E-015-11

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

ORIGINAL

RECEIVED

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HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name: Mercy Hospital & Medical Center
Address: 2525 South Michigan Avenue
City: Chicago, Illinois Zip Code: 60616 County: Cook
Name of current licensed entity for the facility: Mercy Hospital & Medical Center
Does the current licensee: own this facility Yes OR lease this facility ____ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship __X__ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental ____ Limited Liability Company ____ Other, specify ____
Illinois State Senator for the district where the facility is located: Sen. Kwame Raoul
State Senate District Number: 4 Mailing address of the State Senator: 1509 East 53rd Street, 2nd Floor, Chicago, Illinois 60615
Illinois State Representative for the district where the facility is located: Rep. Kimberly du Buclet
State Representative District Number: 7 Mailing address of the State Representative: 405 East 35th Street, Chicago, Illinois 60653

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☒ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project #: Project No. 08-043 is currently pending and being carried out in a manner consistent with 1130.520(f). See Explanatory Note 2 for additional information.

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

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

5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: Trinity Health Corporation
Address: 27870 Cabot Drive
City, State & Zip Code: Novi, Michigan 48377
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship __X__ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental ____ Limited Liability Company ____ Other, specify ____

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

Exact Legal Name of Entity to be Licensed: The license will continue to be held by Mercy Hospital & Medical Center as the proposed transaction involves a membership substitution.
Address: 2525 South Michigan Avenue, Chicago, Illinois 60616
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship __X__ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental ____ Limited Liability Company ____ Other, specify ____

7. **BUILDING/SITE OWNERSHIP.** NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY
Exact Legal Name of Entity That Will Own the Site: The building(s) will continue to be owned by Mercy Hospital & Medical Center as the proposed transaction involves a membership substitution.
Address: 2525 South Michigan Avenue, Chicago, Illinois 60616
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship __X__ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental ____ Limited Liability Company ____ Other, specify ____

8. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   1. Purchase resulting in the issuance of a license to an entity different from current licensee;
   2. Lease resulting in the issuance of a license to an entity different from current licensee;
   3. Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   4. Stock transfer resulting in no change from current licensee;
   5. Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   6. Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   7. Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   8. Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   9. Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   10. Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   11. Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description" ☒

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

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

11. **ANTICIPATED ACQUISITION PRICE:** $0 (See Explanatory Note 11 for additional information)

12. **FAIR MARKET VALUE OF THE FACILITY:** $26,000,000 (See Explanatory Note 12 for additional information) (to determine fair market value, refer to 77 IAC 1130.140)

13. **DATE OF PROPOSED TRANSACTION:** Transaction to close by March 31, 2012, effective on April 1, 2012

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

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

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

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

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

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

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

Name: Paul Neumann, Esq., Senior Vice President & General Counsel, Trinity Health Corporation
Address: 34605 Twelve Mile Road
City, State & Zip Code: Farmington Hills, Michigan 48331
Telephone: 248-489-6214

20. CERTIFICATION

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

Signature of Authorized Officer: Joseph R. Swedish

Typed or Printed Name of Authorized Officer: Joseph Swedish

Title of Authorized Officer: President & CEO

Address: 27870 Cabot Drive

City, State & Zip Code: Novi, Michigan 48377

Telephone: (248) 489-6794 Date: 12/13/2011

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

APPENDIX A
FACILITY BED AND DIALYSIS STATION CAPACITY AND CATEGORIES OF SERVICE

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

FACILITY NAME: Mercy Hospital & Medical Center CITY: Chicago

1. Indicate (by placing an "X") the type of facility for which the change of ownership is requested:

☒ Hospital; ☐ Long-term Care Facility; ☐ Dialysis Facility; ☐ Ambulatory Surgical Treatment Center.

2. Provide the bed capacity by category of service:

SERVICE	# of Beds	SERVICE	# of Beds
Medical/Surgical	289	Nursing Care	
Obstetrics	30	Shelter Care	
Pediatrics	37	DD Adults*	
Intensive Care	30	DD Children**	
Acute Mental Illness	39	Chronic Mental Illness	
Rehabilitation	24	Children's Medical Care	
Neonatal Intensive Care	0	Children's Respite Care	

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

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

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

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

5. Non-Hospital Based Ambulatory Surgery and Ambulatory Surgical Treatment Centers

Indicate (by placing an "X") if the facility is a ☐ limited or ☐multi-specialty facility and indicate the surgical specialties provided.

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

Ownership, Management and General Information

ADMINISTRATOR NAME:	Lin Ye
ADMINSTRATOR PHONE	312-567-2621
OWNERSHIP:	Mercy Health System of Chicago
OPERATOR:	Mercy Health System of Chicago
MANAGEMENT:	Church-Related
CERTIFICATION:	
FACILITY DESIGNATION:	General Hospital
ADDRESS	2525 South Michigan Avenue
CITY:	Chicago
COUNTY:	Suburban Cook (Chicago)

Patients by Race

White	12.0%
Black	61.4%
American Indian	0.1%
Asian	4.8%
Hawaiian/ Pacific	0.0%
Unknown:	21.8%

Patients by Ethnicity

Hispanic or Latino:	19.6%
Not Hispanic or Latino:	78.2%
Unknown:	2.1%

IDPH Number:	1578
HPA	A-03
HSA	6

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds 12/31/2010	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2010	Staff Bed Occupancy Rate %
Medical/Surgical	289	161	161	10,513	45,885	3,639	4.7	135.7	46.9	84.3
0-14 Years				*428*	*3,147*					
15-44 Years				*1,745*	*5,460*					
45-64 Years				*3,266*	*13,217*					
65-74 Years				*2,010*	*9,206*					
75 Years +				*3,064*	*14,855*					
Pediatric	37	21	8	279	929	58	3.5	2.7	7.3	12.9
Intensive Care	30	20	20	1,220	6,051	28	5.0	16.7	55.5	83.3
Direct Admission				*1,220*	*6,051*					
Transfers				*0*	*0*					
Obstetric/Gynecology	30	35	32	3,087	6,523	36	2.1	18.0	59.9	51.3
Maternity				*3,087*	*6,523*					
Clean Gynecology				*0*	*0*					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	39	39	39	1,393	8,475	0	6.1	23.2	59.5	59.5
Rehabilitation	24	16	10	216	1,889	0	8.7	5.2	21.6	32.3
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedceted Observation	*0*					*0*				
Facility Utilization	449			16,708	69,752	3,761	4.4	201.4	44.856	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	*Medicaid*	*Other Public*	*Private Insurance*	*Private Pay*	*Charity Care*	*Totals*
	33.3%	41.9%	0.0%	21.5%	3.0%	0.3%	
Inpatients	5564	6998	0	3600	500	46	16,708
	20.9%	30.6%	0.0%	40.0%	8.0%	0.4%	
Outpatients	76559	112135	0	146304	29447	1570	366,015

Financial Year Reported: 7/1/2009 *to* 6/30/2010

Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	*Medicaid*	*Other Public*	*Private Insurance*	*Private Pay*	*Totals*	*Charity Care Expense*
Inpatient	42.1%	39.5%	0.1%	17.9%	0.4%	100.0%	
Revenue ($)	72,469,276	67,903,350	184,909	30,778,495	723,461	172,059,491	1,676,040
Outpatient	24.3%	15.5%	0.2%	58.1%	1.8%	100.0%	
Revenue ($)	16,935,846	10,829,395	161,346	40,475,657	1,264,332	69,666,576	1,636,292

Total Charity Care Expense 3,312,332

Totals: Charity Care as % of Net Revenue 1.4%

Birthing Data

Number of Total Births:	2,942
Number of Live Births:	2,905
Birthing Rooms:	0
Labor Rooms:	0
Delivery Rooms:	0
Labor-Delivery-Recovery Rooms:	9
Labor-Delivery-Recovery-Postpartum Rooms:	0
C-Section Rooms:	2
CSections Performed:	728

Newborn Nursery Utilization

Level 1 Patient Days	4,469
Level 2 Patient Days	3,042
Level 2+ Patient Days	0
Total Nursery Patientdays	7,511

Laboratory Studies

Inpatient Studies	533,486
Outpatient Studies	421,421
Studies Performed Under Contract	51,172

Organ Transplantation

Kidney:	0
Heart:	0
Lung:	0
Heart/Lung:	0
Pancreas:	0
Liver:	0
Total:	0

* Note: OB peak bed set up and peak census is more than CON beds because of during the times of overflow of OB patients. The beds will be utilized from the L & D Room or the surgery beds from C-section room.

APPENDIX A

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	1	1	259	29	971	51	1022	3.7	1.8
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	2	2	804	781	1500	802	2302	1.9	1.0
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	3	0	19	0	19	6.3	0.0
OB/Gynecology	0	0	1	1	274	509	849	544	1393	3.1	1.1
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	2	399	4	436	440	2.0	1.1
Orthopedic	0	0	2	2	387	940	846	1271	2117	2.2	1.4
Otolaryngology	0	0	1	1	158	389	368	491	859	2.3	1.3
Plastic Surgery	0	0	0	0	31	40	102	64	166	3.3	1.6
Podiatry	0	0	0	0	68	241	92	321	413	1.4	1.3
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	232	535	360	445	805	1.6	0.8
Totals	**0**	**0**	**8**	**8**	**2218**	**3863**	**5111**	**4425**	**9536**	**2.3**	**1.1**

SURGICAL RECOVERY STATIONS Stage 1 Recovery Stations 13 Stage 2 Recovery Stations 10

Dedicated and Non-Dedicated Procedure Room Utilzation

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	4	4	1324	3271	1030	2474	3504	0.8	0.8
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	2	791	1	286	287	0.5	0.4
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
Minor (Local, Genera	0	0	1	1	4	220	2	140	142	0.5	0.6
Ortho & Podiatry)	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	**2**
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Emergency/Trauma Care

Certified Trauma Center		No
Level of Trauma Service	**Level 1**	**Level 2**
	Not Applicable	Adult
Operating Rooms Dedicated for Trauma Care		0
Number of Trauma Visits:		0
Patients Admitted from Trauma		0
Emergency Service Type:		Comprehensive
Number of Emergency Room Stations		25
Persons Treated by Emergency Services:		53,751
Patients Admitted from Emergency:		12,558
Total ED Visits (Emergency+Trauma):		**53,751**

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	**6,753**
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	2,762
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	341
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	**86**
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	86
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	64

Outpatient Service Data

Total Outpatient Visits	**366,015**
Outpatient Visits at the Hospital/ Campus:	251,067
Outpatient Visits Offsite/off campus	114,948

Diagnostic/Interventional Equipment

	Own	Contract	Examinations Inpatient	Outpt	Contract
General Radiography/Fluoroscopy	4	0	17,194	32,740	0
Nuclear Medicine	4	0	1,645	1,881	0
Mammography	3	0	0	14,094	0
Ultrasound	6	0	3,011	17,755	0
Angiography	1	0			
Diagnostic Angiography			0	0	0
Interventional Angiography			1043	620	0
Positron Emission Tomography (PET)	0	1	0	0	223
Computerized Axial Tomography (CAT)	2	1	7,377	11,317	3,220
Magnetic Resonance Imaging	1	1	214	1,600	3,141

Radiation Equipment

	Owned	Contract	Therapies Treatments
Lithotripsy	0	0	0
Linear Accelerator	1	0	16,185
Image Guided Rad Therapy	0	0	0
Intensity Modulated Rad Thrpy	0	0	61
High Dose Brachytherapy	0	0	0
Proton Beam Therapy	0	0	0
Gamma Knife	0	0	0
Cyber knife	0	0	0

State of Illinois 2009484
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/11	BGBD	0001578

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/11

BUSINESS ADDRESS

MERCY HOSPITAL & MEDICAL CENTER
2525 SOUTH MICHIGAN AVENUE
CHICAGO IL 60616 2477

The face of this license has a colored background. Printed by Authority of the State of Illinois 4/97

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 2009484
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION
MERCY HOSPITAL & MEDICAL CENTER

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/11	BGBD	0001578

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 01/01/11

11/06/10

MERCY HOSPITAL & MEDICAL CENTER
2525 SOUTH MICHIGAN AVENUE
CHICAGO IL 60616 2477

FEE RECEIPT NO.

APPENDIX
A

Attachment 1
Application Fee

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

Attachment 2
Funding

There is no "purchase price" associated with the Transaction (as described and defined in Attachment 3). Rather, as set forth in Section 1.5 of the Definitive Agreement, attached at Attachment 5, Trinity has committed to cause the expenditure of no less than $140,000,000 to Mercy System over a five (5) year period for capital, information systems and equipment needs to support the operations of Mercy System and its subsidiaries and affiliates, including Mercy Hospital. Of the $140,000,000, $40,000,000 will be transferred to Mercy System, in cash at the closing of the Transaction, to fund capital commitments. An additional $10,000,000 will be made available to Mercy System, subject to Mercy System's performance and certain other conditions, for a total expenditure of $150,000,000 over the five (5) year period (all as set forth in Section 1.5 of the Definitive Agreement). See page 2 of Trinity Health Corporation's audited consolidated financial statements for the year ended June 30, 2011, which is attached at Attachment 6, for further information on Trinity's available cash and cash equivalents.

Attachment 3
Narrative

Trinity Health Corporation ("Trinity") hereby seeks a Certificate of Exemption ("COE") from the Illinois Health Facilities & Services Review Board (the "Board") to allow consummation of a proposed transaction (the "Transaction") between Mercy Health System of Chicago ("Mercy System"), whereby Trinity will become the sole member of Mercy System.

Trinity is one of the largest Catholic health care systems in the country. Based in Novi, Michigan, Trinity operates 47 acute-care hospitals, 401 outpatient facilities, 31 long-term care facilities, and numerous home health offices and hospice programs in nine states. Trinity currently employs more than 53,000 full-time associates. Trinity reported $7.4 billion in unrestricted revenue in fiscal year 2011. As a not-for-profit health system, Trinity, through its ministry and operations, invests in its communities through programs which serve the poor and uninsured, manage chronic conditions such as diabetes, help educate residents on health care and health related issues, and provide outreach for the elderly. In fiscal year 2011, this included nearly $460 million in such community benefits.

Mercy System is the sole member of Mercy Hospital & Medical Center ("Mercy Hospital"). Mercy Hospital was Chicago's first teaching hospital and has served the residents of Chicago for more than 159 years. With 449 licensed beds, Mercy Hospital is a Level II Trauma center, complete with a comprehensive network including the Mercy Family Health Center, a look-alike Federally Qualified Health Center ("FQHC"), the Mercy Foundation, Inc., the philanthropic arm of Mercy Hospital, eleven auxiliary care facilities, MercyWORKS occupational health program, and two school-based health centers in Wendell Phillips and Dunbar Vocational Career Academies.

Mercy Hospital has a teaching affiliation with the University of Chicago and the University of Illinois at Chicago. Mercy Hospital's medical residency program includes internal medicine, obstetrics/gynecology, and podiatry, and trains over one hundred residents each year, including residencies in emergency medicine, surgery, and radiology.

In its century and a half of serving Chicago, Mercy Hospital has been a pioneer in health care with many firsts, including the first Oncology Unit in Chicago, the first FDA approved carotid artery stenting procedure in Chicago, and the first in Chicago to perform Laparo-Endoscopic Single-Site Surgery. For the past six years, Mercy Hospital has served as the lead agency for the Illinois Breast and Cervical Cancer Program screening and treating more women than any other agency in the state of Illinois. Mercy Hospital continues its legacy of being a leader in Patient Safety with a Stage 6 Designation of the HIMSS Analytics Electronic Medical Record Adoption Model, putting Mercy Hospital within the top 3.5% of hospitals in the nation. Mercy Hospital is also home to a certified Stroke Center, a superior Cardiovascular Institute with an Accredited Chest Pain Center, a Diabetes Treatment Center Accredited for Excellence, and a leading Cancer Center also Accredited for Excellence.

With the potential affiliation with Mercy System, Trinity continues its commitment to strengthening Catholic health care in the Chicago area and across the Nation. Both Mercy System and Trinity share an unrelenting focus on excellent care so an affiliation at this time makes good sense for both organizations, as well as for the associates, physicians, patients and communities served by Mercy System.

Trinity and Mercy System share complementary missions and similarities in legacy and have had a strong collaborative relationship for several years. Trinity currently provides group purchasing opportunities and information technology services leadership support to Mercy System and Mercy Hospital.

Trinity also has roots with the Sisters of Mercy of the Americas West Midwest Community, the sponsors of Mercy System, so the missions of Trinity and Mercy System are aligned and the commitment to strengthening Catholic health care in Chicago is passionately shared and will enhance the solid blueprint of Catholic health care in Chicago to the benefit of those served by Mercy System and Mercy Hospital.

Following the Transaction, Mercy System and its subsidiaries and affiliates, including Mercy Hospital, will continue to operate for the benefit of the residents of Chicago and the communities surrounding Chicago, including serving poor and underserved individuals through charitable initiatives and activities. Trinity intends to preserve Mercy System's longstanding and unwavering commitment to healthcare in Chicago. Both Trinity and Mercy System are committed to improving the health of the residents of Chicago.

Following the Transaction, Mercy System and Mercy Hospital will continue to be governed by their local boards of directors. Trinity representatives will join the Mercy System and Mercy Hospital Boards so that the Boards will then include religious members, Trinity representatives, and community members.

Critically, as part of the Transaction, Trinity has committed to cause the expenditure of no less than \$140,000,000 to Mercy System over a five (5) year period for capital, information systems and equipment needs to support the operations of Mercy System and its subsidiaries and affiliates, including Mercy Hospital. Of the \$140,000,000, \$40,000,000 will be transferred to Mercy System, in cash at the closing of the Transaction, to fund capital commitments. An additional \$10,000,000 will be made available to Mercy System, subject to Mercy System's performance and certain other conditions, for a total expenditure of \$150,000,000 over the five (5) year period (all as set forth in Section 1.5 of the Definitive Agreement).

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

The Transaction is expected to close by March 31, 2012, with an effective date of April 1, 2012.

Attachment 4
Background of Applicant

The following documents are attached at Attachment 4:

1. Certificate of Good Standing for Trinity Health Corporation (issued by the Indiana Secretary of State).

2. Certificate of Good Standing for Trinity Health Corporation (issued by the Illinois Secretary of State).

3. Background information on Trinity Health Corporation and biographical information on Trinity Health Corporation's senior management (which was originally set forth in Appendix A to that certain Official Statement, dated October 5, 2011, for certain Trinity Health bonds that were offered on October 20, 2011).

4. Organizational charts for Mercy Health System of Chicago prior to and following the Transaction.

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
CERTIFICATE OF EXISTENCE

To Whom These Presents Come, Greetings:

I, Charles P. White, Secretary of State of Indiana, do hereby certify that I am, by virtue of the laws of the State of Indiana, the custodian of the corporate records, and proper official to execute this certificate.

I further certify that records of this office disclose that

TRINITY HEALTH CORPORATION

duly filed the requisite documents to commence business activities under the laws of State of Indiana on November 10, 1978, and was in existence or authorized to transact business in the State of Indiana on December 05, 2011.

I further certify this Non-Profit Domestic Corporation has filed its most recent report required by Indiana law with the Secretary of State, or is not yet required to file such report, and that no notice of withdrawal, dissolution or expiration has been filed or taken place.

SEAL OF THE STATE OF INDIANA 1816

In Witness Whereof, I have hereunto set my hand and affixed the seal of the State of Indiana, at the city of Indianapolis, this Fifth Day of December, 2011.

Charles P. White

Charles P. White, Secretary of State

197811-279 / 2011120553808

File Number 6775-210-4

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

TRINITY HEALTH CORPORATION, INCORPORATED IN INDIANA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON MARCH 02, 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.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 15TH *day of* DECEMBER *A.D.* 2011 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1134901236

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

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

APPENDIX A

Information Concerning

TRINITY HEALTH

Novi, Michigan

TRINITY HEALTH CREDIT GROUP

The information contained herein as
Appendix A to this Official Statement
has been obtained from Trinity
Health on behalf of itself and
the members of its Credit Group.

TRINITY HEALTH CREDIT GROUP

History

Trinity Health Corporation ("Trinity Health"), an Indiana nonprofit corporation, was formed by the consolidation of Holy Cross Health System Corporation ("Holy Cross") and Mercy Health Services ("Mercy") in May 2000. Holy Cross, an Indiana nonprofit corporation, was incorporated in 1978 to coordinate the health care activities of the Congregation of the Sisters of the Holy Cross (the "Holy Cross Sisters"). Mercy, a Michigan nonprofit corporation, was incorporated in 1976 to assume ownership of and to coordinate the health care services of the Sisters of Mercy Regional Community of Detroit, now part of Sisters of Mercy of the Americas West Midwest Community (the "Sisters of Mercy"). In conjunction with its formation, Trinity Health formed the Trinity Health Credit Group (described below) to facilitate its capital formation and capital management activities.

Trinity Health is sponsored by Catholic Health Ministries ("CHM"), an association governed by individuals ("CHM Members") who also comprise the Board of Directors of Trinity Health (the "Trinity Board"). New CHM Members are appointed by current CHM Members. CHM is recognized by the Roman Catholic Church as an entity that acts in its name with respect to CHM's sponsored works. The health care ministries of CHM (previously the ministries of the Holy Cross Sisters and the Sisters of Mercy) have provided assistance to the sick and infirm for more than 125 years.

The Trinity Health Credit Group

Trinity Health controls or owns, directly or indirectly, various nonprofit and for-profit corporations and other organizations (the "Trinity Health Affiliates") that currently operate primarily in California, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Nebraska, Ohio and Oregon. Trinity Health and the Trinity Health Affiliates, which at present include all Designated Affiliates (described below), are sometimes collectively referred to in this APPENDIX A as the "Health System." Trinity Health, the Trinity Health Affiliates and the Designated Affiliates are referred to in this APPENDIX A in the context of the Master Indenture as the "Trinity Health Credit Group" or the "Credit Group." Trinity Health is the only member of the Trinity Health Credit Group with a direct obligation to make payments on Obligations issued under the Master Indenture, including the 2011 Obligations that secure the Series 2011 Bonds.

As described below, effective July 1, 2011, Trinity Health became the sole corporate member of Loyola University Health System ("LUHS") and LUHS and its affiliates and subsidiaries became part of the Trinity Health. Unless otherwise noted herein, financial and operational information as and for fiscal year 2011 does not include information for LUHS. In addition, effective July 1, 2011, Trinity Health through its subsidiary Trinity Health – Michigan, which held 50% of the shares in the Battle Creek Health System ("BCHS"), a Michigan nonprofit corporation, transferred its shares in BCHS to Bronson Healthcare Group, Inc. As a result, the results of operations of BCHS have been reclassified as discontinued operations. Therefore, revenue and expense items contained herein do not include BCHS.

As of June 30, 2011, the health care facilities owned and operated by members of the Health System include general acute care hospitals, long-term care facilities, skilled nursing facilities and behavioral health facilities with an aggregate of 8,023 staffed beds, as well as residential facilities for the elderly with an aggregate of 1,401 living units. Additional health care and related services provided by members of the Health System include physician services, home health, outpatient surgery, dental clinics, occupational health, mobile health care services, school-based health clinics, skilled nursing facilities, assisted living facilities, senior housing and managed care organizations.

Designated Affiliates as of June 30, 2011[1]

State	Designated Affiliate	Description of Facility/Activity	Number of Licensed Facilities and Staffed Beds[2]	Location
California	Saint Agnes Medical Center[3]	Acute Care	1/436	Fresno
Idaho	Saint Alphonsus Regional Medical Center, Inc.[3]	Acute Care	1/398	Boise
	Mercy Hospital	Acute Care	1/120	Nampa
Indiana	Saint Joseph Regional Medical Center – South Bend Campus, Inc.[3]	Acute Care	1/287	South Bend
	Saint Joseph Regional Medical Center – Plymouth Campus, Inc.	Acute Care	1/45	Plymouth
	Trinity Continuing Care Services – Indiana, Inc.	Comprehensive and Residential Care	4/198	South Bend
Iowa	Mercy Health Services – Iowa, Corp.[3]	Acute and Long-Term Care	2/269	Dubuque
		Acute and Long-Term Care	1/25	Dyersville
		Acute and Psychiatric Care, Skilled Nursing and Acute Rehabilitation	2/240	Mason City
		Acute Care and Skilled Nursing	1/17	New Hampton
		Acute Care	1/238	Sioux City
	Mercy Medical Center – Clinton, Inc.	Acute and Long-Term Care	2/319	Clinton
Maryland	Holy Cross Hospital of Silver Spring, Incorporated[3]	Acute Care	1/425	Silver Spring
	Trinity Continuing Care Services – Indiana, Inc.	Comprehensive Care	1/145	Burtonsville
Michigan	Trinity Health – Michigan[3]	Acute and Psychiatric Care	1/289	Livonia
		Acute Care	1/119	Port Huron
		Acute and Psychiatric Care	2/530	Ann Arbor
		Acute and Psychiatric Care	1/102	Chelsea
		Acute Care	1/55	Howell
		Acute and Psychiatric Care	1/400	Pontiac
		Acute Care	1/56	Cadillac
		Acute and Long-Term Care	1/89	Grayling
		Acute and Psychiatric Care	2/344	Grand Rapids
	Mercy Health Partners	Acute and Psychiatric Care	2/204	Muskegon
	Mercy Health Partners – Hackley Campus	Acute Care	1/202	Muskegon
	Mercy Health Partners – Lakeshore Campus	Acute Care	1/24	Shelby
	Battle Creek Health System[4]	Acute and Psychiatric Care	2/181	Battle Creek
	Trinity Continuing Care Services	Nursing Home, Long-Term Care and Home for the Aged	7/955	Warren, Royal Oak, Battle Creek, Fraser, Grand Rapids, Grand Haven and Muskegon
Ohio	Mount Carmel Health[3]	Acute and Psychiatric Care	2/720	Columbus
	Mount Carmel New Albany Hospital	Acute Care	1/60	New Albany
	St. Ann's Hospital of Columbus, Inc.	Acute Care	1/250	Westerville
Oregon	Trinity St. Elizabeth Health Services	Acute Care	1/75	Baker City
	Trinity Holy Rosary Medical Center	Acute Care	1/49	Ontario

(1) Does not include Trinity Health Home Services or other Designated Affiliates that do not own health care facilities.
(2) Includes all licensure categories except for normal newborn bassinettes and partial hospitalization psychiatric beds.
(3) Material Designated Affiliate.
(4) Effective July 1, 2011, Trinity Health's interest in BCHS was transferred to Bronson Healthcare Group, Inc.

GOVERNANCE AND MANAGEMENT

Governance

The Trinity Health Bylaws provide that the Trinity Board will consist of not fewer than nine nor more than 15 people, who are also CHM Members. The President and Chief Executive Officer of Trinity Health serves *ex-officio*, with a vote, on both the Trinity Board and CHM. Directors not serving *ex-officio* are appointed for three-year terms, with total service not to exceed ten consecutive years, coterminous with their membership on CHM.

The following powers and responsibilities are reserved to CHM: (i) approval of any amendments, modifications or restatements of the Articles of Incorporation of Trinity Health; (ii) approval of any amendments, modifications or restatements of the Bylaws of Trinity Health; (iii) approval of any changes to the Mission and Core Values of Trinity Health, and matters affecting the Catholic identity of Trinity Health; (iv) approval of the sale, lease, mortgage, transfer or encumbrance of or easement on any property of Trinity Health which requires approval under Canon Law; (v) approval of any merger, consolidation, liquidation or dissolution of Trinity Health, the acquisition of Trinity Health or the sale of all or substantially all of the assets of Trinity Health; (vi) appointment of and removal, with or without cause, of the members of the Trinity Board; (vii) ratification of the appointment of the President and Chief Executive Officer of Trinity Health and of the Trinity Board Chair; and (viii) removal, with or without cause, of the President and Chief Executive Officer of Trinity Health.

The current members of the Trinity Board are set forth below.

Name	Occupation	Term Expires December 31,
Mary Mollison, CSA, Chair	Vice President of Ministry and Spirituality Agnesian Health Care Fond du Lac, Wisconsin	2012
Henry R. Autry	Founder, Chairman and Chief Executive Officer Contrado Partners Chicago, Illinois	2011
James Bentley, PhD	Retired Silver Spring, Maryland	2012
Suzanne Brennan, CSC	Executive Director Holy Cross Ministries Salt Lake City, Utah	2011
Melanie Dreher, PhD, RN	Dean, College of Nursing Rush University Chicago, Illinois	2013
Sarah Eames	Executive Director Russell Reynolds Associates, Inc. New York, New York	2013
Uma Kotagal, MD	Senior Vice President, Quality and Transformation and Director of Policy and Clinical Effectiveness Cincinnati Children's Hospital Medical Center Cincinnati, Ohio	2011
Robert Ladenburger	Executive Vice President for Hospital Operations Sisters of Charity of Levenworth Health System President and Chief Executive Officer Exempla Healthcare Denver, Colorado	2012
Paul Robertson	Chairman and Chief Executive Officer Robertson Brothers Company Bloomfield Hills, Michigan	2012
Jose Santillan	Former Head of Investments Harris Bank-Private Client Group Chicago, Illinois	2012
Linda Werthman, RSM	Former Councilor, Institute Leadership Team Member Sisters of Mercy of the Americas Livonia, Michigan	2011
Joseph R. Swedish	President and Chief Executive Officer Trinity Health	*Ex-officio*
Larry Warren	President and Chief Executive Officer Howard University Washington, DC	2013

Operations

Unified Enterprise Ministry. Trinity Health describes itself as a Unified Enterprise Ministry™ ("UEM") that has established a culture and operating model designed to assist with the successful execution of Trinity Health's strategic plan. A UEM focuses the organization, as a whole, on execution of strategies and accountability for performance. As a UEM, the Health System approaches change as a system, unless variation can be proven to create more value for the Health System. Using small, multidisciplinary teams of experts doing the work on behalf of the UEM, the enterprise organizes around the needs of the Health System and the execution of strategic objectives.

Ministry Organizations. The operations of the Health System are organized into "Ministry Organizations," each of which either includes at least one hospital, as well as other facilities and programs within a specific geographic area (each a "Hospital Ministry Organization"), or is dedicated to a particular service line or business. Ministry Organizations are the operating units of the Health System and may include facilities owned by multiple Designated Affiliates or may include less than all of the facilities owned by a single Designated Affiliate. (For a listing of Designated Affiliates that own and operate licensed health care facilities, please refer to the table on page A-4). Each Ministry Organization has been delegated certain governance and management responsibilities over its operations and is managed under the shared leadership of the President of Hospital Operations and the President of Health Networks. See page A-20 for a listing of the largest Ministry Organizations as measured by total unrestricted revenue.

Trinity Health provides a number of centralized services and standardized processes to the Ministry Organizations. These include purchasing and supply chain management, legal services, financial management and treasury services, organizational integrity and audit services, administration of retirement plans and employee benefit programs, insurance, risk management and common core information systems.

Hospital Ministry Organizations. The Health System's acute care hospital operations are organized into 17 Hospital Ministry Organizations.

Other Health-Related Ministry Organizations. In addition to acute care hospital operations, Trinity Health operates other health-related Ministry Organizations. Based on unrestricted revenue, the largest of the other health-related Ministry Organizations are the long-term care and senior housing operations and the home care operation. Trinity Continuing Care Services and Trinity Continuing Care Services – Indiana, Inc., both of which own and operate long-term care and senior housing facilities, and Trinity Home Health Services, which provides home health services, are Designated Affiliates.

Performance Monitoring and Enhancement. As part of its organizational performance improvement activities, Trinity Health's central management makes use of benchmarking in monitoring the performance of individual Ministry Organizations. When operational problems at a specific Ministry Organization are identified, a multidisciplinary performance improvement team is assembled with participants of varying skill sets selected depending on the nature and scope of the problems identified. The improvement teams' activities range from reviewing actions already taken by local management to providing specific resources to assist in implementing management initiatives. Such improvement teams meet frequently to monitor progress in operational improvements.

In addition to the management initiatives described above, Ministry Organizations have developed and continuously implement performance improvement strategies prior to any deterioration in operating results. Successful improvement initiatives developed by one Ministry Organization are then made available to others, as appropriate. In addition, innovative techniques from other industries have been successfully applied by certain Ministry Organizations to improve operating and clinical results. When appropriate, such techniques are adopted by other Ministry Organizations to enhance their operating results.

Information Technology. An integral element of Trinity Health's process improvement initiatives is the substantial investment being made in information systems. Trinity Health's initiative in information technology, an initiative that Trinity Health has named "Genesis," is a set of related projects designed to integrate clinical, financial and planning data through a common information system that, when fully operational, will serve the Ministry Organizations. Genesis has four main structural components: (i) computerized physician order entry ("CPOE"), which is used to communicate physician orders directly to ancillary departments and other clinical staff; (ii) adverse drug event notification system ("ADE"); (iii) electronic medical records ("EMR"); and (iv) financial systems, which are a combination of applications designed to enhance support functions such as revenue cycle management, human resources, financial management and supply chain management. Trinity Health management is still evaluating the information technology integration with LUHS.

In the aggregate, Genesis currently has an approved total capital budget of approximately $305 million, of which approximately $284 million has been expended since its inception in fiscal year 2001. The capital expenditures related to Genesis do not include routine replacement or upgrade of existing hardware such as servers and personal computers. In addition, certain personnel training and implementation costs related to Genesis have been recorded as operating expenses in the fiscal years in which they were incurred.

Genesis is being implemented in phases over a multi-year time frame, and is expected to take several more years to fully implement. The estimated capital costs associated with Genesis are incorporated in Trinity Health's five-year capital plan. Since originally conceived, Genesis has been modified and expanded to incorporate additional applications and the implementation timeline has been expanded accordingly. Management updates the Finance and Stewardship Committee of the Trinity Board regularly as to the status of Genesis, including reports on the implementation schedule and expenditures to date compared to the overall budget.

As part of its investment in information technology, Trinity Health has established two independent data centers situated in geographically disparate locations. As Genesis is implemented, each of these independent data centers will store the same information for all the Hospital Ministry Organizations related to critical applications. This purposeful creation of system redundancy is designed to protect the Hospital Ministry Organizations' operations in the event that a natural disaster or other similar event affects the operations of one data center or the other.

Community Benefit Ministry

As described more completely under the caption "ORGANIZATION AND MISSION—Community Benefit Ministry" in note 1 to the audited consolidated financial statements of Trinity Health included as APPENDIX B to this Official Statement, consistent with its mission, Trinity Health and its Affiliates provide health care services to all patients regardless of their ability to pay. Trinity Health has finance policies defining financial support criteria, which policies have been implemented by each Ministry Organization. In accordance with the guidelines and standard definitions released by the Catholic Health Association of the United States 2008 Edition (the "CHA Revised Guidelines"), Trinity Health delineates its Community Benefit Ministry into two broad categories: (i) Ministry for the Poor and Underserved; and (ii) Ministry for the Broader Community.

During the three fiscal years ended June 30, 2011, Trinity Health and its Affiliates have incurred, in the aggregate, approximately $996 million in costs related to providing services and programs to the working poor, the uninsured, the underinsured and the indigent. During the fiscal years 2009, 2010 and 2011, Trinity Health and its Affiliates have incurred, in the aggregate, approximately $281 million in costs related to providing services for the general benefit of the populations in each community in which they operate.

For a discussion on charges foregone by LUHS related to providing services which qualify as charity care, see note 2 to the audited consolidated financial statements of LUHS for fiscal years 2010 and 2011 appearing in APPENDIX C to this Official Statement.

Senior Management

Management of Trinity Health is vested in the President and Chief Executive Officer, who is appointed by the Trinity Board, with the ratification of the CHM Members. Management of Trinity Health then is coordinated through the senior management team. Following Mr. Swedish, certain executive and finance leaders are listed below in alphabetical order.

Joseph R. Swedish, President and Chief Executive Officer. Age: 60. Mr. Swedish has 38 years of diverse senior executive operations experience in both investor-owned (as the East Florida Division president for Hospital Corporation of America) and non-profit health care systems that spans faith-based and secular health care, university and community based academic medical centers, integrated delivery systems and regional rural referral hospitals in the mid-Atlantic states, Florida and Colorado, and now the ten states that encompass Trinity Health's markets. Prior to joining Trinity Health, Mr. Swedish was president and chief executive officer of Centura Health in Denver, Colorado. He is vice-chair/chair-elect of the Catholic Health Association Board and will serve as Chairman of the Catholic Health Association Board during the 2012/2013 term. He also currently serves as a member of the National Quality Forum Board and the Coventry Health Care Board of Directors. He is currently a member of the American Hospital Association's Health Research and Education Trust. He has served as chairman of the American Hospital Association's Institute for Diversity in Health Management as a member of the Special Advisory Group on Improving Hospital Care for Minorities, and the Nonprofit System CEO group examining health care tax-exempt status. He has also been a member of the American Hospital Association's Long Range Policy Committee and the Ad Hoc Committee on Payment for Health Services.

Mr. Swedish has been named to Modern Healthcare's "Top 100 Most Powerful Leaders in Healthcare" every year since 2006. In 2009, he was honored with the CEO Diversity Leadership Award from Diversity Best Practices. Among his many other recognitions are the University Medal by the Board of Regents for the University of Colorado, the 2003 Ernst & Young Entrepreneur of the Year – Rocky Mountain Region, and the American College of Healthcare Executives Regents Award for Career Achievement.

Mr. Swedish received his bachelor's degree from the University of North Carolina at Charlotte and a master's degree in health administration from Duke University.

Kedrick D. Adkins, President, Integrated Services. Age: 58. Mr. Adkins oversees the complete span of financial services, treasury, information services, supply chain management, insurance/risk management and operations improvement at Trinity Health. Prior to assuming this role at Trinity Health in 2007, Mr. Adkins was a senior partner at Accenture, where he held a number of positions over a 30-year tenure, including U.S. country managing director and global chief diversity officer. Mr. Adkins currently serves on the University of Michigan College of Engineering Advisory Council, and on the board of the University of Michigan Alumni Association. He is also on the board of Blue Cross Blue

Shield of Michigan's Blue Care Network. Mr. Adkins earned his bachelor's degree in industrial and operations engineering and his master's degree in business administration in accounting and finance from the University of Michigan.

Donald D. Bignotti, MD, Senior Vice President and Chief Medical Officer. Age: 56. Dr. Bignotti was appointed to his position in September 2011. In this role, he will provide executive leadership for physician services throughout Trinity Health. Prior to this appointment, Dr. Bignotti served as Chief Medical Officer at Saint Joseph Mercy Oakland, a Trinity Health hospital located in Pontiac, Michigan. Dr. Bignotti is currently a Clinical Assistant Professor at both Wayne State University's School of Medicine and Michigan State University's School of Osteopathic Medicine. Prior to joining Saint Joseph Mercy Oakland, Dr. Bignotti served as Chief Medical Officer for Bon Secours Cottage Health System and Bon Secours of Michigan. Dr. Bignotti holds certifications from the American Board of Family Medicine and the American Board of Quality Assurance and Utilization Review Physicians. He received a bachelor's degree in microbiology from Michigan State University and a medical degree from Wayne State University School of Medicine.

James Bosscher, Senior Vice President, Treasury and Chief Investment Officer. Age: 62. Mr. Bosscher was appointed to his present position in January 2009. Prior to that appointment, Mr. Bosscher served as vice president, treasury. He is responsible for all treasury activities including investment management, debt management, cash management, the tax department and interfacing with all external capital market audiences (rating agencies, investors, bond insurance companies, investment and commercial banks, etc.). Prior to joining Trinity Health, Mr. Bosscher was an assistant treasurer with Ford Motor Company. Mr. Bosscher has a bachelor's degree in finance from Michigan State University and a master's degree in business administration from Wayne State University.

Debra A. Canales, Executive Vice President and Chief Administrative Officer. Age: 49. Ms. Canales was appointed to her current position in July 2009. Prior to that appointment, Ms. Canales served as executive vice president/chief human resource officer, organization and talent effectiveness. Prior to joining Trinity Health, Ms. Canales was senior vice president of human resources at Centura Health. Ms. Canales previously served as a human resource executive at Compaq Computer Corporation, KFC/PepsiCo and R.H. Macy's, Inc. Ms. Canales has a bachelor's degree in business administration from the University of Texas at Austin.

Benjamin Carter, Senior Vice President and Chief Financial Officer. Age: 53. Mr. Carter oversees Trinity Health's financial management, financial reporting, financial operations, strategic financial and capital planning, and budget development. He also provides leadership for the Trinity Health Unified Revenue Organization, a shared services department managing six revenue functions. Prior to assuming this role in March 2010, Mr. Carter served as an executive vice president and chief operating officer at the Detroit Medical Center, where he was responsible for the operations of the regional system's eight hospitals and related outpatient facilities. Prior to the Detroit Medical Center, he spent nearly 20 years in executive-level financial positions at Oakwood Healthcare in Dearborn, Michigan. Prior to his experience at Oakwood, Mr. Carter was a director of the Plante Moran accounting firm and spent eight years in various roles in addition to earning his certified public accountant certification. Mr. Carter graduated *magna cum laude* and earned both a bachelor's degree and a master's degree in business from the University of Michigan.

Catherine DeClercq, OP, Senior Vice President, Governance and Sponsorship. Age: 75. Sister DeClercq supports CHM, the Public Juridic Person that sponsors Trinity Health, and the Trinity Board. She previously served as assistant to the president of Mercy from 1987 to 2000, assuming responsibility for Mercy governance and working with the sponsors, the Sisters of Mercy, Regional Community of Detroit. From 1978 to 1986 she held the position of general council member and administrator for the

Adrian Dominican Congregation based in Adrian, Michigan. In her leadership role with the Adrian Dominican Congregation, Sister DeClercq helped guide the Adrian Dominican Hospitals in California and Nevada into Catholic Healthcare West. She has a bachelor's degree from Siena Heights University and a master's degree from the University of Michigan.

Daniel P. Dwyer, Senior Vice President, Mission Integration. Age: 65. Mr. Dwyer oversees mission services, leadership formation, ethics and spiritual care for Trinity Health. Mr. Dwyer was appointed to his current position in August 2008. Previously, Mr. Dwyer served as director, mission and community health at Sisters of Mercy Health System in Chesterfield, Missouri, director of ethics at St. John's Health System in Springfield, Missouri, and various teaching, clinical and corporate positions spanning his 32-year career. Mr. Dwyer has a bachelor's degree from Marquette University, a master of science degree in social work, a doctor of philosophy degree in urban social institutions from the University of Wisconsin–Milwaukee and a master of theology degree in health care mission from Aquinas School of Theology.

Preston Gee, Senior Vice President, Strategic Planning and Marketing. Age: 57. Mr. Gee was appointed to his current position in May 2008. Previously, Mr. Gee served in that position in an interim role since September 2007. Mr. Gee provides leadership and guidance throughout Trinity Health in the development of strategic, business, service line, marketing and communications planning and execution. Mr. Gee also helps orchestrate system-wide strategy, and provides leadership in identifying and prioritizing market-differentiating initiatives and consumer-centric approaches. Mr. Gee has more than 25 years of experience as a senior strategist and marketer with hospitals and health systems. Mr. Gee has authored or co-authored nine books on health care strategy, including three on service-line management. He has also written more than 250 articles on emerging trends and leading issues, and is a frequent presenter at national and state forums. Previously, Mr. Gee served as senior director at Phase 2 Consulting in Houston, Texas, and senior vice president of strategic planning for St. David's Healthcare Partnership in Austin, Texas. Mr. Gee started his career with The Quaker Oats Company in marketing and new product development. Mr. Gee received a bachelor's degree and a master's degree in business administration from Brigham Young University.

Daniel G. Hale, Executive Vice President, Trinity Institute for Health and Community Benefit and Special Advisor to the President. Age: 65. Mr. Hale was appointed to his current position effective September 1, 2009. Prior to that appointment, Mr. Hale served as executive vice president, community benefit ministry and public affairs. Mr. Hale was appointed as the Interim President and Chief Executive Officer of Loyola University Health System (Maywood, Illinois) and will continue to serve in that role until the permanent Chief Executive Officer takes office in mid-October 2011. Mr. Hale also served Holy Cross and Trinity Health as general counsel beginning in August 1996. Previously, Mr. Hale was vice president for legal services with Franciscan Health System, Aston, Pennsylvania, and was a partner in the law firms Drinker Biddle & Reath in Philadelphia, Pennsylvania and Baker & Hostetler in Columbus, Ohio. Mr. Hale received his bachelor's degree in English from Kenyon College and his juris doctor degree from Capital University Law School. A frequent speaker and author on various aspects of health care law, Mr. Hale is a member of the American Bar Association and the American Health Lawyers Association. He previously was an adjunct professor of law at Capital University Law School.

Michael Murphy, Executive Vice President Health Networks. Age: 55. Mr. Murphy was appointed in his current position in February of 2011 after serving in an interim position for three months and senior vice president before that for nearly a year. He has executive responsibility over Trinity Health's continuum of services – home care, physician services, hospice services and long-term care. In this position, he is responsible for creating market-based Accountable Health Networks dedicated to delivering the best possible value for our patients. Mr. Murphy's career includes developing startup specialty hospitals across the country including a hospital in Colorado Springs, Colorado where he remained for ten years as president and chief executive officer. He directed the clinical operations of the cardiology service for the 850-bed Good Samaritan Hospital in Cincinnati, Ohio and was vice president for health delivery at Mercy Health Partners where he focused on physician/hospital joint ventures and a retail medicine business with over 17,000 members. Mike earned his bachelor's of science degree from Springfield College in Massachusetts and his MBA from Xavier University and a Master of Science from University of Wisconsin. He is board certified in Healthcare Management and a Fellow of the American College of Healthcare Executives and licensed in the state of Colorado as a Nursing Home Administrator.

Paul G. Neumann, Esq., Senior Vice President and General Counsel. Age: 52. Mr. Neumann was appointed to his current position, effective November 2, 2009. Prior to this appointment, Mr. Neumann was senior vice president, legal services and general counsel at Catholic Health Initiatives in Denver, Colorado. Prior to assuming that position with Catholic Health Initiatives in 1997, Mr. Neumann was a partner with both Foley & Lardner LLP in San Francisco, California and Weissburg & Aronson in San Francisco, California, where he represented hospitals and other health care entities in governance, mergers and acquisitions, business transactions and compliance matters. He received a bachelor's degree from Haverford College and a juris doctor degree from the University of Virginia School of Law.

James Richard O'Connell, President, Hospital Operations. Age: 58. Mr. O'Connell has held his position since July 2009. His responsibilities include managing the day-to-day functions of hospital operations. Mr. O'Connell has been with Trinity Health since October 2008 as interim chief operations officer of Saint Alphonsus Regional Medical Center in Boise, Idaho. Mr. O'Connell has 35 years of progressive health care experience in executive level roles including president and chief executive officer of four hospital systems: Penrose – St. Francis Health Services in Colorado Springs, Colorado; Lucerne Medical Center in Orlando, Florida; Columbia Medical Center – Daytona in Daytona Beach, Florida; and Pembroke Pines Hospital in Pembroke Pines, Florida. Mr. O'Connell earned a bachelor's degree in business administration from Central State University in Edmund, Oklahoma.

P. Terrence O'Rourke, MD, Executive Vice President & Chief Clinical Officer. Age: 68. Dr. O'Rourke is responsible for advancing clinical effectiveness and quality, as well as patient safety across the system. He serves as an advocate for Trinity Health's medical staffs and is working to advance physician alignment initiatives throughout the organization. Dr. O'Rourke was appointed to his current position in June 2008. Prior to joining Trinity Health, Dr. O'Rourke was chief medical officer at Centura Health. Dr. O'Rourke was a member of the board of trustees of Centura Health and chaired the Centura board for seven years. Dr. O'Rourke is a past member of the board of trustees of the Catholic Health Association and chair of the Physician Committee of the Catholic Health Association. He is also a past member and vice-chair of the Holy Cross Health System Board of Directors. He has been a member of the Executive Advisory Committee of the Diocese of Colorado Springs and has also been a member of the Advisory Board of the College of Letters, Arts, and Sciences of the University of Colorado. He has served on the board of directors and is a past president of the El Paso Unit of the American Cancer Society. He received the Sword of Hope Award from the American Cancer Society in 1992 and was recognized as one of the "Best Doctors in America" in 2000. Dr. O'Rourke serves on the Michigan Peer Review Organization's Board of Directors. Dr. O'Rourke holds certifications from the Board of Surgery and Advanced Trauma Life Support. He received a bachelor's degree from Georgetown University and a medical degree from the University of Michigan Medical School. Dr. O'Rourke is a member of the American Medical Association, fellow of the American College of Surgeons, the Western Surgical Association and the Denver Academy of Surgery.

Maria Szymanski, Senior Vice President, Chief Development Officer. Age: 62. Ms. Szymanski was appointed to her current position in July 2006. Ms. Szymanski is responsible for merger, acquisition, divestiture and joint venture activities. Prior to this appointment, Ms. Szymanski served as senior vice president, business development and senior vice president, finance. Previously, Ms. Szymanski served as vice president, finance for Mercy Health Services, chief financial officer and treasurer for SelectCare and vice president and controller of St. Joseph's Health Network in Mt. Clemens, Michigan. She has a bachelor's degree in accounting from the University of Detroit.

FINANCIAL AND OPERATING INFORMATION

General

The consolidated financial statements for Trinity Health for fiscal years 2010 and 2011 included in APPENDIX B have been audited by Trinity Health's independent auditors. The consolidated financial statements for Trinity Health include the financial position and results of operations of all Trinity Health Affiliates as of and for fiscal years 2010 and 2011.

The consolidated financial statements for LUHS for fiscal years 2010 and 2011 included in APPENDIX C have been audited by LUHS's independent auditors. The consolidated financial statements for LUHS include the financial position and results of operations of all LUHS controlled affiliates and subsidiaries as of and for fiscal years 2010 and 2011.

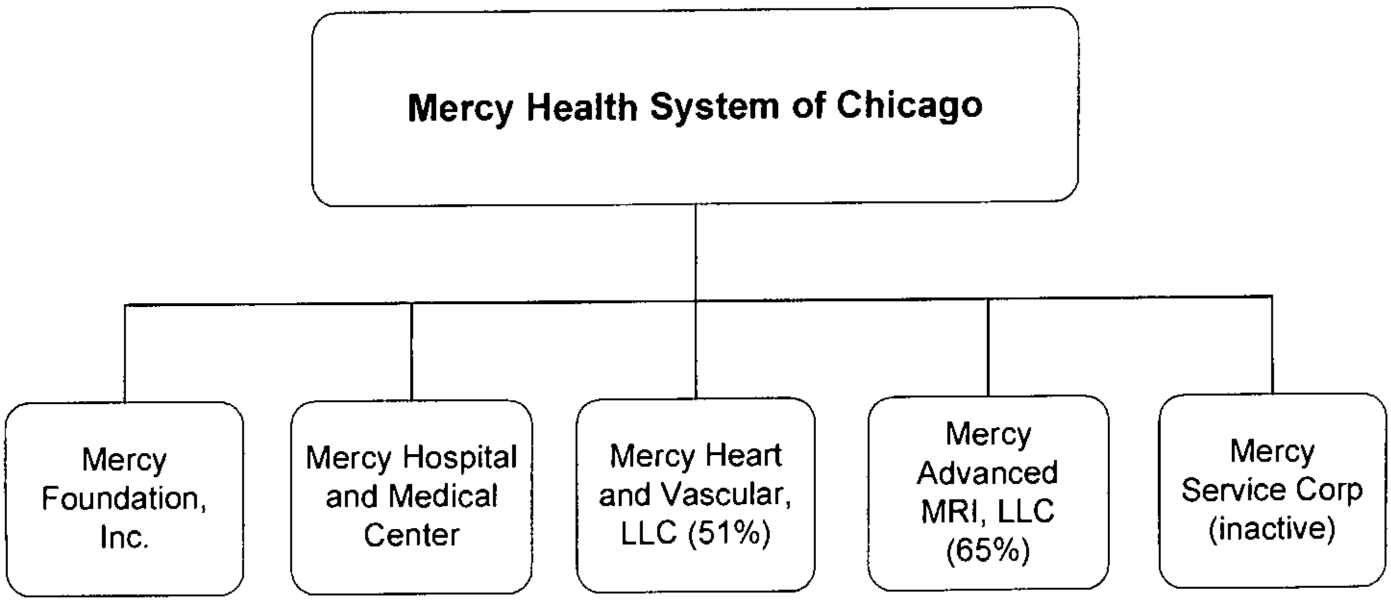
The summary consolidated financial information presented below for Trinity Health for each of fiscal years 2009, 2010 and 2011 has been derived by Trinity Health management from Trinity Health's audited consolidated financial statements for the periods presented. The following summary consolidated financial information should be read in conjunction with the section herein entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—Trinity Health" and the audited consolidated financial statements of Trinity Health and related notes that appear in APPENDIX B to this Official Statement.

The summary consolidated financial information presented below for LUHS for each of fiscal years 2009, 2010 and 2011 has been derived by LUHS management from LUHS's audited consolidated financial statements for the periods presented. The following summary consolidated financial information should be read in conjunction with the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—LUHS" and the audited consolidated financial statements of LUHS and related notes that appear in APPENDIX C to this Official Statement.

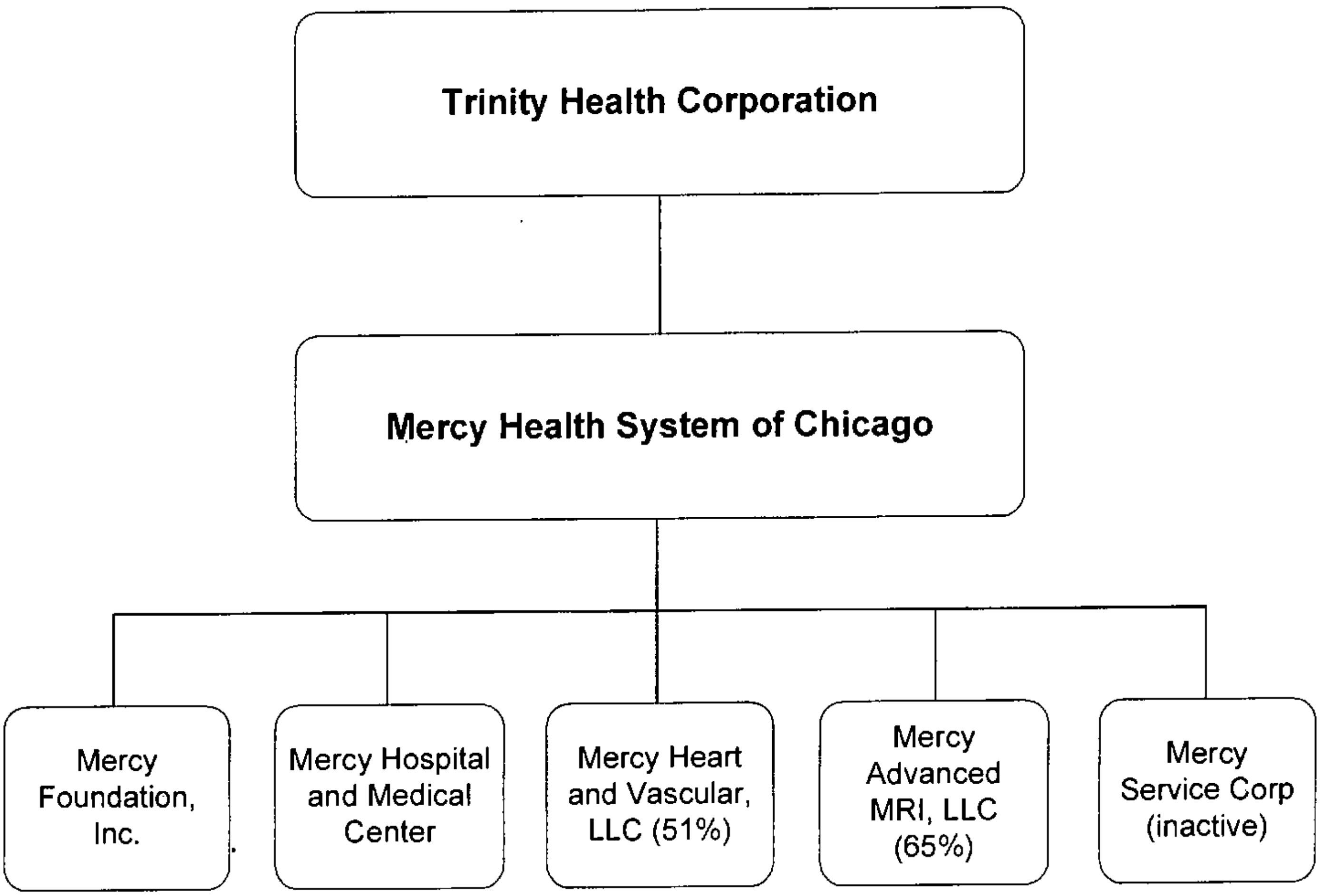
Summary Consolidated Statements of Operations and Changes in Unrestricted Net Assets

The following table summarizes the consolidated operating results for Trinity Health for its three most recent fiscal years. The acquisitions, other than the LUHS transaction, discussed in the section below entitled "Acquisitions, Divestitures and Other Transactions" have been consolidated in Trinity Health's financial statements. Effective July 1, 2011, Trinity Health transferred its shares in BCHS to Bronson Healthcare Group, Inc. As a result, at June 30, 2009, 2010 and 2011, substantially all of the assets and liabilities of BCHS met the criteria for classifying those assets and liabilities as held for sale. In addition, in fiscal years 2009, 2010 and 2011, the consolidated financial statements have been reclassified to present the operations of BCHS as a discontinued operation.

Corporate Structure Prior to Transaction



Corporate Structure After Transaction



Attachment 5
Transaction Documents

On November 2, 2011, Trinity and Mercy System executed a Letter of Intent regarding the Transaction. A copy of the Letter of Intent is attached at Attachment 5. On December 15, 2011, Trinity and Mercy System executed a Definitive Agreement regarding the Transaction. A copy of the Definitive Agreement is attached at Attachment 5.

LETTER OF INTENT

This Letter of Intent ("Letter of Intent") is entered into by and between Trinity Health Corporation, an Indiana not-for-profit corporation ("Trinity") and Mercy Health System of Chicago, an Illinois not-for-profit corporation ("Mercy"), and sets forth certain understandings in principle with respect to a proposed transaction (the "Proposed Transaction") whereby Trinity would become the sole member of Mercy. For purposes of this Letter of Intent, Trinity and Mercy are sometimes referred to individually as a "Party," or, collectively, as the "Parties."

Mercy, through its affiliates and subsidiaries, including Mercy Hospital & Medical Centers, has provided health care services in the Chicago, Illinois community for many years and continues to provide a broad range of health care services and programs. Trinity provides a broad range of health care services and programs through its hospitals, clinics and senior living facilities throughout the United States. Both Mercy and Trinity believe that a transaction whereby Mercy becomes part of the Trinity system will strengthen Mercy and the Catholic health care tradition in the Chicago community.

Mercy and Trinity are each committed to the philosophy that health care services and programs are offered in a quality setting and that their facilities, services and programs, will be operated so as to maintain their continued viability and availability. Mercy and Trinity are committed to providing health services to the community and to serve the poor and underserved. They believe that the transfer of Mercy to Trinity will promote quality health care services to those served by Mercy and will bring together organizations with shared vision, values, philosophy and mission.

With the foregoing in mind, the specific terms and conditions of our Letter of Intent establish the material terms and conditions of our collaboration, pursuant to which Trinity will become the sole member of Mercy. The terms set forth in this Letter of Intent shall be the starting point from which the Parties will move forward to complete due diligence and proceed with preparation of a definitive agreement to be agreed upon by Trinity and Mercy (the "Definitive Agreement") and other required documentation.

Terms and Conditions

1. **Proposed Transaction Structure**. Trinity shall become the sole member of Mercy as of the effective date (the "Effective Date"). As an affiliate of Trinity, Mercy shall be sponsored by Catholic Health Ministries, and shall participate in Trinity's mission and core values as well as Trinity's governance and management structure, reserved powers, principles and policies.

2. **Effective Date**. The closing of the Proposed Transaction will occur on or before March 31, 2012, with an effective date of April 1, 2012, or as otherwise agreed to by the Parties.

3. **Community Benefit**. Following the Effective Date, Mercy will continue to operate for the benefit of the community and serve the poor and underserved. Trinity intends to preserve Mercy's longstanding and unwavering commitment to healthcare in Chicago. Both Mercy and Trinity are committed to improving the health of those in the communities we serve.

4. **Governance.** Mercy shall continue to be governed by a local board of directors, subject to certain powers which will be reserved to Trinity. Trinity representatives will join the Board of Mercy so that the Mercy Board will then include community members, religious members and Trinity representatives.

5. **Medical Staff.** The Proposed Transaction is not intended to affect or change the medical staff privileges held by members of the medical staff at Mercy.

6. **Investment in Mercy**. Trinity shall cause the expenditure of $140 million dollars over a five (5) year period, from FY 2013 through FY 2017, for capital, information systems and equipment needs to support the operations of Mercy. $40 million dollars will be paid to Mercy, in cash, to fund the capital commitment. The capital expenditure allocation and approval will be handled in a manner consistent with Trinity's capital process. Trinity Health and Mercy may decide that up to $10 million dollars of the $40 million dollars will be put into Mercy's current Foundation.

If Mercy obtains an operating cash flow margin of at least 8% in FY 2015 and Mercy continues to receive the Medicaid Provider Tax Program payment in FY 2016 and FY 2017, then in FY 2016 and FY 2017, Trinity Health will cause the expenditure of an additional $10 million dollars for capital, information systems and equipment needs to support the operations of Mercy, for a total capital expenditure over the five year period of $150 million dollars.

7. **Access to Trinity Services**. Mercy, as part of Trinity, will have access to certain Trinity services such as financing and clinical quality initiatives.

8. **Charity Care**. Consistent with the requirements set forth by the Illinois Health Facilities & Services Review Board (the "IHFSRB"), Mercy shall maintain its existing charity care policies and practices and such policies will remain in effect for at least 24 months after the Effective Date.

9. **Services Commitments**. Consistent with the requirements set forth by the IHFSRB, Mercy will not close or discontinue any beds or substantially reduce any services at Mercy for a period of at least 12 months following the Effective Date. Trinity will maintain ownership and control of Mercy for at least 36 months following the Effective Date.

10. **Employee Matters**. Mercy's employees shall retain their current employment upon substantially similar terms and conditions. All current employment policies, commitments and benefit plans will remain in effect after the Effective Date until the same are amended, modified, replaced or terminated. Mercy's future benefit programs will be enhanced, but will

not be the same as the current Trinity Health standard benefit programs. The one existing union at Mercy will be recognized and the current collective bargaining agreement will be honored according to its terms.

11. **Included Assets**. Except as mutually agreed to by the Parties, all assets and properties of Mercy shall remain as assets and properties of Mercy as of the Effective Date. Mercy shall not sell, transfer or otherwise dispose of such assets or properties prior to the Effective Date, except in the ordinary course of business.

12. **Included Liabilities**. Except as mutually agreed to by the Parties, all outstanding liabilities of Mercy shall remain as liabilities of Mercy as of the Effective Date. Mercy shall not incur any extraordinary liabilities prior to the Effective Date, except in the ordinary course of business.

13. **Closing Conditions**. The Parties understand that this Letter of Intent represents their current understanding with respect to the Proposed Transaction, does not contain all matters upon which agreements must be reached, creates no legal obligations on the part of any Party hereto except for the Binding Obligations (as defined in Paragraph 18 below). The Parties also agree that any Proposed Transaction will be subject, among the other things, to the satisfaction of each of the following conditions:

(a) Satisfactory legal, financial and other due diligence by the Parties;

(b) The execution of the Definitive Agreement;

(c) Receipt of a Certificate of Exemption from the IHFSRB;

(d) Any clearances required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR");

(e) Receipt of any other necessary regulatory approvals;

(f) Absence of any material adverse changes in the operations of Mercy;

(g) Approval by the Board of Directors of Trinity;

(h) Approval by the Board of Directors of Mercy and any necessary subsidiary and affiliate Mercy Boards; and

(i) Any necessary Religious Congregation approvals.

The Parties shall promptly provide all required notices and cooperate on completing and submitting all filings and taking all other steps necessary to obtain required approvals for the Proposed Transaction.

14. **Due Diligence Review**. Completion of the Proposed Transaction is subject to agreement by the Parties on the Definitive Agreement and satisfactory completion of due diligence. Unless and until this Letter of Intent expires or is terminated, Trinity and its representatives, consultants, accountants and attorneys will be permitted to complete a due diligence review of Mercy's business operations and facilities. Such review shall be conducted cooperatively.

15. **Confidentiality**. Each Party hereto agrees, except as required by law, (a) to keep confidential and not disclose or reveal any Evaluation Material (as defined below) received by such Party to any person other than those of its representatives (i) who are actively and directly participating in the Proposed Transaction and (ii) whom such party will cause to observe the terms of this Letter of Intent with respect to confidentiality, (b) not to use Evaluation Material for any purpose other than in connection with the Proposed Transaction and (c) not to disclose to any person (other than those of its representatives who are actively and directly participating in the Proposed Transaction and whom such party will cause to observe the terms of this Letter of Intent with respect to confidentiality) any information about the Proposed Transaction, or the terms or conditions or any other facts relating thereto.

For purposes hereof, "Evaluation Material" means all written information about any party hereto furnished by such Party or its representatives to any other Party hereto. Evaluation Material also includes all notes, analyses, compilations, studies, interpretations or other documents prepared by the receiving Party or its representatives which contain, reflect or are based upon, in whole or in part, the information furnished to such receiving Party or its representatives pursuant hereto. Evaluation Material does not include, however, information which (a) is or becomes generally available to the public other than as a result of a disclosure by the receiving Party or its representatives in violation of this Letter of Intent, (b) was available to the receiving Party on a nonconfidential basis prior to its disclosure by the disclosing Party or (c) becomes available to the receiving Party on a nonconfidential basis from a person (other than the disclosing Party) who is not known by the receiving Party to be prohibited from disclosing such information to the receiving Party by a legal or contractual obligation to the disclosing Party.

16. **Compliance with HIPAA**. The Parties each will comply with all applicable laws, including, without limitation, HIPAA requirements pertaining to the use and disclosure of protected health information.

17. **Termination**. This Letter of Intent will automatically terminate on the later of March 31, 2012, or the effective date of the Definitive Agreement, unless sooner terminated. Either Party may terminate this Letter of Intent without penalty or recourse upon written notice to the other Party.

18. **Non-Binding Obligation**. Except for the obligations set forth in Sections 15, 16, 19, 20, 21, 22, 23 and 24 of this Letter of Intent, which are binding obligations of the Parties (the "Binding Obligations"), this Letter of Intent does not create any binding obligation of the Parties, and any such binding obligation relating to the Proposed Transaction shall arise only from the

Definitive Agreement, which shall be based on the terms and conditions set forth in this Letter of Intent and other provisions customarily contained in definitive agreements, including representations and warranties.

19. **Exclusivity.** Mercy agrees that during the term of this Letter of Intent, Mercy will be in exclusive discussions with Trinity regarding the Proposed Transaction and that Mercy will not solicit, initiate, encourage, respond to, or accept any competing proposals from any other third party relating to the Proposed Transaction or regarding a membership substitution, merger, consolidation, affiliation or sale of substantially all of the assets of Mercy.

20. **Joint Communication; Required Disclosures.** The Parties shall jointly develop and implement a communication plan and process for purposes of publicly announcing the Proposed Transaction, communicating the Proposed Transaction to Mercy employees and physicians, and responding to any inquiries regarding the Proposed Transaction. If either Party determines that it is required by law to make any disclosure concerning the Proposed Transaction, it shall so notify the other Party and the Parties shall work cooperatively on the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made.

21. **Expenses.** Each Party shall be responsible for paying its own expenses relating to the Proposed Transaction, including, without limitation, expenses of legal counsel, accountants, and other advisors, incurred at any time in connection with pursuing or consummating the Proposed Transaction. Notwithstanding the foregoing, Trinity will pay for all costs associated with HSR filings, environmental and property surveys, title insurance and the electronic due diligence data base.

22. **Brokers.** No Party has retained or will retain any brokers or finders with respect to the Proposed Transaction.

23. **Liability.** Each Party agrees that it shall be liable for any violation of this Letter of Intent by its directors, officer, employees, advisors, consultants, agents, representatives, or affiliates to the same extent as if such violation were committed by such Party.

24. **Equitable Remedies.** The Proposed Transaction contemplated by this Letter of Intent is unique and the Parties acknowledge that the breach or threatened breach of the provisions of this Letter of Intent would cause irreparable harm to the Parties aggrieved by such breach for which an award of monetary damages would be inadequate. Accordingly, in addition to and not in limitation of any other remedies available for breach or threatened breach of this Letter of Intent by any Party, the aggrieved Party shall be entitled to an injunction restraining the breaching Party from continuing such breach or threatened breach.

25. **Assignment.** Neither this Letter of Intent nor the rights or obligations of the Parties hereunder are assignable, in whole or in part by any party without the prior written

consent of the other parties, provided that Trinity may assign its rights and obligations hereunder to an affiliate thereof without the prior written consent of the other Parties hereto.

26. **Successors and Assigns**. This Letter of Intent shall be binding upon and inure solely to the benefit of the Parties hereto, their successors and assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever.

27. **Entire Agreement**. This Letter of Intent constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, oral or written, between the Parties with respect to the subject matter hereof.

28. **Amendments; No Waiver**. No provision of this Letter of Intent may be amended, revoked or waived except by a writing signed and delivered by each Party hereto. No failure or delay on the part of any Party in exercising any right hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be deemed a waiver of any other right hereunder.

29. **Counterparts**. This Letter of Intent may be executed in one or more counterparts, and by the Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

30. **Governing Law**. This Letter of Intent shall be governed by and construed in accordance with the laws of the State of Illinois without regard to the conflict of laws principles thereof.

By executing this Letter of Intent, each of Mercy and Trinity confirm that they agree in principle to the contents of this Letter of Intent and intend to proceed promptly and in good faith to complete due diligence and to finalize the Definitive Agreement and any other agreements contemplated herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE PAGE FOLLOWS.]

The foregoing Letter of Intent is hereby agreed to by Mercy and Trinity.

MERCY HEALTH SYSTEM OF CHICAGO	**TRINITY HEALTH CORPORATION**
	11-2-2011
By: Sister Sheila Lyne RSM	By: Joseph R. Swedish
Name: Sister Sheila Lyne, RSM	Name: Joseph R. Swedish
Title: President & Chief Executive Officer	Title: President & Chief Executive Officer

Execution Copy

DEFINITIVE AGREEMENT

BY AND BETWEEN

TRINITY HEALTH CORPORATION

AND

MERCY HEALTH SYSTEM OF CHICAGO

Dated: December 15, 2011

DEFINITIVE AGREEMENT

THIS DEFINITIVE AGREEMENT (the "**Agreement**") is made and entered into on December 15, 2011 (the "**Execution Date**"), and shall be effective as of April 1, 2012 at 12:01 am (the "**Effective Date**"), by and between **TRINITY HEALTH CORPORATION**, an Indiana nonprofit corporation ("**Trinity**"), and **MERCY HEALTH SYSTEM OF CHICAGO**, an Illinois not-for-profit corporation ("**Mercy**"). Trinity and Mercy are sometimes referred to herein, individually, as a "**Party**" and, collectively, as the "**Parties**."

RECITALS

WHEREAS, Mercy, through its affiliates, subsidiaries and joint ventures, including Mercy Hospital & Medical Center, an Illinois not-for-profit corporation ("**Mercy Hospital**"), Mercy Services Corporation, an Illinois corporation ("**MSC**"), Mercy Foundation, Inc., an Illinois not-for-profit corporation ("**Mercy Foundation**"), Mercy Heart & Vascular, LLC, an Illinois limited liability company ("**Mercy Heart**"), and Mercy Advanced MRI, LLC, an Illinois limited liability company ("**Mercy MRI**"), has provided health care services in the Chicago, Illinois community for many years and continues to provide a broad range of health care services and programs;

WHEREAS, Trinity provides a broad range of health care services and programs through its hospitals, clinics and senior living facilities throughout the United States;

WHEREAS, the Parties believe that a transaction whereby Mercy becomes part of the Trinity system will strengthen Mercy and the Catholic health care tradition in the Chicago community;

WHEREAS, the Parties are each committed to the philosophy that health care services and programs should be offered in a quality setting and that their facilities, services and programs, will be operated so as to maintain their continued viability and availability;

WHEREAS, the Parties are committed to providing health services to the Chicago community and to serve the poor and underserved and foster the mission by continuing to provide access and needed care with compassion and excellence to the diverse communities currently served by Mercy; and

WHEREAS, the Parties believe that a transaction whereby Trinity will become the sole member of Mercy will promote quality health care services in Chicago to those served by Mercy and will bring together two organizations with shared vision, values, philosophy and mission (the "**Transaction**").

NOW THEREFORE, in consideration of the foregoing premises and the agreements, covenants, representations and warranties set forth herein, the Parties hereby agree as follows.

1.3.4. Service Commitments. Following the Effective Date, Trinity shall continue to operate Mercy in a manner consistent with the operation of Mercy prior to the Effective Date. Consistent with the requirements of the IHFSRB, Trinity shall not close or discontinue any beds or substantially reduce any services at Mercy Hospital for a period of at least twelve (12) months following the Effective Date. Following the Effective Date, Trinity shall maintain ownership and control of Mercy Hospital for a period of at least thirty-six (36) months.

1.3.5. Access to Trinity Services. Following the Effective Date, Mercy, as part of Trinity, will have access to certain Trinity services such as financing and clinical quality initiatives. Prior to Closing, Trinity and Mercy shall agree upon the shared services that will be provided, and the terms upon which such shared services will be provided, following the Effective Date.

1.3.6. Medical Staff Matters at Mercy Hospital & the Other Mercy Affiliates.

(a) Following the Effective Date, Trinity will not affect or change the medical staff privileges held by members of the medical staff at Mercy Hospital or the other Mercy Affiliates, as applicable (the "**Medical Staff**"), except as may be required to assure patient safety, consistent with the Medical Staff processes in place prior to the Effective Date. Notwithstanding the foregoing, nothing herein shall prevent Trinity from making any necessary changes or modifications after a reasonable time subsequent to the Effective Date, in a manner consistent with the Medical Staff Bylaws.

(b) With regard to the Medical Staff, except as previously disclosed to Trinity during the due diligence process and prior to Closing, there are no pending or, to Mercy's knowledge, threatened disputes with applicants, staff members or allied health professionals. To Mercy's knowledge, no member of the Medical Staff is currently excluded, debarred or otherwise ineligible to participate in the Medicare and Medicaid programs (the "**Programs**") or has been convicted of a criminal offense related to the provision of health care items or services but has not yet been excluded, debarred or otherwise declared ineligible to participate in such programs.

1.3.7. Catholic Identity. Following the Effective Date, Mercy, as an affiliate of Trinity, shall be sponsored by Catholic Health Ministries ("**CHM**"), and shall participate in Trinity's mission and core values as well as Trinity's governance and management structure, reserved powers, principles and policies.

1.3.8. General Employee Matters.

(a) The employees of Mercy and the Mercy Affiliates, as applicable, including the current Mercy executive staff (the "**Executive Staff**") and physicians providing clinical services (collectively, the "**Employees**"), employed immediately prior to the Effective Date shall remain employed as of the Effective Date by Mercy and the Mercy Affiliates, upon substantially the same terms and conditions as prior to the Effective Date. All current employment policies, commitments and benefit plans will remain in effect after the Effective Date until the same are amended, modified, replaced or terminated (it being acknowledged and agreed that any future benefit plans offered to the employees of Mercy and the Mercy Affiliates will be enhanced, but may not be the same as the current standard benefit plans in place at Trinity).

(b) The President and Chief Executive Officer of Mercy and Mercy Hospital shall become employed by Trinity in a position and as of a date mutually determined by Trinity and Mercy.

(c) After the Effective Date, the Executive Staff shall remain in the same or similar positions as currently held. At Mercy's option, the current Mercy Executive Staff may become employees of Trinity if they are in a position similar to other Ministry Organizations' executives that are employees of Trinity.

(d) The provisions of this Section are for the sole benefit of the Parties to this Agreement and nothing herein, expressed or implied, is intended or shall be construed to: (i) constitute an amendment to any of the compensation and benefits plans maintained for or provided to continuing employees prior to or following the Effective Date; or (ii) confer upon or give to any person (including for the avoidance of doubt any current or former employees, directors, or independent contractors of Mercy, the Mercy Affiliates, or Trinity or any of Trinity's affiliated entities), other than the Parties hereto and their respective permitted successors and assigns, any legal or equitable or other rights or remedies (with respect to the matters provided for in this Section) under or by reason of any provision of this Agreement.

1.3.9. Donor Restricted Funds/Assets. The list of all donor-restricted funds of Mercy, Mercy Hospital, Mercy Foundation and the other Mercy Affiliates, as applicable, shall be provided to Trinity during the due diligence process and prior to Closing. After the Effective Date, all such funds shall be used in a manner consistent with the restrictions placed on the funds. Mercy covenants and agrees, on behalf of itself and on behalf of Mercy Hospital, Mercy Foundation and the other Mercy Affiliates, as applicable, that the execution, delivery and performance of this Agreement and the transactions contemplated by this Agreement: (a) do not violate any direct or express trusts which restricts the purposes for which the assets may be used; and (b) will not result in the loss of any unpaid balance of any gift or pledge.

1.4 Collective Bargaining Agreement.

The collective bargaining agreement by and between Mercy Hospital and Teamsters Local 734, dated July 1, 2010 (the "**Teamsters Local 734 CBA**"), shall remain in effect following the Effective Date in accordance with its terms.

1.5 Investment in Mercy.

Trinity shall cause the expenditure of One Hundred Forty Million Dollars ($140,000,000) over a five (5) year period from fiscal year 2013 through fiscal year 2017, for capital, information systems and equipment needs to support the operations of Mercy and the Mercy Affiliates, as applicable. Of the One Hundred Forty Million Dollars ($140,000,000), Forty Million Dollars ($40,000,000) will be transferred to Mercy, in cash at Closing, to fund capital commitments. Of the Forty Million Dollars ($40,000,000), Trinity and Mercy may mutually decide to place as much as Ten Million Dollars ($10,000,000) in Mercy Foundation. The capital expenditure allocation and approval process will occur annually and be based on a mutually agreeable capital plan developed and approved by Trinity and Mercy.

If Mercy obtains an operating cash flow margin of at least eight percent (8%) in fiscal year 2015, and Mercy continues to receive Illinois Medicaid Provider Tax Program payments in fiscal year 2016, then Trinity shall cause the expenditure of an additional Five Million Dollars ($5,000,000) in fiscal year 2016, and if Mercy continues to receive Illinois Medicaid Provider Tax Program payments in fiscal year 2017, then Trinity shall cause the expenditure of an additional Five Million Dollars ($5,000,000) in fiscal year 2017, all for capital, information systems and equipment needs to support the operations of Mercy and the Mercy Affiliates, for a total capital expenditure over the five (5) year period from fiscal year 2013 through fiscal year 2017 of One Hundred Fifty Million Dollars ($150,000,000).

II. CLOSING

2.1 Closing and Effective Date.

Subject to the satisfaction or waiver by the appropriate Party of all of the conditions precedent to Closing specified in Articles V and VI herein, the consummation of the transactions contemplated by and described in this Agreement (the "**Closing**") shall take place on March 15, 2012 (the "**Closing Date**") at the offices of Foley & Lardner LLP, 321 North Clark Street, Chicago, Illinois, or such other time and place to be mutually agreed to by the Parties. The Transaction shall be effective as of the Effective Date.

2.2 Deliveries of Mercy at Closing.

At the Closing, and unless otherwise waived in writing by Trinity, Mercy shall deliver, or shall previously have delivered, to Trinity the following and/or custody of the following:

2.2.1. The Amended and Restated Articles of Incorporation of Mercy, as described in and provided by Section 1.1; which shall be filed with the Illinois Secretary of State so as to be effective as of the Effective Date;

2.2.2. The Amended and Restated Bylaws of Mercy, as described in and provided for by Section 1.1; which shall be effective as of the Effective Date;

2.2.3. One or more Title Commitment(s), Title Policy(s) and Survey(s) (as defined at Section 4.21 below) covering the Real Property as described in and provided by Section 4.21;

2.2.4. Copies of the resolutions duly adopted by the Mercy Board as required to authorize and approve the performance by Mercy of the transactions set forth herein, and the execution and delivery of this Agreement, and all other documents and agreements described herein that are to be executed and delivered by Mercy, if any;

2.2.5. Certificates of good standing of Mercy and the Mercy Affiliates, from the Illinois Secretary of State, each dated within thirty (30) days prior to Closing, unless otherwise agreed to by the Parties;

2.2.6. Completed Schedules required of Mercy in this Agreement, accurate as of Closing, and then updated as necessary through the Effective Date, and reasonably acceptable to Trinity;

2.2.7. An Officer's Certificate, in a form and substance acceptable to Trinity signed by the President and Chief Executive Officer of Mercy at Closing, and subsequently updated through the Effective Date, attesting to any such matters required under this Agreement; and

2.2.8. Such other instruments and documents as Trinity reasonably deems necessary to effectuate the transactions contemplated by this Agreement.

2.3 Deliveries of Trinity at Closing.

At the Closing (unless otherwise provided herein) and unless otherwise waived in writing by Mercy, Trinity shall deliver to Mercy the following:

2.3.1. Copies of resolutions duly adopted by the board of directors of Trinity authorizing and approving Trinity's performance of the transactions set forth herein and the execution and delivery of this Agreement and all other documents and agreements described herein that are to be executed and delivered by Trinity, if any;

2.3.2. A certificate of existence/authorization of Trinity from the Indiana Secretary of State, dated within thirty (30) days prior to Closing unless otherwise agreed to by the Parties; and

2.3.3. Such other instruments and documents as Mercy reasonably deems necessary to effect the transactions contemplated hereby.

III. REPRESENTATIONS AND WARRANTIES OF TRINITY

As of the Closing Date, Trinity represents and warrants to Mercy that the statements in this Article III are true, accurate and complete. Trinity acknowledges that Mercy is relying on each such representations and warranties as the basis for proceeding with and consummating the transactions contemplated herein.

3.1 Organization and Good Standing.

Trinity is a nonprofit corporation duly incorporated, validly existing and in good standing under the laws of the State of Indiana and has full power and authority to carry on its respective businesses as presently conducted, and to perform its respective obligations under this Agreement.

3.2 Corporate Authorization.

All actions required to adopt and to authorize the execution, delivery and performance of this Agreement by Trinity have been taken, and this Agreement has been duly executed and delivered by Trinity.

3.3 Validity.

This Agreement constitutes a valid and binding obligation of Trinity, enforceable in accordance with its terms except as may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, or as may be modified by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

3.4 Absence of Conflicts.

The execution, delivery and performance of this Agreement by Trinity do not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under: (a) the Articles of Incorporation or Bylaws of Trinity; or (b) any agreement, license, contract, permit, approval, note, bond or other instrument to which Trinity is a party or by which Trinity may be bound. To the knowledge of Trinity, the execution of this Agreement and the consummation of the transaction described herein will not result in a violation by Trinity of any federal, state, local or other law, regulation or ordinance, or any order, writ, judgment or decree.

3.5 No Misstatement or Omission.

No representation or warranty by Trinity in this Agreement, and no written statement, certificate, schedule or exhibit provided pursuant hereto, or other documentation or information furnished or to be furnished by Trinity pursuant hereto or in connection with the transaction contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit a material fact required to be stated therein or necessary to make the statements contained therein not misleading as of the Closing Date. Trinity acknowledges and agrees that the representations and warranties set forth in this Article III apply with full force and effect regardless of any due diligence investigation conducted by Mercy, or its representatives and agents, prior to the Closing Date.

IV. REPRESENTATIONS AND WARRANTIES OF MERCY

As of the Closing Date, Mercy represents and warrants, on behalf of itself and on behalf of each of the Mercy Affiliates, to Trinity that the statements in this Article IV are true, accurate and complete. Mercy acknowledges that Trinity is relying on each such representation and warranty as the basis for proceeding with and consummating the transactions contemplated herein.

4.1 Organization and Good Standing.

Mercy and each of the Mercy Affiliates is duly incorporated or organized, validly existing and in good standing under the laws of the State of Illinois and has full power and authority to carry on its respective businesses as presently conducted, and to perform its respective obligations under this Agreement. Mercy is the sole corporate member of Mercy Hospital, MSC, and Mercy Foundation. Mercy is the controlling member of Mercy Heart and Mercy MRI.

4.2 Corporate Authorization.

All actions required to adopt and to authorize the execution, delivery and performance of this Agreement by Mercy and the Mercy Affiliates has been taken, and this Agreement has been duly executed and delivered by Mercy. Mercy has the corporate authority to execute this Agreement and consummate the transactions contemplated herein on behalf of itself and each of the Mercy Affiliates.

4.3 Validity.

This Agreement constitutes a valid and binding obligation of Mercy, enforceable in accordance with its terms except as may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, or as may be modified by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

4.4 Tax-Exempt Status.

Mercy, Mercy Hospital, and Mercy Foundation are Illinois not-for-profit corporations exempt from federal income taxation pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the "**Code**"), as an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code, as evidenced by determination letters from the Internal Revenue Service ("**IRS**"), true and complete copies of which have been made available to Trinity during the due diligence process and prior to Closing. Mercy, Mercy Hospital, and Mercy Foundation have not taken any action, nor does Mercy know of the existence of any conditions that would cause Mercy, Mercy Hospital, or Mercy Foundation, to lose their respective exemptions from taxation under Section 501(a) of the Code. Mercy, Mercy Hospital, and Mercy Foundation have not received notice of any proposed or actual revocation of their respective status as an organization described in either Section 501(c)(3) or Section 509(a) of the Code which remains outstanding or has not been withdrawn.

4.5 Absence of Conflicts.

The execution, delivery and performance of this Agreement by Mercy do not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under: (a) the Articles of Incorporation or Bylaws, Articles of Organization or Operating Agreements, as applicable, of Mercy or any of the Mercy Affiliates; or (b) any agreement, license, contract, permit, approval, or, except as otherwise disclosed to Trinity as part of due diligence, any note, bond or other instrument to which Mercy or the Mercy Affiliates is a party or by which Mercy or the Mercy Affiliates may be bound. To the knowledge of Mercy, the execution of this Agreement and the consummation of the transactions described herein will not result in a violation by Mercy or the Mercy Affiliates of any federal, state, local or other law, regulation or ordinance, or any order, writ, judgment or decree.

4.6 Subsidiaries, Affiliates & Joint Ventures.

Except for Mercy Hospital, MSC, Mercy Foundation, Mercy Heart, and Mercy MRI, Mercy does not have any subsidiaries or any investment in any other corporation, partnership, limited liability company or other entity. As to each of Mercy Hospital, MSC, Mercy Foundation, Mercy Heart, and Mercy MRI, Mercy represents and warrants to Trinity that Mercy owns and holds good, marketable and beneficial interest in and to the interest in said subsidiary, affiliate or joint venture, free and clear of any restrictions on transfers, liens, encumbrances, security interests, liabilities and claims.

4.7 Financial Statements.

During due diligence and prior to Closing, Mercy shall have provided or made available to Trinity a copy of Mercy's consolidated and consolidating audited financial statements for the fiscal year ending June 30, 2011, and the monthly unaudited consolidated and consolidating financial statements for the period beginning July 1, 2011 through the Closing Date (collectively, the "**Financial Statements**"). The Financial Statements: (a) have been prepared on a consistent basis in accordance with the books and records of Mercy; (b) are true, accurate and complete in all material respects; (c) present fairly the financial condition of Mercy at such date for the period indicated; and (d) were prepared in accordance with generally accepted accounting principles ("**GAAP**"). As of the Closing Date, there have been no material liabilities or obligations of any kind, contingent or otherwise, which are not reflected in the most recent Financial Statements. The books and records of Mercy are true, accurate and complete in all material respects, and all financial transactions of Mercy relating to the business and operations of Mercy have been recorded in such books and records in accordance with GAAP.

4.8 Licensure; Certificate of Need.

4.8.1. Each of Mercy and the Mercy Affiliates, as applicable, hold all licenses, permits and approvals granted by any governmental entity that are necessary or required by law to own and operate such entities as currently conducted and to own or occupy, as applicable, the Real Property (as defined in Section 4.15). Attached hereto as **Schedule 4.8** is a true and complete list of all material licenses, permits, certifications and registrations held by Mercy and each of the Mercy Affiliates, including, without limitation, copies of Certificates of Occupancy or equivalent for the Real Properties listed on **Schedule 4.15** as being owned by Mercy and each of the Mercy Affiliates (the "**Licenses and Permits**"). All of the Licenses and Permits are in full force and effect, or are in the process of being timely renewed, and no action is pending or, to the knowledge of Mercy, threatened to revoke, terminate or modify any of the Licenses and Permits. To Mercy's knowledge, no event has occurred that constitutes, or that with the giving of notice or the passage of time or both would constitute, a default under any of such Licenses and Permits. All fees and other payments due and owing in connection with the Licenses and Permits have been paid in full and in a timely manner to prevent any lapse or revocation thereof.

4.8.2. Other than IHFSRB Project No. 08-043, no application for any Certificate of Need (or exemption therefrom) as administered by the IHFSRB has been made or received by Mercy or any of the Mercy Affiliates which is currently pending or open before IHFSRB, and no such application (collectively, "**Applications**") filed by Mercy or any of the Mercy Affiliates within the past three (3) years ultimately has been denied by IHFSRB or any commission, board or agency.

4.9 Medicare and Medicaid Participation.

As of the Execution Date, each of Mercy and the Mercy Affiliates, as applicable, are authorized to participate in and eligible to receive payment without restriction under the Programs and TRICARE. There is not pending, nor to Mercy's knowledge threatened, any proceeding or investigation under either of the Programs or TRICARE involving Mercy or any of the Mercy Affiliates. Except for routine claims for reimbursement made in the ordinary course of business, there are no claims, actions or appeals, including, without limitation, audits or claims for repayment, pending before any commission, board or agency, including, without limitation, any fiscal intermediary or carrier, the Provider Reimbursement Review Board or the Administrator of the Centers for Medicare & Medicaid Services ("**CMS**"), with respect to any state or federal Medicare, or Medicaid claims filed on behalf of Mercy or any of the Mercy Affiliates. All cost reports for the Programs and TRICARE have been timely filed and are complete and correct in all material respects.

4.10 Legal and Regulatory Compliance.

4.10.1. To the knowledge of Mercy, the operations of Mercy and each of the Mercy Affiliates are, and have continuously been, in compliance in all material respects with all applicable laws of federal, state and local authorities, including, without limitation, 42 U.S.C. §1320a-7b (the "**Anti-kickback Statute**"), 42 U.S.C. §1395nn (the "**Stark Law**"), and all applicable rules, regulations and requirements of all federal, state and local commissions, boards, bureaus and agencies having jurisdiction over Mercy and the Mercy Affiliates of the operations thereof, including, without limitation, the IRS, the United States Department of Health and Human Services ("**DHHS**") and Health Facilities Accreditation Program (the "**HFAP**"), and third party payment programs such as the Programs, TRICARE and Blue Cross and Blue Shield of Illinois, as they have been in effect from time to time. Mercy and each of the Mercy Affiliates, as applicable, are duly accredited with no contingencies, which threaten their status, as applicable, as fully accredited, by HFAP. All reports, data and other information required to be filed have been timely filed with such commissions, boards, bureaus and agencies. Mercy has not received written notice of, and to Mercy's knowledge, Mercy nor any of the Mercy Affiliates, is under investigation with respect to, any violation or alleged violation of, or any obligation to take remedial action under, any applicable: (a) law, statute, ordinance, rule, regulation, policy or guideline promulgated; (b) license or certificate issued; or (c) order, judgment or decree entered by any federal, state or local court or governmental authority. Neither Mercy nor any of the Mercy Affiliates is a party to any corporate integrity agreement or other agreement with the Office of Inspector General of the DHHS ("**OIG**") or any other governmental agency that has been entered into in connection with any actual or threatened government claim and/or investigation.

4.10.2. Mercy and each of the Mercy Affiliates have continuously maintained a compliance program designed to promote compliance with applicable laws and ethical standards, to improve the quality and performance of operations, and to detect, prevent, and address violations of legal or ethical standards (the "**Compliance Program**"). Mercy and each of the Mercy Affiliates are in material compliance with the terms of the Compliance Program. Mercy has granted Trinity access to all records, audit reports and logs maintained by Mercy and each of the Mercy Affiliates in connection with the Compliance Program. Mercy and each of the Mercy Affiliates periodically search(es) the OIG's List of Excluded Individuals/Entities to confirm that their respective employees, independent contractors, the members of their medical staffs and consultants and other persons providing any services under any of the Contracts (as defined at Section 4.11 below) are not currently excluded, debarred or otherwise ineligible to participate in the Programs and TRICARE. Additionally, Mercy and each of the Mercy Affiliates request the advice of counsel and/or obtain legal opinions and fair market value documentation when deemed appropriate from time to time with respect to the structure and compensation provisions of arrangements with physicians, particularly if such arrangements do not fit within a safe harbor to the Anti-kickback Statute.

4.10.3. Mercy and each of the Mercy Affiliates have undertaken surveys, audits, inventories, reviews, analyses and/or assessments (including any necessary risk assessments) of its business and operations as required by Title II, Subtitle F, of the federal Health Insurance Portability and Accountability Act of 1996 (Pub. Law 104-191) ("**HIPAA**"). Mercy and each of the Mercy Affiliates are in material compliance with HIPAA and all rules and regulations promulgated thereunder, including the electronic data interchange regulations, the health care privacy regulations and the health care security regulations.

4.11 Contracts.

During due diligence and prior to Closing, Mercy shall provide to Trinity substantially all contracts, leases, and agreements to which Mercy and each of the Mercy Affiliates are a party or pursuant to which any of the Assets or the Liabilities are impacted (the "**Contracts**"), including, without limitation: (a) all employment, consulting, and collective bargaining agreements (including, Letters of Understanding, Letters of Intent, Letters of Agreement, Neutrality Agreements/Labor Peace Accords, and all other side agreements); (b) all commitments, contracts, leases, and agreements that are with physicians on the Medical Staff or family members of a physician on the Medical Staff; (c) all lease agreements currently in effect pursuant to which Mercy or any of the Mercy Affiliates lease space or equipment to, or from, any other individual or entity; and (d) all contracts between Mercy and each of the Mercy Affiliates with third party payors.

Between the Execution Date and the Effective Date, Mercy shall confer with Trinity regarding: (a) all contracts with a term length in excess of ten (10) years; (b) all contracts which involve, in the aggregate, an amount in excess of $100,000 per year; (c) all physician contracts and joint venture agreements; (d) all "evergreen" contracts that renew automatically for a term in excess of one (1) year; and (e) all confidential contracts.

The Contracts are in full force and effect and constitute binding obligations of Mercy and/or or any of the Mercy Affiliates. To the knowledge of Mercy, each of the other parties to the Contracts has performed all of its material obligations under the Contracts and is not in default under any material provision of the Contracts. Neither Mercy nor any of the Mercy Affiliates have received notice to the effect that, nor has Mercy any knowledge that, any party to any of the Contracts intends to cancel, terminate or amend, or make any claim under any of the Contracts.

4.12 Material Adverse Changes.

Since June 30, 2011, and except as communicated to Trinity prior to the Execution Date, there has been no material adverse change in the Assets, the Liabilities, property, business, operations or conditions (financial or otherwise), of Mercy or any of the Mercy Affiliates which would affect the Assets, the Liabilities or the operations of Mercy or any of the Mercy Affiliates, or which is otherwise outside the ordinary course of business, in excess of One Million Dollars ($1,000,000) ("**Material Adverse Changes**"). In addition, between the Execution Date and the Effective Date, Mercy will notify Trinity of any Material Adverse Changes.

4.13 Employee Benefit Plans.

4.13.1. Plans. During the due diligence process and prior to Closing, Mercy shall provide a complete and accurate list of each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), including multiemployer plans within the meaning of Section 3(37) of ERISA, whether or not any such plans are subject to ERISA, and all employment, employee loan, collective bargaining, bonus, pension, profit sharing, deferred compensation, incentive compensation, retirement, thrift savings, paid time off, fringe benefit, vacation, severance, retention, change in control, health and welfare, retiree medical, retiree life insurance, disability, education assistance, and all other employee benefit plans, programs, policies or Contracts, sponsored, maintained, contributed to or required to be maintained or contributed to by Mercy or any of the Mercy Affiliates, or any other person or entity that, together with Mercy, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each a "**Commonly Controlled Entity**"), at any time within six (6) years prior to the Closing Date, (exclusive of any such plan, program, policy or Contract mandated by and maintained solely pursuant to statute, law, ordinance, rule or regulation issued, promulgated or entered into by or with any governmental entity (each a "**Law**")), providing benefits to any current or former director, officer, employee or independent contractor of Mercy or any of the Mercy Affiliates or under which Mercy or any Mercy Affiliate has any present or future liability (collectively, the "**Employee Benefit Plan(s)**"). Each Employee Benefit Plan that is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA, whether or not subject to ERISA) is sometimes referred to herein as a "**Pension Plan**" and each Employee Benefit Plan that is an "employee welfare benefit plan" (as defined in Section 3(1) of ERISA, whether or not subject to ERISA) is sometimes referred to herein as a "**Welfare Plan**." "Welfare Plan" shall also include any short-term disability program classified as a "payroll practice," any group health plan within the meaning of Code Section 105, any cafeteria plan within the meaning of Code Section 125, any dependent care assistance program within the meaning of Code Section 129, any adoption assistance plan within the meaning of Code Section 137, any tuition assistance plan within the meaning of Code Section 127, and any qualified transportation plan within the meaning of Code Section 132.

4.13.2. Documentation. During the due diligence process and prior to Closing, true, correct, and complete copies of each Employee Benefit Plan (or, with respect to any unwritten Employee Benefit Plans, accurate descriptions thereof), and all related trusts, insurance contracts and other related funding arrangements, as applicable, including all amendments thereto, shall be furnished to Trinity. With respect to each Employee Benefit Plan, there have also been made available to Trinity: (a) the three most recent Form 5500 reports required to be filed and all schedules and attachments thereto, if any; (b) the most recent summary plan description and any summary of material modifications thereto for each Employee Benefit Plan required to provide such a summary plan description or for which such a summary exists; (c) audited financial statements; and (d) the most recent favorable determination letter from the IRS with respect to each Employee Benefit Plan intended to be qualified within the meaning of Section 401(a) of the Code. The most recent actuarial report or valuation for each Employee Benefit Plan subject to Title IV of ERISA or that would be subject to Title IV of ERISA but for the exemption under Section 4(b)(2) of ERISA, also has been made available to Trinity, if applicable.

4.13.3. Compliance and Other Representations. Mercy represents and warrants on behalf of itself and on behalf of each of the Mercy Affiliates that:

(a) Neither Mercy nor any of the Mercy Affiliates contributes to or has an obligation to contribute to, and has not at any time within six (6) years prior to the Closing Date contributed to, or had an obligation to contribute to, a multiemployer plan within the meaning of Section 3(37) of ERISA or a multiple employer plan within the meaning of Section 413 of the Code, or incurred any "withdrawal liability" (as defined in Part I of Subtitle E of Title IV of ERISA) that has not been satisfied in full.

(b) Each Employee Benefit Plan has been administered in all respects in accordance with its terms, and Mercy and each of the Mercy Affiliates, and all the Employee Benefit Plans are in compliance in all respects with the applicable provisions of ERISA, the Code and all other applicable Laws and the terms of all collective bargaining Contracts, and all Pension Plans intended to be qualified within the meaning of Section 401(a) of the Code have received favorable determination letters from the IRS to the effect that such Pension Plans are so qualified and exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked (nor, to the knowledge of Mercy, has revocation been threatened) and no event has occurred since the date of the most recent determination letter relating to any such Pension Plan that would reasonably be expected to adversely affect the qualification of such Pension Plan or increase the costs relating thereto or require security under Section 307 of ERISA, if applicable. Mercy has provided to Trinity a complete and accurate list of all amendments to any Pension Plan as to which a favorable determination letter has not yet been received. No Employee Benefit Plan is subject to Title IV of ERISA, or would be subject to Title IV of ERISA if not exempt as a "Church Plan," and neither Mercy nor any Mercy Affiliate has sponsored such a plan during the preceding six years (other than any such plans that have been terminated and all obligations thereunder satisfied in full).

(c) Mercy and each of the Mercy Affiliates complies in all material respects with the applicable requirements of Section 4980B(f) of the Code, Sections 601-609 of ERISA or any similar state or local Law with respect to each Employee Benefit Plan that is a group health plan, as such term is defined in Section 5000(b)(1) of the Code or such similar state Law. Neither Mercy nor any of the Mercy Affiliates has any obligations for health or life insurance benefits following termination of employment under any Employee Benefit Plan (other than for continuation coverage required under Section 4980(b)(f) of the Code). To the knowledge of Mercy, there has been no communication to employees (or to employees through their union representatives) by Mercy or any of the Mercy Affiliates that could reasonably be interpreted to promise or guarantee such employees retiree health or life insurance or other retiree death benefits on a permanent basis.

(d) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i) require Mercy, any Mercy Affiliate, or Trinity to make a contribution to, or pay benefits or provide rights under, any Employee Benefit Plan, create or give rise to any additional vested rights or service credits under any Employee Benefit Plan; or (ii) conflict with the terms of any Employee Benefit Plan.

(e) Except as contemplated by this Agreement or pursuant to applicable Law, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will (either alone or in conjunction with any other event such as termination of employment): (i) result in any material payment becoming due to any current or former employee under any Employee Benefit Plan or employment agreement, (ii) materially increase any benefits otherwise payable under any Employee Benefit Plan or employment agreement to any current or former employees, (iii) result in any acceleration of the time of payment, funding or vesting of any such benefits to current or former employees, (iv) limit, or restrict the right to terminate, any Employee Benefit Plan or employment agreement, (v) result in the imposition of the sanctions imposed under Sections 280G and 4999 of the Code, or (vi) result in an obligation to accelerate the funding of or contribution to any Employee Benefit Plan pursuant to applicable Law, regulation, contractual arrangement or otherwise. Each Employee Benefit Plan that is subject to the provisions of Section 409A of the Code has been operated since January 1, 2005 in good faith compliance with Section 409A of the Code and the applicable IRS and United States Department of Treasury guidance relating to such Section, and has been operated since January 1, 2009, in compliance with Section 409A of the Code and all applicable IRS and Department of Treasury guidance relating to such Section.

(f) With respect to each Employee Benefit Plan:

(i) All obligations, whether arising by operation of law or by contract, required to be performed have been performed, and there have been no defaults, omissions or violations by Mercy or any Mercy Affiliate, and all contributions, premiums and benefit payments under or in connection with each Employee Benefit Plan that are required to have been made as of the date hereof have been timely made in accordance with the terms of such Employee Benefit Plan and applicable Law;

(ii) All reports and disclosures required to be filed with or furnished to governmental agencies, participants, or beneficiaries have been filed or furnished in accordance with applicable Law in a timely manner;

(iii) There are no actions, suits, investigations, governmental audits or other proceedings or claims pending (other than routine claims for benefits) or, to the knowledge of Mercy, threatened against, nor do any facts exist which could give rise to any such claim or action;

(iv) No act, omission, or transaction has occurred that would result in imposition of: (A) breach of fiduciary duty liability damages under Section 409 of ERISA; (B) a civil penalty assessed pursuant to subsections (c), (i) or (l) of Section 502 of ERISA; (C) a tax imposed pursuant to Chapter 43 of Subtitle D of the Code; or (D) any other tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other applicable Laws;

(v) There is no matter pending (other than routine qualification determination filings) with respect to any Employee Benefit Plan before the IRS, the United States Department of Labor ("**DOL**"), the PBGC or any other governmental agency; and

(vi) Each may be unilaterally amended or terminated at any time.

4.14 Labor Relations.

Other than the Teamsters Local 734 CBA, neither Mercy nor any of the Mercy Entities are parties to collective bargaining agreements and/or other contracts with labor or employees' unions. There are no strikes, lock-outs, sit-downs, slowdowns, ongoing recognitional picketing, street theatre corporate campaigns, disputes, claims, arbitration proceedings, unfair labor practice complaints or other labor disputes or grievances of any nature whatsoever involving the employees of Mercy or any of the Mercy Affiliates pending or, threatened against, or otherwise affecting, Mercy or any of the Mercy Affiliates. To the knowledge of Mercy, there are no new or expanded union organizing efforts or activities currently planned or underway with respect to any of the employees of Mercy or any of the Mercy Affiliates. Neither Mercy nor any of the Mercy Affiliates is a party to any pending unfair labor practice charge, discrimination or other employment or employment-related suit or claim. There are no outstanding judicial orders, consent decrees, stipulated agreements or injunctions with regard to the hiring or employment practices of Mercy or any of the Mercy Affiliates, nor any investigation by United States Immunization and Customs Enforcement, the DOL or any other governmental agency that affects Mercy or any of the Mercy Affiliates.

4.15 Real Property.

4.15.1. All of the Real Property owned or leased by Mercy and each of the Mercy Affiliates is specified and described in **Schedule 4.15** hereto (together, the "**Real Property**"). With respect to any Real Property listed on **Schedule 4.15** as being owned by Mercy or one or more of the Mercy Affiliates, such ownership shall be fee title, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto. With respect to any Real Property listed on **Schedule 4.15** as being leased by Mercy or one or more of the Mercy Affiliates, such leasehold shall be exclusive and unlimited. There are no mortgages, liens, restrictions, agreements, claims or other encumbrances which cause title to any of the Real Property to be unmarketable or which will interfere with the continued use or occupation of the Real Property. As of Closing, and except as otherwise reflected and disclosed in the Title

Commitment(s), Title Policy(s) and Survey(s) to be prepared hereunder (as further described in Section 4.21), the Real Property that is owned by Mercy or one or more of the Mercy Affiliates, will be free and clear of all mortgages, liens, restrictions, agreements, claims or other encumbrances, except for: (i) current taxes not yet due and payable (if any); (ii) any lease obligations described in **Schedule 4.15**; and (iii) the easements, restrictions and other matters identified on the Title Commitment(s) (the "**Permitted Encumbrances**").

4.15.2. The Real Property is in compliance in all material respects with the Americans with Disabilities Act of 1990, as amended, and all rules and regulations promulgated thereunder (the "**ADA**") and none of Mercy or any of the Mercy Affiliates has received notice of a, nor, to Mercy's knowledge, is there any pending or potential, violation of any applicable ordinance or other law, order, regulation or requirement, including, without limitation, the ADA, and neither Mercy nor any of the Mercy Affiliates has received notice of a, nor, to Mercy's knowledge, is there any pending or potential, condemnation, lien, assessment or the like, relating to any part of the Real Property or the operation thereof.

4.15.3. There is no existing, nor, to Mercy's knowledge, presently contemplated or proposed, governmental condemnation or similar action, or zoning action or proceeding, with respect to any portion of the Real Property.

4.15.4. The Real Property and its operations are in compliance in all material respects with all applicable zoning ordinances and local building codes and ordinances, and neither Mercy nor any of the Mercy Affiliates have received any notice that, nor, to Mercy's knowledge, is there any pending or potential that, the Real Property is in violation of local building codes, ordinances or zoning laws.

4.15.5. To Mercy's knowledge, no part of the Real Property contains, is located within or abuts any flood plain, navigable water or other body of water, tideland, wetland, marshland or any other area which is subject to special state, federal or municipal regulation, control or protection, other than as identified in the applicable Survey.

4.16 Insurance Coverage.

Prior to the Execution Date of this Agreement, Mercy has made available to Trinity true and complete copies of all insurance policies or self-insurance funds of any nature whatsoever maintained by Mercy and each of the Mercy Affiliates. All of such policies are now, and will through the Effective Date, be in full force and effect on the same terms and conditions and with the same type of coverage and limits as were in effect immediately prior to the Effective Date. Neither Mercy nor any of the Mercy Affiliates has received notice of, nor are there any outstanding requirements or recommendations by any insurance company that issued any such policy or by any Board of Fire Underwriters or other similar body exercising similar functions or by any governmental authority exercising similar functions which requires or recommends any repairs or other work to be done with respect to any of the Assets or the operations of Mercy or any of the Mercy Affiliates. Mercy and each of the Mercy Affiliates have given to their insurers in a timely manner all notices required to be given under their respective insurance policies with respect to all claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions or reserved its rights due to a lack of proper notice in respect of or rejected any such claims. All insurable claims (*e.g.*, professional liability, workers' compensation and claims which would be covered by liability and/or casualty insurance policies) outstanding against Mercy and each of the Mercy Affiliates are fully covered by applicable insurance policies or self-insurance funds. Neither Mercy nor any of the Mercy Affiliates has, as of the Closing Date: (a) received any notice or other communication from any such insurance company canceling or materially amending any of said insurance policies, and no such cancellation or amendment is threatened; or (b) failed to give any required notice or present any claim which is still outstanding under any of said policies. Following the Execution Date of this Agreement and until the Effective Date of this Agreement, Mercy shall continuously update Trinity regarding the information, representations and warranties set forth in, and/or required by, this Section.

4.17 Litigation or Investigations.

Unless otherwise disclosed by Mercy to Trinity during the due diligence process and prior to Closing, there are no actions, suits, notices of intent, claims (including insurance claims), arbitrations, legal, equitable or administrative proceedings or governmental investigations pending, or to Mercy's knowledge, anticipated or threatened against, or affecting Mercy or any of the Mercy Affiliates or the Assets or the Liabilities, nor are there any judgments, decrees, awards, orders, rulings, writs or injunctions specifically referring to Mercy or any of the Mercy Affiliates which may materially adversely affect Mercy or any of the Mercy Affiliates, the Assets or the Liabilities, or the consummation of the transaction contemplated by this Agreement, or which otherwise would make it inadvisable or impracticable for Trinity to proceed with this Agreement and the actions contemplated herein. To Mercy's knowledge, there is no existing ground on which any such action, suit or proceeding might be commenced including, without limitation, claims of sexual harassment, employment discrimination or wrongful discharge.

4.18 Taxes and Tax Returns.

Mercy and each of the Mercy Affiliates has duly filed all tax reports and returns (including informational returns) required to be filed by it and has duly paid all taxes and other charges due or claimed to be due from it by federal, state and local taxing authorities (including, without limitation, those due in respect of its properties, income, franchises, licenses, sales and payrolls and city tax returns). Neither Mercy nor any of the Mercy Affiliates has received any notice of any pending or threatened tax audit or of any assessment of additional taxes, nor has it executed or filed with any taxing authority any agreement extending the period for assessment of any income or other taxes. Except with respect to taxes not yet due and payable, there are no tax liens upon any of the Assets, real, personal or mixed, tangible or intangible of Mercy or any of the Mercy Affiliates and there are no pending claims, examinations or proceedings by any authority or agency relating to the assessment of any taxes, interest or penalty on such Assets. Neither Mercy nor any of the Mercy Affiliates has paid or received notice of the imposition or threat of imposition of any federal excise tax or intermediate sanction related to an excess benefit transaction with a disqualified person within the meaning of Section 4958 of the Code and regulations related thereto.

4.19 Environmental Matters.

4.19.1. Definitions. The following definitions shall apply to the provisions of Section 4.19:

(a) The term "**Environmental Laws**" shall mean any and all laws, statutes, ordinances, rules, regulations, orders or determinations of any Governmental Authority (as hereinafter defined) pertaining to health or the environment, whether now in existence or hereafter enacted and in effect at the time of Closing, in any and all jurisdictions in which the Real Property is located;

(b) The terms "**Hazardous Substances**" and "**release**" (or "**threatened release**") have the meanings specified in the federal Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**") and the term "**Hazardous Substance**" shall include, without limitation, infectious waste material, medical waste, human tissue, syringes, needles, any materials contaminated with bodily fluids of any type, character or nature, petroleum, petroleum products, asbestos and poly-chlorinated biphenyls ("**PCBs**"); and the terms "**solid waste**" and "**disposal**" (or "**disposed**") have the meanings specified in the federal Resource Conservation Recovery Act ("**RCRA**"); provided, however, that to the extent the applicable laws, ordinances, rules, regulations or common law of the state in which the Real Property is located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" that is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply;

(c) The term "**Governmental Authority**" includes the United States, the state, county, city, and political subdivisions in which the Real Property is located or that exercise jurisdiction over the Real Property, and any agency, court, department, commission, board, bureau or instrumentality or any of them that exercises jurisdiction over the Real Property; and

(d) The term "**Environmental Condition**" shall mean: (i) any release or threatened release of a Hazardous Substance from, in, on, under, or onto the Real Property; (ii) any releases or threatened release of a Hazardous Substance from the Real Property in, on, under, or onto any other property; (iii) any violation of any Environmental Law relating to the manufacture, processing, distribution, transportation, storage, use, discharge, handling, emission, or disposal of Hazardous Substances by or in connection with the operation of Mercy or any of the Mercy Affiliates; or (iv) any release or threatened release of a Hazardous Substance from, in, on, under, or onto the Real Property resulting in liability to nongovernmental third parties in tort.

4.19.2. Representations and Warranties. Mercy represents and warrants, on behalf of itself and on behalf of each of the Mercy Affiliates, the following to the best of its knowledge:

(a) Mercy and each of the Mercy Affiliates are, and for the five (5) year period prior to the Closing Date have been, in material compliance with all applicable Environmental Laws;

(b) The Real Property is in material compliance with all applicable Environmental Laws and, to Mercy's knowledge, neither Mercy nor any of the Mercy Affiliates have caused any Environmental Conditions on the Real Property or any other property (and none otherwise exist) that may give rise to any on-site or off-site remedial obligations, damages, losses, costs, expenses, or other liability;

(c) The Real Property contains no underground storage tanks, or underground piping associated with such tanks, used currently or in the past for the storage of Hazardous Substances, and neither Mercy nor any of the Mercy Affiliates have used any portion of the Real Property as a dump or landfill;

(d) The Real Property is not subject to any existing, pending or to the knowledge of Mercy, threatened action, suit, investigation, inquiry or proceeding by or before any Governmental Authority or other third party under any Environmental Law;

(e) All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed by Mercy or any of the Mercy Affiliates under any Environmental Law, including, without limitation, those relating to the transportation, storage, use, handling, or disposal of a Hazardous Substance have been duly obtained or filed; and Mercy and each of the Mercy Affiliates are in material compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations, and, to the extent required before the Closing Date, shall have taken all actions needed to ensure the timely reissuance of same in due course and so requested without imposition of cost or penalty;

(f) During the due diligence process and prior to Closing, Mercy and each of the Mercy Affiliates have provided to Trinity true and complete copies of all reports, studies, data, correspondence and other information in their possession or control related to the environmental condition of the Real Property or compliance of the Real Property or any activities conducted thereon with Environmental Laws; and

(g) Except as identified in the Phase I reports and the Asbestos Mediation Plan produced by Mercy prior to the Execution Date, none of the Real Property owned by Mercy or any of the Mercy Affiliates, nor any of the buildings or improvements thereon, contains any asbestos in any form.

4.20 Intellectual Property.

No proceedings have been instituted or are pending, or to the knowledge of Mercy, threatened, which challenge the validity of the ownership or use by Mercy or any of the Mercy Affiliates of any intellectual property owned or used by, or in connection with the operations of, Mercy and any of the Mercy Affiliates. Neither Mercy nor any of the Mercy Affiliates has licensed anyone to use such intellectual property, and Mercy has no knowledge of any use or infringement of any such intellectual property by any other person or entity. Mercy and each of the Mercy Affiliates, as applicable, own (or possesses adequate, enforceable and assignable licenses or other rights to use) all intellectual property now used in the conduct of the business and operations of Mercy and each of the Mercy Affiliates, and to the knowledge of Mercy, neither such use nor any other practice of Mercy or any of the Mercy Affiliates conflicts with the rights of others. To the knowledge of Mercy, no consent is required to assign to Trinity or its designee of any of the foregoing intellectual property and the conduct of the business. To the knowledge of Mercy, the operations of Mercy and each of the Mercy Affiliates does not infringe upon the intellectual property of any other person or entity.

4.21 Title and Survey Matters.

4.21.1. Title Commitment. The Parties have caused to be prepared current title commitments (together the "**Title Commitment(s)**") issued by Chicago Title Insurance Company, on title insurance paper issued by Chicago Title Insurance Company, as may be agreed by Mercy and Trinity (the "**Title Company**"), together with legible copies of all exceptions to title referenced therein with respect to the Real Property owned or leased by Mercy and each of the Mercy Affiliates and listed on **Schedule 4.15**. The Title Commitments set forth the state of title to the Real Property, as determined by the Title Company, together with all exceptions or conditions to such title, including, without limitation, all easements, restrictions, rights-of-way, covenants, reservations, and all other encumbrances identified by the Title Company affecting such Real Property which would appear in an owner's or lessee's title policy, as applicable, if issued. The Title Commitments contain the commitment of the Title Company to issue one or more owners', or lessee's, as applicable, title policies (collectively, the "**Title Policy(ies)**") to Trinity in an amount equal to: (a) the fair market value of such Real Property, as agreed by Mercy and Trinity, insuring such title to the Real Property that is owned by Mercy and each of the Mercy Affiliates as is specified in the Title Commitments; or (b) the leasehold value of the subject lease of such Real Property, as agreed by Mercy and Trinity, insuring the leasehold interest of Mercy and each of the Mercy Affiliates with respect to such Real Property. The costs and expenses associated with obtaining the Title Commitments shall be borne by Trinity.

4.21.2. Survey. Mercy and Trinity have obtained as-built surveys (together, the "**Survey(s)**") of the Real Property acceptable to the Title Company permitting the Title Company to issue an owner's policy prescribed for use in the State of Illinois and reflecting all improvements visible on the grounds and all easements, rights of way, means of ingress or egress, encroachments and drainage ditches, whether abutting or interior, of record or on the grounds. The Surveys also reflect whether and the extent to which any portion of such Real Property lies within the 100-year flood plain. The Surveys are certified to the Title Company, Mercy and Trinity in a form satisfactory to permit the Title Company to issue an owner's policy, also in form satisfactory to Trinity. The costs and expenses associated with the Surveys shall be borne by Trinity.

4.21.3. Title Policy. At the Closing, Mercy shall cause the Title Company to deliver the marked Title Commitments obligating the Title Company to deliver, as soon as practicable after Closing, the Title Policy dated as of the Closing Date, in form satisfactory to Trinity. The Title Policies shall be issued in an amount equal to: (a) the fair market value of the Real Property as mutually agreed by Mercy and Trinity and shall insure good and marketable fee simple title to such Real Property; or (b) the leasehold value of the subject lease of such Real Property, as agreed by Mercy and Trinity, insuring the leasehold interest with respect to such Real Property, if Trinity requires issuance of such leasehold policies. The costs and expenses associated with the Title Policies shall be borne by Trinity.

4.22 Computer Software and Information Systems.

Mercy and each of the Mercy Affiliates have the right to use all computer software programs and similar information systems owned by or licensed individually, directly, indirectly and exclusively or non-exclusively to them, and used in the conduct of the business of Mercy and each of the Mercy Affiliates. Mercy and each of the Mercy Affiliates are in compliance with their obligations under all information system agreements to which they are bound and are not in violation or infringement of, nor have they received any notice of any conflict with or violation or infringement of or any claims of conflict with, any asserted rights of any other person with respect to any intellectual property or any computer software, programs or similar systems. From and after the Effective Date, Trinity will be entitled to unrestricted use of the computer software programs and similar information systems owned by or licensed individually, directly, indirectly and exclusively or non-exclusively to Mercy and any of the Mercy Affiliates in accordance with all applicable information technology agreements in effect with respect to such items.

4.23 Notices and Consents

Mercy has used commercially reasonable efforts to obtain, as promptly as practicable, all approvals, authorizations and clearances of governmental and regulatory authorities, if any, required to consummate the transactions contemplated hereby; provided such other information and communications to governmental and regulatory authorities as Trinity or such authorities have reasonably requested; and cooperated with Trinity in obtaining all approvals, authorizations and clearances of governmental and regulatory authorities required to consummate the transactions contemplated hereby.

4.24 Due Diligence.

Mercy has provided to Trinity and Trinity's agents and representatives all information, correspondence, opinions and documents requested or otherwise related to such requests submitted by Trinity to Mercy in connection with Trinity's due diligence review of the business operations and facilities of Mercy and each of the Mercy Affiliates with respect to the transactions contemplated herein. Mercy has not intentionally withheld or otherwise failed to disclose any information, correspondence, opinions or documents requested by Trinity or which are otherwise material to the condition of the Assets or the Liabilities, operations and/or financial status of Mercy and each of the Mercy Affiliates. Except as reflected in the due diligence materials provided or made available to Trinity, its agents or representatives, Mercy and each of the Mercy Affiliates have timely paid all of their financial obligations and no financial obligations are outstanding other than in the ordinary course of business. On the Closing Date, Mercy shall update and reaffirm each and every Schedule set forth in this Agreement as though given as of the Closing Date, as well as updating any and all previously provided due diligence.

4.25 No Misstatement or Omission.

No material representation or warranty by Mercy in this Agreement, and no written statement, certificate, schedule or exhibit provided pursuant hereto, or other documentation or information furnished or to be furnished by Mercy pursuant hereto or in connection with the transaction contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit a material fact required to be stated therein or necessary to make the statements contained therein not misleading as of the Closing Date. Mercy acknowledges and agrees that the representations and warranties set forth in this Article IV apply with full force and effect regardless of any due diligence investigation conducted by Trinity, or its representatives and agents, prior to the Closing Date.

V. CONDITIONS PRECEDENT TO OBLIGATION OF TRINITY TO CLOSE

Notwithstanding anything herein to the contrary, the obligations of Trinity to consummate the transactions described herein are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by Trinity at Closing or otherwise addressed in a separate agreement mutually agreeable to the Parties:

5.1 Representations and Warranties; Compliance with Agreement.

The representations and warranties of Mercy contained in this Agreement shall be true as of the Closing Date. Each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Mercy on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed.

5.2 Due Diligence Complete.

Trinity shall have completed such due diligence review of the legal, financial, organizational, plant and equipment and other aspects of Mercy and each of the Mercy Affiliates as Trinity shall have determined, in its sole discretion, to be necessary or appropriate, and Trinity shall have determined, in its sole discretion, that such due diligence review is satisfactory, and any item disclosed by Mercy or any of the Mercy Affiliates has been resolved to the satisfaction of Trinity, or waived in writing. Mercy shall update and reaffirm each and every Schedule set forth in this Agreement as though given as of the Closing Date, as well as updating any and all previously provided due diligence.

5.3 Regulatory Approvals/Third Party Approvals/Certificate of Exemption.

Trinity shall have obtained documentation, assurances or other evidence satisfactory to Trinity that Trinity has received approval from all local, state and federal governmental or regulatory authorities and any other necessary third party, including, without limitation, any lenders, whose approval is required to complete the transaction herein contemplated. The Parties shall have received a Certificate of Exemption from the State of Illinois with respect to the transactions contemplated herein prior to the Closing. The Parties shall have received any clearances required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

5.4 No Material Adverse Changes.

No Material Adverse Changes shall have occurred since June 30, 2011 and neither Mercy nor any of the Mercy Affiliates shall have suffered any material change, loss, or damage to the

Assets, property, business, operations or conditions (financial or otherwise), of Mercy or any of the Mercy Affiliates which would affect the Assets, the Liabilities, or the operations of Mercy or any of the Mercy Affiliates.

5.5 Litigation.

No suit, litigation, action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated or which would otherwise materially adversely affect the consummation of the transactions contemplated herein.

5.6 Insolvency; Bankruptcy.

As of the Closing Date, neither Mercy nor any of the Mercy Affiliates shall have been adjudicated insolvent or bankrupt pursuant to the provisions of any state or federal insolvency or bankruptcy law, no proceedings shall have been filed by Mercy or any of the Mercy Affiliates seeking bankruptcy, reorganization or rehabilitation under any present or future state or federal bankruptcy or insolvency law and no receiver or trustee of the property of Mercy or any of the Mercy Affiliates shall have been appointed by reason of Mercy or any Mercy Affiliate's insolvency or inability to pay its debts or otherwise.

5.7 Environmental Reports.

Unless otherwise waived in writing by Trinity, Trinity shall have received Phase I environmental site assessments, and, if warranted in Trinity's judgment, Phase II environmental site assessments or other information with respect to all or such portions of the Real Property that Trinity, in its sole discretion, may desire, and the scope, findings and conclusions of such report shall be reasonably satisfactory to Trinity. The costs and expenses associated with such assessments shall be borne by Trinity.

5.8 Title Policy and Survey.

Trinity shall have received the Survey and the marked Title Commitment described in Section 4.21 hereof in the form and within the time frames set forth therein.

5.9 Corporate Approvals.

All corporate approvals necessary to effectuate this Agreement and the transactions contemplated herein shall have been obtained.

5.10 Religious Approvals.

Prior to the Closing Date, all religious approvals necessary to effectuate this Agreement, and the transactions contemplated herein shall have been obtained, including the alienation of Mercy from the Sisters of Mercy of the Americas West Midwest Community (the "**Sisters of Mercy**") to CHM.

5.11 FIRPTA Statement.

Mercy and each of the Mercy Affiliates, as applicable, shall have delivered to Trinity a non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445 of the Code stating that Mercy and each of the Mercy Affiliates, as applicable, are not "foreign persons" as defined in Section 1445 of the Code.

5.12 Deliveries of Mercy.

All deliveries of Mercy contemplated and described at Section 2.2 shall have been delivered to Trinity.

5.13 Closing Documents.

Mercy shall have executed and delivered to Trinity all of the documents, agreements and certificates required to be executed or delivered by Mercy pursuant to any term or provision of this Agreement.

5.14 Other Deliverables.

Any such other documents or items as necessary to close the transactions contemplated by this Agreement.

VI. CONDITIONS PRECEDENT TO OBLIGATION OF MERCY TO CLOSE

Notwithstanding anything herein to the contrary, the obligations of Mercy to consummate the transaction described herein are subject to the fulfillment on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by Mercy at Closing or unless otherwise expressly stated in this Article VI:

6.1 Representations and Warranties; Compliance with Agreement.

The representations and warranties of Trinity contained in this Agreement shall be true as of the Closing Date. Each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Trinity on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed.

6.2 Regulatory Approvals.

Mercy shall have obtained documentation, assurances or other evidence satisfactory to Mercy that Trinity has received approval from all governmental or regulatory authorities whose approval is required to complete the transaction herein contemplated.

6.3 Litigation.

No suit, litigation, action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated or which would otherwise adversely affect the consummation of the transaction contemplated herein.

6.4 Insolvency; Bankruptcy.

As of the Closing Date, Trinity shall not have been adjudicated insolvent or bankrupt pursuant to the provisions of any state or federal insolvency or bankruptcy law, no proceedings shall have been filed by Trinity seeking bankruptcy, reorganization or rehabilitation under any present or future state or federal bankruptcy or insolvency law and no receiver or trustee of the property of Trinity shall have been appointed by reason of Trinity's insolvency or inability to pay its debts or otherwise.

6.5 Corporate Approvals.

All approvals necessary to effectuate this Agreement and the transactions contemplated herein shall have been obtained.

6.6 Deliveries of Trinity.

All of the deliveries of Trinity contemplated and described at Section 2.3 shall have been delivered to Mercy.

6.7 Closing Documents.

Trinity shall have executed and delivered to Mercy all of the documents, agreements and certificates required to be executed or delivered by Trinity pursuant to any terms or provision of this Agreement.

6.8 Other Deliverables.

Any such other documents or items as necessary to close the transactions contemplated by this Agreement.

VII. COVENANTS OF THE PARTIES BETWEEN THE CLOSING DATE AND THE EFFECTIVE DATE

The Parties covenant that between the Closing Date of this Agreement and the Effective Date of this Agreement, the Parties will act as follows or provide the following documentation:

7.1 Maintenance of Properties and Business.

Mercy and each of the Mercy Affiliates shall conduct their respective businesses in a manner consistent with the obligations, covenants and agreements under this Agreement and in a manner consistent with past practices.

7.2 Updated Representations and Warranties by Mercy.

Mercy shall update and reaffirm each and every Mercy representation and warranty set forth in this Agreement as though given as of the Effective Date.

7.3 Updated Schedules and Due Diligence.

Mercy shall update and reaffirm each and every Schedule set forth in this Agreement as though given as of the Effective Date, as well updating any and all previously provided due diligence.

7.4 Updated Representations and Warranties by Trinity.

Trinity shall update and reaffirm each and every Trinity representation and warranty set forth in this Agreement as though given as of the Effective Date.

VIII. ADDITIONAL AGREEMENTS

8.1 Survival of Representations.

The representations and warranties made in Articles III and IV hereof and in any statement, certificate, schedule or exhibit identified in and delivered pursuant to this Agreement shall survive the Closing Date for a period of three (3) years thereafter. Notwithstanding the foregoing, the representations and warranties of Mercy set forth in Sections 4.9, 4.10, 4.15, 4.18, and 4.19, hereof shall survive the Closing until ninety (90) days after the expiration of the applicable statute of limitations (including all periods of extension, whether automatic or permissive). Additionally, Section 8.12 shall survive indefinitely.

8.2 Governing Law.

The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to such state's conflicts of laws rules.

8.3 Benefit of the Agreement.

This Agreement is made solely for the exclusive benefit of the Parties hereto, their permitted successors and permitted assigns, and no other person or entity shall acquire or have any right or liability whatsoever under or by virtue of: (a) this Agreement; (b) the reference to any persons or entities other than the Parties in this Agreement, its Exhibits or Schedules; and/or (c) principles of common law, equity or otherwise.

8.4 Successors and Assigns.

No Party may assign its rights in this Agreement or delegate its duties under this Agreement to a third party without first obtaining the prior written consent of the other Parties. Notwithstanding the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns as permitted hereunder.

8.5 Further Assurances.

Up to and after the Effective Date, each Party shall take such further actions and execute and deliver such additional documents and instruments as may be reasonably requested by another Party in order to perfect and complete the transactions contemplated herein.

8.6 Waiver of Breach.

The waiver by either Party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof. All remedies, either under this Agreement, or by law or otherwise afforded, will be cumulative and not alternative.

8.7 Right of First Refusal.

At any time after thirty-six (36) months after the Effective Date, in the event that Trinity determines to sell, assign, convey or transfer Mercy in a stand alone transaction, Trinity shall advise the Sisters of Mercy of its intent to sell Mercy in writing sixty (60) days prior to the marketing of Mercy. At the time of its notification, Trinity will inform the Sisters of Mercy of the preliminary asking price. The Sisters of Mercy will notify Trinity within fifteen (15) business days of Trinity's notice if it intends to consider making an offer. In the event that the Sisters of Mercy either elects to not make an offer or fails to notify Trinity within fifteen (15) business days that it is considering making an offer, Trinity shall have no further responsibility to notify the Sisters of Mercy of its intent to sell Mercy and the Sisters of Mercy shall have no rights superior to any other prospective purchaser. In the event that the Sisters of Mercy elects to consider making an offer, the Sisters of Mercy shall be required to make an offer or decline making an offer in writing within sixty (60) days of receipt of Trinity's initial notice. Trinity may accept or decline the Sisters of Mercy's offer and shall not be required to provide a counter offer; provided, however, Trinity shall continue to include the Sisters of Mercy as a prospective buyer in any marketing of Mercy.

8.8 Dispute Resolution.

Between the Execution Date and Closing, if any claim, controversy, dispute, or disagreement arising out of, or relating to, this Agreement, the breach thereof, the subject matter thereof, or any legal duty incident thereto, whether stated in tort, contact, or otherwise (collectively a "**Dispute**") should arise between the Parties, the dispute shall be settled as follows:

8.8.1 Informal Negotiation and Mediation. Both Parties agree to meet and confer in good faith to resolve the Dispute informally. In the event the Parties are unable to resolve the matter(s) through informal negotiations, the matter shall be referred to the Chief Executive Officers of Trinity and Mercy for resolution, who shall meet and confer in good faith to resolve the Dispute. In the event the Chief Executive Officers are unable to resolve the Dispute, the parties shall attempt resolve the Dispute through the involvement of a third party mediator.

8.8.2 Arbitration. In the event that the Parties are unable to resolve the Dispute after informal negotiation and mediation, either Party shall have the right to send a demand for arbitration (an "**Arbitration Demand**") to the other Party. In the event of an Arbitration Demand, the Dispute shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules and conducted in Chicago, Illinois, and the arbitrator's decision shall be binding on the Parties. Each Party shall bear its own costs and expenses, including attorneys' fees, related to any such arbitration, and shall share equally the arbitrator's and administrative fees of arbitration.

Notwithstanding anything to the contrary in this Section 8.8, any Party may seek a temporary restraining order or other interim injunctive or provisional relief from a court of proper jurisdiction without first resorting to the dispute resolution procedures set forth in this Section 8.8

8.9 Reservation of Name.

In the event that Trinity no longer maintains ownership and control of Mercy Hospital through a stand alone transaction, such new owner and/or operator of Mercy Hospital shall be prohibited from using the name "Mercy Hospital" or any other name affiliated with the Sisters of Mercy, without the prior written approval of the Sisters of Mercy.

8.10 Brokers' Fees; Costs.

Neither Party has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transaction contemplated by this Agreement. Each Party is responsible for its own costs, fees and expenses incurred in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated herein including, without limitation, costs, fees and expenses of professional advisors. Notwithstanding the foregoing, the following costs, fees and expenses shall be borne by Trinity: (a) antitrust counsel fees and related costs; (b) Survey, preliminary environmental (Phase I and Phase II) site assessments, Title Policy and Title Commitment fees; and (c) regulatory and miscellaneous taxes (*e.g.*, recording and transfer taxes).

8.11 Notices.

Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile and telex provided evidence of confirmation of receipt has been obtained), when delivered by overnight courier or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Trinity:	Trinity Health Corporation 27870 Cabot Drive Novi, Michigan 48377 Attn: Chief Development Officer Facsimile: (248) 488-2924
With a copy to:	Trinity Health Corporation 27870 Cabot Drive Novi, Michigan 48377 Attn: General Counsel Facsimile: (248) 489-6775
And an additional copy to:	Foley & Lardner LLP 321 North Clark Street, Suite 2800 Chicago, Illinois 60654 Attn: Edward J. Green, Esq. Facsimile: (312) 832-4700
If to Mercy:	Mercy Health System of Chicago 2525 S. Michigan Ave. Chicago, Illinois 60616 Attn: President & Chief Executive Officer Facsimile: (312) 567-6575
With a copy to:	Burke Burns & Pinelli, Ltd. 70 West Madison, Suite 4300 Chicago, Illinois, 60602 Attn: Mary Patricia Burns, Esq. Facsimile: 312) 541-8603

Either Party may change the address to which notices to it are to be sent by giving notice in accordance with this Section.

8.12 Enforceability; Severability.

In the event any provision of this Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any judicial proceeding, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or such provision shall be fully severable from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

8.13 Headings.

The headings of the sections and paragraphs contained in this Agreement are for convenience and reference purposes only and shall not be used in the construction or interpretation of this Agreement.

8.14 Schedules and Exhibits.

The schedules, exhibits or other documents attached hereto or incorporated by reference herein form an integral part of this Agreement and are hereby incorporated into this Agreement wherever reference is made to them as to the same extent as if they were set out in full at the point at which such reference is made.

8.15 Confidentiality.

The confidentiality and disclosure provisions set forth in Section 15 of that certain Letter of Intent executed on November 2, 2011, by and between Mercy and Trinity (the "**LOI**"), shall remain in full force and effect.

8.16 Interpretation; No Presumption.

It is acknowledged by the Parties that the Parties hereto have each been represented by counsel and this Agreement has been drafted based upon the negotiations of the Parties hereto and their counsel and, accordingly, no presumption shall arise favoring any Party by virtue of the authorship of any of its provisions.

8.17 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but together shall constitute the same agreement.

8.18 Entire Agreement; Amendment.

This Agreement, including the Exhibits and Schedules attached hereto, embodies the entire agreement and understanding between the Parties with respect to the subject matter hereof. There are no other agreements or understandings, oral or written, between the Parties hereto with respect to the subject matter hereof. Except as otherwise provided at Section 8.12 of this Agreement with respect to the confidentiality provisions set forth in the LOI, this Agreement shall supersede all previous negotiations, commitments and writings with respect to the subject matter hereof including, without limitation, the LOI. No waiver and no modification or amendment of any provision of this Agreement shall be effective unless specifically made in writing and duly signed by all of the Parties hereto.

[Signature Page Follows]

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

MERCY HEALTH SYSTEM OF CHICAGO

By:____________________
Name:____________________
Title:____________________

TRINITY HEALTH CORPORATION

By: Joseph R. Swedish
Name: JOSEPH R. SWEDISH
Title: PRESIDENT + CEO

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

MERCY HEALTH SYSTEM OF CHICAGO

By: Sr Sheila Lyne
Name: Sister Sheila Lyne, RSM
Title: President and CEO

TRINITY HEALTH CORPORATION

By:______________________________
Name:____________________________
Title:_____________________________

LIST OF SCHEDULES

EXHIBITS

EXHIBIT A

Amended and Restated Articles of Incorporation of Mercy Health System of Chicago

EXHIBIT B

Amended and Restated Bylaws of Mercy Health System of Chicago

Articles of Amendment and Restated Articles of Incorporation of Mercy Health System of Chicago
An Illinois Not For Profit Corporation

1. The present name of the Corporation is Mercy Health System of Chicago, which was incorporated on November 20, 1981.

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

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

Article I

Name

The name of the Corporation is Mercy Health System of Chicago. Former names of the Corporation are: Mercy Health Care Corporation and Sisters of Mercy Health Care Corporation.

Article II

Purposes

The purposes for which the Corporation is organized are:

A. To further any and all charitable, scientific, religious and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or comparable provisions of subsequent legislation (the "Code");

B. To carry out the purposes of Trinity Health Corporation, an Indiana nonprofit corporation, or its successor (the "Corporate Member"), which is the sole member of the Corporation, and to further the apostolate of Catholic Health Ministries on behalf of and as an integral part of the Roman Catholic Church in the United States;

C. To engage in the delivery of and to carry on, sponsor or participate in, directly or through one or more affiliates, any activities related to the delivery of health care and health care related services of every kind, nature and description which, in the opinion of the Directors of the Corporation, are appropriate in carrying out the purposes of the Corporation and the Corporate Member and the health care mission of Catholic Health Ministries. The Corporation shall take all such actions as may be necessary or desirable to accomplish the foregoing purpose within the restrictions and limitations of these Amended and Restated Articles of

Incorporation, the Bylaws of the Corporation or applicable law, including, without limitation, promoting and carrying on scientific research and educational activities related to the care of the sick and promotion of health, and establishing, maintaining, owning, managing, operating, transferring, conveying, supporting, assisting and acquiring institutions, facilities and programs, directly or through one or more affiliates, including, but not limited to, hospitals and clinics, which shall provide diagnosis and treatment to inpatients and outpatients and shall provide such support services as, but not limited to, extended care, shared services, pastoral care, home care, long-term care, care of the elderly and the handicapped, care of the economically needy, child care, social services, mental health and substance abuse services;

D. To acquire, establish, construct, develop, operate and maintain long-term care, home for the aged and other similar facilities, including skilled nursing facilities, and to initiate, sponsor and carry out programs for the elderly.

E. To coordinate and oversee the activities of subsidiaries and affiliates;

F. To acquire, purchase, own, loan and borrow, erect, maintain, hold, use, control, manage, invest, exchange, convey, transfer, sell, mortgage, lease and rent all real and personal property of every kind and nature, which may be necessary or incidental to the accomplishment of any and all of the above purposes;

G. To accept, receive and hold, in trust or otherwise, all contributions, legacies, bequests, gifts and benefactions which may be left, made or given to the Corporation, or its predecessor or constituent corporations, by any person, persons or organizations;

H. To provide benefit to the Corporate Member in conformity with the purposes of the Corporation;

I. To take all such actions as may be necessary or desirable to accomplish the foregoing purposes within the restrictions and limitations of these Amended and Restated Articles of Incorporation, the Bylaws of the Corporation and applicable law, provided that no substantial part of the activities of the Corporation shall be to carry out propaganda, or to otherwise attempt to influence legislation; and the Corporation shall not participate or intervene in any political campaign on behalf of or in opposition of any candidate for public office (by the publishing or distribution of statements or otherwise), in violation of any provisions applicable to corporations exempt from taxation under Section 501(c)(3) of the Code and the regulations promulgated thereunder as they now exist or as they may be hereafter amended;

J. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers or other private individuals, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered to or for the Corporation and to make payments and distributions in furtherance of the purposes set forth herein.

K. Notwithstanding any other provisions of these Amended and Restated Articles of Incorporation, the Corporation shall not carry on any activity not permitted to be carried on by:

(i) a corporation exempt from federal income tax under Section 501(c)(3) of the Code;

(ii) a corporation, contributions to which are deductible under Section 170(c)(2) of the Code; or

(iii) a corporation described in Section 509(a)(3) of the Code (or, if the Corporation is so classified, Section 509(a)(1) or 509(a)(2) of the Code).

Article III

Catholic Identity

The activities of the Corporation shall be carried out in a manner consistent with "The Guiding Principles for Catholic Health Ministries and its Apostolic Works" or a successor document which sets forth the principles, describing how the Apostolic and Charitable Works of Catholic Health Ministries (and prior to the establishment of Catholic Health Ministries, that of its two predecessor Sponsoring Congregations, the Sisters of Mercy of the Americas West Midwest Community and the Congregation of the Sisters of the Holy Cross) are to be carried out; the teachings of the Roman Catholic Church; other directives promulgated from time to time by Catholic Health Ministries; and, the values and principles inherent in the medical-moral teachings of the Church (such as the Ethical and Religious Directives for Catholic Health Care Services) as promulgated from time to time by the National Conference of Catholic Bishops (or any successor organization) and as interpreted by the local Ordinary.

Article IV

Organization

The Corporation is organized on a nonstock basis as a membership corporation. The Corporation's sole member is Trinity Health Corporation.

Article V

Registered Office and Resident Agent

The address of the Corporation's registered office is 2525 S. Michigan Avenue, Chicago, Illinois 60616-2477. The name of the resident agent of the Corporation is Sister Sheila Lyne, R.S.M.

The address of the Corporation's registered office and/or name of the Corporation's resident agent may be changed from time to time by the Board of Directors of the Corporation.

Article VI

Corporate Member Action

Approval of the following matters shall be reserved exclusively to the Corporate Member. The Corporate Member may initiate and implement any proposal with respect to any of the following and, if any proposal with respect to any of the following is otherwise initiated, it shall not become effective unless approved by the Corporate Member:

A. Approval of the strategic plan of the Corporation, which shall be consistent with that of the Corporate Member;

B. Any change to the structure or operation of the Corporation which would affect its status as a nonprofit entity, exempt from taxation under Section 501(c)(2), 501(c)(3) or 501(c)(4) or other paragraph of Section 501(c) of the Internal Revenue Code, as the case may be;

C. The appointment (to fill vacancies or otherwise), evaluation and removal of all persons to the Board of Directors of the Corporation and the ratification of the Chair of the Board of Directors and any person designated to succeed such Chair;

D. Adoption or modification of the Articles of Incorporation or Bylaws of the Corporation;

E. Appointment, evaluation, reappointment and removal of the President and Chief Executive Officer of the Corporation;

F. The transfer or encumbrance of assets by purchase, sale, capital lease, mortgage, disposition or hypothecation in excess of limits set forth by the Corporate Member (transfers or encumbrances of certain real property and immovable goods may be subject to approval by Catholic Health Ministries);

G. Incurrence of long or short-term debt in excess of limits established by the Corporate Member;

H. Dissolution of the Corporation, the winding up or abandonment of its business enterprises or liquidation of its assets or the filing of any action in bankruptcy, receivership or similar action affecting the Corporation;

I. The sale or transfer of member interest or stock or other ownership interest in the Corporation, sale or transfer of all or substantially all of the assets of the Corporation, merger or consolidation of the Corporation or formation of partnerships, cosponsorship arrangements or other joint ventures between or among the Corporation and third parties (or the execution of a letter of intent or memorandum of understanding in contemplation of any such transaction);

J. Approval of the annual capital plan and operating budget of the Corporation;

K. Appointment and removal of the independent fiscal auditor of the Corporation;

L. In recognition of the benefits accruing to the Corporation from the Corporate Member, and in addition to any other rights reserved to Trinity Health under applicable law or the Articles of Incorporation and Bylaws of the Corporation, the Corporate Member shall have the power to transfer assets, or to require the Corporation to transfer assets, to the Corporate Member or an entity controlled by, controlling or under common control with the Corporate Member, whether within or without the state of domicile of the Corporation, to the extent necessary to accomplish the goals and objectives of the Corporate Member. The Corporation shall not be required to violate its corporate or charitable purposes, the terms of any restricted gifts, the covenants of its debt instruments, or the law of any applicable jurisdiction as a result of any asset transfers to be made to or directed by the Corporate Member pursuant to this provision;

M. Neither the Corporation nor any of its subsidiary corporations shall transfer assets to entities other than the Corporate Member without the approval of the Corporate Member except for (i) transfers previously approved by the Corporate Member, either individually or as part of the budget process of the Corporate Member, (ii) transfers to any entity which is a direct or indirect subsidiary of Trinity Health and that is subject to the reserved powers held by the Corporate Member similar to those articulated in this Article VI above, or (iii) transfers in the ordinary course of business; and

N. All other matters reserved to members of nonprofit corporations by the laws of the State of Illinois or as reserved in the Articles of Incorporation or Bylaws of the Corporation.

Article VII

Indemnification

The Corporation shall, to the maximum extent allowed by law, indemnify those persons who are serving or have served as members, trustees, directors, officers, employees, committee members, or agents of the Corporation, and those who are serving or have served at the request of the Corporation as a trustee, director, officer, employee, committee member, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding.

Article VIII

Dissolution

Upon the dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation remaining after satisfaction of all of its obligations will be distributed to a qualifying entity, exempt from federal taxation under Section 501(c)(3) of the Code as directed the Corporate Member, taking into account the requirements of civil law.

Article IX

Bylaws

Except as otherwise provided in these Amended and Restated Articles of Incorporation, provisions for the membership, terms of office, manner of election and removal, time and place of meetings and powers and duties of the Board of Directors of the Corporation shall be governed by the Bylaws of the Corporation. The Bylaws of the Corporation may be amended or restated, or new Bylaws adopted only by action of the Corporate Member and those powers are reserved exclusively to the Corporate Member.

AMENDED AND RESTATED BYLAWS
OF
MERCY HEALTH SYTEM OF CHICAGO

AN ILLINOIS NOT-FOR-PROFIT CORPORATION

CHICAGO, ILLINOIS

April 1, 2012

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ARTICLE I. DEFINITIONS

For the purposes of these Bylaws, terms shall have the following meanings:

"Articles of Incorporation" means the articles of incorporation of the Corporation as amended or restated from time to time.

"Associate" means a person who has willingly entered into a formal commitment with a religious congregation to share in the mission of the congregation and who is recognized as being formally associated with a religious congregation of the Roman Catholic Church.

"Board" or "Board of Directors" means the Board of Directors of the Corporation, and the term "Director" means an individual member of the Board.

"Catholic Health Ministries" means the public juridic person that is the canonical sponsor of Trinity Health.

"Congregation Member" means a person who is a vowed member of a religious congregation of the Roman Catholic Church.

"Control" or "Ownership" will be deemed to exist

(i) as to a corporation: (a) through ownership of the majority of voting stock or the ownership of the class of stock which exercises reserved powers, if it is a stock corporation; or (b) through serving as member and having the power to appoint (including through appointing one's own directors or officers who then serve ex officio as to the Subsidiary) the majority of the voting members or the class of members which exercises reserved powers, if it is a membership corporation; or (c) through having the power to appoint (including through appointing one's own directors or officers who then serve ex officio as to the Subsidiary) the majority of the voting directors or the controlling class of directors, if it is a directorship corporation, or

(ii) as to a partnership or other joint venture: through the possession of sufficient controls over the activities of the partnership or joint venture that the entity having control is permitted to consolidate the activities of the partnership or joint venture on its financial statements under Generally Accepted Accounting Principles.

"Corporation" means Mercy Health System of Chicago, an Illinois not-for-profit corporation, unless, from its context or use, it clearly has a different meaning.

"Founding Congregation (s)" means the Sisters of Mercy of the Americas West Midwest Community and the Congregation of the Sisters of the Holy Cross.

"Governance/Management Matrix" means the "Governance/Management Matrix" as amended or restated from time to time by Trinity Health that sets forth certain descriptions of the duties and powers of Trinity Health, Catholic Health Ministries, the Board of Directors of Trinity Health, the Board of Directorss of the Ministry Organizations, management of Trinity Health, and management of the Ministry Organizations. The Governance/Management Matrix, which may be amended or restated by Trinity Health, shall be attached to and become part of these Bylaws without further action by the Board of Directors.

"Ministry Organization" means Subsidiaries or affiliates of Trinity Health (directly or indirectly) that (1) are direct hospital Subsidiaries of Trinity Health, or (2) are the parent of market-based systems and that own at least one hospital facility, or (3) are unincorporated divisions of Subsidiaries of Trinity Health that have been delegated governance and management of market based systems that include at least one hospital; and (4) are Subsidiaries dedicated to a service line or business (e.g. aging services) and that are not subsidiary to a Ministry Organization.

"Subsidiary" means a business entity that is:

(i) solely Controlled or Owned by the Corporation (a "Direct Subsidiary"),

(ii) solely Controlled or Owned by a direct Subsidiary, or

(iii) partially Controlled or Owned or partially and/or indirectly Controlled or Owned by the Corporation or a Subsidiary and in which the Corporation or a Subsidiary exercises sufficient Control so that the entity is consolidated under the accounts of the Corporation in accordance with the Generally Accepted Accounting Principles. Unless otherwise expressly provided herein, the term "Subsidiary" shall include Subsidiaries and all levels of corporations that are directly or indirectly Controlled or Owned by the Corporation. The term "Subsidiary" also shall mean any partnership or joint venture in which the Corporation or a Subsidiary is the controlling partner or venturer.

"Trinity Health" means Trinity Health Corporation, an Indiana nonprofit corporation, or its successors or assigns.

ARTICLE II. PURPOSES

Section 2.01 Purposes.

The purposes of the Corporation are set forth in the Articles of Incorporation of the Corporation.

Section 2.02 Catholic Identity.

The activities of the Corporation shall be carried out in a manner consistent with the "Founding Principles of Catholic Health Ministries and Trinity Health" or a successor document which sets forth the principles, describing how the Apostolic and Charitable Works of Catholic Health Ministries are to be carried out; the teachings of the Roman Catholic Church; other directives promulgated from time to time by Catholic Health Ministries; and the values and principles inherent in the medical-moral teachings of the Church (such as the Ethical and Religious Directives For Catholic Health Care Services) as promulgated from time to time by the United States Conference of Catholic Bishops (or any successor organization) and as interpreted by the local Ordinary, and as amended from time to time.

Section 2.03 Mission Statement

The following is the Mission of Corporation and Trinity Health:

"We serve together in Trinity Health, in the spirit of the Gospel, to heal body, mind and spirit, to improve the health of our communities and to steward the resources entrusted to us."

Section 2.04 Alienation of Property

Under Canon Law, Catholic Health Ministries shall retain its canonical stewardship with respect to those facilities, real or personal property, and other assets that constitute the temporal goods belonging, by operation of Canon Law, to Catholic Health Ministries. No alienation, within the meaning of Canon Law, of property considered to be stable patrimony of Catholic Health Ministries shall occur without prior approval of Catholic Heath Ministries.

ARTICLE III. MEMBER

Section 3.01 Trinity Health.

The sole member of the Corporation is Trinity Health Corporation, an Indiana nonprofit corporation, or its successors or assigns ("Trinity Health").

Section 3.02 Trinity Health Authority.

Approval of the following matters shall be reserved exclusively to Trinity Health as sole member of the Corporation. Trinity Health may initiate and implement any proposal with respect to any of the following and, if any proposal with respect to any of the following is otherwise initiated, it shall not become effective unless approved by Trinity Health:

a. Approval of the strategic plan of the Corporation, which shall be consistent with that of Trinity Health;

b. Any change to the structure or operation of the Corporation which would affect its status as a nonprofit entity, exempt from taxation under Section 501(c)(2), 501(c)(3) or 501(c)(4) or other paragraph of Section 501(c) of the Internal Revenue Code, as the case may be;

c. The appointment (to fill vacancies or otherwise), evaluation and removal of all persons to the Board of Directors of the Corporation and the ratification of the Chair of the Board of Directors and any person designated to succeed such Chair;

d. Adoption or modification of the Articles of Incorporation or Bylaws of the Corporation;

e. Appointment, evaluation, reappointment and removal of the President and Chief Executive Officer of the Corporation;

f. The transfer or encumbrance of assets by purchase, sale, capital lease, mortgage, disposition or hypothecation in excess of limits established by Trinity Health (transfers or encumbrances of certain real property and immovable goods may be subject to approval by Catholic Health Ministries);

g. Incurrence of long or short-term debt in excess of limits established by Trinity Health;

h. Dissolution of the Corporation, the winding up or abandonment of its business enterprises or liquidation of its assets or the filing of any action in bankruptcy, receivership or similar action affecting the Corporation;

i. The sale or transfer of member interest or stock or other ownership interest in the Corporation, sale or transfer of all or substantially all of the assets of the Corporation, merger or consolidation of the Corporation or formation of partnerships, cosponsorship arrangements or other joint ventures between or among the Corporation and third parties (or the execution of a letter of intent or memorandum of understanding in contemplation of any such transaction);

j. Approval of the annual capital plan and operating budget of the Corporation;

k. Appointment and removal of the independent fiscal auditor of the Corporation;

l. In recognition of the benefits accruing to the Corporation from Trinity Health, and in addition to any other rights reserved to Trinity Health under applicable law or the Articles of Incorporation and Bylaws of the Corporation, Trinity Health shall have the power to transfer assets, or to require the Corporation to transfer assets, to Trinity Health or an entity Controlled by, Controlling or under common Control with Trinity Health, whether within or without the state of domicile of the Corporation, to the extent necessary to accomplish the goals and objectives of Trinity Health. The Corporation shall not be required to violate its corporate or charitable purposes, the terms of any restricted gifts, the covenants of its debt instruments, or the law of any applicable jurisdiction as a result of any asset transfers to be made to or directed by Trinity Health pursuant to this provision;

m. Neither the Corporation nor any of its subsidiary corporations shall transfer assets to entities other than Trinity Health without the approval of Trinity Health except for (i) transfers previously approved by Trinity Health, either individually or as part of the budget process of Trinity Health, (ii) transfers to any entity which is a direct or indirect subsidiary of Trinity Health and that is subject to the reserved powers held by Trinity Health similar to those articulated in this Article III, or (iii) transfers in the ordinary course of business; and

n. All other matters reserved to members of nonprofit corporations by the laws of the State of Illinois or as reserved in the Articles of Incorporation or Bylaws of the Corporation.

Section 3.03 Meetings of Trinity Health.

Meetings of Trinity Health shall be held at the principal office of Trinity Health or as otherwise provided in the bylaws of Trinity Health.

Section 3.04 Annual and Special Meetings of Trinity Health.

The annual meeting of Trinity Health will be in the month of November or as otherwise provided in the bylaws of Trinity Health. Special meetings of Trinity Health will be held as provided in the bylaws of Trinity Health.

Section 3.05 Notice of Meetings of Trinity Health.

Provisions describing the notice of meetings of Trinity Health are set forth in the bylaws of Trinity Health.

ARTICLE IV. BOARD OF DIRECTORS

Section 4.01 Duties and Powers.

With the exception of the powers reserved to Trinity Health or Catholic Health Ministries under the Articles of Incorporation and as further described in the Governance/ Management Matrix, these bylaws or applicable law, the Board of Directors shall govern, regulate and direct the affairs and business of the Corporation, carry out the policies and guidelines adopted by Trinity Health and carry out such responsibilities as shall be delegated to it by the Board of Directors of Trinity Health, all in a manner consistent with the Mission and Values of Trinity Health. Additional descriptions of the duties and powers of the Board of Directors are set forth in the Governance/Management Matrix.

Section 4.02 Appointments and Composition.

Trinity Health shall appoint a Board of Directors on the basis of qualifications and criteria established by Trinity Health. Except as otherwise authorized by action of Trinity Health, the members of the Corporation's Board of Directors shall include: (i) at least two representatives of Trinity Health, designated by Trinity Health (who shall serve ex officio with vote) (the "Trinity Health Directors"), (ii) the President of the Corporation (who shall serve ex officio with vote), (iii) if the Corporation operates or controls a hospital or medical center, at least one physician, (iv) at least two Congregation Members or Associates, at least one of whom must be a Congregation Member of one of the Founding Congregations, and (v) members of the community. The size of the Board shall be between nine and fifteen members.

Section 4.03 Term.

Directors shall serve a three-year term, or such shorter term as may be determined by Trinity Health in order to achieve continuity in board composition. Ex officio members of the Board of Directors shall cease to be Directors upon the termination of their service in the office resulting in their ex officio service on the Board of Directors. Other than ex officio members, no Director may serve for more than nine (9) consecutive years, unless appointed to complete the unexpired term of another Director, in which case a Director may serve for up to ten (10) consecutive years. Former Directors are eligible for reappointment after a one-year absence from service.

Section 4.04 Annual Meeting of the Board of Directors.

An annual meeting of the Board of Directors shall be held on the first day of November or as soon thereafter as convenient, for the purpose of the appointment of officers and the transaction of such other business as may properly come before the meeting. Notice of the annual meeting shall be given not less than ten (10) or more than sixty days before the date of the meeting. The meeting notice shall specify the date, time and place of the meeting. Presence at any such meeting shall be deemed to be waiver of notice of said meeting.

Section 4.05 Regular Meetings and Notice.

Regular meetings of the Board of Directors shall be held as determined by the Board but no less frequently than quarterly at such time, place and date as determined from time to time by the Board of Directors. An agenda, indicating items requiring a vote of the members of the Board of Directors, together with copies of reports, statements and other supporting information shall be mailed by the President prior to meetings. No notice of regular meetings is required.

Section 4.06 Special Meetings and Notice.

Special meetings of the Board may be called by or at the request of the Chair, by written request of any two (2) members of the Board, or by the corporate member. The special meeting shall be held within five (5) days after receipt of such request. Notice of the special meeting shall be given in writing, personally, by telephone, electronic transmission or by facsimile transmission at least forty-eight (48) hours prior to the special meeting. The notice of any special meeting shall state the purpose for which it is called. No other business shall be transacted except such as is stated in the notice.

Section 4.07 Waiver of Notice.

Attendance of a Director at a meeting constitutes a waiver of notice of the meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Notice also may be waived in writing, either before or after the meeting.

Section 4.08 Quorum and Valid Director Action.

At all meetings of the Board, a simple majority of the Directors then in office shall constitute a quorum for the transaction of business. The vote of a majority of the Directors present and voting at any meeting at which a quorum is present shall constitute the act of the Board, unless the vote of a larger number is specifically required by law, or by the Articles of Incorporation, Bylaws or policies of the Corporation.

Section 4.09 Written Consents.

Any action required or permitted to be taken by vote at any meeting of the Board or of any committee thereof may be taken without a meeting, if before or after the action, all members of the Board or committee consent in writing. The written consents shall be filed with the minutes of proceedings of the Board or committee. Such consents shall have the same effect as a vote of the Board or committee for all purposes.

Section 4.10 Communication Equipment.

Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or committee by means of teleconference, video conference or similar communications equipment by virtue of which all persons participating in the meeting may hear each other if all participants are advised of the communications equipment and the names of the participants in the conference are divulged to all participants. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 4.11 Resignation.

Any Director may resign by written notice to the Chair of the Board. The Chair of the Board may resign by written notice to the Corporation's President and CEO who shall promptly thereafter notify Trinity Health. Either such resignation is effective upon its receipt or at a subsequent time as specified in the notice of resignation.

Section 4.12 Removal.

Any Director may be removed with or without cause at any time by Trinity Health. Unexcused absence of a Director from three (3) consecutive regular meetings of the Board of Directors may constitute cause for removal from the Board of Directors.

ARTICLE V. QUALITY OF CARE

The Board of Directors shall be responsible to develop a process for assuring the quality of care provided in the health care facilities and programs owned and operated by the Corporation's Subsidiaries. The Board shall assure that the Medical/Dental Staff in each facility that has a Medical/Dental Staff is organized pursuant to bylaws, which shall include procedures for recommendations by the Medical/Dental staff on the appointment of members of the Medical/Dental staff, the delineation of their staff privileges and the initiation of corrective action taken against any member.

ARTICLE VI. COMMITTEES

Section 6.01 Committees in General.

The Executive Committee of the Board of Directors is a standing committee. The Board of Directors may establish such additional standing or special committees from time to time as it shall deem appropriate to conduct the activities of the Corporation and shall define the powers and responsibilities of such committees. Those other committees shall serve at the pleasure of the Board. Because one of the powers reserved to Trinity Health is the appointment and removal of the independent fiscal auditor of the Corporation, and because the review and acceptance of the independent audit is consolidated at the Trinity Health level, the Corporation does not have a separate audit committee. Matters related to the audit (whether internal or external) are reviewed by the finance or other appropriate committee of the Corporation. The members and all chairs of committees other than the Executive Committee shall be appointed by the Chair of the Board. The Board shall establish the purpose, composition, term and other operating matters relative to each such other committee. The chair of each such other committee must be a Director. Each committee shall keep minutes in some manner reasonably intended to record the business that occurred at the meeting and shall forward these minutes to the Board of Directors.

Section 6.02 Executive Committee.

There shall be an Executive Committee, consisting of the Chair of the Board, who shall serve as chair of the Executive Committee, the President, and at least two other Directors selected by vote of the Board of Directors. All members of the Executive Committee must be members of the Board of Directors. The Executive Committee shall meet on the call of the Chair or President. Except as otherwise provided by resolution of the Board or as limited by the law of the State, the Executive Committee shall exercise the power and authority of the Board when necessary or advisable between meetings of the Board and shall exercise such other powers as may be assigned from time to time by the Board. The Executive Committee shall report on its actions at the next meeting of the Board and such actions shall be subject to revision and alteration of the Board; provided, however, that the rights of third parties shall not be affected by any such revision or alteration.

Section 6.03 Service on Committees.

Each Director shall serve on at least one (1) committee. The committees shall establish rules and regulations for meetings and shall meet at such times as are necessary, provided that a reasonable notice of all meetings shall be given to committee members. No act of a committee shall be valid unless approved by the vote or written consent of a majority of its members. Committees shall keep regular minutes of their proceedings and report the same to the Board from time to time as the Board may require. Members of the committees (except the Executive Committee) shall be appointed for one (1) year by the Chair of the Board of Directors as soon as possible after the annual meeting of the Board. Members of the committees shall serve on their respective committees through the next annual meeting or until their successor is appointed. The Chair of the Board shall fill any vacancy created by the death, resignation or incompetence of a member of the committee (except the Executive Committee) and this appointee shall serve through the next annual meeting or until their successor is appointed. The President shall be an ex officio member of all committees.

Section 6.04 Quorum, Meetings, Rules and Procedures.

Quorum for any meeting of a committee shall be a simple majority of the committee members, except that any ex officio members of the committee shall not be included in calculating the quorum requirement unless they are present at the meeting, in which event they shall be included towards meeting the quorum requirement. The affirmative vote of a majority of the quorum is necessary to take action of the committee, including the affirmative vote of at least one member of the Board present at the meeting of the committee in order to take any action other than recommendation by the committee to the Board or Executive Committee. Minutes of all committee meetings shall be kept and forwarded to the Board. Each committee shall adopt rules for its own governance not inconsistent with these Bylaws or the acts of the Board.

Section 6.05 Committee Composition.

Committees, other than the Executive Committee, may include persons other than members of the Board of Directors; provided that each standing committee shall have at least two (2) Director members in addition to the Chair and President who serve ex officio; and provided further that no authority of the Board may be delegated to a committee unless the majority of the members of such committee with Board delegated authority are members of the Board of Directors.

ARTICLE VII. OFFICERS

Section 7.01 Officers.

The officers of the Corporation shall be the Chair, Vice-Chair, President, Secretary and Treasurer. Additionally, upon recommendation by the President, the Board of Directors may appoint an Assistant Secretary, an Assistant Treasurer, and such other officers of the Corporation as shall be deemed necessary and appropriate from time to time. Officers shall hold their respective offices until their successors are chosen and qualified.

Section 7.02 Appointment and Election of Officers.

The President of the Corporation shall be appointed, evaluated, reappointed and/or removed by Trinity Health. The President shall be the Chief Executive Officer of this Corporation, and any vacancy in such office shall be filled by Trinity Health. The Chair (and any person or office that serves as the designated successor to the Chair) shall be elected by the Board and recommended for ratification to the Trinity Health Board of Directors by the Corporation's Board of Directors in a manner consistent with any applicable policy of Trinity Health. The Chair shall serve a term of one year and may be elected for a total of only three complete one-year terms. The Vice-Chair (unless the Vice-Chair serves as the designated successor to the Chair), Secretary and Treasurer of the Corporation shall be elected at the annual meeting of the Directors by the members of the Board of Directors. The Treasurer and Secretary need not be members of the Board.

Section 7.03 Vacancies.

Vacancies, occurring for any reason, shall be filled in the same manner as appointment or election and the officer so appointed or elected shall hold office until a successor is chosen and qualified.

Section 7.04 Chair and Vice-Chair.

The Chair shall preside at the Board meetings and shall be an ex-officio voting member of all committees. The Vice-Chair shall act as Chair in the absence of the Chair and, when so acting, shall have all the authority and powers of the Chair.

Section 7.05 President.

The President shall be the Chief Executive Officer of the Corporation. The President shall have general and active management responsibility for the business of the Corporation and shall see that all orders and resolutions of the Board of Directors and the policies of Trinity Health are carried into effect, consistent with the Mission and Values of Trinity Health. The President shall be responsible for the appointment, evaluation, compensation and removal of the respective executive officers of those corporations of which this Corporation is the corporate member or other controlling shareholder or owner. The President shall be a voting ex officio member of all committees and shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation.

Section 7.06 Secretary of the Corporation.

The Secretary of the Corporation shall issue, or cause to be issued, notices of all Board meetings, shall be responsible for the keeping and the reporting of adequate records of all transactions of the Board, and shall record the minutes of all meetings of the Board of Directors. The Secretary shall further perform such other duties incident to his or her office and as the Board of Directors may from time to time determine.

Section 7.07 Treasurer of the Corporation.

The Treasurer of the Corporation shall be responsible for all funds of the Corporation, shall make reports to the Board of Directors as requested by the Board of Directors, and shall see that an accounting system is maintained in such a manner as to give a true and accurate accounting of the financial transactions of the Corporation. The Treasurer shall further perform such other duties incident to his or her office as the Board of Directors may from time to time determine. The Treasurer may delegate any of the functions, powers, duties, and responsibilities to any agent or employee of the Corporation. In the event of such delegation, the Treasurer shall thereafter be relieved of all responsibility for the proper performance or exercise thereof.

ARTICLE VIII. INDEMNIFICATION AND STANDARD OF CARE

Section 8.01 Indemnification.

The Corporation shall, to the maximum extent allowed by law, indemnify those persons (including religious congregations and their members or other canonical persons and their members) who

(a) are serving or have served as members, directors, sponsors, officers, employees, committee or subcommittee members, or agents of the Corporation, or

(b) are serving or have served at the request of the Corporation as a member, director, sponsor, officer, employee, committee or subcommittee member, agent, manager, or partner of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise, whether for profit or nonprofit,

against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding.

Section 8.02 Insurance.

Except as may be limited by law, the Corporation may purchase and maintain insurance on behalf of any person (including religious congregations and their members or other canonical persons and their members) who

(a) is or was a member, director, sponsor, officer, employee, committee or subcommittee member, or agent of the Corporation, or

(b) is or was serving at the request of the Corporation as a member, director, sponsor, officer, employee, committee or subcommittee member, agent, manager, or partner of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise, whether for profit or nonprofit,

to protect against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not this Corporation would have power to indemnify him or her against such liability under state law.

Section 8.03 Standard of Care.

Each Director shall stand in a fiduciary relation to the Corporation and shall perform his or her duties as a Director, including his or her duties as a member of any committee of the Board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the Corporation and Trinity Health, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances.

Section 8.04 Justifiable Reliance.

In performing his or her duties, a Director (including when such Director is acting as an officer of the Corporation) shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(a) One or more officers or employees of the Corporation whom the Director reasonably believes to be reliable and competent in the matters presented;

(b) Counsel, public accountants or other persons on matters that the Director reasonably believes to be within the professional or expert competence of such person; or

(c) A committee of the Board upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.

A Director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

Section 8.05 Consideration of Factors.

In discharging the duties of their respective positions, the Board of Directors, committees of the Board and individual Directors may, in considering the best interests of the Corporation and Trinity Health, consider the effects of any action upon employees, upon suppliers and customers of the Corporation and upon communities in which offices or other establishments of the Corporation and Trinity Health are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of the standards described herein.

Section 8.06 Presumption.

Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Director any failure to take any actions shall be presumed to be in the best interests of the Corporation and Trinity Health.

Section 8.07 Personal Liability of Directors.

No Director shall be personally liable for monetary damages for any action taken, or any failure to take any action, unless the Director has breached or failed to perform the duties of his or her office under the standards described herein, has engaged in self-dealing, or the action or inaction constitutes willful misconduct or recklessness. The provisions of this Section shall not apply to the responsibility or liability of a Director pursuant to any criminal statute or the liability of a Director for the payment of taxes pursuant to local, state or federal law.

Nothing in this Article is intended to preclude or limit the application of any other provision of law that may provide a more favorable standard or higher level of protection for the Corporation's Directors.

ARTICLE IX. SUBSIDIARIES AND VOLUNTARY HOSPITAL SERVICE ORGANIZATIONS

Section 9.01 Authority.

In accordance with policies of Trinity Health that are set forth in the Governance/Management Matrix, each organization of which the Corporation is the sole or majority member or owner shall have reserved certain powers to be exercised by this Corporation.

Section 9.02 Voluntary Hospital Service Organizations

The Board of Directors may authorize the establishment or dissolution of voluntary service organizations, such as an auxiliary to the Corporation or any Operating Unit of the Corporation. Such organization may be a non-profit corporation or voluntary association. No service organization may be established without approval of the Board of Directors, subject to the reserved powers of Trinity Health and any guidelines or policies established by Trinity Health with respect to voluntary organizations.

ARTICLE X. MISCELLANEOUS

Section 10.01 Fiscal Year.

The fiscal year of the Corporation shall end on the 30th day of June of each year and shall begin on the first day of July of each year.

Section 10.02 Required Records.

The officers, agents and employees of the Corporation shall maintain such books, records and accounts of the Corporation's business and affairs as may be from time to time required by the Board of Directors, or required by the laws of the State of Illinois.

Section 10.03 Confidentiality

Except as otherwise publicly disclosed, or in order to appropriately conduct the Corporation's business, the records and reports of the Corporation shall be held in confidence by those persons with access to them.

Section 10.04 Conflict of Interest

Each of the Corporation's officers and members of the Board shall at all times act in a manner that furthers the Corporation's charitable purpose of service to the community and shall exercise care that he or she does not act in a manner that furthers his or her private interests to the detriment of the Corporation's community benefit purposes. A conflict of interest can be considered to exist in any instance where the actions or activities of an individual on behalf of the Corporation also involve the obtaining of a direct or indirect personal gain or advantage, or an adverse or potentially adverse effect on the interests of the Corporation. The Corporation's officers and members of the Board shall avoid conflicts of interest and otherwise fully disclose to the Corporation any potential or actual conflicts of interest, if such conflicts cannot be avoided, so that such conflicts are dealt with in the best interests of the Corporation. The Corporation and all its officers and members of the Board shall comply with any policies of the Corporation and of Trinity Health regarding conflicts of interest, as well as the requirements of Illinois law regarding such conflicts, and shall complete any and all disclosure forms as may be deemed necessary or useful by the Corporation for identifying potential conflicts of interest.

ARTICLE XI. AMENDMENT AND REVIEW

Section 11.01 Amendment.

These Bylaws may be amended only by Trinity Health.

Section 11.02 Periodic Review.

These Bylaws shall be reviewed periodically by the Board of Directors and any recommended revisions shall be forwarded to Trinity Health.

Exhibit A

Governance/Management Matrix

GOVERNANCE/MANAGEMENT MATRIX FOR TRINITY HEALTH

ENTITIES:

Trinity Health or Trinity Health Corporation:	The parent corporation of the Unified Enterprise Ministry.
Catholic Health Ministries (CHM):	The canonical entity (public juridic person or PJP) that sponsors Trinity Health and holds certain reserved powers
Ministry Organizations:	Subsidiaries or affiliates of Trinity Health (directly or indirectly) that (1) are direct hospital subsidiaries of Trinity Health, or (2) are the parent of market-based systems and that own at least one hospital facility, or (3) are unincorporated divisions of subsidiaries of Trinity Health that have been delegated governance and management of market based systems that include at least one hospital; and (4) are subsidiaries dedicated to a service line or business (e.g. aging services) and that are not subsidiary to a Ministry Organization.
Second Tier Subsidiaries:	Subsidiaries or affiliates of Ministry Organizations
Unified Enterprise Ministry:	Trinity Health and its subsidiaries and affiliates

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ACTIONS:

Approve:	To have ultimate authority over an action. Approval authority may be exercised by the highest level independently of any recommendation or participation actions. If more than one entity has Approval authority, the matter may be initiated and approved by the highest level of Approval authority when permitted by law.
Approve and Recommend:	Signifies specific instances where a matter should (but need not) originate with a Ministry Organization before being considered at the Trinity Health level.
Establish Standards:	To set models of behaviors or establish expectations of performance
Evaluate:	To measure against established goals and objectives
Participate:	To take part in the process; to provide input
Ratify:	To confirm and adopt the act of another even though it was not approved beforehand
Receive Report of Action:	To receive a written report of action taken or of status from the next succeeding line of authority
Recommend:	To present as worthy of acceptance

ATTACHMENT 5

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
1. Trinity Health Mission and Core Values, the Founding Principles of CHM and Trinity Health and any matter affecting Catholic Identity			Recommend	Approve & Recommend	Approve	
2. Appointment of Board Members						Recommending at the local levels may need to include "approval and recommend" by state law requirements.
(a) Trinity Health				Participate	Approve	CHM appoints members of CHM, who become the Directors of Trinity Health
(b) Ministry Organization	Participate	Recommend		Approve		Parameters describing board appointments established by Trinity Health Board of Directors
(c) Second Tier Subs	Recommend	Approve				Parameters describing board appointments established by Trinity Health Board of Directors
3. Removal of Board Members						
(a) Trinity Health				Participate	Approve	CHM may remove members of CHM which removes them as Directors of Trinity Health

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(b) Ministry Organization		Recommend		Approve		
(c) Second Tier Subs		Approve	Approve			
4. Evaluation of Board Members						Standards for evaluation to be established by Trinity Health Governance.
(a) Trinity Health				Evaluate		
(b) Ministry Organization		Evaluate	Participate			
(c) Second Tier Subs		Evaluate				
5. Evaluation of Board Effectiveness						
(a) Trinity Health				Evaluate		
(b) Ministry Organization		Evaluate	Participate	Receive Report		
(c) Second Tier Subs		Evaluate				
6. Amendment of Articles						
(a) Trinity Health			Participate	Approve and Recommend	Approve	
(b) Ministry Organization		Recommend[1]	Recommend	Approve		
(c) Second Tier Subs	Recommend	Approve	Approve			
7. Amendment of Bylaws						
(a) Trinity Health			Participate	Approve and Recommend	Approve	

1 State law may also require approval by Ministry Organization Governance in some jurisdictions.

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(b) Ministry Organization	Participate	Recommend	Approve by Trinity Health CEO (through delegated authority) with periodic reports to the Board	Approve, with delegation to Trinity Health CEO		Trinity Health Board to establish standard bylaws, allowing Trinity Health management to approve non-substantive changes to those standards. Substantive changes require Trinity Health Board approval.
(c) Second Tier Subs which are licensed hospitals	Recommend	Approve	Approve			Trinity Health Board to establish standard bylaws, allowing Trinity Health management to approve non-substantive changes to those standards. Substantive changes require Trinity Health Board approval.
(d) Second Tier Subs which are not hospitals	Recommend	Approve				
8. Appointment of Board Chair						
(a) Trinity Health Chair				Elect, subject to ratification	Ratify	
(b) Ministry Organization Chair		Elect, subject to ratification		Ratify		
(c) Designated successor to Ministry Organization Chair, if any		Elect, subject to ratification		Ratify		

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
9. Appointment of Executives						Core leadership competencies established by Trinity Health Board and implemented through Trinity Health CEO
(a) Trinity Health CEO				Approve	Ratify	
(b) Ministry Organization CEOs		Participate	Approve by Trinity Health CEO			
(c) Second Tier Subs	Approve		Participate			
10. Removal of Executives						
(a) Trinity Health CEO					Approve	
(b) Ministry Organization CEOs		Participate	Approve by Trinity Health CEO or Designee			
(c) Second Tier Subs	Approve		Participate			
11. Longer-Term Strategic Direction/Goals of the UEM						
(a) UEM Strategic and Financial Plan			Recommend	Approve		

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ATTACHMENT 5

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(b) Ministry Organization Strategic Plans	Recommend	Approve and Recommend	Approve			Trinity Health management to establish parameters within which Ministry Organization or 2nd Tier Hospital Governance will establish plans.
12. Operating Budget and Capital Plan						
(a) The UEM Budget and Capital Plan			Recommend	Approve		
(b) Ministry Organization (including Second Tier Subs)	Recommend	Approve and Recommend	Approve			Trinity Health management to establish parameters within which Ministry Organization or 2nd Tier Hospital Governance will establish plans. Approval of any project within a capital plan or budget still requires individual approval under this Matrix.

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
13. Major Corporate Change Involving Trinity Health or any Ministry Organization:						Each matter subject to this provision of the Matrix shall have a written Mission Discernment that is presented to and accepted by the appropriate approving level of authority.
(a) merger, consolidation, sale of assets, dissolution; or joint venture of Trinity Health			Recommend	Approve and Recommend	Approve	
(b) merger, consolidation, sale of assets, dissolution or joint venture of a Ministry Organization			Recommend	Approve		State law may require approval of the corporate board of the Ministry Organization
(c) acquisitions or disposition of assets or joint ventures by Ministry Organizations or their subsidiaries***			Projects <$25 approved by Trinity Health CEO or his or her designee	Projects between $25-40 approved by F&S Committee; Projects >$40 approved by Board		Also subject to internal approval levels for disposition and acquisition of assets. State law may require approval of the relevant corporate board.

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(d) sale, lease, mortgage, transfer, easement or encumbrance of stable patrimony under Canon Law					Approve	

*** **Joint Ventures/Affiliations**: Because of the nature of joint ventures and certain affiliations ("joint ventures"), all "material" joint ventures should receive the prior approval of Trinity Health Management before entering into a non-binding transaction (memorandum of understanding, letter of intent and before finalizing any such transaction. For purposes of this section, the term "Joint Ventures/Affiliations" should be interpreted broadly to include any situation in which a Trinity Health Ministry Organization enters into a material arrangement with a third party. Whether or not an arrangement is material must be determined on a case-by-case basis considering all available circumstances. Some examples of what constitutes a material arrangement include the following:

(1) participation with a third party as a co-owner (whether through a partnership, limited partnership, limited liability corporation, corporation or otherwise),
(2) participation as a co-sponsor,
(3) arrangements resulting in the Trinity Health Ministry Organization being publicly identified with a third party or enterprise, regardless of the amount or type of ownership, or
(4) arrangements where the financial exposure to the Trinity Health Ministry Organization is neither direct nor immediate, but is contingent (such as guarantees, agreements to lease up un-leased space, so-called 'moral obligations').

Arrangements that are not likely to be material include those in which the Trinity Health Ministry Organization's participation is not public, the initial financial participation is less than the amount requiring approval under this Matrix and there is no potential future liability or the risk of loss is limited to the initial investment. In all cases, Trinity Health relies on the judgment of the Ministry Organization participating in the arrangement to make the initial determination as to whether a particular matter is material or not, but Trinity Health also encourages discussion between the Ministry Organization and Trinity Health senior management to determine materiality if there is any question regarding a specific arrangement.

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ATTACHMENT 5

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(e) Preliminary approval of non-binding transaction (memorandum of understanding, letter of intent) requiring approval under (a) above			Approval by Trinity Health CEO or his or her designee In cases ultimately requiring approval by the Trinity Health Board, approval by Trinity Health CEO or his or her designee in consultation with Trinity Health Executive Committee	Participation through Executive Committee		
14. Creation of new entity as subsidiary or affiliate						
(a) of Trinity Health			Recommend	Approve		
(b) of Ministry Organization	Recommend	Approve	Approve	Receive Report of Major Actions		
(c) of Second Tier Subs	Recommend	Approve	Approve			

ATTACHMENT 5

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
15. Approval and amendment of UEM policies			Recommend/ Approve	Approve		These are policies describing high level directions or statements of corporate purpose adopted by the Board to establish matters of strategic or operational importance to the UEM or to further explain elements of the Trinity Health Bylaws. Other administrative policies may be adopted by Trinity Health Management.
16. Compensation policies of Trinity Health (as an employer) and major compensation policies affecting the UEM			Recommend	Approve		
17. Quality and Safety oversight						
(a) Trinity Health	Participate		Recommend Standards	Review Performance		

ATTACHMENT 5

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
(b) Ministry Organization	Recommend	Approve	Receive Report	Review Performance		All Ministry Organization entities to set standards in accordance with system-wide policies with additional standards to be established by local governance and management.
(c) Second Tier Subs	Recommend	Approve				All 2nd Tier entities to set standards in accordance with system-wide policies with additional standards to be established by local governance and management.
18. Equity Fund Transfers						
(a) From subsidiaries and affiliates to Trinity Health			Recommend	Approve		
19. Selection of Auditors						
(a) Trinity Health			Recommend	Approve		
(b) Ministry Organization			Recommend	Approve		
(c) Second Tier Subs			Recommend	Approve		
20. Approval and acceptance of audit report						
(a) Trinity Health				Accept		
(b) Ministry Organization	Receive	Accept (if applicable)	Receive			

Function	Ministry Organization Management	Ministry Organization Governance	Trinity Health CEO/ Management	Trinity Health Board	CHM	Notes
21. Financial Actions - approval of capital projects						
(a) For all Trinity Health organizations, including Trinity Health itself		Approval up to scaled amount[2]	If between scaled amount[3] and $25 Million, approval by Trinity Health CEO or designee	If between $25-40 Million, approval by Trinity Health Finance & Stewardship Committee If over $40 Million, approval by Trinity Health Board		
(b) Additional approvals in the event of costs exceeding original approval			Up to $15 Million	If over $15 Million, Trinity Health Board		Ministry Organization Boards are to be informed of any material increases in costs for capital projects exceeding the original approval.

[2] Scaled amount equals 2% of net assets (fund balance), rounded to the closest $1 Million. If net assets are less than $500,000, amount is rounded to the closest $100,000. Maximum level is $3 Million, and minimum level is $200,000.
[3] See Ministry Organization Governance for definition of scaled amount.

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ATTACHMENT 5

Schedule 4.8 Licenses and Permits

Below is a list of all material licenses, permits, certifications and registrations held by Mercy and each of the Mercy Affiliates:

- State of Illinois Department of Public Health - Mercy Hospital and Medical Center General Hospital Full License – Expires: 12/31/11

- City of Chicago – Mercy Hospital and Medical Center Hospital License – Expires: 6/15/2012

- State of Illinois Department of Financial and Professional Regulation Mercy Hospital and Medical Center Pharmacy License – Expires: 3/31/2012

- State of Illinois Department of Financial and Professional Regulation Mercy Diagnostic & Treatment Center Pharmacy License – Expires: 3/31/2012

- City of Chicago Mercy Hospital and Medical Center Retail Food Establishment License – Expires: 6/15/2012

- City of Chicago Mercy Diagnostic & Treatment Center Limited Business License – Expires 6/15/2012

- State of Illinois Health Facilities and Services Review Board Permit Project #08-043 – Project Obligated By 2/12/2010 and Project Completion By 1/31/2011

- State of Illinois Health Facilities and Services Review Board Permit Renewal Project # 08-043 – Expires 1/31/2013 (Permit renewal required at least 45 days prior to Expiration)

- State of Illinois Health Facilities and Services Review Board Extension of Obligation Project # 08-043 – Extension from 2/12/2010 to 2/12/2011

- City of Chicago Elevator Licenses Mercy Hospital and Medical Center (18) dated 5/11/10

- City of Chicago Elevator Licenses (2) Off Campus (Pulaski and Chatham) dated 3/16/05 and 9/1/06

- City of Chicago Department of Building Permits for CCU #100268920 (dated 1/21/09) & Birthing # 100263627 (dated 1/22/09)

- City of Chicago Department of Building Fire Alarm Electrical Permit #100325961 (dated 10/27/10)

Schedule 4.8 Licenses and Permits (Page 2)

- City of Chicago Fire Department Fire Sprinkler Permit #56384 (dated 11/12/10)
- City of Chicago Department of Building Repair Replacement Reinstated Permit #100370193 (dated 10/27/10)
- City of Chicago Department of Building Repair Replacement Reinstated Permit #100370204 (dated 10/27/10)
- CLIA for Mercy Hospital and Medical Center, Chicago, IL facility - Expires 2/27/13
- CLIA for Mercy Hospital and Medical Center, Justice, IL facility - Expires 2/27/13
- College of American Pathologists LAP #1876401 – retest by 10/1/12
- Attachment to Section 22H Laboratory Information

Schedule 4.15

Owned & Leased Properties

Facilities	Size (sq ft)	On Campus	Off Campus	Mercy Medical	Mercy Works	Owned Medical Office	Other
Mercy Hospital (Main Campus)	724,579	✓				✓ (a)	✓ (b)
Open MRI Building (Addition)	1,680	✓					
2500 South Michigan Avenue (Parking Lot)	N/A	✓					✓
2600 South Michigan Avenue , Chicago, IL 60616	3,246		✓	✓	✓		✓
2601-2611 S. State Street, Chicago, IL (Empty Lot)	13,090		✓				✓
8541 State Street (Chatham) Chicago, IL 60619	23,864		✓			✓	
3700 S. Wallace (Bridgeport) Chicago, IL 60619	5,956		✓	✓			
2837 S. Halsted St. (Bridgeport) Chicago, IL 60608	2,505		✓	✓			
2323 South Wentworth (Chinatown) Chicago, IL 60616	1,200		✓	✓			
5525 South Pulaski , Chicago, IL 60629	29,700		✓	✓	✓	✓	
2930 South Michigan Avenue, Chicago, IL 60616	3,200		✓				✓
3316 South Ashland Avenue, Chicago, IL 60608	4,200		✓		✓		
5513-27 South Pulaski (Parking Lot)	N/A		✓				✓
Chinatown Wellness Center	725		✓				✓
47 W. Polk, Chicago, IL 60605 (Dearborn Station)	12,000		✓	✓	✓		✓
4900 W. Cumberland, Norridge, IL 60706	1,100		✓		✓		
Mercy Comprehensive Cancer Center (Addition)	5,000	✓					
Grand Beach, 48003 Ridge Rd., Grand Beach, MI 49117	2,500		✓				✓
4321-23 S. Pulaski Avenue, Chicago, IL	4,000		✓	✓			
Oakwood Shores, 37th & Cottage Grove, Chicago, IL 60653	21,000		✓	✓			
TOTAL LOCATIONS	859,545	4	16	8	5	3	9

Key:
Owned facilities
Leased Facilities

(a) On 2nd Floor of Hospital – Doctors Office Center
(b) On 1st Floor of Hospital- Mercy Family Health Center (FQHC)

MERCY

December 13, 2011

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ATTACHMENT 5

Attachment 6
Financial Information

The following documents are attached at Attachment 6:

1. Proof of Trinity Health Corporation's "AA" bond rating from Standard & Poors (dated as of September 23, 2011).

2. Proof of Trinity Health Corporation's "Aa2" bond rating from Moody's Investor's Services (dated as of September 27, 2011).

3. Proof of Trinity Health Corporation's "AA" bond rating from Fitch Ratings (dated as of September 28, 2011).

4. Trinity Health Corporation's audited consolidated financial statements for the year ended June 30, 2011.

5. Trinity Health Corporation's audited consolidated financial statements for the year ended June 30, 2010 (which includes comparative data for the year ended June 30, 2009).

STANDARD
&POOR'S

130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312 233-7001
reference no.: 1187856

September 23, 2011 ***Revised***

Trinity Health Corporation
27870 Cabot Drive
Novi, MI 48377
Attention: Mr. James W. Bosscher, Senior Vice President, Treasury

Re: ***US$139,710,000 Illinois Finance Authority, Illinois, Revenue Bonds, (Trinity Health), Series 2011IL***

Dear Mr. Bosscher:

Pursuant to your request for a Standard & Poor's rating on the above-referenced issuer, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would

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facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com.Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business.

dm
enclosures
cc: Ms. Moira Fogarty, Associate
Goldman, Sachs & Co.

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STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions Applicable To Public Finance Ratings

You understand and agree that:

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All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential". Notwithstanding the foregoing, information disclosed by you or your agents or advisors to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third–Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.

MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

September 27, 2011

Mr. Ben Carter
Chief Financial Officer
Trinity Health
27870 Cabot Drive
Novi, MI 48377

Dear Mr. Carter:

We wish to inform you that Moody's Investors Service has assigned Aa2 ratings to Trinity Health Credit Group's Series 2011 fixed rate revenue and refunding bonds to be issued by various authorities. The outlook is stable. At this time Moody's has affirmed the Aa2 unenhanced and Aa2/VMIG 1 self-liquidity supported ratings assigned to Trinity Health's outstanding debt and the P-1 Rating assigned to the taxable commercial paper program.

Moody's will monitor these ratings and reserves the right, at its sole discretion, to revise or withdraw these ratings at any time.

The ratings as well as any other revisions or withdrawals thereof will be publicly disseminated by Moody's through the normal print and electronic media and in response to verbal requests to Moody's rating desk.

In order for us to maintain the currency of our rating, we request that you provide ongoing disclosure, including annual and quarterly financial and statistical information.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Kay M. Sifferman

Kay M. Sifferman
Vice President/Senior Credit Officer
Phone: 713-973-5750
Fax: 212-298-7128
Email: kay.sifferman@moodys.com

KS:rl

cc: Mr. James Bosscher, Trinity Health
Ms. Susan Benz, Goldman, Sachs & Co.
Mr. Michael Marcus, Goldman, Sachs & Co.
Mr. James Olsen, Bank of America Merrill Lynch

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

September 28, 2011

Mr. James W Bosscher
Vice President, Treasury
Trinity Health Credit Group
34605 Twelve Mile Road
Farmington Hills, MI 48331

Dear Mr. Bosscher:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Ratings are not a recommendation or suggestion, directly or indirectly, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan, security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

The assignment of a rating by Fitch does n[illegible] to the use of its name a ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Jeff Schaub
Managing Director, Operations
U.S. Public Finance /
Global Infrastructure & Project Finance

JS/ka

Enc: Notice of Rating Action
(Doc ID: 164790)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
California Statewide Communities Development Authority (CA) (Trinity Health Credit Group) rev & rfdg bonds ser 2011CA	Long Term	New Rating	AA	RO:Sta	22-Sep-2011	
Franklin County (OH) (Trinity Health Credit Group) rev bonds ser 2011 OH	Long Term	New Rating	AA	RO:Sta	22-Sep-2011	
Illinois Finance Authority (IL) (Trinity Health Credit Group) rev bonds ser 2011 IL	Long Term	New Rating	AA	RO:Sta	22-Sep-2011	
Michigan Finance Authority (MI) (Trinity Health Credit Group) hosp rev & rfdg bonds ser 2011MI	Long Term	New Rating	AA	RO:Sta	22-Sep-2011	
Montgomery County (MD) (Trinity Health Credit Group) rev & rfdg bonds ser 2011 MD	Long Term	New Rating	AA	RO:Sta	22-Sep-2011	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

TRINITY HEALTH

Consolidated Financial Statements for the Years Ended June 30, 2011 and 2010 and Independent Auditors' Report

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TRINITY HEALTH

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Deloitte.

Deloitte & Touche LLP
600 Renaissance Center
Suite 900
Detroit, MI 48243-1895
USA

Tel: +1 313 396 3000
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health
Novi, Michigan

We have audited the accompanying consolidated balance sheets of Trinity Health and subsidiaries (the "Corporation") as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Corporation adopted the presentation and disclosure provisions of Accounting Standards Update 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions, including an amendment of FASB Statement No. 142*, and changed its method of accounting for noncontrolling interests in consolidated subsidiaries.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2011 and 2010, and the results of its operations and changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 23, 2011

ATTACHMENT
6

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2011 AND 2010
(In Thousands)

ASSETS	**2011**	**2010**
CURRENT ASSETS:		
Cash and cash equivalents	$ 536,269	$ 547,165
Investments	1,681,699	1,511,037
Security lending collateral	149,641	156,162
Assets limited or restricted as to use, current portion	8,233	9,418
Patient accounts receivable, net of allowance for doubtful accounts of $177.6 million and $166.7 million in 2011 and 2010, respectively	722,465	693,689
Estimated receivables from third-party payors	92,829	36,415
Other receivables	117,740	88,112
Inventories	109,136	106,861
Assets held for sale	185,437	177,053
Prepaid expenses and other current assets	97,005	106,369
Total current assets	3,700,454	3,432,281
ASSETS LIMITED OR RESTRICTED AS TO USE, NON-CURRENT PORTION:		
Held by trustees under bond indenture agreements	6,627	45,741
Self-insurance, benefit plans and other	207,236	191,381
By Board	2,309,567	1,962,041
By donors	100,203	94,537
Total assets limited or restricted as to use, non-current portion	2,623,633	2,293,700
PROPERTY AND EQUIPMENT, NET	3,374,103	3,349,524
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	104,702	89,827
GOODWILL, net of accumulated amortization of $26.1 million in 2010	108,297	54,480
INTANGIBLE ASSETS, net of accumulated amortization of $14.2 million and $10.9 million in 2011 and 2010, respectively	22,053	16,269
OTHER ASSETS	96,415	85,499
TOTAL ASSETS	$ 10,029,657	$ 9,321,580

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

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES:		
Commercial paper	$ 99,978	$ 169,956
Short-term borrowings	1,121,270	1,143,940
Current portion of long-term debt	29,514	30,778
Accounts payable	281,213	275,329
Accrued expenses	132,417	79,241
Salaries, wages and related liabilities	356,968	312,836
Payable under security lending agreements	149,641	156,162
Liabilities held for sale	28,918	36,866
Estimated payables to third-party payors	166,910	155,243
Total current liabilities	2,366,829	2,360,351
LONG-TERM DEBT, NET OF CURRENT PORTION	1,530,902	1,406,548
SELF-INSURANCE RESERVES	282,175	295,266
ACCRUED PENSION AND RETIREE HEALTH COSTS	346,942	657,495
OTHER LONG-TERM LIABILITIES	288,497	291,982
Total liabilities	4,815,345	5,011,642
NET ASSETS:		
Unrestricted net assets	5,007,518	4,119,660
Noncontrolling ownership interest in subsidiaries	97,288	86,223
Total unrestricted net assets	5,104,806	4,205,883
Temporarily restricted net assets	73,287	70,657
Noncontrolling ownership interest in subsidiaries	1,628	1,610
Total temporarily restricted net assets	74,915	72,267
Permanently restricted net assets	34,462	31,736
Noncontrolling ownership interest in subsidiaries	129	52
Total permanently restricted net assets	34,591	31,788
Total net assets	5,214,312	4,309,938
TOTAL LIABILITIES AND NET ASSETS	$ 10,029,657	$ 9,321,580

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010
(In Thousands)

	2011	2010
UNRESTRICTED REVENUE:		
Net patient service revenue	$ 6,495,919	$ 5,966,053
Capitation and premium revenue	378,568	359,441
Net assets released from restrictions	12,357	20,513
Other revenue	464,505	434,021
Total unrestricted revenue	7,351,349	6,780,028
EXPENSES:		
Salaries and wages	2,850,939	2,612,189
Employee benefits	729,746	657,147
Contract labor	56,471	43,937
Total labor expenses	3,637,156	3,313,273
Supplies	1,190,255	1,127,789
Purchased services	683,560	613,443
Depreciation and amortization	405,631	407,340
Occupancy	307,722	290,580
Provision for bad debts	323,275	306,079
Medical claims and capitation purchased services	198,355	191,531
Interest	84,071	70,651
Other	296,565	256,032
Total expenses	7,126,590	6,576,718
OPERATING INCOME BEFORE OTHER ITEMS	224,759	203,310
Pension settlement	-	(48,986)
OPERATING INCOME	224,759	154,324
NONOPERATING ITEMS:		
Investment income	483,550	328,038
Change in market value and cash payments of interest rate swaps	13,554	(39,928)
Loss from early extinguishment of debt	(10,185)	(949)
Other, including income tax expense	(28,765)	(10,856)
Total nonoperating items	458,154	276,305
EXCESS OF REVENUE OVER EXPENSES	682,913	430,629
Less excess of revenue over expenses attributable to noncontrolling interest	6,580	4,133
EXCESS OF REVENUE OVER EXPENSES NET OF NONCONTROLLING INTEREST	$ 676,333	$ 426,496

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

	Controlling Interest	Non-Controlling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	$ 676,333	$ 6,580	$ 682,913
Net assets released from restrictions for capital acquisitions	8,914	-	8,914
Net change in retirement plan related items	209,467	2,594	212,061
Cumulative effect of change in accounting principle	(7,823)	(32)	(7,855)
Other	(2,221)	(3,595)	(5,816)
Increase in unrestricted net assets before discontinued operations	884,670	5,547	890,217
Discontinued operations - Battle Creek Health System			
Income from operations of Battle Creek Health System	4,836	5,518	10,354
Costs associated with the sale of Battle Creek Health System	(1,648)	-	(1,648)
Increase in unrestricted net assets	887,858	11,065	898,923
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	18,445	123	18,568
Net investment gain	4,549	26	4,575
Net assets released from restrictions	(21,271)	-	(21,271)
Other	907	(131)	776
Increase in temporarily restricted net assets	2,630	18	2,648
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	403	76	479
Net investment gain	2,534	1	2,535
Other	(211)	-	(211)
Increase in permanently restricted net assets	2,726	77	2,803
INCREASE IN NET ASSETS	893,214	11,160	904,374
NET ASSETS, BEGINNING OF YEAR	4,222,053	87,885	4,309,938
NET ASSETS, END OF YEAR	$ 5,115,267	$ 99,045	$ 5,214,312

(Continued)

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TRINITY HEALTH

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(In Thousands)

	Controlling Interest	Non-Controlling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	$ 426,496	$ 4,133	$ 430,629
Net assets released from restrictions for capital acquisitions	20,810	248	21,058
Net change in retirement plan related items	(168,577)	(2,385)	(170,962)
Other	526	(3,392)	(2,866)
Increase (decrease) in unrestricted net assets before discontinued operations	279,255	(1,396)	277,859
Discontinued operations - Battle Creek Health System			
Income from operations of Battle Creek Health System	7,599	7,915	15,514
Increase in unrestricted net assets	286,854	6,519	293,373
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	21,239	112	21,351
Net investment gain	2,839	34	2,873
Net assets released from restrictions	(41,323)	(248)	(41,571)
Other	1,646	(57)	1,589
Decrease in temporarily restricted net assets	(15,599)	(159)	(15,758)
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	360	-	360
Net investment gain	1,449	1	1,450
Other	730	(6)	724
Increase (decrease) in permanently restricted net assets	2,539	(5)	2,534
INCREASE IN NET ASSETS	273,794	6,355	280,149
NET ASSETS, BEGINNING OF YEAR	3,948,259	81,530	4,029,789
NET ASSETS, END OF YEAR	$ 4,222,053	$ 87,885	$ 4,309,938

(Concluded)

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010
(In Thousands)

	2011	2010
OPERATING ACTIVITIES:		
Increase in net assets	$ 904,374	$ 280,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	420,774	422,810
Provision for bad debts	334,170	314,998
Deferred retirement items arising during the year	(142,612)	261,628
Cumulative effect of a change in accounting principle	7,855	-
Change in net unrealized and realized gains on investments	(429,117)	(258,234)
Change in market values of interest rate swaps	(29,258)	24,194
Undistributed equity earnings from unconsolidated affiliates	(25,664)	(19,593)
(Gain) loss on disposals of property and equipment	(2,307)	7,083
Restricted contributions and investment income received	(4,644)	(7,537)
Loss from extinguishment of debt	2,638	949
Gain on sales of unconsolidated affiliates	(6,617)	(10,130)
Other adjustments	4,777	15,518
Changes in, excluding assets acquired:		
Patient accounts receivable	(346,572)	(305,656)
Other assets	(20,758)	(7,504)
Accounts payable and accrued expenses	30,185	35,334
Estimated receivables from and payables to third-party payors, net	(48,917)	35,407
Self-insurance reserves	(13,091)	(7,390)
Accrued pension and retiree health costs	(171,506)	(320,614)
Other liabilities	10,472	1,806
Total adjustments	(430,192)	183,069
Net cash provided by operating activities	474,182	463,218

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

	2011	2010
INVESTING ACTIVITIES:		
Purchases of investments	(1,463,138)	(2,171,562)
Proceeds from sales of investments	1,381,129	1,854,238
Purchases of property and equipment	(441,052)	(445,692)
Acquisition of subsidiaries, net of $7.0 million and $46.2 million cash assumed in 2011 and 2010, respectively	(81,145)	(67,718)
Dividends received from investments in affiliates and other changes	20,374	24,985
Decrease in assets limited as to use	4,475	10,275
Advanced deposit received for sale of Battle Creek Health System	60,512	-
Proceeds from sale of unconsolidated affiliates	12,258	10,130
Proceeds from disposal of property and equipment	4,046	6,838
Net cash used in investing activities	(502,541)	(778,506)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	341,298	347,495
Repayments of debt	(254,571)	(91,457)
Net (decrease) increase in commercial paper	(69,978)	69,289
Increase in financing costs and other	(3,930)	(9,880)
Proceeds from restricted contributions and restricted investment income	4,644	7,537
Net cash provided by financing activities	17,463	322,984
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,896)	7,696
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	547,165	539,469
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 536,269	$ 547,165
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	$ 99,799	$ 88,555
New capital lease obligations for buildings and equipment	825	14,540
Accruals for purchases of property and equipment and other long-term assets	27,844	42,492
Unsettled investment trades, purchases	6,044	9,695
Unsettled investment trades, sales	77,019	25,343
Decrease (increase) in security lending collateral	6,521	(67,222)
(Decrease) increase in payable under security lending agreements	(6,521)	67,222

TRINITY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND MISSION

Trinity Health, an Indiana not-for-profit corporation, and its subsidiaries are collectively referred to as the Corporation. The Corporation is sponsored by Catholic Health Ministries ("CHM"), a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in eight states. The mission statement for Trinity Health is as follows:

We serve together in Trinity Health, in the spirit of the Gospel, to heal body, mind and spirit, to improve the health of our communities and to steward the resources entrusted to us.

Community Benefit Ministry - Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States' ("CHA"), ***A Guide for Planning and Reporting Community Benefit***, 2008 Edition.

The following amounts below reflect the quantifiable costs of the Corporation's community benefit ministry for the years ended June 30:

	2011	2010
	(In Thousands)	
Ministry for the poor and underserved:		
Charity care at cost	$ 136,493	$ 124,481
Unpaid cost of Medicaid and other public programs	152,014	162,184
Programs for the poor and the underserved:		
Community health services	19,613	19,974
Subsidized health services	34,854	32,890
Financial contributions	3,813	7,412
Community building activities	1,811	1,696
Community benefit operations	2,321	1,822
Total programs for the poor and underserved	62,412	63,794
Ministry for the poor and underserved	350,919	350,459
Ministry for the broader community:		
Community health services	8,337	9,108
Health professions education	61,308	53,876
Subsidized health services	13,950	13,790
Research	6,782	6,837
Financial contributions	3,174	3,001
Community building activities	5,161	1,364
Community benefit operations	2,914	2,333
Ministry for the broader community	101,626	90,309
Community benefit ministry	$ 452,545	$ 440,768

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, that is reported as bad debt at cost and not included in the amounts reported above. During the years ended June 30, 2011 and 2010, the Corporation reported bad debt at cost (determined using a cost to charge ratio applied to the provision for bad debts) of $126.0 million and $119.9 million, respectively.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured and the indigent. This is done with the conviction that healthcare is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies as further described in Note 4. The cost of charity care is calculated using a cost to charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies. These amounts include special system-wide funds used for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or assets assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments, that are not controlled by the Corporation, are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

As further described in Notes 3 and 13, the Corporation transferred its shares of Battle Creek Health Systems ("BCHS") to Bronson Healthcare Group, Inc. effective July 1, 2011. As a result, at June 30, 2011 and 2010, substantially all of the assets and liabilities of BCHS met the criteria for classifying those assets and liabilities as held for sale. The consolidated financial statements have been reclassified to present the operations of BCHS as a discontinued operation. The statements of cash flows include impacts of cash flows related to BCHS. Notes to these consolidated financial statements exclude the impact of BCHS.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances; recorded values of investments and goodwill; provisions for bad debts; and reserves for losses and expenses related to health care professional and general liability; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgment and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, investment funds developed specifically for the Corporation and other investments structured as limited liability corporations or partnerships. Commingled funds and investment funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values. Limited liability corporations and partnerships are accounted for under the equity method. Redemptions of certain limited liability corporations and partnerships may be made with written notice ranging from one month to one year.

Investment Earnings – Investment earnings include equity earnings, realized gains and losses on investments, holding gains and losses, and interest and dividends. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held for borrowings under the intercompany loan program, and assets deposited in trust funds by a captive insurance company for self-insurance purposes in accordance with industry practices are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other unrestricted investments and board designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rate, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. At June 30, 2011 and 2010, the Corporation had securities loaned of $153.4 million and $155.3 million, respectively, and received collateral (cash and noncash) totaling $157.5 million and $159.8million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in investment income (loss) - marketable securities on the consolidated statements of operations and changes in net assets.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation's various ministry organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are 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 to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset, is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 3 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Intangible Assets – Intangible assets include both definite and indefinite-lived intangible assets. The majority of the definite-lived intangibles are non-compete agreements with finite lives amortized using the straight-line method over their estimated useful lives, which range from 2 to 8 years. Indefinite lived intangible assets include trade names and renewable licenses.

Asset Impairment –

Property and Equipment – Impairment testing is performed following a triggering event or whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or when a change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. There is a two-step process for determining goodwill impairment. Step one compares the carrying value of each reporting unit with its fair value. If this test indicates the fair value is less than the carrying value, then step two is required. Step two compares the implied fair value of the reporting unit's goodwill with the carrying value of reporting unit's goodwill. The Corporation estimates the fair value of its reporting units using a discounted cash flow analysis.

Intangible Assets:

Definite – Lived – Impairment testing is performed if events or changes in circumstances indicate that the asset might be impaired.

Indefinite – Lived – Impairment testing is performed on an annual basis or more frequently if events or changes in circumstance indicate the asset may be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount.

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation as of June 30:

	2011 (In Thousands)
Balance as of July 1, 2010	$ 54,480
July 1, 2010 transitional impairment loss	(7,855)
Balance as of July 1, 2010 after transitional impairment loss	46,625
Goodwill acquired during the year:	
Integrated Health Associates	46,629
Michigan Heart, PC	13,212
Other	1,831
Balance as of June 30, 2011	
Goodwill	116,152
Accumulated impairment losses	(7,855)
Net goodwill as of June 30, 2011	$ 108,297

The following table provides information regarding other intangible assets, which are included in the accompanying consolidated balance sheets of the Corporation as of June 30, 2011 and 2010:

	Gross Carrying Amount	Accumulated Amortization	Net book Value
As of June 30, 2011:			
Definite-lived intangible assets:			
Non-compete agreements	$ 19,439	$ 9,970	$ 9,469
Physician guarantees	6,191	2,898	3,293
Other	2,271	1,051	1,220
Total definite-lived intangible assets	27,901	13,919	13,982
Indefinite-lived intangible assets:			
Tradenames	5,474	0	5,474
Other	2,879	282	2,597
Total indefinite-lived intangible assets	8,353	282	8,071
Total intangible assets	36,254	14,201	22,053
As of June 30, 2010:			
Definite-lived intangible assets:			
Non-compete agreements	17,004	7,185	9,819
Physician guarantees	4,640	2,380	2,260
Other	3,002	1,030	1,972
Total definite-lived intangible assets	24,646	10,595	14,051
Indefinite-lived intangible assets:			
Other	2,500	282	2,218
Total indefinite-lived intangible assets	2,500	282	2,218
Total intangible assets	$ 27,146	$ 10,877	$ 16,269

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation's ministry organizations at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Allowance for Doubtful Accounts – Substantially all of the Corporation's receivables are related to providing healthcare services to patients. Accounts receivable are reduced by an allowance for amounts that could become uncollectible in the future. The Corporation's estimate for its allowance for doubtful accounts is based upon management's assessment of historical and expected net collections by payor.

Short-term Borrowings – Puttable variable rate demand bonds supported by self liquidity or liquidity facilities considered short-term in nature are included in short-term borrowings.

Premium and Capitation Revenue – The Corporation has certain ministry organizations that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheet.

Certain of the Corporation's ministry organizations have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's ministry organizations are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the ministry organization is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheet.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheet. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations. The Corporation limits a portion of its liability through stop-loss reinsurance.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes.

Excess of Revenue Over Expenses – The consolidated statement of operations and changes in net assets includes excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), net change in postretirement plan related items, discontinued operations, extraordinary items and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

On July 1, 2010, the Corporation adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") guidance for not-for-profit entities regarding mergers and acquisitions. This guidance defines a combination of one or more other not-for-profit entities, business or nonprofit activities as either a merger or acquisition. It also establishes principles and requirements in determining whether a not-for-profit entity combination is a merger or acquisition, applies the carryover method in accounting for mergers, applies the acquisition method in accounting for acquisitions, including which of the combining entities is the acquirer, and requires enhanced disclosures about the merger or acquisition. In addition, it amends existing FASB ASC guidance on goodwill and other intangible assets and noncontrolling interests in consolidated financial statements to make previous guidance that was only applicable to for-profit entities fully applicable to not-for-profit entities. The adoption of this guidance resulted in the presentation of noncontrolling interest in consolidated net assets in the amount of $99.0 million and $87.9 million as of June 30, 2011 and 2010, respectively, in the consolidated balance sheets, and the reclassification of $81.5 million of noncontrolling interest to net assets as of July 1, 2009. Additionally, the Corporation ceased amortizing goodwill beginning July 1, 2010 and performed a transitional impairment test on all capitalized goodwill. As a result of the impairment test, a $7.9 million charge was recorded as the effect of a cumulative change in accounting principle in the consolidated statement of changes in net assets for the year ended June 30, 2011.

The incremental effects of applying the provisions on the individual lines of the consolidated financial statements as of and for the year ended June 30, 2010 are as follows:

	As Previously Reported	Effect of Retrospective Application	Effect of Discontinued Operations	As Adjusted
Consolidated Balance Sheet:				
External financial interest	$ 87,885	$ (87,885)	$ -	$ -
Net assets:				
Unrestricted	$ 4,119,660	$ -	$ -	$ 4,119,660
Noncontrolling ownership interest in subsidiaries	-	86,223	-	86,223
Total unrestricted net assets	4,119,660	86,223	-	4,205,883
Temporarily restricted:	70,657	-		70,657
Noncontrolling ownership interest in subsidiaries	-	1,610	-	1,610
Total temporarily restricted net assets	70,657	1,610	-	72,267
Permanently restricted:	31,736	-	-	31,736
Noncontrolling ownership interest in subsidiaries	-	52	-	52
Total permanently restricted net assets	31,736	52	-	31,788
Total net assets	$ 4,222,053	$ 87,885	$ -	$ 4,309,938
Consolidated Statement of Operations:				
External financial interest	$ (12,048)	$ 12,048	$ -	$ -
Excess of revenues over expenses	434,095	12,048	(15,514)	430,629
Excess of revenues over expenses attributable to noncontrolling interest	-	12,048	(7,915)	4,133
Excess of revenues over expenses	434,095	-	(7,599)	426,496
Statement of Changes in Net Assets:				
Excess of revenues over expenses	434,095	12,048	(15,514)	430,629
Increase in unrestricted net assets	286,854	6,519	-	293,373
Decrease in temporarily restricted net assets	(15,599)	(159)	-	(15,758)
Increase (decrease) in permanently restricted net assets	2,539	(5)	-	2,534
Increase in net assets	$ 273,794	$ 6,355	$ -	$ 280,149
Net assets — beginning of year	3,948,259	81,530	-	4,029,789
Net assets — end of year	$ 4,222,053	$ 87,885	$ -	$ 4,309,938
Consolidated Statement of Cash Flows:				
Cash flows from operating activities:				
Increase in net assets	$ 273,794	$ 6,355	$ -	$ 280,149
External financial interest	6,355	(6,355)	-	-
Net cash provided by operating activities	461,857	-	1,361	463,218

On July 1, 2010, the Corporation adopted FASB's ASC guidance on fair value measurements. This standard requires new disclosures and amends existing disclosure requirements. It requires entities to disclose separately the amounts of significant transfers into and out of Level 1 and Level 2 fair value measurements along with the reasons for those transfers. In addition, it also requires entities to present separately information about purchases, sales, issuances, and settlements on a gross basis rather than as one net number in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The Level 3 fair value measurement disclosure is effective July 1, 2011 for the Corporation. Any additional disclosures required by this ASC guidance are included in Note 10.

Forthcoming Accounting Pronouncements –

In August 2010, the FASB issued new ASC guidance, which provides clarification to companies in the healthcare industry on the accounting for professional liability insurance. This guidance states that receivables related to insurance recoveries should not be netted against the related claim liability and such claim liabilities should be determined without considering insurance recoveries. This guidance is effective for the Corporation beginning July 1, 2011. The adoption of this guidance will result in an asset and liability being recorded in the consolidated financial statements of approximately $11.6 million in self-insurance, benefit plans and other assets and in self-insurance reserves.

In August 2010, the FASB issued new ASC guidance, which requires a company in the healthcare industry to use its direct and indirect costs of providing charity care as the measurement basis for charity care disclosures. This guidance also requires additional disclosures of the methods used to identify such costs. This guidance is effective for the Corporation beginning July 1, 2011. The adoption of this guidance will have no impact on the Corporation's consolidated statement of financial position and results of operations, but will result in additional disclosures to be presented in Note 1.

In December 2010, the FASB issued new ASC guidance that modifies the goodwill impairment test performed at the reporting unit level. This guidance is effective for the Corporation beginning July 1, 2011. In September 2011, the FASB issued ASC guidance which provides entities with the option of first assessing qualitative factors about the likelihood of goodwill impairment to determine whether further impairment assessment is necessary. The Corporation is still assessing the impact of this guidance on the consolidated financial statements.

In May 2011, the FASB issued new ASC guidance that amends the fair value disclosure requirements regarding transfers between Level 1 and Level 2 of the fair value hierarchy and also the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements but for which the fair value is required to be disclosed. This guidance is effective for the Corporation beginning July 1, 2012. The adoption of this guidance will have no impact on the Corporation's consolidated statement of financial position and results of operations, but may result in additional disclosures to be presented in Note 10.

In July 2011, the FASB issued new ASC guidance that requires certain health care entities to present the provision for bad debts related to patient service revenues as a deduction from revenue, net of contractual allowances and discounts, versus as an expense in the statement of operations. In addition, it also requires enhanced disclosures regarding revenue recognition policies and the assessment of bad debt. This guidance is effective for the Corporation beginning July 1, 2012, with early adoption permitted, and will be retrospectively applied. This statement will result in a reduction of net patient service revenue, operating revenue and operating expense but will have no impact on operating income in the statement of operations and changes in net assets.

3. CONSOLIDATED AFFILIATES, INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Consolidated Affiliates – The Corporation consolidates certain affiliates even though ownership may be less than 51% based on control of these entities. The only significant consolidated affiliate with less than 51% ownership interest is Battle Creek Health System ("BCHS"). The Corporation owns 50% of the stock of BCHS. As described in Note 2, the consolidated financial statements as of June 30, 2011 and June 30, 2010 have been reclassified to present the operations of BCHS as a discontinued operation. The Corporation reported income from operations of BCHS, including a 50% provision for noncontrolling interest, in discontinued operations in the statements of operations and changes in net assets. As of June 30, 2011 and June 30, 2010 assets held for sale include $185.4 million and $177.1 million and liabilities held for sale of $28.9 million and $36.9 million, respectively, for BCHS prior to a 50% provision for noncontrolling interest: The majority of assets and liabilities held for sale consisted of:

(In Thousands)

	2011	2010		2011	2010
Cash and investments	$ 53,167	$ 44,369	Current liabilities	$ 17,766	$ 19,350
Patient accounts receivable	18,538	20,739	Accrued pension	10,197	15,394
Other current assets	10,765	5,985	Other liabilities	955	2,122
Property and equipment	97,808	102,432	Total liabilities	$ 28,918	$ 36,866
Other assets	5,159	3,528			
Total assets	$ 185,437	$ 177,053			

Investments in Unconsolidated Affiliates – The Corporation and certain of its ministry organizations have investments in entities that are recorded under the cost and equity methods of accounting. At June 30, 2011, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 3.2% to 50%. The Corporation's share of equity earnings from entities accounted for under the equity method was $25.6 million and $19.6 million for the years ended June 30, 2011 and 2010, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets.

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method as of and for the periods ended June 30 are as follows:

2011
(In Thousands)

	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 90,205	$ 65,938	$ 73,366	$ 14,714	$ 147,207	$ 391,430
Total debt	53,440	19,721	37,636	-	44,113	154,910
Net assets	30,347	36,286	26,718	6,064	71,001	170,416
Revenue, net	24,226	97,757	107,164	43,943	136,722	409,812
Excess of revenue over expenses	1,699	18,733	40,853	3,141	5,747	70,173

2010
(In Thousands)

	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 113,449	$ 60,143	$ 63,059	$ 15,038	$ 138,683	$ 390,372
Total debt	66,443	13,534	35,676	-	41,239	156,892
Net assets	40,573	36,522	22,196	6,011	69,680	174,982
Revenue, net	39,362	99,600	94,514	49,611	126,025	409,112
Excess of revenue over expenses	5,106	20,098	30,566	4,199	3,715	63,684

Business Acquisitions – The Corporation entered into the following significant acquisition activities during 2011 and 2010:

Integrated Health Associates ("IHA") – Effective December 20, 2010, the Corporation through its operating division Saint Joseph Mercy Health System ("SJMHS") acquired IHA, a physician practice group with approximately 200 physicians and practitioners for $60.5 million in cash, and recorded related goodwill of $46.6 million. IHA has been consolidated in the 2011 financial statements. The Corporation is still assessing the economic characteristics of certain assets acquired and liabilities assumed. The Corporation expects to complete this assessment during the first quarter of fiscal year 2012 and may adjust the amounts recorded as of December 20, 2010 to reflect revised evaluations. Summarized balance sheet information for IHA at December 20, 2010, is shown below.

(In Thousands)

Cash and investments	$ 7,035	Current liabilities	$ 21,475
Patient accounts receivable	14,404	Other liabilities	2,742
Other current assets	4,416	Total liabilities acquired	$ 24,217
Property and equipment	5,382		
Other assets	6,907		
Total assets acquired	$ 38,144		

The operating results of IHA for the period between December 20, 2010 and June 30, 2011, included total unrestricted revenue of $52.4 million, operating income of $1.9 million and deficiency of revenue over expense of $18.9 million. The deficiency of revenue over expenses includes a $20.8 million charge for income taxes for conversion to non-profit status which is included in other nonoperating items.

Michigan Heart, PC – Effective December 31, 2010, the Corporation through its operating division SJMHS acquired the assets and liabilities of Michigan Heart, PC, a physician-owned specialty practice in cardiovascular medicine and research for $11.7 million in cash; and recorded related goodwill of $13.2 million. The assets and liabilities were merged into and employees were transferred to two operating divisions of the Corporation and have been consolidated in the 2011 financial statements. SJMHS purchased $3.6 million of property and equipment and assumed current liabilities of $4.5 million and other liabilities of $0.6 million. The operating results of this acquisition were not material to the consolidated financial statements.

Saint Alphonsus Regional Health System – Effective April 1, 2010, a new regional health ministry was formed to serve the needs of residents who live in the area ranging from Idaho's Treasure Valley to Eastern Oregon. The new system is comprised of the following three acquired ministry organizations Mercy Medical Center, Nampa, Idaho; Holy Rosary Medical Center, Ontario, Oregon; and St. Elizabeth Health Services, Inc,. Baker City, Oregon and the Corporation's existing Saint Alphonsus Regional Medical Center, Boise, Idaho. The fair value of assets acquired and liabilities assumed exceeded the $113.7 million cost of acquisition, resulting in negative goodwill of $77.3 million. The negative goodwill was allocated to reduce the fair value of property and equipment. The three acquired ministry organizations have been consolidated in the 2010 financial statements. Summarized combined balance sheet information for the three acquired ministry organizations at April 1, 2010 is shown below.

(In Thousands)

Cash and investments	$ 49,286	Current liabilities	$ 17,626
Patient accounts receivable	20,307	Other liabilities	643
Other current assets	7,064	Total liabilities acquired	18,269
Assets limited or restricted as to use, non-current	954	Temporarily restricted	1,735
Property and equipment	44,363	Permanently restricted	524
Other assets	12,268	Total net assets acquired	2,259
Total assets acquired	$ 134,242	Total liabilities and net assets acquired	$ 20,528

The operating results of the acquired ministry organizations, for the year ended June 30, 2011, and for the three-month period ended June 30, 2010, included total unrestricted revenue of $191.3 million and $45.4 million and excess of revenue over expenses of $13.0 million and $2.8 million, respectively.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare - Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid - Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other - Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

During 2011 and 2010, 38% and 39% of net patient service revenue was received under the Medicare program, 11% and 10% under state Medicaid and indigent care programs, respectively, and 51% from other payor contracts and patients during 2011 and 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care – The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify for charity care, they are not reported as net patient service revenue in the consolidated statements of operations and changes in net assets.

A summary of net patient service revenue for the years ended June 30 is as follows:

	2011	2010
	(In Thousands)	
Gross charges:		
Acute inpatient	$ 7,559,780	$ 7,262,131
Outpatient, nonacute inpatient, and other	7,534,024	6,905,047
Gross patient service revenue	15,093,804	14,167,178
Less:		
Contractual and other allowances	(8,044,327)	(7,697,321)
Charity care charges	(409,897)	(366,676)
Allowance for self-insured health benefits	(143,661)	(137,128)
Net patient service revenue	$ 6,495,919	$ 5,966,053

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2011	2010
	(In Thousands)	
Land	$ 188,787	$ 185,656
Buildings and improvements	4,026,430	3,829,048
Equipment	2,966,349	2,836,127
Total	7,181,566	6,850,831
Less accumulated depreciation and amortization	(3,989,867)	(3,740,830)
Construction in progress	182,404	239,523
Property and equipment, net	$ 3,374,103	$ 3,349,524

Buildings and improvements include assets recorded under capital leases of $31.7 million as of June 30, 2011 and 2010 with accumulated amortization for such assets of $9.3 million and $7.6 million as of June 30, 2011 and 2010, respectively. Equipment includes assets recorded under capital leases of $10.9 million and $9.6 million with accumulated amortization for such assets of $7.5 million and $6.1 million as of June 30, 2011 and 2010, respectively. The associated charges to income are recorded in depreciation and amortization expense.

At June 30, 2011, commitments to purchase property and equipment of approximately $41 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following ministry organizations: Saint Joseph Mercy Health System in Ann Arbor, Michigan - $14 million; Mercy Medical Center in Dubuque, Iowa - $9 million; Saint Agnes Medical Center in Fresno, California - $4 million; and Mount Carmel Health System in Columbus, Ohio - $5 million. Costs of these projects are expected to be financed by proceeds from bond issuances, available funds, future operations of the hospitals and contributions.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings, long-term debt, capital lease and other obligations at June 30 is as follows:

	2011	2010
	(In Thousands)	
Short-term borrowings:		
Variable rate demand bonds. Interest payable monthly at rates ranging from 0.05% to 0.35% during 2011 and from 0.08% to .60% during 2010.	$ 1,121,270	$ 1,143,940
Long-term debt, capital lease and other obligations:		
Tax-exempt revenue bonds and refunding bonds:		
Fixed rate term and serial bonds, payable at various dates through 2038. Interest rate ranges from 2.0% to 6.5% during 2011 and 2010.	$ 1,508,985	$ 1,401,995
Notes payable to banks, 2.8% to 7.8%, fixed and variable, payable in varying monthly installments, due through 2021.	14,191	8,725
Capital lease obligations (excluding imputed interest of $16.4 million and $18.4 million at June 30, 2011 and 2010, respectively).	31,021	32,106
Other	3,575	3,616
Long-term debt, capital lease and other obligations	1,557,772	1,446,442
Less current portion	(29,514)	(30,778)
Unamortized bond (discounts) premiums	2,644	(9,116)
Long-term debt	$ 1,530,902	$ 1,406,548

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows:

	Short-Term Borrowings	Long-Term Debt
	(In Thousands)	
Years ending June 30:		
2012	$ 28,075	$ 29,514
2013	29,325	32,130
2014	36,990	23,829
2015	27,595	35,798
2016	29,060	43,779
Thereafter	970,225	1,392,722
Total	$ 1,121,270	$ 1,557,772

A summary of interest costs on borrowed funds held primarily by the trustee under the revenue bond indentures during the years ended June 30 is as follows:

	2011	2010
	(In Thousands)	
Interest costs incurred	$ 85,809	$ 80,894
Less capitalized interest	(1,738)	(10,243)
Interest expense included in operations	$ 84,071	$ 70,651

Obligated Group and Other Requirements – The Corporation has debt outstanding under a Master Trust Indenture dated July 1, 1998, as amended and supplemented thereto, the Amended and Restated Master Indenture ("ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are general, direct obligations of the Corporation and any future members of the Trinity Health Obligated Group. Proceeds from the tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Since the implementation of the ARMI, the Corporation is the sole member of the Trinity Health Obligated Group. Certain ministry organizations of the Corporation constitute Designated Affiliates and the Corporation covenants to cause each Designated Affiliate to pay, loan or otherwise transfer to the Corporation such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Corporation, the Designated Affiliates and all other controlled affiliates are referred to as the Credit Group. The Corporation has granted a security interest in certain pledged property and has caused not less than 85% of the Designated Affiliates representing, when combined with the Corporation and any future members, not less than 85% of the consolidated net revenue of the Credit Group to grant to the Corporation security interests in certain pledged property in order to secure all obligations issued under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) were $2,630 million and $2,546 million at June 30, 2011 and 2010, respectively.

There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any Material Designated Affiliate (a Designated Affiliate whose total revenues for the most recent fiscal year exceed 5% of the total revenues of the Credit Group for the most recent fiscal year). Long-term debt outstanding as of June 30, 2011 and 2010, excluding amounts issued under the ARMI, is generally collateralized by certain property and equipment.

Issuance and Defeasance of Debt – The Corporation advance refunded, through net defeasance, $38.9 million of debt issued under the ARMI during June 2011. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. These transactions resulted in a loss from extinguishment of debt of $5.2 million, which has been included in non-operating items in the 2011 consolidated statement of operations and changes in net assets.

In October 2010, the Corporation issued $330.0 million par value tax-exempt, fixed rate hospital revenue bonds and refunding bonds under the ARMI at a premium of $11.3 million. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire $158.8 million of the Corporation's then outstanding fixed rate hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of $5.0 million, which has been included in non-operating items in the 2011 consolidated statement of operations and changes in net assets.

In November 2009, the Corporation issued $347.5 million in tax-exempt, fixed rate hospital revenue bonds and variable rate revenue and refunding bonds (the "Series 2009 Bonds") under the ARMI. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire $41 million of the Corporation's then outstanding fixed rate hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of $0.9 million, which has been included in non-operating items in the 2010 consolidated statement of operations and changes in net assets. Of the proceeds received, $244.7 million were included in long-term debt with $102.8 million included in short-term borrowings.

The outstanding balance of all bonds advance refunded through net defeasance and excluded from the consolidated balance sheets was $202.9 million and $172.9 million at June 30, 2011 and 2010, respectively. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Commercial Paper – The Corporation has entered into a commercial paper program authorized for borrowings up to $400 million. Proceeds from this program are to be used to finance certain acquisitions and for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during 2011 ranged from 0.15% to 0.40% and ranged from 0.20% to 0.45% during 2010.

Liquidity Facilities – During 2010, the Corporation had credit agreements with groups of lenders that provided $916 million under revolving credit agreements. In July 2010, the credit agreements were revised and the Corporation entered into new credit agreements (the "2010 Credit Agreements") with Bank of America, N.A., which acts as an administrative agent for a group of lenders thereunder. The 2010 Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time but, as of June 30, 2011, the amount was $916 million. Amounts drawn under the 2010 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the $916 million, $256 million expires in July 2011, $310 million expires in July 2012, $275 million expires in July 2013 and $75 million expires in July 2014. The Corporation intends to renew the credit agreements. See the subsequent events Note 13. There were no draws on these credit agreements during 2011 or 2010.

As of January 10, 2011, a standby letter of credit in the amount of $104.1 million, which provides liquidity support for $102.9 million of variable rate demand bonds that are classified as short-term borrowings in the consolidated balance sheets was renewed. This dedicated facility expires December 31, 2012. The 2010 Credit Agreements, along with the Corporation's own self-liquidity, provided support for $1,121 million of variable rate demand bonds that are classified as short-term borrowings in the consolidated balance sheet. There were no draws on these letters of credit during 2011 or 2010.

As of June 30, 2011 and 2010, certain liquidity facilities had expiration dates of less than one year from the balance sheet dates. Therefore, $1,121 million and $1,144 million of the variable rate demand bonds supported by these liquidity facilities and self-liquidity were classified as short-term borrowings at June 30, 2011 and 2010, respectively. Variable rate demand bonds have contractual maturity dates through 2035.

Standby Letters of Credit –The Corporation entered into various standby letters of credit totaling approximately $18.3 million and $22.3 million at June 30, 2011 and 2010, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs. There were no draws on these letters of credit during 2011 or 2010.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation's insurance company, Venzke Insurance Company, Ltd. ("Venzke"), a wholly owned subsidiary of Trinity Health, qualifies as a captive insurance company in the domicile where it operates and provides certain insurance coverage to the Corporation's ministry organizations. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation, and certain other claims. The Corporation, through Venzke, has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers.

For 2011 and 2010, the Corporation's self-insurance program covers $20 million per occurrence for the first layers of professional liability, as well as $250,000 for each occurrence within a $1 million insured auto liability program. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. The total amount available for these subsequent layers is $100 million in aggregate. The Corporation also insures $500,000 in property damage liability with commercial insurance providing coverage up to $1 billion.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The amount of the changes to the estimated self-insurance reserves was determined based upon the annual, independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2011, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's ministry organizations or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits of $143.7 million and $137.1 million for 2011 and 2010, respectively, which represented revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain ministry organizations that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. At June 30, 2011 and 2010, the assets under these plans totaled $52.7 million and $37.9 million, and liabilities totaled $54.9 million and $44.3 million, respectively.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. The plans include discretionary employer matching contributions of up to 3% of compensation. Employer and employee contributions are self-directed by plan participants in defined contribution plans. The Corporation suspended the majority of employer matching contributions during the year ended June 30, 2010. Contribution expense under the plans totaled $62.2 million and $3.2 million in 2011 and 2010, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – Substantially all of the Corporation's employees participate in qualified, noncontributory defined benefit pension plans. Certain non-qualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. Because the Pension Plans have Church Plan status as defined in the Employee Retirement Income Security Act of 1974 ("ERISA"), funding in accordance with ERISA is not required. The Corporation's adopted funding policy for qualified plans, which is reviewed annually, is to fund the current normal cost based on the accumulated benefit obligation at the plans' December 31 year-end, and amortization of any under or over funding over a ten year period. The Corporation funded $102.3 million and $187.3 million in excess of the stated funding policy in 2011 and 2010, respectively.

Plan Amendment – In September 2009, the Corporation amended substantially all of its defined benefit pension plans to modify the benefit formula from a final average pay formula to a cash balance formula effective July 1, 2010, and the plans' liabilities and assets were remeasured as of September 30, 2009. Through June 30, 2010, benefits were based on years of service and employees' highest five years of compensation. Benefits accrued through June 30, 2010 under the final average pay formula were frozen. Beginning July 1, 2010, participants accrue benefits based on the cash balance formula, which credits participants annually with percentage of eligible compensation based on age and years of service, as well as an interest credit based on a benchmark interest rate. A transition adjustment is provided to participants who were vested as of June 30, 2010, whose age and service met certain requirements at that date. The transition adjustment applies to the pension benefit earned through June 30, 2010 and increases compensation under the final average pay formula over a 5-year period. The effect of modifying the benefit formula and remeasuring the plan's assets and liabilities resulted in a decrease of $224.3 million in plan liabilities and a net decrease of $22.0 million in 2010 net periodic pension cost.

Plan Terminations – The Corporation acquired Hackley Health System ("Hackley") on April 1, 2008, including its pension plans. Hackley maintained three defined benefit pension plans covering employees of three subsidiaries. Effective October 2008, Hackley approved the freeze of its three defined benefit pension plans as of December 31, 2008. Employees became participants of the Corporation's defined benefit plan effective January 1, 2009, and the Corporation recorded an increase of $8.8 million to plan liabilities. During December 2009, the Corporation settled its pension obligations to participants in the Hackley plans through lump sum payments and purchased annuities. The Corporation funded an additional $79.9 million to the Hackley plans to fully settle the obligations, and recorded a settlement loss of $49.0 million.

During the year ended June 30, 2010, the Corporation amended one of its non-qualified, supplemental plan arrangements to modify the plan design and provide benefits to participants in the form of a deferred compensation arrangement. The plan change resulted in a curtailment gain of $1.9 million.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded, contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The plans cover certain hourly and salaried employees who retire from certain ministry organizations. Medical benefits for these retirees are subject to deductibles and co-payment provisions. In June 2010, the Corporation approved an amendment to restructure the funded plans as Health Reimbursement Account arrangements for Medicare eligible participants effective January 1, 2011. The change resulted in a decrease in the plans' liabilities of $30.4 million at June 30, 2010.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations, changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the years ended June 30, 2011 and 2010:

	Pension Plans		Postretirement Plans	
	2011	2010	2011	2010
	(In Thousands)		(In Thousands)	
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 3,756,053	$ 3,281,247	$ 112,807	$ 129,717
Service cost	116,331	114,364	1,119	1,400
Interest cost	221,527	220,296	6,048	8,759
Amendments	-	(224,340)	(442)	(30,388)
Actuarial losses (gains)	(9,007)	619,248	(2,741)	8,808
Benefits paid	(123,040)	(117,468)	(6,428)	(6,422)
Plan settlement benefits paid	-	(132,573)	-	-
Curtailments / settlements	-	(4,721)	-	-
Medicare Part D reimbursement	-	-	376	933
Benefit obligation, end of year	3,961,864	3,756,053	110,739	112,807
Change in plan assets:				
Fair value of plan assets, beginning of year	3,140,162	2,625,699	71,203	69,185
Actual return on plan assets	372,678	326,345	12,039	6,330
Employer contributions	257,607	439,256	1,440	2,110
Benefits paid	(123,040)	(117,468)	(6,428)	(6,422)
Plan settlement benefits paid	-	(132,573)	-	-
Reversion to plan sponsor	-	(1,097)	-	-
Fair value of plan assets, end of year	3,647,407	3,140,162	78,254	71,203
Unfunded amount recognized June 30	$ (314,457)	$ (615,891)	$ (32,485)	$ (41,604)

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows:

	Pension Plans	
	2011	2010
	(In Thousands)	
Accumulated benefit obligation	$ 3,853,728	$ 3,610,158
Fair value of plan assets	3,647,407	3,140,162
Funded status	$ (206,321)	$ (469,996)

The accumulated benefit obligation and plan assets of the non-qualified pension plan are not material to these consolidated financial statements.

Components of net periodic benefit cost for the years ended June 30 consisted of the following:

	Pension Plans		Postretirement Plans	
	2011	2010	2011	2010
	(In Thousands)		(In Thousands)	
Service cost	$ 116,331	$ 114,364	$ 1,119	$ 1,400
Interest cost	221,527	220,296	6,048	8,759
Expected return on assets	(252,402)	(222,420)	(5,465)	(5,332)
Amortization of unrecognized transition asset	-	(6,282)	-	-
Amortization of prior service cost	(18,504)	(12,685)	(7,470)	(1,129)
Recognized net actuarial loss	90,655	70,752	3,204	1,782
Net periodic benefit cost (income) before curtailments / settlements	157,607	164,025	(2,564)	5,480
Curtailment gain	-	(1,958)	-	-
Settlement loss	-	48,986	-	-
Net periodic benefit cost (income)	$ 157,607	$ 211,053	$ (2,564)	$ 5,480

The amounts in unrestricted net assets (inclusive of amounts related to BCHS' pension plan liabilities held for sale), including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows:

	Pension Plans (In Thousands)			
	Net (Gain) Loss	Prior Service Cost	Transition Asset	Total
Balance at July 1, 2009	$ 1,003,008	$ 500	$ (6,282)	$ 997,226
Curtailments / settlements	(36,969)	-	-	(36,969)
Reclassified into net periodic benefit cost	(72,385)	13,059	6,282	(53,044)
Arising during the year	515,290	(230,981)	-	284,309
Balance at June 30, 2010	1,408,944	(217,422)	-	1,191,522
Reclassified into net periodic benefit cost	(92,788)	19,073	-	(73,715)
Arising during the year	(132,908)	-	-	(132,908)
Balance at June 30, 2011	$ 1,183,248	$ (198,349)	$ -	$ 984,899

	Postretirement Plans (In Thousands)			All Plans
	Net (Gain) Loss	Prior Service (Credit)	Total	Grand Total
Balance at July 1, 2009	$ 25,020	$ (2,563)	$ 22,457	$ 1,019,683
Curtailments / settlements	-	-	-	(36,969)
Reclassified into net periodic benefit cost	(1,782)	1,129	(653)	(53,697)
Arising during the year	7,708	(30,389)	(22,681)	261,628
Balance at June 30, 2010	30,946	(31,823)	(877)	1,190,645
Reclassified into net periodic benefit cost	(3,204)	7,470	4,266	(69,449)
Arising during the year	(9,262)	(442)	(9,704)	(142,612)
Balance at June 30, 2011	$ 18,480	$ (24,795)	$ (6,315)	$ 978,584

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during 2012:

	Pension Plans	Postretirement Plans
	(In Thousands)	
Amortization of prior service cost (credit)	$ (19,438)	$ (7,319)
Recognized net actuarial loss	70,336	1,283
Total	$ 50,898	$ (6,036)

Assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	Pension Plans		Postretirement Plans	
	2011	2010	2011	2010
Benefit Obligations:				
Discount rate at June 30	6.00%	6.00%	5.10% - 5.75%	4.55% - 5.80%
Discount rate at September 30	N/A	6.35%	N/A	N/A
Rate of compensation increase in 2010 Graduated to 4% by 2012	4.0%	3.0%	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate at June 30	6.00%	7.25%	4.55% - 5.80%	5.85% - 7.15%
Discount rate at September 30	N/A	6.35%	N/A	N/A
Expected long-term return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase in 2010 Graduated to 4% by 2012	3.5%	2.0%	N/A	N/A

The Corporation uses an efficient frontier analysis approach in determining its asset allocation and long-term rate of return for plan assets. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as follows:

	2011	2010
Medical and drugs, pre-age 65	8.9%	9.4%
Medical and drugs, post-age 65	8.9%	9.4%
Ultimate trend rate	5.0%	5.0%
Year the rate reaches Ultimate Rate	2018	2018

A one-percentage point change in assumed health care cost trend rates would have the following effects as of June 30, 2011:

	1 Percentage Point Increase (In Thousands)	1 Percentage Point Decrease
Effect on total of service cost and interest cost components	$ 731	$ (605)
Effect on postretirement benefit obligation	9,451	(8,041)

The Corporation's investment allocations at June 30, by investment category are as follows:

	Pension Plans		Postretirement Plans	
	2011	2010	2011	2010
Investment Category:				
Cash and cash equivalents	8 %	11 %	1 %	1 %
Marketable securities:				
U.S. and non-U.S equity securities	11	13	56	46
Equity mutual funds	2	2		
Debt securities	33	32	43	53
Other investments:				
Commingled funds	13	9	-	-
Hedge funds	29	29	-	-
Private equity funds	4	3	-	-
Real estate partnership and other	0	1	-	-
Total	100 %	100 %	100 %	100 %

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. The combined target investment allocation at June 30, 2011 was U.S. and non-U.S. equity securities 20%; fixed income obligations 35%; hedge funds 20%; long/short equity 10%; private equity 5%; real assets 5%; and opportunistic fixed income 5%.

The following tables summarize the pension and postretirement plans' assets measured at fair value as of June 30, 2010 and 2011. See Note 10 for definitions of Levels 1, 2 and 3 of the fair value hierarchy.

	2011 (In Thousands)			
Pension Plans:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 273,252	$ 101	$ -	$ 273,353
Equity securities				
U.S. common stock	395,957	29	-	395,986
Non U.S. common stock	16,285	63	-	16,348
Debt securities				
Government and government agency obligations	-	289,614	-	289,614
Corporate bonds	-	894,178	-	894,178
Asset backed securities	-	18,585	-	18,585
Mutual funds				
Equity mutual funds	94,044	-	-	94,044
Total marketable securities	779,538	1,202,570	-	1,982,108
Commingled funds	-	477,919	-	477,919
Hedge funds	-	-	1,045,751	1,045,751
Private equity	79	-	134,336	134,415
Real estate partnerships	-	-	3,848	3,848
Other	3,491	(125)	-	3,366
Total pension plans' assets at fair value	$ 783,108	$ 1,680,364	$ 1,183,935	$ 3,647,407
Postretirement Plans:				
Mutual funds				
Short term investment mutual funds	$ 755	$ -	$ -	$ 755
Fixed income mutual fund	33,445	-	-	33,445
Commingled funds	-	44,054	-	44,054
Total postretirement plans' assets at fair value	$ 34,200	$ 44,054	$ -	$ 78,254

	2010 (In Thousands)			
Pension Plans:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 330,438	$ 17,367	$ -	$ 347,805
Equity securities				
U.S. common stock	336,433	102	-	336,535
Non U.S. common stock	58,046	-	-	58,046
Debt securities				
Government and government agency obligations	-	175,849	-	175,849
Corporate bonds	-	770,501	6,242	776,743
Asset backed securities	-	47,963	-	47,963
Mutual funds				
Equity mutual funds	68,539	-	-	68,539
Total marketable securities	793,456	1,011,782	6,242	1,811,480
Derivatives	267	10,785	-	11,052
Commingled funds	-	277,787	-	277,787
Hedge funds	-	-	906,684	906,684
Private equity	-	-	104,209	104,209
Real estate partnerships	-	-	5,260	5,260
Other	23,690	-	-	23,690
Total pension plans' assets at fair value	$ 817,413	$ 1,300,354	$ 1,022,395	$ 3,140,162
Postretirement Plans:				
Mutual funds				
Short term investment mutual funds	$ 158	$ -	$ -	$ 158
Fixed income mutual fund	36,425	-	-	36,425
Commingled funds	-	33,920	-	33,920
Other	700	-	-	700
Total postretirement plans' assets at fair value	$ 37,283	$ 33,920	$ -	$ 71,203

Unfunded capital commitments related to Level 3 private equity investments totaled $198.5 million and $132.5 million as of June 30, 2011 and 2010, respectively.

There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2011 or 2010.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of marketable securities and commingled funds.

Derivatives – The Pension plans are party to certain agreements, which are designed to manage exposures to equities and interest rate risks. These instruments are used for the purpose of hedging changes in the fair value of assets and actuarial present value of accumulated plan benefits that result from interest rate changes, or as an efficient substitute for traditional securities. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

Hedge funds – The plan invests in various hedge fund strategies. These funds utilize a "fund-of-funds" approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies, and derivatives. These funds are valued at net asset value, which is calculated using the most recent partnership financial statements.

Private equity – These assets include several private equity funds that invest primarily in the United States, Asia and Europe, both directly and on the secondary market pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Real estate partnerships – These assets are reported at fair value based on either independent appraisals performed by the general partner during the year, or estimated using discounted cash flow and market analysis, supported by sales comparison information.

Other – Represents unsettled transactions, relating primarily to purchases and sales of plan assets, and accrued income. Due to the short maturity of these assets and liabilities, the fair value is equal to the carrying amounts.

The following tables summarize the changes in Level 3 pension plan assets for the years ended June 30:

2010 and 2011
(In Thousands)

(In thousands)	Corporate debt	Hedge funds	Private equity	Real estate partnerships	Total
Balance at June 30, 2009	$ -	$ 749,270	$ 61,499	$ 6,815	$ 817,584
Realized gains	-	12,507	494	-	13,001
Unrealized gains (losses)	448	61,967	7,976	(1,555)	68,836
Purchases	5,794	271,688	36,868		314,350
Sales	-	(177,765)	-		(177,765)
Settlements	-	(10,983)	(2,628)	-	(13,611)
Balance at June 30, 2010	$ 6,242	$ 906,684	$ 104,209	$ 5,260	$ 1,022,395
Transfers out of level 3	(6,060)	-	-	-	(6,060)
Realized gains (losses)	(182)	(4,310)	2,017	821	(1,654)
Unrealized gains (losses)	-	89,223	13,476	(1,412)	101,287
Purchases	-	96,438	26,972	-	123,410
Sales	-	(42,746)	-	-	(42,746)
Settlements	-	462	(12,338)	(821)	(12,697)
Balance at June 30, 2011	$ -	$ 1,045,751	$ 134,336	$ 3,848	$ 1,183,935

Of the Level 3 pension plan assets held at June 30, 2011, the unrealized net gain as of June 30, 2011 was $61.5 million. Of the Level 3 pension plan assets held at June 30, 2010, the unrealized net gain as of June 30, 2010 was $69.9 million.

Transfers out of Level 3 into Level 2 were made in 2011 due to the availability of more accurate pricing data for a corporate debt security. At June 30, 2010, the fair value of this investment was estimated using unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes) obtained from investment managers. At June 30, 2011, the fair value of this security was estimated using observable, market based bid evaluations obtained from Financial Times Interactive Data. The Corporation's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute an additional $118.0 million to its pension plans, and $1.6 million to its postretirement plans in 2012 under the Corporation's stated funding policy. The Corporation may elect to make additional contributions.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits, that reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy.

(In Thousands)	Pension Plans	Postretirement Plans	Postretirement Medicare Part D Subsidy
2012	$ 147,804	$ 7,600	$ 130
2013	159,802	8,079	129
2014	179,747	8,376	126
2015	201,402	8,596	122
2016	224,565	8,774	117
Years 2017 - 2021	1,516,223	44,456	474

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was $89.4 million in 2011 and 2010.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2011, that have initial or remaining lease terms in excess of one year:

	(In Thousands)
Years ending June 30:	
2012	$ 67,096
2013	56,428
2014	44,807
2015	34,378
2016	27,501
Thereafter	85,858
Total	$ 316,068

Guarantees – The Corporation entered into debt guarantees prior to December 31, 2002, that are excluded from the consolidated balance sheets. The guaranteed debt was used to finance equipment purchases and to finance or construct professional office buildings, including outpatient surgery centers, rehabilitation facilities, medical facilities and medical office buildings.

Multiple guarantees at the following levels existed at June 30, 2011:

(In Thousands)

Total Principal Amount	Dollars Guaranteed by Corporation	Percentage Guaranteed by Corporation	Percentage Guaranteed by Others
$ 6,285	$ 6,285	100%	0%
10,700	5,350	50%	50%
375	94	25%	75%
2,320	435	18.75%	81.25%
$ 19,680	$ 12,164		

Asset Retirement Obligations – The Corporation has conditional asset retirement obligations for certain fixed assets mainly related to the removal of asbestos contained within facilities and the removal of underground storage tanks.

A reconciliation of the asset retirement obligations at June 30 follows:

	2011	2010
	(In Thousands)	
Asset retirement obligation, beginning of year	$ 18,735	$ 17,575
Accretion	842	913
Liabilities incurred	27	351
Liabilities settled	(2,117)	(104)
Asset retirement obligation, end of year	$ 17,487	$ 18,735

Litigation

On September 21, 2007, in Boise, Idaho a jury awarded $58.9 million in damages to MRI Associates, LLP, an Idaho limited partnership ("MRIA") against Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (collectively, "Saint Alphonsus"). The lawsuit involved Saint Alphonsus' withdrawal from the MRIA partnership. The jury award was remitted by the trial judge to $36.3 million, which was offset by the award of $4.6 million to Saint Alphonsus, which was the value of its partnership interest in MRIA. St. Alphonsus appealed to the Idaho Supreme Court, asserting, among other things, that the trial court decision that the withdrawal was "wrongful" as a matter of law was incorrect. In October 2009, the Idaho Supreme Court overturned the trial court decision concluding that the withdrawal was not wrongful as a matter of law and remanded the case for a new trial. The trial date is tentatively set for September 2011. The Corporation recorded management's estimation for litigation expense of $20 million in the 2007 consolidated statement of operations and changes in net assets. As of June 30, 2011 and 2010, the liability is included in other long-term liabilities in the consolidated balance sheets in the event of an unfavorable resolution of this matter.

In June 2007, the Corporation was added to litigation pending in the United States District Court for the Eastern District of Michigan, alleging that certain hospitals in Southeastern Michigan conspired to suppress the wages of nurses over a period of five years. The plaintiffs brought the action on their own behalf and on behalf of all others similarly situated and seeking certification of the class. The complaint alleges that there was a direct agreement among the executives of defendant hospitals to suppress compensation and that they shared non-public compensation information which had an anticompetitive effect on wages. The complaint specifically references St. Mary Mercy Hospital in Livonia, Michigan and St. Joseph Mercy Oakland in Pontiac, Michigan. This case is one of five similar actions filed by the same group of plaintiffs' counsel, in different cities, raising similar claims and allegations of collusion. Three of the seven defendants have settled the litigation, but the Corporation has not. Discovery is complete and several dispositive motions have been pending since June 2009, including defendants' motion for summary judgment. Plaintiffs' motion to certify a class is also pending and has been opposed by defendants. If the outcome is adverse to the Corporation, the Corporation could potentially incur material damages or other financial consequences. At this time, it is premature to assess the likely course or outcome of this litigation.

The Corporation is involved in other litigation and regulatory investigations arising in the course of doing business. After consultation with legal Counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation's consolidated balance sheets include cash, cash equivalents, marketable securities, investment funds, commingled funds, securities lending collateral, derivatives, and certain pension assets. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets;
- Quoted prices for identical or similar instruments in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

Valuation Methodologies

Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets.

Security Lending Collateral – The fair value amounts of security lending collateral are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Marketable Securities – The fair value amounts of marketable securities, included in investments and assets limited or restricted as to use in the consolidated balance sheets, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Investment Funds – The Corporation's portfolio includes funds developed by investment managers specifically for the Corporation's use. These funds are similar to mutual funds, but are not traded on a public exchange. Investment Funds are recorded at fair value as the underlying investments consist of securities that have a readily determinable market value.

Commingled Funds – The Corporation invests in various commingled funds that are included in investments and assets limited or restricted as to use in the consolidated balance sheets. These funds are developed for investment by institutional investors only and therefore do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value as the underlying investments consist of securities that have a readily determinable market value.

The Corporation classifies its marketable securities, investment funds and commingled funds as trading securities. Holding gains (losses) included in the excess of revenue over expenses for the years ending June 30, 2011 and 2010 were approximately $155.2 million and $177.5 million, respectively.

Other Investments – The Corporation accounts for certain other investments using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a diversified multi-strategy approach. Generally, redemptions may be made with written notice ranging from one month to one year. Underlying investments in these funds may include other funds, equities, fixed income securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the external investment administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Investment managers meet with the Corporation's Investment Subcommittee of the Finance and Stewardship Committee of the Board of Directors on a periodic basis. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. The balance of these investments at June 30, 2011 and 2010, was $965.7 million and $612.2 million, respectively.

Cash, cash equivalents, marketable securities, investment funds, commingled funds and other investments totaled $4,831 million and $4,375 million at June 30, 2011 and 2010, respectively.

Derivatives – The fair value of the Corporation's derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation's nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following table presents information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded at June 30:

	2011 (In Thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,097,899	$ 40,695	$ -	$ 1,138,594
Security lending collateral	-	149,641	-	149,641
Marketable securities:				
Equity securities	589,498	1,913	500	591,911
Debt securities:				
Government and government agency obligations	-	335,433	116	335,549
Corporate bonds	-	285,643	2,467	288,110
Asset backed securities	-	77,517	715	78,232
Other	-	13,620	-	13,620
Mutual funds:				
Equity mutual funds	181,670	-	-	181,670
Fixed income mutual funds	46,438	-	-	46,438
Real estate funds - REIT	6,658	-	-	6,658
Other	1,540	-	-	1,540
Total marketable securities	825,804	714,126	3,798	1,543,728
Investment funds:				
Equity funds	-	301	8,600	8,901
Bond funds	-	876,018	-	876,018
Commingled funds	-	291,750	-	291,750
Derivatives		33,422	-	33,422
Total Assets	$ 1,923,703	$ 2,105,953	$ 12,398	$ 4,042,054
Liabilities:				
Interest rate swaps	$ -	$ 107,926	$ -	$ 107,926
Total Liabilities	$ -	$ 107,926	$ -	$ 107,926

	2010 (In Thousands)			
Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 1,047,657	$ 51,417	$ -	$ 1,099,074
Security lending collateral		156,162		156,162
Marketable securities:				
Equity securities	710,565	4,137	-	714,702
Debt securities:				
Government and government agency obligations	4,563	321,418	-	325,981
Corporate bonds	2,439	240,831	-	243,270
Asset backed securities	834	182,814	-	183,648
Other	-	7,503	-	7,503
Mutual funds:				
Equity mutual fund	130,962	34	-	130,996
Fixed income mutual fund	358,344	1,718	-	360,062
Real estate funds - REIT	7,200	-	-	7,200
Other	3,954	106	-	4,060
Total marketable securities	1,218,861	758,561	-	1,977,422
Investment funds:				
Bond funds	62	474,803	-	474,865
Commingled funds	-	204,974	-	204,974
Derivatives		23,154		23,154
Investment collars	-	5,359	-	5,359
Total Assets	$ 2,266,580	$ 1,674,430	$ -	$ 3,941,010
Liabilities:				
Interest rate swaps	$ -	$ 127,350	$ -	$ 127,350
Investment collars	-	8,736	-	8,736
Total Liabilities	$ -	$ 136,086	$ -	$ 136,086

There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2011 or 2010.

The following table summarizes the changes in Level 3 assets for the years ended June 30:

	2010 and 2011 (In Thousands)					
	Equity securities	Government and government agency obligations	Corporate bonds	Asset backed securities	Investment funds	Total
Balance at June 30, 2010	$ -	$ -	$ -	$ -	$ -	$ -
Realized gains	-	-	2	1		3
Unrealized gains (losses)	(35)	24	58	21	367	435
Purchases	535	92	2,436	885	8,233	12,181
Settlements	-	-	(29)	(192)	-	(221)
Balance at June 30, 2011	$ 500	$ 116	$ 2,467	$ 715	$ 8,600	$ 12,398

The composition of investment returns included in the consolidated statement of operations and changes in net assets for the years ending June 30 is as follows:

	2011	2010
	(In Thousands)	
Dividend, interest income and other	$ 79,703	$ 93,863
Realized gains (losses), net	138,901	23,783
Realized equity earnings (losses), other investments	(1,432)	31,698
Change in net unrealized gains (losses) on investments	279,942	195,979
Total investment return	$ 497,114	$ 345,323
Included in:		
Operating income	$ 6,454	$ 12,996
Nonoperating items	483,550	328,038
Changes in restricted net assets	7,110	4,289
Total investment return	$ 497,114	$ 345,323

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give.

Unconditional promises to give consist of the following at June 30:

	2011	2010
	(In Thousands)	
Amounts expected to be collected in:		
Less than one year	$ 9,049	$ 8,921
One to five years	11,688	17,039
More than five years	3,841	4,229
	24,578	30,189
Discount to present value of future cash flows	1,885	2,173
Allowance for uncollectible amounts	2,566	3,081
Total unconditional promises to give, net	$ 20,127	$ 24,935

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable-rate debt approximate their fair values. The fair value of the Corporation's fixed-rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed-rate long-term revenue and refunding bonds was $1,576 million and $1,474 million for 2011 and 2010, respectively. The related carrying value of the fixed-rate long-term revenue and refunding bonds was $1,509 million and $1,402 million for 2011 and 2010, respectively. The fair values of the remaining fixed-rate capital leases, notes payable to banks, and other debt are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks the Corporation enters into various derivative contracts, primarily interest rate swaps and investment collars. Interest rates swaps are used to manage the effect of interest rate fluctuations. Investment collars are used to manage the effects of equity market volatility.

Management reviews the Corporation's hedging program, derivative position, and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt, variable rate leases and a fixed income investment portfolio. Cash payments on interest rate swaps totaled $15.7 million and $16.2 million in 2011 and 2010, respectively and are included in non-operating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Certain of the Corporation's interest rate swaps are secured by $30.6 million and $32.5 million of collateral included in prepaid expenses and other current assets in the Corporation's consolidated balance sheets at June 30, 2011 and 2010, respectively.

Investment Collars – The Corporation engaged in a downside risk mitigation strategy employing an equity collar structure utilizing a combination of equity call and put options. This hedging strategy was based on investment portfolio exposure to long only equities and contained no leverage. This investment collar expired in July 2010.

Effect of Derivative Instruments on Excess of Revenue over Expenses or Unrestricted Net Assets - The following table represents the effect derivative instruments had on the Corporation's financial performance for the years ended June 30:

Derivatives not designated as hedging instruments:	Location of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets	Amount of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets 2011	2010
		(In Thousands)	
Excess of Revenue over Expenses:			
Interest rate swaps	Change in market value and cash payment on interest rate swaps	$ 13,554	$ (40,385)
Interest rate swaps	Investment income	206	922
Investment collars	Investment loss	(4,969)	(3,338)
	Total	$ 8,791	$ (42,801)

Balance Sheet Effect of Derivative Instruments - The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at June 30:

Derivatives not designated as hedging instruments:	Consolidated Balance Sheet Location	2011	2010
		(In Thousands)	
Asset Derivatives:			
Investment collars	Prepaid expenses and other current assets	$ -	$ 5,359
Interest rate swaps	Investments	6,356	6,164
Interest rate swaps	Other assets	27,066	16,990
Total asset derivatives		$ 33,422	$ 28,513
Liability Derivatives:			
Investment collars	Accrued liabilities	$ -	$ 8,736
Interest rate swaps	Other long term liabilities	107,926	124,693
Total liability derivatives		$ 107,926	$ 133,429

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. At June 30, 2011 and 2010 an adjustment for non-performance risk reduced derivative assets by $2.6 million and $0.9 million and derivatives liabilities by $3.0 million and $9.1 million, respectively.

12. ENDOWMENTS

The Corporation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

Endowment net asset composition by type of fund at June 30 is as follows:

	2011 (In Thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 446	$ 34,462	$ 34,908
Board-designated endowment funds	34,988	-	-	34,988
Total endowment funds	$ 34,988	$ 446	$ 34,462	$ 69,896

	2010 (In Thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 464	$ 31,736	$ 32,200
Board-designated endowment funds	19,737	-	-	19,737
Total endowment funds	$ 19,737	$ 464	$ 31,736	$ 51,937

Changes in endowment net assets for the years ended June 30 include:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
		(In Thousands)		
Endowment net assets, July 1, 2009	$ 17,157	$ 430	$ 29,197	$ 46,784
Investment return:				
Investment gains	779	6	162	947
Change in net realized and unrealized gains and losses	1,519	15	1,288	2,822
Total investment return	2,298	21	1,450	3,769
Contributions	215	16	360	591
Appropriation of endowment assets for expenditures	(383)	(3)	-	(386)
Other	450	-	729	1,179
Endowment net assets, June 30, 2010	19,737	464	31,736	51,937
Investment return:				
Investment gains	1,658	8	713	2,379
Change in net realized and unrealized gains and losses	3,964	373	1,820	6,157
Total investment return	5,622	381	2,533	8,536
Contributions	36	-	403	439
Appropriation of endowment assets for expenditures	(967)	(5)	-	(972)
Transfer to create a board designated endowment	10,560	-	-	10,560
Other	-	(394)	(210)	(604)
Endowment net assets, June 30, 2011	$ 34,988	$ 446	$ 34,462	$ 69,896

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets as of June 30:

	2011	2010
	(In Thousands)	
Permanently restricted net assets:		
Hospital operations support	$ 16,736	$ 12,075
Medical program support	5,127	3,951
Scholarship funds	2,351	4,350
Research funds	3,433	2,604
Community service funds	5,764	5,462
Other funds	1,051	3,294
Total endowment funds classified as permanently restricted net assets	$ 34,462	$ 31,736
Temporarily restricted net assets:		
Term endowment funds	$ 133	$ 176
Other	313	288
Total endowment funds classified as temporarily restricted net assets	$ 446	$ 464

Funds with Deficiencies – Periodically the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2011, the date the consolidated financial statements were issued. The following subsequent events were noted:

Acquisition of Loyola University Health System ("LUHS") – On July 1, 2011, the Corporation replaced Loyola University of Chicago ("University") as the sole member of LUHS, an Illinois not-for-profit corporation. LUHS is the sole member of Loyola University Medical Center and Gottlieb Memorial Hospital, both Illinois not-for-profit corporations. LUHS is also the sole shareholder of Loyola University of Chicago Insurance Company, a Cayman Islands Corporation. The Corporation will coordinate with the University to support health science education and research. The entities seek to work collaboratively both within and outside the Chicago market to become one of the nation's leading providers of Catholic health care, research and medical education.

The Corporation acquired LUHS for $88.3 million in cash and accrued an additional $75 million to be paid over future years. The Corporation recorded indefinite-lived intangible assets, primarily for a trade name, of $36.1 million in the consolidated balance sheet at the acquisition date. Based on the purchase price allocation, the fair value of identifiable assets acquired and liabilities assumed exceeded the fair value of consideration paid and accrued. The Definitive Agreement stipulates a post closing reconciliation of the purchase price shall take place within 120 days of the closing date. Management anticipates this reconciliation will increase the purchase price and decrease the gain recorded in nonoperating items. Prior to the post closing adjustment to the purchase price, the Corporation will recognize a gain of approximately $149 million in nonoperating items in the consolidated statement of operations and changes in net assets for the year ending June 30, 2012. The Corporation is still assessing the economic characteristics of certain assets acquired and liabilities assumed. The Corporation expects to substantially complete this assessment during the six months ended December 31, 2011 and may adjust the amounts recorded as of July 1, 2011 to reflect revised evaluations. Transaction costs accrued as of June 30, 2011 totaled $6.0 million and were incurred primarily for legal and consulting services which are included in purchased services on the consolidated statement of operations and changes in net assets. Summarized consolidated balance sheet information for LUHS at July 1, 2011 is shown below.

(In Thousands)

Cash and investments	$ 117,803	Current portion of long-term debt	$ 163,392
Patient accounts receivable, net	151,485	Accounts payable and accrued expenses	108,264
Other current assets	60,803	Other current liabilities	81,120
Assets whose use is restricted	239,115	Long-term debt	174,477
Property and equipment	522,076	Self-insurance reserves	193,251
Intangibles	36,110	Pension and post retirement plan obligations	56,528
Other assets	45,737	Other liabilities	56,300
Total assets acquired	$ 1,173,129	Total liabilities acquired	$ 833,332
		Temporarily restricted net assets	$ 20,362
		Permanently restricted net assets	6,671
		Total net assets	$ 27,033

As of August 8, 2011, all of LUHS' debt was retired with the proceeds from the Corporation's issuance of $234 million of taxable commercial paper and cash on hand.

As part of the LUHS acquisition, certain executed agreements provide for ongoing financial support from the Corporation including:

- A Definitive Agreement which the Corporation has agreed that over the seven year period from July 1, 2011 to 2018, at least $300 million will be expended on capital projects and, if certain operating thresholds are met, the amount may be increased to $400 million
- An Academic Affiliation Agreement which has an initial term of ten years and provides for an annual academic support payment from the Corporation to the University of $22.5 million in the first year, adjusted annually for inflation.
- A Shared Services Agreement between the University and LUHS who have agreed on a cost sharing agreement related to common employees and services.

The supplemental pro forma revenue, earnings and changes in net assets for LUHS and the Corporation combined for the years ended June 30, 2011 and 2010, are as follows:

	2011	2010
Total operating revenue	$ 8,412,095	$ 7,845,373
Excess of revenue over expenses	707,053	452,261
Change in unrestricted net assets	990,170	291,617
Change in temporarily restricted net assets	3,273	(10,710)
Change in permanently restricted net assets	2,834	2,565

Sale of BCHS – Effective July 1, 2011, the Corporation transferred its shares of BCHS to Bronson Healthcare Group, Inc. for $76.4 million. As a result of the transfer, an estimated loss on disposal of approximately $28.4 million was recognized which includes a pension curtailment gain of $5.8 million and settlement loss of $24.7 million. As of June 30, 2011, $1.7 million of disposition costs consisted of legal and other divestiture costs.

Renewal of Credit Agreements – In July 2011, the Corporation renewed the 2010 Credit Agreements with Bank of America, N.A., which acts as an administrative agent for a group of lenders thereunder. The 2010 Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time but, as of September 23, 2011, the amount available was $916 million. Amounts drawn under the 2010 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the $916 million, $225 million expires in July 2012, $195 million expires in July 2013, $240 million expires in July 2014 and $256 million expires in July 2015.

* * * *

TRINITY HEALTH

Consolidated Financial Statements for the Years Ended June 30, 2010 and 2009 and Independent Auditors' Report

TRINITY HEALTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health
Novi, Michigan

We have audited the accompanying consolidated balance sheets of Trinity Health and subsidiaries (the "Corporation") as of June 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2010 and 2009, and the results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 22, 2010

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2010 AND 2009
(In Thousands)

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 552,418	$ 546,083
Investments	1,538,048	1,301,827
Security lending collateral	156,162	88,940
Assets limited or restricted as to use, current portion	9,437	17,454
Patient accounts receivable, net of allowance for doubtful accounts of $175.7 million and $158.6 million in 2010 and 2009, respectively	714,428	703,463
Estimated receivables from third-party payors	36,415	38,954
Other receivables	89,241	87,755
Inventories	110,625	100,347
Prepaid expenses and other current assets	107,426	93,324
Total current assets	3,314,200	2,978,147
ASSETS LIMITED OR RESTRICTED AS TO USE, NON-CURRENT PORTION:		
Held by trustees under bond indenture agreements	45,741	45,485
Self-insurance, benefit plans and other	191,620	165,065
By Board	1,969,650	1,648,251
By donors	97,841	102,703
Total assets limited or restricted as to use, non-current portion	2,304,852	1,961,504
PROPERTY AND EQUIPMENT, NET	3,451,916	3,388,949
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	92,308	95,863
EXCESS OF COST OVER NET ASSETS ACQUIRED, net of accumulated amortization of $26.1 million and $23.5 million in 2010 and 2009, respectively	54,480	57,997
INTANGIBLE ASSETS, net of accumulated amortization of $11.4 million and $5.6 million in 2010 and 2009, respectively	16,614	15,368
OTHER ASSETS	87,210	82,703
TOTAL ASSETS	$ 9,321,580	$ 8,580,531

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

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES:		
Line of credit	$ -	$ 686
Commercial paper	169,956	99,981
Short-term borrowings	1,143,940	1,060,050
Current portion of long-term debt	30,952	30,843
Accounts payable	282,036	264,859
Accrued expenses	81,734	58,161
Salaries, wages and related liabilities	319,990	314,439
Payable under security lending agreements	156,162	88,940
Estimated payables to third-party payors	159,308	119,700
Total current liabilities	2,344,078	2,037,659
LONG-TERM DEBT, NET OF CURRENT PORTION	1,406,548	1,224,561
SELF-INSURANCE RESERVES	295,266	302,656
ACCRUED PENSION AND RETIREE HEALTH COSTS	672,889	731,875
OTHER LONG-TERM LIABILITIES	292,861	253,991
Total liabilities	5,011,642	4,550,742
EXTERNAL FINANCIAL INTEREST	87,885	81,530
NET ASSETS:		
Unrestricted	4,119,660	3,832,806
Temporarily restricted	70,657	86,256
Permanently restricted	31,736	29,197
Total net assets	4,222,053	3,948,259
TOTAL LIABILITIES AND NET ASSETS	$ 9,321,580	$ 8,580,531

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009
(In Thousands)

	2010	2009
UNRESTRICTED REVENUE:		
Net patient service revenue	$ 6,186,536	$ 5,953,806
Capitation and premium revenue	359,503	333,349
Net assets released from restrictions	20,631	14,222
Other revenue	442,008	444,639
Total unrestricted revenue	7,008,678	6,746,016
EXPENSES:		
Salaries and wages	2,692,757	2,627,512
Employee benefits	679,534	604,153
Contract labor	53,892	67,896
Total labor expenses	3,426,183	3,299,561
Supplies	1,163,758	1,131,201
Purchased services	639,239	618,880
Depreciation and amortization	422,810	410,045
Occupancy	299,385	295,265
Provision for bad debts	314,998	280,942
Medical claims and capitation purchased services	191,531	177,594
Interest	73,233	83,662
Other	266,866	243,871
Total expenses	6,798,003	6,541,021
OPERATING INCOME BEFORE OTHER ITEMS	210,675	204,995
Pension settlement	(48,986)	-
Reduction in insurance expense	-	28,188
Restructuring charges	-	(23,317)
OPERATING INCOME	161,689	209,866
NONOPERATING ITEMS:		
Investment income (loss) - marketable securities	277,645	(361,843)
Equity earnings (losses), other investments	59,088	(278,161)
Change in market value and cash payments of interest rate swaps	(40,385)	(37,292)
Loss from early extinguishment of debt	(949)	(9,052)
External financial interest	(12,048)	(1,760)
Other, including income tax expense	(10,945)	(11,001)
Total nonoperating items	272,406	(699,109)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	434,095	(489,243)

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

	2010	2009
UNRESTRICTED NET ASSETS:		
Excess (deficiency) of revenue over expenses	434,095	(489,243)
Change in market value of interest rate swaps	-	1,054
Net assets released from restrictions for capital acquisitions	21,058	24,671
Net change in retirement plan related items	(170,962)	(764,984)
Adjustment to apply retirement plan measurement date provisions	-	(22,226)
Other	2,663	7,790
Increase (decrease) in unrestricted net assets	286,854	(1,242,938)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	21,351	24,134
Net investment gain (loss)	2,873	(6,879)
Net assets released from restrictions	(41,689)	(38,893)
Other	1,866	(2,463)
Decrease in temporarily restricted net assets	(15,599)	(24,101)
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for endowment funds	360	601
Net investment gain (loss)	1,450	(3,263)
Other	729	2,537
Increase (decrease) in permanently restricted net assets	2,539	(125)
INCREASE (DECREASE) IN NET ASSETS	273,794	(1,267,164)
NET ASSETS, BEGINNING OF YEAR	3,948,259	5,215,423
NET ASSETS, END OF YEAR	$ 4,222,053	$ 3,948,259

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009
(In Thousands)

	2010	2009
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 273,794	$ (1,267,164)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	422,810	410,045
Provision for bad debts	314,998	280,942
Deferred retirement items arising during the year	261,628	764,984
Adjustment to apply retirement plan measurement date provisions	-	22,226
Change in net unrealized and realized (gains) losses on investments	(258,234)	729,843
Change in market values of interest rate swaps	24,194	27,799
Undistributed equity earnings from unconsolidated affiliates	(19,593)	(20,729)
Loss on disposals of property and equipment	7,083	7,472
Restricted contributions and investment income received	(7,537)	(5,613)
External financial interest in consolidated subsidiaries	6,355	(10,595)
Loss from extinguishment of debt	949	9,052
Gain on sale unconsolidated affiliates and subsidiaries	(10,130)	(9,407)
Reduction in insurance expense	-	(28,188)
Other adjustments	15,518	20,706
Changes in, excluding assets acquired:		
Patient accounts receivable	(305,656)	(223,198)
Other assets	(8,865)	(28,136)
Accounts payable and accrued expenses	35,334	19,143
Estimated payables to third-party payors, net	35,407	22,777
Self-insurance reserves	(7,390)	8,781
Accrued pension and retiree health costs	(320,614)	(3,517)
Other liabilities	1,806	(347)
Total adjustments	188,063	1,994,040
Net cash provided by operating activities	461,857	726,876

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

	2010	2009
INVESTING ACTIVITIES:		
Purchases of investments	(2,171,562)	(1,905,202)
Proceeds from sales of investments	1,854,238	1,790,608
Purchases of property and equipment	(445,692)	(610,958)
Acquisition of subsidiaries, net of $46.2 million and $1.7 million cash assumed in 2010 and 2009, respectively	(67,718)	(22,304)
Decrease in other investments in affiliates	24,985	25,422
Decrease in assets limited as to use	10,275	10,053
Proceeds from sale of unconsolidated affiliates and subsidiaries	10,130	9,722
Proceeds from disposal of property and equipment	6,838	4,522
Net cash used in investing activities	(778,506)	(698,137)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	347,495	1,510,515
Repayments of debt	(91,457)	(1,261,931)
Net increase (decrease) in commercial paper and line of credit	69,289	(60,392)
Increase in financing costs and other	(9,880)	(10,835)
Proceeds from restricted contributions and restricted investment income	7,537	5,613
Net cash provided by financing activities	322,984	182,970
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,335	211,709
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	546,083	334,374
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 552,418	$ 546,083
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	$ 88,555	$ 89,955
Capital lease obligations for buildings and equipment	14,540	581
Accruals for purchases of property and equipment and other long-term assets	42,492	49,872
Unsettled investment trades, purchases	9,695	113,023
Unsettled investment trades, sales	25,343	149,569
(Increase) decrease in security lending collateral	(67,222)	193,333
Increase (decrease) in payable under security lending agreements	67,222	(193,333)

1. ORGANIZATION AND MISSION

Trinity Health, an Indiana not-for-profit corporation, and its subsidiaries are collectively referred to as the Corporation. The Corporation is sponsored by Catholic Health Ministries ("CHM"), a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in eight states. The mission statement for Trinity Health is as follows:

We serve together in Trinity Health, in the spirit of the Gospel, to heal body, mind and spirit, to improve the health of our communities and to steward the resources entrusted to us.

Community Benefit Ministry - Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States' ("CHA"), ***A Guide for Planning and Reporting Community Benefit***, 2008 Edition.

The following amounts below reflect the quantifiable costs of the Corporation's community benefit ministry for the years ended June 30:

	2010	2009
	(In Thousands)	
Ministry for the poor and underserved:		
Charity care at cost	$ 131,387	$ 118,095
Unpaid cost of Medicaid and other public programs	167,326	128,648
Programs for the poor and the underserved:		
Community health services	20,535	20,291
Subsidized health services	32,991	28,755
Financial contributions	7,512	5,254
Community building activities	1,730	1,593
Community benefit operations	1,830	1,924
Total programs for the poor and underserved	64,598	57,817
Ministry for the poor and underserved	363,311	304,560
Ministry for the broader community:		
Community health services	10,192	8,603
Health professions education	54,607	50,246
Subsidized health services	13,814	18,211
Research	7,199	6,480
Financial contributions	3,075	3,708
Community building activities	1,436	3,189
Community benefit operations	2,364	1,374
Ministry for the broader community	92,687	91,811
Community benefit ministry	$ 455,998	$ 396,371

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, that is reported as bad debt at cost and not included in the amounts reported above. During the years ended June 30, 2010 and 2009, the Corporation reported bad debt at cost (determined using a cost to charge ratio applied to the provision for bad debts) of $123.1 million and $111.9 million, respectively.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured and the indigent. This is done with the conviction that healthcare is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies as further described in Note 4. The cost of charity care is calculated using a cost to charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies. These amounts include special system-wide funds used for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or assets assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments, that are not controlled by the Corporation, are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances; recorded values of investments; provisions for bad debts; reserves for losses and expenses related to health care professional and general liability; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgment and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments and Investment Earnings – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds and other investments structured as limited liability corporations or partnerships. Commingled funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values. Limited liability corporations and partnerships that do not directly hold securities are accounted for under the equity method. Redemptions of certain limited liability corporations and partnerships may be made with written notice ranging from one month to one year.

Investment earnings (including equity earnings, realized gains and losses on investments, holding gains and losses, and interest and dividends) are included in excess of revenue over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on commingled funds and other investments structured as limited liability corporations and partnerships are included in nonoperating items.

Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held for borrowings under the intercompany loan program, and assets deposited in trust funds by a captive insurance company for self-insurance purposes in accordance with industry practices are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other unrestricted investments and board designated funds are included in nonoperating investment income.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options, foreign currency futures, caps, swaps, and convertible bonds and stocks) to hedge interest rate, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, the Corporation obtains additional collateral as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. At June 30, 2010 and 2009, the Corporation had securities loaned of $155.3 million and $95.8 million, respectively, and received collateral (cash and noncash) totaling $159.8 million and $99.4 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in investment income (loss) - marketable securities on the consolidated statements of operations and changes in net assets.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation's various ministry organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are 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 to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset, is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 3 to 45 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Asset Impairment – The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. These evaluations are primarily based on the estimated recoverability of the assets' carrying value. The evaluation of excess of costs over net assets acquired is based principally on the projected undiscounted cash flows generated by the underlying tangible assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted average cost method.

Excess of Costs over Net Assets Acquired – Excess of costs over net assets acquired are capitalized and amortized using the straight-line method over their estimated useful lives, which range from 5 to 40 years. Amortization of excess of costs over net assets acquired for the years ended June 30, 2010 and 2009 of $4.3 million and $4.7 million, respectively, is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

Intangible Assets – Intangible assets primarily include non-compete agreements with finite lives amortized using the straight-line method over their estimated useful lives, which range from 5 to 8 years.

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation's ministry organizations at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Allowance for Doubtful Accounts – Substantially all of the Corporation's receivables are related to providing healthcare services to patients. Accounts receivable are reduced by an allowance for amounts that could become uncollectible in the future. The Corporation's estimate for its allowance for doubtful accounts is based upon management's assessment of historical and expected net collections by payor.

Short-term borrowings – Puttable variable rate demand bonds supported by self liquidity or liquidity facilities considered short-term in nature are included in short-term borrowings.

Premium and Capitation Revenue – The Corporation has certain ministry organizations that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheet.

Certain of the Corporation's ministry organizations have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's ministry organizations are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the ministry organization is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheet.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheet. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations. The Corporation limits a portion of its liability through stop-loss reinsurance.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes.

Excess (Deficiency) of Revenue Over Expenses – The consolidated statement of operations and changes in net assets includes excess (deficiency) of revenue over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), net change in postretirement plan related items, discontinued operations, extraordinary items and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements – In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 105, *Generally Accepted Accounting Principles* ("ASC 105") (formerly known as Financial Accounting Standards No. 168 – *"The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162")*. This standard establishes the ASC as the single source of authoritative U.S. Generally Accepted Accounting Principles ("GAAP"), superseding all previously issued authoritative guidance. All references to pre-Codification GAAP in the Corporation's consolidated financial statements have been replaced with descriptive titles.

On July 1, 2009, the Corporation adopted FASB's ASC guidance regarding disclosures about derivative instruments and hedging activities. This guidance expands current disclosure requirements when accounting for derivative instruments and hedging activities. It requires additional disclosures regarding: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are currently being accounted for under existing FASB ASC Guidance and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. In addition, this guidance requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation, the purpose of derivative use in terms of the risks that the entity is intending to manage, quantitative disclosures about the fair values of derivative instruments and their gains and losses and disclosures about credit-risk-related contingent features. The adoption of this guidance did not have a material impact on the Corporation's financial position and results of operations, but resulted in additional disclosures as presented in Note 11.

On July 1, 2009, the Corporation adopted FASB's ASC guidance regarding employer's disclosures about postretirement benefit plan assets as presented in Note 8. This standard requires entities to provide enhanced disclosures about how investment allocation decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period, and significant concentrations of risk within plan assets.

Forthcoming Accounting Pronouncements – In April 2009, the FASB issued new ASC guidance for not-for-profit entities regarding mergers and acquisitions. This guidance defines a combination of one or more other not-for-profit entities, business or nonprofit activities as either a merger or acquisition. It also establishes principles and requirements in determining whether a not-for-profit entity combination is a merger or acquisition, applies the carryover method in accounting for mergers, applies the acquisition method in accounting for acquisitions, including which of the combining entities is the acquirer, and requires enhanced disclosures about the merger or acquisition. In addition, it amends existing FASB ASC guidance on goodwill and other intangible assets and noncontrolling interests in consolidated financial statements to make previous guidance that was only applicable to for-profit entities fully applicable to not-for-profit entities. In January 2010, the FASB issued ASC guidance to clarify the scope of noncontrolling interests in consolidated financial statements related to decrease in ownership provisions. This guidance is effective for the Corporation beginning July 1, 2010. The Corporation is still assessing the impact of this guidance on the consolidated financial statements.

In June 2009, the FASB issued ASC guidance on accounting for transfers of financial assets. This guidance clarifies that the objective is to determine whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control over transferred financial assets.

That determination must consider the transferor's continuing involvements in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. This guidance is effective for the Corporation beginning July 1, 2010. The adoption of this guidance will not have a material impact on the consolidated financial statements.

In January 2010, the FASB issued ASC guidance that amends current disclosure requirements under existing fair value accounting standard. It requires entities to disclose separately the amounts of significant transfers into and out of Level 1 and Level 2 fair value measurements along with the reasons for those transfers. In addition, it also requires entities to present separately information about purchases, sales, issuances, and settlements on a gross basis rather than as one net number in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). This guidance is effective for the Corporation beginning on July 1, 2010 except for Level 3 fair value measurement disclosure that is effective July 1, 2011. The adoption of this guidance will result in additional disclosures in the notes to the consolidated financial statements.

Reclassification and Modification of Presentation – Certain amounts for 2009 have been reclassified to conform to the 2010 presentation. An amount of $58.2 million was reclassified from accounts payable and accrued expense to accrued expense on the 2009 consolidated balance sheet for separate disclosure. In the Corporation's 2009 consolidated statements of cash flows, an amount of $266.6 million for net realized losses on investments and $463.2 million for change in net unrealized gains on investments were summarized into one line to conform to the 2010 presentation. These reclassifications had no impact on previously reported excess (deficiency) of revenue over expenses, net assets or cash flows of the Corporation.

In the 2009 consolidated statements of cash flows, the provision for bad debts of $280.9 million was included in changes in patient accounts receivable, net. The Corporation has presented the provision for bad debts separately from the change in patient accounts receivable in 2010 and modified the comparative 2009 presentation in the consolidated statements of cash flows. The modification had no impact on reported net cash provided by operating activities in the 2009 consolidated statements of cash flows.

3. CONSOLIDATED AFFILIATES, INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Consolidated Affiliates – The Corporation consolidates certain affiliates even though ownership may be less than 51% based on control of these entities. The only significant consolidated affiliate with less than 51% ownership interest is Battle Creek Health System ("BCHS"). On July 1, 1991, BCHS was formed through an agreement between the Corporation and Community Hospital Association of Battle Creek, Michigan. The Corporation owns 50% of the stock of BCHS. BCHS is effectively controlled by the Corporation, and accordingly, the financial statements of BCHS are included in the consolidated financial statements of the Corporation with a 50% provision for external financial interest. Before the provision for external financial interest, BCHS reported excess (deficiency) of revenue over expenses of $14.9 million and $(6.8) million for the years ended June 30, 2010 and 2009, respectively, that is consolidated in these financial statements. As of June 30, 2010 and 2009, consolidated net assets include $149.6 million and $139.1 million, respectively, for BCHS prior to the provision for external financial interest.

Investments in Unconsolidated Affiliates – The Corporation and certain of its ministry organizations have investments in entities that are recorded under the cost and equity methods of accounting. At June 30, 2010, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 3.2% to 50%. The Corporation's share of equity earnings from entities accounted for under the equity method was $19.6 million and $20.7 million for the years ended June 30, 2010 and 2009, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets.

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method as of and for the periods ended June 30 are as follows:

2010
(In Thousands)

	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 113,449	$ 67,862	$ 63,059	$ 16,746	$ 138,720	$ 399,836
Total debt	66,443	16,365	35,677	-	41,239	159,724
Net assets	40,573	39,827	22,196	7,639	69,617	179,852
Revenue, net	39,362	115,060	94,515	50,578	126,100	425,615
Excess of revenue over expenses	5,105	20,146	30,566	4,295	3,731	63,843

2009
(In Thousands)

	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 91,688	$ 73,799	$ 58,915	$ 18,008	$ 112,325	$ 354,735
Total debt	53,860	18,400	29,834	-	37,806	139,900
Net assets	30,245	42,026	23,982	9,408	54,192	159,853
Revenue, net	23,412	130,879	87,187	51,584	112,821	405,883
Excess of revenue over expenses	2,215	22,952	28,184	5,366	1,241	59,958

Business Acquisitions and Divestitures – The Corporation entered into the following significant acquisition and divestiture activities during 2010 and 2009:

Business Acquisitions:

Saint Alphonsus Regional Health System – Effective April 1, 2010, a new regional health ministry was formed to serve the needs of residents who live in the area ranging from Idaho's Treasure Valley to eastern Oregon. The new system is comprised of the following three acquired ministry organizations Mercy Medical Center, Nampa, Idaho; Holy Rosary Medical Center, Ontario, Oregon; and St. Elizabeth Health Services, Inc. Baker City, Oregon and the Corporation's existing Saint Alphonsus Regional Medical Center, Boise, Idaho. The fair value of assets acquired and liabilities assumed exceeded the \$113.7 million cost of acquisition, resulting in negative goodwill of \$77.3 million. The negative goodwill was allocated to reduce the fair value of property and equipment. The three acquired ministry organizations have been consolidated in the 2010 financial statements. Summarized combined balance sheet information for the three acquired ministry organizations at April 1, 2010 is shown below.

(In Thousands)

Cash and investments	$ 49,286	Current liabilities	$ 17,626
Patient accounts receivable	20,307	Other liabilities	643
Other current assets	7,064	Total liabilities acquired	18,269
Assets limited or restricted as to use, non-current	954	Temporarily restricted	1,735
Property and equipment	44,363	Permanently restricted	524
Other assets	12,268	Total net assets acquired	2,259
Total assets acquired	$ 134,242	Total liabilities and net assets acquired	$ 20,528

The operating results of the acquired ministry organizations for the three-month period ended June 30, 2010, included total unrestricted revenue of $45.4 million and excess of revenue over expenses of $2.8 million.

Chelsea Community Hospital ("Chelsea") – Effective May 1, 2009, the Corporation, through its operating division, St. Joseph Mercy Health System, Ann Arbor acquired 100% ownership of Chelsea for $25 million. The fair value of assets acquired and liabilities assumed exceeded the cost of acquisition, resulting in negative goodwill of $40.1 million. The negative goodwill was allocated to reduce the fair value of property and equipment. Chelsea has been consolidated in the 2009 financial statements. Summarized balance sheet information for Chelsea at May 1, 2009 is shown below.

(In Thousands)					
Cash and investments	$	6,178	Current liabilities	$	7,697
Assets limited or restricted as to use, current portion		23,717	Long-term debt		40,851
Other current assets		9,369	Other liabilities		1,279
Assets limited or restricted as to use, non-current portion		310	Total liabilities acquired	$	49,827
Property and equipment		38,492			
Other assets		243			
Total assets acquired	$	78,309			

The operating results of Chelsea, for the year ended June 30, 2010 and the two-month period ended June 30, 2009, included total unrestricted revenue of $97.4 million and $15.2 million and excess of revenue over expense of $8.7 million and $1.3 million, respectively.

***Business Divestitures*:**

Our Lady of Peace - South Bend – Effective November 1, 2008, the Corporation, through its subsidiary Saint Joseph Regional Medical Center, sold Our Lady of Peace, a 32 bed long term acute care hospital. As a result of the sale, a gain of $7.1 million was included in other revenue in the 2009 consolidated statement of operations and changes in net assets. Excluding the gain related to the sale, the operating results of Our Lady of Peace for 2009 (to the date of the sale) were as follows:

		2009 (In Thousands)
Total unrestricted revenue	$	4,770
(Deficiency) of revenue over expenses		(1,592)

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare - Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid - Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other - Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

During 2010 and 2009, 39% and 38% of net patient service revenue was received under the Medicare program, 10% and 9% under state Medicaid and indigent care programs and 51% and 53% from other payor contracts and patients, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care – The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify for charity care, they are not reported as net patient service revenue in the consolidated statements of operations and changes in net assets.

A summary of net patient service revenue for the years ended June 30 is as follows:

	2010 (In Thousands)	2009 (In Thousands)
Gross charges:		
Acute inpatient	$ 7,496,292	$ 7,285,596
Outpatient, nonacute inpatient, and other	7,228,700	6,839,646
Gross patient service revenue	14,724,992	14,125,242
Less:		
Contractual and other allowances	(8,010,553)	(7,683,758)
Charity care charges	(385,726)	(350,199)
Allowance for self-insured health benefits	(142,177)	(137,479)
Net patient service revenue	$ 6,186,536	$ 5,953,806

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2010	2009
	(In Thousands)	
Land	$ 189,280	$ 183,521
Buildings and improvements	3,986,798	3,736,464
Equipment	2,938,834	2,810,875
Total	7,114,912	6,730,860
Less accumulated depreciation and amortization	(3,902,519)	(3,818,181)
Construction in progress	239,523	476,270
Property and equipment, net	$ 3,451,916	$ 3,388,949

Buildings and improvements include assets recorded under capital leases of $31.7 million and $17.8 million with accumulated amortization for such assets of $7.6 million and $6.4 million as of June 30, 2010 and 2009, respectively. Equipment includes assets recorded under capital leases of $10.4 million and $7.1 million with accumulated amortization for such assets of $6.9 million and $2.9 million as of June 30, 2010 and 2009, respectively. The associated charges to income are recorded in depreciation and amortization expense.

At June 30, 2010, commitments to purchase property and equipment of approximately $61 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following ministry organizations: Saint Joseph Mercy Health System in Ann Arbor, Michigan - $12 million; Mt. Carmel Health System in Columbus, Ohio - $15 million, Saint Joseph Mercy Oakland in Pontiac, Michigan - $8 million; Mercy Medical Center in Sioux City, Iowa - $5 million; and purchase of a building by the Corporation for $9 million. Costs of these projects are expected to be financed by proceeds from bond issuances, available funds, future operations of the hospitals and contributions.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings, long-term debt, capital lease and other obligations at June 30 is as follows:

	2010	2009
	(In Thousands)	
Short-Term borrowings:		
Variable rate demand bonds. Interest payable monthly at rates ranging from 0.08% to 0.60% during 2010 and from 0.10% to 9.15% during 2009.	$ 1,143,940	$ 1,060,050
Long-Term debt, capital lease and other obligations:		
Tax-exempt revenue bonds and refunding bonds:		
Fixed rate term and serial bonds, payable at various dates through 2038. Interest rate ranges from 2.00% to 6.50% during 2010 and 3.75% to 6.50% during 2009.	$ 1,401,995	$ 1,225,751
Notes payable to banks, 2.28% to 7.80%, fixed and variable, payable in varying monthly installments, due through 2021.	8,725	10,449
Capital lease obligations (excluding imputed interest of $18.4 million and $12.8 million at June 30, 2010 and 2009, respectively).	32,261	19,971
Other	3,635	3,708
Long-Term debt, capital lease and other obligations	1,446,616	1,259,879
Less current portion of long-term debt	(30,952)	(30,843)
Unamortized bond (discounts) premiums	(9,116)	(4,475)
Long-term debt	$ 1,406,548	$ 1,224,561

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows:

	Short-Term Borrowings	Long-Term Debt
	(In Thousands)	
Years ending June 30:		
2011	$ 22,670	$ 30,952
2012	28,075	28,058
2013	29,325	26,612
2014	36,990	20,584
2015	27,595	32,801
Thereafter	999,285	1,307,609
Total	$ 1,143,940	$ 1,446,616

A summary of interest costs on borrowed funds held primarily by the trustee under the revenue bond indentures during the years ended June 30 is as follows:

	2010	2009
	(In Thousands)	
Interest costs incurred	$ 83,476	$ 95,231
Less capitalized interest	(10,243)	(11,569)
Interest expense included in operations	$ 73,233	$ 83,662

Obligated Group and Other Requirements – The Corporation has debt outstanding under a Master Trust Indenture dated July 1, 1998, as amended and supplemented thereto, the Amended and Restated Master Indenture ("ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are general, direct obligations of the Corporation and any future members of the Trinity Health Obligated Group. Proceeds from the tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Since the implementation of the ARMI, the Corporation is the sole member of the Trinity Health Obligated Group. Certain ministry organizations of the Corporation constitute Designated Affiliates and the Corporation covenants to cause each Designated Affiliate to pay, loan or otherwise transfer to the Corporation such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Corporation, the Designated Affiliates and all other controlled affiliates are referred to as the Credit Group. The Corporation has granted a security interest in certain pledged property and has caused not less than 85% of the Designated Affiliates representing, when combined with the Corporation and any future members, not less than 85% of the consolidated net revenue of the Credit Group to grant to the Corporation security interests in certain pledged property in order to secure all obligations issued under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) were $2,546 million and $2,286 million at June 30, 2010 and 2009, respectively.

There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any Material Designated Affiliate (a Designated Affiliate whose total revenues for the most recent fiscal year exceed 5% of the total revenues of the Credit Group for the most recent fiscal year). Long-term debt outstanding as of June 30, 2010 and 2009, excluding amounts issued under the ARMI, is generally collateralized by certain property and equipment.

Issuance and Defeasance of Debt – In November 2009, the Corporation issued $347.5 million in tax-exempt, fixed rate hospital revenue bonds and variable rate revenue and refunding bonds (the "Series 2009 Bonds") under the ARMI. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire $41 million of the Corporation's then outstanding fixed rate hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of $0.9 million, which has been included in non-operating items in the 2010 consolidated statement of operations and changes in net assets. Of the proceeds received, $244.7 million were included in long-term debt with $102.8 million included in short-term borrowings.

In November 2008, the Corporation issued $1,277 million in tax-exempt, fixed rate hospital revenue bonds and variable rate revenue and refunding bonds (the "Series 2008 Bonds") under the ARMI. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire $938.8 million of the Corporation's then outstanding variable rate hospital revenue bonds, including auction rate securities, and $109.2 million of the Corporation's commercial paper. These transactions resulted in a loss from extinguishment of debt of $4 million, which has been included in non-operating items in the 2009 consolidated statement of operations and changes in net assets. Of the proceeds received, $491.6 million was included in long-term debt and $785 million in short-term borrowings.

During May 2009, the Corporation extinguished $43.6 million of outstanding hospital revenue bonds related to Chelsea Community Hospital (the "Series 1998", "Series 2000" and "Series 2005" Bonds), through the issuance of commercial paper.

The outstanding balance of all bonds advance refunded through net defeasance and excluded from the consolidated balance sheets was $172.9 million and $243.5 million at June 30, 2010 and 2009, respectively. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee held escrow accounts are invested in U.S. government securities.

Commercial Paper – The Corporation has entered into a commercial paper program authorized for borrowings up to $400 million. Proceeds from this program are to be used to finance certain acquisitions and for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during 2010 ranged from 0.20% to 0.45% and ranged from 0.35% to 6.0% during 2009.

Liquidity Facilities – In November 2009, the Corporation renewed its 2008 Credit Agreement (the "2008 Credit Agreement"), with The Bank of Nova Scotia, which acts as an administrative agent for a group of lenders thereunder. The 2008 Credit Agreement established a revolving credit facility for the Corporation, under which that group of lenders will agree to lend to the Corporation amounts that may fluctuate from time to time but, in the aggregate at any one time, outstanding will not exceed $676 million. Amounts drawn under the 2008 Credit Agreement can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes.

In August 2009, the Corporation entered into an additional Credit Agreement (the "2009 Credit Agreement"), with The Bank of Nova Scotia, which acts as an administrative agent for a group of lenders. The 2009 Credit Agreement also established a revolving credit facility for the Corporation, under which that group of lenders will agree to lend to the Corporation amounts that may fluctuate from time to time but, in the aggregate at any one time outstanding, will not exceed $240 million. Amounts drawn under the 2009 Credit Agreement can be used only to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed and the maturing principal of and interest on commercial paper notes.

The 2008 and the 2009 Credit Agreements, along with the Corporation's own self-liquidity, provided support for $1,041 million of variable rate demand bonds that are classified as short-term borrowings in the consolidated balance sheet. The Corporation entered into credit agreements subsequent to year end as discussed in Note 14.

As of June 30, 2010, a standby letter of credit in the amount of $104.1 million provides liquidity support for $102.9 million of variable rate demand bonds that are classified as short-term borrowings in the 2010 consolidated balance sheet, is also available to the Corporation. This dedicated facility is effectively available until January 2011. The Corporation has the intent to renew the liquidity facility.

As of June 30, 2010 and 2009, certain liquidity facilities had expiration dates of less than one year from the balance sheet dates. Therefore, $1,144 million and $1,060 million of the variable rate demand bonds supported by these liquidity facilities and self-liquidity were classified as short-term borrowings at June 30, 2010 and 2009, respectively. Variable rate demand bonds have contractual maturity dates through 2035.

At June 30, 2008, $42.7 million of variable rate demand bonds that were insured by weakened bond insurance companies and tendered back to the Corporation, were outstanding under the liquidity facilities. During 2009, the liquidity facilities were used for redeeming an additional $158.1 million of variable rate demand bonds. Subsequently, bonds in the amount of $80 million were remarketed during 2009. As part of the November 2008 issuance, the remaining $120.8 million of variable rate demand bonds outstanding under the liquidity facilities were refinanced. During 2009, the Corporation recorded a loss from extinguishment of debt of $5.1 million related to the tendering of variable rate demand bonds, which was included in non-operating items in the 2009 consolidated statement of operations and changes in net assets.

Standby Letters of Credit –The Corporation entered into various standby letters of credit totaling approximately $22.3 million at both June 30, 2010 and 2009, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs. There were no draws on these letters of credit during 2010 or 2009.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation's insurance company, Venzke Insurance Company, Ltd. ("Venzke"), a wholly owned subsidiary of Trinity Health, qualifies as a captive insurance company in the domicile where it operates and provides certain insurance coverage to the Corporation's ministry organizations. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation and certain other claims. The Corporation, through Venzke, has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers.

For 2010 and 2009, the self-insured limit for the first layers of professional liability was $20 million per occurrence. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. The total amount available for these subsequent layers is $100 million in aggregate.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. Such adjustments are reflected in current operations, and resulted in a reduction in liabilities of $28.2 million for the year ended 2009. The amount of the changes to the estimated self-insurance reserves was determined based upon the annual, independent actuarial analyses. During 2010, the frequency of claims moderated while severity began to rise. The Corporation believes the upward trend in severity is primarily due to economic conditions and increasing long-term survivability, life-care medical costs and defense costs.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2010, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefits plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's ministry organizations or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits of $142.2 million and $137.5 million for 2010 and 2009, respectively, which represented revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain ministry organizations that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. At June 30, 2010 and 2009, the assets under these plans totaled $38.1 million and $29.9 million, and liabilities totaled $44.5 million and $33.3 million, respectively.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. The plans include discretionary employer matching contributions of up to 3% of compensation. Employer and employee contributions are self-directed by plan participants in defined contribution plans. The Corporation suspended the majority of employer matching contributions for the fiscal year 2010. Contribution expense under the plans totaled $3.7 million and $32.5 million in 2010 and 2009, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – Substantially all of the Corporation's employees participate in qualified, noncontributory defined benefit pension plans. Certain non-qualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. Because the Pension Plans have Church Plan status as defined in the Employee Retirement Income Security Act of 1974 ("ERISA"), funding in accordance with ERISA is not required. The Corporation's adopted funding policy for qualified plans, which is reviewed annually, is to fund the current normal cost based on the accumulated benefit obligation at the plans' December 31 year-end, and amortization of any under or over funding over a ten year period. The Corporation funded $191.6 million in excess of the stated funding policy in 2010. The Corporation funded $51.9 million in excess of the stated funding policy in 2009 including a $50 million prepayment made in June 2008.

Plan Amendment – In September 2009, the Corporation amended substantially all of its defined benefit pension plans to modify the benefit formula from a final average pay formula to a cash balance formula effective July 1, 2010, and the plans' liabilities and assets were remeasured as of September 30, 2009. Through June 30, 2010, benefits were based on years of service and employees' highest five years of compensation. Benefits accrued through June 30, 2010 under the final average pay formula were frozen. Beginning July 1, 2010, participants accrue benefits based on the cash balance formula, which credits participants annually with percentage of eligible compensation based on age and years of service, as well as an interest credit based on a benchmark interest rate. A transition adjustment will be provided to participants who are vested as of June 30, 2010, whose age and service meet certain requirements. The transition adjustment applies to the pension benefit earned through June 30, 2010. The effect of modifying the benefit formula and remeasuring the plan's assets and liabilities resulted in a decrease of $231.0 million in plan liabilities and a net decrease of $22.6 million in 2010 net periodic pension cost.

Plan Terminations – The Corporation acquired Hackley Health System ("Hackley") on April 1, 2008, including its pension plans. Hackley maintained three defined benefit pension plans covering employees of three subsidiaries. Effective October 2008, Hackley approved the freeze of its three defined benefit pension plans as of December 31, 2008. Employees became participants of the Corporation's defined benefit plan effective January 1, 2009, and the Corporation recorded an increase of $8.8 million to plan liabilities. During December 2009, the Corporation settled its pension obligations to participants in the Hackley plans through lump sum payments and purchased annuities. The Corporation funded an additional $79.9 million to the Hackley plans to fully settle the obligations, and recorded a settlement loss of $49.0 million.

During the year ended June 30, 2009, the Corporation amended one of its non-qualified, supplemental plan arrangements to eliminate benefits for certain participants and settle liabilities through cash payments to participants. The plan change resulted in a curtailment charge of $1.9 million and a decrease in plan liabilities of $3.2 million. In 2010, the Corporation further amended the plan to modify the plan design and provide benefits to participants in the form of a deferred compensation arrangement. The plan change resulted in a curtailment gain of $1.9 million.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded, contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The plans cover certain hourly and salaried employees who retire from certain ministry organizations. Medical benefits for these retirees are subject to deductibles and co-payment provisions. In June 2010, the Corporation approved an amendment to restructure the funded plans as Health Reimbursement Account arrangements for Medicare eligible participants effective January 1, 2011. The change resulted in a decrease in the plans' liabilities of $30.4 million at June 30, 2010.

Adoption of Measurement Date Change – Effective July 1, 2008, the Corporation adopted accounting provisions requiring the measurement date for plan assets and liabilities to coincide with the plan sponsor's year-end. For the defined benefit pension plans and postretirement plans the measurement date had been March 31. Net periodic benefit cost was calculated for the 15-month period between the earlier measurement date of March 31, 2008 and June 30, 2009 and allocated proportionally between amounts recognized as an adjustment to unrestricted net assets and net periodic benefit cost for fiscal 2009. This resulted in a decrease in unrestricted net assets of $23.0 million for the defined benefit pension plans and an increase of $0.8 million for postretirement plans as of July 1, 2008.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations, changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the year ended June 30, 2010 and the fifteen months ended June 30, 2009:

	Pension Plans		**Postretirement Plans**	
	2010	**2009**	**2010**	**2009**
	(In Thousands)		**(In Thousands)**	
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 3,365,469	$ 3,106,488	$ 129,947	$ 129,121
Service cost	117,491	184,603	1,400	1,936
Interest cost	226,095	272,548	8,759	10,913
Amendments	(230,982)	(9,954)	(30,388)	-
Actuarial losses (gains)	634,803	(54,368)	8,798	(5,965)
Acquisition of Hackley	-	8,815	-	-
Benefits paid	(120,419)	(139,489)	(6,422)	(7,215)
Plan settlement benefits paid	(132,573)	-	-	-
Curtailments / settlements	(4,721)	(3,174)	-	-
Medicare Part D reimbursement	-	-	933	1,157
Benefit obligation, end of year	3,855,163	3,365,469	113,027	129,947
Change in plan assets:				
Fair value of plan assets, beginning of year	2,694,356	3,155,984	69,185	87,408
Actual return on plan assets	335,162	(472,537)	6,330	(13,874)
Employer contributions	448,669	150,398	2,110	2,866
Benefits paid	(120,419)	(139,489)	(6,422)	(7,215)
Plan settlement benefits paid	(132,573)	-	-	-
Reversion to plan sponsor	(1,097)	-	-	-
Fair value of plan assets, end of year	3,224,098	2,694,356	71,203	69,185
Unfunded amount recognized June 30	$ (631,065)	$ (671,113)	$ (41,824)	$ (60,762)

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows:

	Pension Plans (In Thousands) 2010	Pension Plans (In Thousands) 2009
Accumulated benefit obligation	$ 3,705,098	$ 3,006,753
Fair value of plan assets	3,224,098	2,693,066
Funded status	$ (481,000)	$ (313,687)

The accumulated benefit obligation and plan assets of the non-qualified pension plan are not material to these consolidated financial statements.

Components of net periodic benefit cost for the years ended June 30 consisted of the following:

	Pension Plans		Postretirement Plans	
	2010 (In Thousands)	2009	2010 (In Thousands)	2009
Service cost	$ 117,491	$ 148,232	$ 1,400	$ 1,549
Interest cost	226,095	219,431	8,759	8,731
Expected return on assets	(228,352)	(265,379)	(5,332)	(7,180)
Amortization of unrecognized transition asset	(6,282)	(8,193)	-	-
Amortization of prior service cost	(13,059)	2,967	(1,129)	(7,244)
Recognized net actuarial loss	72,385	523	1,782	148
Net periodic benefit cost (income) before curtailments / settlements	168,278	97,581	5,480	(3,996)
Curtailment (gain) loss	(1,958)	1,993	-	-
Settlement loss	48,986	-	-	-
Net periodic benefit cost (income)	$ 215,306	$ 99,574	$ 5,480	$ (3,996)

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows:

	Pension Plans (In Thousands)			
	Net (Gain) Loss	Prior Service Cost	Transition Asset	Total
Balance at July 1, 2008	$ 260,012	$ 14,281	$ (16,524)	$ 257,769
Adoption of measurement date accounting provisons	(131)	(742)	2,049	1,176
Curtailments / settlements	(5,048)	(118)	-	(5,166)
Reclassified into net periodic benefit cost	(523)	(2,967)	8,193	4,703
Arising during the year	748,698	(9,954)	-	738,744
Balance at June 30, 2009	1,003,008	500	(6,282)	997,226
Curtailments / settlements	(36,969)	-	-	(36,969)
Reclassified into net periodic benefit cost	(72,385)	13,059	6,282	(53,044)
Arising during the year	515,290	(230,981)	-	284,309
Balance at June 30, 2010	$ 1,408,944	$ (217,422)	$ -	$ 1,191,522

	Postretirement Plans (In Thousands)			All Plans
	Net (Gain) Loss	Prior Service (Credit)	Total	Grand Total
Balance at July 1, 2008	$ 8,547	$ (11,617)	$ (3,070)	$ 254,699
Adoption of measurement date accounting provisons	(37)	1,810	1,773	2,949
Curtailments / settlements	-	-	-	(5,166)
Reclassified into net periodic benefit cost	(148)	7,244	7,096	11,799
Arising during the year	16,658	-	16,658	755,402
Balance at June 30, 2009	25,020	(2,563)	22,457	1,019,683
Curtailments / settlements	-	-	-	(36,969)
Reclassified into net periodic benefit cost	(1,782)	1,129	(653)	(53,697)
Arising during the year	7,708	(30,389)	(22,681)	261,628
Balance at June 30, 2010	$ 30,946	$ (31,823)	$ (877)	$ 1,190,645

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during 2011:

	Pension Plans		Postretirement Plans	
	(In Thousands)			
Amortization of prior service cost (credit)	$	(19,074)	$	(7,357)
Recognized net actuarial loss		92,788		3,194
	$	73,714	$	(4,163)

Assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	Pension Plans		Postretirement Plans	
	2010	2009	2010	2009
Benefit Obligations:				
Discount rate at June 30	6.00%	7.25%	4.55% - 5.80%	5.85% - 7.15%
Discount rate at September 30	6.35%	N/A	N/A	N/A
Rate of compensation increase in 2009 Graduated to 4% by 2012	3.0%	2.0%	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate at June 30	7.25%	7.25%	5.85% - 7.15%	6.0 - 7.25%
Discount rate at September 30	6.35%	N/A	N/A	N/A
Expected long-term return on plan assets	8.00%	8.50%	8.00%	8.50%
Rate of compensation increase in 2009 Graduated to 4% by 2012	2.0%	4.0%	N/A	N/A

The discount rate used to determine the benefit obligations for the three terminating Hackley pension plans was 5.60% for the year ended June 30, 2009. The range of assumptions used to determine net periodic pension cost were: Discount rate 6.75% - 7.25%, changed to 5.44% at the October 31, 2008 remeasurement date, long-term return on plan assets 8.0%, changed to 3.0% at the remeasurement date, and rate of compensation increase 4.0% - 4.5%.

The Corporation uses an efficient frontier analysis approach in determining its asset allocation and long-term rate of return for plan assets. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as follows:

	2010	2009
Medical and drugs, pre-age 65	9.4%	10.0%
Medieal and drugs, post-age 65	9.4%	10.0%
Ultimate trend rate	5.0%	5.0%
Year the rate reaches Ultimate Rate	2018	2018

A one-percentage point change in assumed health care cost trend rates would have the following effects as of June 30, 2010:

	1 Percentage Point Increase	1 Percentage Point Decrease
	(In Thousands)	
Effect on total of service cost and interest cost components	$ 718	$ (976)
Effect on postretirement benefit obligation	9,836	(8,398)

The Corporation's investment allocations at June 30, by investment category are as follows:

	Pension Plans		Postretirement Plans	
	2010	2009	2010	2009
Investment Category:				
Cash and cash equivalents	11 %	10 %	1 %	2 %
Marketable securities:				
U.S. government and government agency obligations	5	7	-	-
U.S. and non-U.S. fixed income obligations	27	25	53	-
U.S. equity securities	11	11	46	98
Non-U.S. equity securities and mutual funds	4	9	-	-
Other investments:				
Hedge funds	19	21	-	-
Commingled funds directly holding securities	9	5	-	-
Long/short equity	10	8	-	-
Private equity funds	3	3	-	-
Real estate partnership and other	1	1	-	-
Total	100 %	100 %	100 %	100 %

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. The combined target investment allocation at June 30, 2010 was U.S. equity securities 10%; non-U.S. equity securities and commingled funds directly holding securities 10%; fixed income obligations 35%; hedge funds 20%; long/short equity 10%; private equity 5%; real assets 5%; and opportunistic fixed income 5%.

The following table summarizes the pension and postretirement plans' assets measured at fair value as of June 30, 2010. See Note 10 for definitions of levels 1, 2 and 3 fair value hierarchy.

	(In Thousands)			
Pension Plans:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and short term investment funds	$ 339,272	$ -	$ -	$ 339,272
Equity:				
U.S. common stock	346,808	105	-	346,913
Non U.S. common stock	59,597	-	-	59,597
Equity mutual funds	68,988	-	-	68,988
Fixed income:				
Government and government agency obligations	-	177,610	-	177,610
Corporate bonds	-	791,097	6,409	797,506
Mortgage and asset backed securities	-	70,016	-	70,016
Fixed income mutual funds	-	112,108	-	112,108
Subtotal marketable securities	475,393	1,150,936	6,409	1,632,738
Derivatives	274	11,073	-	11,347
Commingled funds directly holding securities	-	173,103	-	173,103
Hedge funds	-	-	930,920	930,920
Private equity	-	-	106,711	106,711
Real estate partnerships	-	-	5,684	5,684
Other	24,323	-	-	24,323
Total pension plans' assets at fair value	$ 839,262	$ 1,335,112	$ 1,049,724	$ 3,224,098
Postretirement Plans:				
Marketable securities:				
Short term investment mutual funds	$ 158	$ -	$ -	$ 158
Fixed income mutal fund	36,425	-	-	36,425
Commingled funds directly holding securities	-	33,920	-	33,920
Other	700	-	-	700
Total postretirement plans' assets at fair value	$ 37,283	$ 33,920	$ -	$ 71,203

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of marketable securities and commingled funds directly holding securities.

Derivatives – The Pension plans are party to certain agreements, which are designed to manage exposures to equities and interest rate risks. These instruments are used for the purpose of hedging changes in the fair value of assets and actuarial present value of accumulated plan benefits that result from interest rate changes, or as an efficient substitute for traditional securities. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

Real estate partnerships – These assets are reported at fair value based on either independent appraisals performed by the general partner during the year, or estimated using discounted cash flow and market analysis, supported by sales comparison information.

Hedge funds – The plan invests in various hedge fund strategies. These funds utilize a "fund-of-funds" approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies, and derivatives. These funds are valued at net asset value, which is calculated using the most recent partnership financial statements.

Private equity – These assets include several private equity funds that invest primarily in the United States, Asia and Europe, both directly and on the secondary market pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Other – Represents unsettled transactions, relating primarily to purchases and sales of plan assets, and accrued income. Due to the short maturity of these assets and liabilities, the fair value is equal to the carrying amounts.

The following table summarizes the changes in Level 3 pension plan assets for the year ended June 30, 2010:

Level 3 Pension Plan Assets
Year ended June 30, 2010

(In thousands)	Corporate bonds	Hedge funds	Private equity	Real estate partnerships	Total
Balance at June 30, 2009	$ -	$ 769,298	$ 62,615	$ 7,524	$ 839,437
Realized gains / (losses)	-	12,842	507	-	13,349
Unrealized gains / (losses)	460	63,623	8,434	(1,840)	70,677
Purchases, sales, issuances and settlements, net	5,949	85,157	35,155	-	126,261
Balance at June 30, 2010	$ 6,409	$ 930,920	$ 106,711	$ 5,684	$ 1,049,724

Of the Level 3 pension plan assets held at June 30, 2010, the unrealized net gain as of June 30, 2010 was $71.8 million. Realized net losses relate to investments sold during the year with proceeds totaling $167.2 million. The pension plan also purchased $305.4 million of investments during the year.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute an additional $161.2 million to its pension plans, and $1.9 million to its postretirement plans in 2011 under the Corporation's stated funding policy. The Corporation may elect to make additional contributions.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits, that reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy.

(In Thousands)	Pension Plans	Postretirement Plans	Postretirement Medicare Part D Subsidy
2011	$ 131,138	$ 7,716	$ 496
2012	143,782	7,732	143
2013	162,527	8,069	143
2014	183,241	8,357	141
2015	206,241	8,596	137
Years 2016 - 2020	1,423,694	44,393	582

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, in 2010 and 2009, was $91.5 million and $93.0 million, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2010, that have initial or remaining lease terms in excess of one year:

	(In Thousands)
Years ending June 30:	
2011	$ 57,401
2012	46,301
2013	37,043
2014	27,824
2015	20,636
Thereafter	68,965
Total	$ 258,170

Guarantees – The Corporation entered into debt guarantees prior to December 31, 2002, that are excluded from the consolidated balance sheets. The guaranteed debt was used to finance equipment purchases and to finance or construct professional office buildings, including outpatient surgery centers, rehabilitation facilities, medical facilities and medical office buildings.

Multiple guarantees at the following levels existed at June 30, 2010:

(In Thousands)

Total Principal Amount	Dollars Guaranteed by Corporation	Percentage Guaranteed by Corporation	Percentage Guaranteed by Others
$ 6,585	$ 6,585	100%	0%
11,110	5,555	50%	50%
2,520	756	30%	70%
375	94	25%	75%
2,320	435	18.75%	81.25%
$ 22,910	$ 13,425		

Asset Retirement Obligations – The Corporation has conditional asset retirement obligations for certain fixed assets mainly related to the removal of asbestos contained within facilities and the removal of underground storage tanks.

A reconciliation of the asset retirement obligations at June 30 follows:

	2010	2009
	(In Thousands)	
Asset retirement obligation, beginning of year	$ 18,186	$ 17,548
Accretion	946	924
Liabilities incurred	351	122
Liabilities settled	(108)	(408)
Asset retirement obligation, end of year	$ 19,375	$ 18,186

Litigation

On September 21, 2007, in Boise, Idaho a jury awarded $58.9 million in damages to MRI Associates, LLP, an Idaho limited partnership ("MRIA") against Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (together, "Saint Alphonsus"). The lawsuit involved Saint Alphonsus' withdrawal from the MRIA partnership. The jury award was remitted by the trial judge to $36.3 million, which was offset by the award of $4.6 million to Saint Alphonsus, which was the value of its partnership interest in MRIA. St. Alphonsus appealed to the Idaho Supreme Court, asserting, among other things, that the trial court decision that the withdrawal was "wrongful" as a matter of law was incorrect. In October 2009, the Idaho Supreme Court overturned the trial court decision concluding that the withdrawal was not wrongful as a matter of law and remanded the case for a new trial. The trial date is tentatively set for September 20, 2011. Pre-trial motions are scheduled to be heard on October 1, 2010 which will clarify somewhat the damage exposure. The Corporation recorded management's estimation for litigation expense of $20 million in the 2007 consolidated statement of operations and changes in net assets. As of June 30, 2010 and 2009, the liability is included in other long-term liabilities in the consolidated balance sheets in the event of an unfavorable resolution of this matter.

In June 2007, the Corporation was added to litigation pending in the United States District Court for the Eastern District of Michigan, alleging that certain hospitals in Southeastern Michigan conspired to suppress the wages of nurses over a period of five years. The plaintiffs brought the action on their own behalf and on behalf of all others similarly situated and seeking certification of the class. The complaint alleges that there was a direct agreement among the executives of defendant hospitals to suppress compensation and that they shared non-public compensation information which had an anticompetitive effect on wages. The complaint specifically references St. Mary Mercy Hospital in Livonia, Michigan and St. Joseph Mercy Oakland in Pontiac, Michigan. This case is one of five similar actions filed by the same group of plaintiffs' counsel, in different cities, raising similar claims and allegations of collusion. Three of the seven defendants have settled the litigation, but the Corporation has not. Discovery is complete and several dispositive motions have been pending since June 2009, including defendants' motion for summary judgment. Plaintiffs' motion to certify a class is also pending and has been opposed by defendants. If the outcome is adverse to the Corporation, the Corporation could potentially incur material damages or other financial consequences. At this time, it is premature to assess the likely course or outcome of this litigation.

The Corporation is involved in other litigation and regulatory investigations arising in the course of doing business. After consultation with legal Counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis on the Corporation's consolidated balance sheets include cash, cash equivalents, marketable securities, commingled funds, securities lending collateral, interest rate swaps, investment collars and certain pension assets. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets;
- Quoted prices for identical or similar instruments in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

Valuation Methodologies

Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets.

Security Lending Collateral and Investment Collars – The fair value amounts of security lending collateral and investment collars are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Marketable Securities – The fair value amounts of marketable securities, included in investments and assets limited or restricted as to use in the consolidated balance sheets, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Commingled Funds – The Corporation invests in various commingled funds that are included in investments and assets limited or restricted as to use in the consolidated balance sheets. Commingled funds are recorded at fair value as the underlying investments consist of securities that have a readily determinable market value.

The Corporation classifies its marketable securities and commingled funds as trading securities. Holding gains (losses) included in the excess (deficiency) of revenue over expenses for the periods ending June 30, 2010 and 2009 were approximately $177.5 million and ($102.8) million, respectively.

Other Investments – The Corporation accounts for these investments using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments generally utilize a "fund-of-funds" approach resulting in diversified multi-strategy, multi-manager investments. Generally, redemptions may be made with written notice ranging from one month to one year. Underlying investments in these funds may include other funds, equities, fixed income securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the external investment and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel and changes in process, along with evaluations of current market conditions for these investments. Fund-of-funds managers also meet with the Corporation's Investment Subcommittee of the Finance and Stewardship Committee of the Board of Directors on a periodic basis. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. The balance of these investments at June 30, 2010 and 2009, was $612.2 million and $332.7 million, respectively.

Cash, cash equivalents, marketable securities, commingled funds and other investments totaled $4,384 million and $3,796 million at June 30, 2010 and 2009, respectively.

Interest rate swaps – The fair value of the Corporation's interest rate swaps is estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation's nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following table presents information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded at June 30:

	2010 (In Thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,055,651	$ 51,520	$ -	$ 1,107,171
Security lending collateral	-	156,162	-	156,162
Marketable securities:				
U.S. government and government agency obligations	6,065	299,535	-	305,600
U.S. and Non-U.S. fixed income and mutual funds	363,685	449,539	-	813,224
U.S. equity securities and mutual funds	591,800	2,838	-	594,638
Non-U.S. equity securities and mutual funds	260,307	-	-	260,307
Other	3,440	1,636	-	5,076
Total marketable securities	1,225,297	753,548	-	1,978,845
Interest rate swaps	-	23,154	-	23,154
Investment collars	-	5,359	-	5,359
Commingled funds	-	679,776	-	679,776
Total Assets	$ 2,280,948	$ 1,669,519	$ -	$ 3,950,467
Liabilities:				
Interest rate swaps	$ -	$ 127,350	$ -	$ 127,350
Investment collars	-	8,736	-	8,736
Total Liabilities	$ -	$ 136,086	$ -	$ 136,086

	2009 (In Thousands)			
Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 905,121	$ 112,336	$ -	$ 1,017,457
Security lending collateral	-	88,940	-	88,940
Marketable securities:				
U.S. government and government agency obligations	259	180,260	-	180,519
U.S. and Non-U.S. fixed income and mutual funds	18,769	145,977	-	164,746
U.S. equity securities and mutual funds	629,240	10,009	-	639,249
Non-U.S. equity securities and mutual funds	300,129	-	-	300,129
Other	1,148	1,732	-	2,880
Total marketable securities	949,545	337,978	-	1,287,523
Interest rate swaps	-	25,764	-	25,764
Commingled funds	-	1,158,015	-	1,158,015
Total Assets	$ 1,854,666	$ 1,723,033	$ -	$ 3,577,699
Liabilities:				
Interest rate swaps	$ -	$ 106,777	$ -	$ 106,777
Total Liabilities	$ -	$ 106,777	$ -	$ 106,777

The composition of investment returns included in the consolidated statement of operations and changes in net assets for the years ending June 30 is as follows:

	2010	2009
	(In Thousands)	
Dividend, interest income and other	$ 95,819	$ 84,367
Realized gains (losses), net	24,154	(266,220)
Realized equity earnings (losses), other investments	32,578	(388)
Change in net unrealized gains (losses) on investments	201,502	(463,235)
Total investment return	$ 354,053	$ (645,476)
Included in:		
Operating income	$ 12,997	$ 4,670
Nonoperating items	336,733	(640,004)
Changes in restricted net assets	4,323	(10,142)
Total investment return	$ 354,053	$ (645,476)

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give.

Unconditional promises to give consist of the following at June 30:

	2010	2009
	(In Thousands)	
Amounts expected to be collected in:		
Less than one year	$ 8,942	$ 15,656
One to five years	17,038	20,127
More than five years	4,229	2,717
	30,209	38,500
Discount to present value of future cash flows	2,173	2,072
Allowance for uncollectible amounts	3,084	2,996
Total unconditional promises to give, net	$ 24,952	$ 33,432

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable-rate debt approximate their fair values. The fair value of the Corporation's fixed-rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed-rate long-term revenue and refunding bonds was $1,474 million and $1,251 million for 2010 and 2009, respectively. The related carrying value of the fixed-rate long-term revenue and refunding bonds was $1,402 million and $1,226 million for 2010 and 2009, respectively. The fair values of the remaining fixed-rate capital leases, notes payable to banks, and other debt are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks the Corporation enters into various derivative contracts, primarily interest rate swaps and investment collars. Interest rates swaps are used to manage the effect of interest rate fluctuations. Investment collars are used to manage the effects of equity market volatility.

Management reviews the Corporation's hedging program, derivative position, and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt, variable rate leases and a fixed income investment portfolio. Cash payments on interest rate swaps totaled $16.2 million and $14.0 million in 2010 and 2009, respectively and are included in non-operating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Certain of the Corporation's interest rate swaps are secured by $32.5 million and $21.7 million of collateral included in prepaid expenses and other current assets in the Corporation's consolidated balance sheets at June 30, 2010 and 2009, respectively.

Investment Collars – The Corporation engaged in a downside risk mitigation strategy employing an equity collar structure utilizing a combination of equity call and put options. This hedging strategy was based on investment portfolio exposure to long only equities and contained no leverage.

Effect of Derivative Instruments on Excess of Revenue over Expenses or Unrestricted Net Assets

The following table represents the effect derivative instruments had on the Corporation's financial performance for the years ending June 30:

Derivatives not designated as hedging instruments:	Location of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets	Amount of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets 2010 (In Thousands)	2009
Excess of Revenue over Expenses:			
Interest rate swaps	Change in market value and cash payment on interest rate swaps	$ (40,385)	$ (37,292)
Interest rate swaps	Investment income (loss) - marketable securities	922	967
Investment collars	Investment income (loss) - marketable securities	(3,338)	-
		$ (42,801)	$ (36,325)
Unrestricted Net Assets:			
Interest rate swaps	Change in market value of interest rate swaps	-	1,054
	Total	$ (42,801)	$ (35,271)

Balance Sheet Effect of Derivative Instruments

The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at June 30:

Derivatives not designated as hedging instruments:	Consolidated Balance Sheet Location	Fair Value 2010 (In Thousands)	2009
Asset Derivatives:			
Investment collars	Prepaid expenses and other current assets	$ 5,359	$ -
Interest rate swaps	Investments	6,164	5,242
Interest rate swaps	Other assets	16,990	20,522
Total asset derivatives		$ 28,513	$ 25,764
Liability Derivatives:			
Investment collars	Accrued liabilities	$ 8,736	$ -
Interest rate swaps	Other long term liabilities	124,693	106,777
Total liability derivatives		$ 133,429	$ 106,777

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. At June 30, 2010 and 2009 an adjustment for non-performance risk reduced derivative assets by $0.9 million and $2.0 million and derivatives liabilities by $9.1 million and $6.6 million, respectively.

12. ENDOWMENTS

The Corporation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

Endowment net asset composition by type of fund at June 30 is as follows:

	2010 (In Thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 464	$ 31,736	$ 32,200
Board-designated endowment funds	19,737	-	-	19,737
Total endowment funds	$ 19,737	$ 464	$ 31,736	$ 51,937

	2009 (In Thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 430	$ 29,197	$ 29,627
Board-designated endowment funds	17,157	-	-	17,157
Total endowment funds	$ 17,157	$ 430	$ 29,197	$ 46,784

Changes in endowment net assets for the years ended June 30 include:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
		(In Thousands)		
Endowment net assets, July 1, 2008	$ 20,333	$ 3,883	$ 29,322	$ 53,538
Investment return:				
Investment losses	(228)	(59)	(1,155)	(1,442)
Change in net realized and unrealized gains and losses	(2,939)	(204)	(2,108)	(5,251)
Total investment return	(3,167)	(263)	(3,263)	(6,693)
Contributions	314	-	601	915
Appropriation of endowment assets for expenditures	(323)	(653)	-	(976)
Other	-	(2,537)	2,537	-
Endowment net assets, June 30, 2009	17,157	430	29,197	46,784
Investment return:				
Investment gains	779	6	162	947
Change in net realized and unrealized gains and losses	1,519	15	1,288	2,822
Total investment return	2,298	21	1,450	3,769
Contributions	215	16	360	591
Appropriation of endowment assets for expenditures	(383)	(3)	-	(386)
Other	450	-	729	1,179
Endowment net assets, June 30, 2010	$ 19,737	$ 464	$ 31,736	$ 51,937

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets as of June 30:

	2010	2009
	(In Thousands)	
Permanently restricted net assets:		
Hospital operations support	$ 12,075	$ 11,299
Medical program support	3,951	5,546
Scholarship funds	4,350	4,269
Research funds	2,604	2,603
Community service funds	5,462	3,029
Other funds	3,294	2,451
Total endowment funds classified as permanently restriced net assets	$ 31,736	$ 29,197
Temporarily restricted net assets:		
Term endowment funds	$ 176	$ 160
Other	288	270
Total endowment funds classified as temporarily restricted net assets	$ 464	$ 430

Funds with Deficiencies – Periodically the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. RESTRUCTURING CHARGES

During 2009, management authorized and committed the Corporation to undertake a comprehensive performance improvement plan to realign its cost structure. The Corporation had a workforce reduction as part of the plan. As a result of these actions, restructuring charges of $23.3 million were included in the 2009 consolidated statement of operations and changes in net assets. The restructuring charges are primarily for severance and termination benefits. Substantially all of the severance and termination benefits have been paid as of June 30, 2010.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 22, 2010, the date the consolidated financial statements were issued. The following subsequent event was noted:

In July 2010, the Corporation entered into credit agreements (the "2010 Credit Agreements") with Bank of America, N.A., which acts as an administrative agent for a group of lenders thereunder. The 2010 Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time but, as of September 22, 2010, the amount is $916 million. Amounts drawn under the 2010 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the $916 million, $256 million expires in July 2011, $310 million expires in July 2012, $275 million expires in July 2013 and $75 million expires in July 2014.

* * * *

Explanatory Note 2
<u>Outstanding Permit</u>

<u>Project No. 08-043</u>

Mercy Hospital currently has one pending certificate of need project; specifically, Project No. 08-043. Project No. 08-043 involves the modernization of Mercy Hospital's obstetrics/gynecology department, intensive care department, cardiac catheterization unit, gastrointestinal laboratories, and administrative and support spaces. Project No. 08-043 also involves the installation of a hospital-wide sprinkler system. On February 16, 2011, the Illinois Health Facilities & Services Review Board approved a permit renewal for Project No. 08-043 until January 31, 2013.

Project No. 08-043 satisfies the elements of Section 1130.520(f)(1) because Project No. 08-043: (1) does not involve the establishment of a new facility or a category of service; (2) will not be impacted by the Transaction contemplated by this Certificate of Exemption and will continue to proceed in the scope and manner set forth in the permit letter issued by the Illinois Health Facilities & Services Review Board for Project No. 08-043; and (3) has been obligated and is being carried out in a diligent manner.

Explanatory Note 11
<u>Anticipated Acquisition Price</u>

There is no "acquisition price" associated with the Transaction. Rather, Trinity has committed to cause the expenditure of no less than $140,000,000 to Mercy System over a five (5) year period for capital, information systems and equipment needs to support the operations of Mercy System and its subsidiaries and affiliates, including Mercy Hospital. Of the $140,000,000, $40,000,000 will be transferred to Mercy System, in cash at the closing of the Transaction, to fund capital commitments. An additional $10,000,000 will be made available to Mercy System, subject to Mercy System's performance and certain other conditions, for a total expenditure of $150,000,000 over the five (5) year period (all as set forth in Section 1.5 of the Definitive Agreement).

Explanatory Note 12
Fair Market Value

The anticipated fair market value of Mercy Hospital in this Transaction is approximately $26,000,000, which is based on a multiple of the projected adjusted cash flow of Mercy Hospital less new debt obligation commitments.

Explanatory Notes
Section 1130.520

1130.520(b)(1)
No Change in Services or Beds

Trinity intends to expand and grow the scope and nature of the services provided by Mercy System and its affiliates and subsidiaries, including Mercy Hospital. Indeed, Trinity has made a significant commitment to future capital expenditures to accomplish this goal. Thus, there are no plans to discontinue any beds or substantially reduce any services at Mercy System or its subsidiaries and affiliates, including Mercy Hospital, following the closing of the Transaction. In short, Trinity and Mercy System will act in a manner consistent with the regulatory requirements of Sections 1130.520 and 1110.240. See Section 1.3.4 (Service Commitment) of the Definitive Agreement.

1130.520(b)(2)
Transaction Documents

On November 2, 2011, Trinity and Mercy System executed a Letter of Intent regarding the Transaction. A copy of the Letter of Intent is attached at Attachment 5. On December 15, 2011, Trinity and Mercy System executed a Definitive Agreement regarding the Transaction. A copy of the Definitive Agreement is attached at Attachment 5. The effectiveness of the Definitive Agreement is expressly conditioned upon the issuance of a Certificate of Exemption from the Illinois Health Facilities & Services Review Board. See Section 5.3 of the Definitive Agreement.

1130.520(b)(3)
Qualified to Provide Healthcare in Illinois

Trinity has the qualifications, background and character to adequately provide a proper standard of healthcare service to the communities served by Mercy System and Mercy System's subsidiaries and affiliates, including Mercy Hospital. Trinity has had no adverse actions taken against any facility owned or operated by Trinity in Illinois during the three (3) years prior to the filing of this Certificate of Exemption Application. See the attached affidavit from Mr. Joseph Swedish ("Mr. Swedish"), the President and CEO of Trinity, attesting to the foregoing statements. See Attachment 7.

1130.520(b)(4)
Sufficient Funding

Trinity has received a "AA" bond rating from Standard & Poors (September 23, 2011 rating), a "Aa2" bond rating from Moody's Investor's Services (September 27, 2011 rating), and a "AA" bond rating from Fitch Ratings (September 28, 2011 rating), copies of which are attached at Attachment 6. Trinity has sufficient funding to consummate the Transaction set forth in this COE Application and to operate the Mercy System facilities for the next three years (and long thereafter).

1130.520(b)(5)
Ownership

Trinity will maintain ownership and control of Mercy System for at least 36 months following the closing of the Transaction set forth in this Certificate of Exemption Application. See Section 1.3.4 (Service Commitments) of the Definitive Agreement.

1130.520(b)(6)
Pending CON Project

As set forth in Explanatory Note 2, Mercy Hospital currently has one pending certificate of need project; specifically, Project No. 08-043. Project No. 08-043 satisfies the elements of Section 1130.520(f)(1) because Project No. 08-043: (1) does not involve the establishment of a new facility or a category of service; (2) will not be impacted by the Transaction contemplated by this Certificate of Exemption and will continue to proceed in the scope and manner set forth in the permit letter issued by the Illinois Health Facilities & Services Review Board for Project No. 08-043; and (3) has been obligated and is being carried out in a diligent manner.

1130.520(b)(7)
Charity Care

As set forth in the attached affidavit from Mr. Swedish, neither Trinity nor Mercy System will adopt more restrictive charity care policies at Mercy Hospital or the other Mercy System healthcare facilities, affiliates and subsidiaries, following the proposed Transaction, and for no less than two years thereafter. Mr. Swedish's charity care affidavit is attached at Attachment 8.

The charity care policy currently in place at Mercy Hospital is attached at Attachment 8.

1130.520(b)(8)
Project Completion

Trinity and Mercy System intend to close the Transaction set forth in this Certificate of Exemption Application by March 31, 2012, with an effective date of April 1, 2012.

1130.520(d)(1)
Community Benefits

Trinity is one of the largest Catholic health care systems in the country with more than $7.4 billion in unrestricted revenue in fiscal year 2011. With the potential affiliation with Mercy System, Trinity continues its commitment to strengthening Catholic health care in the Chicago area and across the Nation. Both Mercy System and Trinity share an unrelenting focus on excellent care so an affiliation at this time makes good sense for both organizations, as well as for the associates, physicians, patients and communities served by Mercy System.

Trinity and Mercy System share complementary missions and similarities in legacy and have had a strong collaborative relationship for several years. Trinity currently provides group purchasing opportunities and information technology services leadership support to Mercy System and Mercy Hospital.

Trinity also has roots with the Sisters of Mercy of the Americas West Midwest Community, the sponsors of Mercy System, so the missions of Trinity and Mercy System are aligned and the commitment to strengthening Catholic health care in Chicago is passionately shared and will enhance the solid blueprint of Catholic health care in Chicago to the benefit of those served by Mercy System and Mercy Hospital.

Following the Transaction, Mercy System and its subsidiaries and affiliates, including Mercy Hospital, will continue to operate for the benefit of the residents of Chicago and the communities surrounding Chicago, including serving poor and underserved individuals through charitable initiatives and activities. Trinity intends to preserve Mercy System's longstanding and unwavering commitment to healthcare in Chicago. Both Trinity and Mercy System are committed to improving the health of the residents of Chicago.

Critically, as part of the Transaction, Trinity has committed to cause the expenditure of no less than $140,000,000 to Mercy System over a five (5) year period for capital, information systems and equipment needs to support the operations of Mercy System and its subsidiaries and affiliates, including Mercy Hospital. Of the $140,000,000, $40,000,000 will be transferred to Mercy System, in cash at the closing of the Transaction, to fund capital commitments. An additional $10,000,000 will be made available to Mercy System, subject to Mercy System's performance and certain other conditions, for a total expenditure of $150,000,000 over the five (5) year period (all as set forth in Section 1.5 of the Definitive Agreement).

1130.520(d)(2)
<u>Cost Savings</u>

Trinity anticipates that the proposed Transaction will result in some cost savings at Mercy System and Mercy System's subsidiaries and affiliates, including Mercy Hospital, and the communities served by Mercy System. That said, it is not possible for Trinity to predict with specificity the cost savings that will be realized.

All senior executives and employees of Mercy System and its subsidiaries and affiliates, including Mercy Hospital, and including physicians providing clinical services, will retain their current employment upon the same terms and conditions as prior to the closing of the Transaction. All current employment policies, commitments and benefit plans will remain in effect after the closing of the Transaction until the same are amended, modified, replaced or terminated in accordance with the provisions of those policies, commitments and benefit plans. <u>See</u> Section 1.3.8 of the Definitive Agreement.

The single existing union in the Mercy System (i.e., Teamsters Local 734 at Mercy Hospital) will be recognized and its current collective bargaining agreement will be honored according to its terms.

1130.520(d)(3)
Quality Control

Trinity and Mercy System take great pride in the quality of services that each of their many facilities has traditionally provided. Trinity and Mercy System are committed to the on-going training and development of its employees and staff and will continue to invest in state-of-the art facilities and equipment.

1130.520(d)(4)
Organizational Structure Following the Transaction

Under the proposed Transaction, Trinity will become the sole member of Mercy System. Organizational charts for Mercy System prior to and following the Transaction are attached at Attachment 4.

1130.520(d)(5)
Selection of Board

Following the Transaction, Mercy System and Mercy Hospital will continue to be governed by their local boards of directors. Trinity representatives will join the Mercy System and Mercy Hospital Boards so that the Boards will then include religious members, Trinity representatives, and community members. See Section 1.3.1 of the Definitive Agreement.

1130.520(d)(6)
1110.240 Compliance

See Explanatory Notes for Section 1110.240 set forth below.

1130.520(d)(7)
No Change in Services or Beds

Trinity intends to expand and grow the scope and nature of the services provided by Mercy System, and its subsidiaries and affiliates, including Mercy Hospital. Indeed, Trinity has made a significant commitment to future capital expenditures to accomplish this goal. Thus, there are no plans to discontinue any beds or substantially reduce any services at Mercy System, or its subsidiaries and affiliates, including Mercy Hospital, following the closing of the Transaction. In short, Trinity and Mercy System will act in a manner consistent with the regulatory requirements of Sections 1130.520 and 1110.240. See Section 1.3.4 (Service Commitments) of the Definitive Agreement.

TRINITY HEALTH
Novi, Michigan

27870 Cabot Drive
Novi, MI 48377-2920
ph 248.489.5004

34605 Twelve Mile Road
Farmington Hills, MI 48331-3221
ph 248.489.6000

www.trinity-health.org

December 13, 2011

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(3), No Adverse Actions Certification

Dear Ms. Avery and Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(3), that there have been no adverse actions taken against any facility owned or operated by Trinity Health Corporation in Illinois during the three (3) years prior to the filing of this Certificate of Exemption.

Sincerely,

Joseph Swedish

Joseph Swedish
President & CEO

SUBSCRIBED AND SWORN
to before me this 13 day
of December, 2011.

Gwendolyn I. Moore
Notary Public

GWENDOLYN I. MOORE
Notary Public, State of Michigan
County of Wayne
My Commission Expires Aug. 07, 2018
Acting in the County of Oakland

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Supervisor, Project Review Section
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(7), Charity Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(7), that Trinity Health Corporation ("Trinity") shall not cause Mercy Health System of Chicago ("Mercy System") to adopt more restrictive charity care policies at Mercy System or the other Mercy System healthcare facilities, subsidiaries and affiliates, including Mercy Hospital & Medical Center, following the proposed transaction between Trinity and Mercy System, and for no less than two years thereafter.

Sincerely,

Joseph R. Swedish

Joseph Swedish
President & CEO

SUBSCRIBED AND SWORN
to before me this 13 day
of December, 2011.

Gwendolyn I. Moore
Notary Public

GWENDOLYN I. MOORE
Notary Public, State of Michigan
County of Wayne
My Commission Expires Aug. 07, 2018
Acting in the County of Oakland

Mercy Hospital and Medical Center
Chicago, Illinois

ADMINISTRATIVE POLICY NUMBER J-5

Subject: **CHARITY CARE/UNCOMPENSATED CARE/UNINSURED PATIENT DISCOUNTS**

Original Issue Date: November 23, 2005

Revision Date: 06/07, 01/08, 04/09, 12/09

Initiated by: Rita Carlson
Director, Revenue Cycle

Approved by: Thomas Garvey
Vice President/CFO

Rita Carlson

Thomas J. Garvey

I. POLICY

Mercy Hospital and Medical Center has determined procedures for the administration of Charity Care. A program established under state law that requires hospitals to provide medical care for free or at a reduced cost if the recipient of the care is not able to pay fully for the services rendered. In addition Mercy Hospital and Medical Center has established policies and procedures to administer the Hospital Uninsured Patient Discount Act, Public Act 95-0965.

Faithful in its service to the financially and medically indigent, Mercy Hospital and Medical Center (MHMC) provides financial assistance to patients who are unable to pay their financial obligations associated with services they receive from MHMC. The review and determination to provide financial assistance supports the MHMC's strategic goals and mission. The dignity of the individual remains paramount throughout the entire process.

Mercy Hospital and Medical Center (MHMC) honors its obligation to provide medically necessary care to its patients. The Hospital recognizes that, based on current Illinois and Federals Laws, MHMC has an obligation to provide emergency and/or trauma services to the best of its ability before determining the source of payment for such services, and to provide medically necessary care to uninsured and financially or medically indigent patients as set forth in this Policy.

The Hospital may also support, sponsor or co-sponsor certain other charitable health-related programs in the surrounding community.

II. DEFINITIONS

For the purposes of this Policy, the following definitions apply:

"Patients" shall mean those persons who receive care at MHMC and the person who is financially responsible for the care of the person.

"Uninsured Patients" are defined as all persons who are uninsured or do not otherwise qualify for any governmental or private program that provides coverage for any of the services rendered.

"Financially Indigent" means an uninsured person who is accepted for care with no obligation (charity care) or with a discounted obligation to pay for services rendered based on the Hospital Eligibility Criteria.

"Medically Indigent" means an uninsured patient who does not qualify as Financially Indigent under this policy because the patient's income exceeds 600% of FPL but whose medical or hospital bills exceed a specified percentage of the person's income, and who is unable to pay the remaining bill.

"Charity care" – financial assistance provided to uninsured or financially indigent patients who have demonstrated inability to pay for emergency or non-elective services provided to them..

"Financial Assistance" – program designed for patients whose income is in excess of 600% of the FPL, but remain uninsured, underinsured, and financially or medically indigent.

"Bad debt" – services provided by the Hospital to a patient for which viable payment was reasonably anticipated and credit was extended, but for which payment is deemed uncollectible due to the patient's unwillingness to pay.

"Medically Necessary Service(s)" – any inpatient or outpatient hospital service that is covered by and considered to be medically necessary under Title XVIII of the federal Social Security Act. Medically necessary services <u>do not</u> include any of the following:

Non-medical services such as social, educational, and vocational services.
Cosmetic Surgery

"Non-emergent" – Services for which the patient's condition permits adequate time to schedule a service. Although these conditions do not require immediate hospital treatment, their condition(s) are medically necessary so that patients may return to daily functional status and level of activity.

"Elective" – any inpatient or outpatient hospital service that is **not** covered by and **not** considered to be medically necessary under Title XVIII of the federal Social Security Act.

III. PRINCIPLES

A. Charity Care - Minimum Standards

1. Patients with income at or below 200% of the Federal Poverty Level ("FPL"), adjusted for family size, will be eligible for 100% charity care write off of the charges for medically necessary services that have been provided to them.

2. Patients with eligible assets and incomes above 200% but not exceeding 600% of the FPL, adjusted for family size, will receive a discount on medically necessary services provided to them, based upon a sliding scale established by hospital policy. (See attached Financial Assistance Eligibility Guidelines.)

B. Financial Assistance – Patients who are uninsured or underinsured

1. Patients with income greater than 600% of the FPL, adjusted for family size, may be considered for a discount based on a substantive assessment of their ability to pay.

2. The assessment of a patient's ability to pay will consider, but not be limited to, income, medical bill obligations, mortgage payments, utility payments, number of family members, eligible assets, and disability considerations.

3. The assessment should include determination based on eligible assets and eligible income.

4. Program will consist of a monthly payment obligation based upon Patient's ability to pay a discount up to the typical managed care rate that exceeds the Medicare DRG rate or Fee Schedule.

C. Uninsured Patients with the ability to pay

1. The Hospital sets standard charges for its services; however, Medicare and Medicaid pay significantly less than standard charges, and managed care and other contracted care entities may pay less than standard charges.

2. Therefore, under this Policy, low-income, uninsured, financially or medically indigent patients may be considered for a discount.

3. Program will consist of a monthly payment obligation based upon Patient's ability to pay a discount up to the typical managed care rate that exceeds the Medicare DRG rate or Fee Schedule.

4. The highest paying managed care payor must account for at least 3% of MHMC's population as measured by gross patient revenues.

D. Non-covered Services: Patients with "elective" services are not eligible for charity care or financial assistance.

E. Determination of Eligibility:

1. The determination of a patient's eligibility for Charity Services under this Policy shall be made in a non-discriminatory manner.

2. All Uninsured Patients (claims in financial class 'S') should be included in the Financial Assessment review.

3. The Hospital shall request general financial information from a patient as soon as possible upon the patient's presenting for services.

4. This request will occur after medical screening and/or stabilizing treatment in the case of emergency services.

5. Financial Assistance may be available to patients incurring medically necessary procedures, services, and admissions.

6. Patients scheduled for elective, non-medically necessary procedures are expected to pay according to the Hospitals Payment Policy and shall not be screened for charity or financial assistance.

7. Patients having insurance may also be eligible for Charity Care or Financial Assistance for the portion of their bill that is not covered by insurance, including deductibles, and coinsurance.

8. Charity Care or Financial Assistance amounts will be determined per existing sliding scale.

9. Initial determination of Charity Care or Financial Assistance should be made as close as possible to the time of admission of the provision of services.

10. Once a patient is determined to be eligible for Charity Care or Financial Assistance, the patient must provide MHMC with all required supporting documentation within thirty (30) days from the date of the request.

11. A final determination will then be made.

12. Criteria for eligibility for Charity Services or Financial Assistance:

    a. Family size and other related pertinent factors including financial obligations, family living expenses or the like.

1) The number of people in the patient's household must be verified.
2) An adult patient's household will include the patient, the patient's spouse and any dependents of the patient or the patient's spouse.
3) A minor (person under the age of 18 and not emancipated) patient's household will include the patient, the patient's mother, dependents of the patient's mother, the patient's father, and dependents of the patient's father.

b. Employment status, including but not limited to future earning capacity and allowing for the likelihood of a financial capacity sufficient to meet his or her financial obligations in an acceptable time period.

c. Future and current ability to pay which may include
1) Prior year's income tax return (Hospital preferred income verification document)
2) W-2 or Form 1099.
3) After 2nd quarter of the year, the above tax documents should be supported by pay stubs or employer statement documenting earned wages for the three (3) pay periods prior to the application for assistance.
4) Wage and Earnings Statement
5) Pay Check Remittance
6) Social Security
7) Workers Compensation or Unemployment Determination Letters
8) Qualification within the preceding six (6) months for governmental assistance program (including food stamps, Medicaid, General Assistance, and Aid to Families with Dependent Children (AFDC))
9) Telephone verification by the patient's employer of the patient's income.
10) Bank statements, which indicate payroll deposits.
11) Personal Balance Sheet/Income Statement/Review of eligible assets.

d. Amount and frequency of medical bills in relation to the above factors.

e. Catastrophic medical costs that may make the patient medically indigent, even if the patient does not initially meet the criteria established under this Policy.

f. Other factors deemed appropriate by MCHC from time to time.

(Exhibit I-A details discounts to be given at various income levels, adjusted for family size.)

13. **Homeless and incarcerated patients** may be deemed to have no income for purposes of the Hospital's calculation of income.

a. Documentation of income is not required for these patients. Income verification is still required for any other family members as described in this policy.
b. Incarcerated patients with medical expenses covered by the governmental entity incarcerating them (i.e. State, County, or City) are not eligible for Charity or Financial Assistance.

14. **Automatic Classification as Financially Indigent:** The following is a listing of types of accounts where Financial Assistance is considered to be automatic and documentation of Income or a Financial Assistance Application is not needed:

    a. Medicaid, Medicaid HMO, and other State Funded Programs (Crime Victim Act) accounts - Exhausted Days/Benefits.
    b. Medicaid primary spend down accounts with unlimited spend down amounts.
    c. With Medicaid as secondary – where primary plan left patient with responsibility and Medicaid denies claim as secondary.
    d. Patients that qualify for General Assistance Category 07.

15. **Assets:** The following are to be considered exempt and shall not be considered in determining whether the uninsured patient qualifies for an uninsured discount:

    a. Homestead property
    b. Cash on hand - $2,400 for the patient, $3,000 for a patient plus one dependent, $50 for each additional dependent
    c. Personal effects and household goods that have a total value less than $4,000.
    d. Wedding and/or engagement ring(s)
    e. Items required due to medical or physical condition
    f. One automobile with fair market value of $2,400 or less.
    g. All Pension and Retirement Plans

16. If and when Hospital personnel cannot clearly determine eligibility, the Hospital will use best judgment and submit a memorandum listing reasons for judgment along with Financial Assistance documentation.

17. A manager or director will then review the memorandum and documentation for approval.

F. Application and Review Process

1. Patients' qualifications for charity care or financial assistance will be determined through an application and screening process, which may include the completion of a Financial Assistance Application.

2. Patients are to be first screened for other payor sources and then shall exhaust all available community resources, including community aid, Medicaid and Medicare, welfare and other community resources prior to consideration for charity care or financial assistance.

3. Patients failing to cooperate with such screening may result in a denial to be considered a candidate for charity care or financial assistance.

4. Financial Counselors, Customer Service Representatives, or Registrars will be responsible for the screening process.

5. Community Guidance Center will be responsible for completing Financial Assistance Applications for mental health patients and forwarding completed applications to Financial Counselors for approval.

6. MANG and Financial Assistance Applications will be taken for all uninsured inpatients that have not yet applied for Medicaid.

7. MANG and Financial Assistance Applications may also be taken on outpatients on case-by-case basis.

8. However, these patients will be assessed for Charity or Financial Assistance only if they are declined for Medicaid.

9. Patients are required to cooperate with the Medicaid application process.

10. If an outpatient has a MANG pending inpatient account, the outpatient service will be flagged and then reviewed by PFS.

11. During the Financial Assistance Applications process, the patient may be treated as self-pay in accordance with Hospital policies.

12. Failure to comply with the payment arrangement terms of any remaining balances after the financial assistance adjustment is applied may result in the claim being referred to an outside collection agency.

13. The discount will still be applicable.

14. Accounts already placed at an outside collection agency may be considered for Charity or Financial Assistance.

15. Patient must provide required information for agency to complete Charity or Financial Assistance Application. Once approved, the account will be recalled from the agency.

16. Upon review of the patient's financial and employment situation as completed in the Charity Care / Financial Assistance Application, MHMC will determine if the patient qualifies for Charity Care, Financial Assistance or other discounts and the level of discount to be given.

17. If applicable, the patient may be notified of the decision.

18. If approved for Charity, provided Patient's insurance or financial status remains unchanged, the Financial Assistance Application may be used to determine Charity or Financial Assistance for subsequent services received in the six (6) months following the original approval date.

G. Appeals Process

1. Once the Hospital has classified a patient's services as Charity Services that determination will be final unless the Hospital finds the determination is based on erroneous or falsified information.

2. After a patient is granted Charity or Financial Assistance and if the Hospital finds material provision(s) of the Assistance Application to be untrue, the Charity or Financial Assistance may be withdrawn.

3. If an application for Charity Care is denied, and the patient's income is at or below 600% of the FPL, the patient will have 30 days to appeal.

4. If the appeal is denied, the patient must be notified in writing of the decision and the reason for it.

H. Publication / Communication of Financial Assistance Policies

1. Communications to the public regarding financial assistance should be written in consumer-friendly terminology and in a language that the patient can understand.

2. Include information in hospital bills/statements about the availability of financial aid and how to obtain further information and apply for financial aid.

3. Information on financial assistance policies should be posted in key public areas in the hospital with instructions on how to apply or obtain further information.

4. Patients should be educated about their responsibilities, the potential financial obligation they may incur, their obligations for completing eligibility documentation, and the hospital's bill collections policies.

5. The Hospital shall communicate the availability of Charity Services to patients upon request or by providing patients who present for services with general written or oral information regarding the availability of financial assistance.

6. The Hospital shall communicate to patients the availability of general financial assistance, including community aid, Medicaid, Medicare, welfare and other community resources of which Mercy Hospital and Medical Center is aware, and shall assist patients in completing applications for such assistance.

7. The Hospital shall ensure that its third party payors who furnish services or make collections will be aware of this Policy and will refer patients that may be eligible for Charity Services back to the Hospital.

I. Prohibitions and Reservation of Rights

1. The Hospital shall not routinely waive Medicare deductibles or coinsurance.

2. The Hospital shall not advertise the waiver of Medicare cost sharing amounts relating to any services.

3. The Hospital shall waive Medicare deductible and coinsurance amounts if the Hospital determines, in good faith, that the patient meets the eligibility criteria under this Policy and applicable law.

4. The Hospital may waive Medicare deductible and coinsurance amounts if the Hospital has made reasonable efforts and those collection efforts fail, in which case the Hospital may claim such amounts from Medicare as bad debts (and receive a percentage of the bad debt as reimbursement from Medicare).

5. It is the policy of Mercy Hospital and Medical Center to reserve the right to limit or deny financial assistance at the sole discretion of our hospital.

6. Nothing in this Policy shall preclude the Hospital from pursuing reimbursement from third party payors, third party liability settlements or tort feasors or other legally responsible third parties.

7. Payments made by self-pay patients prior to the determination of eligibility for Charity Services will not be refunded or considered against outstanding balances.

J. Accountability and Interpretation

1. The Controller and Director of PFS shall periodically review the levels of activity in the Charity Services account (running comparison periods, budgeted expectations and actual, monthly, year-to-date and prior year).

2. The Controller and Director of PFS shall report monthly to the CFO any unusual fluctuations and other significant/material matters relating to Charity Services.

3. In the event of any conflict between this Policy and any other Mercy Hospital and Medical Center Policy, including without limitation, the Collection Policy, returns of this Policy shall apply.

K. Uninsured Patient Discount:

1. A financial counselor will interview uninsured patients and the uninsured patient work sheet (Exhibit VIII) must be completed at that time.

2. If the patient has not received services, it will be necessary to estimate the patient total charges.

3. Enter the estimated total in the first line that states total charges.

4. If the patient has received services enter the total charges on the worksheet from the patients' Star account that indicates the balance due.

5. Multiply the total charges by 56%, which is based on our Medicare Cost to charge ratio.

6. The Balance due is what the patient must pay as outlined by the Uninsured Patient Discount Act (Public Act 95-0965).

7. The maximum Mercy Hospital and Medical Center can collect is 25% of the guarantors annual income

8. Enter the annual income on the work sheet and multiply by 25%. The amount calculated is the maximum that may be collected from the patient, even if the bill is referred to a collection agency.

9. The total collection factor should be divided by 12 months. This is what we should request as the patient's monthly payment.

10. Findings should be noted to the account in STAR.

IV. PROCEDURE

The following procedures will be conducted in a professional and compassionate manner:

A. Departments affected: Admitting / Registration / Scheduling, Various Clinics, Community Guidance Center, Patient Financial Services (PFS), Pastoral Care and Social Work.

B. The financial assessment should include all outstanding self-pay accounts (include self pay after insurance).

C. In addition, any patient with a self-pay balance that requests financial assistance is offered a Financial Assistance Application (FAA).

D. The FAA must be completed and signed by the patient, guarantor and/or designated family member within fourteen (14) days from the date of discharge.

E. Extensions are authorized on a case-by-case basis.

F. Family income, including, but not limited to, wages and salaries, welfare payments, dividends and interest must be documented not to exceed $4,000.

G. All working persons in the household must provide the following information:

   1. A copy of the previous year's W2, 1040 and any other applicable tax forms that were filed.

   2. Copies of the last two (2) most recent paycheck stubs from the employer. (Occasionally the patient will state that he/she or spouse is paid cash.

   3. In this instance, we would need a letter from the employer on letterhead stating hours worked per week, how often paid, and how much paid.)

F. All unemployed persons in the household must provide the following:

   1. A copy of the previous year's W2, 1040 and any other applicable tax forms that were filed.

   2. Copies of the last two (2) pay stubs.

   3. Confirmation of Support letter.

G. Applicants whose current financial position is not adequately reflected by prior income reports must submit statements and/or appropriate documentation of their current/future financial position or a written satisfactory explanation of the reason the patient is unable to provide the requested documentation.

H. Applications received without sufficient and/or appropriate income documentation will be pended for thirty (30) days, after which the application will be denied.

I. If a patient refuses to complete the application or provide any of the necessary documentation, the charity process cannot be completed and charity may be denied.

J. The patient is then responsible for payment of the entire debt.

K. When information is received from the patient, the Representative completes the FAA using the Federal Poverty Guidelines and collects required supporting documents.

L. The most current verification of income is used to calculate the household's annual gross income. A calculated tape is attached to the FAA.

M. The annual gross income is compared to the income tax returns as well as the amount reported on the FAA. Any major variances are further reviewed.

N The Representative will make a determination on the percentage discount the guarantor is eligible for and is responsible for obtaining an approval from the appropriate level established.

O. Hospital Charity Care, to be updated annually, is based on the Federal Poverty Income Guidelines (Exhibit I) with a sliding scale adjustment as follows:

- Up to 100% over Poverty Standard receive 100% discount
- 101% to 200% over Poverty Standard receive 80% discount
- 201% to 300% over Poverty Standard receive 70% discount
- 301% to 400% over Poverty Standard receive 60% discount
- 401% to 500% over Poverty Standard receive 40% discount
- 501% to 600% over poverty Standard receive 20% discount
- To include catastrophic

P. Approved levels for charity care are based on dollar amount of charity care being requested as follows:

- Manager, Credit & Collection up to $ 9,999
- Director, Patient Financial Services $10,000 to $25,000
- Chief Financial Officer $25,000 to $50,000
- Chief Executive Officer over $50,000

O. A Financial Assistance Eligibility Determination Form is completed and attached to the front of the FAA.

1. It allows for the documentation of the administrative review and approval process utilized by the Hospital to grant financial assistance.

2. The Director of PFS must approve any change in the Eligibility Determination Form.

P. The FAA and any additional paperwork is placed in the following order:

1. Financial Assistance Eligibility Determination Form(s)

2. FAA

3. Verification of income

4. Last four paycheck stubs

5. Unemployment letter

6. Confirmation of Support Letter

7. The charity care guidelines

Q. Once the Eligibility Determination Form has been approved from the appropriate level established.

R. The FAA is given back to the Hospital Representative to complete an adjustment write off form.

S. Decisions are reported to the applicant utilizing the applicable form letter (Exhibit III and IV). Decisions are made within 15 working days of receipt of necessary information.

T. Patients approved for only a partial deduction must still comply with Hospital payment terms for the remaining balance.

U. Payment arrangements can be made with a Financial Counselor.

V. The charity application and all supporting documentation will be maintained in PFS for audit purposes for a minimum of five (5) years or in accordance to the record retention policy of the Hospital.

EXHIBIT I

FINANCIAL ASSISTANCE ELIGIBILITY GUIDELINES
Based on Federal Poverty Guidelines Effective January 23, 2008

Patient Discount to be given	100%	80%	70%	60%	40%	20%

		Income Guidelines for MHMC Discounts					
2009 Poverty Income Guideline	Number In Household	Up to 100% over FPL	101-200% over FPL	201-300% over FPL	301-400% over FPL	401-500% over FPL	501-600% over FPL
$10,830.00	1	21,660	27,850	37,134	46,417	55,701	64,984
$14,570.00	2	29,140	37,468	49,958	62,447	74,936	87,426
$18,310.00	3	36,620	47,086	62,781	78,477	94,172	109,867
$22,050.00	4	44,100	56,704	75,605	94,506	113,408	132,309
$25,790.00	5	51,580	66,322	88,429	110,536	132,643	154,750
$29,530.00	6	59,060	75,939	101,252	126,566	151,879	177,192
$33,270.00	7	66,540	85,557	114,076	142,595	171,114	199,633
$37,010.00	8	74,020	95,175	126,900	158,625	190,350	222,075
$3,600.00	* Each add'l member, add	7,200	9,000	10,800	12,600	14,400	16,600

* For each additional member to compute discount.

- Up to 100% over Poverty Standard receive 100% discount
- 101% to 200% over Poverty Standard receive 80% discount
- 201% to 300% over Poverty Standard receive 70% discount
- 301% to 400% over Poverty Standard receive 60% discount
- 401% to 500% over Poverty Standard receive 40% discount
- 501% to 600% over Poverty Standard receive 20% discount

Catastrophic Eligibility as Medically Indigent
Only applicable if patients income exceeds 600% of Federal Poverty Guidelines

Balance Due	Discount
Balance Due is equal to or greater than 90% patients annual income	80%
Balance Due is equal to or greater than 70% patients annual income	70%
Balance Due is equal to or greater than 50% patients annual income	60%
Balance Due is equal to or greater than 40% patients annual income	40%
Balance Due is equal to or greater than 20% patients annual income	20%

EXHIBIT II

MERCY

FINANCIAL ASSISTANCE APPLICATION INSTRUCTIONS

Dear Patient:

Mercy Hospital and Medical Center is proud of its not-for-profit mission to provide quality care to all who need it, regardless of their ability to pay.

If you do not have health insurance and worry that you may not be able to pay in full for our care, we may be able to help. Mercy Hospital and Medical Center provides financial assistance to patients based on their income, assets, and needs. In addition, we may be able to assist you with obtaining Medicaid or work with you to arrange a manageable payment plan.

To determine if a person qualifies for financial assistance, we need to obtain certain financial information. Your cooperation will allow us to give all due considerations to your request for financial assistance. Please provide the information requested and return it back to the hospital within 14 days from the date of your discharge from the hospital:

I. **Documents Requested for Determination of Eligibility for Financial Assistance**
(Please provide documents from each category as applicable)

- ☐ **Completed Financial Assistance Application**

Photo ID/Proof of Identification (one document required)

- ☐ Current Driver's License or State ID
- ☐ Current Student or Employee ID Card
- ☐ Current Passport

Proof of Income (for each household member, provide all documentation that exist and/or apply)

- ☐ Four (1) paycheck stub. This includes verification from any paying source including unemployment benefits, Social Security, school loans or any other paying source.
- ☐ Your most recent income tax returns including copies of your W-2 forms.
- ☐ If paid in cash, a signed letter from your employer indicating terms of employment including wages/salary, dates of employment, current employment status, the availability of health care benefits, etc.
- ☐ If self employed, business records including income, expenses, liabilities and assets
- ☐ Proof of other income (for example, interest income, pension, rental income)

Disclosure of Assets (for each household member, provide all documents that apply)

- ☐ Current statement from Checking and Savings Account(s), Certificate(s) of Deposit, Money Market Fund, Trust Fund or Brokerage Statement

Confirmation of Support Letter

- ☐ In the event income verification is not available and someone is providing you with room and board, we will need that person to complete and sign a letter to that effect which is also included. Applications without verification are considered incomplete and WILL NOT BE PROCESSED.

Failure to provide the information on the Financial Assistance Application could disqualify you from any consideration of Financial Assistance.

Notification of Determination:
We will notify you of your eligibility following receipt and review of all necessary information. There is no guarantee that if approved the same consideration will be given on future accounts.

Physician Services:
The physicians providing services at this hospital are not employees of Mercy Hospital and Medical Center. You will receive separate bills from your private physician and from other physicians whose services you required (pathologist, radiologist, surgeon, etc.) The Financial Assistance Application does not apply to any amounts due by you for physician services. For questions regarding their bills, or to make payment arrangements for physician services, please contact the individual physician's office.

Additional Assistance:
If you have any questions, please call:

____
Financial Counselor

____
Telephone Number

Thank you,

Financial Counselor

____
Date

EXHIBIT III

MERCY

Financial Assistance Application

PATIENT NAME: PATIENT #: MEDICAL RECORD #:	Mercy Hospital and Medical Center 2525 S Michigan Ave. Chicago, IL 60616-2477 312-567-2135 or 2438 FAX: 312-567-7904

I. RESPONSIBLE PARTY

LAST NAME	FIRST NAME	MI	MARITAL STATUS	SOCIAL SECURITY #
STREET ADDRESS				
CITY / STATE / ZIP		HOW LONG AT THIS ADDRESS?	HOME PHONE	CELLULAR PHONE
EMPLOYER'S NAME AND ADDRESS			BUSINESS PHONE	LENGTH OF EMPLOYMENT
POSITION/TITLE			MONTHLY INCOME $	PAY PERIOD

II. SPOUSE

NAME		SOCIAL SECURITY #
EMPLOYER'S NAME AND ADDRESS	BUSINESS PHONE	LENGTH OF EMPLOYMENT
POSITION/TITLE	MONTHLY INCOME $	PAY PERIOD

III. HOUSEHOLD INFORMATION (ALL PERSONS IN HOUSEHOLD)

NAME	DATE OF BIRTH	SOCIAL SECURITY NO.	RELATIONSHIP
Total Persons in Household			

IV. MONTLY INCOME

DIVIDENDS, INTEREST	$	PENSIONS	$
PUBLIC ASSISTANCE/FOOD STAMPS	$	INVESTMENT/RENTAL INCOME	$
SOCIAL SECURITY	$	GRANTS	$
UNEMPLOYMENT/WORKER'S COMPENSATION	$	Other	$
CHILD SUPPORT/ALIMONY	$		

TOTAL MONTHLY MISCELLANEOUS INCOME: $

V. MONTHLY EXPENSES

RENT/MORTGAGE	$	FOOD	$
HOMEOWNER'S INSURANCE	$	CLOTHING	$
PROPERTY TAX	$	CAR PAYMENTS	$
ELECTRIC	$	CAR INSURANCE	$
WATER	$	GASOLINE	$
TELEPHONE / CELLULAR PHONE	$	ALIMONY/CHILD SUPPORT	$
LOANS	$	CREDIT CARDS	$
MEDICAL INSURANCE	$	MEDICATIONS	$
LIFE INSURANCE	$	OTHER(Specify)	$

TOTAL MONTHLY MISCELLANEOUS EXPENSES: $

VI. MONTHLY NET INCOME

RESPONSIBLE PARTY's MONTHLY INCOME		$
SPOUSE's MONTHLY INCOME (If Applicable)	+	$
TOTAL MONTHLY MISCELLANEOUS INCOME	+	$
TOTAL MONTHLY MISCELLANEOUS EXPENSES	-	$
TOTAL MONTHLY NET INCOME	=	$

VII. ASSETS

		REAL ESTATE/VEHICLES/RECREATION (Equity Value)	
CHECKING ACCOUNT(S)	$	REAL ESTATE PROPERTY	$
SAVINGS ACCOUNT(S)	$	MOTORHOME(S)	$
INVESTMENTS/IRA's	$	BOAT/TRAILER(S)	$
CD's	$	AUTOMOBILE(S)	$

TOTAL ASSETS: $

If unable to provide requested documents, please explain below

Comments:

____

____

____

I declare that the answers I have given are true and accurate.

I understand that I may be asked to prove any statements and my eligibility statements will be subject to verification by contact with my employer, and bank credit verification. I also authorize and instruct any person or consumer-reporting agency to furnish Mercy Hospital & Medical Center any information that it may have or obtain in response to such financial inquiries.

I understand that Mercy Hospital & Medical Center is required by law to keep any information I provide confidential.

I further agree, that in consideration for receiving health care services as a result of any accident or injury, to reimburse the hospital from the proceeds of litigation or settlement resulting from such an act.

Signature of Responsible Party

Date

EXHIBIT IV

MERCY

CONFIRMATION OF SUPPORT LETTER

____

Applicant (Print Name)

The person named above has advised us that you either contribute substantially to their support or you are the sole means of their support. Please complete this form and return it in the enclosed envelope by:

____.

Thank you.

____

The type of support I/we provide is: (please complete all that apply)

______ Room and Board, since (date) ______________________________

______ Allowance of $ ______________________________

______ every week ______, every 2 weeks________, every month

______ Other (please explain)

____

____

I/We, (print)

____

have been the sole/substantial support for the person named above and, to the best of my/our knowledge, declare that this person has no other primary means of support.

______________________ Signature 1	______________________ Signature 2
______________________ Relationship to Applicant	______________________ Relationship to Applicant
______________________ Address, City, State, Zip Code	______________________ Address, City, State, Zip Code
______________________ Telephone	______________________ Telephone
______________________ Witness/Date	______________________ Witness/Date

EXHIBIT V

FNANCIAL ASSISTANCE ELIGIBILITY DETERMINATION
OFFICE USE ONLY

Patient Name: ____________________

Medical Record Number: ____________________

Total Yearly Income: $__________ Total Charges: $__________

Balance Due: $__________ Number in Household: ______ Financial Class: __________

1. **Is Total Yearly Income equal to or less than 100% of the Federal Poverty Guidelines? (See Financial Assistance Eligibility Guidelines - Schedule A) Circle One**

   YES Approved for 100% financial assistance as Financially Indigent.
   NO Does not qualify for assistance as Financially Indigent. Continue to Step 2.

2. **Is this balance due greater than 10% of Total Yearly Incomo? Circle One**

   YES Continue to Step 3.
   NO Patient does not qualify for Financial Assistance.

3. **Is Total Yearly Income equal to or less than 600% of the Federal Poverty Guidelines? See Financial Assistance Eligibility Guidelines - Schedule B. Circle One**

   YES Total Yearly Income is greater than __________% and less than __________ % of the Federal Poverty Guidelines. Patient qualifies for __________% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule B .
   NO: Continue to Step 4.

4. **Is this balance due greater than 25% of Total Yearly Income? Circle One**

   YES Balance due is __________% of the total yearly income. Eligible for__________% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule C. Continue to Step 5.
   NO: Patient does not qualify for Financial Assistance.

5. $__________ Multiply by __________% = $__________ $__________
   (Balance Before Discount) *(% Discount)* *(Discount Amount)* *Balance After Discount)*

Approved By:

Financial Counselor and/or Collector		Date
Manager, Admitting and Emergency Room	(Up to $9,999)	Date
Director, Revenue Cycle	($10,000 to $24,999)	Date
Chief Financial Officer	($25,000 to $49,999)	Dato
Chief Executive Officer	($50,000 and over)	Date

Income Verification

1	IRS Form, W-2, Wage and Earnings	6	Bank Statements
2	Statement	7	Written Attestation of Patient
3	Pay Check Remittance	8	Verbal Attestation of Patient
4	Tax Returns	9	Patient deceased, no estate
	Social Security, Worker's Comp or	10	Government Program
5	Unemployment Comp Letter	11	Other
	Telephone Verification by Employer		

EXHIBIT VI

MERCY

Mercy Hospital and Medical Center
2525 S Michigan Ave.
Chicago, IL 60616-2477
(312) 567-2000

Date:

Responsible Party
Address
City, State, Zip Code

Re: Patient Name: ______________________________.

Account Number: ______________________________

Date of Service: ______________________________

Dear ______________________________:

Thank you for choosing Mercy Hospital and Medical Center. We appreciate you taking the time to complete and return the Financial Assistance Application. Mercy Hospital and Medical Center uses this information to determine your eligibility for a reduced fee under the Mercy Hospital and Medical Center Financial Assistance program.

In reviewing your Financial Assistance Application, we are happy to inform you that you have been approved for a
______________% Discount. Your new balance has been reduced to
$______________________. The determination was based upon our financial assistance policy and procedure guidelines which may have included a review of your income, assets, household size and Federal Poverty Guidelines.

If you have a remaining balance, please call your Patient Representative within ten (10) days to make a payment in full or suitable payment arrangements.

If you should have any questions, please call Patient Financial Services, Monday through Friday, between 8:00 am and 4:30 PM. Please note this program will not include any **elective non-emergent** services.

Sincerely,

Patient Representative

Phone: ______________________________

EXHIBIT VII

MERCY

Mercy Hospital and Medical Center
2525 S Michigan Ave.
Chicago, IL 60616-2477
(312) 567-2000

Date:

Responsible Party
Address
City, State, Zip Code

Re: Patient Name: ______________________________
Account Number: ______________________________
Date of Service: ______________________________

Dear ______________________________ Thank you for choosing Mercy Hospital and Medical Center. We appreciate you taking the time to complete and return the Financial Assistance Application. Mercy Hospital and Medical Center uses this information to determine your eligibility for a reduced fee under the Mercy Hospital and Medical Center Financial Assistance program.

In reviewing your Financial Assistance Application, we are sorry to inform you that your income exceeds the Financial Assistance guidelines and, therefore, your application for financial assistance has been denied. Your balance, according to our records, is $______________________. The determination was based upon our hospital financial assistance policy and procedure guidelines which included a review of your income, assets, household size and Federal Poverty Guidelines.

Please contact your Patient Representative to set up suitable payment arrangements on the balance of $ ____________.

If you should have any questions, please call Patient Financial Services, Monday through Friday, between 8:00 am and 4:30 pm.

Sincerely,

Patient Representative
Telephone: ______________________

EXHIBIT VIII

UNINSURED PATIENT WORKSHEET

PATIENT NAME: ______________________________

DATE OF SERVICE: ___________________________

TOTAL CHARGES: $___________________________

TYPE OF SERVICE: ___________________________

UNINSURED PATIENT DISCOUNT (135%)

TOTAL CHARGES ------------------ $

DISCOUNT (x 56%) X 56 %

BALANCE DUE FROM PATIENT $

MAXIMUM COLLECTIBLE

* ANNUAL INCOME-------------- $

X 25%

TOTAL COLLECTIBLE ------

DIVIDE BY 12 MONTHS ---------- $______________

Total Due

*CAN DEDUCT PAYMENTS MADE FOR CHILD SUPPORT

Uninsured patient is a patient with no health insurance

COMPLETED BY: __________________ DATE: __________

Explanatory Notes
Section 1110.240

1110.240(b)
Impact Statement

As support for this Criterion, please see the above Explanatory Notes for Sections 1130.520(b)(1), 1130.520(d)(1), 1130.520(d)(2), 1130.520(d)(7), and the Narrative set forth in Attachment 3.

1110.240(c)
Access

As set forth in the attached affidavit from Mr. Swedish, neither Trinity nor Mercy System will adopt more restrictive admission policies or take measures to reduce access to care at Mercy System, or the other Mercy System healthcare facilities, subsidiaries and affiliates, including Mercy Hospital, following the proposed Transaction. Mr. Swedish's access affidavit is attached at Attachment 9.

The admission policy for Mercy Hospital is attached at Attachment 9.

1110.240(d)
Other Health Care Providers

The proposed Transaction set forth in this COE Application will only benefit the communities currently served by Mercy System. The proposed Transaction will not negatively impact any other healthcare provider in the service areas currently served by Mercy System and its and subsidiaries and affiliates, including Mercy Hospital.

TRINITY HEALTH

Novi, Michigan

27870 Cabot Drive
Novi, MI 48377-2920
ph 248.489.5004

34605 Twelve Mile Road
Farmington Hills, MI 48331-3221
ph 248.489.6000

www.trinity-health.org

December 13, 2011

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1110.240(c), Admission Policy & Access to Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1110.240(c), that Trinity Health Corporation ("Trinity") shall not cause Mercy Health System of Chicago ("Mercy System") to adopt more restrictive admission policies or take measures to reduce access to care at Mercy System or the other Mercy System healthcare facilities, subsidiaries and affiliates, including Mercy Hospital & Medical Center, following the proposed transaction between Trinity and Mercy System.

Sincerely,

Joseph Swedish
Joseph Swedish
President & CEO

SUBSCRIBED AND SWORN
to before me this 13 day
of December, 2011.

Gwendolyn I. Moore
Notary Public

GWENDOLYN I. MOORE
Notary Public, State of Michigan
County of Wayne
My Commission Expires Aug. 07, 2018
Acting in the County of Oakland

We serve together in Trinity Health, in the spirit of the Gospel, to heal body, mind and spirit, to improve the health of our communities, and to steward the resources entrusted to us.

Sponsored by Catholic Health Ministries

Respect • Social Justice • Compassion • Care of the Poor

4841-0816-2574.1

Mercy Hospital and Medical Center
Chicago, Illinois

ADMINISTRATIVE POLICY NUMBER B-5

Subject: ADMISSION OF A PATIENT

Original Issue Date: January 17, 1992

Revision Date: February 11, 2010

Initiated by: Rita Carlson
Director, Patient Access

Rita Carlson

Approved by: Carla Campbell
Vice President/CNO

[redacted]

I. POLICY

The admission of a patient into the hospital requires the collaborative efforts of many departments. The Admitting Department plays a key role in this collaboration in that they serve as the facilitator and monitor for many of the activities related to a patient's admission.

II. DEFINITIONS

Reservations Types

Routine: Used to indicate a reservation made for a specific date in the future.

Urgent: Indicates a reservation for which the Attending Physician has determined that admission must occur within 48 hours.

Emergency: Denotes a reservation for which the Attending Physician has determined that admission must occur immediately, and with the highest priority.

Admission Categories

SDS: This category of admission indicates that the patient will have Same Day Surgery (SDS) on an outpatient basis. Patients are admitted to and discharged from the Outpatient Surgical Center all in the same day.

<u>Observation:</u> This category affords physicians an opportunity to evaluate the condition of a patient over a period of time without statusing the patient as an inpatient admission. It can be used for medical cases, as well as those surgical cases which require more recovery/observation time than is allowed in a SDS status.

<u>A.M. Admission:</u> This category is used to indicate that the patient is to be admitted to the hospital as an inpatient on the same day as their surgery, or scheduled procedure.

<u>Inpatient:</u> This category is generally used for non-surgical patients, although it is also used to identify surgical cases which can be medically justified as needing hospital care prior to the date of surgery.

III. PROCEDURE

A. Admission Reservation

1. The creation of a reservation is the first step in the admission process.

2. Creation of a reservation entails collecting basic demographic information from the physician/designee about the patient which will facilitate the successful placement of the patient to the hospital.

3. Depending upon the type of service to be provided, reservations are accepted in either Admitting (Medical) or Surgery (Surgical).

4. In addition to providing limited demographic and clinical information about the patient, physicians are asked to classify the patient's Reservation Type and Admission Category

5. Reservations for admission are communicated to key hospital departments on a daily basis.

6. This information prompts preparatory activities in Admitting, Patient Financial Services (Pre-Admissions), Admission Testing, and Utilization Review.

B. Pre-Admission

1. To the extent that reservations are received in a timely manner, patients are contacted in advance of their admission by the Pre-Admissions Office or Admitting for the purpose of being pre-admitted.

2. This process entails collecting or confirming previously collected demographic and financial information about the patient, guarantor, and payor source (s).

3. Pre-admission affords the hospital and patient/guarantor with:

   a. An opportunity to comply with any pre-certification/pre-authorization requirements, thereby ensuring that maximum insurance benefits are payable.
   b. An occasion to determine insurance coverage, estimate co-payment responsibilities, and arrange for a deposit when indicated.
   c. An expedited intake process on the date of admission.

C. Admission Testing

1. Collaboratively staffed and operated by Patient Care Services and Admitting, the Admission Testing office has been designed to provide patients with convenient and centralized pre-admission testing services.

2. Generally, these services include, but are not limited to:

   a. Determine the most appropriate site for the patient to be received upon admission.
   b. Ensure that all necessary paperwork is prepared, packaged, and available for signature at the site where the patient is to be received, e.g., Admission Consent forms, Insurance Assignments, etc.
   c. Collaborate with Patient Care Services in the expeditious determination of bed assignment for patients, and whenever possible, make these decisions proactively.
   d. Coordinate with the Patient Financial Services Department in collecting deposit payments from patients upon admission.
   e. Admit the patient to the hospital's computer system, thereby enabling all on-line ordering, charging, and reporting systems.

D. Pediatrics

1. Patients up to the age of 18 years may be admitted to Pediatrics.

2. Patients who are 12 years or younger who are admitted to 6PED for a surgical service, must have a Pediatrician listed as a Co-Attending.

Trinity Health Corporation
Mercy Health System of Chicago/Mercy Hospital & Medical Center
Certificate of Exemption Index