operations through the Covered Affiliates in accordance with the Presumptive Split. Accordingly, to the extent that the free cash flow of Alexian/AMH differs from the Presumptive Split multiplied by the total free cash flow, as such terms will be further defined by the Parties in a financial integration plan (the "**Financial Integration Plan**") delivered at Closing, a payment (the "**True-Up**") shall be made in cash annually by Alexian to AMH or vice versa so that total free cash flow is shared in accordance with the Presumptive Split. Likewise, if total free cash flow is negative, the True-Up shall be made in cash by one Party to the other Party annually so that the deficit is shared in accordance with the Presumptive Split. The Financial Integration Plan shall be incorporated herein by reference. The True-Up payment shall be made no later than thirty (30) days after the earlier of: (i) the completion of the annual audit of AB-AMCO, or (ii) within one hundred twenty (120) days after the end of the fiscal year of AB-AMCO.

b. Quarterly Calculation. AB-AMCO shall provide the Parties with a quarterly True-Up calculation within ten (10) days after quarter-end to facilitate the financial reporting of the Parties.

c. Party Funds. Any free cash flow of Alexian or AMH remaining following the payment or receipt of any True-Up payment made pursuant to **Section 4.1** or that portion of any Contribution required to be made pursuant to **Section 4.3** may be transferred to the applicable Party. In addition, the applicable Party may transfer any cash associated with the release of or reduction in any reserves existing as of the Closing Date.

4.2 **Capital Expenditures**. Ascension shall cause Alexian to contribute sufficient cash to fund capital expenditures to maintain the operations of the Alexian Covered Affiliates, including their respective hospital facilities, in good working order and repair, consistent with past practices. Adventist shall cause AMH to contribute sufficient cash to fund capital expenditures to maintain the operations of the AMH Covered Affiliates, including their respective hospital facilities, in good working order and repair, consistent with past practices.

4.3 **Contributions**. If the AB-AMCO Board determines that additional capital is reasonably necessary to fund AB-AMCO working capital or capital commitments, then the AB-AMCO Board may, by Supermajority Vote, recommend that the Parties approve a specified capital contribution amount (the "Contribution") to be allocated between and payable by Alexian and AMH in proportion to the Presumptive Split. If the Parties approve such Contribution, then Alexian and AMH shall each be required to pay AB-AMCO their proportional share of the Contribution on the date set by the AB-AMCO Board.

4.4 **Distributions**. To the extent that the AB-AMCO cash balance at the end of a fiscal quarter exceeds an amount that, pursuant to the AB-AMCO budget for the following fiscal quarter, is equal to ninety (90) days cash on hand for AB-AMCO, AB-AMCO shall distribute

such excess amount to Alexian and AMH in proportion to the Presumptive Split; provided, however, that AB-AMCO may retain some or all of the excess amount upon the recommendation of the AB-AMCO Board by Supermajority Vote and approval by both Parties.

4.5 **Title to Assets**. All assets included within the Covered Affiliates shall remain titled as they are titled on the Closing Date, subject to such sale, transfer or other disposition as permitted under the terms of this Agreement, including a Permissible Assignee Transaction, an Accommodated Transaction, or a De Minimis Disposition, or as otherwise mutually agreed by the Parties. With respect to any Approved Transaction, if an asset of a Covered Affiliate, including any of their respective hospital facilities, is sold, transferred or otherwise disposed of, all of the proceeds from such sale, transfer or disposition (including any gain or loss resulting from such sale, transfer or disposition) shall be excluded from the calculation of net income, as further defined and set forth in the Financial Integration Plan. All such proceeds shall belong exclusively to, and any gain or loss resulting from such sale, transfer or other disposition shall inure exclusively to the account of, the Covered Affiliate that owned such asset. Unless otherwise modified by mutual agreement, assets acquired on or after the Closing Date shall be titled in the name of the owner of the Covered Affiliate which funded the acquisition of such asset. Unless otherwise modified by mutual agreement of the Parties, any assets acquired after the Closing Date with funding by AB-AMCO shall be titled in the name of AB-AMCO.

4.6 **Existing Indebtedness**. Nothing in this Agreement is intended to constitute the actual or implied assumption by a Party or its Affiliates of the Indebtedness of the other Party or its Affiliates, and all Indebtedness of the Parties and their respective Affiliates shall remain the Indebtedness of the Party or Affiliate obligated for such Indebtedness on the Closing Date. Nothing in this Agreement is intended to conflict with any agreement relating to Indebtedness of a Party or any of its Affiliates.

4.7 **Future Indebtedness**. Any Party can incur or allocate any future Indebtedness on any of its Covered Affiliates without any other consent. Other Indebtedness incurred by or on behalf of AB-AMCO subsequent to the Closing Date shall require the prior recommendation of the Board of AB-AMCO and approval of Adventist and Ascension Health Alliance, the parent holding company of Ascension Health.

ARTICLE V
DISPUTE RESOLUTION & DEADLOCKS

5.1 **Dispute Resolution; Remedies.**

a. Any controversy or claim arising out of, under, or relating to this Agreement or the breach thereof, except for matters solely concerning ethical considerations under **Section 2.7** or **Section 2.8** of this Agreement, shall be subject to the processes and provisions set forth in **Section 5.2**. This provision shall survive any termination or expiration of this Agreement.

b. Subject to the terms of **Section 5.2** of this Agreement, upon the occurrence of a breach of this Agreement, the Party not in breach shall be entitled to all remedies available at law or equity, including loss of profits, loss of business, and attorney's fees; provided, however, that in no event shall a Party be entitled to special, consequential, or indirect damages.

Notwithstanding the foregoing, in the event that a Party seeks injunctive or similar relief for a breach of this Agreement, such Party shall be entitled to seek such equitable relief without first resorting to arbitration under **Section 5.2** of this Agreement. If a Party's action for injunctive or other equitable relief is dismissed, such Party shall pursue further resolution of such dispute(s) through arbitration as provided by **Section 5.2** of this Agreement.

5.2 **Informal Dispute Resolution, Mediation and Arbitration.**

a. Either Party to this Agreement that has a controversy or claim subject to **Section 5.1(a)** shall provide written notice to the other Party of such controversy or claim and both Parties shall engage in good faith, informal dispute resolution for a period of thirty (30) days. If the Parties are unable to resolve the situation through informal dispute resolution during such period, the Parties shall proceed with **Section 5.2(b)** mediation.

b. Any Party to this Agreement that has a controversy or claim subject to **Section 5.1(a)** which informal dispute resolution has not resolved, shall submit a demand for mediation with the American Arbitration Association ("**AAA**") located in Chicago, Illinois or shall submit its dispute to another mediator that is mutually agreed to by the Parties. Any demand for arbitration shall be made no later than thirty (30) days after the discovery of the dispute and the mediation shall occur no later than (90) days after the discovery of the dispute unless these timeframes are altered by the Parties' written agreement. The Parties agree that mediation of the dispute is required before either Party may make a demand for arbitration under **Section 5.2(c)**.

c. Any controversy or claim that has not been resolved by mediation as set forth in **Section 5.2(b)** shall be settled by arbitration as administered by the AAA located in Chicago, Illinois, in accordance with its Commercial Arbitration Rules, and governed under Illinois law. If an arbitration award has not been appealed in accordance with **Section 5.2(f)** and has not been satisfied within thirty (30) days of the award or as otherwise agreed to in writing by the Parties, judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

d. Claims shall be heard by a panel of three arbitrators. Within fifteen (15) days after the commencement of arbitration, each Party shall select one person to act as arbitrator and the two selected shall select a third arbitrator within ten days of their appointment. Such persons shall have no personal or pecuniary interest, either directly or indirectly (including through any business or family relationship), in the outcome of the matters in dispute, and such persons shall not be an employee, agent, or contractor of any Party. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the AAA.

e. The award of the arbitrators shall be accompanied by a reasoned opinion.

f. Notwithstanding any language to the contrary in this Agreement, the Parties hereby agree: that the award of the arbitration panel (the "**Underlying Award**") may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("**Appellate Rules**"); that the Underlying Award rendered by the arbitrator(s) shall, at a minimum, be a reasoned award; and that the Underlying Award shall not be considered final until after the time for filing the

notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Underlying Award, as defined by Rule A-3 of the Appellate Rules, by filing a Notice of Appeal with any AAA office. Following the appeal process the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof if the judgment is not satisfied with thirty (30) days or as otherwise agreed to in writing by the Parties.

g. The Parties agree that the mediation and arbitration process shall be confidential, notwithstanding the entry of any arbitration award with a court of competent jurisdiction. Notwithstanding the foregoing, the Parties may disclose the matters subject to this confidentiality provision if compelled by court order, subpoena, or other legal requirement and may discuss the matters subject to this confidentiality provision internally with their present or future board members, officers, directors and auditors, with their spouses, attorneys, accountants, financial advisors, and tax preparers.

5.3 **Definition of Deadlock; Procedure.**

a. **Definition**. "**Deadlock**" means the failure of AMH and Alexian to agree on the exercise of any reserved approval power of AMH and Alexian identified in the Bylaws of AB-AMCO which failure either AMH or Alexian has certified to be such an issue that, without agreement, irreparable injury to the certifying Party's Covered Affiliates is threatened or being suffered, or the business or affairs of AB-AMCO can no longer be conducted because of the deadlock.

b. **Procedure for Deadlock**. When a Deadlock occurs and has continued for a period of thirty (30) days, either Party may request that a special meeting of the Parties be called for the sole purpose of presenting the issue and the positions being taken on the issues to the Parties for discussion. The representatives of the Parties at such special meeting shall include individuals representing the Parties which are not members of the Board and have not otherwise been involved in the operations of the Covered Affiliates. Parties shall engage in good faith, informal dispute resolution for a period of thirty (30) days calendar days after such meeting. If the Parties are unable to resolve the situation following through informal dispute resolution during such period, the Parties agree to utilize the services of a non-binding mediator to resolve such matter. The mediator shall be chosen by mutual agreement of the Parties and shall attempt to resolve the dispute by reasonable means. If, after good faith efforts, the dispute remains unresolved after sixty (60) calendar days from the date of the meeting, AB-AMCO shall recommend and the Parties agree to vote for voluntary dissolution under the Act. A Party may also seek judicial dissolution by a circuit court under the Not For Profit Corporation Act if the deadlock resolution procedures in this **Section 5.3(b)** have failed. The Parties shall follow the dissolution provisions set forth in **Sections 13.4** through **13.8**.

ARTICLE VI
EXPANSION OPPORTUNITIES

6.1 **Corporate Opportunities**. If a Party, or an Affiliate thereof, desires on its own or learns of an opportunity to affiliate with, acquire, construct, develop, own, invest in, operate, provide,

manage and/or lease a licensed health care facility (e.g., a hospital or ambulatory surgery center) or other provider of direct patient care services in the AB-AMCO Service Area, it shall promptly give to AB-AMCO written notice of the opportunity, together with such relevant information as it may possess with regard to the opportunity, unless it learns of the opportunity on a confidential basis, and, acting reasonably and in good faith, believes that disclosure of such opportunity or information would constitute an improper disclosure under the circumstances. No Party nor any Affiliate thereof, either on its own behalf or on behalf of a third party, shall pursue such disclosed opportunity, initiate, enter into discussions with the party presenting the opportunity (the "**Target**"), if any, with respect to the opportunity, or solicit, entertain, support or make any inquiry, proposal or offer from or to the Target with respect to the opportunity except with the approval of the Board of AB-AMCO, by Supermajority Vote. The goal of the Parties is to include under AB-AMCO every entity in the Service Area that provides direct patient care services in the Service Area and is either: (i) owned and operated by Adventist or Ascension, or (ii) in an affiliation with Adventist or Ascension. Notwithstanding the foregoing, the Parties further agree to the following:

a. Ascension will use its best efforts to include any potential future Affiliations with Catholic organizations in the AB-AMCO Service Area; provided, however, that Adventist will not have the right to preclude any Catholic provider-Ascension Affiliation in the AB-AMCO Service Area which does not fit within AB-AMCO for whatever reason;

b. Neither Party shall be precluded from independently pursuing opportunities and activities that do not involve the delivery of direct patient care services within the Service Area, including but not limited to national corporate service line products (e.g., insurance), unless the Parties otherwise agree; and

c. Neither Party nor any of its Affiliates shall be precluded from any transaction that results in the ownership, control, operation or management of a business (the "**Transaction**") that competes with AB-AMCO (each, a "**Competing Business**") within the Service Area after the Closing Date so long as: (i) such Competing Business was acquired as part of a larger transaction in which the net revenues allocable to such Competing Business during the fiscal year immediately preceding the Transaction is less than twenty-five percent (25%) of the total net revenues allocable to all businesses acquired in the Transaction during the fiscal year immediately preceding such Transaction, and (ii) total net revenues of such Competing Business from the Service Area during the immediately preceding fiscal year do not exceed six percent (6%) of total Net Revenues for AB-AMCO and Covered Affiliates during the immediately preceding fiscal year.

6.2 **Identification of Candidates**. If a Party learns of an opportunity for admitting a Candidate (hereinafter defined) to AB-AMCO, it shall promptly give notice to AB-AMCO of the opportunity, together with such relevant information as it may possess with regard thereto. AB-AMCO shall have the authority and the responsibility to initiate and conduct discussions with the Candidate and to solicit their application for admission. AB-AMCO's recommendation of admission of a Candidate will be based on the Candidate's overall ability to complement the management and operation of the Covered Affiliates in achieving AB-AMCO's purpose and mission. "**Candidate**" means any multi-entity health care system, single hospital entity, or other

provider of health care services that may, in the future, be considered for Affiliation with AB-AMCO or with any Covered Affiliate, in accordance with this Agreement.

6.3 **Admission of Candidates**. AB-AMCO may admit a Candidate, either as a sponsor or as a Covered Affiliate or otherwise, only if such action is approved by AMH and Alexian in accordance with the requirements of the Corporate Documents of AB-AMCO, subject to any further reserved powers of Adventist or Ascension over AMH or Alexian, respectively, as set forth in the applicable Corporate Documents.

6.4 **Effect on Presumptive Split**. In the event that either AMH or Alexian acquires or divests a significant asset managed by AB-AMCO under this Agreement, the Parties will determine, by mutual agreement, whether to adjust the Presumptive Split.

ARTICLE VII
CLOSING

7.1 **Closing**. The Parties shall close the transactions contemplated by this Agreement on the Closing Date. The delivery of the documents required to be delivered on the Closing Date by the respective Parties shall be done remotely through an exchange of documents and signatures in PDF format or by facsimile, with originals to follow, unless the Parties agree otherwise. All documents to be executed and actions to be taken pursuant to this Agreement at the Closing, shall be deemed to have been executed and to have been taken concurrently, and no action shall be deemed to be complete until all are completed. Unless the Parties otherwise agree in writing, the transactions contemplated herein to become effective as of the Closing, shall become so effective, provided, that as of the Closing Date, all of the Closing conditions (except for any Closing condition which has been waived in writing by the Party or Parties entitled to do so) set forth herein, including in **Article XI**, have occurred, including the delivery by each Party of each of the Closing documents required to be delivered by such Party hereunder.

7.2 **Deliverables of the Parties at the Closing.**

a. By Adventist. At or prior to the Closing, unless otherwise waived in writing by Ascension, Adventist shall deliver:

i. A certificate of the President or Chief Executive Officer of Adventist, dated as of the Closing Date, certifying as to the continued accuracy and completeness in all material respects of the representations and warranties made by Adventist, and Adventist's performance in all material respects of the covenants set forth in this Agreement;

ii. A certificate of the Secretary of Adventist and each of its Covered Affiliates, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of and attaching a copy of the resolutions of the board of directors of Adventist and each of its Covered Affiliates approving the actions and transactions required or contemplated by this Agreement;

iii. Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated or required by this Agreement and to comply with the terms hereof; and

iv. Its Corporate Documents referenced in **Section 3.1** which shall be incorporated herein by reference.

b. By Ascension. At or prior to the Closing, unless otherwise waived in writing by Adventist, Ascension shall deliver:

i. A certificate of the President or Chief Executive Officer of Ascension, dated as of the Closing Date, certifying as to the continued accuracy and completeness in all material respects of the representations and warranties of Ascension and Ascension's performance in all material respects of the covenants set forth in this Agreement;

ii. A certificate of the Secretary of each of Ascension and each of its Covered Affiliates, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of and attaching a copy of the resolutions of the board of directors of Ascension and each of its Covered Affiliates approving the actions and transactions required or contemplated by this Agreement;

iii. Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated or required by this Agreement and to comply with the terms hereof; and

iv. Its Corporate Documents referenced in **Section 3.1** which shall be incorporated herein by reference.

c. By The Parties. At or prior to Closing, unless otherwise waived in writing by the Parties, AB-AMCO's Corporate Documents referenced in **Section 3.1**, shall be mutually agreed upon, delivered at Closing and incorporated herein by reference.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES OF ADVENTIST

Adventist hereby makes, as of the Effective Date, and shall make, as of the Closing Date, the following representations and warranties to Ascension on behalf of itself and its Covered Affiliates. Adventist has not failed to disclose any material fact necessary to make the representations and warranties herein misleading. All representations and warranties herein are made only with respect to Adventist operations within the AB-AMCO Service Area through the AMH Covered Affiliates.

8.1 **Corporate Capacity; Qualification to do Business**. Adventist and each of its Covered Affiliates is duly organized and validly existing in good standing under the laws of the states in which each is organized. Adventist and each of the AMH Covered Affiliates has the requisite corporate power and authority to enter into this Agreement, perform its obligations hereunder

and to conduct its business as now being conducted. Adventist and each of its Covered Affiliates is duly qualified to do business in the state of Illinois.

8.2 **Corporate Powers; Consents; Absence of Conflicts with Other Agreements, Etc.**. The execution, delivery and performance of this Agreement by Adventist and each of its Covered Affiliates and all other agreements referenced herein or ancillary hereto to which each is a party and the consummation of the transactions contemplated herein and therein by Adventist and its Covered Affiliates:

a. Are within Adventist's and each of its Covered Affiliate's corporate powers, are not in contravention of law or the terms of their Articles of Incorporation, Bylaws or any amendments thereto and have been duly authorized by all appropriate corporate action;

b. Except as disclosed in writing by Adventist or otherwise expressly herein provided, do not require any approval or consent of, or filing with, any governmental agency or authority or the regulations of any such agency or authority;

c. Shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any Indebtedness or other obligation of it, and is not prohibited by, does not violate or conflict with any provision of, and does not constitute a default under or breach of any material contract, indenture, mortgage, material permit or license, approval or other commitment to which Adventist or any of its Covered Affiliates is a party or is subject or by which any such corporation is bound, or any applicable Law.

d. Will not violate any statute, law, rule or regulation of any governmental authority to which Adventist or any of its Covered Affiliates is subject; and

e. Will not violate any judgment, decree, writ or injunction of any court or governmental authority to which Adventist or any of its Covered Affiliates is subject.

8.3 **Binding Agreement**. This Agreement constitutes the valid and legally binding obligation of Adventist, enforceable against Adventist or, where applicable, its Covered Affiliates in accordance with its terms, except as enforceability may be limited by: (i) general principles of equity, regardless of whether enforcement is sought in a Proceeding in equity or at law; and (ii) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally.

8.4 **No Joint Ventures**. Except as set forth on **Exhibit 8.4**, no AMH Covered Affiliate is a party to any joint venture or other shared ownership or investment arrangement with one or more of the members of the medical staff of any hospital facility of an AMH Covered Affiliate. No AMH Covered Affiliate has an investment in any other entity in the AB-AMCO Service Area, other than as disclosed in writing by Adventist.

8.5 **Real Property**. The AMH Covered Affiliates are vested with title to the real property within the AB-AMCO Service Area disclosed in writing by Adventist (the "**AMH Real Property**"), together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto (except as otherwise disclosed in writing by Adventist), and none of the AMH

Covered Affiliates has created any mortgages, liens, restrictions, agreements, claims or other encumbrances which cause title to the AMH Real Property to be defeasible or which will materially interfere with the use by AB-AMCO of the AMH Real Property in a manner consistent with the current use by Adventist or its Covered Affiliates, other than the Permitted Encumbrances. The AMH Real Property comprises all of the real property owned or leased by Adventist or the AMH Covered Affiliates held for use in their operations, and:

a. If any lien or liens, including, without limitation, mortgage liens, deed of trust liens, mechanics and materialmen's liens and judgment liens, are asserted against the AMH Real Property by, through or under the AMH Covered Affiliates which are not Permitted Encumbrances, the AMH Covered Affiliates shall obtain the release of such liens(s);

b. Other than as may be disclosed in writing by Adventist, neither Adventist nor any of its Covered Affiliates has received notice of a violation of any applicable ordinance or other law, order, regulation or requirement, and none have received notice of condemnation, lien, assessment or the like, relating to any part of the AMH Real Property or the operation thereof;

c. To the Knowledge of Adventist and its Covered Affiliates, the AMH Real Property and its operations are in compliance with respect to all applicable zoning ordinances (excepting only instances of non-compliance which will not materially adversely affect the business of the AMH Covered Affiliates), and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing and, if the improvements on the AMH Real Property are damaged or destroyed subsequent to Closing, the repair or replacement of same to the condition existing immediately prior to Closing will not violate applicable zoning ordinances (assuming there has been no change in such zoning ordinances), and except as set forth herein the buildings and improvements on the AMH Real Property comply with all building codes (excepting only instances of non-compliance which will not materially adversely affect the business of AB-AMCO);

d. Except as disclosed in writing by Adventist, the AMH Real Property and improvements thereon are in good condition, reasonable wear and tear excepted.

8.6 **Title to Assets**. Except as disclosed in writing by Adventist, other than AMH Real Property provided for in **Section 8.5**, Adventist or its Covered Affiliates hold good and defensible title to all of the assets of every kind, character and description, whether personal, tangible or intangible, used in connection with the management and operation of the Covered Affiliates, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than Permitted Encumbrances.

8.7 **Insurance**. Adventist has delivered to Ascension an accurate disclosure of all insurance policies (or summaries thereof), including all self-funded plans or trusts, covering the ownership and operations of the AMH Covered Affiliates, which schedules reflect the policies' numbers, identity of insurers or administrators, annual premiums or contributions, amounts and coverage. All of such policies and plans or trusts are as of the Effective Date and will be until the Closing Date in full force and effect with no premium or contribution arrearage. To the Knowledge of

Adventist and its Covered Affiliates, each of the AMH Covered Affiliates has given in a timely manner to its insurers or administrators all notices required to be given under such insurance policies and plans or trusts with respect to all covered claims and actions and, except as disclosed in writing by Adventist, no insurer or administrator has denied coverage of any such claims or actions or reserved its rights in respect of or rejected any of such claims. None of the AMH Covered Affiliates has (i) received any notice or other communication from any such insurance company or administrator canceling or materially amending any of such insurance policies or plans or trusts, and no such cancellation or amendment is threatened; or (ii) failed to give any required notice or present any claim which is still outstanding under any of such policies or plans or trusts with respect to any of the AMH Covered Affiliates. The self-insured program for general and professional liability coverages currently in effect for the AMH Covered Affiliates has been in effect continuously for a period of at least ten (10) years prior to the Closing.

8.8 **Financial Statements Disclosure**. Adventist has disclosed in writing true and correct copies of unaudited financial statements of each of the AMH Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, for the three (3) years ended December 31, 2013 and for the interim period from January 1, 2014 through the most recent month end date for which financial statements were available prior to the Effective Date (the "**AMH Unaudited Financial Statements**"). From the Effective Date to the Closing Date, by the fifteenth business day of the following month, Adventist shall provide monthly unaudited financial statements of the AMH Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, for the immediately preceding month (the "**AMH Interim Financial Statements**", and together with the Unaudited Financial Statements, the "**AMH Financial Statements**"). Adventist warrants such Financial Statements are: (a) true and correct in all material respects and present fairly in all material respects the financial position of the AMH Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, respectively, and the results of their respective operations at the dates and for the periods indicated; and (b) are in conformity with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology (other than, with respect to the Interim Financial Statements, the absence of notes and the absence of year end audit adjustments which would not be material in the aggregate).

8.9 **Licenses and Permits**. Each of the AMH Covered Affiliates holds and is in compliance with all governmental licenses, permits, certificates, consents and approvals, noncompliance with which would result in a material adverse change in its business and operations, and all such are current, unrestricted and valid. Adventist has delivered to Ascension an accurate list of such documents and has made available for inspections all such licenses and permits owned or held by Adventist or its Covered Affiliates and employed in connection with the ownership, development or operations of the Covered Affiliates, all of which shall be valid as of the Effective Date and as of the Closing Date.

8.10 **Certificates of Need**. Except for the Certificates of Exemption from the Illinois Health Facilities and Services Review Board referenced as a condition to closing in **Section 11.1**, and except as otherwise disclosed in writing by Adventist, no application for any Certificate of Need, Exemption Certificate or Declaratory Ruling has been made by the AMH Covered Affiliates or is needed in association with the establishment of AB-AMCO or the transactions contemplated by this Agreement.

8.11 **Medicare Participation/Accreditation.** Each of the AMH Covered Affiliates that provide health care services is qualified for participation in the Medicare and Medicaid programs, maintains current and valid provider contracts with the Medicare and Medicaid programs, and is in material compliance with the conditions of participation in such programs. Except as disclosed in writing between the Parties, the AMH Covered Affiliates have not received notice from either the Medicare or Medicaid programs, their fiscal intermediaries or any other agency of any pending or threatened investigations or surveys with respect to the AMH Covered Affiliates and Adventist and its Covered Affiliates have no reason to believe that any such investigations or surveys are pending or threatened.

8.12 **Regulatory Compliance.** Except as disclosed in writing by Adventist, to the Knowledge of Adventist and its Covered Affiliates, the AMH Covered Affiliates 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 the AMH Covered Affiliates.

8.13 **Agreements and Commitments.** To the Knowledge of Adventist and its Covered Affiliates, Adventist has made available to Ascension accurate copies of all commitments, contracts, leases and agreements which do or may materially affect the operations of the AMH Covered Affiliates to which any AMH Covered Affiliate is a party or by which any AMH Covered Affiliate is bound, including:

a. Any contracts or commitments involving any obligation which materially affect the AMH Covered Affiliates and which cannot, or in reasonable probability will not, be performed or terminated before ninety (90) days after the Closing Date without payment of penalty or equivalent thereof;

b. Any contracts or commitments materially affecting ownership of, title to, use of, or any interest in the AMH Covered Affiliates' real property;

c. Any patent licensing agreement or any other agreements, licenses or commitments with respect to patents, patent applications, trademarks, trade names, service marks, copyrights or other like terms affecting the AMH Covered Affiliates;

d. Any contract, license or commitment relating to data processing programs, software or source codes utilized in connection with the AMH Covered Affiliates;

e. Any collective bargaining agreements or other contracts or commitments to or with any labor unions or other employee representatives or groups of employees materially affecting or which could materially affect the AMH Covered Affiliates;

f. Any employment contracts or any other contracts, agreements or commitments to or with individual employees or agents materially affecting or which could materially affect the AMH Covered Affiliates;

g. Any contracts or commitments providing for payments based in any manner on the revenues or profits of the AMH Covered Affiliates; or

h. Any contract or commitment, whether in the Ordinary Course of Business or not, which involves future payments, performance or services or delivery of goods or materials, to or by Adventist of any amount or value in excess of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) affecting or which could affect the AMH Covered Affiliates.

8.14 **Employee Relations**. The employee relations of the AMH Covered Affiliates are satisfactory, including relations with respect to those employees who may be employed by any of the AMH Covered Affiliates, but who work at any of their respective facilities (collectively referred to herein as the "**AMH Employees**"). There is no pending or threatened employee strike, work stoppage or labor dispute concerning the AMH Employees. Except as disclosed in writing by Adventist, no union "representation question" exists respecting any AMH Employees. No collective bargaining agreement exists or is currently being negotiated by any of the AMH Covered Affiliates concerning the AMH Employees, no demand has been made for recognition by a labor organization by or with respect to any AMH Employees, no union organizing activities by or with respect to any AMH Employees are taking place, and none of the AMH Employees is represented by any labor union or organization. There is no unfair practice claim against any of the AMH Covered Affiliates before the National Labor Relations Board or any strike, dispute, slowdown, or stoppage pending or threatened against or involving the AMH Covered Affiliates and none has occurred. To the Knowledge of Adventist and its Covered Affiliates, the AMH Covered Affiliates are in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours concerning the AMH Employees. To the Knowledge of Adventist and its Covered Affiliates, none of the AMH Covered Affiliates are engaged in any unfair labor practices concerning the AMH Employees. Except as disclosed in writing by Adventist, there are not and will not as of the Closing Date be any pending or threatened EEOC claims, wage and hour claims, unemployment compensation claims, or workers' compensation claims concerning the AMH Employees which will have been made on or before the Closing Date.

8.15 **Litigation or Proceedings**. Adventist or its Covered Affiliates have made available to Ascension an accurate list and summary description of all material litigation or Proceedings with respect to the AMH Covered Affiliates. To the Knowledge of Adventist and its Covered Affiliates, the AMH Covered Affiliates are not in default under any law or regulation material to the operations of the AMH Covered Affiliates or under any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality wherever located. Except as disclosed in writing by Adventist, there are no claims or investigations pending or, to the Knowledge of Adventist and its Covered Affiliates, threatened against or affecting the AMH Covered Affiliates with respect to their operations, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality wherever located.

8.16 **Third Party Payor Cost Reports**. The cost reports for the AMH Covered Affiliates, or their respective operations prior to Closing, for the government programs (i.e., Medicare and Medicaid) for the fiscal years through December 31, 2013, required to be filed on or before the date hereof have been timely filed. All of such cost reports are in material compliance with governmental filing requirements. True and correct copies of such reports for the two (2) most recent years have been made available to Ascension. Neither Adventist nor its Covered Affiliates have Knowledge that the AMH Covered Affiliates have received reimbursement in

excess of the amount provided by law resulting in an overpayment with respect to the Covered Affiliates, or their respective operations prior to Closing, except as disclosed in writing by Adventist. Adventist has disclosed in writing which of such cost reports for the AMH Covered Affiliates, or their respective operations prior to Closing, have been audited and finally settled, the status of such cost reports which have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances and any and all other unresolved claims or disputes in respect of such cost reports.

8.17 **Medical Staff Matters**. Adventist or its Covered Affiliates have heretofore made available to Ascension true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of any hospital facility of an AMH Covered Affiliate. With regard to the medical staff of such facilities, and except as disclosed in writing by Adventist, there are no pending or, to the Knowledge of Adventist or its Covered Affiliates, threatened disputes with applicants, medical staff members or health professional affiliates and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired.

8.18 **Tax Liabilities Disclosures**. To the Knowledge of Adventist and its Covered Affiliates:

a. All informational or tax returns, including, without limitation, employee payroll tax returns, employee unemployment tax returns and franchise tax returns, for periods through and including the Closing Date which are required to be filed by Adventist or its Covered Affiliates in respect of the Covered Affiliates (collectively "**AMH Returns**") have been filed or will be filed in the manner provided by law, and all AMH Returns are or will be true and correct and accurately reflect the tax liabilities of Adventist for the periods or other matters covered by such tax returns;

b. All taxes, penalties, interest, and any other statutory additions, including Income Taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment and payroll-related taxes, withholding taxes, stamp taxes, transfer taxes, windfall profit taxes, environmental taxes and property taxes, which have become due by the AMH Covered Affiliates pursuant to the AMH Returns, and any assessments received by the AMH Covered Affiliates have been paid when due or adequately provided for, except for amounts that have been contested in good faith;

c. There are no tax liens on any of the operations of the Covered Affiliates; and

d. Proper and accurate amounts have been withheld by the AMH Covered Affiliates from the AMH Employees for all periods in full and complete compliance with the tax and other withholding provisions of all applicable laws and all of such amounts have been duly and validly remitted to the proper taxing authority.

8.19 **Environmental Laws Disclosures**. To the Knowledge of Adventist and its Covered Affiliates, (i) the AMH Real Property is not subject to any environmental liabilities; and (ii) no part of the AMH Real Property is in violation of any federal, state or local statutes, regulations,

laws or orders pertaining to environmental matters now in effect, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**") and the Resource Conservation and Recovery Act ("**RCRA**"). To the Knowledge of Adventist and its Covered Affiliates, no Hazardous Substances (which for purposes of this **Section 8.19** shall be defined as in CERCLA) have been, and through the Closing Date no Hazardous Substance will be, improperly disposed of on or released or discharged from (including groundwater contamination) or in respect of any part of the AMH Real Property, except as disclosed in writing by Adventist. Prior to Closing, the AMH Covered Affiliates shall not allow any Hazardous Substances to be discharged, possessed, managed, processed or otherwise handled on any part of the AMH Real Property in a manner which is in violation of applicable law.

8.20 **Asbestos Disclosures**. Except as disclosed in writing by Adventist, to the Knowledge of Adventist and its Covered Affiliates, none of the facilities of the AMH Covered Affiliates contain any asbestos in any form.

8.21 **No Material Omissions**. The representations and warranties by Adventist contained in this Agreement, and each Exhibit, certificate or other document delivered at Closing by it pursuant to this Agreement, are accurate, correct and complete in all material respects, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Adventist shall cause its Covered Affiliates to comply with the representations and warranties contained in this Agreement.

8.22 **Exclusion from Health Care Programs**. The AMH Covered Affiliates perform monthly monitoring, including review of the List of Excluded Individuals and Entities ("**LEIE**") pursuant to Office of Inspector General ("**OIG**") guidance, to determine whether any employees, agents or independent contractors of the AMH Covered Affiliates have been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled nolo contendere or to sufficient facts, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any federal or state procurement or non-procurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. The AMH Covered Affiliates maintain accurate documentation of such monthly LEIE searches.

8.23 **Compliance With Laws**. To the Knowledge of Adventist and its Covered Affiliates, the AMH Covered Affiliates are in compliance in all material respects with all applicable Laws as they relate to the operations of the AMH Covered Affiliates.

8.24 **Absence of Changes Since Financial Statement Date**. Except for matters expressly permitted or authorized by this Agreement and except as may otherwise by disclosed in writing between the Parties prior to Closing, there has not been, after the date of the most recent AMH Financial Statements:

a. any material adverse change in the AMH Covered Affiliates, or their respective operations to be managed pursuant to this Agreement, in the aggregate;

b. any damage, destruction or loss, whether or not covered by insurance, which has had or could have, in the aggregate, a materially adverse effect on any facility of an AMH Covered Affiliate;

c. any disposition by an AMH Covered Affiliate of any material property, rights or other assets owned by or employed in an AMH Covered Affiliate, except for dispositions in the Ordinary Couse of Business of an AMH Covered Affiliate, and other dispositions contemplated by this Agreement;

d. any amendment or termination of any material contract which has had or could reasonably be expected to have, in the aggregate, a materially adverse effect on an AMH Covered Affiliate, or their respective operations to be managed pursuant to this Agreement; and

e. any new material contract, or any material amendment to an existing material contract between an AMH Covered Affiliate and a physician.

8.25 **Absence of Intellectual Property Infringement**. To the Knowledge of Adventist and its Covered Affiliates, no proceedings are pending or threatened that challenge the validity of the ownership by Adventist or its Covered Affiliates of any Intellectual Property. Neither Adventist nor its Covered Affiliates has licensed anyone to use such Intellectual Property and neither Adventist nor its Covered Affiliates has Knowledge of the use or infringement or any such Intellectual Property.

8.26 **Tax Exempt Status**. Except as set forth on **Exhibit 2.2**, each of the AMH Covered Affiliates is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The IRS has not taken, or proposed to take, any action to revoke the tax-exempt status of the AMH Covered Affiliates, and has not announced, or proposed to announce, that any tax-exempt AMH Covered Affiliate is a "private foundation" within the meaning of Section 509(c) of the Internal Revenue Code. Adventist is not aware of any change in the organization or operation of Adventist, or any tax-exempt Covered Affiliate which would result in a loss of any of such entity's status as an organization described in Section 501(c)(3) of the Internal Revenue Code, which would cause such entity to be treated as a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code or which could cause the facilities in which exempt operations are conducted to become other than fully exempt from property taxation.

ARTICLE IX
REPRESENTATIONS AND WARRANTIES OF ASCENSION

Ascension hereby makes, as of the Effective Date, and shall make, as of the Closing Date, the following representations and warranties to Adventist on behalf of itself and its Covered Affiliates. Ascension has not failed to disclose any material fact necessary to make the representations and warranties herein misleading. All representations and warranties herein are made only with respect to Ascension operations within the AB-AMCO Service Area through the Alexian Covered Affiliates.

9.1 **Corporate Capacity; Qualification to do Business**. Ascension and each of its Covered Affiliates is duly organized and validly existing in good standing under the laws of the states in

which each is organized. Ascension and each of the Alexian Covered Affiliates has the requisite corporate power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its business as now being conducted. Ascension and each of its Covered Affiliates is duly qualified to do business in the state of Illinois.

9.2 **Corporate Powers; Consents; Absence of Conflicts with Other Agreements, Etc.** The execution, delivery and performance of this Agreement by Ascension and each of its Covered Affiliates and all other agreements referenced herein or ancillary hereto to which each is a party and the consummation of the transactions contemplated herein and therein by Ascension and its Covered Affiliates:

a. Are within Ascension's and each of its Covered Affiliate's corporate powers, are not in contravention of law or the terms of their Articles of Incorporation, Bylaws or any amendments thereto and have been duly authorized by all appropriate corporate action;

b. Except as disclosed in writing by Ascension or otherwise expressly herein provided, do not require any approval or consent of, or filing with, any governmental agency or authority or the regulations of any such agency or authority;

c. Shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any Indebtedness or other obligation of it, and is not prohibited by, does not violate or conflict with any provision of, and does not constitute a default under or breach of any material contract, indenture, mortgage, material permit or license, approval or other commitment to which Ascension or any of its Covered Affiliates is a party or is subject or by which any such corporation is bound, or any applicable Law.

d. Will not violate any statute, law, rule or regulation of any governmental authority to which Ascension or any of its Covered Affiliates is subject; and

e. Will not violate any judgment, decree, writ or injunction of any court or governmental authority to which Ascension or any of its Covered Affiliates is subject.

9.3 **Binding Agreement**. This Agreement constitutes the valid and legally binding obligation of Ascension, enforceable against Ascension or, where applicable, its Covered Affiliates in accordance with its terms, except as enforceability may be limited by: (i) general principles of equity, regardless of whether enforcement is sought in a Proceeding in equity or at law; and (ii) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally.

9.4 **No Joint Ventures**. Except as set forth on **Exhibit 9.4**, no Alexian Covered Affiliate is a party to any joint venture or other shared ownership or investment arrangement with one or more of the members of the medical staff of any hospital facility of an Alexian Covered Affiliate. No Alexian Covered Affiliate has an investment in any other entity in the AB-AMCO Service Area, other than as disclosed in writing by Ascension.

9.5 **Real Property**. The Alexian Covered Affiliates are vested with title to the real property within the AB-AMCO Service Area disclosed in writing by Ascension (the "**Alexian Real**

Property"), together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto (except as otherwise disclosed in writing by Ascension), and none of the Alexian Covered Affiliates has created any mortgages, liens, restrictions, agreements, claims or other encumbrances which cause title to the Alexian Real Property to be defeasible or which will materially interfere with the use by AB-AMCO of the Alexian Real Property in a manner consistent with the current use by Ascension or its Covered Affiliates, other than the Permitted Encumbrances. The Alexian Real Property comprises all of the real property owned or leased by Ascension or its Covered Affiliates held for use in their operations, and:

a. If any lien or liens, including, without limitation, mortgage liens, deed of trust liens, mechanics and materialmen's liens and judgment liens, are asserted against the Alexian Real Property by, through or under the Alexian Covered Affiliates which are not Permitted Encumbrances, the Alexian Covered Affiliates shall obtain the release of such liens(s);

b. Other than as may be disclosed in writing by Ascension, neither Ascension nor any of its Covered Affiliates has received notice of a violation of any applicable ordinance or other law, order, regulation or requirement, and none have received notice of condemnation, lien, assessment or the like, relating to any part of the Alexian Real Property or the operation thereof;

c. To the Knowledge of Ascension and its Covered Affiliates, the Alexian Real Property and its operations are in compliance with respect to all applicable zoning ordinances (excepting only instances of non-compliance which will not materially adversely affect the business of the Alexian Covered Affiliates), and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing and, if the improvements on the Alexian Real Property are damaged or destroyed subsequent to Closing, the repair or replacement of same to the condition existing immediately prior to Closing will not violate applicable zoning ordinances (assuming there has been no change in such zoning ordinances), and except as set forth herein the buildings and improvements on the Alexian Real Property comply with all building codes (excepting only instances of non-compliance which will not materially adversely affect the business of AB-AMCO);

d. Except as disclosed in writing by Ascension, the Alexian Real Property and improvements thereon are in good condition, reasonable wear and tear excepted.

9.6 **Title to Assets**. Except as disclosed in writing by Ascension, other than Alexian Real Property provided for in **Section 9.5**, Ascension or its Covered Affiliates hold good and defensible title to all of the assets of every kind, character and description, whether personal, tangible or intangible, used in connection with the operation of the businesses of the Covered Affiliates, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than Permitted Encumbrances.

9.7 **Insurance**. Ascension has delivered to Adventist an accurate disclosure of all insurance policies (or summaries thereof), including all self-funded plans or trusts, covering the ownership and operations of the Alexian Covered Affiliates, which schedules reflect the policies' numbers, identity of insurers or administrators, annual premiums or contributions, amounts and coverage.

All of such policies and plans or trusts are as of the Effective Date and will be until the Closing Date in full force and effect with no premium or contribution arrearage. To the Knowledge of Ascension and its Covered Affiliates, each of the Alexian Covered Affiliates has given in a timely manner to its insurers or administrators all notices required to be given under such insurance policies and plans or trusts with respect to all covered claims and actions and, except as disclosed in writing by Ascension, no insurer or administrator has denied coverage of any such claims or actions or reserved its rights in respect of or rejected any of such claims. None of the Alexian Covered Affiliates has (i) received any notice or other communication from any such insurance company or administrator canceling or materially amending any of such insurance policies or plans or trusts, and no such cancellation or amendment is threatened; or (ii) failed to give any required notice or present any claim which is still outstanding under any of such policies or plans or trusts with respect to any of the Covered Affiliates. The Alexian Covered Affiliates have been self-insured for general and professional liability coverages continuously for a period of at least ten (10) years prior to the Closing, either under the Alexian captive insurer (through June 30, 2012) or currently under the Ascension self-insurance trust (since July 1, 2012).

9.8 **Financial Statements Disclosure**. Ascension has disclosed in writing true and correct copies of unaudited financial statements of each of the Alexian Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, for the three (3) years ended December 31, 2013 and for the interim period from January 1, 2014 through the most recent month end date for which financial statements were available prior to the Effective Date (the "**Alexian Unaudited Financial Statements**"). From the Effective Date to the Closing Date, by the fifteenth business day of the following month, Ascension shall provide monthly unaudited financial statements of the Alexian Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, for the immediately preceding month (the "**Alexian Interim Financial Statements**", and together with the Unaudited Financial Statements, the "**Alexian Financial Statements**"). Ascension warrants such Financial Statements are: (a) true and correct in all material respects and present fairly in all material respects the financial position of the Covered Affiliates, and their respective operations to be managed pursuant to this Agreement, respectively, and the results of their respective operations at the dates and for the periods indicated; and (b) are in conformity with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology (other than, with respect to the Interim Financial Statements, the absence of notes and the absence of year end audit adjustments which would not be material in the aggregate).

9.9 **Licenses and Permits**. Each of the Alexian Covered Affiliates holds and is in compliance with all governmental licenses, permits, certificates, consents and approvals, noncompliance with which would result in a material adverse change in its business and operations, and all such are current, unrestricted and valid. Ascension has delivered to Adventist an accurate list of such documents and has made available for inspections all such licenses and permits owned or held by Ascension or its Covered Affiliates and employed in connection with the ownership, development or operations of the Alexian Covered Affiliates, all of which shall be valid as of the Effective Date and as of the Closing Date.

9.10 **Certificates of Need**. Except for the Certificates of Exemption from the Illinois Health Facilities and Services Review Board referenced as a condition to closing in **Section 11.1**, and

except as otherwise disclosed in writing by Ascension, no application for any Certificate of Need, Exemption Certificate or Declaratory Ruling has been made by the Alexian Covered Affiliates or is needed in association with the establishment of AB-AMCO or the transactions contemplated by this Agreement.

9.11 **Medicare Participation/Accreditation**. Each of the Alexian Covered Affiliates that provides health care services is qualified for participation in the Medicare and Medicaid programs, maintains current and valid provider contracts with the Medicare and Medicaid programs, and is in material compliance with the conditions of participation in such programs. Except as disclosed in writing between the Parties, the Alexian Covered Affiliates have not received notice from either the Medicare or Medicaid programs, their fiscal intermediaries or any other agency of any pending or threatened investigations or surveys with respect to the Covered Affiliates and Ascension and its Covered Affiliates have no reason to believe that any such investigations or surveys are pending or threatened.

9.12 **Regulatory Compliance**. Except as disclosed in writing by Ascension, to the Knowledge of Ascension and its Covered Affiliates, the Alexian Covered Affiliates 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 the Covered Affiliates.

9.13 **Agreements and Commitments**. To the Knowledge of Ascension and its Covered Affiliates, Ascension has made available to Adventist accurate copies of all commitments, contracts, leases and agreements which do or may materially affect the operations of the Covered Affiliates, to which any Alexian Covered Affiliate is a party or by which any Alexian Covered Affiliate is bound, including:

a. Any contracts or commitments involving any obligation which materially affect the Alexian Covered Affiliates and which cannot, or in reasonable probability will not, be performed or terminated before ninety (90) days after the Closing Date without payment of penalty or equivalent thereof;

b. Any contracts or commitments materially affecting ownership of, title to, use of, or any interest in the Alexian Covered Affiliates' real property;

c. Any patent licensing agreement or any other agreements, licenses or commitments with respect to patents, patent applications, trademarks, trade names, service marks, copyrights or other like terms affecting the Alexian Covered Affiliates;

d. Any contract, license or commitment relating to data processing programs, software or source codes utilized in connection with the Alexian Covered Affiliates;

e. Any collective bargaining agreements or other contracts or commitments to or with any labor unions or other employee representatives or groups of employees materially affecting or which could materially affect the Alexian Covered Affiliates;

f. Any employment contracts or any other contracts, agreements or commitments to or with individual employees or agents materially affecting or which could materially affect the Alexian Covered Affiliates;

g. Any contracts or commitments providing for payments based in any manner on the revenues or profits of the Alexian Covered Affiliates; or

h. Any contract or commitment, whether in the Ordinary Course of Business or not, which involves future payments, performance or services or delivery of goods or materials, to or by Ascension of any amount or value in excess of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) affecting or which could affect the Alexian Covered Affiliates.

9.14 **Employee Relations**. The employee relations of the Alexian Covered Affiliates are satisfactory, including relations with respect to those employees who may be employed by any of the Alexian Covered Affiliates, but who work at any of the facilities of the Covered Affiliates (collectively referred to herein as the "**Alexian Employees**"). There is no pending or threatened employee strike, work stoppage or labor dispute concerning the Alexian Employees. Except as disclosed in writing by Ascension, no union "representation question" exists respecting any Alexian Employees. No collective bargaining agreement exists or is currently being negotiated by any of the Alexian Covered Affiliates concerning the Alexian Employees, no demand has been made for recognition by a labor organization by or with respect to any Alexian Employees, no union organizing activities by or with respect to any Alexian Employees are taking place, and none of the Alexian Employees is represented by any labor union or organization. There is no unfair practice claim against any of the Alexian Covered Affiliates before the National Labor Relations Board or any strike, dispute, slowdown, or stoppage pending or threatened against or involving the Alexian Covered Affiliates and none has occurred. To the Knowledge of Ascension and its Covered Affiliates, the Alexian Covered Affiliates are in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours concerning the Alexian Employees. To the Knowledge of Ascension and its Covered Affiliates, none of the Alexian Covered Affiliates are engaged in any unfair labor practices concerning the Alexian Employees. Except as disclosed in writing by Ascension, there are not and will not as of the Closing Date be any pending or threatened EEOC claims, wage and hour claims, unemployment compensation claims, or workers' compensation claims concerning the Alexian Employees which will have been made on or before the Closing Date.

9.15 **Litigation or Proceedings**. Ascension or its Covered Affiliates have made available to Adventist an accurate list and summary description of all material litigation or Proceedings with respect to the Alexian Covered Affiliates. To the Knowledge of Ascension and its Covered Affiliates, the Alexian Covered Affiliates are not in default under any law or regulation material to the operation of any of the Alexian Covered Affiliates or under any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality wherever located. Except as disclosed in writing by Ascension, there are no claims or investigations pending or, to the Knowledge of Ascension and its Covered Affiliates, threatened against or affecting the Alexian Covered Affiliates with respect to their operations, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality wherever located.

9.16 **Third Party Payor Cost Reports**. The cost reports for the Alexian Covered Affiliates, or their respective operations prior to Closing, for the government programs (i.e., Medicare and Medicaid) for the fiscal years through December 31, 2013, required to be filed on or before the date hereof have been timely filed. All of such cost reports are in material compliance with governmental filing requirements. True and correct copies of such reports for the two (2) most recent years have been made available to Adventist. Neither Ascension nor its Covered Affiliates have Knowledge that the Alexian Covered Affiliates have received reimbursement in excess of the amount provided by law resulting in an overpayment with respect to the Alexian Covered Affiliates, or their respective operations prior to Closing, except as disclosed in writing by Ascension. Ascension has disclosed in writing which of such cost reports for the Alexian Covered Affiliates, and their respective operations prior to Closing, have been audited and finally settled, the status of such cost reports which have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances and any and all other unresolved claims or disputes in respect of such cost reports.

9.17 **Medical Staff Matters**. Ascension or its Covered Affiliates have heretofore made available to Adventist true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of any hospital facility of an Alexian Covered Affiliate. With regard to the medical staff of the such facilities and except as disclosed in writing by Ascension, there are no pending or, to the Knowledge of Ascension or its Covered Affiliates, threatened disputes with applicants, medical staff members or health professional affiliates and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired.

9.18 **Tax Liabilities Disclosures**. To the Knowledge of Ascension and its Covered Affiliates:

a. All informational or tax returns, including, without limitation, employee payroll tax returns, employee unemployment tax returns and franchise tax returns, for periods through and including the Closing Date which are required to be filed by Ascension or its Covered Affiliates in respect of the Covered Affiliates (collectively "**Alexian Returns**") have been filed or will be filed in the manner provided by law, and all Alexian Returns are or will be true and correct and accurately reflect the tax liabilities of Ascension for the periods or other matters covered by such tax returns;

b. All taxes, penalties, interest, and any other statutory additions, including Income Taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment and payroll-related taxes, withholding taxes, stamp taxes, transfer taxes, windfall profit taxes, environmental taxes and property taxes, which have become due by the Alexian Covered Affiliates pursuant to the Alexian Returns, and any assessments received by the Alexian Covered Affiliates have been paid when due or adequately provided for, except for amounts that have been contested in good faith;

c. There are no tax liens on any of the assets of the Alexian Covered Affiliates; and

d. Proper and accurate amounts have been withheld by the Alexian Covered Affiliates from the Alexian Employees for all periods in full and complete compliance with the tax and other withholding provisions of all applicable laws and all of such amounts have been duly and validly remitted to the proper taxing authority.

9.19 **Environmental Laws Disclosures**. To the Knowledge of Ascension and its Covered Affiliates, (i) the Alexian Real Property is not subject to any environmental liabilities; and (ii) no part of the Alexian Real Property is in violation of any federal, state or local statutes, regulations, laws or orders pertaining to environmental matters now in effect, including, without limitation, CERCLA and RCRA. To the Knowledge of Ascension and its Covered Affiliates, no Hazardous Substances (which for purposes of this **Section 9.19** shall be defined as in CERCLA) have been, and through the Closing Date no Hazardous Substance will be, improperly disposed of on or released or discharged from (including groundwater contamination) or in respect of any part of the Alexian Real Property, except as disclosed in writing by Ascension. Prior to Closing, the Alexian Covered Affiliates shall not allow any Hazardous Substances to be discharged, possessed, managed, processed or otherwise handled on any part of the Alexian Real Property in a manner which is in violation of applicable law.

9.20 **Asbestos Disclosures**. Except as disclosed in writing by Ascension, to the Knowledge of Ascension and its Covered Affiliates, none of the facilities of the Alexian Covered Affiliates contain any asbestos in any form.

9.21 **No Material Omissions**. The representations and warranties by Ascension contained in this Agreement, and each Exhibit, certificate or other document delivered at Closing by it pursuant to this Agreement, are accurate, correct and complete in all material respects, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Ascension shall cause its Covered Affiliates to comply with the representations and warranties contained in this Agreement.

9.22 **Exclusion from Health Care Programs**. The Alexian Covered Affiliates perform monthly monitoring, including review of the LEIE pursuant OIG guidance, to determine whether any employees, agents or independent contractors of the Alexian Covered Affiliates have been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled nolo contendere or to sufficient facts, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any federal or state procurement or non-procurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. The Alexian Covered Affiliates maintain accurate documentation of such monthly LEIE searches.

9.23 **Compliance With Laws**. To the Knowledge of Ascension and its Covered Affiliates, the Alexian Covered Affiliates are in compliance in all material respects with all applicable Laws as they relate to the operations of the Alexian Covered Affiliates.

9.24 **Absence of Changes Since Financial Statement Date**. Except for matters expressly permitted or authorized by this Agreement and except as may otherwise by disclosed in writing between the Parties prior to Closing, there has not been, after the date of the most recent Alexian Financial Statements:

a. any material adverse change in the Alexian Covered Affiliates, or their respective operations to be managed pursuant to this Agreement, in the aggregate;

b. any damage, destruction or loss, whether or not covered by insurance, which has had or could have, in the aggregate, a materially adverse effect on an Alexian Facility;

c. any disposition by an Alexian Covered Affiliate of any material property, rights or other assets owned by or employed in an Alexian Covered Affiliate, except for dispositions in the Ordinary Couse of Business of an Alexian Covered Affiliate, and other dispositions contemplated by this Agreement;

d. any amendment or termination of any material contract which has had or could reasonably be expected to have, in the aggregate, a materially adverse effect on an Alexian Covered Affiliate, or their respective operations to be managed pursuant to this Agreement; and

e. any new material contract, or any material amendment to an existing material contract between an Alexian Covered Affiliate and a physician.

9.25 **Absence of Intellectual Property Infringement**. To the Knowledge of Ascension and its Covered Affiliates, no proceedings are pending or threatened that challenge the validity of the ownership by Ascension or its Covered Affiliates of any Intellectual Property. Neither Ascension nor its Covered Affiliates has licensed anyone to use such Intellectual Property and neither Ascension nor its Covered Affiliates has Knowledge of the use or infringement or any such Intellectual Property.

9.26 **Tax Exempt Status**. Except as set forth on **Exhibit 2.2**, each of the Alexian Covered Affiliates is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The IRS has not taken, or proposed to take, any action to revoke the tax-exempt status of the Alexian Covered Affiliates, and has not announced, or proposed to announce, that any tax-exempt Alexian Covered Affiliate is a "private foundation" within the meaning of Section 509(c) of the Internal Revenue Code. Ascension is not aware of any change in the organization or operation of Ascension, or any tax-exempt Covered Affiliate which would result in a loss of any of such entity's status as an organization described in Section 501(c)(3) of the Internal Revenue Code, which would cause such entity to be treated as a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code or which could cause the facilities in which exempt operations are conducted to become other than fully exempt from property taxation.

ARTICLE X
PRE-CLOSING COVENANTS

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

10.1 **Interim Conduct of Business.**

a. From the Effective Date through the Closing Date, each Party shall and shall cause each of its Covered Affiliates to:

i. Operate its business within the AB-AMCO Service Area as a going concern, consistent with prior practices and not other than in the Ordinary Course of Business;

ii. Preserve, protect and maintain its business, properties and assets within the AB-AMCO Service Area;

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

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

b. With respect to its respective Covered Affiliates from the Effective Date through the Closing Date, neither Adventist nor Ascension shall, nor allow any of its Covered Affiliates to do any of the following without the prior written consent of the other Party:

i. pay any bonus or make any profit-sharing or similar payment to, or increase the amount of the wages, salary, commissions, fees, fringe benefits or other compensation or remuneration payable to, any of its directors, managers, officers, employees or independent contractors other than severance plans adopted in connection with this transaction, other than in the Ordinary Course of Business;

ii. hire any employee or retain any independent contractor, other than in the Ordinary Course of Business;

iii. permit or allow any of its assets to become subjected to any encumbrance except a Permitted Encumbrance, other than in the Ordinary Course of Business;

iv. make any change in any method of accounting or accounting practice or policy, other than in the Ordinary Course of Business;

v. acquire by merging or consolidating with, or by purchasing a substantial portion of the assets or capital stock or other equity interest of, or by any other manner,

any business or any Person or otherwise acquire any assets (other than inventory) with a value in excess of one million dollars ($1,000,000);

vi. make or incur capital expenditures (including entering into any capital lease) that are not currently budgeted and that, in the aggregate, are in excess of one million dollars ($1,000,000);

vii. sell, lease, license or otherwise dispose of any of its assets that are material, individually or in the aggregate, to it and its business, including, but not limited to, the real property it owns, other than in the Ordinary Course of Business;

viii. amend or terminate any lease of real property or material tangible personal property, other than in the Ordinary Course of Business;

ix. terminate or allow to be terminated any insurance policy in effect as of the date hereof without simultaneous replacement with a similar policy, or fail to maintain, with financially responsible insurance companies, insurance on its tangible assets in such amounts and against such risks and losses as are consistent with past practice;

x. commence or settle any Proceeding other than medical malpractice Proceedings, other than in the Ordinary Course of Business, or except for Proceedings previously disclosed to the other Party;

xi. enter into any contract or transaction involving payments of greater than one million dollars ($1,000,000) unless part of the current budget for such Covered Affiliate;

xii. discontinue the payment of its accounts payable that are payable in the Ordinary Course of Business or materially deviate from or alter any of its practices, policies or procedures in paying accounts payable or collecting accounts receivable;

xiii. cancel, compromise, waive or release any right or claim (or series of related rights and claims) for an amount in excess of one million dollars ($1,000,000);

xiv. make, amend or revoke any election to be taxed as a partnership; or

xv. agree, commit or offer (in writing or otherwise) to take any of the actions described in the preceding clauses of this **Section 10.1(b)**.

10.2 **Preserve Accuracy of Representations and Warranties.**

a. Neither Party, and neither Party's Covered Affiliates, shall take any action that would render any material representation or warranty of such Party contained herein inaccurate or untrue as of the Closing Date. Each Party shall promptly notify the other Party in writing of any facts or circumstances that come to its attention and that cause, or through the passage of time may cause, any of the material representations and warranties of that Party contained herein to be untrue or misleading.

b. Each Party shall promptly notify, and cause its Covered Affiliates to notify, the other Party of any lawsuits, claims, administrative actions or other Proceedings asserted or commenced against it, or its owners, directors, officers or employees involving in any material way the ability of the notifying Party to consummate the transactions contemplated or required by this Agreement.

c. Each Party shall promptly notify, and cause its Covered Affiliates to notify, the other Party of any facts or circumstances that come to its attention and that cause, or through the passage of time may cause, any of the representations and warranties contained in this Agreement to be untrue or misleading at any time from the Effective Date through the Closing Date.

d. Each Party and each Party's Covered Affiliates shall expeditiously obtain all consents, approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under applicable Laws and under all contracts, agreements and commitments to which it is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement by such Party.

10.3 **Access to Information**.

a. From the Effective Date through the Closing Date, each Party, and each Party's Covered Affiliates, and the respective operations to be managed pursuant to this Agreement, shall give the other Party and their representatives full and free access, during normal business hours, to all properties, books, records, contracts and other materials pertaining to the Covered Affiliates, as may be reasonably requested (and in accordance with guidelines approved by the Parties' antitrust counsel), subject to reasonable advance notice and provided that no Party shall exercise such rights of access in such manner as would unduly interfere with the operations of the Covered Affiliates or the work of the Covered Affiliates' personnel or the activities of their patients or guests.

b. Each Party, and each Party's Covered Affiliates, shall cooperate in keeping the other Party fully informed and shall promptly notify the other Party of any material adverse change in the normal course of business or prospects of any Covered Affiliate, and the respective operations to be managed pursuant to this Agreement.

10.4 **Compliance with Laws**. From the Effective Date through the Closing Date, the Parties shall each:

a. Materially comply with all applicable Laws affecting the Covered Affiliates and their respective operations to be managed pursuant to this Agreement; and

b. Keep, hold and maintain all material certificates, certificates of need, certificates of exemption, accreditation, licenses and other permits necessary for the Covered Affiliates and their respective operations to be managed pursuant to this Agreement.

10.5 **Third Party Authorizations**. From the Effective Date through the Closing Date, the Parties shall, and shall cause their Covered Affiliates to, obtain expeditiously all consents,

approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under applicable Laws and under all contracts, agreements and commitments to which a Covered Affiliate is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement by the Parties.

10.6 **Confidentiality**. No public release or announcement concerning the transactions contemplated under this Agreement shall be issued by any Party unless the Party desiring to issue the public release or announcement first consults with and obtains the prior written consent of the other Party as to the timing, form, and content of such public release or announcement, except as such release or announcement may be required by applicable Law.

10.7 **Corporate Reorganization**. Adventist shall conduct a corporate reorganization such that Adventist LaGrange Memorial Hospital is no longer a direct subsidiary of Adventist, and shall be directly owned by a Covered Affiliate under this Agreement.

ARTICLE XI
CONDITIONS TO CLOSING

The obligations of each Party to consummate the transactions contemplated by this Agreement are, at the option of that Party, subject to the satisfaction, on the Closing Date, of the following conditions:

11.1 **Regulatory Approvals**. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained on or before the Closing Date, including, without limitation, the Parties or their Covered Affiliates shall have obtained a certificate of exemption or certificate of need, as applicable, from the Illinois Health Facilities and Services Review Board, to consummate the transactions contemplated hereby and shall have mutually agreed upon an approach with respect to any open certificate(s) of need of the Parties regarding the corporate reorganization contemplated in **Section 10.7**.

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

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

11.4 **No Bankruptcy**. No Party, and no Covered Affiliate of any Party, shall: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the federal bankruptcy law or any other

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similar law or statute of the United States or any state, nor shall any such petition have been filed against any such Party or Covered Affiliate.

11.5 **Consents**. All consents, approvals and authorizations of third parties required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained on or before the Closing Date.

11.6 **Delivery of Other Agreements**. Each of the Parties and Covered Affiliates shall have executed and delivered all other agreements reasonably determined by the Parties to be necessary or appropriate to be entered into as of the Closing Date to consummate the transactions contemplated by this Agreement, including but not limited to agreements regarding the apportionment of financial responsibility for any Legacy Liabilities.

11.7 **Bond Counsel and External Auditor Review**. Each of the Parties shall have engaged its respective bond counsel and external auditor to review the proposed affiliation described in this Agreement and received guidance satisfactory to such Party in order to proceed with such affiliation.

ARTICLE XII
PRE-CLOSING TERMINATION

12.1 **Termination Events**. Any of the Parties may, at or prior to the time set for Closing, terminate this Agreement under any one of the following circumstances:

a. Legal Proceeding. If at the time of Closing: (a) a bona fide action or proceeding shall be pending against any Party wherein an unfavorable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated by this Agreement; or (b) any governmental agency shall have notified any Party that the consummation of the transactions contemplated herein would constitute a violation of applicable Law and such agency has not withdrawn such notice prior to such termination; or

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

c. Material Adverse Change. If at any time prior to the Closing, there has been a 30% reduction in the earnings before interest, taxes, depreciation and amortization of the aggregate of either the Alexian Covered Affiliates or the AMH Covered Affiliates, or their respective operations to be managed pursuant to this Agreement, measured from June 30, 2014, and such change shall have not been waived by the Party giving notice of termination; or

d. Closing Date Deadline. If, for any reason, the Closing shall not have occurred on or before April 1, 2015.

12.2 **Effect of Termination**. If there has been a termination under this **Article XII**, this Agreement shall be deemed terminated, and all further obligations of the Parties hereunder shall terminate, except those obligations specifically identified in this Agreement as surviving

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

ARTICLE XIII
POST-CLOSING TERMINATION

13.1 **Termination of the Agreement**. After Closing, this Agreement shall continue in effect in perpetuity; provided that the Parties do not terminate this Agreement pursuant to the provisions of this **Article XIII**.

13.2 **Termination With Cause**. Either Party may terminate this Agreement with cause and without penalty (except as otherwise provided for herein) to the terminating Party for any of the following reasons:

a. Upon election of the non-defaulting Party by written notice to the other Party upon the occurrence of a material breach of the terms and conditions of this Agreement by such other Party or its Covered Affiliates—other than with respect to a breach that jeopardizes the unique sectarian identity or mission of the non-defaulting Party, including any breach of **Section 2.5, 2.6, 2.7** or **2.8**—which breach remains uncured for the greater of ninety (90) days or completion of the requisite dispute resolution process, including timely satisfaction and implementation of any resolution plan determined by the mediator or arbitrators as applicable, in accordance with **Article V** of this Agreement, which process shall commence with receipt of written notice of such breach. Such termination shall not preclude the non-defaulting Party from pursuing any and all additional remedies that it may have in law or at equity.

b. Upon election of the non-defaulting Party by written notice to the other Party upon the occurrence of a material breach of the terms and conditions of this Agreement by such other Party or its Covered Affiliates which breach jeopardizes the unique sectarian identity or mission of the non-defaulting Party and is therefore subject to good faith efforts by both Parties to resolve the issue in accordance with **Section 2.7** or **2.8** as applicable, if such breach remains uncured for a period of ninety (90) days after receipt of written notice of such breach and corresponding good faith resolution. Such termination shall not preclude the non-defaulting Party from pursuing any and all additional remedies that it may have in law or at equity.

c. Upon election of either Party to terminate in accordance with **Section 3.1(c)(ii)**, which termination shall result in penalties on the Transaction Party as such Party is defined in **Section 3.1(c)(ii)**.

i. The non-Transaction Party shall withdraw its assets from AB-AMCO and the Transaction Party shall pay the non-Transaction Party the greater of the following amounts.

1. Liquidated damages of seventy-five million dollars ($75,000,000), provided that such amount shall be adjusted at the time of termination without cause as follows: the liquidated damages amount shall be multiplied by such amount equal to the quotient of (x) an amount equal to the Consumer Price Index – Chicago-Gary-Kenosha IL-IN-WI (1982-1984=100) compiled and published by the Bureau of Labor Statistics and the Department of Labor for the United States of America (the "**CPI**") for the month closest to the adjustment date for which final, adjusted CPI figures are available and (y) an amount equal to the final, adjusted CPI for the month twelve (12) months prior to such month. The resulting amount shall be the new liquidated damages amount.

If the manner in which the CPI as determined by the Department of Labor shall be substantially revised, or if the 1982–1984 average shall no longer be used as an index of 100, an adjustment shall be made in such revised index which would have been obtained if the CPI had not been so revised or if said average was still in use. If the CPI shall become unavailable to the public because publication is discontinued, or otherwise, the Parties shall reasonably agree to substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication; or

2. The loss (the "**Loss**") experienced at termination by the non-Transaction Party. The Loss shall be equal to the difference in valuation of the Covered Affiliates as of the Closing Date and as of the date of termination of this Agreement. For the avoidance of doubt, there shall be no Loss if the non-Transaction Party's assets are worth more at the time of termination than they were at the Closing Date.

The following examples illustrate potential termination fees pursuant to this **Section 13.2(c)(i)**:

i. The non-Transaction Party's assets had an Initial Value of $1,000,000,000 and are worth $1,200,000,000 at termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.2(c)(i)(1).**

ii. The non-Transaction Party's assets had an Initial Value of $1,000,000,000 and are worth $1,050,000,000 at

termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.2(c)(i)(1).**

iii. The non-Transaction Party's assets had an Initial Value of $1,000,000,000 and are worth $750,000,000 at termination. The termination fee shall be $250,000,000.

iv. The non-Transaction Party's assets had an Initial Value of $1,000,000,000 and are worth $950,000,000 at termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.2(c)(i)(1).**

d. By either Party after ninety (90) days' written notice to the other Party, if such notifying Party is advised by its legal counsel that by reason of changes in applicable laws or the interpretations thereof by courts or governmental agencies, this Agreement or any provision hereof is unlawful or will jeopardize AB-AMCO's, a Party's or a Covered Affiliate's tax exempt status under Section 501(c)(3) of the Code or the exclusion from gross income for federal income tax purposes of bonds under Section 103 of the Code, and the Parties are unable in good faith, to promptly revise this Agreement so as to be in compliance with all laws after consultation with the Internal Revenue Service or other appropriate agencies. Termination in accordance with this **Section 13.2(d)** shall be without penalty to either Party, and assets shall be distributed as set forth in **Section 13.6**.

e. By either Party after ninety (90) days' written notice to the other Party, if the notifying Party is advised by its Mission and Ministry Executive that by reason of changes in the Directives or the Seventh-day Adventist Church Tenets, this Agreement or any provision hereof contradicts the Directives or the Seventh-day Adventist Church Tenets as applicable to the notifying Party, and the Parties are unable in good faith, to promptly revise this Agreement so as to be in compliance with all such Directives or Seventh-day Adventist Church Tenets. Termination in accordance with this **Section 13.2(e)** shall be without penalty to either Party, and assets shall be distributed as set forth in **Section 13.6**.

13.3 **Termination Without Cause**. Except with cause, no Party may terminate this Agreement and withdraw from AB-AMCO prior to the fifteen (15)-year anniversary of the Closing Date of this Agreement (the "**15-year Anniversary**"). Any Party may terminate this Agreement and withdraw from AB-AMCO on the 15-year Anniversary. Following the 15-year Anniversary, any Party may terminate this Agreement and withdraw from AB-AMCO at each subsequent five (5)-year anniversary of the 15-year Anniversary. For the avoidance of doubt, the first available opportunity for any Party to terminate without cause shall be on the 15-year Anniversary, and additional such opportunities shall only arise on the twenty (20)-year anniversary of the Closing Date of this Agreement, the twenty-five (25)-year anniversary of the Closing Date of this Agreement, and additional five year anniversaries of the 15-year Anniversary. If a Party terminates without cause pursuant to this **Section 13.3**, the non-terminating Party may elect one (1) of the following options:

a. The non-terminating Party may sell its assets governed by AB-AMCO to the terminating Party for the <u>greater</u> of the value of (i) the value of the non-terminating Party's assets

on the Closing Date of this Agreement (for each Party, the "**Initial Value**"), or (ii) the non-terminating Party's Presumptive Split of all Covered Affiliates at the time of termination, or

b. The non-terminating Party may withdraw its assets from AB-AMCO and elect to be paid by the terminating Party the greater of the following amounts:

i. Liquidated damages of seventy-five million dollars ($75,000,000), provided that such amount shall be adjusted at the time of termination without cause as follows: the liquidated damages amount shall be multiplied by such amount equal to the quotient of (x) an amount equal to the CPI for the month closest to the adjustment date for which final, adjusted CPI figures are available and (y) an amount equal to the final, adjusted CPI for the month twelve (12) months prior to such month. The resulting amount shall be the new liquidated damages amount.

If the manner in which the CPI as determined by the Department of Labor shall be substantially revised, or if the 1982–1984 average shall no longer be used as an index of 100, an adjustment shall be made in such revised index which would have been obtained if the CPI had not been so revised or if said average was still in use. If the CPI shall become unavailable to the public because publication is discontinued, or otherwise, the Parties shall reasonably agree to substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication; or

ii. The Loss experienced at termination by the non-terminating Party. The Loss shall be equal to the difference in valuation of the Covered Affiliates as of the Closing Date and as of the date of termination of this Agreement. For the avoidance of doubt, there shall be no Loss if the non-terminating Party's assets are worth more at the time of termination than they were at the Closing Date.

The following examples illustrate potential termination fees pursuant to this **Section 13.3(b)**:

a. The non-terminating Party's assets had an Initial Value of $1,000,000,000 and are worth $1,200,000,000 at termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.3(b)(i).**

b. The non-terminating Party's assets had an Initial Value of $1,000,000,000 and are worth $1,050,000,000 at termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.3(b)(i).**

c. The non-terminating Party's assets had an Initial Value of $1,000,000,000 and are worth $750,000,000 at termination. The termination fee shall be $250,000,000.

d. The non-terminating Party's assets had an Initial Value of $1,000,000,000 and are worth $950,000,000 at termination. The termination fee shall be $75,000,000 as adjusted in accordance with **Section 13.3(b)(i).**

13.4 **Dissolution.** The Parties agree that AB-AMCO shall be dissolved upon first to occur of the following:

a. the required votes of the Board and the Parties are taken in accordance with the requirements of AB-AMCO's Corporate Documents;

b. by a court with competent jurisdiction over AB-AMCO;

c. by action of the Secretary of State of Illinois, if not reinstated in a timely fashion;

d. by action of AB-AMCO and the Parties or a circuit court as provided in **Section 5.3(b)** with respect to disputes subject to the dispute resolution process set forth therein; or

e. upon termination of this Agreement.

13.5 **Dissolution Procedures.** In the event of the dissolution of AB-AMCO, the Board shall commence to wind up the affairs of AB-AMCO pursuant to the provisions regarding dissolution set forth in the Corporate Documents of AB-AMCO, this Agreement and the Not For Profit Corporation Act.

13.6 **Distribution on Dissolution.** Subject to **Section 13.2(c) and 13.3(a)**, in general, upon the dissolution of AB-AMCO, all AB-AMCO assets remaining after payment or discharge of or adequate provision for all debts and obligations of AB-AMCO, shall be distributed, in furtherance of AB-AMCO's charitable purposes, to the Parties in proportion to their Presumptive Split at the time of dissolution; provided that at the time of the distribution the Party is exempt under Section 501(c)(3) of the Code or, if a Party is not then so exempt, to such organization(s) designated by that Party which is/are then so exempt and is permitted by the terms of the dissolution provision of the Corporate Documents of that Party. The provisions of **Section 13.7** shall guide AB-AMCO in the allocation and distribution of assets. The Parties acknowledge and agree that the Covered Affiliates as of the Closing Date shall remain the assets of the applicable Party and shall not be subject to **Section 13.7**. The Parties acknowledge and agree that only those assets owned by AB-AMCO are subject to the provisions of **Sections 13.7** and **13.8**.

13.7 **Distribution Instructions.** The Parties agree to use their best good faith efforts to divide those assets that are owned by AB-AMCO (and any other assets that are not those of the Covered Affiliates as of the Closing Date) in accordance with the Presumptive Split. To the extent that the Parties cannot agree on the split of any such assets, the Parties shall use their best good faith efforts to sell any such assets for cash and distribute the net proceeds from such sale in accordance with the Presumptive Split.

13.8 **Actions Following Dissolution.** In the event of the dissolution of AB-AMCO, the Parties agree to work together diligently, in good faith, to affect a smooth transfer of any AB-

AMCO facilities and operations to be transferred to Parties in connection with such dissolution. In addition, upon dissolution of AB-AMCO, the following provisions shall apply:

a. **Corporate Documents**. The Parties shall cause the Corporate Documents of the Parties, as applicable, to be amended appropriately to reflect such dissolution.

b. **AB-AMCO Employees**. Each Party (or its designee) shall be entitled to extend offers of employment to any employees of AB-AMCO.

c. **Information Systems**. If, upon dissolution of AB-AMCO, one Party is granted ownership or control of AB-AMCO's information systems materials, then, except as otherwise prohibited by the terms of any third party agreements governing the use of such materials, it shall grant the other Party the right to use the same at an arm's length, fair market value rate for a reasonable period of time to permit the other Party to replicate the materials or to obtain access to alternate materials of comparable utility, which period of time shall not be more than twenty four (24) months from the date of dissolution of AB-AMCO, unless otherwise agreed to by the Parties.

d. **Confidentiality**. Notwithstanding anything to the contrary herein, the Parties agree that upon dissolution of AB-AMCO, each Party or its designee shall be entitled to (i) an original or copy of all Confidential Information of AB-AMCO developed by or on behalf of AB-AMCO during the term of this Agreement, including, but not limited to, the business plans, strategic plans, marketing plans and methods of doing business of AB-AMCO and (ii) an original or copy of all information in the possession of AB-AMCO relating to all patients of the Covered Affiliate providers or facilities that the Party, or its designee, shall continue to operate or manage after dissolution of AB-AMCO.

e. **AB-AMCO Payor Relationships**. With respect to payor relationships through which multiple Covered Affiliates participate, the Parties agree to continue to provide services as required under the terms of any such relationship until the earliest date on which such relationship may be terminated by all Parties without penalty; provided, however, during the period commencing with the dissolution and expiring on such date, the Parties shall work together diligently and in good faith to negotiate the early termination of such relationship under terms and conditions which are reasonably acceptable to all Parties covered by the relationship. Upon termination, the Parties shall continue to provide services if and to the extent required by law.

13.9 **Valuation**. In order to establish the value of AB-AMCO or particular assets or component operations of AB-AMCO for the purposes of **Section 13.2(c)**, **Section 13.7** or any other purpose under **Article XIII**, the provisions of this **Section 13.9** shall be applied. Whenever a valuation is desired, the Parties shall meet to determine whether they can reach an agreement on valuation. If the Parties cannot agree on a value, the Parties shall jointly select a nationally recognized valuation firm to conduct the valuation. If the Parties cannot mutually agree upon a nationally recognized valuation firm, then the valuation firm shall be chosen pursuant to the dispute resolution process set forth in this **Article V** of this Agreement. Except as otherwise provided in this Agreement, the valuation shall be performed at the expense of AB-AMCO.

ARTICLE XIV
INDEMNIFICATION

14.1 **Indemnification**. Each Party hereby agrees to indemnify, defend, and hold harmless the other Party and their officers and directors from and against any and all loss, damage, expense (including court costs and reasonable attorney's fees), suit, action, claim, liability or obligation relating to, caused by, arising from or on account of any breach of such indemnifying Party's representations, warranties, covenants and agreements hereunder.

14.2 **Procedure for Indemnification**. In the event that any claim is asserted against a Party hereto as to which such Party is entitled to indemnification hereunder, such Party (the "**Indemnified Party**") shall, as promptly as possible and in any case within ten (10) business days after learning of such claim, notify the Party obligated to indemnify it (the "**Indemnifying Party**") thereof in writing. In the event the Indemnified Party shall fail to give notice of such claim as aforesaid, the Indemnifying Party shall have no obligation to indemnify the Indemnified Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within ten (10) business days after receipt from the Indemnified Party, to conduct the defense against such claim in its own name, or if necessary in the name of the Indemnified Party. In the event that the Indemnifying Party shall fail to give such notice, it shall be deemed to have elected not to conduct the defense of the subject claim, and in such event, the Indemnified Party shall have the right to conduct the defense of the subject claim and to compromise and settle the claim without prior consent of the Indemnifying Party and the Indemnifying Party shall reimburse the Indemnified Party for all reasonable expenses related to Indemnified Party's defense of such claim. In the event that the Indemnifying Party does elect to conduct the defense of the subject claim, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by it, all at the expense of the Indemnifying Party, and the Indemnified Party shall have the right at its expense to participate in the defense, provided that the Indemnified Party shall have the right to compromise and settle the claim only with the prior written consent of the Indemnifying Party; provided, further, that if counsel for the Indemnified Party shall reasonably determine that there is a conflict between the Indemnified Party and the Indemnifying Party, Indemnified Party shall have the option to select its own counsel and Indemnifying Party shall reimburse Indemnified Party for all reasonable expenses related to Indemnified Party's defense of such claim. Any judgment entered or settlement agreed upon in the manner provided herein shall be binding upon the Indemnifying Party, and shall conclusively be deemed to be an obligation with respect to which the Indemnified Party is entitled to indemnification hereunder.

ARTICLE XV
GENERAL PROVISIONS

15.1 **Amendment and Waiver**. Except as otherwise provided in this Agreement, no amendment of any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the Parties. Any of the terms or conditions of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof (on its own behalf and on behalf of its Covered Affiliates), but only by a written notice signed by the Party waiving such terms or conditions. The waiver of any term or condition of this Agreement shall not be construed as a waiver of any other term or condition of this Agreement.

15.2 **Confidentiality**. The Parties shall hold in confidence terms and conditions of this Agreement and all information regarding the Parties and the Covered Affiliates obtained in connection with the negotiation and performance of this Agreement, and shall not divulge to third parties or use in a manner detrimental to the other Covered Affiliates such information; provided, however, that the foregoing shall not apply to information that (a) was known by the Party when received, (b) is or hereafter becomes lawfully obtainable from other sources, or (c) is necessary to disclose by law. The Parties hereto agree that no Party will disclose any information relating exclusively to the Covered Affiliates that is intended to be available to investors or potential investors of bonds secured under the Ascension Master Trust Indenture or the Adventist Master Trust Indenture or can be reasonably expected to be available to such investors without affording the other Party the opportunity to review such information.

15.3 **Notices**. Any notice, request, demand, claim, or other communication to be given hereunder by either Party to the other Party shall be in writing (including telex, telecopier or similar writing) and shall be given to such Party at its address, telex, or telecopier number set forth below, or to such other address as the Party to whom notice is to be given may provide in a written notice to the Party giving such notice. Each such notice, request, demand, claim, or other communication shall be effective (i) if personally delivered, (ii) if given by telex or telecopy, when such telex or telecopy is transmitted to the telex or telecopy number specified in this **Section 15.3** and the appropriate confirmation of completed delivery is received, or (iii) if transmitted by pre-paid, overnight delivery with delivery tracking service delivered at the address specified in this **Section 15.3**.

If to Adventist:

Adventist Health System
900 Hope Way
Altamonte Springs, FL 32714
Attention: Jeffrey S. Bromme, Senior V.P. & Chief Legal Officer for a pre-closing notice
Attention: Senior V.P. & Chief Legal Officer for a post-Closing notice

and

Adventist Midwest Region
120 North Oak Street
Hinsdale, IL 60521
Attention: David, Crane President & CEO for a pre-Closing notice
Attention: Local Adventist Representative to be identified by Adventist for a post-Closing notice

With a copy to:

Katten Muchin Rosenman
525 West Monroe
Chicago, IL 60661-3693
Attention: Laura Keidan Martin

If to Ascension:

Ascension
101 S. Hanley Road, Suite 450
St. Louis, MO 63105
Attention: Joseph R. Impicciche, Executive V.P. & General Counsel for a pre-Closing notice
Attention: Executive V.P. & General Counsel for a post-Closing notice

and

Alexian Brothers Health System
3040 Salt Creek Lane
Arlington Heights, IL 60005
Attention: Mark Frey, President & CEO for a pre-Closing notice
Attention: Local Alexian Representative to be identified by Alexian for a post-Closing notice.

If a pre-Closing notice, with a copy to:

Ungaretti & Harris
70 West Madison, Suite 3500
Chicago, IL 60602-4224
Attention: Lynn Gordon

15.4 **Expenses**. Except as otherwise expressly provided in this Agreement, each Party shall pay its own costs and expenses in connection with the transactions contemplated hereby. If any action is brought by a Party to enforce any provision of this Agreement, the prevailing Party or Parties shall be entitled to recover court costs, arbitration expenses and reasonable attorneys' fees.

15.5 **Counterparts**. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

15.6 **Entire Transaction**. This Agreement and the documents referred to herein contain the entire understanding of the Parties with respect to the transactions contemplated hereby and supersedes all other agreements and understandings of the Parties on the subject matter hereof.

15.7 **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois.

15.8 **Headings**. Headings of articles and sections in this Agreement and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction, or effect hereof.

15.9 **Articles**. All references to "**Articles**" and "**Sections**" in this Agreement are to Articles and Sections of this Agreement, unless otherwise specifically provided.

15.10 **Gender**. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender.

15.11 **Partial Invalidity**. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

15.12 **Exhibits**. The Exhibits identified in this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

15.13 **Assignment; Transfer of Interest**. Neither Party may assign, sell, or transfer its interest in AB-AMCO, or any portion thereof, without the consent of the other Party. Except as otherwise expressly permitted by this Agreement, the rights and obligations of a Party to this Agreement may be assigned only with the prior written consent of the other Party. Any transfer not permitted under this **Section 15.13** shall be null and void and of no effect whatsoever.

15.14 **Binding Agreement**. This Agreement shall be binding upon and inure only to the benefit of the Parties hereto and their respective permitted assigns and permitted successors, and shall not inure to the benefit of or be enforceable by any other Person.

15.15 **Third Party Beneficiaries**. The Parties intend that no third party may rely upon the terms of this Agreement or have any rights or claims by reason of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed or caused this Agreement to be executed by their respective authorized officers on the day and year first above written.

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION

By: _____

Name: Donald L. Jernigan

Title: President/CEO

Date: October 29, 2014

ASCENSION HEALTH

By: _____

Name: Robert J. Henkel, FACHE

Title: President and Chief Executive Officer

Date: _____

4814-4934-6335.4

IN WITNESS WHEREOF, the Parties hereto have executed or caused this Agreement to be executed by their respective authorized officers on the day and year first above written.

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

ASCENSION HEALTH

By: _____

Name: Robert J. Henkel, FACHE

Title: President and Chief Executive Officer

Date: 10/29/14

Exhibit 1.3
AB-AMCO Service Area

The counties of Boone, Cook, DeKalb, DuPage, Ford, Grundy, Iroquois, Kane, Kankakee, Kendall, Lake, LaSalle, Livingston, McHenry and Will in Illinois.

Exhibit 1.17
Covered Affiliates of Adventist and Ascension

AMH Covered Affiliates:

- Adventist Bolingbrook Hospital, an Illinois not-for-profit corporation
- Adventist GlenOaks Hospital, an Illinois not-for-profit corporation
- Adventist Health Partners, Inc., an Illinois not-for-profit corporation
- Adventist Health System/Sunbelt, Inc., a Florida not-for-profit corporation d/b/a Adventist La Grange Memorial Hospital and d/b/a Adventist Paulson Rehab Network. For avoidance of confusion, Adventist Health System/Sunbelt, Inc.'s inclusion as a Covered Affiliate is limited solely to the assets and operations of the activities of the Adventist La Grange Memorial Hospital d/b/a and Adventist Paulson Rehab Network d/b/a.
- Adventist Hinsdale Hospital, an Illinois not-for-profit corporation
- AHS Midwest Management, Inc. (d/b/a Adventist Midwest Management Services), an Illinois not-for-profit corporation
- Elm Creek Property Management, LLC, an Illinois limited liability company

Alexian Covered Affiliates:

- Alexian Brothers Accountable Care Organization, LLC, an Illinois limited liability company
- Alexian Brothers Ambulatory Group (d/b/a Alexian Brothers Corporate Health Services & Alexian Brothers Medical Group), an Illinois not-for-profit corporation
- Alexian Brothers Behavioral Health Hospital, an Illinois not-for-profit corporation
- Alexian Brothers Bettendorf Place, LLC, an Illinois limited liability company
- Alexian Brothers Bonaventure House (d/b/a Alexian Brothers The Harbor & Alexian Brothers Housing and Health Alliance), an Illinois not-for-profit corporation
- Alexian Brothers Center for Mental Health, an Illinois not-for-profit corporation
- Alexian Brothers Clinically Integrated Network, LLC, an Illinois limited liability company
- Alexian Brothers Health Providers Association, Inc., an Illinois not-for-profit corporation
- Alexian Brothers Health System, an Illinois not-for-profit corporation[1]
- Alexian Brothers Hospital Network, an Illinois not-for-profit corporation
- Alexian Brothers Medical Center, a Texas nonprofit corporation
- Alexian Brothers Specialty Group, an Illinois not-for-profit corporation
- Bonaventure Medical Foundation, LLC (d/b/a Alexian Brothers Medical Foundation), a Delaware limited liability company
- St. Alexius Medical Center, an Illinois not-for-profit corporation

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[1] Alexian Brothers Health System includes a foundation operating as a d/b/a (the "**Foundation**"). The Foundation will be a complete carve out from Alexian Brothers Health System, meaning the Foundation will not be considered a Covered Affiliate for any purpose under this Agreement.

- Savelli Properties, Inc., an Illinois not-for-profit corporation
- Thelen Corporation, an Illinois corporation
- Wimmer Management, LLC, an Illinois limited liability company

The following entities are controlled joint ventures, and hence Covered Affiliates pursuant to this Agreement:

Alexian

- Alexian Rehabilitation Services, LLC, an Illinois limited liability company
- Elk Grove M.O.B., Limited Partnership
- Illinois NeuroMEG Center, LLC, an Illinois limited liability company
- Neurosciences Equipment, LLC, an Illinois limited liability company
- St. Alexius Center for Sleep Health, LLC, an Illinois limited liability company

AMH

None

Exhibit 1.18
Ethical and Religious Directives for Catholic Health Care Services

[See Attached]

Issued by USCCB, November 17, 2009

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Ethical and Religious Directives for Catholic Health Care Services

Fifth Edition

United States Conference of Catholic Bishops

CONTENTS

Preamble

General Introduction

Part One: The Social Responsibility of Catholic Health Care Services

Part Two: The Pastoral and Spiritual Responsibility of Catholic Health Care

Part Three: The Professional-Patient Relationship

Part Four: Issues in Care for the Beginning of Life

Part Five: Issues in Care for the Seriously Ill and Dying

Part Six: Forming New Partnerships with Health Care Organizations and Providers

Conclusion

PREAMBLE

Health care in the United States is marked by extraordinary change. Not only is there continuing change in clinical practice due to technological advances, but the health care system in the United States is being challenged by both institutional and social factors as well. At the same time, there are a number of developments within the Catholic Church affecting the ecclesial mission of health care. Among these are significant changes in religious orders and congregations, the increased involvement of lay men and women, a heightened awareness of the Church's social role in the world, and developments in moral theology since the Second Vatican Council. A contemporary understanding of the Catholic health care ministry must take into account the new challenges presented by transitions both in the Church and in American society.

Throughout the centuries, with the aid of other sciences, a body of moral principles has emerged that expresses the Church's teaching on medical and moral matters and has proven to be pertinent and applicable to the ever-changing circumstances of health care and its delivery. In response to today's challenges, these same moral principles of Catholic teaching provide the rationale and direction for this revision of the *Ethical and Religious Directives for Catholic Health Care Services.*

These Directives presuppose our statement *Health and Health Care* published in 1981.[1] There we presented the theological principles that guide the Church's vision of health care, called for all Catholics to share in the healing mission of the Church, expressed our full commitment to the health care ministry, and offered encouragement to all those who are involved in it. Now, with American health care facing even more dramatic changes, we reaffirm the Church's commitment to health care ministry and the distinctive Catholic identity of the Church's institutional health care services.[2] The purpose of these *Ethical and Religious*

Directives then is twofold: first, to reaffirm the ethical standards of behavior in health care that flow from the Church's teaching about the dignity of the human person; second, to provide authoritative guidance on certain moral issues that face Catholic health care today.

The *Ethical and Religious Directives* are concerned primarily with institutionally based Catholic health care services. They address the sponsors, trustees, administrators, chaplains, physicians, health care personnel, and patients or residents of these institutions and services. Since they express the Church's moral teaching, these Directives also will be helpful to Catholic professionals engaged in health care services in other settings. The moral teachings that we profess here flow principally from the natural law, understood in the light of the revelation Christ has entrusted to his Church. From this source the Church has derived its understanding of the nature of the human person, of human acts, and of the goals that shape human activity.

The Directives have been refined through an extensive process of consultation with bishops, theologians, sponsors, administrators, physicians, and other health care providers. While providing standards and guidance, the Directives do not cover in detail all of the complex issues that confront Catholic health care today. Moreover, the Directives will be reviewed periodically by the United States Conference of Catholic Bishops (formerly the National Conference of Catholic Bishops), in the light of authoritative church teaching, in order to address new insights from theological and medical research or new requirements of public policy.

The Directives begin with a general introduction that presents a theological basis for the Catholic health care ministry. Each of the six parts that follow is divided into two sections. The first section is in expository form; it serves as an introduction and provides the context in which concrete issues can be discussed from the perspective of the Catholic faith. The second section is

in prescriptive form; the directives promote and protect the truths of the Catholic faith as those truths are brought to bear on concrete issues in health care.

GENERAL INTRODUCTION

The Church has always sought to embody our Savior's concern for the sick. The gospel accounts of Jesus' ministry draw special attention to his acts of healing: he cleansed a man with leprosy (Mt 8:1-4; Mk 1:40-42); he gave sight to two people who were blind (Mt 20:29-34; Mk 10:46-52); he enabled one who was mute to speak (Lk 11:14); he cured a woman who was hemorrhaging (Mt 9:20-22; Mk 5:25-34); and he brought a young girl back to life (Mt 9:18, 23-25; Mk 5:35-42). Indeed, the Gospels are replete with examples of how the Lord cured every kind of ailment and disease (Mt 9:35). In the account of Matthew, Jesus' mission fulfilled the prophecy of Isaiah: "He took away our infirmities and bore our diseases" (Mt 8:17; cf. Is 53:4).

Jesus' healing mission went further than caring only for physical affliction. He touched people at the deepest level of their existence; he sought their physical, mental, and spiritual healing (Jn 6:35, 11:25-27). He "came so that they might have life and have it more abundantly" (Jn 10:10).

The mystery of Christ casts light on every facet of Catholic health care: to see Christian love as the animating principle of health care; to see healing and compassion as a continuation of Christ's mission; to see suffering as a participation in the redemptive power of Christ's passion, death, and resurrection; and to see death, transformed by the resurrection, as an opportunity for a final act of communion with Christ.

For the Christian, our encounter with suffering and death can take on a positive and distinctive meaning through the redemptive power of Jesus' suffering and death. As St. Paul says, we are "always carrying about in the body the dying of Jesus, so that the life of Jesus may also be manifested in our body" (2 Cor 4:10). This truth does not lessen the pain and fear, but gives confidence and grace for bearing suffering rather than being overwhelmed by it. Catholic

health care ministry bears witness to the truth that, for those who are in Christ, suffering and death are the birth pangs of the new creation. "God himself will always be with them [as their God]. He will wipe every tear from their eyes, and there shall be no more death or mourning, wailing or pain, [for] the old order has passed away" (Rev 21:3-4).

In faithful imitation of Jesus Christ, the Church has served the sick, suffering, and dying in various ways throughout history. The zealous service of individuals and communities has provided shelter for the traveler; infirmaries for the sick; and homes for children, adults, and the elderly.[3] In the United States, the many religious communities as well as dioceses that sponsor and staff this country's Catholic health care institutions and services have established an effective Catholic presence in health care. Modeling their efforts on the gospel parable of the Good Samaritan, these communities of women and men have exemplified authentic neighborliness to those in need (Lk 10:25-37). The Church seeks to ensure that the service offered in the past will be continued into the future.

While many religious communities continue their commitment to the health care ministry, lay Catholics increasingly have stepped forward to collaborate in this ministry. Inspired by the example of Christ and mandated by the Second Vatican Council, lay faithful are invited to a broader and more intense field of ministries than in the past.[4] By virtue of their Baptism, lay faithful are called to participate actively in the Church's life and mission.[5] Their participation and leadership in the health care ministry, through new forms of sponsorship and governance of institutional Catholic health care, are essential for the Church to continue her ministry of healing and compassion. They are joined in the Church's health care mission by many men and women who are not Catholic.

Catholic health care expresses the healing ministry of Christ in a specific way within the local church. Here the diocesan bishop exercises responsibilities that are rooted in his office as pastor, teacher, and priest. As the center of unity in the diocese and coordinator of ministries in the local church, the diocesan bishop fosters the mission of Catholic health care in a way that promotes collaboration among health care leaders, providers, medical professionals, theologians, and other specialists. As pastor, the diocesan bishop is in a unique position to encourage the faithful to greater responsibility in the healing ministry of the Church. As teacher, the diocesan bishop ensures the moral and religious identity of the health care ministry in whatever setting it is carried out in the diocese. As priest, the diocesan bishop oversees the sacramental care of the sick. These responsibilities will require that Catholic health care providers and the diocesan bishop engage in ongoing communication on ethical and pastoral matters that require his attention.

In a time of new medical discoveries, rapid technological developments, and social change, what is new can either be an opportunity for genuine advancement in human culture, or it can lead to policies and actions that are contrary to the true dignity and vocation of the human person. In consultation with medical professionals, church leaders review these developments, judge them according to the principles of right reason and the ultimate standard of revealed truth, and offer authoritative teaching and guidance about the moral and pastoral responsibilities entailed by the Christian faith.[6] While the Church cannot furnish a ready answer to every moral dilemma, there are many questions about which she provides normative guidance and direction. In the absence of a determination by the magisterium, but never contrary to church teaching, the guidance of approved authors can offer appropriate guidance for ethical decision making.

Created in God's image and likeness, the human family shares in the dominion that Christ manifested in his healing ministry. This sharing involves a stewardship over all material creation (Gn 1:26) that should neither abuse nor squander nature's resources. Through science the human race comes to understand God's wonderful work; and through technology it must conserve, protect, and perfect nature in harmony with God's purposes. Health care professionals pursue a special vocation to share in carrying forth God's life-giving and healing work.

The dialogue between medical science and Christian faith has for its primary purpose the common good of all human persons. It presupposes that science and faith do not contradict each other. Both are grounded in respect for truth and freedom. As new knowledge and new technologies expand, each person must form a correct conscience based on the moral norms for proper health care.

PART ONE

The Social Responsibility of Catholic Health Care Services

Introduction

Their embrace of Christ's healing mission has led institutionally based Catholic health care services in the United States to become an integral part of the nation's health care system. Today, this complex health care system confronts a range of economic, technological, social, and moral challenges. The response of Catholic health care institutions and services to these challenges is guided by normative principles that inform the Church's healing ministry.

First, Catholic health care ministry is rooted in a commitment to promote and defend human dignity; this is the foundation of its concern to respect the sacredness of every human life from the moment of conception until death. The first right of the human person, the right to life, entails a right to the means for the proper development of life, such as adequate health care.[7]

Second, the biblical mandate to care for the poor requires us to express this in concrete action at all levels of Catholic health care. This mandate prompts us to work to ensure that our country's health care delivery system provides adequate health care for the poor. In Catholic institutions, particular attention should be given to the health care needs of the poor, the uninsured, and the underinsured.[8]

Third, Catholic health care ministry seeks to contribute to the common good. The common good is realized when economic, political, and social conditions ensure protection for the fundamental rights of all individuals and enable all to fulfill their common purpose and reach their common goals.[9]

Fourth, Catholic health care ministry exercises responsible stewardship of available health care resources. A just health care system will be concerned both with promoting equity of care—to assure that the right of each person to basic health care is respected—and with promoting the good health of all in the community. The responsible stewardship of health care resources can be accomplished best in dialogue with people from all levels of society, in accordance with the principle of subsidiarity and with respect for the moral principles that guide institutions and persons.

Fifth, within a pluralistic society, Catholic health care services will encounter requests for medical procedures contrary to the moral teachings of the Church. Catholic health care does not offend the rights of individual conscience by refusing to provide or permit medical procedures that are judged morally wrong by the teaching authority of the Church.

Directives

1. A Catholic institutional health care service is a community that provides health care to those in need of it. This service must be animated by the Gospel of Jesus Christ and guided by the moral tradition of the Church.

2. Catholic health care should be marked by a spirit of mutual respect among caregivers that disposes them to deal with those it serves and their families with the compassion of Christ, sensitive to their vulnerability at a time of special need.

3. In accord with its mission, Catholic health care should distinguish itself by service to and advocacy for those people whose social condition puts them at the margins of our society and makes them particularly vulnerable to discrimination: the poor; the uninsured and the underinsured; children and the unborn; single parents; the elderly; those with incurable diseases and chemical dependencies; racial minorities; immigrants and refugees. In particular, the person

with mental or physical disabilities, regardless of the cause or severity, must be treated as a unique person of incomparable worth, with the same right to life and to adequate health care as all other persons.

4. A Catholic health care institution, especially a teaching hospital, will promote medical research consistent with its mission of providing health care and with concern for the responsible stewardship of health care resources. Such medical research must adhere to Catholic moral principles.

5. Catholic health care services must adopt these Directives as policy, require adherence to them within the institution as a condition for medical privileges and employment, and provide appropriate instruction regarding the Directives for administration, medical and nursing staff, and other personnel.

6. A Catholic health care organization should be a responsible steward of the health care resources available to it. Collaboration with other health care providers, in ways that do not compromise Catholic social and moral teaching, can be an effective means of such stewardship.[10]

7. A Catholic health care institution must treat its employees respectfully and justly. This responsibility includes: equal employment opportunities for anyone qualified for the task, irrespective of a person's race, sex, age, national origin, or disability; a workplace that promotes employee participation; a work environment that ensures employee safety and well-being; just compensation and benefits; and recognition of the rights of employees to organize and bargain collectively without prejudice to the common good.

8. Catholic health care institutions have a unique relationship to both the Church and the wider community they serve. Because of the ecclesial nature of this relationship, the relevant

requirements of canon law will be observed with regard to the foundation of a new Catholic health care institution; the substantial revision of the mission of an institution; and the sale, sponsorship transfer, or closure of an existing institution.

9. Employees of a Catholic health care institution must respect and uphold the religious mission of the institution and adhere to these Directives. They should maintain professional standards and promote the institution's commitment to human dignity and the common good.

PART TWO

The Pastoral and Spiritual Responsibility of Catholic Health Care

Introduction

The dignity of human life flows from creation in the image of God (Gn 1:26), from redemption by Jesus Christ (Eph 1:10; 1 Tm 2:4-6), and from our common destiny to share a life with God beyond all corruption (1 Cor 15:42-57). Catholic health care has the responsibility to treat those in need in a way that respects the human dignity and eternal destiny of all. The words of Christ have provided inspiration for Catholic health care: "I was ill and you cared for me" (Mt 25:36). The care provided assists those in need to experience their own dignity and value, especially when these are obscured by the burdens of illness or the anxiety of imminent death.

Since a Catholic health care institution is a community of healing and compassion, the care offered is not limited to the treatment of a disease or bodily ailment but embraces the physical, psychological, social, and spiritual dimensions of the human person. The medical expertise offered through Catholic health care is combined with other forms of care to promote health and relieve human suffering. For this reason, Catholic health care extends to the spiritual nature of the person. "Without health of the spirit, high technology focused strictly on the body offers limited hope for healing the whole person."[11] Directed to spiritual needs that are often appreciated more deeply during times of illness, pastoral care is an integral part of Catholic health care. Pastoral care encompasses the full range of spiritual services, including a listening presence; help in dealing with powerlessness, pain, and alienation; and assistance in recognizing and responding to God's will with greater joy and peace. It should be acknowledged, of course, that technological advances in medicine have reduced the length of hospital stays dramatically. It

follows, therefore, that the pastoral care of patients, especially administration of the sacraments, will be provided more often than not at the parish level, both before and after one's hospitalization. For this reason, it is essential that there be very cordial and cooperative relationships between the personnel of pastoral care departments and the local clergy and ministers of care.

Priests, deacons, religious, and laity exercise diverse but complementary roles in this pastoral care. Since many areas of pastoral care call upon the creative response of these pastoral caregivers to the particular needs of patients or residents, the following directives address only a limited number of specific pastoral activities.

Directives

10. A Catholic health care organization should provide pastoral care to minister to the religious and spiritual needs of all those it serves. Pastoral care personnel—clergy, religious, and lay alike—should have appropriate professional preparation, including an understanding of these Directives.

11. Pastoral care personnel should work in close collaboration with local parishes and community clergy. Appropriate pastoral services and/or referrals should be available to all in keeping with their religious beliefs or affiliation.

12. For Catholic patients or residents, provision for the sacraments is an especially important part of Catholic health care ministry. Every effort should be made to have priests assigned to hospitals and health care institutions to celebrate the Eucharist and provide the sacraments to patients and staff.

13. Particular care should be taken to provide and to publicize opportunities for patients or residents to receive the sacrament of Penance.

14. Properly prepared lay Catholics can be appointed to serve as extraordinary ministers of Holy Communion, in accordance with canon law and the policies of the local diocese. They should assist pastoral care personnel—clergy, religious, and laity—by providing supportive visits, advising patients regarding the availability of priests for the sacrament of Penance, and distributing Holy Communion to the faithful who request it.

15. Responsive to a patient's desires and condition, all involved in pastoral care should facilitate the availability of priests to provide the sacrament of Anointing of the Sick, recognizing that through this sacrament Christ provides grace and support to those who are seriously ill or weakened by advanced age. Normally, the sacrament is celebrated when the sick person is fully conscious. It may be conferred upon the sick who have lost consciousness or the use of reason, if there is reason to believe that they would have asked for the sacrament while in control of their faculties.

16. All Catholics who are capable of receiving Communion should receive Viaticum when they are in danger of death, while still in full possession of their faculties.[12]

17. Except in cases of emergency (i.e., danger of death), any request for Baptism made by adults or for infants should be referred to the chaplain of the institution. Newly born infants in danger of death, including those miscarried, should be baptized if this is possible.[13] In case of emergency, if a priest or a deacon is not available, anyone can validly baptize.[14] In the case of emergency Baptism, the chaplain or the director of pastoral care is to be notified.

18. When a Catholic who has been baptized but not yet confirmed is in danger of death, any priest may confirm the person.[15]

19. A record of the conferral of Baptism or Confirmation should be sent to the parish in which the institution is located and posted in its baptism/confirmation registers.

20. Catholic discipline generally reserves the reception of the sacraments to Catholics. In accord with canon 844, §3, Catholic ministers may administer the sacraments of Eucharist, Penance, and Anointing of the Sick to members of the oriental churches that do not have full communion with the Catholic Church, or of other churches that in the judgment of the Holy See are in the same condition as the oriental churches, if such persons ask for the sacraments on their own and are properly disposed.

With regard to other Christians not in full communion with the Catholic Church, when the danger of death or other grave necessity is present, the four conditions of canon 844, §4, also must be present, namely, they cannot approach a minister of their own community; they ask for the sacraments on their own; they manifest Catholic faith in these sacraments; and they are properly disposed. The diocesan bishop has the responsibility to oversee this pastoral practice.

21. The appointment of priests and deacons to the pastoral care staff of a Catholic institution must have the explicit approval or confirmation of the local bishop in collaboration with the administration of the institution. The appointment of the director of the pastoral care staff should be made in consultation with the diocesan bishop.

22. For the sake of appropriate ecumenical and interfaith relations, a diocesan policy should be developed with regard to the appointment of non-Catholic members to the pastoral care staff of a Catholic health care institution. The director of pastoral care at a Catholic institution should be a Catholic; any exception to this norm should be approved by the diocesan bishop.

PART THREE

The Professional-Patient Relationship

Introduction

A person in need of health care and the professional health care provider who accepts that person as a patient enter into a relationship that requires, among other things, mutual respect, trust, honesty, and appropriate confidentiality. The resulting free exchange of information must avoid manipulation, intimidation, or condescension. Such a relationship enables the patient to disclose personal information needed for effective care and permits the health care provider to use his or her professional competence most effectively to maintain or restore the patient's health. Neither the health care professional nor the patient acts independently of the other; both participate in the healing process.

Today, a patient often receives health care from a team of providers, especially in the setting of the modern acute-care hospital. But the resulting multiplication of relationships does not alter the personal character of the interaction between health care providers and the patient. The relationship of the person seeking health care and the professionals providing that care is an important part of the foundation on which diagnosis and care are provided. Diagnosis and care, therefore, entail a series of decisions with ethical as well as medical dimensions. The health care professional has the knowledge and experience to pursue the goals of healing, the maintenance of health, and the compassionate care of the dying, taking into account the patient's convictions and spiritual needs, and the moral responsibilities of all concerned. The person in need of health care depends on the skill of the health care provider to assist in preserving life and promoting

health of body, mind, and spirit. The patient, in turn, has a responsibility to use these physical and mental resources in the service of moral and spiritual goals to the best of his or her ability.

When the health care professional and the patient use institutional Catholic health care, they also accept its public commitment to the Church's understanding of and witness to the dignity of the human person. The Church's moral teaching on health care nurtures a truly interpersonal professional-patient relationship. This professional-patient relationship is never separated, then, from the Catholic identity of the health care institution. The faith that inspires Catholic health care guides medical decisions in ways that fully respect the dignity of the person and the relationship with the health care professional.

Directives

23. The inherent dignity of the human person must be respected and protected regardless of the nature of the person's health problem or social status. The respect for human dignity extends to all persons who are served by Catholic health care.

24. In compliance with federal law, a Catholic health care institution will make available to patients information about their rights, under the laws of their state, to make an advance directive for their medical treatment. The institution, however, will not honor an advance directive that is contrary to Catholic teaching. If the advance directive conflicts with Catholic teaching, an explanation should be provided as to why the directive cannot be honored.

25. Each person may identify in advance a representative to make health care decisions as his or her surrogate in the event that the person loses the capacity to make health care decisions. Decisions by the designated surrogate should be faithful to Catholic moral principles and to the person's intentions and values, or if the person's intentions are unknown, to the person's best interests. In the event that an advance directive is not executed, those who are in a position to

know best the patient's wishes—usually family members and loved ones—should participate in the treatment decisions for the person who has lost the capacity to make health care decisions.

26. The free and informed consent of the person or the person's surrogate is required for medical treatments and procedures, except in an emergency situation when consent cannot be obtained and there is no indication that the patient would refuse consent to the treatment.

27. Free and informed consent requires that the person or the person's surrogate receive all reasonable information about the essential nature of the proposed treatment and its benefits; its risks, side-effects, consequences, and cost; and any reasonable and morally legitimate alternatives, including no treatment at all.

28. Each person or the person's surrogate should have access to medical and moral information and counseling so as to be able to form his or her conscience. The free and informed health care decision of the person or the person's surrogate is to be followed so long as it does not contradict Catholic principles.

29. All persons served by Catholic health care have the right and duty to protect and preserve their bodily and functional integrity.[16] The functional integrity of the person may be sacrificed to maintain the health or life of the person when no other morally permissible means is available.[17]

30. The transplantation of organs from living donors is morally permissible when such a donation will not sacrifice or seriously impair any essential bodily function and the anticipated benefit to the recipient is proportionate to the harm done to the donor. Furthermore, the freedom of the prospective donor must be respected, and economic advantages should not accrue to the donor.

31. No one should be the subject of medical or genetic experimentation, even if it is therapeutic, unless the person or surrogate first has given free and informed consent. In instances of nontherapeutic experimentation, the surrogate can give this consent only if the experiment entails no significant risk to the person's well-being. Moreover, the greater the person's incompetency and vulnerability, the greater the reasons must be to perform any medical experimentation, especially nontherapeutic.

32. While every person is obliged to use ordinary means to preserve his or her health, no person should be obliged to submit to a health care procedure that the person has judged, with a free and informed conscience, not to provide a reasonable hope of benefit without imposing excessive risks and burdens on the patient or excessive expense to family or community.[18]

33. The well-being of the whole person must be taken into account in deciding about any therapeutic intervention or use of technology. Therapeutic procedures that are likely to cause harm or undesirable side-effects can be justified only by a proportionate benefit to the patient.

34. Health care providers are to respect each person's privacy and confidentiality regarding information related to the person's diagnosis, treatment, and care.

35. Health care professionals should be educated to recognize the symptoms of abuse and violence and are obliged to report cases of abuse to the proper authorities in accordance with local statutes.

36. Compassionate and understanding care should be given to a person who is the victim of sexual assault. Health care providers should cooperate with law enforcement officials and offer the person psychological and spiritual support as well as accurate medical information. A female who has been raped should be able to defend herself against a potential conception from the sexual assault. If, after appropriate testing, there is no evidence that conception has occurred

already, she may be treated with medications that would prevent ovulation, sperm capacitation, or fertilization. It is not permissible, however, to initiate or to recommend treatments that have as their purpose or direct effect the removal, destruction, or interference with the implantation of a fertilized ovum.[19]

37. An ethics committee or some alternate form of ethical consultation should be available to assist by advising on particular ethical situations, by offering educational opportunities, and by reviewing and recommending policies. To these ends, there should be appropriate standards for medical ethical consultation within a particular diocese that will respect the diocesan bishop's pastoral responsibility as well as assist members of ethics committees to be familiar with Catholic medical ethics and, in particular, these Directives.

PART FOUR

Issues in Care for the Beginning of Life

Introduction

The Church's commitment to human dignity inspires an abiding concern for the sanctity of human life from its very beginning, and with the dignity of marriage and of the marriage act by which human life is transmitted. The Church cannot approve medical practices that undermine the biological, psychological, and moral bonds on which the strength of marriage and the family depends.

Catholic health care ministry witnesses to the sanctity of life "from the moment of conception until death."[20] The Church's defense of life encompasses the unborn and the care of women and their children during and after pregnancy. The Church's commitment to life is seen in its willingness to collaborate with others to alleviate the causes of the high infant mortality rate and to provide adequate health care to mothers and their children before and after birth.

The Church has the deepest respect for the family, for the marriage covenant, and for the love that binds a married couple together. This includes respect for the marriage act by which husband and wife express their love and cooperate with God in the creation of a new human being. The Second Vatican Council affirms:

> This love is an eminently human one. . . . It involves the good of the whole person. . . . The actions within marriage by which the couple are united intimately and chastely are noble and worthy ones. Expressed in a manner which is truly

human, these actions signify and promote that mutual self-giving by which spouses enrich each other with a joyful and a thankful will.[21]

Marriage and conjugal love are by their nature ordained toward the begetting and educating of children. Children are really the supreme gift of marriage and contribute very substantially to the welfare of their parents. . . . Parents should regard as their proper mission the task of transmitting human life and educating those to whom it has been transmitted. . . . They are thereby cooperators with the love of God the Creator, and are, so to speak, the interpreters of that love.[22]

For legitimate reasons of responsible parenthood, married couples may limit the number of their children by natural means. The Church cannot approve contraceptive interventions that "either in anticipation of the marital act, or in its accomplishment or in the development of its natural consequences, have the purpose, whether as an end or a means, to render procreation impossible."[23] Such interventions violate "the inseparable connection, willed by God . . . between the two meanings of the conjugal act: the unitive and procreative meaning."[24]

With the advance of the biological and medical sciences, society has at its disposal new technologies for responding to the problem of infertility. While we rejoice in the potential for good inherent in many of these technologies, we cannot assume that what is technically possible is always morally right. Reproductive technologies that substitute for the marriage act are not consistent with human dignity. Just as the marriage act is joined naturally to procreation, so procreation is joined naturally to the marriage act. As Pope John XXIII observed:

The transmission of human life is entrusted by nature to a personal and conscious act and as such is subject to all the holy laws of God: the immutable and

inviolable laws which must be recognized and observed. For this reason, one cannot use means and follow methods which could be licit in the transmission of the life of plants and animals.[25]

Because the moral law is rooted in the whole of human nature, human persons, through intelligent reflection on their own spiritual destiny, can discover and cooperate in the plan of the Creator.[26]

Directives

38. When the marital act of sexual intercourse is not able to attain its procreative purpose, assistance that does not separate the unitive and procreative ends of the act, and does not substitute for the marital act itself, may be used to help married couples conceive.[27]

39. Those techniques of assisted conception that respect the unitive and procreative meanings of sexual intercourse and do not involve the destruction of human embryos, or their deliberate generation in such numbers that it is clearly envisaged that all cannot implant and some are simply being used to maximize the chances of others implanting, may be used as therapies for infertility.

40. Heterologous fertilization (that is, any technique used to achieve conception by the use of gametes coming from at least one donor other than the spouses) is prohibited because it is contrary to the covenant of marriage, the unity of the spouses, and the dignity proper to parents and the child.[28]

41. Homologous artificial fertilization (that is, any technique used to achieve conception using the gametes of the two spouses joined in marriage) is prohibited when it separates procreation from the marital act in its unitive significance (e.g., any technique used to achieve extracorporeal conception).[29]

42. Because of the dignity of the child and of marriage, and because of the uniqueness of the mother-child relationship, participation in contracts or arrangements for surrogate motherhood is not permitted. Moreover, the commercialization of such surrogacy denigrates the dignity of women, especially the poor.[30]

43. A Catholic health care institution that provides treatment for infertility should offer not only technical assistance to infertile couples but also should help couples pursue other solutions (e.g., counseling, adoption).

44. A Catholic health care institution should provide prenatal, obstetric, and postnatal services for mothers and their children in a manner consonant with its mission.

45. Abortion (that is, the directly intended termination of pregnancy before viability or the directly intended destruction of a viable fetus) is never permitted. Every procedure whose sole immediate effect is the termination of pregnancy before viability is an abortion, which, in its moral context, includes the interval between conception and implantation of the embryo. Catholic health care institutions are not to provide abortion services, even based upon the principle of material cooperation. In this context, Catholic health care institutions need to be concerned about the danger of scandal in any association with abortion providers.

46. Catholic health care providers should be ready to offer compassionate physical, psychological, moral, and spiritual care to those persons who have suffered from the trauma of abortion.

47. Operations, treatments, and medications that have as their direct purpose the cure of a proportionately serious pathological condition of a pregnant woman are permitted when they cannot be safely postponed until the unborn child is viable, even if they will result in the death of the unborn child.

48. In case of extrauterine pregnancy, no intervention is morally licit which constitutes a direct abortion.[31]

49. For a proportionate reason, labor may be induced after the fetus is viable.

50. Prenatal diagnosis is permitted when the procedure does not threaten the life or physical integrity of the unborn child or the mother and does not subject them to disproportionate risks; when the diagnosis can provide information to guide preventative care for the mother or pre- or postnatal care for the child; and when the parents, or at least the mother, give free and informed consent. Prenatal diagnosis is not permitted when undertaken with the intention of aborting an unborn child with a serious defect.[32]

51. Nontherapeutic experiments on a living embryo or fetus are not permitted, even with the consent of the parents. Therapeutic experiments are permitted for a proportionate reason with the free and informed consent of the parents or, if the father cannot be contacted, at least of the mother. Medical research that will not harm the life or physical integrity of an unborn child is permitted with parental consent.[33]

52. Catholic health institutions may not promote or condone contraceptive practices but should provide, for married couples and the medical staff who counsel them, instruction both about the Church's teaching on responsible parenthood and in methods of natural family planning.

53. Direct sterilization of either men or women, whether permanent or temporary, is not permitted in a Catholic health care institution. Procedures that induce sterility are permitted when their direct effect is the cure or alleviation of a present and serious pathology and a simpler treatment is not available.[34]

54. Genetic counseling may be provided in order to promote responsible parenthood and to prepare for the proper treatment and care of children with genetic defects, in accordance with Catholic moral teaching and the intrinsic rights and obligations of married couples regarding the transmission of life.

PART FIVE

Issues in Care for the Seriously Ill and Dying

Introduction

Christ's redemption and saving grace embrace the whole person, especially in his or her illness, suffering, and death.[35] The Catholic health care ministry faces the reality of death with the confidence of faith. In the face of death—for many, a time when hope seems lost—the Church witnesses to her belief that God has created each person for eternal life.[36]

Above all, as a witness to its faith, a Catholic health care institution will be a community of respect, love, and support to patients or residents and their families as they face the reality of death. What is hardest to face is the process of dying itself, especially the dependency, the helplessness, and the pain that so often accompany terminal illness. One of the primary purposes of medicine in caring for the dying is the relief of pain and the suffering caused by it. Effective management of pain in all its forms is critical in the appropriate care of the dying.

The truth that life is a precious gift from God has profound implications for the question of stewardship over human life. We are not the owners of our lives and, hence, do not have absolute power over life. We have a duty to preserve our life and to use it for the glory of God, but the duty to preserve life is not absolute, for we may reject life-prolonging procedures that are insufficiently beneficial or excessively burdensome. Suicide and euthanasia are never morally acceptable options.

The task of medicine is to care even when it cannot cure. Physicians and their patients must evaluate the use of the technology at their disposal. Reflection on the innate dignity of human life in all its dimensions and on the purpose of medical care is indispensable for

formulating a true moral judgment about the use of technology to maintain life. The use of life-sustaining technology is judged in light of the Christian meaning of life, suffering, and death. In this way two extremes are avoided: on the one hand, an insistence on useless or burdensome technology even when a patient may legitimately wish to forgo it and, on the other hand, the withdrawal of technology with the intention of causing death.[37]

The Church's teaching authority has addressed the moral issues concerning medically assisted nutrition and hydration. We are guided on this issue by Catholic teaching against euthanasia, which is "an action or an omission which of itself or by intention causes death, in order that all suffering may in this way be eliminated."[38] While medically assisted nutrition and hydration are not morally obligatory in certain cases, these forms of basic care should in principle be provided to all patients who need them, including patients diagnosed as being in a "persistent vegetative state" (PVS), because even the most severely debilitated and helpless patient retains the full dignity of a human person and must receive ordinary and proportionate care.

Directives

55. Catholic health care institutions offering care to persons in danger of death from illness, accident, advanced age, or similar condition should provide them with appropriate opportunities to prepare for death. Persons in danger of death should be provided with whatever information is necessary to help them understand their condition and have the opportunity to discuss their condition with their family members and care providers. They should also be offered the appropriate medical information that would make it possible to address the morally legitimate choices available to them. They should be provided the spiritual support as well as the opportunity to receive the sacraments in order to prepare well for death.

56. A person has a moral obligation to use ordinary or proportionate means of preserving his or her life. Proportionate means are those that in the judgment of the patient offer a reasonable hope of benefit and do not entail an excessive burden or impose excessive expense on the family or the community.[39]

57. A person may forgo extraordinary or disproportionate means of preserving life. Disproportionate means are those that in the patient's judgment do not offer a reasonable hope of benefit or entail an excessive burden, or impose excessive expense on the family or the community.

58. In principle, there is an obligation to provide patients with food and water, including medically assisted nutrition and hydration for those who cannot take food orally. This obligation extends to patients in chronic and presumably irreversible conditions (e.g., the "persistent vegetative state") who can reasonably be expected to live indefinitely if given such care.[40] Medically assisted nutrition and hydration become morally optional when they cannot reasonably be expected to prolong life or when they would be "excessively burdensome for the patient or [would] cause significant physical discomfort, for example resulting from complications in the use of the means employed."[41] For instance, as a patient draws close to inevitable death from an underlying progressive and fatal condition, certain measures to provide nutrition and hydration may become excessively burdensome and therefore not obligatory in light of their very limited ability to prolong life or provide comfort.

59. The free and informed judgment made by a competent adult patient concerning the use or withdrawal of life-sustaining procedures should always be respected and normally complied with, unless it is contrary to Catholic moral teaching.

60. Euthanasia is an action or omission that of itself or by intention causes death in order to alleviate suffering. Catholic health care institutions may never condone or participate in euthanasia or assisted suicide in any way. Dying patients who request euthanasia should receive loving care, psychological and spiritual support, and appropriate remedies for pain and other symptoms so that they can live with dignity until the time of natural death.[42]

61. Patients should be kept as free of pain as possible so that they may die comfortably and with dignity, and in the place where they wish to die. Since a person has the right to prepare for his or her death while fully conscious, he or she should not be deprived of consciousness without a compelling reason. Medicines capable of alleviating or suppressing pain may be given to a dying person, even if this therapy may indirectly shorten the person's life so long as the intent is not to hasten death. Patients experiencing suffering that cannot be alleviated should be helped to appreciate the Christian understanding of redemptive suffering.

62. The determination of death should be made by the physician or competent medical authority in accordance with responsible and commonly accepted scientific criteria.

63. Catholic health care institutions should encourage and provide the means whereby those who wish to do so may arrange for the donation of their organs and bodily tissue, for ethically legitimate purposes, so that they may be used for donation and research after death.

64. Such organs should not be removed until it has been medically determined that the patient has died. In order to prevent any conflict of interest, the physician who determines death should not be a member of the transplant team.

65. The use of tissue or organs from an infant may be permitted after death has been determined and with the informed consent of the parents or guardians.

66. Catholic health care institutions should not make use of human tissue obtained by direct abortions even for research and therapeutic purposes.[43]

PART SIX

Forming New Partnerships with Health Care Organizations and Providers

Introduction

Until recently, most health care providers enjoyed a degree of independence from one another. In ever-increasing ways, Catholic health care providers have become involved with other health care organizations and providers. For instance, many Catholic health care systems and institutions share in the joint purchase of technology and services with other local facilities or physicians' groups. Another phenomenon is the growing number of Catholic health care systems and institutions joining or co-sponsoring integrated delivery networks or managed care organizations in order to contract with insurers and other health care payers. In some instances, Catholic health care systems sponsor a health care plan or health maintenance organization. In many dioceses, new partnerships will result in a decrease in the number of health care providers, at times leaving the Catholic institution as the sole provider of health care services. At whatever level, new partnerships forge a variety of interwoven relationships: between the various institutional partners, between health care providers and the community, between physicians and health care services, and between health care services and payers.

On the one hand, new partnerships can be viewed as opportunities for Catholic health care institutions and services to witness to their religious and ethical commitments and so influence the healing profession. For example, new partnerships can help to implement the Church's social teaching. New partnerships can be opportunities to realign the local delivery system in order to provide a continuum of health care to the community; they can witness to a

responsible stewardship of limited health care resources; and they can be opportunities to provide to poor and vulnerable persons a more equitable access to basic care.

On the other hand, new partnerships can pose serious challenges to the viability of the identity of Catholic health care institutions and services, and their ability to implement these Directives in a consistent way, especially when partnerships are formed with those who do not share Catholic moral principles. The risk of scandal cannot be underestimated when partnerships are not built upon common values and moral principles. Partnership opportunities for some Catholic health care providers may even threaten the continued existence of other Catholic institutions and services, particularly when partnerships are driven by financial considerations alone. Because of the potential dangers involved in the new partnerships that are emerging, an increased collaboration among Catholic-sponsored health care institutions is essential and should be sought before other forms of partnerships.

The significant challenges that new partnerships may pose, however, do not necessarily preclude their possibility on moral grounds. The potential dangers require that new partnerships undergo systematic and objective moral analysis, which takes into account the various factors that often pressure institutions and services into new partnerships that can diminish the autonomy and ministry of the Catholic partner. The following directives are offered to assist institutionally based Catholic health care services in this process of analysis. To this end, the United States Conference of Catholic Bishops (formerly the National Conference of Catholic Bishops) has established the Ad Hoc Committee on Health Care Issues and the Church as a resource for bishops and health care leaders.

This new edition of the *Ethical and Religious Directives* omits the appendix concerning cooperation, which was contained in the 1995 edition. Experience has shown that the brief

articulation of the principles of cooperation that was presented there did not sufficiently forestall certain possible misinterpretations and in practice gave rise to problems in concrete applications of the principles. Reliable theological experts should be consulted in interpreting and applying the principles governing cooperation, with the proviso that, as a rule, Catholic partners should avoid entering into partnerships that would involve them in cooperation with the wrongdoing of other providers.

Directives

67. Decisions that may lead to serious consequences for the identity or reputation of Catholic health care services, or entail the high risk of scandal, should be made in consultation with the diocesan bishop or his health care liaison.

68. Any partnership that will affect the mission or religious and ethical identity of Catholic health care institutional services must respect church teaching and discipline. Diocesan bishops and other church authorities should be involved as such partnerships are developed, and the diocesan bishop should give the appropriate authorization before they are completed. The diocesan bishop's approval is required for partnerships sponsored by institutions subject to his governing authority; for partnerships sponsored by religious institutes of pontifical right, his *nihil obstat* should be obtained.

69. If a Catholic health care organization is considering entering into an arrangement with another organization that may be involved in activities judged morally wrong by the Church, participation in such activities must be limited to what is in accord with the moral principles governing cooperation.

70. Catholic health care organizations are not permitted to engage in immediate material cooperation in actions that are intrinsically immoral, such as abortion, euthanasia, assisted suicide, and direct sterilization.[44]

71. The possibility of scandal must be considered when applying the principles governing cooperation.[45] Cooperation, which in all other respects is morally licit, may need to be refused because of the scandal that might be caused. Scandal can sometimes be avoided by an appropriate explanation of what is in fact being done at the health care facility under Catholic auspices. The diocesan bishop has final responsibility for assessing and addressing issues of scandal, considering not only the circumstances in his local diocese but also the regional and national implications of his decision.[46]

72. The Catholic partner in an arrangement has the responsibility periodically to assess whether the binding agreement is being observed and implemented in a way that is consistent with Catholic teaching.

CONCLUSION

Sickness speaks to us of our limitations and human frailty. It can take the form of infirmity resulting from the simple passing of years or injury from the exuberance of youthful energy. It can be temporary or chronic, debilitating, and even terminal. Yet the follower of Jesus faces illness and the consequences of the human condition aware that our Lord always shows compassion toward the infirm.

Jesus not only taught his disciples to be compassionate, but he also told them who should be the special object of their compassion. The parable of the feast with its humble guests was preceded by the instruction: "When you hold a banquet, invite the poor, the crippled, the lame, the blind" (Lk 14:13). These were people whom Jesus healed and loved.

Catholic health care is a response to the challenge of Jesus to go and do likewise. Catholic health care services rejoice in the challenge to be Christ's healing compassion in the world and see their ministry not only as an effort to restore and preserve health but also as a spiritual service and a sign of that final healing that will one day bring about the new creation that is the ultimate fruit of Jesus' ministry and God's love for us.

Notes

1. United States Conference of Catholic Bishops, *Health and Health Care: A Pastoral Letter of the American Catholic Bishops* (Washington, DC: United States Conference of Catholic Bishops, 1981).

2. Health care services under Catholic auspices are carried out in a variety of institutional settings (e.g., hospitals, clinics, outpatient facilities, urgent care centers, hospices, nursing homes, and parishes). Depending on the context, these Directives will employ the terms "institution" and/or "services" in order to encompass the variety of settings in which Catholic health care is provided.

3. *Health and Health Care,* p. 5.

4. Second Vatican Ecumenical Council, *Decree on the Apostolate of the Laity* (*Apostolicam Actuositatem*) (1965), no. 1.

5. Pope John Paul II, Post-Synodal Apostolic Exhortation *On the Vocation and the Mission of the Lay Faithful in the Church and in the World* (*Christifideles Laici*) (Washington, DC: United States Conference of Catholic Bishops, 1988), no. 29.

6. As examples, see Congregation for the Doctrine of the Faith, *Declaration on Procured Abortion* (1974); Congregation for the Doctrine of the Faith, *Declaration on Euthanasia* (1980); Congregation for the Doctrine of the Faith, *Instruction on Respect for Human Life in Its Origin and on the Dignity of Procreation: Replies to Certain Questions of the Day* (*Donum Vitae*) (Washington, DC: United States Conference of Catholic Bishops, 1987).

7. Pope John XXIII, Encyclical Letter *Peace on Earth* (*Pacem in Terris*) (Washington, DC: United States Conference of Catholic Bishops, 1963), no. 11; *Health and Health Care,* pp. 5, 17-18; *Catechism of the Catholic Church,* 2nd ed. (Washington, DC: Libreria Editrice Vaticana– United States Conference of Catholic Bishops, 2000), no. 2211.

8. Pope John Paul II, *On Social Concern, Encyclical Letter on the Occasion of the Twentieth Anniversary of "Populorum Progressio"* (*Sollicitudo Rei Socialis*) (Washington, DC: United States Conference of Catholic Bishops, 1988), no. 43.

9. United States Conference of Catholic Bishops, *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy* (Washington, DC: United States Conference of Catholic Bishops, 1986), no. 80.

10. The duty of responsible stewardship demands responsible collaboration. But in collaborative efforts, Catholic institutionally based health care services must be attentive to occasions when the policies and practices of other institutions are not compatible with the Church's authoritative moral teaching. At such times, Catholic health care institutions should determine whether or to what degree collaboration would be morally permissible. To make that judgment, the governing boards of Catholic institutions should adhere to the moral principles on cooperation. See Part Six.

11. *Health and Health Care,* p. 12.

12. Cf. *Code of Canon Law,* cc. 921-923.

13. Cf. ibid., c. 867, § 2, and c. 871.

14. To confer Baptism in an emergency, one must have the proper intention (to do what the Church intends by Baptism) and pour water on the head of the person to be baptized, meanwhile pronouncing the words: "I baptize you in the name of the Father, and of the Son, and of the Holy Spirit."

15. Cf. c. 883, 3°.

16. For example, while the donation of a kidney represents loss of biological integrity, such a donation does not compromise functional integrity since human beings are capable of functioning with only one kidney.

17. Cf. directive 53.

18. *Declaration on Euthanasia,* Part IV; cf. also directives 56-57.

19. It is recommended that a sexually assaulted woman be advised of the ethical restrictions that prevent Catholic hospitals from using abortifacient procedures; cf. Pennsylvania Catholic Conference, "Guidelines for Catholic Hospitals Treating Victims of Sexual Assault," *Origins* 22 (1993): 810.

20. Pope John Paul II, "Address of October 29, 1983, to the 35th General Assembly of the World Medical Association," *Acta Apostolicae Sedis* 76 (1984): 390.

21. Second Vatican Ecumenical Council, *Pastoral Constitution on the Church in the Modern World* (*Gaudium et Spes*) (1965), no. 49.

22. Ibid., no. 50.

23. Pope Paul VI, Encyclical Letter *On the Regulation of Birth* (*Humanae Vitae*) (Washington, DC: United States Conference of Catholic Bishops, 1968), no. 14.

24. Ibid., no. 12.

25. Pope John XXIII, Encyclical Letter *Mater et Magistra* (1961), no. 193, quoted in Congregation for the Doctrine of the Faith, *Donum Vitae,* no. 4.

26. Pope John Paul II, Encyclical Letter *The Splendor of Truth* (*Veritatis Splendor*) (Washington, DC: United States Conference of Catholic Bishops, 1993), no. 50.

27. "Homologous artificial insemination within marriage cannot be admitted except for those cases in which the technical means is not a substitute for the conjugal act but serves to facilitate and to help so that the act attains its natural purpose" (*Donum Vitae,* Part II, B, no. 6; cf. also Part I, nos. 1, 6).

28. Ibid., Part II, A, no. 2.

29. "Artificial insemination as a substitute for the conjugal act is prohibited by reason of the voluntarily achieved dissociation of the two meanings of the conjugal act. Masturbation, through which the sperm is normally obtained, is another sign of this dissociation: even when it is done for the purpose of procreation, the act remains deprived of its unitive meaning: 'It lacks the sexual relationship called for by the moral order, namely, the relationship which realizes "the full sense of mutual self-giving and human procreation in the context of true love"'" (*Donum Vitae,* Part II, B, no. 6).

30. Ibid., Part II, A, no. 3.

31. Cf. directive 45.

32. *Donum Vitae,* Part I, no. 2.

33. Cf. ibid., no. 4. (Washington, DC: United States Conference of Catholic Bishops, 1988), no. 43.

34. Cf. Congregation for the Doctrine of the Faith, "Responses on Uterine Isolation and Related Matters," July 31, 1993, *Origins* 24 (1994): 211-212.

35. Pope John Paul II, Apostolic Letter *On the Christian Meaning of Human Suffering* (*Salvifici Doloris*) (Washington, DC: United States Conference of Catholic Bishops, 1984), nos. 25-27.

36. United States Conference of Catholic Bishops, *Order of Christian Funerals* (Collegeville, Minn.: The Liturgical Press, 1989), no. 1.

37. See *Declaration on Euthanasia.*

38. Ibid., Part II.

39. Ibid., Part IV; Pope John Paul II, Encyclical Letter *On the Value and Inviolability of Human Life* (*Evangelium Vitae*) (Washington, DC: United States Conference of Catholic Bishops, 1995), no. 65.

40. See Pope John Paul II, Address to the Participants in the International Congress on "Life-Sustaining Treatments and Vegetative State: Scientific Advances and Ethical Dilemmas" (March 20, 2004), no. 4, where he emphasized that "the administration of water and food, even when provided by artificial means, always represents a *natural means* of preserving life, not a *medical act*." See also Congregation for the Doctrine of the Faith, "Responses to Certain Questions of the United States Conference of Catholic Bishops Concerning Artificial Nutrition and Hydration" (August 1, 2007).

41. Congregation for the Doctrine of the Faith, Commentary on "Responses to Certain Questions of the United States Conference of Catholic Bishops Concerning Artificial Nutrition and Hydration."

42. See *Declaration on Euthanasia*, Part IV.

43. *Donum Vitae,* Part I, no. 4.

44. While there are many acts of varying moral gravity that can be identified as intrinsically evil, in the context of contemporary health care the most pressing concerns are currently abortion, euthanasia, assisted suicide, and direct sterilization. See Pope John Paul II's *Ad Limina* Address to the bishops of Texas, Oklahoma, and Arkansas (Region X), in *Origins* 28 (1998): 283. See also "Reply of the Sacred Congregation for the Doctrine of the Faith on Sterilization in Catholic Hospitals" (*Quaecumqu Sterilizatio*), March 13, 1975, *Origins* 6 (1976): 33-35: "Any cooperation institutionally approved or tolerated in actions which are in themselves, that is, by their nature and condition, directed to a contraceptive end . . . is absolutely forbidden. For the official approbation of direct sterilization and, *a fortiori*, its management and execution in accord with hospital regulations, is a matter which, in the objective order, is by its very nature (or intrinsically) evil." This directive supersedes the "Commentary on the Reply of the Sacred Congregation for the Doctrine of the Faith on Sterilization in Catholic Hospitals" published by the National Conference of Catholic Bishops on September 15, 1977, in *Origins* 7 (1977): 399-400.

45. See *Catechism of the Catholic Church*: "Scandal is an attitude or behavior which leads another to do evil" (no. 2284); "Anyone who uses the power at his disposal in such a way that it leads others to do wrong becomes guilty of scandal and responsible for the evil that he has directly or indirectly encouraged" (no. 2287).

46. See "The Pastoral Role of the Diocesan Bishop in Catholic Health Care Ministry," *Origins* 26 (1997): 703.

This fifth edition of the *Ethical and Religious Directives for Catholic Health Care Services* was developed by the Committee on Doctrine of the United States Conference of Catholic Bishops (USCCB) and approved as the national code by the full body of the USCCB at its November 2009 General Meeting. This edition of the *Directives*, which replaces all previous editions, is recommended for implementation by the diocesan bishop and is authorized for publication by the undersigned.

Msgr. David J. Malloy, STD
General Secretary, USCCB

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Exhibit 1.25(a)
Persons With Knowledge

To Be Delivered at Closing

Exhibit 1.25(b)
Persons With Knowledge

- Regarding §9.5(c), 9.19 and 9.20: Maryann Magnifico
- Regarding §9.7: Barbara Purves
- Regarding §9.12 and 9.25: Peg Wendell
- Regarding §9.13: Tracy Rogers
- Regarding §9.14: Le Ann Kadlec and Barbara Purves
- Regarding §9.15: Le Ann Kadlec, Sandra Kraus, Barbara Purves and Peg Wendell
- Regarding §9.16: Jerry Burgess and Lisa Neuman
- Regarding §9.17: Clayton Ciha, John Werrbach and Len Wilk
- Regarding §9.18: Jean Justie
- Regarding §9.23: Jerry Burgess and Peg Wendell

Exhibit 2.2
Non-Tax Exempt AMH and Alexian Covered Affiliates

Alexian Covered Affiliates:

- Alexian Brothers Accountable Care Organization, LLC*
- Alexian Brothers Bettendorf Place, LLC*
- Alexian Brothers Clinically Integrated Network, LLC*
- Alexian Brothers Health Providers Association, Inc., an Illinois not-for-profit corporation
- Alexian Rehabilitation Services, LLC, an Illinois limited liability company
- Bonaventure Medical Foundation, LLC (d/b/a Alexian Brothers Medical Foundation), a Delaware limited liability company
- Elk Grove M.O.B., Limited Partnership
- Illinois NeuroMEG Center, LLC, an Illinois limited liability company
- Neurosciences Equipment, LLC, an Illinois limited liability company
- St. Alexius Center for Sleep Health, LLC, an Illinois limited liability company
- Savelli Properties, Inc., an Illinois not-for-profit corporation**
- Thelen Corporation, an Illinois corporation
- Wimmer Management, LLC, an Illinois limited liability company

* These entities are single-member limited liability companies treated as disregarded entities by the Internal Revenue Service, i.e., treated as a division of their tax-exempt members.
** This entity is exempt from federal income taxation under Internal Revenue Code Section 501(c)(2).

AMH Covered Affiliates:

- Elm Creek Property Management, LLC, an Illinois limited liability company

Exhibit 3.5
Senior Executives

To Be Delivered at Closing

4814-4934-6335.7

Exhibit 3.6
AB-AMCO Executives

To Be Delivered at Closing

Exhibit 8.4
AMH Joint Ventures

- Adventist Health Network, NFP, an Illinois not-for-profit corporation
- Adventist Midwest Health/USP Surgery Centers, LLC, an Illinois limited liability company
- Hinsdale Surgical Center, LLC, an Illinois limited liability company

Exhibit 9.4
Alexian Joint Ventures

- Elk Grove M.O.B., Limited Partnership
- Hoffman Estates Surgery Center, LLC, an Illinois limited liability company
- Merit Center for Sleep Health of Arlington Heights, LLC, an Illinois limited liability company
- Merit Center for Sleep Health of Prairie Stone, LLC, an Illinois limited liability company
- Merit Center for Sleep Health of Streamwood, LLC, an Illinois limited liability company
- Neurosciences Equipment, LLC, an Illinois limited liability company
- St. Alexius Center for Sleep Health, LLC, an Illinois limited liability company

ADVENTIST HINDSALE HOSPITAL & ADVENTIST LA GRANGE MEMORIAL HOSPITAL
COMBINED BALANCE SHEET
DECEMBER 31, 2013

	THIS MONTH	PRIOR MONTH	BEGIN. BALANCE THIS YEAR	INC/DEC (-) THIS YEAR
LIABILITIES				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	14,257,357.80	13,907,442.45	13,833,904.45	423,453.35
ACCRUED COMPENSATION PAYA	22,474,993.72	21,663,087.49	21,212,153.74	1,262,839.98
ACCRUED INTEREST PAYABLE	1,585,926.00	307,825.00	1,515,856.00	70,070.00
OTHER ACCRUED EXPENSES	919,637.73	853,249.94	2,753,309.99	(1,833,672.26)
PAYABLE TO THIRD PARTIES	39,757,160.28	39,920,203.16	45,517,301.08	(5,760,140.70)
NOTES AND LOANS PAYABLE	10,263,541.00	10,263,541.00	10,292,413.00	(28,872.00)
CURRENT PORTION-LONG DEBT	7,037,875.24	7,037,875.24	8,176,453.63	(1,138,578.39)
OTHER CURRENT LIABILITIES	8,694,289.46	5,490,619.70	8,315,749.59	378,539.87
TOTAL CURRENT LIABILITES	**104,990,781.23**	**99,443,843.98**	**111,617,141.48**	**(6,626,360.15)**
LONG-TERM OBLIGATIONS				
BONDS PAYABLE	281,858,156.00	283,998,938.00	290,977,686.00	(9,119,530.00)
LEASES PAYABLE	895,719.56	1,015,469.48	1,142,053.10	(246,333.54)
OTHER NON-CURRENT LIAB.	8,923,530.58	8,793,678.30	8,399,661.20	523,869.38
TOTAL LONG-TERM OBLIGATIONS	**291,677,406.14**	**293,808,085.78**	**300,519,400.30**	**(8,841,994.16)**
FUND BALANCE				
GENERAL FUND BALANCE				
ACCUMULATED EARNINGS	2,662,808.43	261,473.83	-	2,662,808.43
GENERAL FUND BALANCE	138,792,189.20	193,059,442.10	194,261,578.26	(55,469,389.06)
TOTAL GENERAL FUND BALANCE	**141,454,997.63**	**193,320,915.93**	**194,261,578.26**	**(52,806,580.63)**
DONOR RESTRICTED FUND BALANCE				
DONOR RESTRICTED FUND BAL	8,860,813.22	9,750,964.20	8,206,483.10	654,330.12
TOTAL FUND BALANCE	**150,315,810.85**	**203,071,880.13**	**202,468,061.36**	**(52,152,250.51)**
TOTAL LIABILITIES AND FUND BALANCE	**546,983,998.22**	**596,323,809.89**	**614,604,603.14**	**(67,620,604.82)**

153

ATTACHMENT 6

ADVENTIST HINDSALE HOSPITAL & ADVENTIST LA GRANGE MEMORIAL HOSPITAL
COMBINED BALANCE SHEET
DECEMBER 31, 2013

	THIS MONTH	PRIOR MONTH	BEGIN. BALANCE THIS YEAR	INC/DEC (-) THIS YEAR
ASSETS				
CURRENT ASSETS				
CASH	115,823,588.36	159,043,140.89	167,806,709.24	(51,983,120.88)
INVESTMENTS	27,895,450.93	27,854,160.62	27,862,501.14	32,949.79
FUNDS HELD IN TRUST	41,995.00	5,685.00	34,458.00	7,537.00
PATIENT ACCTS RECEIVABLE	23,272,477.58	22,982,152.28	29,361,023.96	(6,088,546.38)
ALLOW FOR UNCOLLECTIBLES	(10,533,019.04)	(11,454,952.08)	(14,270,714.63)	3,737,695.59
RECEIVABLE-3RD PARTY PAYR	415,471.54	3,259,749.79	1,124,787.58	(709,316.04)
OTHER CURRENT RECEIVABLES	33,853,025.19	31,688,523.16	28,420,315.43	5,432,709.76
INVENTORY	12,024,530.56	12,009,069.32	11,911,689.43	112,841.13
PREPAID EXP & OTHER ASSET	5,145,151.81	6,458,647.37	4,625,493.89	519,657.92
TOTAL CURRENT ASSETS	**207,938,671.93**	**251,846,176.35**	**256,876,264.04**	**(48,937,592.11)**
OTHER ASSETS				
FUNDS HELD IN TRUST	818,134.00	612,179.00	917,617.00	(99,483.00)
LONG TERM INVESTMENTS	20,018,507.88	20,282,552.84	17,848,046.68	2,170,461.20
DEFERRED CHARGES	8,221,427.74	8,171,029.46	8,449,042.59	(227,614.85)
OTHER NON-CURRENT ASSETS	4,978,688.18	9,235,096.27	9,266,106.88	(4,287,418.70)
TOTAL OTHER ASSETS	**34,036,757.80**	**38,300,857.57**	**36,480,813.15**	**(2,444,055.35)**
PROPERTY, PLANT & EQUIPMENT				
LAND	22,830,754.99	22,830,754.99	22,830,754.99	-
LAND IMPROVEMENTS	6,972,028.19	6,972,028.19	6,860,196.19	111,832.00
BUILDINGS & IMPROVEMENTS	488,594,318.54	488,276,891.86	483,085,579.45	5,508,739.09
FIXED EQUIPMENT	76,553,867.05	76,500,121.21	75,708,270.50	845,596.55
MAJOR MOVABLE EQUIPMENT	148,733,220.43	147,942,535.41	139,433,698.84	9,299,521.59
CONSTRUCTION IN PROGRESS	3,409,847.12	3,122,091.20	4,264,258.37	(854,411.25)
ACCUMULATED DEPRECIATION	(442,085,467.73)	(439,467,646.89)	(410,935,232.39)	(31,150,235.34)
TOTAL PROPERTY, PLANT & EQUIPMENT	**305,008,568.59**	**306,176,775.97**	**321,247,525.95**	**(16,238,957.36)**
TOTAL ASSETS	**546,983,998.32**	**596,323,809.89**	**614,604,603.14**	**(67,620,604.82)**

154

ATTACHMENT 6

Hinsdale & Subsidiaries
Operating Income Statement
As of DEC 13

DEC 12 Last Year Month	* Budget Variance	DEC 13 Budget Month	DEC 13 Actual Month		DEC 13 Actual YTD	DEC 13 Budget YTD	* Budget Variance	DEC 12 Last Year YTD	Change Fr. Last Yr.
				Revenues					
78,757,252	1,245,390	78,989,745	80,235,135	Gross Patient Revenue	940,023,559	949,360,353	-9,336,794	951,839,342	-11,815,783
849,301	75,221	920,836	845,615	Charity	12,990,459	11,462,928	-1,527,531	11,791,127	1,199,332
53,767,024	1,343,377	54,803,852	53,460,475	All Other Deductions	643,201,820	652,503,412	9,301,592	661,757,322	-18,555,502
1,195,850	463,655	412,285	-51,370	Prov for Bad Debt	5,260,681	4,954,031	-306,650	6,168,791	-908,111
22,945,077	3,127,643	22,852,772	25,980,415	Net Patient Revenue	278,570,599	280,439,982	-1,869,383	272,122,102	6,448,497
29.1%	3.4%	28.9%	32.4%	% of Gross Pat Rev	29.6%	29.5%	0.1%	28.6%	1.0%
461,696	-4,400	339,675	335,275	Other Operating Rev [OIS/MIS]	4,837,694	4,076,100	761,594	7,148,023	-2,310,329
23,406,773	3,123,242	23,192,447	26,315,689	Total Operating Revenue *	283,408,293	284,516,082	-1,107,789	279,270,125	4,138,168
				Expenses					
8,036,682	57,049	8,359,362	8,302,313	Salaries & Wages *	96,797,762	98,590,431	1,792,669	99,868,046	-3,070,284
35.4%	4.5%	36.0%	31.5%	% of Op. Rev.	34.2%	34.7%	0.5%	35.8%	-1.7%
3,014,873	-162,974	2,909,671	3,072,645	Employment Benefits	34,640,653	34,661,039	20,386	35,420,437	-779,784
2,584,904	467,395	2,266,811	1,799,416	Fees **	29,716,442	29,442,920	-273,522	27,620,986	2,095,455
5,617,073	-144,187	3,547,696	3,691,883	Supplies	46,790,972	42,595,986	-4,194,986	49,200,830	-2,409,858
1,606,538	-442,737	1,505,954	1,948,691	Purchased Services	18,300,225	18,049,303	-250,922	18,360,758	-60,533
341,525	-26,191	337,914	364,105	Rents and Leases *	4,030,380	4,044,525	14,145	4,320,961	-290,581
266,394	199,157	258,751	59,594	Insurance	2,948,438	3,105,012	156,574	3,246,269	-297,831
329,096	-42,796	279,546	322,342	Utilities	3,002,237	3,354,552	352,315	3,461,139	-458,903
1,173,257	674,927	1,133,305	458,378	Other Expense & Travel *	12,736,022	13,573,100	837,078	12,086,587	649,435
22,970,342	579,643	20,599,010	20,019,367	Total Expense *	248,963,131	247,416,868	-1,546,263	253,586,014	-4,622,884
436,430	3,702,885	2,593,437	6,296,322	EBDITA B4 Subs & Prior Peric	34,445,162	37,099,214	-2,654,052	25,684,110	8,761,052
1.9%	12.7%	11.2%	23.9%	EBDITA % B4	12.2%	13.0%	-0.9%	9.2%	3.0%
-27,035	-63,099	50,000	-13,099	Gains on Subs & Joint Ventures	309,682	600,000	-290,318	519,373	-209,690
0	-2,075,131		-2,075,131	Prior years Mcare/Mcaid	-1,935,783		-1,935,783	453,077	-2,388,860
409,396	1,564,655	2,643,437	4,208,092	EBDITA	32,819,061	37,699,214	-4,880,153	26,656,560	6,162,501
1.7%	4.6%	11.4%	16.0%	EBDITA %	11.6%	13.3%	-1.7%	9.5%	2.0%
				Capital & Other					
2,050,449	201,504	1,997,923	1,796,419	Deprec, Intg Amort & Inc Taxes	21,641,407	23,975,076	2,333,669	22,444,219	-802,812
116,086	-13,823	154,743	140,920	Normalized Interest Income	1,792,761	1,661,296	131,465	1,340,909	451,852
679,029	-14,167	533,644	547,811	Normalized Interest Expense	6,507,402	6,403,728	-103,674	7,745,905	-1,238,503
-2,203,997	1,738,168	266,613	2,004,781	Operating Net Income [OIS]	6,463,014	8,981,706	-2,518,692	-2,192,655	8,655,668
-9.4%	6.5%	1.1%	7.6%	% of Op. Rev.	2.3%	3.2%	-0.9%	-0.8%	3.1%
142,889	277,619	8,168	285,787	Normalized Inc True-up	788,920	98,016	690,904	940,534	-151,614
-92,647	-84,479	-25,388	59,091	Normalized Exp True-up	13,062	-304,656	-317,718	-646,470	659,532
654,470	264,275		264,275	EHR Incentive Revenue Net	436,805		436,805	729,534	-292,728
1,784,842	0			Total Other Nonoperating *			0	1,784,842	-1,784,842
470,851	2,195,584	300,169	2,495,753	Net Income	7,675,677	9,384,378	-1,708,701	1,908,725	5,766,952
2.0%	8.2%	1.3%	9.5%	% of Op. Rev.	2.7%	3.3%	-0.6%	0.7%	2.0%

155

ATTACHMENT 6

Audited Consolidated Financial Statements

December 31, 2013

Adventist Health System

ATTACHMENT 6

ATTACHMENT 6

Table of Contents

Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Report of Independent Certified Public Accountants	41

Consolidated Balance Sheets

December 31, 2013 and 2012

(dollars in thousands)	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 966,141	$ 654,893
Investments (including investments pledged under securities lending program of $20,154 in 2013 and $3,000 in 2012)	3,514,606	3,285,606
Current portion of assets whose use is limited	240,087	216,767
Collateral held under securities lending program	20,619	3,060
Patient accounts receivable, less allowance for uncollectible accounts of $264,870 in 2013 and $217,832 in 2012	345,133	311,406
Estimated settlements from third parties	39,349	35,640
Other receivables	349,098	332,116
Inventories	157,657	153,614
Prepaid expenses and other current assets	78,744	73,257
	5,711,434	5,066,359
Property and Equipment	4,872,811	4,661,206
Assets Whose Use is Limited, net of current portion	605,611	419,908
Other Assets	518,438	497,622
	$ 11,708,294	$ 10,645,095
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 771,260	$ 701,427
Estimated settlements to third parties	229,487	177,917
Payable under securities lending program	20,619	3,060
Other current liabilities	219,304	169,880
Short-term financings	108,324	136,945
Current maturities of long-term debt	75,882	88,089
	1,424,876	1,277,318
Long-Term Debt, net of current maturities	3,400,199	3,050,405
Other Noncurrent Liabilities	562,811	561,465
	5,387,886	4,889,188
Net Assets		
Unrestricted:		
Controlling interest	6,105,853	5,549,868
Noncontrolling interests	39,841	39,761
	6,145,694	5,589,629
Temporarily restricted – controlling interest	174,714	166,278
	6,320,408	5,755,907
Commitments and Contingencies		
	$ 11,708,294	$ 10,645,095

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2013 and 2012

(dollars in thousands)	2013	2012
Revenue		
Patient service revenue	$ 7,666,256	$ 7,345,338
Provision for bad debts	(426,710)	(330,877)
Net patient service revenue	7,239,546	7,014,461
EHR incentive payments	38,944	57,982
Other	319,309	274,154
Total operating revenue	7,597,799	7,346,597
Expenses		
Employee compensation	3,678,015	3,524,445
Supplies	1,334,264	1,311,364
Professional fees	481,061	442,094
Purchased services	487,934	471,778
Other	550,272	522,269
Interest	132,154	146,524
Depreciation and amortization	433,720	415,653
Total operating expenses	7,097,420	6,834,127
Income from Operations	500,379	512,470
Nonoperating Gains (Losses)		
Investment income	79,781	77,213
Change in fair value of interest rate swaps	–	289
Loss from early extinguishment of debt	(1,919)	(82,186)
Total nonoperating gains (losses)	77,862	(4,684)
Excess of revenue and gains over expenses and losses	578,241	507,786
Less: Deficiency (excess) of revenue and gains over expenses and losses attributable to noncontrolling interests	577	(2,828)
Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	578,818	504,958

Continued on following page.

Consolidated Statements of Operations and Changes in Net Assets (continued)

For the years ended December 31, 2013 and 2012

(dollars in thousands)	2013	2012
CONTROLLING INTEREST		
Unrestricted Net Assets		
Excess of revenue and gains over expenses and losses	$ 578,818	$ 504,958
Change in unrealized gains and losses on investments	(91,423)	22,631
Change in fair value of cash flow hedges	–	(1,544)
Accumulated derivative losses related to terminated cash flow hedges reclassified into loss on extinguishment of debt	1,613	73,544
Accumulated derivative losses reclassified into excess of revenue and gains over expenses and losses	11,352	10,028
Net assets released from restrictions for purchase of property and equipment	22,322	15,287
Pension-related changes other than net periodic pension cost	24,137	(27,397)
Other	9,166	932
Increase in unrestricted net assets	555,985	598,439
Temporarily Restricted Net Assets		
Investment income	2,447	2,909
Gifts and grants	36,411	31,081
Net assets released from restrictions for purchase of property and equipment or use in operations	(38,107)	(28,032)
Other	7,685	3,404
Increase in temporarily restricted net assets	8,436	9,362
NONCONTROLLING INTERESTS		
Unrestricted Net Assets		
(Deficiency) excess of revenue and gains over expenses and losses	(577)	2,828
Distributions	(1,613)	(1,240)
Other	2,270	360
Increase in noncontrolling interests	80	1,948
Increase in Net Assets	564,501	609,749
Net assets, beginning of year	5,755,907	5,146,158
Net assets, end of year	$ 6,320,408	$ 5,755,907

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(dollars in thousands)	2013	2012
Operating Activities	$ 1,153,648	$ 978,176
Investing Activities		
Purchases of property and equipment, net	(652,363)	(657,310)
Sales and maturities of investments	18,618,004	13,558,555
Purchases of investments	(18,931,976)	(14,283,195)
Sales and maturities of assets whose use is limited	407,222	527,351
Purchases of assets whose use is limited	(444,696)	(566,461)
Additional purchases of assets whose use is limited from borrowings	(178,000)	–
(Increase) decrease in collateral held under securities lending program	(17,559)	8,432
Net proceeds from sale of controlling interest in a subsidiary	–	9,794
Increase in other assets	(11,147)	(27,154)
	(1,210,515)	(1,429,988)
Financing Activities		
Repayments of long-term borrowings	(152,552)	(1,092,639)
Additional long-term borrowings	494,676	1,019,465
Repayments of short-term borrowings	(30,700)	(54,031)
Additional short-term borrowings	2,079	20,000
Payment of deferred financing costs	(1,805)	(6,593)
Increase (decrease) in payable under securities lending program	17,559	(8,432)
Restricted gifts and grants and investment income	38,858	33,990
	368,115	(88,240)
Increase (Decrease) in Cash and Cash Equivalents	311,248	(540,052)
Cash and cash equivalents at beginning of year	654,893	1,194,945
Cash and Cash Equivalents at End of Year	$ 966,141	$ 654,893
Operating Activities		
Increase in net assets	$ 564,501	$ 609,749
Provision for bad debts	426,710	330,877
Depreciation	429,346	412,004
Amortization of intangible assets	4,374	3,649
Amortization of deferred financing costs and original issue discounts and premiums	(2,103)	(1,217)
Loss on extinguishment of debt, excluding reclassification of accumulated derivative loss	306	8,642
Change in unrealized gains and losses on investments	91,423	(22,631)
Change in fair value of interest rate swaps	–	1,255
Restricted gifts and grants and investment income	(38,858)	(33,990)
Income from unconsolidated entities	(28,960)	(24,790)
Distributions from unconsolidated entities	14,178	14,649
Pension-related changes other than net periodic pension cost	(24,137)	27,397
Changes in operating assets and liabilities:		
Patient accounts receivable	(460,437)	(289,036)
Other receivables	(16,982)	(19,513)
Other current assets	1,882	(35,434)
Accounts payable and accrued liabilities	69,637	44,075
Estimated settlements to third parties	47,861	7,720
Other current liabilities	49,424	22,249
Other noncurrent liabilities	25,483	(77,479)
	$ 1,153,648	$ 978,176

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a Adventist Health System (Healthcare Corporation) is a not-for-profit healthcare corporation that operates and controls hospitals, nursing homes and philanthropic foundations (referred to herein collectively as the System). The affiliated hospitals, nursing homes and philanthropic foundations are operated or controlled through their by-laws, governing board appointments or operating agreements by Healthcare Corporation. The System's 43 hospitals, 16 nursing homes and philanthropic foundations operate in 10 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Tennessee, Texas and Wisconsin.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists and the Southwestern Union Conference of Seventh-day Adventists.

SunSystem Development Corporation (Foundation) is a charitable foundation operated by the System for the benefit of the hospitals that are divisions or controlled affiliates of Healthcare Corporation. The board of directors is appointed by the board of directors of the System. The Foundation is involved in philanthropic activities.

Mission

The System exists solely to improve and enhance our local communities that we serve in harmony with Christ's healing ministry. All financial resources and excess of revenue and gains over expenses and losses are used to benefit the communities in the areas of patient care, research, education, community service and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through clinics and primary care services, health education and screenings, in-kind donations, extended education and research.

Benefit to the faith-based and spiritual needs of the community in accordance with our mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Adventist Health System/Sunbelt, Inc. (Sunbelt), the Foundation and other affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other

operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities where Healthcare Corporation does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11), an amendment to the accounting guidance for disclosure of offsetting assets and liabilities. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01). These ASUs expand the disclosure requirements in that entities will be required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet. This new guidance was effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this standard did not have an impact on the System's consolidated financial statements.

Net Patient Service Revenue, Patient Accounts Receivable and Allowance for Uncollectible Accounts

The System's patient acceptance policy is based on its mission statement and its charitable purposes. Accordingly, the System accepts patients in immediate need of care, regardless of their ability to pay. Patient service revenue is reported at estimated net realizable amounts for services rendered. The System recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the System's policy.

Patient service revenue is reduced by the provision for bad debts and accounts receivable are reduced by an allowance for uncollectible accounts. These amounts are based on management's assessment of historical and expected net collections for each major payor source, considering business and economic conditions, trends in healthcare coverage and other collection indicators. Management regularly reviews collections data by major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. On the basis of historical experience, a significant portion of the System's self-pay patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts in the period services are provided related to self-pay patients. The System's allowance for uncollectible accounts for self-pay patients was 97% of self-pay accounts receivable as of December 31, 2013 and 2012. For receivables associated with patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if

necessary. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies.

For all patients other than charity patients, patient service revenue, net of contractual allowances and self-pay discounts and before the provision for bad debts, recognized from major payor sources is as follows:

	Year Ended December 31	
	2013	2012
Third-party payors, net of contractual allowances	$7,240,083	$6,977,094
Self-pay patients, net of discounts	426,173	368,244
	$7,666,256	$7,345,338

The System has not experienced significant changes in write-off trends and has not changed its self-pay discount or charity care policy for the years ended December 31, 2013 or 2012.

The System has determined, based on an assessment at the reporting-entity level, that services are provided prior to assessing the patient's ability to pay and as such, the entire provision for bad debts is recorded as a deduction from patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Third-Party Reimbursement Arrangements

Revenue from the Medicare and Medicaid programs represents approximately 31% and 33% of the System's patient service revenue for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Other than the accounts receivable related to the Medicare and Medicaid programs, there are no significant concentrations of accounts receivable due from an individual payor at December 31, 2013 and 2012.

The System was a party to a settlement agreement dated April 5, 2012 with the United States Department of Health and Human Services (HHS), the Secretary of HHS and the Centers for Medicare and Medicaid Services (CMS). The System, along with a group of other Medicare providers, had challenged CMS' implementation of the rural floor budget neutrality provision of the Balance Budget Act of 1997, which effectively understated the standard amount paid through the inpatient prospective payment system for a number of years. Under the settlement agreement, the System received $52,769 during the year ended December 31, 2012 and recognized this amount as patient service revenue in the accompanying consolidated statements of operations and changes in net assets. Related professional fees of $5,277 are included in operating expenses for the year ended December 31, 2012 in the accompanying consolidated statements of operations and changes in net assets.

The System is subject to retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Adjustments to revenue related to prior periods, excluding amounts received from the 2012 CMS settlement discussed above, increased patient service revenue by approximately $10,600 and $49,500 for the years ended December 31, 2013 and 2012, respectively.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

that is subject to audit. Additionally, the System's compliance with the meaningful use criteria is subject to audit by the federal government.

Excess of Revenue and Gains over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses, which is analogous to income from continuing operations of a for-profit enterprise. Changes in unrestricted net assets that are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, include changes in unrealized gains and losses on certain investments, changes in the fair value of derivative financial instruments that qualify as cash flow hedges, 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).

Contributed Resources

Resources restricted by donors for specific operating purposes or a specified time period are held as temporarily restricted net assets until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as temporarily restricted net assets until the assets are placed in service, at which time they are reported as transfers to unrestricted net assets. Gifts, grants and bequests not restricted by donors are reported as other revenue. At December 31, 2013 and 2012, respectively, the System had $174,414 and $166,278 of temporarily restricted net assets that will become available for various programs and capital expenditures at the System's hospitals when time or purpose restrictions are met.

Cash Equivalents

Cash equivalents include all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment income.

Functional Expenses

The System does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the System receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in the accompanying consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Investments

Investment securities, excluding alternative investments accounted for under the equity method, are recorded at fair value. The cost of securities sold is based on the specific identification method. Investment income or loss includes realized gains and losses, interest, dividends and certain unrealized gains and losses. The investment income or loss on investments that are restricted by donor or law is recorded as increases or decreases to temporarily restricted net assets. The System accounts for investment transactions on a settlement-date basis.

Management has designated all fixed-income securities as other-than-trading securities and, accordingly, changes in unrealized gains and losses are included in unrestricted net assets. The System also has an equity investment portfolio, which includes domestic and foreign investments that are based on various market indices

and include securities such as futures contracts, exchange traded funds and puts. Management has designated the securities in this portfolio as trading securities and, accordingly, changes in unrealized gains and losses are included in the excess of revenue and gains over expenses and losses. Certain other equity investments, primarily held by the System's foundations, are designated as other than trading and related changes in unrealized gains and losses are included in unrestricted net assets.

Alternative Investments – Equity Method
As part of its investment strategy, the System invests in alternative investments (primarily hedge funds) through partnership investment trusts. The partnership investment trusts generally contract with managers who have full discretionary authority over the investment decisions. The System accounts for its ownership interest in these alternative investments under the equity method. Accordingly, the System's share of the hedge funds' income or loss, both realized and unrealized, is recognized as investment income or loss, which is a component of excess of revenue and gains over expenses and losses. Alternative investments accounted for using the equity method totaled $447,327 and $602,114 at December 31, 2013 and 2012, respectively, and were classified as investments and assets whose use is limited in the accompanying consolidated balance sheets.

Alternative Investments – Fair Value
The System has a wholly-owned subsidiary, AHS–K2 Alternatives Portfolio, Ltd. (Fund) that primarily invests in alternative investments (primarily hedge funds) through partnership investment trusts. The Fund is managed by an external investment manager (Manager) in accordance with the investment guidelines contained within the limited liability company agreement.

The strategies of the underlying funds held by the Fund, as of December 31, 2013 and 2012, are described below:

Commodity. The underlying funds trade in agricultural, metal and energy markets at various stages in the commodity cycle.

Event Driven. The underlying funds focus on identifying and analyzing securities that may benefit from the occurrence of specific corporate events.

Global Macro. The underlying funds invest in products that may benefit from overall economic and political views of various countries.

Insurance. The underlying funds invest across instruments, the value of which is driven by insurance related events primarily related to property and life insurance. Risk is managed by diversifying over geography, insurance type and sensitivity to insured losses among other factors. The strategy is a tool to reduce overall investment risk as underlying insurance risk factors are less sensitive to general market factors.

Long/Short. The underlying funds invest both long and short, primarily in common stocks, based on the manager's perception of such securities being undervalued or overvalued in the market. Some of the managers may specialize in specific sectors or industries.

Multi-strategy. The underlying funds invest in multiple strategies to diversify risks and reduce volatility.

Relative Value. The underlying funds utilize non-directional strategies. Relative value investing involves trading around the mispricing of two related securities using various types of securities or instruments.

Specialist Credit. The underlying funds seek to generate superior risk-adjusted returns from a combination of capital appreciation and current income by opportunistically investing and trading in a diversified portfolio of credit-related securities and other instruments.

Structured Credit. The underlying funds invest across structured credit markets including agency and non-agency residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities.

The Fund follows the Financial Services–Investment Companies Topic of the Accounting Standards Codification (ASC) (ASC 946), which requires that the investments in the underlying funds be recorded at fair value. The fair value of the underlying hedge funds is determined in good faith by the Manager in accordance with GAAP and generally represents the Fund's proportionate share of the net assets of the underlying funds as reported by the managers. Unrealized appreciation and depreciation resulting from valuing the underlying funds is recognized as investment income or loss, which is a component of excess of revenue and gains over expenses and losses.

The Fund follows the Fair Value Measurement Topic of the ASC (ASC 820) for estimating the fair value of the underlying funds that have calculated a net asset value (NAV) per share in accordance with ASC 946. Accordingly, the Fund uses NAV as reported by the managers as a practical expedient to determine the fair value of those underlying funds that do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. As of December 31, 2013 and 2012, the fair value of all underlying funds has been determined using the NAV of the underlying funds.

The Manager uses its best judgment in estimating the fair value of these investments. As there are inherent limitations in any estimation technique, the fair value estimates presented herein are not necessarily indicative of an amount that could be realized in an actual transaction and the differences could be material.

Alternative investments accounted for at fair value totaled $248,569 and $211,164 as of December 31, 2013 and 2012, respectively, and were classified as investments and assets whose use is limited in the accompanying consolidated balance sheets.

Lock-up Provisions. At December 31, 2013, certain funds cannot currently be redeemed because the funds include restrictions that do not allow for redemption in the first 12 months after investment. These restrictions are referred to as lock-ups. At December 31, 2013, underlying funds with lock-up provisions expiring by January 31, 2014 totaled $1,095. Certain other underlying funds may charge a withdrawal fee ranging from 2% to 5% if the Fund liquidates its investment prior to the expiration of the lock-up periods. At December 31, 2013, these underlying funds totaling $35,807 have lock-up provisions that expire through July 31, 2014. The remaining funds totaling $211,667 have no such restrictions.

Redemption Terms. Upon the expiration of lock-up provisions, the Fund has the ability to liquidate its investments periodically in accordance with the provisions of

the respective agreements with the underlying funds. The underlying funds have either monthly, quarterly or annual redemption terms. Certain funds with quarterly redemption terms allow redemptions of up to 25% of the investment each quarter and as such, a period of 12 months would be required to fully redeem these investments.

Certain agreements may also allow the underlying fund to temporarily suspend redemptions or place other temporary restrictions, such as gate provisions or side pockets. Investments that cannot be fully redeemed within 90 days or less due to lock-up provisions and redemption terms totaled $65,033 and $70,299 as of December 31, 2013 and 2012, respectively.

Assets Whose Use is Limited

Certain of the System's investments are limited as to use through board resolution, by provisions of contractual arrangements, under the terms of bond indentures or under the terms of other trust agreements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets. Interest and dividend income and realized gains and losses on assets whose use is limited are reported as investment income within nonoperating gains (losses) in the accompanying statements of operations and changes in net assets.

Securities Lending Program

The System participates in securities lending transactions with the custodian of its investments, whereby a portion of its investments is loaned to certain brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. Collateral provided by brokers is maintained at levels approximating 102% of the fair value of the securities on loan and is adjusted for daily market fluctuations. The fair value of collateral held for loaned securities is reported as collateral held under securities lending program, with a corresponding obligation reported for repayment of such collateral upon settlement of the lending transaction.

Derivative Financial Instruments

The System accounts for its derivative financial instruments as required by the Derivative and Hedging Topic of the ASC (ASC 815) and the Health Care Entities Derivative and Hedging Topic of the ASC (ASC 954-815), which requires that not-for-profit healthcare entities apply the provisions of ASC 815 in the same manner as for-profit enterprises.

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program (Program) for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of tax-exempt, variable-rate bonds (Bonds). During 2012, Highlands refinanced the Bonds through a private placement of variable-rate bonds with a mandatory tender in February 2017 and a final maturity in November 2027. As of December 31, 2013 and 2012, Highlands had $409,600 and $410,000, respectively, of Bonds outstanding.

As of December 31, 2013 and 2012, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $700,128 and $675,966, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated

basis with the Bonds and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $115,528 and $115,641 at December 31, 2013 and 2012, respectively. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $175,000 and $150,325 at December 31, 2013 and 2012, respectively. These notes are included in other receivables (current) in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectability of the subordinated and parity notes is not significantly impacted by credit risk.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or market using the first-in, first-out method of valuation.

Property and Equipment

Property and equipment are reported on the basis of cost, except for donated items, which are recorded at fair value at the date of the donation. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the businesses acquired. These amounts are included in other assets (noncurrent) in the accompanying consolidated balance sheets and are evaluated annually for impairment or when there is an indicator of impairment. Based on a quantitative assessment of each reporting unit, there was no impairment to goodwill recorded during the year ended December 31, 2013.

Deferred Financing Costs

Direct financing costs are included in other assets (noncurrent) and deferred and amortized over the remaining lives of the financings using the effective interest method.

Interest in the Net Assets of Unconsolidated Foundations

Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent fund-raising foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System's interest in the net assets of the foundations are included in other assets (noncurrent) and changes in that interest are included in temporarily restricted net assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Bond Discounts and Premiums

Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes

Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiaries (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income. For the years ended December 31, 2013 and 2012, unrelated business income activities conducted by Healthcare Corporation and its tax-exempt affiliates did not generate a material amount of combined federal, state and local income tax.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiaries are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. For the years ended December 31, 2013 and 2012, NAHS generated taxable income of approximately $500 and $2,100, respectively. This taxable income was fully offset by net operating loss carryforwards for federal income tax purposes. Although one state in which NAHS conducts business has suspended the utilization of net operating loss carryforwards for the year ended December 31, 2013, no material state income tax liability resulted. Accordingly, there is no provision for current federal or state income tax for the years ended December 31, 2013 and 2012.

NAHS also has temporary deductible differences of approximately $65,000 and $64,800 at December 31, 2013 and 2012, respectively, primarily as a result of net operating loss carryforwards. At December 31, 2013, NAHS had net operating loss carryforwards of approximately $64,200, of which $21,000 will expire in 2023, with the remaining $43,200 expiring beginning in 2018 through 2026. Some of these net operating losses are subject to the separate return limitation year rules. Deferred taxes have been provided for these amounts, resulting in a net deferred tax asset of approximately $24,700 and $24,600 at December 31, 2013 and 2012, respectively. A full valuation allowance has been provided at December 31, 2013 and 2012, respectively, to offset the deferred tax asset since Healthcare Corporation has determined that it is more likely than not that the benefit of the net operating loss carryforwards will not be realized in future years.

The Income Taxes Topic of the ASC (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2013 and 2012.

Reclassifications

Certain reclassifications were made to the 2012 consolidated financial statements to conform to the classifications used in 2013. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses and losses and changes in net assets previously reported.

2. Sale of Controlling Interest in a Subsidiary

Effective May 1, 2012 (transaction date), the System sold a 51% membership interest in its Fort Worth, Texas hospital (Hospital) to an unrelated health system located in the North Texas market. The transaction was accounted for as a deconsolidation under ASC 810, as the System ceased holding a controlling interest in the Hospital as of the transaction date. The System continues to manage the Hospital and accounts for its remaining ownership as an equity method investment. Consideration received for the sale consisted of cash and certain intangible assets.

During the period in which the Hospital was consolidated, total operating revenue included in the accompanying consolidated statements of operations and changes in net assets was $56,880 for the year ended December 31, 2012.

3. Investments and Assets Whose Use is Limited

Investments

Investments are comprised of the following:

	December 31	
	2013	2012
Other than trading portfolio		
Fixed-income instruments		
U.S. government agencies and sponsored entities	$ 2,343,340	$ 2,247,645
Corporate bonds	198,017	115,719
Residential mortgage-backed	62,962	69,832
Commercial mortgage-backed	174,758	75,165
Collateralized debt obligations	60,541	24,177
Student loan asset-backed	13,738	16,552
Accrued interest	13,761	11,100
	2,867,117	2,560,190
Equity instruments		
Domestic	5,019	4,892
Foreign	948	964
	5,967	5,856
Trading portfolio		
Domestic equity index securities	37,492	–
	37,492	–
Alternative investments – fair value		
Commodity	7,844	–
Event driven	24,619	14,933
Global macro	16,649	16,083
Insurance	17,359	21,306
Long/short	73,303	46,688
Relative value	9,865	9,669
Specialist credit	9,951	12,441
Structured credit	22,851	32,022
	182,441	153,142
Alternative investments – equity method	421,589	566,418
	$ 3,514,606	$ 3,285,606

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

Assets Whose Use is Limited

Assets whose use is limited is comprised of the following:

	December 31 2013	December 31 2012
Other than trading portfolio		
Fixed-income instruments		
U.S. government agencies and sponsored entities	$ 360,528	$ 396,035
Corporate bonds	15,459	12,309
Residential mortgage-backed	2,686	2,289
Commercial mortgage-backed	5,311	3,498
Collateralized debt obligations	1,475	1,041
Student loan asset-backed	661	1,793
Accrued interest	1,756	1,770
	387,876	418,735
Equity instruments		
Domestic	7,128	13,086
Foreign	862	3,674
	7,990	16,760
Trading portfolio		
Domestic equity index securities	11,292	–
Foreign equity index securities	1,343	–
	12,635	–
Alternative investments – fair value		
Commodity	2,843	–
Event driven	8,923	5,658
Global macro	6,035	6,094
Insurance	6,292	8,072
Long/short	26,569	17,689
Relative value	3,576	3,663
Specialist credit	3,607	4,714
Structured credit	8,283	12,132
	66,128	58,022
Alternative investments – equity method	25,738	35,696
Cash and cash equivalents	345,331	107,462
	$ 845,698	$ 636,675

Assets whose use is limited include investments held by bond trustees to fund capital expenditures and debt service, investments held under other trust agreements and investments designated by boards for employee retirement plans and capital expenditures. Amounts to be used for the payment of current liabilities are classified as current assets.

Indenture requirements of tax-exempt financings by the System provide for the establishment and maintenance of various accounts with trustees. These arrangements require the trustee to control the expenditure of debt proceeds, as well as the payment of interest and the repayment of debt to bondholders. Medical malpractice trust funds are set aside to provide funds for settling estimated medical malpractice claims.

A summary of the major limitations as to the use of these assets consists of the following:

	December 31 2013	2012
Investments held by bond trustees		
Construction funds	$ 178,876	$ –
Required bond funds	8,938	9,893
	187,814	9,893
Malpractice trust funds	403,716	356,130
Employee benefits funds	161,847	159,649
Board designated funds for capital expenditures	18,408	54,853
Other	73,913	56,150
	845,698	636,675
Less amounts to pay current liabilities	(240,087)	(216,767)
	$ 605,611	$ 419,908

Investment Income and Unrealized Gains and Losses

Investment income from cash and cash equivalents, investments and assets whose use is limited amounted to $79,781 and $77,213 for the years ended December 31, 2013 and 2012, respectively, and consisted of the following:

	Year Ended December 31 2013	2012
Interest and dividend income	$ 43,663	$ 33,285
Net realized and unrealized gains/losses	26,834	17,783
The System's share of income from alternative investments – equity method	9,284	26,145
	$ 79,781	$ 77,213

Changes in unrealized gains and losses that are included as a (reduction of) increase to unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets totaled $(91,423) and $22,631 for 2013 and 2012, respectively.

At December 31, 2013 and 2012, the total fair value of investments and assets whose use is limited, excluding alternative investments, amounted to $3,648,891 and $3,096,133, respectively. The net unrealized losses associated with these holdings were $68,744 at December 31, 2013, which is comprised of gross unrealized gains of $20,663 and gross unrealized losses of $89,407. The net unrealized gains associated with these holdings were $22,679 at December 31, 2012, which is comprised of gross unrealized gains of $32,886 and gross unrealized losses of $10,207.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

The following tables summarize the unrealized losses on investments and assets whose use is limited:

	December 31, 2013			
	Unrealized Losses			
	Greater than 12 Months	Less than 12 Months	Total	Fair Value of Loss Holdings
Fixed-income instruments				
U.S. government agencies and sponsored entities	$ 17,788	$ 64,235	$ 82,023	$1,870,118
Corporate bonds	404	1,349	1,753	106,118
Residential mortgage-backed	625	917	1,542	46,074
Commercial mortgage-backed	848	3,023	3,871	134,486
Collateralized debt obligations	–	4	4	5,245
Student loan asset-backed	–	25	25	3,943
	19,665	69,553	89,218	2,165,984
Equity instruments				
Domestic	138	47	185	2,275
Foreign	3	1	4	80
	141	48	189	2,355
	$ 19,806	$ 69,601	$ 89,407	$2,168,339

	December 31, 2012			
	Unrealized Losses			
	Greater than 12 Months	Less than 12 Months	Total	Fair Value of Loss Holdings
Fixed-income instruments				
U.S. government agencies and sponsored entities	$ 4,389	$ 4,664	$ 9,053	$ 680,916
Corporate bonds	2	35	37	11,971
Residential mortgage-backed	685	2	687	6,641
Commercial mortgage-backed	173	124	297	24,134
	5,249	4,825	10,074	723,662
Equity instruments				
Domestic	96	23	119	1,494
Foreign	14	–	14	231
	110	23	133	1,725
	$ 5,359	$ 4,848	$ 10,207	$ 725,387

Management has evaluated the investments with unrealized losses and has concluded that none of the above losses should be considered other-than-temporary as of December 31, 2013 and 2012. Management does not intend to sell

the investments and it is not more likely than not that the System will be required to sell the investments before recovery of their amortized cost. Factors considered in this evaluation included credit rating information, discussions with external advisors and duration of the investments.

4. Unrestricted Cash and Investments

The System's unrestricted cash and cash equivalents, investments and board designated funds for capital expenditures consists of the following:

	December 31	
	2013	2012
Cash and cash equivalents	$ 966,141	$ 654,893
Investments	3,514,606	3,285,606
Board designated funds for capital expenditures	18,408	54,853
	$ 4,499,155	$3,995,352
Days cash and investments on hand	245	226

Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments and certain board designated funds divided by daily operating expenses (excluding depreciation and amortization). The annualized operating expenses of newly constructed facilities are included in the calculations.

5. Property and Equipment

Property and equipment consists of the following:

	December 31	
	2013	2012
Land and improvements	$ 654,033	$ 625,126
Buildings and improvements	4,196,324	3,921,494
Equipment	3,619,591	3,364,202
	8,469,948	7,910,822
Less allowances for depreciation	(3,897,246)	(3,554,431)
	4,572,702	4,356,391
Construction in progress	300,109	304,815
	$ 4,872,811	$ 4,661,206

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations, board designated funds and existing construction funds held by trustees (note 3). The estimated costs to complete these projects approximated $108,900 at December 31, 2013.

During periods of construction, interest costs are capitalized to the respective property accounts. Interest capitalized approximated $6,700 and $7,700 for the years ended December 31, 2013 and 2012, respectively.

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized depending primarily on whether they are incurred in the preliminary project stage, application development stage or post-implementation stage. Capitalized software costs and estimated amortization expense in the tables below exclude software in progress of approximately $43,000 and $16,000 at December 31, 2013 and 2012, respectively:

	December 31	
	2013	2012
Capitalized software costs	$ 178,035	$ 164,869
Less: accumulated amortization	(109,087)	(97,258)
Capitalized software costs, net	$ 68,948	$ 67,611

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

2014	$ 10,710
2015	9,226
2016	6,943
2017	5,359
2018	4,375
Thereafter	32,335

6. Other Assets

Other assets consists of the following:

	December 31	
	2013	2012
Goodwill	$ 171,078	$ 169,592
Deferred financing costs	21,620	22,359
Notes and loans receivable	69,802	64,380
Interests in net assets of unconsolidated foundations	63,429	56,539
Investments in unconsolidated entities	129,282	113,100
Other noncurrent assets	63,227	71,652
	$ 518,438	$ 497,622

The System's ownership interest and carrying amounts of investments in unconsolidated entities consists of the following:

	Ownership Interest	December 31	
		2013	2012
Texas Health Huguley, Inc. (note 2)	49%	$ 49,290	$ 37,739
Centura Health Corporation	30	37,867	34,061
Takoma Regional Hospital, Inc.	40	7,167	7,857
Other	4% – 50%	34,958	33,443
		$ 129,282	$ 113,100

Income from unconsolidated entities of $28,960 and $24,790 for 2013 and 2012, respectively, is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

7. Long-Term Debt

Long-term debt consists of the following:

	December 31 2013	2012
Fixed-rate hospital revenue bonds, interest rates from 1.06% to 7.25%, payable through 2039	$ 3,095,305	$ 2,728,110
Variable-rate hospital revenue bonds, payable through 2035	300,410	326,231
Capitalized leases payable	34,317	33,321
Other indebtedness	1,361	1,607
Unamortized original issue premium, net	44,688	49,225
	3,476,081	3,138,494
Less current maturities	(75,882)	(88,089)
	$ 3,400,199	$ 3,050,405

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property and limitations on additional borrowings. In addition, the MTI requires certain covenants and reporting requirements to be met by the System.

Variable-Rate Bonds

Certain variable-rate bonds may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2013, with annual interest rates ranging from 0.02% to 0.40%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2013. The System has various sources of liquidity in the event any variable-rate bonds are put and not remarketed, including a revolving credit agreement (Revolving Note). In the event variable-rate bonds are put and not remarketed and the Revolving Note were used for liquidity, the System's obligation to the banks would be payable in accordance with the variable-rate bond's original maturities with the remaining amounts due upon expiration of the Revolving Note.

The System's Revolving Note is with a syndicate of banks (Syndicate) in the aggregate amount of $1,000,000 for letters of credit, liquidity facilities and general corporate needs, including working capital, capital expenditures and acquisitions. The Revolving Note, which expires in November 2015, has certain prime rate and LIBOR-based pricing options. At December 31, 2012, $30,000 was outstanding under the Revolving Note, which was classified as short-term financings in the accompanying consolidated balance sheet. No amounts were outstanding under the Revolving Note as of December 31, 2013.

2013 Debt Transactions

During 2013, the System issued fixed-rate bonds with par amounts totaling $485,000 and maturity dates ranging from 2025 to 2032. The interest rates range from 2.36% to 3.72% through 2029. Beginning in 2030, the interest rate for the remaining balance of $73,350 increases to 7.25% through the maturity date in

2032. With the proceeds, the System financed or refinanced certain costs of the acquisition, construction, renovations and equipping of certain facilities.

2012 Debt Transactions

During 2012, the System completed a debt refinancing plan, whereby a significant portion of its variable-rate bonds were replaced with fixed-rate bonds (Phase I) and its remaining variable-rate bonds supported by letters of credit were replaced with self-liquidity, variable-rate bonds (Phase II). Phase I included the issuance by the System of fixed-rate bonds at a premium with par amounts totaling $500,900, interest rates ranging from 1.06% to 5.00% and maturity dates ranging from 2015 to 2037. Additionally, the System issued fixed-rate bonds with par amounts totaling $249,385 with interest rates ranging from 2.02% to 2.45% through mandatory tender dates from 2021 to 2023. The interest rate on these bonds may be reset at the mandatory tender dates to either a fixed-rate or variable-rate mode. The proceeds from these bonds along with other available funds were used to extinguish short-term financings with par amounts totaling $48,200, variable-rate debt obligations with par amounts totaling $546,810 and fixed-rate debt obligations with par amounts totaling $204,660, interest rates ranging from 3.35% to 5.85% and maturity dates ranging from 2015 to 2035. Phase II of the debt refinancing plan was completed during November 2012 with the issuance of variable-rate bonds with par amounts totaling $232,125 with maturity dates through 2035. The proceeds from these bonds along with other available funds were used to extinguish variable-rate debt obligations with par amounts totaling $235,025.

In connection with this debt refinancing plan, the System recorded a loss from early extinguishment of debt of $82,186 in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2012. Approximately $73,544 of the loss resulted from the reclassification of accumulated loss related to terminated cash flow hedges (note 8).

Debt Maturities

The following represents the maturities of long-term debt for the next five years and the years thereafter:

2014	$ 75,882
2015	82,700
2016	97,598
2017	109,112
2018	123,904
Thereafter	2,942,197

8. Derivative Financial Instruments

Derivatives Designated as Hedging Instruments

In order to manage interest rate risk, the System had entered into interest rate swaps associated with its fixed-rate and variable-rate borrowings. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows associated with certain of the System's variable-rate borrowings), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets and reclassified into earnings in the same line item (interest expense) associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects excess of revenue and gains over expenses and losses.

During 2012, in connection with an overall debt restructuring plan, the System terminated and cash settled all of its interest rate swap agreements, including its forward-starting interest rate swaps. As such, none of the System's outstanding variable-rate debt had its interest payments designated as a hedged forecasted transaction at December 31, 2013 or 2012.

The changes in the accumulated net derivative loss included in unrestricted net assets associated with the System's cash flow hedges are as follows:

	Year Ended December 31	
	2013	2012
Accumulated net derivative loss included in unrestricted net assets at beginning of year	$ (52,957)	$ (134,985)
Net change associated with current period hedging transactions	–	(1,544)
Net reclassifications into excess of revenue and gains over expenses and losses	12,965	83,572
Accumulated net derivative loss included in unrestricted net assets at end of year	$ (39,992)	$ (52,957)

The accumulated net derivative loss included in unrestricted net assets will be reclassified into earnings in the same periods during which the hedged transaction affects excess of revenue and gains over expenses and losses or in the event it is determined that the original forecasted transactions are not probable of occurring by the end of the originally specified period or within the additional period of time allowed in ASC 815. In connection with the early extinguishment of certain variable-rate bonds (note 7), accumulated losses related to terminated cash flow hedges reclassified into excess of revenue and gains over expenses and losses were $73,544 for the year ended December 31, 2012. The System expects that the amount of net loss existing in unrestricted net assets to be reclassified into excess of revenue and gains over expenses and losses within the next 12 months will be approximately $11,000.

9. Retirement Plans

Defined Contribution Plans

The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contribute 2.6% of wages, plus additional amounts for very highly paid employees. Additionally, the Plan provides that the employer match 50% of the employee's contributions up to 4% of the contributing employee's wages, resulting in a maximum available match of 2% of the contributing employee's wages each year.

Contributions for the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $89,503 and $90,098 for the years ended December 31, 2013 and 2012, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) administered by the General Conference of Seventh-day Adventists that is exempt from ERISA. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

During 1992, the Old Plan was suspended and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make future contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. Future funding amounts and the funding time periods have not been determined by the Old Plan administrators; however, management believes the impact of any such future decisions will not have a material adverse effect on the System's consolidated financial statements.

The plan assets and benefit obligation data for the Old Plan as of December 31, 2012 is as follows:

Total plan assets	$ 837,236
Actuarial present value of accumulated plan benefits	949,943
Funded status	88.1%

The System did not make contributions to the Old Plan for the years ended December 31, 2013 or 2012.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory defined benefit pension plans (Pension Plans). The System froze the Pension Plans in December 2010, such that no new benefits will accrue in the future.

The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2013 and 2012, the components of net periodic benefit costs for the year then ended and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31	
	2013	2012
Accumulated benefit obligation, end of year	$ 176,979	$ 199,672
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 199,672	$ 171,238
Interest cost	8,183	8,653
Benefits paid	(6,105)	(5,344)
Actuarial (gains) losses	(24,771)	25,125
Projected benefit obligation, end of year	176,979	199,672
Change in plan assets:		
Fair value of plan assets, beginning of year	150,164	149,689
Actual return on plan assets	7,406	5,819
Employer contributions	3,500	–
Benefits paid	(6,105)	(5,344)
Fair value of plan assets, end of year	154,965	150,164
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	$ (22,014)	$ (49,508)

No plan assets are expected to be returned to the System during the fiscal year ending December 31, 2014.

Included in unrestricted net assets at December 31, 2013 and 2012, are unrecognized actuarial (gains) losses of $(2,739) and $21,398, respectively, which have not yet been recognized in net periodic pension expense. None of the actuarial gains included in unrestricted net assets are expected to be recognized in net periodic pension cost during the year ending December 31, 2014.

Changes in plan assets and benefit obligations recognized in unrestricted net assets include:

	Year Ended December 31	
	2013	2012
Net actuarial (gains) losses	$ (24,081)	$ 27,397
Amortization of net actuarial losses	(56)	–
Total (increase) decrease recognized in unrestricted net assets	$ (24,137)	$ 27,397

The components of net periodic pension cost were as follows:

	Year Ended December 31	
	2013	2012
Interest cost	$ 8,183	$ 8,653
Expected return on plan assets	(8,096)	(8,091)
Recognized net actuarial losses	56	–
Net periodic pension cost	$ 143	$ 562

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

	Year Ended December 31	
	2013	2012
Used to determine projected benefit obligation		
Weighted-average discount rate	5.06%	4.16%
Used to determine pension cost		
Weighted-average discount rate	4.16%	5.13%
Weighted-average expected long-term rate of return on plan assets	5.50%	5.50%

The Pension Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies and approaches.

The Pension Plans' assets are managed solely in the interest of the participants and their beneficiaries. The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

The target investment allocation for the Pension Plans is 50% fixed-income and 50% equity securities. This allocation is partially achieved through investments in alternative investments that have fixed-income or equity strategies. The System maintained this target investment allocation throughout 2013.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

The following table presents the Pension Plans' financial instruments as of December 31, 2013, measured at fair value on a recurring basis by the valuation hierarchy defined in note 12.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 7,612	$ 7,612	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	19,938	1,919	18,019	–
Corporate bonds	45,165	–	45,165	–
Commercial mortgage-backed	2,772	–	2,772	–
Collateralized debt obligations	11,120	–	11,120	–
Equity securities				
Domestic equities	7,605	7,605	–	–
Foreign equities	4,308	4,308	–	–
Alternative investments				
Commodity	1,523	–	1,523	–
Event driven	4,780	–	3,658	1,122
Global macro	3,232	–	1,558	1,674
Insurance	3,371	–	1,596	1,775
Long/short	35,255	–	33,226	2,029
Relative value	1,915	–	1,915	–
Specialist credit	1,933	–	1,926	7
Structured credit	4,436	–	1,775	2,661
Total plan assets	$ 154,965	$ 21,444	$ 124,253	$ 9,268

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

The following table presents the Pension Plans' financial instruments as of December 31, 2012, measured at fair value on a recurring basis by the valuation hierarchy defined in note 12.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,956	$ 4,956	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	29,890	4,230	25,660	–
Corporate bonds	39,755	–	39,755	–
Commercial mortgage-backed	862	–	862	–
Collateralized debt obligations	14,019	–	14,019	–
Equity securities				
Domestic equities	7,170	7,170	–	–
Foreign equities	3,436	3,436	–	–
Alternative investments				
Event driven	3,101	–	1,840	1,261
Global macro	3,340	–	2,707	633
Insurance	4,425	–	1,708	2,717
Long/short	27,968	–	26,087	1,881
Relative value	2,008	–	2,008	–
Specialist credit	2,584	–	2,011	573
Structured credit	6,650	–	3,127	3,523
Total plan assets	$ 150,164	$ 19,792	$ 119,784	$ 10,588

Fair value methodologies for Levels 1, 2 and 3 are consistent with the inputs described in note 12.

The changes in financial assets classified as Level 3 during the year ended December 31, 2013 were as follows:

	Alternative Investments					
	Beginning Balance	Gross Purchases	Gross Sales	Realized Gains (Losses)	Unrealized Gains (Losses)	Ending Balance
Event driven	$ 1,261	$ 200	$ (400)	$ 29	$ 32	$ 1,122
Global macro	633	1,140	–	–	(99)	1,674
Insurance	2,717	–	(750)	(103)	(89)	1,775
Long/short	1,881	–	–	–	148	2,029
Specialist credit	573	–	(500)	49	(115)	7
Structured credit	3,523	100	(945)	35	(52)	2,661
	$ 10,588	$ 1,440	$ (2,595)	$ 10	$ (175)	$ 9,268

The changes in financial assets classified as Level 3 during the year ended December 31, 2012 were as follows:

	Alternative Investments					
	Beginning Balance	Purchases (Sales)	Transfers	Realized Gains (Losses)	Unrealized Gains	Ending Balance
Event driven	$ 1,481	$ (624)	$ –	$ 94	$ 310	$ 1,261
Global macro	–	603	–	–	30	633
Insurance	–	339	2,128	–	250	2,717
Long/short	–	1,657	–	–	224	1,881
Multi-strategy	1,001	(1,027)	–	(17)	43	–
Specialist credit	1,853	(1,664)	–	268	116	573
Structured credit	–	3,059	–	(191)	655	3,523
	$ 4,335	$ 2,343	$ 2,128	$ 154	$ 1,628	$10,588

The following represents the expected benefit plan payments for the next five years and the five years thereafter:

Year ending December 31:	
2014	$ 6,654
2015	6,998
2016	7,381
2017	7,903
2018	8,580
2019-2023	52,353

10. Medical Malpractice

The System established a self-insured revocable trust (Trust) that covers the System's subsidiaries and their respective employees for claims within a specified level (Self-Insured Retention). Claims above the Self-Insured Retention are insured by claims-made coverage that is placed with Adhealth Limited, a Bermuda company (Adhealth). Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage. A Self-Insured Retention of $2,000 was established for the year ended December 31, 2001. The Self-Insured Retention was increased to $7,500 and $15,000 effective January 1, 2002 and 2003, respectively, and has remained at $15,000 through December 31, 2013.

The Trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $403,716 and $356,130 at December 31, 2013 and 2012, respectively. The related accrued malpractice claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $83,125 and $75,742 and as other noncurrent liabilities in the amount of $292,540 and $295,765 at December 31, 2013 and 2012, respectively. The related estimated insurance recoveries are recorded as other assets in the amount of $11,251 and $13,875 in the accompanying consolidated balance sheets at December 31, 2013 and 2012, respectively.

Management, with the assistance of consulting actuaries, estimated claim liabilities at the present value of future claim payments using a discount rate of 3.75% and 4.25% at December 31, 2013 and 2012, respectively.

11. Commitments and Contingencies

Operating Leases

The System leases certain property and equipment under operating leases. Lease and rental expense was approximately $97,600 and $100,900 for the years ended December 31, 2013 and 2012, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

The following represents the net future minimum lease payments under noncancelable operating leases for the next five years and the years thereafter:

Year ending December 31:	
2014	$ 38,333
2015	36,543
2016	30,822
2017	21,671
2018	11,590
Thereafter	20,079

Compliance with Laws and Regulations

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

As a part of its compliance activities, the System determined that relationships with certain physicians were not in full technical compliance with the Stark Law and elected to make voluntary self-disclosures to the federal government in 2013. The System is engaged in discussions and is fully cooperating with the Department of Justice on this matter. Based on information available to date, management believes that the System has adequately provided for the most likely outcome of the self-disclosure. However, as more information becomes known, it is possible that the estimate could change. As such, assurance cannot be given that the resolution of these matters will not affect the financial condition or operations of the System, taken as a whole.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System's consolidated financial statements, taken as a whole.

12. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions

that would be made by market participants. The three-tier hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of the System's financial assets and liabilities are measured at fair value on a recurring basis, including money market, fixed-income and equity instruments and collateral under the securities lending program. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in nonactive markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

Recurring Fair Value Measurements

The fair value of financial assets measured at fair value on a recurring basis at December 31, 2013, was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 935,335	$ 935,335	$ –	$ –
INVESTMENTS				
Debt securities				
U.S. government agencies and sponsored entities	2,343,340	–	2,343,340	–
Corporate bonds	198,017	–	198,017	–
Residential mortgage-backed	62,962	–	62,962	–
Commercial mortgage-backed	174,758	–	174,758	–
Collateralized debt obligations	60,541	–	60,541	–
Student loan asset-backed	13,738	–	13,738	–
Equity securities				
Domestic equities	5,019	5,019	–	–
Foreign equities	948	948	–	–
Domestic equity index securities	37,492	37,492	–	–
Alternative investments				
Commodity	7,844	–	7,844	–
Event driven	24,619	–	18,838	5,781
Global macro	16,649	–	8,026	8,623
Insurance	17,359	–	8,219	9,140
Long/short	73,303	–	62,855	10,448
Relative value	9,865	–	9,865	–
Specialist credit	9,951	–	9,921	30
Structured credit	22,851	–	9,141	13,710
Total investments	3,079,256	43,459	2,988,065	47,732

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

	As of December 31, 2013 (cont.)			
	Total	Level 1	Level 2	Level 3
ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	345,331	345,331	–	–
Debt securities				
U.S. government agencies and sponsored entities	360,528	10,645	349,883	–
Corporate bonds	15,459	–	15,459	–
Residential mortgage-backed	2,686	–	2,686	–
Commercial mortgage-backed	5,311	–	5,311	–
Collateralized debt obligations	1,475	–	1,475	–
Student loan asset-backed	661	–	661	–
Equity securities				
Domestic equities	7,128	7,128	–	–
Foreign equities	862	862	–	–
Domestic equity index securities	11,292	11,292	–	–
Foreign equity index securities	1,343	1,343	–	–
Alternative investments				
Commodity	2,843	–	2,843	–
Event driven	8,923	–	6,828	2,095
Global macro	6,035	–	2,909	3,126
Insurance	6,292	–	2,979	3,313
Long/short	26,569	–	22,782	3,787
Relative value	3,576	–	3,576	–
Specialist credit	3,607	–	3,596	11
Structured credit	8,283	–	3,314	4,969
Total assets whose use is limited	818,204	376,601	424,302	17,301
Collateral held under securities lending program	20,619	–	20,619	–
	$ 4,853,414	$ 1,355,395	$ 3,432,986	$ 65,033

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

The fair value of financial assets measured at fair value on a recurring basis at December 31, 2012, was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 654,893	$ 654,893	$ –	$ –
INVESTMENTS				
Debt securities				
U.S. government agencies and sponsored entities	2,247,645	39,999	2,207,646	–
Corporate bonds	115,719	181	115,538	–
Residential mortgage-backed	69,832	–	69,832	–
Commercial mortgage-backed	75,165	–	75,165	–
Collateralized debt obligations	24,177	–	24,177	–
Student loan asset-backed	16,552	–	16,552	–
Equity securities				
Domestic equities	4,892	4,892	–	–
Foreign equities	964	964	–	–
Alternative investments				
Event driven	14,933	–	8,860	6,073
Global macro	16,083	–	13,036	3,047
Insurance	21,306	–	8,225	13,081
Long/short	46,688	–	37,631	9,057
Relative value	9,669	–	9,669	–
Specialist credit	12,441	–	9,683	2,758
Structured credit	32,022	–	15,055	16,967
Total investments	2,708,088	46,036	2,611,069	50,983

	As of December 31, 2012 (cont.)			
	Total	Level 1	Level 2	Level 3
ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	107,462	107,462	–	–
Debt securities				
U.S. government agencies and sponsored entities	396,035	9,421	386,614	–
Corporate bonds	12,309	–	12,309	–
Residential mortgage-backed	2,289	–	2,289	–
Commercial mortgage-backed	3,498	–	3,498	–
Collateralized debt obligations	1,041	–	1,041	–
Student loan asset-backed	1,793	–	1,793	–
Equity securities				
Domestic equities	13,086	13,086	–	–
Foreign equities	3,674	3,674	–	–
Alternative investments				
Event driven	5,658	–	3,357	2,301
Global macro	6,094	–	4,939	1,155
Insurance	8,072	–	3,116	4,956
Long/short	17,689	–	14,258	3,431
Relative value	3,663	–	3,663	–
Specialist credit	4,714	–	3,669	1,045
Structured credit	12,132	–	5,704	6,428
Total assets whose use is limited	599,209	133,643	446,250	19,316
Collateral held under securities lending program	3,060	–	3,060	–
	$ 3,965,250	$ 834,572	$ 3,060,379	$ 70,299

The changes in financial assets classified as Level 3 during the year ended December 31, 2013 were as follows:

	Alternative Investments					
	Beginning Balance	Gross Purchases	Gross Sales	Realized Gains (Losses)	Unrealized Gains (Losses)	Ending Balance
Event driven	$ 8,374	$ 1,500	$ (2,830)	$ 200	$ 632	$ 7,876
Global macro	4,202	8,000	–	–	(453)	11,749
Insurance	18,037	–	(5,000)	(374)	(210)	12,453
Long/short	12,488	–	–	–	1,747	14,235
Specialist credit	3,803	–	(3,591)	(26)	(145)	41
Structured credit	23,395	1,000	(6,984)	596	672	18,679
	$ 70,299	$10,500	$(18,405)	$ 396	$ 2,243	$65,033

The changes in financial assets classified as Level 3 during the year ended December 31, 2012 were as follows:

	Alternative Investments					
	Beginning Balance	Gross Purchases (Sales)	Transfers	Realized Gains (Losses)	Unrealized Gains	Ending Balance
Event driven	$ 8,413	$ (2,720)	$ –	$ 622	$ 2,059	$ 8,374
Global macro	–	4,000	–	–	202	4,202
Insurance	–	2,250	14,130	–	1,657	18,037
Long/short	–	11,000	–	–	1,488	12,488
Multi-strategy	5,682	(5,852)	–	(116)	286	–
Specialist credit	10,524	(9,269)	–	1,778	770	3,803
Structured credit	–	20,317	–	(1,270)	4,348	23,395
	$ 24,619	$19,726	$14,130	$ 1,014	$ 10,810	$70,299

Transfers between levels are determined as of the beginning of the period, which assumes the investment would be transferred at fair value at the beginning of the reporting period. Transfers from Level 2 to Level 3 occurred as a result of changes in the liquidity terms of an underlying fund. The revised liquidity terms of the underlying fund now include quarterly redemption terms with a 25% maximum redemption, which does not allow the System the ability to redeem the investment within the near term. Generally, the System defines near term as redemption of the entire investment within 90 days or less.

Financial assets are reflected in the accompanying consolidated balance sheets as follows:

	December 31	
	2013	2012
Cash and cash equivalents measured at fair value	$ 935,335	$ 654,893
Certificates of deposit	30,806	–
Total cash and cash equivalents	$ 966,141	$ 654,893
Investments measured at fair value	$ 3,079,256	$ 2,708,088
Alternative investments accounted for under the equity method	421,589	566,418
Accrued interest	13,761	11,100
Total investments	$ 3,514,606	$ 3,285,606
Assets whose use is limited measured at fair value	$ 818,204	$ 599,209
Alternative investments accounted for under the equity method	25,738	35,696
Accrued interest	1,756	1,770
Total assets whose use is limited	$ 845,698	$ 636,675

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Levels 2 and 3 financial assets were determined as follows:

Cash equivalents, U.S. government agencies and sponsored entities, corporate bonds, residential mortgage-backed, commercial mortgage-backed, collateralized debt obligations and student loan asset-backed – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

Alternative investments – These underlying funds are valued using the NAV as a practical expedient to determine fair value. Several factors are considered in appropriately classifying the underlying funds in the fair value hierarchy. An underlying fund is generally classified as Level 2 if the System has the ability to withdraw its investment with the underlying fund at NAV at the measurement date or within the near term. An underlying fund is generally classified as Level 3 if the System does not have the ability to redeem its investment with the underlying fund at NAV within the near term. Those alternative investments classified as Level 3 as of December 31, 2013 and 2012, were classified as such because they could not be redeemed in the near term.

Collateral held under securities lending program – The System participates in securities lending transactions with the custodian of its investments (program), whereby a portion of its investments is loaned to certain brokerage firms in return for cash or similar debt securities from the brokers as collateral for the investments loaned. Any cash collateral is invested by the System in a securities lending quality trust (SLQT). The fair value of the System's interest in the SLQT is determined by considering its NAV and actual issuances and redemptions of interests in the SLQT. Currently, interests in the SLQT are purchased and redeemed at a constant NAV of $1.00 per unit for daily operational liquidity purposes, although redemptions for certain other purposes, such as termination of the System's participation in the program, may be in-kind. Any collateral in the form of debt securities is valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

Other Fair Value Disclosures

The carrying values of accounts receivable, accounts payable, accrued liabilities and payable under the securities lending program are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

The fair values of the System's fixed-rate bonds are estimated using Level 2 inputs based on quoted market prices for those or similar instruments. The estimated fair value of the fixed-rate bonds were approximately $3,219,000 and $2,987,000 as of December 31, 2013 and 2012, respectively. The carrying value of the fixed-rate bonds were approximately $3,095,000 and $2,728,000 as of December 31, 2013 and 2012, respectively. The carrying amount approximates fair value for all other long-term debt (note 7).

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (dollars in thousands)

13. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2013 through March 11, 2014, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

14. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2013 are presented below:

Revenue	
Patient service revenue	$ 1,961,557
Provision for bad debts	(129,216)
Net patient service revenue	1,832,341
EHR incentive payments	30,135
Other	85,680
Total operating revenue	1,948,156
Expenses	
Employee compensation	928,633
Supplies	351,487
Professional fees	125,672
Purchased services	129,015
Other	121,571
Interest	34,934
Depreciation and amortization	112,248
Total operating expenses	1,803,560
Income from Operations	144,596
Nonoperating Gains	
Investment income	28,915
Gain on early extinguishment of debt	25
Total nonoperating gains	28,940
Excess of revenue and gains over expenses	173,536
Less: Deficiency of revenue and gains over expenses attributable to noncontrolling interests	609
Excess of Revenue and Gains over Expenses Attributable to Controlling Interests	174,145
Other changes in unrestricted net assets, net	36,874
Decrease in temporarily restricted net assets, net	(3,686)
Increase in Net Assets	$ 207,333

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Report of Independent Certified Public Accountants

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a Adventist Health System

We have audited the accompanying consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation and Subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and 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 financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Orlando, Florida
March 11, 2014

Consolidated Financial Statements and Supplementary Information

Alexian Brothers Health System and Subsidiaries –
Member of Ascension Health, a subsidiary of
Ascension Health Alliance
Year Ended June 30, 2013
With Report of Independent Auditors

Ernst & Young LLP

ATTACHMENT 6

Ernst & Young

199

Alexian Brothers Health System and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2013

Contents

Report of Independent Auditors....1

Consolidated Financial Statements

Consolidated Balance Sheet....3
Consolidated Statement of Operations and Changes in Net Assets....5
Consolidated Statement of Cash Flows....7
Notes to Consolidated Financial Statements....9

Supplementary Information

Report of Independent Auditors on Supplementary Information....48
Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs....49
Obligated Group Consolidating Balance Sheet – June 30, 2013....50
Obligated Group Consolidating Statement of Operations and Changes in Net Assets – Year Ended June 30, 2013....52

ATTACHMENT 6

ERNST & YOUNG

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787
Tel: +1 312 879 2000
Fax: +1 312 879 4000
www.ey.com

Report of Independent Auditors

Board of Governors
Alexian Brothers Health System and Subsidiaries

We have audited the accompanying consolidated financial statements of Alexian Brothers Health System and Subsidiaries (collectively, ABHS), which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statement of operations and changes in net assets and cash flows for the year 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 financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alexian Brothers Health System and Subsidiaries at June 30, 2013, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*

As discussed in Note 2 to the consolidated financial statements, Alexian Brothers Health System and Subsidiaries changed the presentation of the provision for bad debts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

August 28, 2013

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Alexian Brothers Health System and Subsidiaries

Consolidated Balance Sheet
(In thousands)

June 30, 2013

Assets		
Current assets:		
Cash and cash equivalents	$	7,185
Short-term investments		8,005
Accounts receivable, less allowances for doubtful accounts ($43,389 in 2013)		106,757
Estimated third-party payor settlements		1,615
Inventories		16,441
Other		11,470
Total current assets		151,473
Interest in investments held by Ascension Health Alliance		341,451
Trustee-held funds		16,191
Restricted funds		10,372
Other investments		3,035
Property and equipment, net		682,977
Other assets:		
Investment in unconsolidated entities		5,189
Other		25,435
Total other assets		30,624
Total assets	$	1,236,123

ATTACHMENT 6

203

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Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	$ 7,961
Accounts payable and accrued liabilities	106,772
Estimated third-party payor settlements	88,408
Current portion of self-insurance liabilities	2,502
Other	7,678
Total current liabilities	213,321
Noncurrent liabilities:	
Long-term debt	482,416
Self-insurance liabilities	21,898
Pension and other postretirement liabilities	18,794
Deferred accommodation fees and deposits	47,442
Other	12,096
Total noncurrent liabilities	582,646
Total liabilities	795,967
Net assets:	
Unrestricted:	
Controlling interest	430,220
Noncontrolling interests	(436)
Unrestricted net assets	429,784
Temporarily restricted	9,190
Permanently restricted	1,182
Total net assets	440,156
Total liabilities and net assets	$ 1,236,123

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets

(In thousands)

June 30, 2013

Operating revenue:		
Net patient and resident service revenue	$	955,369
Less provision for doubtful accounts		39,253
Net patient and resident service revenue, less provision for doubtful accounts		916,116
Capitation revenue		39,518
Other revenue		34,913
Net assets released from restrictions for operations		3,020
Total operating revenue		993,567
Operating expenses:		
Salaries and wages		399,426
Employee benefits		88,339
Purchased services		102,700
Professional fees		49,244
Supplies		133,072
Insurance		16,979
Interest		15,910
Depreciation and amortization		50,766
Other		92,983
Total operating expenses before impairment, restructuring, and nonrecurring gains, net		949,419
Income from operations before impairment, restructuring, and nonrecurring gains, net		44,148
Impairment, restructuring, and nonrecurring gains, net		2,662
Income from operations		41,486
Nonoperating gains:		
Investment return		22,845
Income from unconsolidated entities		407
Other		5
Total nonoperating gains, net		23,257
Excess of revenues and gains over expenses and losses		64,743
Less noncontrolling interests		(157)
Excess of revenues and gains over expenses and losses attributable to controlling interest		64,900

Continued on next page.

ATTACHMENT 6

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets (continued)

(In thousands)

Unrestricted net assets:		
Excess of revenues and gains over expenses and losses	$	64,900
Pension and other postretirement liability adjustments		(2,455)
Transfers from sponsor and other affiliates, net		(3,014)
Net assets released from restrictions for property acquisitions		5,622
Other		(525)
Increase in unrestricted net assets, controlling interest		64,528
Unrestricted net assets, noncontrolling interests:		
Deficit of revenues and gains over expenses and losses		(157)
Decrease in unrestricted net assets, noncontrolling interests		(157)
Temporarily restricted net assets, controlling interest:		
Contributions and grants		4,035
Net assets released from restrictions		(8,642)
Other		135
Decrease in temporarily restricted net assets, controlling interest		(4,472)
Permanently restricted net assets, controlling interest:		
Other		(392)
Decrease in permanently restricted net assets, controlling interest		(392)
Increase in net assets		59,507
Net assets, beginning of year		380,649
Net assets, end of year	$	440,156

See accompanying notes.

ATTACHMENT 6

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Cash Flows
(In thousands)

June 30, 2013

Operating activities		
Increase in net assets	$	59,507
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		50,766
Provision for doubtful accounts		39,253
Amortization of fair value of debt adjustment		(1,374)
Interest, dividends, and net (gains) losses on investments		22,845
Impairment, restructuring, and nonrecurring expenses		(2,662)
Transfers (from) to sponsor and other affiliates, net		3,014
Pension and other postretirement liability adjustments		2,455
Restricted contributions, investment return, and other restricted activity		4,863
(Increase) decrease in:		
Short-term investments		656
Accounts receivable		(26,034)
Estimated third-party payor settlements		(1,615)
Inventories and other current assets		4,428
Investments, including interest in investments held by Ascension Health Alliance		(55,575)
Other assets		634
Increase (decrease) in:		
Accounts payable and accrued liabilities		(24,185)
Estimated third-party payor settlements		3,209
Self-insurance liabilities		(6,982)
Other current liabilities		3,917
Other noncurrent liabilities		(8,223)
Net cash provided by operating activities		68,897

Continued on next page.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Cash Flows (continued)
(In thousands)

Investing activities		
Property and equipment additions, net	$	(81,243)
Net cash used in investing activities		(81,243)
Financing activities		
Issuance of long-term debt		–
Repayment of long-term debt		(9,570)
Decrease in trustee-held funds		1,322
Net cash used in financing activities		(8,248)
Net change in cash and cash equivalents		(20,594)
Cash and cash equivalents, beginning of year		27,779
Cash and cash equivalents, end of year	$	7,185

See accompanying notes.

ATTACHMENT 6

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands)

Year Ended June 30, 2013

1. Organization and Mission

Organizational Structure

Alexian Brothers Health System and Subsidiaries (ABHS) is a member of Ascension Health. In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Effective January 1, 2012, Ascension Health became the sole corporate member of ABHS through a business combination transaction.

The subsidiaries of ABHS included in the accompanying consolidated financial statements are as follows:

- Alexian Brothers Hospital Network (ABHN), including Alexian Brothers Medical Center (ABMC); St. Alexius Medical Center (St. Alexius); Alexian Brothers Behavioral Health Hospital (ABBHH); Alexian Brothers Ambulatory Group (ABAG); Alexian Brothers Specialty Group (ABSG); Bonaventure Medical Foundation, L.L.C. (BMF); Thelen Corporation (Thelen); Savelli Properties, Inc. (Savelli); Alexian Brothers Center for Mental Health (ABCMH); Alexian Brothers Health Providers Association, Inc. (ABHP); Alexian Brothers Accountable Care Organization, L.L.C. (ABACO); and Alexian Brothers Clinically Integrated Network, L.L.C. (CIN).

1. Organization and Mission (continued)

- Alexian Brothers Senior Ministries (ABSM), including Alexian Village of Milwaukee, Inc. (AVM); Alexian Village of Tennessee (AVT); Alexian Brothers Lansdowne Village (ABLV); Alexian Brothers Sherbrooke Village (ABSV); Alexian Brothers Community Services (ABCS); Alexian Brothers Senior Neighbors (ABSN); Alexian Elderly Services, Inc. (AES); and Alexian Village of Elk Grove (AVEG).

- Alexian Brothers Health System, Inc. Investment Trust (Trust).

- Alexian Brothers Services, Inc. (A.B. Services).

- Alexian Brothers of San Jose, Inc. (ABSJ).

- Alexian Brothers Bonaventure House and Alexian Brothers Bettendorf Place, L.L.C. (Bettendorf Place).

ABHS and its corporations are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income under Section 501(a) of the Code, except as follows:

- ABHP, AVEG, and Thelen Corporation are for-profit corporations.

- Savelli is a not-for-profit corporation exempt from federal income taxes on related income under Section 501(c)(2) of the Code.

- BMF is a limited liability corporation that has elected to be taxed as a partnership.

- Trust is an Illinois trust exempt from federal income tax on related income pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

- Bettendorf Place is a single member LLC, owned 100% by Alexian Brothers Bonaventure House.

- ABACO and CIN are single member LLCs, owned 100% by ABHN.

1. Organization and Mission (continued)

ABHS provides general health care services to patients/residents within their geographic locations through their acute care facilities, behavioral health hospital, continuing care centers, and other health care-related facilities. Expenses related to the corporations providing health care services in 2013 amounted to approximately $853,000. All other expenses included in the accompanying consolidated financial statements relate primarily to general and administrative costs.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

1. Organization and Mission (continued)

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The direct and indirect cost of providing care to persons living in poverty and community benefit programs is estimated by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing services to patients and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

The amount of traditional charity care provided, determined on the basis of cost, was approximately $20,167 for the year ended June 30, 2013. The amounts of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by ABHS or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value on a recurring basis are disclosed in the fair value measurements note.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less.

Interest in Investments Held by Ascension Health Alliance, Investments, and Investment Return

Prior to April 2012, ABHS held a significant portion of its investments through the Ascension Legacy Portfolio (formerly the Health System Depository or HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The Ascension Legacy Portfolio investments were managed primarily by external investment managers within established investment guidelines. The value of ABHS's investment in the Ascension Legacy Portfolio represented ABHS's pro rata share of the Ascension Legacy Portfolio's funds held for participants.

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the Ascension Legacy Portfolio. Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of ABHS. As of June 30, 2013, ABHS has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents ABHS's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

ABHS also invests in absolute return strategies that are locally managed.

2. Significant Accounting Policies (continued)

ABHS reports its interest in investments held by Ascension Health Alliance in the accompanying consolidated balance sheet as short or long term, based on liquidity needs, which, prior to June 30, 2013, were directed by ABHS and as of June 30, 2013, are directed by Ascension Health Alliance. ABHS's interest in investments held by Ascension Health Alliance is also classified based on whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS. ABHS reports its other investments, including Foundation investments, in the accompanying consolidated balance sheet based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS.

ABHS's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments, which are required to be recorded at fair value, are classified as trading securities and include pooled short-term investment funds; U.S. government, state, municipal, and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the Ascension Legacy Portfolio participated, in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns are comprised of dividends, interest, and gains and losses on ABHS's investments, as well as ABHS's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the consolidated statement of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of an asset related to an agreement for use of the trade name "Alexian Brothers" and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheet and are comprised of the following:

	June 30, 2013
Capitalized computer software costs	$ 13,236
Less accumulated amortization	3,001
Capitalized software costs, net	10,235
Other	2,981
Total intangible assets, net	$ 13,216

Intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives of two to five years.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2013, is as follows:

	June 30, 2013
Land	$ 35,129
Land improvements	3,910
Buildings	570,715
Equipment	123,075
	732,829
Less accumulated depreciation	69,064
	663,765
Construction in progress	19,212
Total property and equipment, net	$ 682,977

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 was $47,454.

Estimated useful lives by asset category are as follows: land improvements – 11 to 21 years; buildings – 4 to 44 years; and equipment – 2 to 20 years.

Interest costs incurred as part of related construction are capitalized during the period of construction. Net interest capitalized in 2013 was $2,397.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $32,513 as of June 30, 2013.

2. Significant Accounting Policies (continued)

Noncontrolling Interest

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned or controlled entities ABHS controls in accordance with applicable accounting guidance. Accordingly, ABHS has reflected a noncontrolling interest for the portion of net assets not owned or controlled by ABHS separately on the consolidated balance sheet.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by ABHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and earnings on permanently restricted net assets are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are 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 statement of operations and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted gifts and bequests unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported and unrestricted when the donated or acquired long-lived assets are placed in service.

2. Significant Accounting Policies (continued)

Deferred Accommodation Fees and Deposits

Advance fees paid by a resident upon entering into a continuing care contract, net of the estimated portion thereof that is expected to be refunded to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Accommodation fees are refundable to residents based on contractual rebate schedules. The refundable portion based on the contractual rebate schedules of the deferred accommodation fees was approximately $25,100 at June 30, 2013.

Under the terms of residency agreements with individuals, AVM and AVT are obligated to provide those individuals with occupancy and certain services in their respective residential units as well as required nursing care in their skilled nursing centers during the residents' remaining lifetimes, in exchange for payment of the respective accommodation fees and monthly service fees. AVM and AVT annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compare those amounts with the balance of deferred accommodation fees. If the present value of the net cost of future services and use of facilities exceeds the deferred accommodation fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Using a discount rate of 6% at June 30, 2013, no such liability was required. The discount rate is based on the average rate for actual earnings, dividends, and return on investments.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and contributions of property and equipment

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

ABHS's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to ABHS's primary mission are considered to be nonoperating activities, consisting primarily of investment returns.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately $4,438 for the year ended June 30, 2013.

The state of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2014. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). ABHS has included their related prorated assessments of $24,338 in 2013 within other expenses in the accompanying consolidated statement of operations and changes in net assets. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. ABHS has included their additional related prorated reimbursement of $23,832 in 2013 within net patient and resident service revenue in the accompanying consolidated statement of operations and changes in net assets. St. Alexius and ABBHH also qualified for the Safety Net Adjustment Payments program (SNAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal

2. Significant Accounting Policies (continued)

year ended June 30, 2013. St. Alexius and ABBHH have included its related prorated SNAP reimbursement of $2,933 within net patient and resident service revenue in the accompanying 2013 consolidated statement of operations and changes in net assets. St. Alexius also qualified for the Outpatient Assistance Adjustment program (OAAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal year ended June 30, 2013. St. Alexius has included its related prorated OAAP reimbursement of $4,946 within net patient and resident service revenue in the accompanying 2013 consolidated statement of operations and changes in net assets. There were no advance quarterly payments at June 30, 2013.

The percentage of net patient and resident service revenue earned by payor for the year ended June 30, 2013, is as follows:

	Year Ended June 30, 2013
Medicare	30%
Medicaid	7
HMO/PPO	22
Blue Cross	28
Self Pay and Other	13
Total	100%

ABHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2013, are as follows:

	Year Ended June 30, 2013
Medicare	23%
Medicaid	11
HMO/PPO	17
Blue Cross	7
Self Pay	30
Other	12
Total	100%

ATTACHMENT 6

2. Significant Accounting Policies (continued)

The provision for doubtful accounts related to net patient service revenue is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, ABHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with ABHS's policies. See Adoption of New Accounting Standards section for change in accounting presentation of provision for doubtful accounts in the accompanying consolidated statement of operations and changes in net assets.

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year. ABHS has not experienced material changes in write-off trends and has not materially changed its charity care policy since June 30, 2012.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

2. Significant Accounting Policies (continued)

ABHS accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after ABHS has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. ABHS recognized revenue from Medicaid incentive payments after it adopted certified EHR technology. Incentive payments totaling $2,710 for the year ended June 30, 2013, are included in total operating revenue in the accompanying consolidated statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, ABHS's compliance with the meaningful use criteria is subject to audit by the federal government.

Impairment, Restructuring, and Nonrecurring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

During the year ended June 30, 2013, ABHS recorded total impairment, restructuring, and nonrecurring expenses of $2,662. For the year ended June 30, 2013, this amount was comprised of long-lived asset impairments of approximately $1,252 and restructuring and nonrecurring expenses of approximately $1,410.

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by ABHS. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of ABHS.

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This accounting standards update requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for doubtful accounts related to patient service revenue adjacent to patient service revenue in the statement of operations and changes in net assets rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for doubtful accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011.

ABHS recognizes a significant amount of patient service revenue at the time services are rendered in certain settings such as the emergency room, even though the patient's ability to pay is not initially assessed. ABHS assessed the significance of adopting this accounting standards update at the consolidated level. ABHS adopted this guidance as of July 1, 2012.

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-Term Investments

At June 30, 2013, ABHS's investments are comprised of its interest in investments held by Ascension Health Alliance and certain other investments, including investments held and managed locally. Assets limited as to use primarily include investments restricted by donors. ABHS's cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheet as presented in the following table:

	2013
Cash and cash equivalents	$ 7,185
Short-term investments	8,005
Trustee-held funds	16,191
Restricted funds	10,372
Other investments	3,035
Total cash and cash equivalents, short-term investments, and other investments	44,788
Interest in investments held by Ascension Health Alliance	341,451
Total	$ 386,239

The composition of cash and investments classified as cash and cash equivalents, short-term investments, assets limited as to use, and other investments is summarized as follows:

	2013
Cash and equivalents (includes restricted funds)	$ 34,697
U.S. government (includes restricted funds)	5,004
Restricted pledges receivable	3,024
Other investments – hedge funds	2,063
Interest in investments held by Ascension Health Alliance	341,451
Total	$ 386,239

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-Term Investments (continued)

As of June 30, 2013, the composition of total Alpha Fund and HSD investments is as follows:

	June 30, 2013
Cash and cash equivalents	3.3%
U.S. government obligations	24.7
Corporate and foreign fixed income securities	12.0
Asset-backed securities	8.6
Equity securities	17.4
Alternative investments and other investments:	
Private equity and real estate funds	5.8
Hedge funds	21.9
Commodities funds and other investments	6.3
Total	100.0%

Investment return recognized by ABHS is summarized as follows:

	Year Ended June 30, 2013
Return on interest in investments held by Ascension Health Alliance and investment return in Ascension Legacy Portfolio	$ 21,290
Interest and dividends	1,557
Net losses on investments reported at fair value	(2)
Total investment return	$ 22,845

All of investment return is included in nonoperating gains (losses) in the consolidated statement of operations and changes in net assets.

ATTACHMENT 6

4. Fair Value Measurements

ABHS categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. ABHS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

ABHS follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

4. Fair Value Measurements (continued)

There were no significant transfers between Levels 1 and 2 during the year ended June 30, 2013. As of June 30, 2013, the Level 1, Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value. Cash and cash equivalents and additional short-term investments include certificates of deposit whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

U.S. government, state, municipal, and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and foreign fixed income securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

4. Fair Value Measurements (continued)

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Alternative investments consist of hedge funds. Alternative investments are valued using net asset values as determined by external investment managers.

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-term investments notes, ABHS has an interest in investments held by Ascension Health Alliance. As of June 30, 2013, 20%, 42% and 37% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100% and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively.

4. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2013, for all other financial assets that are measured at fair value on a recurring basis in the consolidated financial statements:

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Cash and cash equivalents	$ 11,527	$ –	$ –	$ 11,527	Daily	One
Hedge fund investments:						
Absolute return/multiple strategies	$ 4,635	$ –	$ 2,063	$ 6,698	In redemption	
Total hedge fund investments	4,635	–	2,063	6,698		
Total other long-term investments	$ 4,635	$ –	$ 2,063	$ 6,698		

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Restricted funds:						
Cash and cash equivalents	$ 7,348	$ –	$ –	$ 7,348	Daily	One
Restricted pledges receivable	3,024	–	–	3,024	Daily	One
Total restricted funds	$ 10,372	$ –	$ –	$ 10,372		

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Trustee-held funds:						
Cash and cash equivalents	$ 11,187	$ 5,004	$ –	$ 16,191	Daily	One
Total trustee-held funds	$ 11,187	$ 5,004	$ –	$ 16,191		

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. ABHS uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

4. Fair Value Measurements (continued)

During the year ended June 30, 2013, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following.

	Absolute Return Strategies
July 1, 2012	$ 49,665
Total realized and unrealized gains (losses)	1,270
Sales	(44,237)
Transfers to Level 1	(4,635)
June 30, 2013	$ 2,063

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

The following table summarizes fair value measurements, by level, at June 30, 2013, for all financial liabilities that are measured at fair value on a recurring basis in the consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ –	$ (2,685)	$ –	$ (2,685)

Fair value of the interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and ABHS.

Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to ABHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon ABHS's current borrowing rates for similar types of long-term debt securities.

4. Fair Value Measurements (continued)

The following table presents the carrying amounts and estimated fair values of ABHS's financial instruments not carried at fair value at June 30, 2013:

	Carrying Amount	Fair Value
Long-term debt	$ 482,416	$ 491,474

5. Long Term Debt

A summary of long-term debt as of June 30, 2013, is as follows:

	2013
Illinois Finance Authority Revenue Refunding Bonds Series 2005 (Alexian Brothers Health System and Subsidiaries):	
Series 2005A, with fixed interest rates ranging from 5.00% to 5.50% and varying debt service payments through January 1, 2028	$ 64,775
Series 2005B, with fixed interest rates ranging from 5.00% to 5.50% and varying debt service payments through January 1, 2028	25,841
Illinois Finance Authority Revenue Bonds, Series 2008 (Alexian Brothers Health System and Subsidiaries), with fixed effective rate of 5.50%, due by annual mandatory redemption beginning February 15, 2029 through 2038	3,103
Illinois Finance Authority Revenue Refunding Bonds Series 2010 (Alexian Brothers Health System and Subsidiaries), with fixed interest rates ranging from 3.50% to 5.25% and varying debt service payments through February 15, 2030	72,164
Intercompany debt with Ascension Health Alliance, payable in installments through 2054; interest (3.54% at June 30, 2013) adjusted based on prevailing blended market interest rate of underlying debt obligations	324,494
Total long-term debt	490,377
Less current maturities of long-term debt	7,961
Long-term debt, excluding current maturities	$ 482,416

5. Long-Term Debt (continued)

ABHS and certain of its affiliates (ABMC, St. Alexius, ABBHH, ABHN, ABSJ, AVM, AVT, Savelli, ABLV, ABSV, and ABCS, collectively referred to as the Obligated Group) entered into a Master Trust Indenture dated September 1, 1985, as amended and restated. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the Obligated Group to satisfy other obligations issued under the Master Trust Indenture. Outstanding debt issued by members of the Obligated Group pursuant to the Master Trust Indenture aggregated $157,000 at June 30, 2013.

Obligations issued under the Master Trust Indenture are secured by a direct pledge of the unrestricted receivables of the Obligated Group and a mortgage on ABMC and St. Alexius. The proceeds from each bond issue are administered by bond trustees to comply with the terms of the Master Trust Indenture.

On August 11, 2005, ABHS issued Series 2005A Auction Rate Securities (Series 2005A), Series 2005B Auction Rate Securities (Series 2005B), and Series 2005C Variable Rate Demand Revenue Bonds (Series 2005C) (collectively, the Series 2005 Bonds), issued by the Illinois Finance Authority, for the purpose of partial refinancing of the ABHS Series 1999 Bonds. Assured Guaranty insures payment of the principal and interest of the Series 2005 Bonds. On April 14, 2008, ABHS converted the outstanding Illinois Finance Authority Revenue Refunding Bonds Series 2005A and Series 2005B from auction rate securities to fixed rate bonds. The aggregate amounts for each series are set forth below:

- Series 2005A Bonds are fixed rate bonds issued in the aggregate amount of $87,425. Principal and interest payments on the Series 2005A Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 4.00% to 5.50% with an aggregate rate of 5.35%.

- Series 2005B Bonds are fixed rate bonds issued in the aggregate amount of $85,925. Principal and interest payments on the Series 2005B Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 4.00% to 5.50% with an aggregate rate of 5.35%.

5. Long-Term Debt (continued)

- Series 2005C Bonds were variable rate demand revenue securities issued in the aggregate amount of $80,945. On April 21, 2011, the Series 2005C Bonds were refunded with the issuance of the Illinois Revenue Refunding Bonds, Series 2010 (ABHS Series 2010 Bonds), and that portion of the Assured Guaranty insurance policy for the Series 2005C was canceled.

On April 23, 2008, ABHS issued Revenue Bonds, Series 2008 (ABHS Series 2008 Bonds) in the aggregate amount of $45,000 through the Illinois Finance Authority. The ABHS Series 2008 Bonds are due in varying annual principal installments beginning February 2029 through February 2038 with interest payable semiannually at an effective rate of 5.50%. The ABHS Series 2008 Bonds are supported by a debt service reserve of $1,063 ($4,500 at original issuance). Proceeds of the ABHS Series 2008 Bonds were used for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at ABMC, fund working capital, and to pay certain costs incurred with the bonds.

On April 21, 2010, ABHS issued ABHS Series 2010 Bonds in the aggregate amount of $133,400 through the Illinois Finance Authority. The ABHS Series 2010 Bonds are due in varying annual principal installments beginning February 2011 through February 2030 with interest payable semiannually at an effective rate of 4.975%. The ABHS Series 2010 Bonds are supported by a debt service reserve of $12,300. Proceeds of the ABHS Series 2010 Bonds were used to refund the ABHS Series 2005C Bonds in the amount outstanding of $70,420 and for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, to fund the debt service reserve, and to pay certain costs incurred with the bonds.

On May 10, 2012, ABHS entered into a debt agreement between Ascension Health Alliance and ABHS in the aggregate amount of approximately $326,918. Amounts under the ABHS debt agreement of 2012 are due in varying annual principal installments beginning November 2012 through November 2054. Proceeds of the ABHS debt agreement were used for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at St. Alexius Medical Center, and the Skilled Nursing Facility addition at Alexian Brothers Sherbrooke Village, and to refund the ABHS Series 2004 Bonds; redeem the ABHS Series 1999 Bonds, the Alexian Village of Tennessee Series 1999 Bonds, the Alexian Village of

5. Long-Term Debt (continued)

Milwaukee Series 1988 Bonds, and the ABHS Series 2009 Bonds; and partially redeem the ABHS Series 2010 Bonds, the ABHS Series 2008 Bonds, and the ABHS Series 2005A and 2005B Bonds.

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Master Trust Indenture (MTI) and the debt agreement with Ascension Health Alliance are as follows:

Year ending June 30:	
2014	$ 7,961
2015	4,897
2016	11,344
2017	17,810
2018	20,381
Thereafter	419,100
	$ 481,493

During the year ended June 30, 2013, interest paid was approximately $19,734. Capitalized interest was approximately $2,397 for the year ended June 30, 2013.

6. Derivative Instruments

ABHS has entered into interest rate related derivative instruments to manage its exposure on debt instruments. By using the derivative financial instrument to hedge exposures to changes in interest rates, ABHS is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes ABHS, which creates credit risk for ABHS. When the fair value of a derivative contract is negative, ABHS owes the counterparty, and therefore, it does not possess credit risk. ABHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. ABHS management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

6. Derivative Instruments (continued)

Interest Rate Swap Agreement

ABHS entered into an interest rate swap agreement in June 2005. The change in the fair value of the interest rate swap agreement of $1,216 for the year ended June 30, 2013, is recognized as a component of investment income return in nonoperating gains (losses) in the accompanying consolidated statement of operations and changes in net assets. Under the swap agreement, ABHS receives, monthly, 58.20% of one-month LIBOR plus 40 basis points and payments at an annual fixed rate of 3.089% through April 2028.

The fair value of the interest rate swap agreement of $(2,685) at June 30, 2013, is included as a component of other noncurrent liabilities in the accompanying consolidated balance sheet. The differential to be paid or received under the interest rate swap agreement is recognized monthly and amounted to net payments of $1,309 for the year ended June 30, 2013, which has been included in nonoperating investment return in the accompanying consolidated statement of operations and changes in net assets. The value of the swap has been increased by a credit valuation adjustment of approximately $33 at June 30, 2013.

A summary of outstanding positions under the interest rate swap agreement at June 30, 2013, is as follows:

Notional Amount	Maturity Date	Rate Received	Rate Paid
$ 47,220	January 1, 2019	58.2% of LIBOR + 40 basis points	3.089%

7. Pension Plans

ABHS sponsors various noncontributory defined benefit pension plans (Plans) for the benefit of certain eligible employees of participating entities. The normal retirement benefit of the Plans is a monthly retirement income, which is computed based on a cash balance accumulated from employer contributions and interest earnings thereon tied to the ten-year treasury bill rate. The normal benefit is payable to a married participant as a 50% joint and survivor annuity and to a single participant as a life only annuity. Alternative forms of payment are available.

7. Pension Plans (continued)

Contributions made to the Plans are calculated by multiplying each employee's annual earnings by percentages that vary depending on the employee's years of credited service. The assets of the Plans are held in a bank-administered trust. Active participants are also eligible to participate in the Alexian Brothers Retirement Savings 401(k) Plan (the 401(k) Plan), which permits them to defer income and receive a matching contribution to a portion of the savings.

In addition, Thelen and ABAG each sponsor a contributory 401(k) plan (the Thelen Plan and ABAG Plan, respectively) that covers substantially all employees of Thelen and ABAG. Participants may contribute a percentage of their salary up to the IRS limits. The ABAG Plan was amended in June 2009 to provide for a dollar-for-dollar match on the first 2% of earnings the employee saves. Employees who were eligible participants in the previous Bonaventure Medical Group 401(k) plan also became eligible to participate in the ABAG defined benefit plan as of July 1, 2009. As part of this amendment, sponsorship of the ABAG Plan was assumed by ABHS. The Thelen Plan may also make matching contributions starting January 1, 2008.

Cost recognized in the consolidated financial statements pursuant to the terms of the 401(k) Plan, the Thelen Plan, and the ABAG Plan totaled approximately $5,859 for the year ended June 30, 2013, and is reflected as employee benefits expense in the accompanying consolidated statement of operations and changes in net assets. The 401(k) Plan, the Thelen Plan, and the ABAG Plan are funded on a current basis.

Effective December 31, 2009, ABHS amended the Basic Plan to close participation to employees hired on or after January 1, 2010. Eligible participants as of December 31, 2009, employees hired during 2009, and certain groups of employees who were not currently at work on December 31, 2009, but returned to work within the provisions of the Plan continue to be eligible to participate in the Plan. In addition, the 401(k) Plan was amended effective January 1, 2010, to add a Retirement Contribution Account (Account) for employees hired on or after January 1, 2010. This Account provides for a contribution to the 401(k) Plan based upon earnings and years of service for eligible employees without regard to whether they are currently deferring their own savings.

ABHS recognizes the cost related to employee service using the unit credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, and prior service costs are amortized over the expected future service period. The excess of plan assets over the projected benefit obligation at transition is also amortized over the expected future service period.

7. Pension Plans (continued)

ABHS accounts for the defined benefit pension plan in accordance with ASC 715, *Compensation — Retirement Benefits*. ASC 715 requires the recognition in the consolidated balance sheet of the funded status of defined benefit pension plans and other postretirement benefit plans, including all previously unrecognized actuarial gains and losses and unamortized prior service cost, as a component of unrestricted net assets.

The actuarial funding method used in the actuarial valuation for 2013 is the projected unit credit cost method. The measurement date for plan liabilities and assets is June 30.

The following tables set forth the Plans' Basic Pension Plan and SERP Restoration Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2013:

Change in benefit obligation:	
Projected benefit obligation at July 1, 2012	$ 123,620
Service cost	10,640
Interest cost	4,911
Actuarial gains	(1,467)
Benefits paid	(12,730)
Projected benefit obligation at June 30, 2013	$ 124,974
Change in plan assets:	
Fair value of plan assets at July 1, 2012	$ 107,605
Actual return on plan assets	3,697
Employer contributions	11,924
Benefits paid	(12,730)
Fair value of plan assets at June 30, 2013	$ 110,496

ATTACHMENT 6

7. Pension Plans (continued)

	June 30, 2013
Reconciliation of funded status:	
Funded status	$ (14,478)
Amounts recognized in the accompanying consolidated balance sheet:	
Accrued benefit liability	$ (1)
Other long-term liabilities	(14,477)
Net amounts recognized in the balance sheet	$ (14,478)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	$ 5,259
Net amounts included as an accumulated charge to unrestricted net assets	$ 5,259
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	$ 5,259
Reversal of accumulated unrestricted net assets, prior year	(2,839)
Change in unrestricted net assets	$ 2,420
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net loss experienced during the year	$ 2,349
Amortization of unrecognized net loss	71
Net amounts recognized in unrestricted net assets	$ 2,420
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	$ (70)

7. Pension Plans (continued)

	June 30, 2013
Components of net periodic benefit cost:	
Service cost	$ 10,640
Interest cost	4,911
Expected return on plan assets	(7,513)
Amortization of unrecognized net loss	(71)
Net periodic benefit cost	$ 7,967
Weighted-average assumptions:	
Discount rate – benefit obligation	4.6%
Discount rate – periodic benefit cost	4.2%
Expected return on plan assets	7.0%
Rate of compensation increase	4.0%

The following tables set forth the Plans' Bargaining Unit Pension Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2013:

Change in benefit obligation:	
Projected benefit obligation at July 1, 2012	$ 14,887
Interest cost	636
Actuarial gains	(297)
Benefits paid	(699)
Projected benefit obligation at June 30, 2013	14,527
Change in plan assets:	
Fair value of plan assets at July 1, 2012	10,177
Actual return on plan assets	356
Employer contributions	923
Benefits paid	(699)
Fair value of plan assets at June 30, 2013	10,757
Funded status and amounts recognized in the accompanying consolidated balance sheet:	
Other long-term liabilities	$ (3,770)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	$ 769

ATTACHMENT 6

7. Pension Plans (continued)

	June 30, 2013
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	$ 769
Reversal of accumulated unrestricted net assets, prior year	(734)
Change in unrestricted net assets	$ 35
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	$ 35
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net loss experienced during the year ended June 30, 2013	–
Net amounts recognized in unrestricted net assets	$ 35
Weighted-average assumptions:	
Discount rate – benefit obligation	4.9%
Discount rate – periodic benefit cost	4.5%
Expected return on plan assets	7.0%
Rate of compensation increase	N/A
Components of net periodic benefit cost:	
Interest cost	$ 636
Expected return on plan assets	(687)
Net periodic benefit cost	$ (51)

The Plan's accumulated benefit obligation equals the projected benefit obligation at June 30, 2013, as disclosed in the previous tables.

ABHS's overall expected long-term rate of return on assets is 7.0% at June 30, 2013. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

7. Pension Plans (continued)

ABHS expects to contribute $10,201 to the Plans in 2014.

The benefits expected to be paid in each year from 2014 to 2018 are $12,696, $12,304, $12,834, $13,637, and $14,278, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are $75,129. The expected benefits are based on the same assumptions used to measure ABHS's benefit obligation at June 30 and include estimated future employee service.

ABHS developed a Pension Plan Investment Policy and Guidelines (policy), which had been reviewed and approved by the ABHS Investment Subcommittee and ratified by the ABHS Finance Committee as of December 31, 2011. The policy established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific manager guidelines.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2013:

Asset	Target Allocation	Acceptable Range	Actual Allocation at June 30, 2013
Cash and equivalents	0%	0 – 5%	0.0%
Domestic common stocks	15	10 – 20	15.7
Intermediate fixed securities	20	15 – 25	21.3
Enhanced cash	30	25 – 35	30.6
Alternative investments	35	30 – 40	32.4
Total	100%	100%	100.0%

7. Pension Plans (continued)

Overall Investment Objective

The overall investment objective of the Pension Plan is to invest the plan assets in a prudent manner to best serve the participants of the Plan. Pension Plan investment assets are to produce investment results, which achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist ABHS in meeting the obligations to the Plan participants, manage risk exposures, focus on downside sensitivities, and maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns.

Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic equity stocks to achieve the expected rate of return. To manage risk exposure, the Plans' assets are invested in intermediate term fixed-income funds, short-term fixed income funds, and shares or units in alternative investment funds involving hedged strategies and long/short equity funds. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and these securities are valued accordingly. Because of the inherent uncertainties of valuation, these estimated fair values may differ from values that would have been used had a ready market existed.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by ABHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year. ABHS's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of ABHS's interest.

7. Pension Plans (continued)

The fair value of ABHS's pension plan assets at June 30, 2013, by asset category class, is as follows:

	June 30, 2013				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or Liquidation	Notice
Pension plan assets excluding accrued interest of $0:						
Corporate stocks	$ 2,781	$ 16,226	$ –	$ 19,007	Daily	One
Fixed income:						
Short-term bond fund	37,099	–	–	37,099	Daily	One
Intermediate-term bond fund	25,843	–	–	25,843	Daily	One
	65,723	16,226	–	81,949		
Hedge fund investments:						
Absolute return/multiple strategies	34,708	–	4,596	39,304	In Redemption	
Total pension plan assets	$ 100,431	$ 16,226	$ 4,596	$ 121,253		

During the year ended June 30, 2013, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Hedge Fund Investments
Beginning balance	$ 30,428
Total realized and unrealized gains (losses)	1,228
Sales	(27,060)
Ending balance	$ 4,596

ATTACHMENT 6

7. Pension Plans (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by ABHS in estimating the fair value of its financial instruments of the Plan:

- Fair value for corporate stocks and fixed income funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The Plan has, in hedge funds, positions for which quoted market prices are not available. The estimated fair value of these alternative investments includes estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by the Plan.

Fair Value Hierarchy

The Plan follows ASC Subtopic 715-20-50 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The Plan has various alternative investment funds in which the NAV is used as a practical expedient to determine fair value in accordance with ASC Subtopic 820-10-65-6. The Plan has no required commitments to fund the alternative investment funds. The Plan has requested full redemption of any alternative investment fund.

8. Self-Insurance Programs

ABHS participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2013. In the event that sufficient funds are not available

8. Self-Insurance Programs (continued)

from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

Professional and General Liability Programs

ABHS participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate. ABHN has a deductible of $100 per claim. Excess coverage is provided through AHIL with limits up to $185,000. AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying consolidated statement of operations and changes in net assets is professional and general liability expense of $15,698 for the year ended June 30, 2013. For the year ended June 30, 2013, the expense has been reduced by $6,978 of excess premiums previously retained by Ascension Health's professional and general liability self-insured program. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheet are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately $24,400 at June 30, 2013.

Workers' Compensation

ABHS participates in Ascension Health's workers' compensation program which provides occurrence coverage through a grantor trust. The trust provides coverage up to $1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligation of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported. Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $2,575 for the year ended June 30, 2013

9. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:		
2014	$	14,737
2015		13,780
2016		9,798
2017		6,220
2018		5,530
Thereafter		14,596
Total	$	64,661

ABHS has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more are $2,222.

In addition, ABHS is a lessor under certain operating lease agreements, primarily ground leases related to third party owned medical office buildings on land owned by ABHS. Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:		
2014	$	1,405
2015		744
2016		353
2017		222
2018		148
Thereafter		257
Total	$	3,129

Rental expense under operating leases amounted to $22,753 in 2013.

10. Related-Party Transactions

ABHS utilized various centralized programs and overhead services of the System or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to ABHS for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of ABHS. Allocations are based on relevant metrics such as ABHS's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to ABHS for these services may not necessarily result in the net costs that would be incurred by ABHS on a stand-alone basis. The charges allocated to ABHS were approximately $40,450 for the year ended June 30, 2013.

11. Contingencies and Commitments

In addition to professional liability claims, ABHS is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on ABHS's consolidated balance sheet.

12. Subsequent Events

ABHS evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2013, ABHS evaluated subsequent events through August 28, 2013, representing the date on which the financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

Supplementary Information

ATTACHMENT 6

ERNST & YOUNG

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787
Tel: +1 312 879 2000
Fax: +1 312 879 4000
www.ey.com

Report of Independent Auditors on Supplementary Information

Board of Governors
Alexian Brothers Health System and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

August 28, 2013

ATTACHMENT 6

A member firm of Ernst & Young Global Limited

Alexian Brothers Health System and Subsidiaries

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

(Dollars in Thousands)

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows:

	Year Ended June 30, 2013
Traditional charity care provided	$ 20,167
Unpaid cost of public programs for persons living in poverty	32,861
Other programs for persons living in poverty and other vulnerable persons	3,773
Community benefit programs	7,710
Care of persons living in poverty and community benefit programs	$ 64,511

ATTACHMENT 6

Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidating Balance Sheet
(In thousands)

June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Assets														
Current assets:														
Cash and cash equivalents	$ (35,105)	$ –	$ 18,673	$ 18,776	$ 2,285	$ 98	$ 138	$ 381	$ 121	$ 77	$ 332	$ –	$ –	$ 5,776
Short-term investments	3,662	–	–	–	–	973	–	–	–	–	–	–	–	4,635
Accounts receivable, less allowances for doubtful accounts ($42,971 in 2013)	–	–	50,478	37,870	7,573	–	1,589	742	1,688	1,462	716	–	(1,639)	100,479
Estimated third-party payor settlements	–	–	628	910	–	–	–	–	61	17	–	–	–	1,616
Inventories	–	4,506	7,549	3,794	93	–	154	91	20	28	207	–	–	16,442
Other	1,760	28,877	(950)	2,953	205	115	1,389	749	196	265	379	–	(1,926)	34,012
Total current assets	(29,683)	33,383	76,378	64,303	10,156	1,186	3,270	1,963	2,086	1,849	1,634	–	(3,565)	162,960
Assets limited as to use and other long-term investments	3,035	–	–	–	–	–	–	–	–	–	–	–	–	3,035
Interest in investments held by Ascension Health Alliance	253,640	–	–	–	–	–	12,661	335	13,034	12,879	48,407	–	–	340,956
Trustee-held funds	16,191	–	–	–	–	–	–	–	–	–	–	–	–	16,191
Restricted funds	7,450	–	1,408	504	94	–	175	2,493	7	52	–	–	(2,938)	9,245
Property and equipment, net	9,608	31,648	211,584	263,401	23,897	10,013	26,770	53,895	3,886	25,430	4,638	–	–	664,770
Other assets:														
Investment in unconsolidated entities	1	53,942	160	1,411	–	–	–	–	–	–	–	–	(53,942)	1,572
Other	15,249	10,240	135	(302)	21	16	1,196	296	–	–	558	–	–	27,409
Total other assets	15,250	64,182	295	1,109	21	16	1,196	296	–	–	558	–	(53,942)	28,981
Total assets	$ 275,491	$ 129,213	$ 289,665	$ 329,317	$ 34,168	$ 11,215	$ 44,072	$ 58,982	$ 19,013	$ 40,210	$ 55,237	$ –	$ (60,445)	$ 1,226,138

251

ATTACHMENT O

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Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidating Balance Sheet (continued)
(In thousands)

June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Liabilities and net assets														
Current liabilities:														
Current portion of long-term debt	$ 7,961	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 7,961
Accounts payable and accrued liabilities	43,225	15,265	17,773	14,950	3,850	236	2,178	2,333	738	925	3,799	8	(3,789)	101,491
Estimated third-party payor settlements	–	–	46,254	38,740	2,732	–	–	–	–	–	683	–	–	88,409
Current portion of self-insurance liabilities	–	–	1,243	805	196	–	–	–	–	–	–	–	–	2,244
Other	(188,096)	126,437	33,660	27,845	4,393	(92)	74	192	101	51	2,856	(357)	224	7,288
Total current liabilities	(136,910)	141,702	98,930	82,340	11,171	144	2,252	2,525	839	976	7,338	(349)	(3,565)	207,393
Noncurrent liabilities:														
Long-term debt	482,416	–	–	–	–	–	–	–	–	–	–	–	–	482,416
Self-insurance liabilities	–	–	8,020	7,771	1,783	–	25	36	36	34	25	–	–	17,730
Pension and other postretirement liabilities	15,024	–	–	–	–	–	–	–	–	–	–	3,770	–	18,794
Deferred accommodation fees and deposits	–	–	–	–	–	–	14,430	30,481	–	–	2,531	–	–	47,442
Other	3,322	–	4,432	–	–	–	–	–	–	–	–	–	–	7,754
Total noncurrent liabilities	500,762	–	12,452	7,771	1,783	–	14,455	30,517	36	34	2,556	3,770	–	574,136
Total liabilities	363,852	141,702	111,382	90,111	12,954	144	16,707	33,042	875	1,010	9,894	3,421	(3,565)	781,529
Net assets:														
Unrestricted:														
Controlling interest	(95,811)	(12,489)	177,311	238,702	21,120	11,071	27,190	23,446	18,131	39,148	45,343	(3,421)	(53,942)	435,799
Noncontrolling interests	–	–	(436)	–	–	–	–	–	–	–	–	–	–	(436)
Unrestricted net assets	(95,811)	(12,489)	176,875	238,702	21,120	11,071	27,190	23,446	18,131	39,148	45,343	(3,421)	(53,942)	435,363
Temporarily restricted	7,450	–	729	504	94	–	142	2,035	7	52	–	–	(2,938)	8,075
Permanently restricted	–	–	679	–	–	–	33	459	–	–	–	–	–	1,171
Total net assets	(88,361)	(12,489)	178,283	239,206	21,214	11,071	27,365	25,940	18,138	39,200	45,343	(3,421)	(56,880)	444,609
Total liabilities and net assets	$ 275,491	$ 129,213	$ 289,665	$ 329,317	$ 34,168	$ 11,215	$ 44,072	$ 58,982	$ 19,013	$ 40,210	$ 55,237	$ –	$ (60,445)	$ 1,226,138

25-2

ATTACHMENT G

Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidated Statement of Operations and Changes in Net Assets
(In thousands)

Year Ended June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexinn Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Operating revenue:														
Net patient and resident service revenue	$ –	$ –	$ 442,484	$ 337,066	$ 68,140	$ –	$ 22,603	$ 21,725	$ 11,358	$ 14,583	$ 1,016	$ –	$ (6,596)	$ 912,379
Less provision for doubtful accounts	–	1,030	16,025	18,169	2,061	–	17	55	270	109	291	–	–	38,027
Net patient and resident service revenue, less provision for doubtful accounts	–	(1,030)	426,459	318,897	66,079	–	22,586	21,670	11,088	14,474	725	–	(6,596)	874,352
Capitation revenue	–	–	800	846	603	–	–	–	–	–	35,151	–	–	37,400
Other revenue	46,064	101,358	9,833	6,813	5,235	2,767	836	521	22	68	1,364	–	(136,831)	38,050
Net assets released from restrictions for operations	–	–	271	159	51	–	106	305	6	11	–	–	–	909
Total operating revenue	46,064	100,328	437,363	326,715	71,968	2,767	23,528	22,496	11,116	14,553	37,240	–	(143,427)	950,711
Operating expenses:														
Salaries and wages	22,166	22,071	136,306	97,720	35,016	–	8,180	6,093	4,051	5,800	10,744	–	(3,648)	344,499
Employee benefits	8,860	7,942	32,671	22,558	7,312	–	1,895	2,012	760	983	2,643	(40)	(7,660)	79,936
Purchased services	3,740	39,408	27,501	14,768	4,026	28	3,789	4,798	1,315	1,834	1,123	3	(6,852)	95,481
Professional fees	1,804	7,092	30,644	29,738	5,034	62	3,443	2,670	2,464	1,389	15,545	0	(29,957)	69,928
Supplies	136	794	77,363	44,907	1,297	1	968	822	928	789	2,591	–	–	130,596
Insurance	118	5	4,479	4,675	792	7	58	122	108	123	124	0	–	10,611
Interest	(2,084)	–	7,351	8,610	1,126	–	320	336	–	–	71	–	–	15,730
Depreciation and amortization	1,555	13,499	15,644	11,579	937	576	1,325	1,883	472	756	656	–	–	48,882
Other	9,697	3,629	80,658	64,083	14,111	2,323	2,059	3,023	1,156	935	1,535	–	(95,310)	87,899
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	45,992	94,440	412,617	298,638	69,651	2,997	22,037	21,759	11,254	12,609	35,032	(37)	(143,427)	883,562
Income (loss) from operations before impairment, restructuring, and nonrecurring gains (losses), net	72	5,888	24,746	28,077	2,317	(230)	1,491	737	(138)	1,944	2,208	37	–	67,149
Impairment, restructuring, and nonrecurring gains (losses), net	–	(1,410)	–	–	–	–	–	–	–	–	(1,252)	–	–	(2,662)
Income (loss) from operations	72	4,478	24,746	28,077	2,317	(230)	1,491	737	(138)	1,944	956	37	–	64,487
Nonoperating gains (losses):														
Investment return	15,020	–	98	80	–	1	967	178	953	916	3,206	–	–	21,419
Other	4	–	23	–	(15)	(4)	–	–	–	–	–	–	–	8
Total nonoperating gains (losses), net	15,024	–	121	80	(15)	(3)	967	178	953	916	3,206	–	–	21,427
Excess (deficit) of revenues and gains over expenses and losses	15,096	4,478	24,867	28,157	2,302	(233)	2,458	915	815	2,860	4,162	37	–	85,914
Less noncontrolling interests	–	–	(157)	–	–	–	–	–	–	–	–	–	–	(157)
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	15,096	4,478	25,024	28,157	2,302	(233)	2,458	915	815	2,860	4,162	37	–	86,071
Other changes in unrestricted net assets:														
Pension and other postretirement liability adjustments	(2,420)	–	–	–	–	–	–	–	–	–	–	(35)	–	(2,455)
Transfers from (to) sponsor and other affiliates, net	189,513	–	(98,000)	(87,000)	(16,000)	–	–	3,810	–	–	–	–	–	(7,677)
Net assets released from restrictions for property acquisitions	–	–	4,042	1,500	–	–	–	4	–	–	–	–	–	5,546
Other	–	–	(684)	–	–	–	–	–	1	1	(526)	–	–	(1,208)
Increase (decrease) in unrestricted net assets	202,189	4,478	(69,618)	(57,343)	(13,698)	(233)	2,458	4,729	816	2,861	3,636	2	–	80,277

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ATTACHMENT 6