

SCHEDULE 1.1(f)
ASSUMED CONTRACTS

To be completed post-signing.

SCHEDULE 1.1(i)
MEDICARE, MEDICAID AND TRICARE NPI AND PROVIDER NUMBERS

To be completed post-signing.

SCHEDULE 1.1(j)
ASSUMED NAMES

ASSUMED NAMES:

MARQUETTE GENERAL HOSPITAL
INFECTIOUS DISEASE SPECIALISTS
MARQUETTE GENERAL
NEUROPSYCHOLOGY
PROFESSIONAL GI
MARQUETTE GENERAL EMERGENCY
MEDICINE - IRON RIVER
MARQUETTE GENERAL
OCCUPATIONAL MEDICINE -
ESCANABA
PROFESSIONAL WOUND CARE
MARQUETTE GENERAL PROFESSIONAL
BHS
PROFESSIONAL CARDIOVASCULAR
SURGERY
MARQUETTE GENERAL MEDICAL
SPECIALISTS
MARQUETTE GENERAL DIGESTIVE &
LIVER SPECIALISTS
MARQUETTE GENERAL PROFESSIONAL
RADIOLOGY
MARQUETTE GENERAL HOSPITAL'S
GROUNDS ABOUND COFFEE SHOP
MARQUETTE GENERAL HOME
INFUSION
UPPER MICHIGAN BRAIN TUMOR
CENTER
MARQUETTE FAMILY MEDICINE
RESIDENCY PROGRAM
MARQUETTE GENERAL FASTCARE -
MARQUETTE
MARQUETTE GENERAL FASTCARE
MARQUETTE GENERAL DIGESTIVE
HEALTH
MARQUETTE GENERAL PEDIATRIC
SPECIALISTS
MARQUETTE GENERAL PLASTIC &

RECONSTRUCTIVE SURGERY
MARQUETTE GENERAL BRAIN AND
SPINE CENTER
MARQUETTE GENERAL NEUROLOGY -
HANCOCK
MARQUETTE GENERAL
HEMATOLOGY/ONCOLOGY - COPPER
COUNTRY
MARQUETTE GENERAL
HEMATOLOGY/ONCOLOGY - IRON
MOUNTAIN
MARQUETTE GENERAL FAMILY
MEDICINE - KINGSFORD
MARQUETTE GENERAL FAMILY
MEDICINE - IRON RIVER
MARQUETTE GENERAL FASTCARE-
ESCANABA
MARQUETTE GENERAL
HEMATOLOGY/ONCOLOGY-ESCANABA
MARQUETTE GENERAL FAMILY
MEDICINE-GLADSTONE
MARQUETTE GENERAL
NEONATOLOGY
MARQUETTE GENERAL INFECTIOUS
DISEASE SPECIALISTS & WOUND CARE
CLINIC
MARQUETTE GENERAL HOSPITALISTS
& INTENSIVISTS
MARQUETTE GENERAL RADIOLOGY
MARQUETTE GENERAL RESPIRATORY
MEDICINE
MARQUETTE GENERAL SPORTS
MEDICINE
MARQUETTE GENERAL FAMILY
MEDICINE - ESCANABA
MARQUETTE GENERAL BEHAVIORAL
HEALTH
MARQUETTE GENERAL WOMEN'S
HEALTH ASSOCIATES
MARQUETTE GENERAL FAMILY
MEDICINE - GWINN
MARQUETTE GENERAL EMERGENCY

MEDICINE

MARQUETTE GENERAL FAMILY
MEDICINE - LAKEWOOD

MARQUETTE GENERAL FAMILY
MEDICINE - SAWYER

MARQUETTE GENERAL
ENDOCRINOLOGY

MARQUETTE VISITING SPECIALISTS

MARQUETTE GENERAL
OCCUPATIONAL MEDICINE

U.P. INTERNAL MEDICINE

UPPER MICHIGAN NEUROSCIENCE
CENTER

MARQUETTE GENERAL BARIATRIC &
METABOLIC SERVICES

MARQUETTE GENERAL FAMILY
MEDICINE

MARQUETTE GENERAL HAND
SURGERY

MARQUETTE GENERAL
HEMATOLOGY/ONCOLOGY

MARQUETTE GENERAL FAMILY
MEDICINE - GRAND MARAIS

MARQUETTE GENERAL FAMILY
MEDICINE - TRENARY

MARQUETTE GENERAL
HEMATOLOGY/ONCOLOGY - SAULT
STE. MARIE

MARQUETTE GENERAL U.P. SPORTS
MEDICINE & THERAPY CENTER

U.P. SPORTS MEDICINE & THERAPY
CENTER

MARQUETTE GENERAL MEDICAL
GROUP-GWINN CLINIC

MARQUETTE GENERAL MEDICAL
GROUP-SAWYER CLINIC

GWINN-SAWYER MEDICAL CENTER

MARQUETTE GENERAL MEDICAL
GROUP

MARQUETTE GENERAL PHYSICIANS
GROUP

FASTCARE
FASTCARE CLINICS
WOMEN'S HEALTH ASSOCIATES OF
UPPER MICHIGAN
SUPERIOR CARE PARTNERS MEDICAL
GROUP
MARQUETTE GENERAL UROLOGY
MARQUETTE MEDICAL CLINIC
SUPERIOR CARE HEALTH PLAN
MIDWEST ALLIANCE FOR TELEHEALTH
AND TECHNOLOGY RESOURCES
(MATTER)
SUPERIOR CARE PARTNERS
UPPER PENINSULA ORTHOTIC AND
PROSTHETICS
UPPER PENINSULA ORTHOTICS AND
PROSTHETICS
MARQUETTE GENRAL NEUROLOGY
MARQUETTE GENERAL
NEUROSURGERY

U.P. HEMATOLOGY/ONCOLOGY
ASSOCIATES
UPPER PENINSULA SURGERY CENTER
MARQUETTE GENERAL HOME HEALTH
AND HOSPICE
MARQUETTE GENERAL HEALTH
SYSTEM EMS
MGH - EMS
MARQUETTE GENERAL HOSPITAL
UPPER PENINSULA REGIONAL BLOOD
CENTER
DOCTORS' PARK FAMILY PHYSICIANS
UPPER MICHIGAN NEUROSCIENCE
CENTER
UPPER PENINSULA STRESS CENTER
LAKEWOOD MEDICAL ASSOCIATES
UPPER PENINSULA REGIONAL
REFERENCE LABORATORY
NEGAUNEE MEDICAL ASSOCIATES
EMERGENCY MEDICAL ASSOCIATES OF

MARQUETTE
FAMILY CARE DOCTORS
NORTH SHORE INTERNAL MEDICINE
STEPHENSON MEDICAL CLINIC
CHIPPEWA MEDICAL ASSOCIATES
NORTH COUNTRY MEDICAL
SPECIALISTS
PEDIATRIC SPECIALISTS
NEUROLOGY ASSOCIATES
WESTERN UPPER PENINSULA DIALYSIS
CENTER
EASTERN UPPER PENINSULA DIALYSIS
CENTER
MARQUETTE GENERAL FOUNDATION
MARQUETTE GENERAL HEALTH
SYSTEM
TEAL LAKE CLINIC
EMERGENCY MEDICINE ASSOCIATES
OF MARQUETTE
U.P. INTERNAL MEDICINE ASSOCIATES
RESPIRATORY MEDICINE
MARQUETTE GENERAL HOME HEALTH
UPPER PENINSULA REGIONAL BLOOD
CENTER
MARQUETTE GENERAL HOSPITAL
REGIONAL BLOOD BANK
MARQUETTE COMMUNITY BLOOD
BANK
ST. LUKE'S HOSPITAL, MARQUETTE,
MICHIGAN

INTERNET WEBSITES AND DOMAIN NAMES:

F

SCHEDULE 1.2(e)
EXCLUDED CONTRACTS

To be completed post-signing.

SCHEDULE 1.2(n)
DONOR RESTRICTED FUNDS

None.

SCHEDULE 1.2(q)
EXCLUDED ENTITIES

Superior Health Partners
Upper Peninsula Health Education Corporations
Marquette Medical-Dental Center Corporation
Marquette General Foundation
Michigan Co-Tenancy Laboratory
Upper Great Lakes Family Health Center
Upper Peninsula Health Care Network
Upper Peninsula Health Care Solutions, Inc.
Upper Peninsula Health Foundation
Superior Medical Research Foundation
Dickinson Area Family Health Center, Inc.
Premier, Inc.

SCHEDULE 2.4(o)
OTHER EXCLUDED LIABILITIES

None.

SCHEDULE 4.1
OTHER JURISDICTIONS IN WHICH SELLER IS LICENSED TO DO BUSINESS

DESCRIPTION OF ACTIVITY
HOME HEALTH AND HOSPICE
REFERENCE LABORATORY SERVICES

JURISDICTION
WISCONSIN
FLORIDA

INCLUDED JOINT VENTURES, UPHP, UPMC AND UPHEC INFORMATION			
ORGANIZATION	AFFILIATE YES/NO	BASIS FOR AFFILIATE RESPONSE	ENTITY OPERATING BUSINESS
Upper Peninsula Health Plan, Inc.	No	Neither UPHP nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	UPHP management operates business
Upper Peninsula Managed Care, LLC	No	Neither UPMC nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	UPMC management operates business
Upper Peninsula Health Education Corporation	No	Neither UPHEC nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	UPHEC management operates business
Chippewa Medical Associates, Inc.	No	Neither CMA nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	CMA management operates business
Ontonagon Community Health Center, Inc.	No	Neither OCHC nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	OCHC management operates business
Peninsula InfoMed, LLC	No	Tests under IRC 414(m) are not satisfied	PI management operates business
U.P. Imaging Management Services, LLC	Yes	UPIMS as FSO results in ASG determination; all employees of UPIMS are leased from either MGH or UMCA. Documents provide for true-up of benefit costs, if variance – no significant variance identified.	UPIMS management operates business
Ice Lake Medical Arts Building, Inc.	No	Neither Ice Lake nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	MGH Accounting Department pays bills; business owns building, so it is passive operation.

Marquette County EMS Medical Control Authority	No	Neither MCMCA nor MGH is a professional service corporation. Proposed Treas. Reg. 1.414(m)-1(c)	MGH management operates business
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SCHEDULE 4.2(b)
OTHER SELLER CONSENTS

None.

SCHEDULE 4.2(c)
CONTRAVENING AGREEMENTS

None.

SCHEDULE 4.4(b)
INCLUDED JOINT VENTURES INTERESTS

ENTITY	OWNERSHIP PRIOR TO CLOSING	AGREEMENTS	OWNERSHIP FOLLOWING ACTIONS IN ASSET PURCHASE AGREEMENT
Chippewa Medical Associates, Inc.	N/A – nonstock One of two co-equal members with War Memorial Hospital.		Convert to LLC. <i>Members:</i> MGH 50% The Chippewa County War Memorial Hospital 50%
Ontonagon Community Health Center, Inc.	N/A – nonstock One of two co-equal members with Portage Health System.		Convert to LLC. <i>Members:</i> MGH 50% Portage Health, Inc. 50%
Ice Lake Medical Arts Building, Inc.	MGH 1000 shares N. Rizkalla 250 shares R. Koivunen 125 shares L. Koivunen 125 shares	Shareholders have right of first refusal to buy stock.	Purchase real estate and dissolve prior to Closing.
Peninsula InfoMed, L.L.C.	MGH 50% Marquette Medical Dental Center Corp. 50%	Members must approve assignment of interest.	Transfer LLC interests.
U.P. Imaging Management Services, LLC	MGH 60% Upper Michigan Cardiovascular Associates, PC 40%	Each member has equal representation on the board, despite ownership percentages.	Transfer LLC interests.
Marquette County EMS Medical Control Authority	N/A – nonstock One of two members with Bell Memorial Hospital.	Bell Memorial Hospital and MGH appoint directors.	Dissolve prior to Closing.

SCHEDULE 4.4(c)(i)
INCLUDED JOINT VENTURE LEASED REAL PROPERTY

<u>PARTIES</u>		<u>PREMISES</u>	<u>COMMENCEMENT DATE</u>
MARQUETTE MEDICAL-DENTAL CENTER, 1414 WEST FAIR AVENUE, MARQUETTE, MI			
1.	Tenant: Peninsula InfoMed, L.L.C. Landlord: Marquette Medical-Dental Center Corporation	MMDC 1414 West Fair Avenue, Suite 33 Marquette, MI	03/01/2012
2.	Tenant: U.P. Imaging Management Services, LLC Landlord: Upper Michigan Cardiovascular Associates, P.C.	MMDC 1414 West Fair Avenue, within Suite 334 Marquette, MI	05/01/2010
OLD CITY HALL BUILDING, 220 WEST WASHINGTON STREET, MARQUETTE, MI			
3.	Tenant: Upper Peninsula Managed Care, L.L.C. Landlord: O'Dovero Development	Old City Hall Building 220 W. Washington St. Suites 310, 330 and 340 Marquette, MI	03/26/2012
WASHINGTON STREET SQUARE, 228 WEST WASHINGTON STREET, MARQUETTE, MI			
4.	Tenant: U.P. Managed Care, LLC Landlord: O'Dovero Properties	Washington Street Square 228 W. Washington St. Marquette, MI	07/01/2005
AVERY SQUARE COMPLEX, 510 ASHMUN, SAULT STE. MARIE, MI			
5.	Tenant: Chippewa Medical Associates, Inc. Landlord: Chippewa – Luce – Mackinac Community Action Human Resource Authority, Inc.	Avery Square Complex 510 Ashmun, 1 st Floor Sault Ste. Marie, MI	03/01/2010
BARK RIVER, MI			
6.	Tenant: Marquette General Health System	4283 D Road Bark River, MI, 49807	11/01/2005

<u>PARTIES</u>		<u>PREMISES</u>	<u>COMMENCEMENT DATE</u>
	Actual occupant of space if different than named Tenant: Rampart EMS Landlord: Bark River Township	Ambulance storage.	
GLADSTONE, MI			
7.	Tenant: Marquette General Health System Actual occupant of space if different than named Tenant: Rampart EMS Landlord: City of Gladstone, Michigan	Department of Public Safety 144 Fourth Ave. North Gladstone, MI 49837 Ambulance parking; one bay.	No written lease document available.
MARQUETTE GENERAL HOSPITAL, INC., MARQUETTE, MI			
8.	Tenant: U.P. Imaging Management Services, LLC Actual occupant of space if different than named Tenant: Landlord: Marquette General Hospital, Inc.	RCN Building 580 West College Avenue Marquette, MI 49855	05/01/2010

SCHEDULE 4.4(c)(ii)
INCLUDED JOINT VENTURES OWNED REAL PROPERTY

Common Name	Property Address	Owner	Right, Title and Interest in all rights, privileges, easements, streets, drainage areas and rights of way appurtenant to or benefitting or serving	Use of Property	Legal Description	Tax Identification Number(s)
Ice Lake Medical Arts Building	1500 West Ice Lake Road Iron River, MI 49935	Ice Lake Medical Arts Building, Inc.	Easement for driveway serving NorthStar Health System (f/k/a Iron County Community Hospital); shared use of four parking spaces on Gov. Lot 1; reservation for ore and minerals	This is a one-story building built in 1975 adjacent to NorthStar Health System where two MGH physicians practice.	Parcels in the NE 1/4 of NE 1/4, S25T43NR35W, City of Iron River, Iron County	36054-025-006-00
Ontonagon Community Health Center	751 S. Seventh St Ontonagon, MI 49953	Ontonagon Community Health Center	Easement for driveway serving adjacent parcel; reservation for ore and minerals	This is a one-story medical office building built in 1970 where a Rural Health Clinic is operated	Parcel in S31T52NR39W, Village of Ontonagon, Ontonagon County	6641-581-003-00

SCHEDULE 4.5(b)
INTEREST IN UPHP AND UPMC

ENTITY	OWNERS	PROXIES, VOTING AGREEMENTS, SHAREHOLDER OR OTHER AGREEMENTS	OWNERSHIP INTERESTS FOLLOWING ACTIONS IN ASSET PURCHASE AGREEMENT
Upper Peninsula Health Plan, Inc.	Membership Interest in Michigan Business Corporation		Membership Interest in Michigan Limited Liability Company
	MGH	56.27%	MGH
	Munising Memorial Hospital	.13%	Munising Memorial Hospital
	Portage Health System	10.02%	Portage Health System
	Schoolcraft Memorial Hospital	2.15%	Schoolcraft Memorial Hospital
	SSM Tribal Health Center	.56%	SSM Tribal Health Center
	War Memorial Hospital	7.14%	War Memorial Hospital
	Upper Peninsula Health Plan	.26%	Upper Peninsula Health Plan
	Baraga County Memorial Hospital	.80%	Baraga County Memorial Hospital
	Bell Memorial Hospital	5.12%	Bell Memorial Hospital
	Dickinson Healthcare System	5.40%	Dickinson Healthcare System
	Grand View Hospital	4.57%	Grand View Hospital
	NorthStar Health System	1.91%	NorthStar Health System
	Aspirus Keweenaw	3.70%	Aspirus Keweenaw

	Helen Newberry Joy Hospital	1.97%			Helen Newberry Joy Hospital	1.97%
	Membership Interest in Michigan Limited Liability Company				Membership Interest in Michigan Limited Liability Company	
Upper Peninsula Managed Care, LLC	MGH	56.27%	70% vote required to take action Agreements include Articles of Organization and Operating Agreement		MGH	56.27%
	Munising Memorial Hospital	.13%			Munising Memorial Hospital	.13%
	Portage Health System	10.02%			Portage Health System	10.02%
	Schoolcraft Memorial Hospital	2.15%			Schoolcraft Memorial Hospital	2.15%
	SSM Tribal Health Center	.56%			SSM Tribal Health Center	.56%
	War Memorial Hospital	7.14%			War Memorial Hospital	7.14%
	Upper Peninsula Health Plan	.26%			Upper Peninsula Health Plan	.26%
	Baraga County Memorial Hospital	.80%			Baraga County Memorial Hospital	.80%
	Bell Memorial Hospital	5.12%			Bell Memorial Hospital	5.12%
	Dickinson Healthcare System	5.40%			Dickinson Healthcare System	5.40%
	Grand View Hospital	4.57%			Grand View Hospital	4.57%
	NorthStar Health System	1.91%			NorthStar Health System	1.91%
	Aspirus Keweenaw	3.70%			Aspirus Keweenaw	3.70%
	Helen Newberry Joy Hospital	1.97%			Helen Newberry Joy Hospital	1.97%

SCHEDULE 4.5(c)
UPMC'S INDIVIDUAL ASSOCIATIONS AND APPOINTMENTS

Individual Associations

Dennis Smith
Jennifer Claus
Gina Gill
Mel Bicigo

Appointments

Cigna
Grotenhuis
UNUM
Sun Life
Hyatt
Met Life
Aetna
Hartford
Eyecare

SCHEDULE 4.5(d)
UNPAID MEDICAL CLAIMS

To be completed post-signing.

SCHEDULE 4.5(e)
UPHP CONTRACTS AND SERVICE AREAS

Contractor	Contract Number	Service Area	Effective Date
Medicaid	#071B0200023	All of the counties in the U.P.	October 1, 2009
Medicare	#H2161	All of the counties in the U.P.	September 16, 2011
MIChild	#20120687	All of the counties in the U.P.	October 1, 2011

SCHEDULE 4.5(h)
UPHP ENROLLEE COMPLAINTS

Category	Grievance/Member 2010	Grievance/Member 2011	Grievance/Member 2012
Accessibility	1/14,462	0/1	0/1
Availability	1/3,214	1/4,894	0/1
Difficulty Getting Medication	1/2,066	1/1,398	1/3,272
Fraud & Abuse	0/1	1/14,681	0/1
MDCH Enrollment	1/5,785	0/1	0/1
Provider Care	1/4,821	0/1	1/24,454
Provider Service	1/3,214	1/7,340	0/1
Quality of Practitioner Office	0/1	0/1	0/1
UPHP General	1/2,629	1/2,447	0/1

SCHEDULE 4.6(b)
OWNERSHIP IN UPHEC

ENTITY	OWNERS	PROXIES, VOTING AGREEMENTS, SHAREHOLDER AND OTHER AGREEMENTS
Upper Peninsula Health Education Corporation	N/A - nonstock	Bylaws provide MGH and Michigan State University have right to appoint directors

SCHEDULE 4.7
OUTSTANDING OR PREEMPTIVE RIGHTS

None.

SCHEDULE 4.8(a)
FINANCIAL STATEMENTS

See attached documents related to Marquette General Hospital, Inc.:

Audited Financial Statements for the year ended June 30, 2009

Audited Financial Statements for the year ended June 30, 2010

Audited Financial Statements for the year ended June 30, 2011

Unaudited Consolidated balance sheet, dated as of March 31, 2012

Unaudited Consolidated statements of operations for the seven month period ended March 31, 2012

Marquette General Health System

**Consolidated Financial Report
with Additional Information
June 30, 2009**

Marquette General Health System

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Plante & Moran, PLLC
Suite 300
600 E. Front St.
Traverse City, MI 49686
Tel: 231.947.7800
Fax: 231.947.0348
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Marquette General Health System

We have audited the accompanying consolidated balance sheet of Marquette General Health System (the "System") as of June 30, 2009 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Marquette General Health System as of June 30, 2008 were audited by other auditors, whose report dated December 26, 2008 expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marquette General Health System at June 30, 2009 and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009 on our consideration of Marquette General Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 21, 2009

Praxity
MEMBER
GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

Marquette General Health System

Consolidated Balance Sheet

	June 30, 2009	June 30, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 28,081,601	\$ 11,922,752
Accounts receivable (Note 2)	44,475,168	37,928,261
Estimated third-party payor settlements (Note 3)	1,314,123	2,830,064
Assets limited as to use (Notes 4 and 5)	803,579	430,807
Other current assets	2,117,770	2,482,687
Inventory	8,599,310	7,673,263
Total current assets	85,391,551	63,267,834
Assets Limited as to Use (Notes 4 and 5)	38,101,802	51,489,434
Property and Equipment (Note 6)	105,402,559	110,242,567
Assets Held for Sale (Note 15)	-	2,851,032
Other Assets		
Investment in unconsolidated affiliates	16,130,462	14,105,171
Bond issue costs	1,251,304	1,398,667
Other noncurrent assets	6,342,195	5,385,452
Total assets	<u>\$ 252,619,873</u>	<u>\$ 248,740,157</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 14,622,717	\$ 7,708,997
Current portion of long-term debt (Note 7)	6,808,575	3,697,592
Estimated third-party payor settlements (Note 3)	1,067,956	-
Accrued liabilities and other:		
Current portion of employee compensation and benefits	19,065,833	16,886,921
Accrued interest	331,315	375,407
Other accrued liabilities	1,044,760	1,509,286
Total current liabilities	42,941,156	30,178,203
Long-term Debt (Note 7)	67,361,548	74,170,123
Accrued Pension Liability (Note 10)	50,677,144	22,853,505
Fair Value of Interest Rate Swap Agreement (Notes 5 and 7)	3,995,153	1,881,882
Other Liabilities		
Long-term portion of employee compensation and benefits	3,674,898	3,832,044
Other long-term liabilities	4,608,241	3,965,882
Total liabilities	173,258,140	136,881,639
Net Assets		
Unrestricted	77,499,381	110,750,790
Temporarily restricted	1,862,352	1,107,728
Total net assets	79,361,733	111,858,518
Total liabilities and net assets	<u>\$ 252,619,873</u>	<u>\$ 248,740,157</u>

See Notes to Consolidated Financial Statements. 2

Marquette General Health System

Consolidated Statement of Operations

	Year Ended	
	June 30, 2009	June 30, 2008
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 302,512,916	\$ 281,490,075
Other	13,945,481	13,422,423
Income from investment in unconsolidated affiliates	2,853,931	5,761,971
Unrestricted revenue, gains, and other support	319,312,328	300,674,469
Expenses		
Salaries and wages	120,384,009	120,163,605
Employee benefits and payroll taxes	31,350,395	35,835,138
Operating supplies and expenses	66,740,387	63,268,664
Professional services and consultant fees	4,169,614	2,728,387
Purchased services	33,449,686	25,986,842
Utilities	5,357,769	5,151,442
Other	19,739,395	15,735,066
Depreciation	10,860,416	10,848,083
Provision for bad debts	12,677,377	11,950,542
Interest expense	4,016,161	4,421,234
Restructuring and other nonrecurring expenses	367,621	8,196,297
Pension curtailment and special termination benefit	-	6,729,648
Total expenses (Note 11)	309,112,830	311,014,948
Operating Income (Loss)	10,199,498	(10,340,479)
Other Income (Loss)		
Loss on sale of property	(90,816)	(634,161)
Net realized investment (loss) gain (Note 4)	(3,197,843)	3,376,241
Change in unrealized investment loss (Note 4)	(2,820,409)	(3,140,194)
Change in fair value of interest swap agreements (Note 7)	(2,113,271)	(2,218,576)
Loss on extinguishment of debt (Note 7)	-	(1,025,722)
Total other loss	(8,222,339)	(3,642,412)
Excess of Revenue Over (Under) Expenses	1,977,159	(13,982,891)
Contribution Received for Property Acquisitions	112,920	232,296
Pension-related Changes Other Than Net Periodic Benefit (Note 10)	(34,968,977)	19,042,119
(Decrease) Increase Before Extraordinary Items	(32,878,898)	5,291,524
Loss on Discontinued Operations (Note 15)	(372,511)	(4,902,662)
(Decrease) Increase in Unrestricted Net Assets	<u>\$ (33,251,409)</u>	<u>\$ 388,862</u>

Marquette General Health System

Consolidated Statement of Changes in Net Assets

	Year Ended June 30	
	2009	2008
(Decrease) Increase in Unrestricted Net Assets	\$ (33,251,409)	\$ 388,862
Increase in Temporarily Restricted Net Assets - Contributions	754,624	462,049
(Decrease) Increase in Net Assets	(32,496,785)	850,911
Net Assets - Beginning of year	111,858,518	111,007,607
Net Assets - End of year	<u>\$ 79,361,733</u>	<u>\$ 111,858,518</u>

Marquette General Health System

Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2009	June 30, 2008
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (32,496,785)	\$ 850,911
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	11,007,779	11,575,039
Net change in realized and unrealized gains and losses on investments	6,018,252	(236,047)
Change in fair value of interest rate swap	2,113,271	2,218,576
Net periodic pension cost	5,373,086	15,396,659
Pension contributions	(12,518,424)	(26,581,895)
Pension-related changes other than net periodic benefit	34,968,977	(19,042,119)
Loss on disposal of equipment	90,816	634,161
Loss on extinguishment of debt	-	1,025,722
Impairment of discontinued operations	-	4,604,398
Proceeds from assets held for sale	2,784,478	-
Equity earnings in unconsolidated affiliates	(2,853,931)	(5,761,971)
Increase in temporarily restricted net assets	(754,624)	(462,049)
Provision for bad debts	12,677,377	11,950,542
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(19,224,284)	(9,960,420)
Estimated third-party payor settlements	2,583,897	(2,218,392)
Inventories	(926,047)	(3,897)
Prepaid and other assets	(158,979)	30,008,495
Accounts payable	6,913,720	(2,489,500)
Accrued and other liabilities	2,155,507	(174,599)
Net cash provided by operating activities	17,754,086	11,333,614
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,271,176)	(7,859,020)
Proceeds from sale of property and equipment	226,506	-
Net purchases and sales of investments	7,392,401	(2,250,730)
Net cash provided by (used in) investing activities	1,347,731	(10,109,750)
Cash Flows from Financing Activities		
Principal payment on long-term debt	(3,697,592)	(3,420,000)
Issuance of bond financing costs	-	(167,380)
Increase in temporarily restricted net assets	754,624	462,049
Net cash used in financing activities	(2,942,968)	(3,125,331)
Net Increase (Decrease) in Cash and Cash Equivalents	16,158,849	(1,901,467)
Cash and Cash Equivalents - Beginning of year	11,922,752	13,824,219
Cash and Cash Equivalents - End of year	<u>\$ 28,081,601</u>	<u>\$ 11,922,752</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 1 - Nature of Business and Significant Accounting Policies

Basis of Consolidation - Marquette General Health System (the "System") is a Michigan nonstock corporation providing healthcare services in Michigan's Upper Peninsula.

The System owns all of the outstanding shares of common stock of Rampart EMS, Inc. and subsidiaries (Rampart). Rampart provides ambulance services for portions of the southern Upper Peninsula of Michigan.

Marquette General Foundation (the "Foundation") is a Michigan nonstock corporation whose sole corporate member is the System. The Foundation receives and administers funds for charitable purposes to promote and support the healthcare mission of the System.

The System owns all of the outstanding shares of common stock of Upcare Technology, Inc. (formerly Klinitek, Inc). Upcare Technology is in business of developing computer software for healthcare applications. The operations of Upcare Technology have been presented as a discontinued operation as described in Note 15.

All intercompany accounts and transactions are eliminated in preparation of the consolidated financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts included in assets limited as to use.

The System maintains cash and investment balances at several financial institutions. Certain accounts are insured in full under the Transaction Account Guarantee Program which is provided by the Federal Deposit Insurance Corporation through December 31, 2009 since they bear an interest rate of less than .50 percent per year. Other accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 per account type, per institution, for the years ended June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, the consolidated uninsured cash balances were \$23,482,309 and \$10,523,861, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the System's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenue over (under) expenses unless the income or loss is restricted by donor or law. The System classifies its investment portfolio as trading, with unrealized gains and losses included in excess of revenue over expenses.

Assets Limited as to Use - Assets whose use is limited primarily include designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes, amounts set aside under revocable self-insurance trust agreements, assets held by trustees under indenture agreements, and assets restricted as to use by donors. Amounts designated to help meet current liabilities of the System have been classified as the current portion of assets whose use is limited in the consolidated balance sheet.

Inventories - Inventories, which consist of medical and office supplies, pharmaceutical products, and durable medical equipment, are valued at the lower of cost (average cost) or market.

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

In 2008, the System extended the useful lives assigned to several assets based on an independent assessment. The change in depreciable lives resulted in an approximately \$1,050,000 reduction in depreciation expense during the year ended June 30, 2008.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Fair Value of Financial Instruments - The fair value of financial instruments, including cash, accounts receivable, and accounts payable, approximates carrying values. Investments are recorded at fair value under generally accepted accounting principles. The fair value of debt is based on current rates at which the System could borrow funds with similar remaining maturities.

Bond Issuance Costs - Bond issuance costs represent financing costs that are being amortized over the period of related debt outstanding using the straight-line method, which approximates the effective interest rate method.

Interest Rate Swap - The System entered into an interest rate swap transaction to reduce economic risks associated with variability in cash outflows for interest required under provisions of variable rate revenue bonds. Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the consolidated statement of changes in net assets. Unrealized changes in the fair value of the interest rate swap are recognized in other income, separate from income from operations.

Contributions - The System reports gifts of cash and other assets as 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 statement of changes in net assets as net assets released from restrictions.

The System reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports the expiration of donor restrictions when the assets are placed in service.

Classification of Net Assets - Net assets of the System are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the System's ability to use or dispose of contributed assets or economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note I - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Excess of Revenue Over Expenses - The consolidated statement of operations 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 pension related changes other than net periodic pension costs, loss from discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Charity Care - The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Tax Status - The System is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (IRC). Rampart is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the IRC. Upcare Technology is a taxable organization and records a provision for income taxes to the extent required based on its separate earnings and IRC regulations. The Foundation is a nonprofit, tax-exempt organization and is a Type I supporting organization as defined by the IRC.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In 2008, the System adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. The adoption of FIN 48 did not have an impact on the System's consolidated financial statements.

Reclassification - Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including September 21, 2009, which is the date the consolidated financial statements were available to be issued.

Accounting for Conditional Asset Retirement Obligation - Financial Accounting Standards Board Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligation*, clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it related to its legal obligation to report asset retirement activities, such as asbestos removed, on its existing properties. Over the past 20 years, management has systematically renovated, replaced, or constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at June 30, 2009.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2009	2008
Patient account receivable	\$ 107,088,150	\$ 85,521,706
Less:		
Allowance for uncollectible accounts	(11,639,203)	(9,525,000)
Allowance for contractual adjustments	(50,973,779)	(38,068,445)
Net patient accounts receivable	\$ 44,475,168	\$ 37,928,261

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 2 - Patient Accounts Receivable (Continued)

The System grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percent	
	2009	2008
Medicare	34	35
Blue Cross/Blue Shield of Michigan	15	21
Medicaid	25	17
Commercial insurance	12	13
Self-pay	8	6
Other	6	8
Total	100	100

Note 3 - Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Approximately 74 percent of the System's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement with these third-party payors for Marquette General Health System is as follows:

- **Medicare** - Inpatient, acute-care, psychiatric, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient and homecare services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.
- **Medicaid** - Inpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.
- **Blue Cross/Blue Shield of Michigan** - Inpatient acute-care services are reimbursed at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Outpatient services are reimbursed on a fee-for-service and percentage of charge basis.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 3 - Patient Service Revenue (Continued)

Cost report settlements result from the adjustment of interim payments to final reimbursement under Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program is scheduled for Michigan hospitals in 2009. The System is unable to determine if it will be audited and if so, the extent of liability for overpayments, if any. If selected for audit, the potential exists for significant overpayment of claims liability for the System at a future date.

Note 4 - Assets Limited as to Use

The detail of assets limited as to use is summarized in the following schedule:

	2009	2008
Assets limited as to use and temporarily restricted:		
Funds held by trustees under bond indenture	\$ 6,725,817	\$ 6,353,045
Funds held in trust for payment of professional and other liability claims	6,944,197	17,086,096
By the board of trustees for future capital improvements	23,373,016	27,583,063
By donors for specific purposes	1,466,558	709,334
Total investments limited as to use and temporarily restricted	38,509,588	51,731,538
Pledges receivable	395,793	188,703
Less current portion	(803,579)	(430,807)
Total assets limited as to use	\$ 38,101,802	\$ 51,489,434

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 4 - Assets Limited as to Use (Continued)

Investments consist of the following:

	2009	2008
Cash and cash equivalents	\$ 8,562,396	\$ 2,986,754
Government securities	15,939,267	25,602,571
Equity securities	14,007,925	23,330,916
Total	<u>\$ 38,509,588</u>	<u>\$ 51,920,241</u>

Investment income and gains and losses are comprised of the following for the years ended June 30, 2009 and 2008:

	2009	2008
Net realized investment (loss) gain	\$ (3,197,843)	\$ 3,376,241
Change in net unrealized losses on investments	(2,820,409)	(3,140,194)
Total	<u>\$ (6,018,252)</u>	<u>\$ 236,047</u>

Note 5 - Fair Value Measurements

As of January 1, 2008, the System adopted Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements.

The following table presents information about the System's assets and liabilities measured at fair value on a recurring basis at June 30, 2009, and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 5 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Assets - Investment securities	\$ 4,817,415	\$ 25,129,777	\$ -	\$ 29,947,192
Liabilities - Derivative financial instruments	-	3,995,153	-	3,995,153

Note 6 - Property and Equipment

Costs of property, plant, equipment, and depreciable lives are summarized as follows:

	2009	2008	Depreciable Life - Years
Land	\$ 7,570,000	\$ 7,570,300	-
Land improvements	3,217,390	3,243,887	3-15
Buildings	147,825,616	147,372,914	7-40
Equipment	143,102,097	137,417,140	3-10
Construction in progress	4,062,296	4,972,120	
Total cost	305,777,399	300,576,361	
Accumulated depreciation	(200,374,840)	(190,333,794)	
Total property and equipment	\$ 105,402,559	\$ 110,242,567	

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 7 - Long-term Debt

A summary of long-term debt at June 30, 2009 and 2008 is as follows:

	2009	2008
Hospital Revenue Bonds, Series 2004	\$ 2,790,000	\$ 5,490,000
Hospital Revenue Bonds, Series 2005	28,465,000	28,465,000
Hospital Revenue Bonds, Series 2006	37,000,000	37,000,000
Term loan	5,684,615	6,584,615
Bond premium - Less accumulated amortization	230,508	328,100
Total	74,170,123	77,867,715
Less current portion	6,808,575	3,697,592
Long-term portion	<u>\$ 67,361,548</u>	<u>\$ 74,170,123</u>

The Michigan State Hospital Finance Authority (MSHFA) and City of Marquette Hospital Finance Authority (CMHFA) have at various times issued Hospital Revenue Bonds on behalf of the Marquette General Hospital Obligated Group (the "Obligated Group") and loaned the proceeds to the Obligated Group (which is comprised of the System) under the terms of the Master Indenture and Security Agreement. The Obligated Group has pledged to Wells Fargo Bank, N.A. (as master trustee) the gross revenues of the System. The loans are also secured by a first priority mortgage on the real property and the structures and improvements of the main campus of the Obligated Group and a security interest in personal property, accounts receivable, and other intangible property.

The Series 2006 Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$37,000,000. Proceeds were used to repay certain amounts outstanding on the term loan and for various property acquisitions. The bonds are to be repaid in annual amounts ranging from \$4,000,000 in June 2015 to \$5,325,000 in June 2022. Effective April 16, 2008, the System converted from interest rates determined by an auction process to a weekly rate (.3 percent and 1.7 percent at June 30, 2009 and 2008, respectively). As a result of this conversion, a mandatory tender feature was invoked. Therefore, certain deferred finance costs related to the debt in the amount of \$1,025,000 were written off as a loss on extinguishment of debt. No other terms changed as a result of this transaction.

Payment of the Series 2006 Bonds principal and interest is guaranteed under a financial guaranty insurance policy. Also, a Standby Bond Purchase Agreement is available for the purchase of bonds tendered but not remarketed. Accordingly, the bonds have been classified as long-term as the Obligated Group has engaged a remarketing agent to remarket these obligations, if presented. The Standby Bond Purchase Agreement expires on April 16, 2011, and there were no borrowings during 2009 and 2008 on the agreement.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 7 - Long-term Debt (Continued)

The Series 2005A Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$28,465,000 (unamortized premium of \$230,508 and \$328,100 at June 30, 2009 and 2008, respectively). Proceeds were used to finance construction projects and certain capital equipment. The Series 2005A Serial Bonds, totaling \$12,015,000, mature through May 15, 2014, are not subject to optional redemption, bear interest at 5.0 percent, and are due in annual amounts ranging from \$2,175,000 in 2010 to \$2,645,000 in 2014. Bonds maturing thereafter (Term Bonds), totaling \$16,450,000, are redeemable at a price of par plus accrued interest. The Term Bonds are subject to mandatory annual redemption at par commencing May 15, 2020 through May 15, 2034. The Term Bonds bear interest at fixed rates of 5.0 percent and are to be repaid in annual amounts ranging from \$760,000 in 2020 to \$1,510,000 in 2034.

The 2004A Bonds were issued by CMHFA on behalf of the Obligated Group. The 2004 Bonds are variable rate demand bonds, which bear interest as determined weekly by a remarketing agent (0.35 percent and 1.90 percent at June 30, 2009 and 2008, respectively) and were repaid with a final payment of \$2,790,000 in July 2009. The 2004 bonds are secured by a letter of credit, which expires on July 16, 2009, and contain an option to convert to a fixed interest rate. Proceeds were used to refund amounts previously outstanding and for various capital purchases. The letter of credit is also available for the purchase of bonds tendered but not remarketed. Accordingly, the variable rate demand bonds have been classified as long-term as the Obligated Group has engaged a remarketing agent to remarket these obligations, if presented. There were no borrowings on the letter of credit during 2009 and 2008.

The Term Loan outstanding is payable in annual amounts ranging from \$1,750,000 in December 2009 to \$2,034,615 in December 2011. The Term Loan bears interest at a variable rate.

The MSHFA Series 2006 and 2005A Bonds, the CMHFA Variable Rate Demand Hospital Series 2004A, and the Term Loan have all been issued under a Master Indenture and Security Agreement, which contains certain restrictive covenants, including a required debt service coverage ratio and days cash on hand ratio which the Obligated Group did not meet for the year ended June 30, 2008. The trustee waived these covenants for the year ended June 30, 2008.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 7 - Long-term Debt (Continued)

The Obligated Group is required to meet the requirements of agreements or documents collateral to the Master Indenture and Security Agreements. In connection with the Term Loan Agreement and with the Reimbursement Agreement entered into in connection with the 2004 Bonds, the Obligated Group obtained a waiver for the debt service coverage ratio covenant for the periods ended March 31, 2008 and June 30, 2008 and the days cash on hand requirement for June 30, 2008. Additionally, the debt service coverage ratio will not be measured for the rolling four-quarter period ended September 30, 2008, and days cash on hand requirement as of June 30, 2009, and future measurement dates have been amended.

In connection with the Standby Bond Purchase Agreement associated with the 2006 bonds, a waiver of covenants has been received for the year ended June 30, 2008 measurement period. Additionally, days cash on hand requirements as of June 30, 2009, and future measurement dates have been amended.

In connection with the supplemental indenture between the master trustee and the Obligated Group associated with the 2006 Bonds, the Obligated Group entered into a waiver and reservation of rights agreement in which the bond insurer agreed to forbear its right to exercise any rights or remedies related to the failure to meet the debt service coverage ratio and days cash on hand ratio and failure to obtain its prior approval of the bond insurer to retain a consultant. The forbearance provisions of the agreement require the Obligated Group to maintain debt service coverage in excess of 1.35, measured at the close of the fiscal year, while the 2006 Bonds are outstanding; days cash on hand equal to 55 days at June 30, 2009 and December 31, 2009; days cash on hand equal to 65 at June 30, 2010 and December 31, 2010; days cash on hand equal to 75 days at June 30, 2011, and thereafter; operating margin targets which are within 25 percent of amounts approved by the board of trustees; and monthly reports prepared by a consultant which describe the Obligated Group's progress in meeting operational improvement recommendations of a consultant for fiscal year 2009. If the Obligated Group is unable to meet the provisions of the waiver and reservation of rights agreement, or if the debt service coverage ratio falls below 1.0, or if days cash on hand fall below 50, the bond insurer may, by written notice to the bond trustee, declare an immediate event of default under the Master Indenture.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 7 - Long-term Debt (Continued)

In connection with the supplemental indenture between the Master Trustee and the Obligated Group associated with the 2005 Bonds, the Obligated Group entered into a waiver and reservation of rights agreement in which the bond trustee agreed to forbear its right to exercise any rights or remedies related to the failure to meet the debt service coverage ratio and days cash on hand ratio and failure to obtain the prior approval of the bond insurer to retain a consultant. The forbearance provisions of the agreement require the Obligated Group to maintain debt service coverage in excess of 1.35, measured at the close of the fiscal year, while the 2005 Bonds are outstanding; days cash on hand equal to 55 days at June 30, 2009 and December 31, 2009; days cash on hand equal to 65 days at June 30, 2010 and December 31, 2010; days cash on hand equal to 75 days at June 30, 2011, and thereafter; operating margin targets which are within 25 percent of amounts approved by the board of trustees; and monthly reports prepared by a consultant which describe the Obligated Group's progress in meeting operational improvement recommendations of a consultant for fiscal year 2009. If the Obligated Group is unable to meet the provisions of waiver and reservation of rights agreement, or if the debt service coverage ratio falls below 1.0, or if days cash on hand fall below 50, the master trustee may, by written notice to the bond trustee, declare an immediate event of default under the Master Indenture.

During 2006, the System entered into a fixed payor interest rate swap agreement. The interest rate swap agreement is based on a notional amount of \$37,000,000 and allows the System to offset the changes in overall cash flows due to the repricing of debt obligations from the date of transaction through the fiscal 2022 termination date. The interest rate swap agreement has not been designated as a cash flow hedge for accounting purposes as defined in SFAS No. 133, *Accounting for Derivative Instruments as Hedging Activities*.

The fair market value of long-term debt was estimated to be \$69,147,000 and \$75,655,000 at June 30, 2009 and 2008, respectively.

Future maturities of long-term debt for the next five years and thereafter are as follows:

Years Ending June 30	Amount
2010	\$ 6,715,000
2011	4,185,000
2012	4,429,615
2013	2,515,000
2014	2,645,000
Thereafter	53,450,000
Total	<u>\$ 73,939,615</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 8 - Operating Leases

The System is obligated under certain operating leases, primarily for facilities and equipment. Total rent expense under these leases was approximately \$2,991,000 and \$2,864,000 in 2009 and 2008, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2010	\$ 2,916,537
2011	2,651,893
2012	2,018,353
2013	1,076,551
2014	324,864
Thereafter	19,846
Total	<u>\$ 9,008,044</u>

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves

The System is self-insured up to certain levels of risk for professional liability, workers' compensation, and general liability claims. Effective June 1, 1997, the System purchased excess professional liability insurance. The current level of excess insurance covers losses over the retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its professional liability claims. Prior to June 1, 1997, the System was completely self-insured for its professional liability claims. Insurance coverage has been obtained for workers' compensation claims in excess of \$500,000 per occurrence. Effective March 29, 2005, the System became self-insured up to certain levels of risk for its general liability claims. Also on that date, the System purchased excess general liability insurance. The current level of excess insurance covers losses over retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its general liability claims. The System's malpractice insurance coverage currently expires on March 29, 2010. The System is insured under an umbrella policy for professional liability, workers' compensation, and general liability claims up to \$8,000,000 per occurrence and \$8,000,000 annual aggregate.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves (Continued)

The System, with assistance of an independent actuary, estimates a range of loss for these claims based on its past experience along with relevant industry data. This estimate includes provisions for known claims and unreported incidents. The System has accrued the present value of what it believes to be the most likely amount of loss in the range, discounted at 4 percent per annum. Trusts have been established to which contributions are made based upon these estimates. The revocable trust agreements restrict trust assets to the payment of claims and the cost of trust administration.

It is management's belief that adequate provision has been made at June 30, 2009 and 2008 for all professional liability, workers' compensation, and general liability claims incurred to date. Management further believes that the ultimate disposition of these claims, after consideration of recorded reserves, will not have a material adverse effect on the consolidated financial position of the System.

Note 10 - Pension Plans

The System maintains a defined-benefit pension plan (the "Plan"), which covers substantially all employees hired prior to January 1, 2006. The System's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the System may determine to be appropriate from time to time.

Effective January 1, 2006, new employees are not eligible to participate in the defined benefit pension plan, but are eligible, subject to the vesting requirement of the Plan, for participation in the 401(k) defined contribution plan along with all existing employees. Effective January 1, 2006, the System began matching contributions in this plan of up to 4 percent of compensation. Expenses charged to operations under these plans were \$438,233 and \$128,497 for the years ended June 30, 2009 and 2008, respectively.

On April 1, 2008, the System amended its retirement plan to offer an early retirement payout to eligible participants. Approximately 124 participants elected to early retire. The curtailment of future pension accruals related to this action reduced the projected benefit obligation by \$2,813,720. Additionally, special accounting requirement under SFAS No. 88, *Employers' Accounting for Settlement and Curtailments of Defined Benefit Plans and for Termination Benefits*, as amended by SFAS No. 158, resulted in the immediate recognition of previously unrecognized prior service costs special termination payouts.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 10 - Pension Plans (Continued)

Obligations and Funded Status

	Pension Benefits	
	2009	2008
Projected benefit obligation	\$ 190,803,814	\$ 175,003,803
Fair value of plan assets at beginning of year	140,126,670	152,150,298
Funded status at end of year	<u>\$ (50,677,144)</u>	<u>\$ (22,853,505)</u>

Amounts recognized in the consolidated balance sheet consist of noncurrent liabilities of \$50,677,144 and \$22,853,505 at June 30, 2009 and 2008, respectively.

The accumulated benefit obligation for all defined benefit pension plans was \$179,543,159 and \$168,958,821 at June 30, 2009 and 2008, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

	2009	2008
Projected benefit obligation	\$ 190,803,814	\$ 175,003,803
Accumulated benefit obligation	179,543,159	168,958,821
Fair value of plan assets	140,126,670	152,150,298

Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid

	Pension Benefits	
	2009	2008
Net periodic benefit cost	\$ (5,373,086)	\$ (15,396,659)
Employer contributions	12,518,424	26,581,895
Benefits paid	(6,339,033)	(4,216,071)

Other Changes in Plan Assets and Benefit Obligations Recognized in Pension-related Changes Other than Net Periodic Benefit Cost

	Pension Benefits	
	2009	2008
Net loss	\$ 77,590,157	\$ 44,743,031
Prior service credit	(20,732,255)	(22,854,106)
Total recognized in pension-related changes other than net periodic benefit pension cost	<u>\$ 56,857,902</u>	<u>\$ 21,888,925</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 10 - Pension Plans (Continued)

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from pension-related changes other than net periodic benefit cost into net periodic benefit cost over the next fiscal year is \$2,122,032.

Assumptions

Weighted Average Assumptions Used to Determine Benefit Obligations at June 30

	Pension Benefits	
	2009	2008
Discount rate	6.85 %	6.95 %
Rate of compensation increase	4.00	4.00

Weighted Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended June 30

	Pension Benefits	
	2009	2008
Discount rate	6.85 %	6.95 %
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

The overall expected rate of return on plan assets is based on overall market expectations for a portfolio with an asset mix similar to the System.

Plan Assets

The System's pension plan weighted average asset allocations at June 30, 2009 and 2008 by asset category are as follows:

	2009	2008
Equity securities	49 %	70 %
Debt securities	38	22
Cash equivalents	13	8
Total	100 %	100 %

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 10 - Pension Plans (Continued)

The investment policy, as established by the board of trustees, is to assist the Marquette General Hospital Plan Finance Committee with supervising and monitoring the investment of the Marquette General Hospital Retirement Fund's assets. The investment policy objectives include meeting and funding the liabilities of the defined pension plan; providing long-term growth of principal without undue risk, through capital appreciation, income, and System contributions; and focusing on consistent long-term capital appreciation and income.

The System invests in various financial instruments which are publicly traded. Financial instruments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amounts reported in the statements of operations and changes in net assets.

The System's targeted allocation of assets by category is as follows:

Equity securities	45%-65%
Debt securities	25%-45%
Cash equivalents	0%-10%

Contributions

The System expects to contribute \$4,639,001 to its pension plan in 2010.

Estimated Future Benefit Payments

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

2010	\$ 7,283,885
2011	7,832,919
2012	8,451,638
2013	9,107,442
2014	9,926,781
2015-2019	67,128,036

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 11 - Functional Expenses

The System fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services. Expenses relating to providing these services for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Healthcare services	\$ 299,863,174	\$ 294,243,016
General and administrative	8,547,653	16,114,674
Fund-raising	702,003	657,258
Total	<u>\$ 309,112,830</u>	<u>\$ 311,014,948</u>

Note 12 - Investment in Affiliates

At June 30, 2009, the System has contributed 57 percent of the capital for Upper Peninsula Health Plan, Inc. (UPHP) and Upper Peninsula Managed Care, LLC (UPMC). For both entities, an affirmative vote of members holding a greater than 50 percent of the equity interests is required for routine operational matters submitted to a vote, and greater than 70 percent for other significant matters. Based on the requirement for 70 percent approval on significant transactions, the System does not have control of these entities and records them using the equity method. UPHP is a Medicaid-only HMO in Michigan's Upper Peninsula. The net carrying value of the UPHP interest at June 30, 2009 and 2008 was approximately \$12,163,000 and \$10,347,000, respectively. UPMC serves as the management company for UPHP. The net carrying value of UPMC's interest at June 30, 2009 and 2008 was approximately \$1,116,000 and \$1,089,000, respectively.

The System provides healthcare services to enrollees of UPHP. Net patient service revenue for services rendered to plan participants totaled \$7,584,236 and \$6,367,406 for the years ended June 30, 2009 and 2008, respectively.

The System has additional investments in affiliates that are not material to the financial statements.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 12 - Investment in Affiliates (Continued)

The following is a summary of financial position and results of operations of UPHP and UPMC, respectively, as of June 30, 2009 and 2008:

	2009	2008
<u>UPHP</u>		
Total assets	\$ 33,851,466	\$ 28,597,009
Total liabilities	12,512,136	10,443,693
Stockholders' equity	\$ 21,339,330	\$ 18,153,316
Net income	\$ 3,186,013	\$ 8,496,073
<u>UPMC</u>		
Total assets	\$ 2,506,312	\$ 2,263,809
Total liabilities	548,371	353,752
Stockholders' equity	\$ 1,957,941	\$ 1,910,057
Net income	\$ 1,819,277	\$ 1,795,600

Note 13 - Community Benefit

In support of its mission, the System provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the System's community benefit expense for the years ended June 30, 2009 and 2008:

	2009	2008
Community partnership programs (unaudited)	\$ 12,019,146	\$ 13,060,831
Donations/contributions (unaudited)	120,945	114,257
Traditional charity care	502,168	46,660
Unpaid costs for government program patients (unaudited)	8,686,148	8,264,807
Other community benefit activities (unaudited)	6,521,825	5,246,269
Total	\$ 27,850,232	\$ 26,732,824

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 13 - Community Benefit (Continued)

Community Partnership Programs - Community partnership programs include programs provided to persons with inadequate healthcare resources or for other groups with the community that need special services and support. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular healthcare needs. They also include broader populations who benefit from health community initiatives such as health promotion, education, and health screening.

Donations/Contributions - Donations/contributions include cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and disadvantaged.

Traditional Charity Care - Traditional charity care covers services provided to persons who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability.

Unpaid Costs for Government Program Patients - The System is a licensed Medicaid provider with approximately 10 percent of its patient base qualifying for this program. At present, the reimbursement rates for this program do not fully cover the cost of provider care to these patients. This represents the estimated "shortfall" created when a facility receives payments below the costs of treating Medicaid beneficiaries.

Note 14 - Union Contract

Approximately 17 percent of the Hospital's employees are subject to a collective bargaining agreement. The collective bargaining agreement expires May 31, 2010.

Note 15 - Discontinued Operations

During the year ended June 30, 2008, the System's management undertook action to sell Brookridge Long-term Care Facility (Brookridge) in Marquette, Michigan. Accordingly, Brookridge was considered an asset held for sale as of June 30, 2008 in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. The System recognized an impairment charge of \$450,000 during the year ended June 30, 2008 to reduce the carrying value of the Brookridge facility to its net realizable value. The net realizable value was determined by management based on the expected sales proceeds for the facility. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements. Final sale of Brookridge to an outside party occurred on February 12, 2009.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2009 and 2008

Note 15 - Discontinued Operations (Continued)

Revenue and net income for Brookridge included in the results of discontinued operations for the year ended June 30, 2008 were \$1,232,000 and \$77,000, respectively. Revenue and net loss for the year ended June 30, 2009 were \$702,000 and \$150,000, respectively. Assets included in the results of discontinued operations primarily consisted of property, plant, and equipment with a net book value of \$2,821,671 for the year ended June 30, 2008.

In addition, management undertook action to terminate the operations and dispose of the net assets of Upcare Technology, Inc. (formerly Klinitek, Inc.) effective June 30, 2008. This action qualified as a discontinued operation. The System recognized an impairment charge of \$4,154,398 during the year ended June 30, 2008 to reflect the abandonment of construction in progress assets of Upcare Technology, Inc. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements. Upcare Technology, Inc. has terminated all contracts as of June 30, 2009, and complete dissolution is expected to occur prior to December 31, 2009.

Revenue and net loss for Upcare Technology, Inc. included in the results of discontinued operations for the year ended June 30, 2008 were \$547,000 and \$375,624, respectively. Revenue and net loss for the year ended June 30, 2009 were \$124,000 and \$223,000, respectively. Assets included in the results of discontinued operations primarily consisted of property, plant, and equipment with a net book value of \$29,361 for the year ended June 30, 2008.

Note 16 - Subsequent Event

The System purchased a sports medicine practice on September 1, 2009 for \$622,000, of which \$62,200 was paid at the time of closing, and for the remainder the System has incurred debt that is payable over a 10-year period at an interest rate of 5 percent per annum.

The System has a covenant related to the 2006 Bonds preventing the System from obtaining additional debt. The System received a waiver from Assured Guaranty Corp. regarding this covenant.

Additional Information



Plante & Moran, PLLC
Suite 300
600 E. Front St.
Traverse City, MI 49686
Tel: 231.947.7800
Fax: 231.947.0348
plantemoran.com

Report Letter on Compliance with Laws and Regulations
and Internal Control - Basic Financial Statements

To the Board of Trustees
Marquette General Health System

We have audited the consolidated financial statements of Marquette General Health System as of and for the year June 30, 2009 and have issued our report thereon dated September 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marquette General Health System's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marquette General Health System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We have issued a letter of recommendations to management regarding certain financial operating and efficiency matters. This report is solely intended for the information and use of the board of trustees, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 21, 2009

Marquette General Health System

**Consolidated Financial Report
with Additional Information
June 30, 2010**

Marquette General Health System

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Plante & Moran, PLLC
Suite 300
600 E. Front St.
Traverse City, MI 49686
Tel: 231.947.7800
Fax: 231.947.0348
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Marquette General Health System

We have audited the accompanying consolidated balance sheet of Marquette General Health System (the "System") as of June 30, 2010 and 2009 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the equity method investments of Upper Peninsula Health Plan, Inc. and Upper Peninsula Managed Care, LLC whose statements are utilized to record the investment in unconsolidated affiliates of \$16,519,194 and \$13,279,444 and income from unconsolidated affiliates of \$5,184,474 and \$2,853,931 as of and for the years ended June 30, 2010 and 2009, respectively. Those statements were audited by others as of and for the years ended December 31, 2009 and 2008, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts incurred for Upper Peninsula Health Plan, Inc. and Upper Peninsula Managed Care, LLC, is based solely on the reports of other auditors as well as interim statements as of and for the years ended June 30, 2010 and 2009, prepared based on the same basis as that of the audited statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marquette General Health System at June 30, 2010 and 2009 and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Marquette General Health System

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of Marquette General Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 23, 2010

Marquette General Health System

Consolidated Balance Sheet

	June 30, 2010	June 30, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 36,710,985	\$ 28,081,601
Accounts receivable (Note 2)	46,946,872	44,475,168
Estimated third-party payor settlements (Note 3)	3,140,174	1,314,123
Assets limited as to use (Notes 4 and 5)	593,717	803,579
Other current assets	2,447,369	2,117,770
Inventory	8,490,577	8,599,310
Total current assets	98,329,694	85,391,551
Assets Limited as to Use (Notes 4 and 5)	39,776,652	38,101,802
Property and Equipment - Net (Note 6)	100,913,805	105,402,559
Other Assets		
Investment in unconsolidated affiliates (Note 13)	20,165,080	16,130,462
Bond issue costs	1,149,647	1,251,304
Other noncurrent assets	6,190,182	6,342,195
Total assets	<u>\$ 266,525,060</u>	<u>\$ 252,619,873</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 23,937,611	\$ 14,622,717
Current portion of long-term debt (Note 7)	6,336,097	6,808,575
Estimated third-party payor settlements (Note 3)	-	1,067,956
Accrued liabilities and other:		
Current portion of employee compensation and benefits	19,327,189	19,065,833
Accrued interest	308,217	331,315
Other accrued liabilities	665,260	1,044,760
Total current liabilities	50,574,374	42,941,156
Long-term Debt - Net of current portion (Note 7)	61,548,125	67,361,548
Accrued Pension Liability	66,915,115	50,677,144
Fair Value of Interest Rate Swap Agreement (Notes 5 and 7)	5,537,242	3,995,153
Other Liabilities		
Long-term portion of employee compensation and benefits	3,696,903	3,674,898
Other long-term liabilities	4,617,120	4,608,241
Total liabilities	192,888,879	173,258,140
Net Assets		
Unrestricted	70,934,334	77,499,381
Temporarily restricted	2,701,847	1,862,352
Total net assets	73,636,181	79,361,733
Total liabilities and net assets	<u>\$ 266,525,060</u>	<u>\$ 252,619,873</u>

Marquette General Health System

Consolidated Statement of Operations

	Year Ended	
	June 30, 2010	June 30, 2009
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 304,354,444	\$ 302,512,916
Other	13,582,090	13,945,481
Income from investment in unconsolidated affiliates	5,464,474	2,853,931
Net assets released from restrictions	484,938	243,482
Unrestricted revenue, gains, and other support	323,885,946	319,555,810
Expenses		
Salaries and wages	123,881,687	120,384,009
Employee benefits and payroll taxes	31,560,236	31,350,395
Operating supplies and expenses	71,806,092	66,740,387
Professional services and consultant fees	2,793,740	4,169,614
Purchased services	35,193,467	33,449,686
Utilities	4,852,460	5,357,769
Other	21,234,231	19,982,877
Depreciation	11,080,861	10,860,416
Provision for bad debts	10,992,918	12,677,377
Interest expense	3,647,149	4,016,161
Restructuring and other nonrecurring expenses	-	367,621
Total expenses (Note 11)	317,042,841	309,356,312
Operating Income	6,843,105	10,199,498
Other Income (Loss)		
Interest income (Note 4)	1,155,247	1,764,947
Net realized investment loss (Note 4)	(340,579)	(4,962,790)
Change in unrealized investment gain (loss) (Note 4)	1,553,353	(2,820,409)
Change in fair value of interest swap agreements (Note 7)	(1,542,089)	(2,113,271)
Other expense	(62,571)	(90,816)
Total other income (loss)	763,361	(8,222,339)
Excess of Revenue Over Expenses	7,606,466	1,977,159
Contribution Received for Property Acquisitions	769,000	112,920
Pension-related Changes Other Than Net Periodic Benefit	(14,478,366)	(34,968,977)
Decrease Before Extraordinary Items	(6,102,900)	(32,878,898)
Loss on Discontinued Operations (Note 15)	(462,147)	(372,511)
Decrease in Unrestricted Net Assets	\$ (6,565,047)	\$ (33,251,409)

Marquette General Health System

Consolidated Statement of Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Decrease in Unrestricted Net Assets	\$ (6,565,047)	\$ (33,251,409)
Temporarily Restricted Net Assets		
Contributions	1,324,433	998,106
Net assets released from restriction	(484,938)	(243,482)
Increase in Temporarily Restricted Net Assets	839,495	754,624
Decrease in Net Assets	(5,725,552)	(32,496,785)
Net Assets - Beginning of year	79,361,733	111,858,518
Net Assets - End of year	<u>\$ 73,636,181</u>	<u>\$ 79,361,733</u>

Marquette General Health System

Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
Decrease in net assets	\$ (5,725,552)	\$ (32,496,785)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation and amortization	11,182,518	11,007,779
Net change in realized and unrealized gains and losses on investments	(1,212,774)	7,783,199
Change in fair value of interest rate swap	1,542,089	2,113,271
Net periodic pension cost	5,420,746	5,373,086
Pension contributions	(3,661,141)	(12,518,424)
Pension-related changes other than net periodic benefit	14,478,366	34,968,977
Loss on disposal of equipment	62,571	90,816
Proceeds from assets held for sale	-	2,784,478
Equity earnings in unconsolidated affiliates	(5,464,474)	(2,853,931)
Increase in temporarily restricted net assets	(839,495)	(754,624)
Contribution received for property acquisition	(769,000)	(112,920)
Provision for bad debts	10,992,918	12,677,377
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(13,464,622)	(19,224,284)
Estimated third-party payor settlements	(2,894,007)	2,583,897
Inventories	108,733	(926,047)
Prepaid and other assets	1,252,270	(158,979)
Accounts payable	9,314,894	6,913,720
Accrued and other liabilities	(110,358)	2,155,507
Net cash provided by operating activities	20,213,682	19,406,113
Cash Flows from Investing Activities		
Purchase of property and equipment	(7,275,048)	(6,271,176)
Proceeds from sale of property and equipment	620,370	226,506
Purchase of investments	(4,585,704)	(8,081,651)
Proceeds from sale and maturities of investments	4,333,490	13,709,105
Net cash used in investing activities	(6,906,892)	(417,216)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	559,800	-
Principal payment on long-term debt	(6,845,701)	(3,697,592)
Increase in temporarily restricted net assets	839,495	754,624
Contribution received for property acquisition	769,000	112,920
Net cash used in financing activities	(4,677,406)	(2,830,048)
Net Increase in Cash and Cash Equivalents	8,629,384	16,158,849
Cash and Cash Equivalents - Beginning of year	28,081,601	11,922,752
Cash and Cash Equivalents - End of year	<u>\$ 36,710,985</u>	<u>\$ 28,081,601</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies

Basis of Consolidation - Marquette General Health System (the "System") is a Michigan nonstock corporation providing healthcare services in Michigan's Upper Peninsula.

The System owns all of the outstanding shares of common stock of Rampart EMS, Inc. and subsidiaries (Rampart). Rampart provides ambulance services for portions of the southern Upper Peninsula of Michigan.

Marquette General Foundation (the "Foundation") is a Michigan nonstock corporation whose sole corporate member is the System. The Foundation receives and administers funds for charitable purposes to promote and support the healthcare mission of the System.

The System owns all of the outstanding shares of common stock of Upcare Technology, Inc. (formerly Klinitek, Inc). Upcare Technology, Inc. is in the business of developing computer software for healthcare applications. During 2009, the operations of Upcare Technology, Inc. have been presented as a discontinued operation as described in Note 15.

All intercompany accounts and transactions are eliminated in preparation of the consolidated financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts included in assets limited as to use.

The System maintains cash and investment balances at several financial institutions. Accounts that bear an interest rate of less than .50 percent per year are insured in full under the Transaction Account Guarantee Program, which is provided by the Federal Deposit Insurance Corporation. Other accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per account type, per institution, for the years ended June 30, 2010 and 2009. As of June 30, 2010 and 2009, the consolidated uninsured cash balances were \$33,846,409 and \$23,482,309, respectively.

As of July 1, 2010, the Federal Deposit Insurance Corporation coverage significantly declined due to the opt-out provisions in the Transaction Account Guarantee Program.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the System's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. The System classifies its investment portfolio as trading, with unrealized gains and losses included in excess of revenue over expenses.

Investments - Equity Method - Investments in companies in which the System has a 20 percent to 50 percent interest are carried at cost, adjusted for the System's proportionate share of their undistributed earnings or losses.

Assets Limited as to Use - Assets whose use is limited primarily include designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes, amounts set aside under revocable self-insurance trust agreements, assets held by trustees under indenture agreements, and assets restricted as to use by donors. Amounts designated to help meet current liabilities of the System have been classified as the current portion of assets whose use is limited in the consolidated balance sheet.

Fair Value of Financial Instruments - The fair value of financial instruments, including cash, accounts receivable, and accounts payable, approximates carrying values. Investments are recorded at fair value under generally accepted accounting principles. The fair value of debt is based on current rates at which the System could borrow funds with similar remaining maturities.

Inventories - Inventories, which consist of medical and office supplies, pharmaceutical products, and durable medical equipment, are valued at the lower of cost (average cost) or market.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Bond Issuance Costs - Bond issuance costs represent financing costs that are being amortized over the period of related debt outstanding using the straight-line method, which approximates the effective interest rate method.

Interest Rate Swap - The System entered into an interest rate swap transaction to reduce economic risks associated with variability in cash outflows for interest required under provisions of variable rate revenue bonds. Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the consolidated statement of changes in net assets. Unrealized changes in the fair value of the interest rate swap are recognized in other income, separate from income from operations.

Contributions - The System reports gifts of cash and other assets as 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 statement of changes in net assets as net assets released from restrictions.

The System reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports the expiration of donor restrictions when the assets are placed in service.

Classification of Net Assets - Net assets of the System are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the System's ability to use or dispose of contributed assets or economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note I - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Excess of Revenue Over Expenses - The consolidated statement of operations 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 pension-related changes other than net periodic pension costs, loss from discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Accounting for Conditional Asset Retirement Obligation - Management has considered its legal obligation to report asset retirement activities, such as asbestos removal, on its existing properties. Over the past 20 years, management has systematically renovated, replaced, or constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at June 30, 2010 and 2009.

Charity Care - The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Tax Status - The System is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (IRC). Rampart is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the IRC. Upcare Technology, Inc. is a taxable organization and records a provision for income taxes to the extent required based on its separate earnings and IRC regulations. The Foundation is a nonprofit, tax-exempt organization and is a Type I supporting organization as defined by the IRC.

Reclassification - Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including December 23, 2010, which is the date the consolidated financial statements were available to be issued.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2010	2009
Patient account receivable	\$ 115,369,820	\$ 107,088,150
Less allowance for uncollectible accounts	(10,796,938)	(11,639,203)
Less allowance for contractual adjustments	(57,626,010)	(50,973,779)
Net patient accounts receivable	<u>\$ 46,946,872</u>	<u>\$ 44,475,168</u>

The System grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percent	
	2010	2009
Medicare	41 %	34 %
Blue Cross/Blue Shield of Michigan	15	15
Medicaid	21	25
Commercial insurance	9	12
Self-pay	9	8
Other	5	6
Total	<u>100 %</u>	<u>100 %</u>

Marquette General Health System

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

Note 3 - Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Approximately 75 percent of the System's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement with these third-party payors for Marquette General Health System is as follows:

- **Medicare** - Inpatient, acute-care, psychiatric, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient and homecare services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.
- **Medicaid** - Inpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.
- **Blue Cross/Blue Shield of Michigan** - Inpatient acute-care services are reimbursed at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Outpatient services are reimbursed on a fee-for-service and percentage-of-charge basis.

Cost report settlements result from the adjustment of interim payments to final reimbursement under Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program has begun for Michigan hospitals in 2009. The System has been selected for audit, but is unable to determine the extent of liability for overpayments, if any.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 4 - Assets Limited as to Use

The detail of assets limited as to use is summarized in the following schedule:

	2010	2009
Assets limited as to use and temporarily restricted:		
Funds held by trustees under bond indenture	\$ 6,515,955	\$ 6,725,817
Funds held in trust for payment of professional and other liability claims	4,538,165	6,944,197
By the board of trustees for future capital improvements	26,614,402	23,373,016
By donors for specific purposes	1,703,604	1,466,558
Total investments limited as to use and temporarily restricted	39,372,126	38,509,588
Pledges receivable	998,243	395,793
Less current portion	(593,717)	(803,579)
Total assets limited as to use	<u>\$ 39,776,652</u>	<u>\$ 38,101,802</u>

Investments consist of the following:

	2010	2009
Cash and cash equivalents	\$ 3,839,349	\$ 5,335,176
Government securities	18,429,969	15,939,267
Certificate of deposits	4,602,135	3,227,220
Corporate and private bonds	10,329,762	8,334,827
Equity securities	1,982,458	4,817,415
Other	188,453	855,683
Total	<u>\$ 39,372,126</u>	<u>\$ 38,509,588</u>

Investment income and realized and unrealized gains (losses) are comprised of the following for the years ended June 30, 2010 and 2009:

	2010	2009
Interest income	\$ 1,155,247	\$ 1,764,947
Realized loss on sale of investments	(340,579)	(4,962,790)
Change in net unrealized gains (losses) on investments	1,553,353	(2,820,409)
Total	<u>\$ 2,368,021</u>	<u>\$ (6,018,252)</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities to be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the System's assets and liabilities measured at fair value on a recurring basis at June 30, 2010 and 2009 and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 5 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2010
Assets - Assets limited as to use				
Cash and cash equivalents	\$ 3,839,349	\$ -	\$ -	\$ 3,839,349
Certificates of deposit	4,602,135	-	-	4,602,135
Equity securities	1,982,458	-	-	1,982,458
Government securities	-	18,429,969	-	18,429,969
Corporate and private bonds	-	10,329,762	-	10,329,762
Other	-	188,453	-	188,453
Total assets	<u>\$ 10,423,942</u>	<u>\$ 28,948,184</u>	<u>\$ -</u>	<u>\$ 39,372,126</u>
Liabilities - Derivative financial instruments - Interest rate swap				
	<u>\$ -</u>	<u>\$ 5,537,242</u>	<u>\$ -</u>	<u>\$ 5,537,242</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Assets - Assets limited as to use				
Cash and cash equivalents	\$ 5,335,176	\$ -	\$ -	\$ 5,335,176
Equity securities	4,817,415	-	-	4,817,415
Certificates of deposit	3,227,220	-	-	3,227,220
Government securities	-	15,939,267	-	15,939,267
Corporate and private bonds	-	8,334,827	-	8,334,827
Other	-	855,683	-	855,683
Total assets	<u>\$ 13,379,811</u>	<u>\$ 25,129,777</u>	<u>\$ -</u>	<u>\$ 38,509,588</u>
Liabilities - Derivative financial instruments - Interest rate swap				
	<u>\$ -</u>	<u>\$ 3,995,153</u>	<u>\$ -</u>	<u>\$ 3,995,153</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 6 - Property and Equipment

Costs of property, plant, equipment, and depreciable lives are summarized as follows:

	2010	2009	Depreciable Life - Years
Land	\$ 7,570,000	\$ 7,570,000	-
Land improvements	3,217,390	3,217,390	3-15
Buildings	147,919,304	147,825,616	7-40
Equipment	148,527,511	143,102,097	3-10
Construction in progress	3,113,411	4,062,296	-
Total cost	310,347,616	305,777,399	
Accumulated depreciation	(209,433,811)	(200,374,840)	
Net property and equipment	<u>\$ 100,913,805</u>	<u>\$ 105,402,559</u>	

Note 7 - Long-term Debt

A summary of long-term debt at June 30, 2010 and 2009 is as follows:

	2010	2009
Hospital Revenue Bonds, Series 2004	\$ -	\$ 2,790,000
Hospital Revenue Bonds, Series 2005	26,290,000	28,465,000
Hospital Revenue Bonds, Series 2006	37,000,000	37,000,000
Term loan	3,934,615	5,684,615
Other	522,674	-
Bond premium - Less accumulated amortization	136,933	230,508
Total	67,884,222	74,170,123
Less current portion	6,336,097	6,808,575
Long-term portion	<u>\$ 61,548,125</u>	<u>\$ 67,361,548</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 7 - Long-term Debt (Continued)

The Michigan State Hospital Finance Authority (MSHFA) and City of Marquette Hospital Finance Authority (CMHFA) have at various times issued Hospital Revenue Bonds on behalf of the Marquette General Hospital Obligated Group (the "Obligated Group") and loaned the proceeds to the Obligated Group (which is comprised of the System) under the terms of the Master Indenture and Security Agreement. The Obligated Group has pledged to Wells Fargo Bank, N.A. (as master trustee) the gross revenue of the System. The loans are also secured by a first priority mortgage on the real property and the structures and improvements of the main campus of the Obligated Group and a security interest in personal property, accounts receivable, and other intangible property.

The 2004A Bonds were issued by CMHFA on behalf of the Obligated Group. The 2004 Bonds were variable rate demand bonds, whereby interest was determined weekly by a remarketing agent (0.35 percent at June 30, 2009), and were repaid with a final payment of \$2,790,000 in July 2009. The 2004 bonds were secured by a letter of credit which expired on July 16, 2009 and contained an option to convert to a fixed interest rate. Proceeds were used to refund amounts previously outstanding and for various capital purchases. The letter of credit was also available for the purchase of bonds tendered but not remarketed. There were no borrowings on the letter of credit during 2009.

The Series 2005A Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$28,465,000 (unamortized premium of \$136,933 and \$230,508 at June 30, 2010 and 2009, respectively). The proceeds were used to finance construction projects and certain capital equipment. The Series 2005A Serial Bonds, totaling \$12,015,000, mature through May 15, 2014, are not subject to optional redemption, bear interest at 5.0 percent, and are due in annual amounts ranging from \$2,285,000 in 2011 to \$2,645,000 in 2014. Bonds maturing thereafter (Term Bonds), totaling \$16,450,000, are redeemable at a price of par plus accrued interest beginning on May 15, 2015. The Term Bonds are subject to mandatory annual redemption at par commencing May 15, 2020 through May 15, 2034. The Term Bonds bear interest at fixed rates of 5.0 percent and are to be repaid in annual amounts ranging from \$760,000 in 2020 to \$1,510,000 in 2034.

The Series 2006 Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$37,000,000. The proceeds were used to repay certain amounts outstanding on the term loan and for various property acquisitions. The bonds are to be repaid in annual amounts ranging from \$4,000,000 in June 2015 to \$5,325,000 in June 2022. Effective April 16, 2008, the System converted from interest rates determined by an auction process to a weekly rate (0.31 percent and 0.3 percent at June 30, 2010 and 2009, respectively). As a result of this conversion, a mandatory tender feature was invoked.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 7 - Long-term Debt (Continued)

Payment of the Series 2006 Bonds principal and interest is guaranteed under a financial guaranty insurance policy. Also, a Standby Bond Purchase Agreement is available for the purchase of bonds tendered but not remarketed. Accordingly, the bonds have been classified as long-term as the Obligated Group has engaged a remarketing agent to remarket these obligations, if presented. The Standby Bond Purchase Agreement was set to expire on April 16, 2011. In December 2010, the expiration date of the Standby Bond Purchase Agreement was extended to July 1, 2013. There were no borrowings during 2010 and 2009 on the agreement.

The Term Loan outstanding is payable in annual amounts of \$1,900,000 in December 2010 and \$2,034,615 in December 2011. The term loan bears interest at a variable rate. The Obligated Group elected to prepay the full amount of \$3,934,615 in December 2010.

The MSHFA Series 2006 and 2005A Bonds, the CMHFA Series 2004A Bonds, and the Term Loan have all been issued under a Master Indenture and Security Agreement, which contain certain restrictive covenants. Documents relating to each debt instrument contain certain restrictive covenants. The Bond Insurer, with respect to the Series 2006 Bonds, the Bond Trustee, at the direction of a majority of the Beneficial Owners of the Series 2005A Bonds, the issuer of the Standby Bond Purchase Agreement (SBPA) associated with the Series 2006 Bonds, and the Lenders with respect to the Term Loan waived the Obligated Group's failure to comply with certain covenants applicable to the year ended June 30, 2008 (the Bond Insurer, the Beneficial Owners of the Series 2005A Bonds, the issuer of the SBPA, and the Lenders are hereinafter referred to as the Financial Stakeholders). In connection with these covenant compliance waivers, the Financial Stakeholders modified certain existing covenants and introduced new covenants.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 7 - Long-term Debt (Continued)

The Obligated Group entered into waiver and reservation of rights agreements with the Bond Trustee, on behalf of the Beneficial Owners of the Series 2005A Bonds, and with the Bond Insurer in which each such Financial Stakeholder agreed to forbear its right to exercise any rights or remedies related to the failure to meet the debt service coverage ratio and days cash on hand covenants, and, with respect to the Bond Insurer only, failure to obtain its prior approval to retain a consultant. The forbearance provisions of these agreements require the Obligated Group to maintain a debt service coverage ratio in excess of 1.35, measured at the close of each fiscal year, days cash on hand of at least 55 days at June 30, 2009 and December 31, 2009; days cash on hand of at least 65 days at June 30, 2010 and December 31, 2010; days cash on hand of at least 75 days at June 30, 2011 and each June 30 thereafter; operating margin targets which are within 25 percent of amounts approved by the board of trustees (the Adjusted Operating Margin); and monthly reports during fiscal year 2009 prepared by a consultant which describe the Obligated Group's progress in meeting a prior consultant's operational improvement recommendations. If the Obligated Group were unable to meet the provisions of the waiver and reservation of rights agreement, or if the debt service coverage ratio falls below 1.0, or if days cash on hand fall below 50, the Bond Insurer or the Bond Trustee, at the direction of a majority of Beneficial Owners of the Series 2005A Bonds, may declare an immediate event of default under the Master Indenture.

The Obligated Group failed to comply with the Adjusted Operating Margin covenant for the year ended June 30, 2010. The Bond Insurer, with respect to the Series 2006 Bonds and the Bond Trustee, at the direction of a majority of the Beneficial Owners of the Series 2005A Bonds, waived this Adjusted Operating Margin covenant for the fiscal year ended June 30, 2010. The Bond Insurer and the Bond Trustee each agreed to forebear its right to exercise any rights or remedies related to this Adjusted Operating Margin covenant. In consideration for this covenant compliance waiver, the Bond Insurer required the following modifications to the Adjusted Operating Margin covenant and certain new covenants:

- Adjusted Operating Margin greater than 1.00 percent (without the former 25 percent reduction factor) for fiscal years ending June 30, 2011 and 2012. In the event that the Series 2006 Bonds are converted to a fixed interest rate prior to June 30, 2012, then the Operating Margin covenant shall not apply after June 30, 2011. If the Obligated Group achieves its Operating Margin Target for the fiscal years ending June 30, 2011 and June 30, 2012 (if applicable), and meets all other financial covenants for the fiscal years ending June 30, 2011 and 2012, then no Operating Margin Covenant shall apply after June 30, 2012;
- The Obligated Group cannot incur "puttable" indebtedness that would cause such "puttable" indebtedness to exceed 25 percent of total indebtedness;

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 7 - Long-term Debt (Continued)

- Conversion of the Series 2006 Bonds to a fixed interest rate no later than December 31, 2012; and
- Upon conversion of the Series 2006 Bonds, unless otherwise agreed to by the Bond Insurer, the swap related to the bonds will be terminated.

During 2006, the System entered into a fixed payor interest rate swap agreement. The interest rate swap agreement is based on a notional amount of \$37,000,000 and allows the System to offset the changes in overall cash flows due to the repricing of debt obligations from the date of transaction through the fiscal 2022 termination date. The interest rate swap agreement has not been designated as a cash flow hedge for accounting purposes as defined by standards.

The fair value of long-term debt is based on current rates at which the System could borrow funds with similar remaining maturities. The fair market value of long-term debt was estimated to be \$65,760,000 and \$68,916,000 at June 30, 2010 and 2009, respectively.

Scheduled maturities of long-term debt for the next five years and thereafter are as follows:

Years Ending June 30	Amount
2011	\$ 6,336,097
2012	2,492,374
2013	2,585,271
2014	2,699,168
2015	4,056,940
Thereafter	49,714,372
Total	<u>\$ 67,884,222</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 8 - Operating Leases

The System is obligated under certain operating leases, primarily for facilities and equipment. Total rent expense under these leases was approximately \$3,559,000 and \$2,991,000 in 2010 and 2009, respectively.

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

Years Ending June 30	Amount
2011	\$ 4,185,706
2012	3,558,515
2013	2,375,844
2014	1,037,376
2015	145,838
Thereafter	-
Total	<u>\$ 11,303,279</u>

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves

The System is self-insured up to certain levels of risk for professional liability, workers' compensation, and general liability claims. Effective June 1, 1997, the System purchased excess professional liability insurance. The current level of excess insurance covers losses over the retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its professional liability claims. Prior to June 1, 1997, the System was completely self-insured for its professional liability claims. Insurance coverage has been obtained for workers' compensation claims in excess of \$500,000 per occurrence. Effective March 29, 2005, the System became self-insured up to certain levels of risk for its general liability claims. Also on that date, the System purchased excess general liability insurance. The current level of excess insurance covers losses over retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its general liability claims. The System's malpractice insurance coverage currently expires on March 29, 2011. The System is insured under an umbrella policy for professional liability, workers' compensation, and general liability claims up to \$8,000,000 per occurrence and \$8,000,000 annual aggregate.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves (Continued)

The System, with assistance of an independent actuary, estimates a range of loss for these claims based on its past experience along with relevant industry data. This estimate includes provisions for known claims and unreported incidents. The System has accrued the present value of what it believes to be the most likely amount of loss in the range, discounted at 4 percent per annum. Trusts have been established to which contributions are made based upon these estimates. The revocable trust agreements restrict trust assets to the payment of claims and the cost of trust administration.

It is management's belief that adequate provision has been made at June 30, 2010 and 2009 for all professional liability, workers' compensation, and general liability claims incurred to date. Management further believes that the ultimate disposition of these claims, after consideration of recorded reserves, will not have a material adverse effect on the consolidated financial position of the System.

Note 10 - Pension Plans

The System maintains a defined benefit pension plan (the "Plan"), which covers substantially all employees hired prior to January 1, 2006. The System's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the System may determine to be appropriate from time to time.

Effective January 1, 2006, new employees are not eligible to participate in the defined benefit pension plan, but are eligible, subject to the vesting requirement of the Plan, for participation in the 401(k) defined contribution plan along with all existing employees. Effective January 1, 2006, the System began matching contributions in this plan of up to 4 percent of compensation. Expenses charged to operations under these plans were \$647,177 and \$438,233 for the years ended June 30, 2010 and 2009, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 10 - Pension Plans (Continued)

Obligations and Funded Status

	Pension Benefits	
	2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 190,803,814	\$ 175,003,803
Service cost	6,463,057	8,049,623
Interest cost	12,840,448	11,947,369
Actuarial loss	17,348,434	2,142,052
Benefits paid	(6,546,124)	(6,339,033)
Benefit obligation at end of year	220,909,629	190,803,814
Change in plan assets:		
Fair value of plan assets at beginning of year	140,126,670	152,150,298
Actual return on plan assets	16,752,827	(18,203,019)
Employer contributions	3,661,141	12,518,424
Benefits paid	(6,546,124)	(6,339,033)
Fair value of plan assets at end of year	153,994,514	140,126,670
Funded status at end of year	\$ (66,915,115)	\$ (50,677,144)

Amounts recognized in the consolidated balance sheet consist of noncurrent liabilities of \$66,915,115 and \$50,677,144 at June 30, 2010 and 2009, respectively.

Amounts recognized in accumulated other comprehensive income consist of the following:

	Pension Benefits	
	2010	2009
Net loss	\$ 89,946,491	\$ 77,590,157
Prior service credit	(18,610,223)	(20,732,255)
Total recognized in other comprehensive income	\$ 71,336,268	\$ 56,857,902

The accumulated benefit obligation for all defined benefit pension plans was \$213,811,927 and \$179,543,159 at June 30, 2010 and 2009, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 10 - Pension Plans (Continued)

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

	2010	2009
Projected benefit obligation	\$ 220,909,629	\$ 190,803,814
Accumulated benefit obligation	213,811,927	179,543,159
Fair value of plan assets	153,994,514	140,126,670

Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

	Pension Benefits	
	2010	2009
Net periodic benefit cost:		
Service cost	\$ 6,463,057	\$ 8,049,623
Interest cost	12,840,448	11,947,369
Expected return on plan assets	(13,920,300)	(13,712,517)
Amortization of prior service credit	(2,122,032)	(2,121,851)
Amortization of net loss	2,159,573	1,210,462
Total net periodic benefit cost	5,420,746	5,373,086
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Net loss	14,515,907	34,057,588
Amortization of prior service credit	2,122,032	2,121,851
Amortization of net loss	(2,159,573)	(1,210,462)
Total recognized in other comprehensive income	14,478,366	34,968,977
Total recognized in net periodic benefit cost and other comprehensive income	\$ 19,899,112	\$ 40,342,063

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$4,253,145 and \$2,122,032, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 10 - Pension Plans (Continued)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30:

	Pension Benefits	
	2010	2009
Discount rate	6.00 %	6.85 %
Rate of compensation increase	4.00	4.00

Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:

	Pension Benefits	
	2010	2009
Discount rate	6.85 %	6.95 %
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

The overall expected rate of return on plan assets is based on the expected return of the plan asset categories, weighted based on the median of the target allocation for each class.

Pension Plan Assets

The goals of the pension plan investment program are to meet and fund the liabilities of the defined benefit retirement plan and provide long-term growth of principal without undue exposure to risk, through capital appreciation, income, and system contributions. The focus will be on consistent long-term capital appreciation with income generation as a secondary consideration.

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States. Fixed-income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds and private equity funds that follow several different strategies.

The target allocation range of percentages for plan assets is 45 percent to 65 percent equity securities and 35 percent to 55 percent fixed-income securities.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 10 - Pension Plans (Continued)

The fair values of the System's pension plan assets at June 30, 2010 by major asset classes are as follows:

Fair Value Measurements at June 30, 2010

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 6,762,381	\$ 6,762,381	\$ -	\$ -
Equity securities - ADRs	9,381,059	9,381,059	-	-
Mutual equity funds (a)	61,483,203	61,483,203	-	-
U.S. Treasury securities	26,917,042	-	26,917,042	-
Municipal debt securities	1,727,479	-	1,727,479	-
Asset-backed securities	9,461,390	-	9,461,390	-
Corporate bonds - Financial institutions	13,899,996	-	13,899,996	-
Corporate bonds - Industrial	16,731,450	-	16,731,450	-
Corporate bonds - Global	4,173,351	-	4,173,351	-
Corporate bonds - Other	3,457,163	-	3,457,163	-
Total	\$ 153,994,514	\$ 77,626,643	\$ 76,367,871	\$ -

(a) 94 percent of mutual funds invest in common stock of large and mid cap companies.

The above table presents information about the pension assets measured at fair value at June 30, 2010, and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 10 - Pension Plans (Continued)

Cash Flow

Contributions

The System expects to contribute approximately \$9,156,000 to its pension plan in 2010.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Years Ending June 30</u>	<u>Pension Benefits</u>
2011	\$ 7,452,091
2012	8,102,334
2013	8,808,294
2014	9,640,506
2015	10,635,331
2016-2020	71,804,564

Pension Plan - Subsequent Event

Effective November 1, 2010, employees not under the collective bargaining agreement (non-contractual employees) will no longer accrue benefits under the defined benefit pension plan. Non-contractual employees will be eligible to participate in the 401(k) defined contribution plan where the System will match contributions of up to 4 percent of compensation.

Effective November 1, 2010, employees under the collective bargaining agreement (bargaining employees) will have the option to continue accruing benefits under the defined benefit pension plan or to stop accruing benefits. In order to continue to accrue benefits, bargaining employees will be required to annually pay a contribution equal to 6 percent of compensation into the plan. Those not choosing this option will no longer accrue benefits under the pension plan but will be eligible to participate in the 401(k) defined contribution plan where the System will match contributions of up to 4 percent of compensation.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 11 - Functional Expenses

The System fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services. Expenses relating to providing these services for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Healthcare services	\$ 304,525,179	\$ 300,106,656
General and administrative	11,766,126	8,547,653
Fundraising	751,536	702,003
Total	<u>\$ 317,042,841</u>	<u>\$ 309,356,312</u>

Note 12 - Union Contract

Approximately 17 percent of the System's employees are subject to a collective bargaining agreement. The collective bargaining agreement expired on May 31, 2010. A new three-year agreement was ratified and will expire on May 31, 2013.

Note 13 - Investment in Affiliates

At June 30, 2010 and 2009, the System has contributed 57 percent of the capital for Upper Peninsula Health Plan, Inc. (UPHP) and Upper Peninsula Managed Care, LLC (UPMC). For both entities, an affirmative vote of members holding a greater than 50 percent of the equity interests is required for routine operational matters submitted to a vote, and greater than 70 percent for other significant matters. Based on the requirement for 70 percent approval on significant transactions, the System does not have control of these entities and records them using the equity method. UPHP is a Medicaid-only HMO in Michigan's Upper Peninsula. The net carrying value of the UPHP interest at June 30, 2010 and 2009 was approximately \$16,032,000 and \$12,163,000, respectively. UPMC serves as the management company for UPHP. The net carrying value of UPMC's interest at June 30, 2010 and 2009 was approximately \$488,000 and \$1,116,000, respectively. UPMC paid dividends to the System of \$1,944,724 and \$1,021,117 as of June 30, 2010 and 2009, respectively.

The System provides healthcare services to enrollees of UPHP. Net patient service revenue for services rendered to plan participants totaled \$7,193,984 and \$7,584,236 for the years ended June 30, 2010 and 2009, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 13 - Investment in Affiliates (Continued)

Effective May 1, 2010, a new partnership was formed between the System and a physician group. This new partnership is called U.P. Imaging Management Services (UPIMS), and provides the technical component of outpatient non-invasive diagnostic cardiovascular imaging services. This partnership consists of two partners, with the System having 60 percent equity interest, and 50 percent voting interest. The System does not have control of UPIMS and therefore records the transactions of this partnership using the equity method. The net carrying value of the UPIMS interest at June 30, 2010 was approximately \$280,000.

The System has additional investments in affiliates that are not material to the financial statements.

The following is a summary of financial position and results of operations of UPHP and UPMC for the years ended June 30, 2010 and 2009:

	2010	2009
<u>UPHP</u>		
Total assets	\$ 44,501,052	\$ 33,851,466
Total liabilities	16,010,666	12,512,136
Stockholders' equity	\$ 28,490,386	\$ 21,339,330
Net income	\$ 7,151,056	\$ 3,186,013
<u>UPMC</u>		
Total assets	\$ 1,506,931	\$ 2,506,312
Total liabilities	640,299	548,371
Stockholders' equity	\$ 866,632	\$ 1,957,941
Net income	\$ 2,411,997	\$ 1,819,277

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 14 - Community Benefit

In support of its mission, the System provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the System's community benefit expense for the years ended June 30, 2010 and 2009:

	2010	2009
Community partnership programs (unaudited)	\$ 10,577,677	\$ 12,019,146
Donations/Contributions (unaudited)	80,784	120,945
Traditional charity care	2,335,378	1,005,943
Unpaid costs for government program patients (unaudited)	14,345,704	8,698,482
Other community benefit activities (unaudited)	3,457,941	6,005,716
Total	<u>\$ 30,797,484</u>	<u>\$ 27,850,232</u>

Community Partnership Programs - Community partnership programs include programs provided to persons with inadequate healthcare resources or for other groups within the community that need special services and support. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular healthcare needs. They also include broader populations who benefit from health community initiatives such as health promotion, education, and health screening.

Donations/Contributions - Donations/contributions include cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and disadvantaged.

Traditional Charity Care - Traditional charity care covers services provided to persons who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability.

Unpaid Costs for Government Program Patients - The System is a licensed Medicaid provider with approximately 10 percent of its patient base qualifying for this program. At present, the reimbursement rates for this program do not fully cover the cost of provider care to these patients. This represents the estimated "shortfall" created when a facility receives payments below the costs of treating Medicaid beneficiaries.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 15 - Discontinued Operations

During the year ended June 30, 2008, the System's management undertook action to sell Brookridge Long-term Care Facility (Brookridge) in Marquette, Michigan. Accordingly, Brookridge was considered an asset held for sale as of June 30, 2008 in accordance with standards. The System recognized an impairment charge of \$450,000 during the year ended June 30, 2008 to reduce the carrying value of the Brookridge facility to its net realizable value. The net realizable value was determined by management based on the expected sales proceeds for the facility. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements. Final sale of Brookridge to an outside party occurred on February 12, 2009.

Revenue and net loss for Brookridge included in the results of discontinued operations for the year ended June 30, 2009 were \$702,000 and \$150,000, respectively.

In addition, management undertook action to terminate the operations and dispose of the net assets of Upcare Technology, Inc. (formerly Klinitek, Inc.) effective June 30, 2008. This action qualified as a discontinued operation. The System recognized an impairment charge of \$4,154,398 during the year ended June 30, 2008 to reflect the abandonment of construction in progress assets of Upcare Technology, Inc. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements. Upcare Technology, Inc. has terminated all contracts as of June 30, 2009, and complete dissolution occurred during fiscal year 2010.

Revenue and net loss for Upcare Technology, Inc. included in the results of discontinued operations for the year ended June 30, 2009 were \$124,000 and \$223,000, respectively.

In addition, management undertook action to terminate the operations and dispose of the net assets of the FastCare Clinics in Marquette and Escanaba effective December 2009 and April 2010, respectively. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements.

Revenue and net loss for the FastCare Clinics included in the results of discontinued operations for the year ended June 30, 2010 was \$240,396 and \$462,147, respectively. Assets transferred to other departments primarily consisted of property, plant, and equipment with a net book value of \$7,384 for the year ended June 30, 2010.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Note 16 - Subsequent Event

The System became a member of Superior Health Partners with the June 29, 2010 execution of a Joint Operating Agreement effective July 1, 2010.

Superior Health Partners is a Michigan nonprofit corporation and has submitted its application to the Internal Revenue Service for a determination that the organization is described in Internal Revenue Code Section 501(c)(3). The System amended and restated its articles of incorporation and bylaws to provide the board of directors of Superior Health Partners with governance authority over certain aspects of the System. Existing debt instruments, obligations, and covenants of the members are not affected by their relationship with Superior Health Partners, and all financial relationships established with Superior Health Partners are construed to comply with those debt instruments, obligations, and covenants. There is no financial impact of the Joint Operating Agreement on the System as of June 30, 2010.

Additional Information



Plante & Moran, PLLC
Suite 300
600 E. Front St.
Traverse City, MI 49686
Tel: 231.947.7800
Fax: 231.947.0348
plante Moran.com

Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Board of Trustees
Marquette General Health System

We have audited the consolidated financial statements of Marquette General Health System as of and for the years June 30, 2010 and 2009 and have issued our report thereon dated December 23, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marquette General Health System's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marquette General Health System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Trustees
Marquette General Health System

We have issued a letter of recommendations to management regarding certain financial operating and efficiency matters. This report is solely intended for the information and use of the board of trustees, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moren, PLLC

December 23, 2010

Marquette General Health System

Consolidated Financial Report

June 30, 2011

Marquette General Health System

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Independent Auditor's Report

To the Board of Trustees
Marquette General Health System

We have audited the accompanying consolidated balance sheet of Marquette General Health System (the "System") as of June 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the equity method investments of Upper Peninsula Health Plan, Inc. and Upper Peninsula Managed Care, LLC, whose statements are utilized to record the investment in unconsolidated affiliates of \$10,263,645 and \$16,519,194 and income from unconsolidated affiliates of \$2,461,772 and \$5,184,474 as of and for the years ended June 30, 2011 and 2010, respectively. Those statements were audited by others as of and for the years ended December 31, 2010 and 2009, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts incurred for Upper Peninsula Health Plan, Inc. and Upper Peninsula Managed Care, LLC, is based solely on the reports of other auditors as well as interim statements as of and for the years ended June 30, 2011 and 2010, prepared based on the same basis as that of the audited statements.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marquette General Health System at June 30, 2011 and 2010 and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 27, 2011

Marquette General Health System

Consolidated Balance Sheet

	June 30, 2011	June 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 28,458,445	\$ 36,710,985
Accounts receivable (Note 2)	32,116,389	44,586,913
Estimated third-party payor settlements (Note 3)	4,486,048	5,697,414
Assets limited as to use (Notes 4 and 5)	575,887	593,717
Other current assets	2,609,834	2,447,369
Inventory	8,118,566	8,490,577
Total current assets	76,365,169	98,526,975
Assets Limited as to Use (Notes 4 and 5)	59,902,154	39,776,652
Property and Equipment - Net (Note 6)	91,942,951	100,913,805
Other Assets		
Investment in unconsolidated affiliates (Note 13)	14,187,564	20,165,080
Bond issue costs	1,064,831	1,149,647
Other noncurrent assets	5,364,046	6,190,182
Total assets	<u>\$ 248,826,715</u>	<u>\$ 266,722,341</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 17,279,122	\$ 23,937,611
Current portion of long-term debt (Note 7)	2,492,374	6,336,097
Estimated third-party payor settlements (Note 3)	554,699	197,281
Accrued liabilities and other:		
Current portion of employee compensation and benefits	20,095,436	19,327,189
Accrued interest	267,610	308,217
Other accrued liabilities	1,464,667	665,260
Total current liabilities	42,153,908	50,771,655
Long-term Debt - Net of current portion (Note 7)	59,055,751	61,548,125
Accrued Pension Liability (Note 10)	51,837,385	66,915,115
Fair Value of Interest Rate Swap Agreement (Notes 5 and 7)	4,948,792	5,537,242
Other Liabilities		
Long-term portion of employee compensation and benefits	3,686,809	3,696,903
Other long-term liabilities	5,480,036	4,617,120
Total liabilities	167,162,681	193,086,160
Net Assets		
Unrestricted	78,348,751	70,934,334
Temporarily restricted	3,315,283	2,701,847
Total net assets	81,664,034	73,636,181
Total liabilities and net assets	<u>\$ 248,826,715</u>	<u>\$ 266,722,341</u>

Marquette General Health System

Consolidated Statement of Operations

	Year Ended	
	June 30, 2011	June 30, 2010
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 298,590,335	\$ 304,354,444
Other	14,301,245	13,582,090
Income from investment in unconsolidated affiliates (Note 13)	3,982,732	5,464,474
Net assets released from restrictions	246,109	161,432
Unrestricted revenue, gains, and other support	317,120,421	323,562,440
Expenses		
Salaries and wages	126,539,378	123,881,687
Employee benefits and payroll taxes	38,147,703	31,560,236
Operating supplies and expenses	68,164,858	71,806,092
Professional services and consultant fees	1,903,335	2,793,740
Purchased services	33,446,976	35,193,467
Utilities	5,263,770	4,852,460
Other	22,288,651	20,910,725
Depreciation	11,017,283	11,080,861
Provision for bad debts	13,686,490	10,992,918
Interest expense	3,486,480	3,647,149
Pension curtailment and special termination benefit (Note 10)	(16,054,262)	-
Total expenses (Note 11)	307,890,662	316,719,335
Operating Income	9,229,759	6,843,105
Other Income (Loss)		
Interest income (Note 4)	1,109,198	1,155,247
Net realized investment loss (Note 4)	(1,289,549)	(340,579)
Change in unrealized investment gain (Note 4)	1,557,137	1,553,353
Change in fair value of interest swap agreements (Note 7)	588,450	(1,542,089)
Other expense	(396,598)	(62,571)
Total other income	1,568,638	763,361
Excess of Revenue Over Expenses	10,798,397	7,606,466
Contribution Received for Property Acquisitions	131,204	445,494
Transfer to Affiliate (Note 13)	(1,982,015)	-
Pension-related Changes Other than Net Periodic Benefit (Note 10)	(1,738,697)	(14,478,366)
Net Assets Released From Restriction	205,528	323,506
Increase (Decrease) Before Extraordinary Items	7,414,417	(6,102,900)
Loss on Discontinued Operations (Note 15)	-	(462,147)
Increase (Decrease) in Unrestricted Net Assets	\$ 7,414,417	\$ (6,565,047)

See Notes to Consolidated Financial Statements. 3

Marquette General Health System

Consolidated Statement of Changes in Net Assets

	Year Ended	
	June 30, 2011	June 30, 2010
Increase (Decrease) in Unrestricted Net Assets	\$ 7,414,417	\$ (6,565,047)
Temporarily Restricted Net Assets		
Contributions	1,065,073	1,324,433
Net assets released from restriction	(451,637)	(484,938)
Increase in Temporarily Restricted Net Assets	613,436	839,495
Increase (Decrease) in Net Assets	8,027,853	(5,725,552)
Net Assets - Beginning of year	73,636,181	79,361,733
Net Assets - End of year	\$ 81,664,034	\$ 73,636,181

Marquette General Health System

Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 8,027,853	\$ (5,725,552)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	11,032,255	11,182,518
Net change in realized and unrealized gains and losses on investments	(267,588)	(1,212,774)
Change in fair value of interest rate swap	(588,450)	1,542,089
Net periodic pension cost	6,549,256	5,420,746
Pension contributions	(7,311,421)	(3,661,141)
Pension-related changes other than net periodic benefit	1,738,697	14,478,366
Pension curtailment and special termination benefit	(16,054,262)	-
Loss on disposal of equipment	396,598	62,571
Equity earnings in unconsolidated affiliates	(3,982,732)	(5,464,474)
Transfer to affiliate	1,982,015	-
Contribution received	(1,196,277)	(1,608,495)
Provision for bad debts	13,686,490	10,992,918
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(1,215,966)	(13,464,622)
Estimated third-party payor settlements receivable	1,211,366	(2,894,007)
Inventories	372,011	108,733
Prepaid and other assets	10,623,919	1,252,270
Accounts payable	(6,658,489)	9,314,894
Accrued and other liabilities	2,379,869	(110,358)
Estimated third-party payor settlements payable	357,418	-
Net cash provided by operating activities	21,082,562	20,213,682
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,953,654)	(7,275,048)
Proceeds from sale of property and equipment	510,627	620,370
Purchase of investments	(32,015,233)	(4,585,704)
Proceeds from sale and maturities of investments	12,175,149	4,333,490
Transfer to affiliate	(1,982,015)	-
Net cash used in investing activities	(24,265,126)	(6,906,892)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	-	559,800
Principal payment on long-term debt	(6,266,253)	(6,845,701)
Contribution received for property acquisition	1,196,277	1,608,495
Net cash used in financing activities	(5,069,976)	(4,677,406)
Net (Decrease) Increase in Cash and Cash Equivalents	(8,252,540)	8,629,384
Cash and Cash Equivalents - Beginning of year	36,710,985	28,081,601
Cash and Cash Equivalents - End of year	<u>\$ 28,458,445</u>	<u>\$ 36,710,985</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies

Basis of Consolidation - Marquette General Health System (the "System") is a Michigan nonstock corporation providing healthcare services in Michigan's Upper Peninsula.

The System became a member of Superior Health Partners (SHP) effective July 1, 2010. Superior Health Partners is a Michigan nonprofit tax-exempt corporation as described under Section 501(c)(3) of the IRC. The System amended and restated its articles of incorporation and bylaws to provide the board of directors of Superior Health Partners with governance authority over certain aspects of the System. Existing debt instruments, obligations, and covenants of the members are not affected by their relationship with Superior Health Partners, and all financial relationships established with Superior Health Partners are construed to comply with those debt instruments, obligations, and covenants.

The System owns all of the outstanding shares of common stock of Rampart EMS, Inc. and subsidiaries (Rampart). Rampart provides ambulance services for portions of the southern Upper Peninsula of Michigan.

Marquette General Foundation (the "Foundation") is a Michigan nonstock corporation whose sole corporate member is the System. The Foundation receives and administers funds for charitable purposes to promote and support the healthcare mission of the System.

All intercompany accounts and transactions are eliminated in preparation of the consolidated financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts included in assets limited as to use.

The System maintains cash and investment balances at several financial institutions located in northern Michigan. The System's cash is only insured up to the federal depository insurance limit. Cash balances held in bank accounts exceed federal depository insurance limits by approximately \$30,115,198 and \$33,846,509 at June 30, 2011 and 2010, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note I - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the System's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. The System classifies its investment portfolio as trading, with unrealized gains and losses included in excess of revenue over expenses.

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Investments - Equity Method - Investments in companies in which the System has a 20 percent to 50 percent interest are carried at cost, adjusted for the System's proportionate share of their undistributed earnings or losses.

Assets Limited as to Use - Assets whose use is limited primarily include designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes, amounts set aside under revocable self-insurance trust agreements, assets held by trustees under indenture agreements, and assets restricted as to use by donors. Amounts designated to help meet current liabilities of the System have been classified as the current portion of assets whose use is limited in the consolidated balance sheet.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Fair Value of Financial Instruments - The fair value of financial instruments, including cash, accounts receivable, and accounts payable, approximates carrying values. Investments and the interest rate swap are recorded at fair value under generally accepted accounting principles. The fair value of debt is based on current rates at which the System could borrow funds with similar remaining maturities.

Inventories - Inventories, which consist of medical and office supplies, pharmaceutical products, and durable medical equipment, are valued at the lower of cost (average cost) or market.

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Bond Issuance Costs - Bond issuance costs represent financing costs that are being amortized over the period of related debt outstanding using the straight-line method, which approximates the effective interest rate method.

Interest Rate Swap - The System entered into an interest rate swap transaction to reduce economic risks associated with variability in cash outflows for interest required under provisions of variable rate revenue bonds. Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the consolidated statement of changes in net assets. Unrealized changes in the fair value of the interest rate swap are recognized in other income, separate from income from operations.

Contributions - The System reports gifts of cash and other assets as 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 statement of changes in net assets as net assets released from restrictions.

The System reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports the expiration of donor restrictions when the assets are placed in service.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributed Services - Volunteers donate significant amounts of time in providing services for the System. During the fiscal year ended June 30, 2011, volunteers provided over 31,400 hours of services. Volunteers provide patients with spiritual care, information, and entertainment as well as provide hospital administrative and logistical support. These services do not meet the criteria for recognition under generally accepted accounting principles and have not been reflected in the accompanying consolidated financial statements. Management estimates the fair value of these services to be approximately \$500,000.

Classification of Net Assets - Net assets of the System are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the System's ability to use or dispose of contributed assets or economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Net Patient Service Revenue - The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounting for Conditional Asset Retirement Obligation - Management has considered its legal obligation to report asset retirement activities, such as asbestos removal, on its existing properties. Over the past 20 years, management has systematically renovated, replaced, or constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the System may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at June 30, 2011 and 2010.

Excess of Revenue Over Expenses - The consolidated statement of operations 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 transfers to affiliate, pension-related changes other than net periodic pension costs, loss from discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Charity Care - The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Tax Status - The System is exempt from income tax under provisions of Internal Revenue Code (IRC) Section 501(c)(3). The System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2007. Rampart is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the IRC. The Foundation is a nonprofit, tax-exempt organization and is a Type I supporting organization as defined by the IRC.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including September 27, 2011, which is the date the consolidated financial statements were available to be issued.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note I - Nature of Business and Significant Accounting Policies (Continued)

New Accounting Pronouncements - During 2010, the Financial Accounting Standards Board (FASB) adopted new accounting guidance that will impact how health-care organizations account for claims liabilities and charity care. The new guidance requires that the accrued liability for malpractice claims and similar liabilities and the related insurance recovery receivable be presented separately on the balance sheet on a gross basis. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. This new standard will be effective for the first annual period beginning after December 15, 2010 and interim periods within that first annual period.

New guidance has also been adopted on how to measure the amount of charity care provided to patients. The new guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that the cost be identified as the direct and indirect costs of providing the charity care. No other measurement basis should be used. Prior guidance did not dictate how charity care should be measured. This new standard will be effective for the first annual period beginning after December 15, 2010 and should be applied retrospectively to all prior periods presented.

During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the statement of operations and add new disclosures that are not required under current GAAP for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations. This new standard will be effective for the first annual period beginning after December 31, 2011 and interim periods within that first annual period and should be applied retrospectively to all prior periods presented.

The System is currently assessing the impact these new standards will have on its consolidated financial statements.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2011	2010
Patient accounts receivable	\$ 101,616,617	\$ 115,369,820
Less allowance for uncollectible accounts	(9,765,240)	(10,796,938)
Less allowance for contractual adjustments	(59,734,988)	(59,985,969)
Net patient accounts receivable	\$ 32,116,389	\$ 44,586,913

The System grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percent	
	2011	2010
Medicare	35 %	41 %
Blue Cross/Blue Shield of Michigan	16	15
Medicaid	23	21
Commercial insurance	9	9
Self-pay	10	9
Other	7	5
Total	100 %	100 %

Note 3 - Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Approximately 77 percent of the System's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement with these third-party payors for Marquette General Health System is as follows:

- **Medicare** - Inpatient, acute-care, psychiatric, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient and home-care services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 3 - Patient Service Revenue (Continued)

- **Medicaid** - Inpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.
- **Blue Cross/Blue Shield of Michigan** - Inpatient acute-care services are reimbursed at prospectively determined rates per discharge. Inpatient psychiatric and rehabilitation services are reimbursed on per diem rates. Outpatient services are reimbursed on a fee-for-service and percentage-of-charge basis.

Cost report settlements result from the adjustment of interim payments to final reimbursement under Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program was implemented in Michigan hospitals in 2009. The System has undergone several RAC audits during 2011. The results of the audit initiative to date have not resulted in significant repayments to the Medicare program; however, the System is unable to determine the extent of any potential liability for overpayments related to services through June 30, 2011 that have yet to be audited by the recovery audit contractor.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 4 - Assets Limited as to Use

The detail of assets limited as to use is summarized in the following schedule:

	2011	2010
Assets limited as to use and temporarily restricted:		
Funds held by trustees under bond indenture	\$ 6,621,010	\$ 6,515,955
Funds held in trust for payment of professional and other liability claims	5,297,704	4,538,165
By the board of trustees for future capital improvements	45,244,044	26,614,402
By donors for specific purposes	2,433,831	1,703,604
Total investments limited as to use and temporarily restricted	59,596,589	39,372,126
Pledges receivable	881,452	998,243
Less current portion	(575,887)	(593,717)
Total assets limited as to use	<u>\$ 59,902,154</u>	<u>\$ 39,776,652</u>

Investments consist of the following:

	2011	2010
Cash and cash equivalents	\$ 8,989,580	\$ 5,138,998
Certificates of deposit	2,429,971	4,602,135
Equity securities	4,164,569	1,982,458
Government securities	24,816,232	17,130,320
Corporate bonds	13,182,400	4,407,524
Private bonds	5,901,849	5,922,238
Other	111,988	188,453
Total	<u>\$ 59,596,589</u>	<u>\$ 39,372,126</u>

Investment income and realized and unrealized gains (losses) are comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Interest income	\$ 1,109,198	\$ 1,155,247
Realized loss on sale of investments	(1,289,549)	(340,579)
Change in net unrealized gains on investments	1,557,137	1,553,353
Total	<u>\$ 1,376,786</u>	<u>\$ 2,368,021</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the System's assets and liabilities measured at fair value on a recurring basis at June 30, 2011 and 2010 and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 5 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Assets - Assets limited as to use				
Equity securities	\$ 4,164,569	\$ -	\$ -	\$ 4,164,569
Government securities:				
U.S. Treasury notes	-	7,366,606	-	7,366,606
Federal National Mortgage Association	-	6,664,726	-	6,664,726
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	-	5,279,946	-	5,279,946
Federal Farm Credit Bank	-	3,643,546	-	3,643,546
Corporate bonds	-	1,861,408	-	1,861,408
Private bonds	-	13,182,400	-	13,182,400
Other	-	5,901,849	-	5,901,849
	-	111,988	-	111,988
Total assets	\$ 4,164,569	\$ 44,012,469	\$ -	\$ 48,177,038
Liabilities - Derivative financial instruments - Interest rate swap	\$ -	\$ 4,948,792	\$ -	\$ 4,948,792

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2010
Assets - Assets limited as to use				
Equity securities	\$ 1,982,458	\$ -	\$ -	\$ 1,982,458
Government securities:				
U.S. Treasury notes	-	4,560,484	-	4,560,484
Federal National Mortgage Association	-	4,214,024	-	4,214,024
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	-	4,036,072	-	4,036,072
Federal Farm Credit Bank	-	3,097,990	-	3,097,990
Corporate bonds	-	1,221,750	-	1,221,750
Private bonds	-	4,407,524	-	4,407,524
Other	-	5,922,238	-	5,922,238
	-	188,453	-	188,453
Total assets	\$ 1,982,458	\$ 27,648,535	\$ -	\$ 29,630,993
Liabilities - Derivative financial instruments - Interest rate swap	\$ -	\$ 5,537,242	\$ -	\$ 5,537,242

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 5 - Fair Value Measurements (Continued)

The fair value of government securities and corporate and private bonds at June 30, 2011 and 2010 was determined primarily based on Level 2 inputs. The System estimates the fair value of these investments based upon the amortized value of the bonds and the readily determinable fair value of the underlying investments in government securities.

Note 6 - Property and Equipment

Costs of property, plant, equipment, and depreciable lives are summarized as follows:

	2011	2010	Depreciable Life - Years
Land	\$ 7,494,807	\$ 7,570,000	-
Land improvements	3,344,857	3,217,390	3-15
Buildings	147,582,699	147,919,304	7-40
Equipment	152,507,826	148,527,511	3-10
Construction in progress	1,001,405	3,113,411	-
Total cost	311,931,594	310,347,616	
Accumulated depreciation	(219,988,643)	(209,433,811)	
Net property and equipment	\$ 91,942,951	\$ 100,913,805	

In 2009, the Marquette General Foundation began a capital campaign with the purpose of raising \$4 million toward the purchase of a new linear accelerator and related equipment. Purchase agreements with expected total costs of \$5.6 million have been executed for this project. Implementation is planned to begin in September 2011, with operations commencing January 2012. The capital campaign will officially end on December 31, 2011 and the System will fund project costs in excess of amounts raised by the campaign. As of June 30, 2011, the campaign has raised approximately \$2,350,000.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Long-term Debt

A summary of long-term debt at June 30, 2011 and 2010 is as follows:

	2011	2010
Hospital Revenue Bonds, Series 2005	\$ 24,005,000	\$ 26,290,000
Hospital Revenue Bonds, Series 2006	37,000,000	37,000,000
Term loan	-	3,934,615
Other	476,036	522,674
Bond premium - Less accumulated amortization	67,089	136,933
Total	61,548,125	67,884,222
Less current portion	2,492,374	6,336,097
Long-term portion	\$ 59,055,751	\$ 61,548,125

The Michigan State Hospital Finance Authority (MSHFA) and City of Marquette Hospital Finance Authority (CMHFA) have at various times issued Hospital Revenue Bonds on behalf of the Marquette General Hospital Obligated Group (the "Obligated Group") and loaned the proceeds to the Obligated Group (which is comprised of the System) under the terms of the Master Indenture and Security Agreement. The Obligated Group has pledged to Wells Fargo Bank, N.A. (as master trustee) the gross revenue of the System. The loans are also secured by a first priority mortgage on the real property and the structures and improvements of the main campus of the Obligated Group and a security interest in personal property, accounts receivable, and other intangible property.

The Series 2005A Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$28,465,000 (unamortized premium of \$67,089 and \$136,933 at June 30, 2011 and 2010, respectively). The proceeds were used to finance construction projects and certain capital equipment. The Series 2005A Serial Bonds, totaling \$12,015,000, mature through May 15, 2014, are not subject to optional redemption, bear interest at 5.0 percent, and are due in annual amounts ranging from \$2,395,000 in 2012 to \$2,645,000 in 2014. Bonds maturing thereafter (Term Bonds), totaling \$16,450,000, are redeemable at a price of par plus accrued interest beginning on May 15, 2015. The Term Bonds are subject to mandatory annual redemption at par commencing May 15, 2020 through May 15, 2034. The Term Bonds bear interest at fixed rates of 5.0 percent and are to be repaid in annual amounts ranging from \$760,000 in 2020 to \$1,510,000 in 2034.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Long-term Debt (Continued)

The Series 2006 Bonds were issued by MSHFA on behalf of the Obligated Group in the amount of \$37,000,000. The proceeds were used to repay certain amounts outstanding on the term loan and for various property acquisitions. The bonds are to be repaid in annual amounts ranging from \$4,000,000 in June 2015 to \$5,325,000 in June 2022. Effective April 16, 2008, the System converted from interest rates determined by an auction process to a weekly rate (0.17 percent and 0.31 percent at June 30, 2011 and 2010, respectively). As a result of this conversion, a mandatory tender feature was invoked. Payment of the Series 2006 Bonds principal and interest is guaranteed under a financial guaranty insurance policy. Also, a Standby Bond Purchase Agreement is available for the purchase of bonds tendered but not remarketed. Accordingly, the bonds have been classified as long term as the Obligated Group has engaged a remarketing agent to remarket these obligations, if presented. The Standby Bond Purchase Agreement expires on July 1, 2013. There were no borrowings during 2011 and 2010 on the agreement.

The Obligated Group elected to prepay the outstanding balance on the Term Loan of \$3,934,615 in December 2010.

The MSHFA Series 2006 and 2005A Bonds and the Term Loan have all been issued under a Master Indenture and Security Agreement, which contain certain restrictive covenants. Documents relating to each debt instrument contain certain restrictive covenants. The Bond Insurer, with respect to the Series 2006 Bonds, the Bond Trustee, at the direction of a majority of the Beneficial Owners of the Series 2005A Bonds, the issuer of the Standby Bond Purchase Agreement (SBPA) associated with the Series 2006 Bonds, and the Lenders with respect to the Term Loan waived the Obligated Group's failure to comply with certain covenants applicable to the year ended June 30, 2008 (the Bond Insurer, the Beneficial Owners of the Series 2005A Bonds, the issuer of the SBPA, and the Lenders are hereinafter referred to as the Financial Stakeholders). In connection with these covenant compliance waivers, the Financial Stakeholders modified certain existing covenants and introduced new covenants.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Long-term Debt (Continued)

The Obligated Group entered into waiver and reservation of rights agreements with the Bond Trustee, on behalf of the Beneficial Owners of the Series 2005A Bonds, and with the Bond Insurer in which each such Financial Stakeholder agreed to forbear its right to exercise any rights or remedies related to the failure to meet the debt service coverage ratio and days' cash on hand covenants, and, with respect to the Bond Insurer only, failure to obtain its prior approval to retain a consultant. The forbearance provisions of these agreements require the Obligated Group to maintain a debt service coverage ratio in excess of 1.35, measured at the close of each fiscal year; days' cash on hand of at least 65 days at June 30, 2010 and December 31, 2010; days' cash on hand of at least 75 days at June 30, 2011 and each June 30 thereafter; and operating margin targets which are within 25 percent of amounts approved by the board of trustees (the Adjusted Operating Margin). If the Obligated Group were unable to meet the provisions of the waiver and reservation of rights agreement, or if the debt service coverage ratio falls below 1.0, or if days' cash on hand fall below 50, the Bond Insurer or the Bond Trustee, at the direction of a majority of Beneficial Owners of the Series 2005A Bonds, may declare an immediate event of default under the Master Indenture.

The Obligated Group failed to comply with the Adjusted Operating Margin covenant for the year ended June 30, 2010. The Bond Insurer, with respect to the Series 2006 Bonds and the Bond Trustee, at the direction of a majority of the Beneficial Owners of the Series 2005A Bonds, waived this Adjusted Operating Margin covenant for the fiscal year ended June 30, 2010. The Bond Insurer and the Bond Trustee each agreed to forebear its right to exercise any rights or remedies related to this Adjusted Operating Margin covenant. In consideration for this covenant compliance waiver, the Bond Insurer required the following modifications to the Adjusted Operating Margin covenant and certain new covenants:

- Adjusted Operating Margin greater than 1.00 percent (without the former 25 percent reduction factor) for fiscal years ending June 30, 2011 and 2012. In the event that the Series 2006 Bonds are converted to a fixed interest rate prior to June 30, 2012, then the Operating Margin covenant shall not apply after June 30, 2011. If the Obligated Group achieves its Operating Margin Target for the fiscal years ending June 30, 2011 and 2012 (if applicable), and meets all other financial covenants for the fiscal years ending June 30, 2011 and 2012, then no Operating Margin Covenant shall apply after June 30, 2012.
- The Obligated Group cannot incur "puttable" indebtedness that would cause such "puttable" indebtedness to exceed 25 percent of total indebtedness.
- Conversion of the Series 2006 Bonds to a fixed interest rate no later than December 31, 2012

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Long-term Debt (Continued)

- Upon conversion of the Series 2006 Bonds, unless otherwise agreed to by the Bond Insurer, the swap related to the bonds will be terminated.

During 2006, the System entered into a fixed payor interest rate swap agreement. The interest rate swap agreement is based on a notional amount of \$37,000,000 and allows the System to offset the changes in overall cash flows due to the repricing of debt obligations from the date of transaction through the fiscal 2022 termination date. The interest rate swap agreement has not been designated as a cash flow hedge for accounting purposes.

The fair value of long-term debt is based on current rates at which the System could borrow funds with similar remaining maturities. The fair market value of long-term debt was estimated to be \$59,122,000 and \$65,760,000 at June 30, 2011 and 2010, respectively. Scheduled maturities of long-term debt for the next five years and thereafter are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2012	\$ 2,492,374
2013	2,585,271
2014	2,699,168
2015	4,056,940
2016	4,209,853
Thereafter	<u>45,504,519</u>
Total	<u>\$ 61,548,125</u>

Note 8 - Operating Leases

The System is obligated under certain operating leases, primarily for facilities and equipment. Total rent expense under these leases was approximately \$4,546,000 and \$3,559,000 in 2011 and 2010, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 8 - Operating Leases (Continued)

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

Years Ending June 30	Amount
2012	\$ 3,426,299
2013	2,254,791
2014	1,005,005
2015	177,418
2016	4,936
Thereafter	-
Total	<u>\$ 6,868,449</u>

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves

The System is self-insured up to certain levels of risk for professional liability, workers' compensation, and general liability claims. Effective June 1, 1997, the System purchased excess professional liability insurance. Prior to June 1, 1997, the System was completely self-insured for its professional liability claims. Effective March 29, 2005, the System became self-insured up to certain levels of risk for its general liability claims. Also on that date, the System purchased excess general liability insurance. The current level of excess insurance covers losses over retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its professional liability and general liability claims. The System's malpractice insurance coverage currently expires on March 29, 2012. Insurance coverage has been obtained for workers' compensation claims in excess of \$500,000 per occurrence. The System is insured under an umbrella policy for professional liability, workers' compensation, and general liability claims up to \$8,000,000 per occurrence and \$8,000,000 annual aggregate.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 9 - Professional Liability, Workers' Compensation, and General Liability Reserves (Continued)

The System, with assistance of an independent actuary, estimates a range of loss for these claims based on its past experience along with relevant industry data. This estimate includes provisions for known claims and unreported incidents. The System has accrued the present value of what it believes to be the most likely amount of loss in the range, discounted at 4 percent per annum. Trusts have been established to which contributions are made based upon these estimates. The revocable trust agreements restrict trust assets to the payment of claims and the cost of trust administration.

It is management's belief that adequate provision has been made at June 30, 2011 and 2010 for all professional liability, workers' compensation, and general liability claims incurred to date. Management further believes that the ultimate disposition of these claims, after consideration of recorded reserves, will not have a material adverse effect on the consolidated financial position of the System.

Note 10 - Pension Plans

The System maintains a defined benefit pension plan (the "Plan"), which covers substantially all employees hired prior to January 1, 2006. The System's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the System may determine to be appropriate from time to time.

Effective January 1, 2006, new employees are not eligible to participate in the defined benefit pension plan, but are eligible, subject to the vesting requirement of the Plan, for participation in the 401(k) defined contribution plan along with all existing employees. Effective January 1, 2006, the System began matching contributions in the 401(k) plan of up to 4 percent of compensation.

Effective November 1, 2010, employees not under the collective bargaining agreement (non-contractual employees) no longer accrue benefits under the defined benefit pension plan. Rather, non-contractual employees were eligible to participate in the 401(k) defined contribution plan whereby the System matched contributions of up to 4 percent of compensation.

Effective November 1, 2010, employees under the collective bargaining agreement (bargaining employees) had the option to continue accruing benefits under the defined benefit pension plan or to stop accruing benefits. In order to continue to accrue benefits, bargaining employees were required to annually pay a contribution equal to 6 percent of compensation into the Plan. Those not choosing this option were no longer eligible to accrue benefits under the pension plan but were eligible to participate in the 401(k) defined contribution plan whereby the System matched contributions of up to 4 percent of compensation.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

Expenses charged to operations under the 401(k) deferred compensation plan were \$2,395,458 and \$647,177 for the years ended June 30, 2011 and 2010, respectively.

Obligations and Funded Status

	Pension Benefits	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 220,909,629	\$ 190,803,814
Service cost	2,811,204	6,463,057
Interest cost	13,149,893	12,840,448
Curtailments	(2,557,154)	-
Special termination benefits	1,830,934	-
Actuarial loss	6,568,941	17,348,434
Benefits paid	(7,242,817)	(6,546,124)
Benefit obligation at end of year	235,470,630	220,909,629
Change in plan assets:		
Fair value of plan assets at beginning of year	153,994,514	140,126,670
Actual return on plan assets	29,127,295	16,752,827
Employer contributions	7,311,421	3,661,141
Plan participants' contributions	442,832	-
Benefits paid	(7,242,817)	(6,546,124)
Fair value of plan assets at end of year	183,633,245	153,994,514
Funded status at end of year	\$ (51,837,385)	\$ (66,915,115)

Amounts recognized in the consolidated balance sheet consist of noncurrent liabilities of \$51,837,385 and \$66,915,115 at June 30, 2011 and 2010, respectively.

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost:

	Pension Benefits	
	2011	2010
Net loss	\$ 75,469,484	\$ 89,946,491
Prior service credit	(2,394,519)	(18,610,223)
Total included in net assets not yet recognized in net periodic pension cost	\$ 73,074,965	\$ 71,336,268

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

	2011	2010
Projected benefit obligation	\$ 235,470,630	\$ 220,909,629
Accumulated benefit obligation	229,775,859	213,811,927
Fair value of plan assets	183,633,245	153,994,514

Components of net periodic benefit cost and other amounts included in net assets not yet recognized in net periodic benefit cost are as follows:

	Pension Benefits	
	2011	2010
Net periodic benefit cost:		
Service cost	\$ 2,811,204	\$ 6,463,057
Interest cost	13,149,893	12,840,448
Expected return on plan assets	(14,159,291)	(13,920,300)
Amortization of prior service credit	(887,661)	(2,122,032)
Curtailements	(17,885,197)	-
Amortization of net loss	5,635,112	2,159,573
Special termination benefits	1,830,934	-
Total net periodic benefit cost	(9,505,006)	5,420,746
Other changes in plan assets and benefit obligations included in net assets not yet recognized in net periodic pension cost:		
Net loss	6,486,148	14,515,907
Amortization of prior service credit	887,661	2,122,032
Amortization of net loss	(5,635,112)	(2,159,573)
Total included in net assets not yet recognized in net periodic pension cost	1,738,697	14,478,366
Total recognized in net periodic benefit cost and included in net assets not yet recognized in net periodic pension cost	\$ (7,766,309)	\$ 19,899,112

The estimated net loss and prior service credit for the defined benefit pension plans that will be recognized into net periodic benefit cost over the next fiscal year are \$5,034,771 and \$279,678, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30 follow:

	Pension Benefits	
	2011	2010
Discount rate	6.00 %	6.00 %
Rate of compensation increase	4.00	4.00

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 follow:

	Pension Benefits	
	2011	2010
Discount rate	6.00 %	6.85 %
Expected long-term return on plan assets	7.75	8.00
Rate of compensation increase	4.00	4.00

The overall expected rate of return on plan assets is based on the expected return of the plan asset categories, weighted based on the median of the target allocation for each class.

Pension Plan Assets

The goals of the pension plan investment program are to meet and fund the liabilities of the defined benefit retirement plan and provide long-term growth of principal without undue exposure to risk, through capital appreciation, income, and System contributions. The focus will be on consistent long-term capital appreciation with income generation as a secondary consideration.

Equity securities and mutual funds primarily include investments in large-cap and mid-cap companies primarily located in the United States. Fixed-income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds and private equity funds that follow several different strategies.

The target allocation range of percentages for plan assets is 45 percent to 65 percent equity securities, 25 percent to 45 percent fixed-income securities, and 0 to 10 percent cash equivalents.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

The fair values of the System's pension plan assets at June 30, 2011 and 2010 by major asset classes are as follows:

Fair Value Measurements at June 30, 2011

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 5,615,237	\$ 5,615,237	\$ -	\$ -
Equity securities - ADRs	13,426,400	13,426,400	-	-
Mutual equity funds:				
Russell 1000 Growth Pooled Index Fund	35,525,874	35,525,874	-	-
Russell 1000 Value Pooled Index Fund	35,039,620	35,039,620	-	-
Vanguard Midcap Viper	8,932,811	8,932,811	-	-
Vanguard Small Cap Viper	4,338,019	4,338,019	-	-
Mutual funds	9,580,671	9,580,671	-	-
U.S. Treasury securities	22,788,354	-	22,788,354	-
Municipal debt securities	375,212	-	375,212	-
Asset-backed securities	5,497,343	-	5,497,343	-
Corporate bonds - Financial institutions	18,389,103	-	18,389,103	-
Corporate bonds - Industrial	18,752,672	-	18,752,672	-
Corporate bonds - Global	4,014,046	-	4,014,046	-
Corporate bonds - Other	1,357,883	-	1,357,883	-
Total	<u>\$ 183,633,245</u>	<u>\$ 112,458,632</u>	<u>\$ 71,174,613</u>	<u>\$ -</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

Fair Value Measurements at June 30, 2010

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 6,762,381	\$ 6,762,381	\$ -	\$ -
Equity securities - ADRs	9,381,059	9,381,059	-	-
Mutual equity funds:				
Russell 1000 Growth Pooled Index Fund	24,548,488	24,548,488	-	-
Russell 1000 Value Pooled Index Fund	25,328,635	25,328,635	-	-
Vanguard Midcap Viper	7,820,049	7,820,049	-	-
Vanguard Small Cap Viper	3,786,031	3,786,031	-	-
U.S. Treasury Securities	26,917,042	-	26,917,042	-
Municipal debt securities	1,727,479	-	1,727,479	-
Asset-backed securities	9,461,390	-	9,461,390	-
Corporate bonds - Financial institutions	13,899,996	-	13,899,996	-
Corporate bonds - Industrial	16,731,450	-	16,731,450	-
Corporate bonds - Global	4,173,351	-	4,173,351	-
Corporate bonds - Other	3,457,163	-	3,457,163	-
Total	\$ 153,994,514	\$ 77,626,643	\$ 76,367,871	\$ -

The above tables present information about the pension assets measured at fair value at June 30, 2011 and 2010 and the valuation techniques used by the System to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the System has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 10 - Pension Plans (Continued)

Cash Flow

Contributions

The System expects to contribute approximately \$6,789,000 to its pension plan in 2012.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Years Ending June 30</u>	<u>Pension Benefits</u>
2012	\$ 8,752,454
2013	9,474,636
2014	10,113,791
2015	10,852,857
2016	11,631,821
2017-2021	71,144,433

Note 11 - Functional Expenses

The System fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services. Expenses relating to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 295,564,102	\$ 304,201,673
General and administrative	11,672,581	11,766,126
Fundraising	653,979	751,536
Total	<u>\$ 307,890,662</u>	<u>\$ 316,719,335</u>

Note 12 - Union Contract

Approximately 17 percent of the System's employees are subject to a collective bargaining agreement. The collective bargaining agreement expires on May 31, 2013.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 13 - Investment in Affiliates

At June 30, 2011 and 2010, the System has contributed 56 percent of the capital for Upper Peninsula Health Plan, Inc. (UPHP) and Upper Peninsula Managed Care, LLC (UPMC). For both entities, an affirmative vote of members holding a greater than 50 percent of the equity interests is required for routine operational matters submitted to a vote, and greater than 70 percent for other significant matters. Based on the requirement for 70 percent approval on significant transactions, the System does not have control of these entities and records them using the equity method. UPHP is a Medicaid-only HMO in Michigan's Upper Peninsula. The net carrying value of the UPHP interest at June 30, 2011 and 2010 was approximately \$9,607,000 and \$16,032,000, respectively. UPMC serves as the management company for UPHP. The net carrying value of UPMC's interest at June 30, 2011 and 2010 was approximately \$656,000 and \$488,000, respectively. UPHP paid dividends to the System of \$7,918,031 as of June 30, 2011; no dividends were paid as of June 30, 2010. UPMC paid dividends to the System of \$799,290 and \$1,944,724 as of June 30, 2011 and 2010, respectively.

The System provides healthcare services to enrollees of UPHP. Net patient service revenue for services rendered to plan participants totaled \$7,738,821 and \$7,193,984 for the years ended June 30, 2011 and 2010, respectively.

The following is a summary of financial position and results of operations of UPHP and UPMC for the years ended June 30, 2011 and 2010:

	2011	2010
<u>UPHP</u>		
Total assets	\$ 37,086,841	\$ 44,501,052
Total liabilities	20,013,348	16,010,666
Stockholders' equity	\$ 17,073,493	\$ 28,490,386
Net income	\$ 2,618,824	\$ 7,151,056
<u>UPMC</u>		
Total assets	\$ 1,804,443	\$ 1,506,931
Total liabilities	637,940	640,299
Stockholders' equity	\$ 1,166,503	\$ 866,632
Net income	\$ 1,716,764	\$ 2,411,997

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 13 - Investment in Affiliates (Continued)

Effective May 1, 2010, a new partnership was formed between the System and a physician group. This new partnership is called U.P. Imaging Management Services (UPIMS), and provides the technical component of outpatient non-invasive diagnostic cardiovascular imaging services. This partnership consists of two partners, with the System having 60 percent equity interest and 50 percent voting interest. The System does not have control of UPIMS and therefore records the transactions of this partnership using the equity method. The net carrying value of the UPIMS interest was approximately \$280,000 at June 30, 2011 and 2010. UPIMS paid dividends to the System of \$1,520,960 as of June 30, 2011; no dividends were paid as of June 30, 2010.

An equity transfer to SHP, which reduced the System's fund balance by \$1,982,015, was recorded during fiscal year 2011. This equity transfer primarily consisted of consulting fees and salaries paid by the System on SHP's behalf.

The System has additional investments in affiliates that are not material to the consolidated financial statements.

Note 14 - Community Benefit

In support of its mission, the System provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the System's community benefit expense for the years ended June 30, 2011 and 2010:

	2011	2010
Community partnership programs (unaudited)	\$ 8,971,868	\$ 10,577,677
Donations/Contributions (unaudited)	194,125	80,784
Traditional charity care	2,775,115	2,335,378
Unpaid costs for government program patients (unaudited)	12,013,745	14,345,704
Other community benefit activities (unaudited)	4,184,689	3,457,941
Total	<u>\$ 28,139,542</u>	<u>\$ 30,797,484</u>

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 14 - Community Benefit (Continued)

Community Partnership Programs - Community partnership programs include programs provided to persons with inadequate healthcare resources or for other groups within the community that need special services and support. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular healthcare needs. They also include broader populations who benefit from health community initiatives such as health promotion, education, and health screening.

Donations/Contributions - Donations/Contributions include cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and disadvantaged.

Traditional Charity Care - Traditional charity care covers services provided to persons who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability.

Unpaid Costs for Government Program Patients - The System is a licensed Medicaid provider with approximately 12 percent of its patient base qualifying for this program. At present, the reimbursement rates for this program do not fully cover the cost of provider care to these patients. This represents the estimated "shortfall" created when a facility receives payments below the costs of treating Medicaid beneficiaries.

Note 15 - Discontinued Operations

During the year ended June 30, 2010, management undertook action to terminate the operations and dispose of the net assets of the FastCare Clinics in Marquette and Escanaba. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements.

Revenue and net loss for the FastCare Clinics included in the results of discontinued operations for the year ended June 30, 2010 were \$240,396 and \$462,147, respectively. Assets transferred to other departments primarily consisted of property, plant, and equipment with a net book value of \$7,384 for the year ended June 30, 2010.

Marquette General Health System

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 16 - Subsequent Event

On August 26, 2011, the System entered a commitment with a realty company to lease a new medical office building that will be located in Escanaba, Michigan. Construction of the 43,000 square-foot building began in September 2011 and is expected to be complete and occupied by September 2012. The lease term is 14 years, 5 months, with options to renew. Expected total annual cost to occupy this building is \$30 per square foot. The System has determined that the agreement constitutes an operating lease in accordance with existing generally accepted accounting principles.

MARQUETTE GENERAL HEALTH SYSTEM

BALANCE SHEET

March 2012

	Mar. 2012	Jun. 2011	Mar. 2012	Jun. 2011
Cash	\$ 30,394,378	\$ 28,458,445	\$ 15,622,271	\$ 17,279,122
Patient Accounts Receivable	45,440,391	47,471,002	6,834,749	9,365,332
Less Allowance for Bad Debt	11,285,972	9,765,240	10,953,190	10,730,104
Net Patient A/R	34,154,419	37,705,762	540,698	267,610
Est. Reimbursement Third-Party	979,269	(2,022,637)	2,713,282	1,464,667
Inventories	8,199,590	8,118,566	2,492,374	2,492,374
Prepaid Expenses	3,111,212	2,609,833		
Net Current Assets	76,838,868	74,869,969		
Board Designated Fund	42,539,668	45,244,042	5,280,592	5,480,036
Beneficial Interest - MG Foundation	2,577,541	3,315,284		
Self Insurance Trusts	5,627,995	5,297,704	49,655,316	51,837,385
Debt Service Reserves	4,783,148	6,621,010	3,686,809	3,686,809
Unamortized Debt Issue Expense	402,400	1,064,831		
Goodwill	525,950	525,950		
Other	19,319,581	19,390,275	390,474	427,012
Total Other Assets	75,776,283	81,459,096		
Land/Land Improvements	10,876,687	10,839,664		
Buildings	147,720,541	147,582,698	39,550,000	37,000,000
Equipment	154,475,979	152,507,825	21,592,477	21,628,739
Construction in Progress	2,812,759	1,001,406		
Total	315,885,966	311,931,593		
Allowance for Depreciation	223,264,703	219,988,643	120,155,668	125,008,773
Net Capital Assets	92,621,263	91,942,950	159,312,232	166,607,982
			Total Liabilities	
			Unrestricted Fund Balance	83,346,642
			Temporarily Restricted Fund Balance	2,577,540
			Fund Balance	85,924,182
				81,664,033
Total Assets	\$ 245,236,414	\$ 248,272,015	Total Liabilities and Fund Balance	\$ 245,236,414
				\$ 248,272,015

MARQUETTE GENERAL HEALTH SYSTEM

STATEMENT OF OPERATIONS

March 2012

In Thousands

	CURRENT MONTH				
	ACTUAL	FLEX BUDGET	FLEX VARIANCE	BUDGET	BUDGET VARIANCE
REVENUE:					
Inpatient	\$ 20,132	\$ 20,337	\$ (206)	\$ 22,406	\$ (2,274)
Outpatient	23,980	23,150	830	22,903	1,077
Physician Revenue	11,796	11,336	460	12,115	(319)
Home Health	500	531	(31)	557	(57)
Total Patient Revenue	56,408	55,354	1,054	57,981	(1,573)
Third Party Contractual Deductions	29,542	29,508	34	30,685	(1,143)
Bad Debt Provision	1,059	1,168	(109)	1,244	(186)
Charity Care	235	242	(7)	253	(18)
Net Patient Revenue	25,572	24,437	1,136	25,798	(226)
Other Operating Revenue	1,122	882	239	885	237
Income from Investment in Unconsol Affiliates	186	375	(189)	375	(189)
Net Assets Released from Restriction	98	1	97	1	97
Net Operating Revenue	26,979	25,695	1,284	27,059	(80)
EXPENSES:					
Salaries & Wages	11,094	10,917	177	10,950	143
Employee Health & Welfare	3,054	2,881	173	2,881	173
Professional Fees	231	217	14	217	14
Supplies	5,878	5,506	372	5,761	117
Utilities	455	485	(30)	485	(30)
Purchased Services & Maint. Contracts	2,853	2,724	129	2,737	117
Travel & Education	216	279	(63)	279	(63)
Rental Expense	491	480	11	480	11
Miscellaneous Expenses	829	920	(91)	920	(91)
Interest & Bond Discount	211	277	(66)	277	(66)
Depreciation	829	846	(17)	846	(17)
(Gain) Loss on Disposal of Assets	100	-	100	-	100
Total Operating Expenses	26,241	25,531	710	25,833	408
Operating Margin before Pension Curtailment	738	164	574	1,226	(488)
Pension Curtailment	-	-	-	-	-
Operating Margin	738	164	574	1,226	(488)
Non Operating Revenue (Expense)					
Realized Gains (Losses)	376	41	334	41	334
Unrealized Gains (Losses)	(55)	-	(55)	-	(55)
Gains (Losses) on Interest Rate Hedge	-	-	-	-	-
Loss on Extinguishment of Debt	-	-	-	-	-
Net Income	1,059	205	854	1,267	(208)
Other Changes in Unrestricted Net Assets					
Contribution Received for Property Acquisitions	12	159	(147)	159	(147)
SHP Equity Transfer	(58)	(127)	68	(127)	68
Gains (Losses) on Discontinued Operations	-	-	-	-	-
Inc (Dec) in Unrestricted Net Assets	1,012	238	775	1,300	(288)
Temporarily Restricted Net Assets					
Contributions	546	90	456	90	456
Net Assets Released from Restriction	(110)	(138)	28	(138)	28
Inc (Dec) in Temporarily Restricted Net Assets	436	(48)	484	(48)	484
Inc (Dec) in Net Assets	\$ 1,448	\$ 189	\$ 1,259	\$ 1,252	\$ 196

MARQUETTE GENERAL HEALTH SYSTEM

STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED MARCH 31, 2012

In Thousands

	YEAR-TO-DATE					
	ACTUAL	FLEX BUDGET	FLEX VARIANCE	BUDGET	BUDGET VARIANCE	PRIOR
REVENUE:						
Inpatient	\$ 171,882	\$ 178,092	\$ (6,210)	\$ 190,761	\$ (18,879)	\$ 187,765
Outpatient	198,912	206,711	(7,799)	205,148	(6,235)	193,226
Physician Revenue	101,007	100,196	812	102,481	(1,473)	90,723
Home Health	3,951	4,389	(438)	4,941	(990)	5,216
Total Patient Revenue	475,752	489,388	(13,635)	503,330	(27,577)	476,930
Third Party Contractual Deductions	243,363	258,190	(14,828)	264,210	(20,847)	248,566
Bad Debt Provision	9,372	10,418	(1,046)	10,749	(1,376)	11,449
Charity Care	1,824	2,149	(325)	2,214	(389)	2,035
Net Patient Revenue	221,193	218,630	2,564	226,158	(4,965)	214,880
Other Operating Revenue	10,628	8,609	2,019	8,599	2,029	9,632
Income from Investment in Unconsol Affiliates	2,796	3,375	(579)	3,375	(579)	4,919
Net Assets Released from Restriction	311	11	300	11	300	45
Net Operating Revenue	234,928	230,625	4,303	238,143	(3,215)	229,477
EXPENSES:						
Salaries & Wages	94,132	94,303	(172)	94,631	(499)	95,663
Employee Health & Welfare	27,122	26,166	955	26,166	955	27,974
Professional Fees	1,948	1,978	(30)	1,978	(30)	1,381
Supplies	50,689	48,905	1,784	50,133	556	51,568
Utilities	3,965	3,934	31	3,934	31	3,881
Purchased Services & Maint. Contracts	26,507	24,219	2,288	24,240	2,266	24,440
Travel & Education	2,094	2,511	(418)	2,511	(418)	2,012
Rental Expense	4,115	4,313	(198)	4,313	(198)	4,008
Miscellaneous Expenses	11,007	11,010	(3)	11,010	(3)	10,154
Interest & Bond Discount	2,200	2,490	(290)	2,490	(290)	2,723
Depreciation	7,815	8,180	(365)	8,181	(365)	8,339
(Gain) Loss on Disposal of Assets	394	-	394	-	394	360
Total Operating Expenses	231,986	228,009	3,978	229,586	2,400	232,502
Operating Margin before Pension Curtailment	2,941	2,616	326	8,556	(5,615)	(3,024)
Pension Curtailment	-	-	-	-	-	13,414
Operating Margin	2,941	2,616	326	8,556	(5,615)	10,389
Non Operating Revenue (Expense)						
Realized Gains (Losses)	1,602	371	1,231	371	1,231	611
Unrealized Gains (Losses)	(346)	-	(346)	-	(346)	401
Gains (Losses) on Interest Rate Hedge	(1,651)	-	(1,651)	-	(1,651)	1,175
Loss on Extinguishment of Debt	(840)	-	(840)	-	(840)	-
Net Income	1,705	2,987	(1,281)	8,927	(7,222)	12,576
Other Changes in Unrestricted Net Assets						
Contribution Received for Property Acquisitions	1,772	1,434	337	1,434	337	368
SHP Equity Transfer	(923)	(1,140)	217	(1,140)	217	-
Gains (Losses) on Discontinued Operations	2,444	-	2,444	-	2,444	-
Inc (Dec) in Unrestricted Net Assets	4,998	3,281	1,717	9,221	(4,223)	12,944
Temporarily Restricted Net Assets						
Contributions	1,345	812	533	812	533	519
Net Assets Released from Restriction	(2,083)	(1,245)	(838)	(1,245)	(838)	(146)
Inc (Dec) in Temporarily Restricted Net Assets	(738)	(433)	(305)	(433)	(305)	373
Inc (Dec) in Net Assets	\$ 4,260	\$ 2,848	\$ 1,412	\$ 8,788	\$ (4,528)	\$ 13,317
EDITDA Margin	5.02%					

SCHEDULE 4.9
LICENSES

Licenses:

Facility Licenses

Acute Care Hospital license issued to Marquette General Hospital, 264 Licensed Beds
420 West Magnetic, Marquette, Michigan
License L1833466; Permanent ID No. 1060000027

Pharmacy license issued to Marquette General Hospital, Inc. Pharmacy
Facility 5301002178 ; License L2033486

Controlled Substance license issued to Marquette General Hospital, Inc. Pharmacy
Facility 5301002178; License L2033485

Psychiatric inpatient unit license issued to Marquette General Hospital, 37 adult, 6 minor
580 West Magnetic, Marquette, Michigan
MDCIS/BHS No. 520050

FSOF/ASC – 1414 West Fair Avenue, Suite 232, Marquette, MI
MDCIS/BHS 526813 issued to Marquette General Hospital, Inc. for Upper
Peninsula Surgery Center

Michigan Hospice License – Marquette General Home Health & Hospice, 2500 S. 7th Ave.,
Escanaba, Michigan
BHS No. 213519; License L2063935; Permanent ID No. 1041000005

Wisconsin Hospice License issued to Marquette General Hospital, Inc., 2500 7th Ave., Suite 101,
Escanaba, Michigan
License No. 551.

Wisconsin Home Health Agency License issued to Marquette General Hospital, Inc., 1110 11th
Ave., Suite 102, Menominee, Michigan
License No. 207.

Michigan Department of Agriculture Hospital Food Establishment license issued to Marquette
General Hospital
SFE 3452017566

Life Support Agency License

Issued to Marquette General EMS, Ambulance Operation – Geographic Service Area
Marquette, Facility No. 521003

1FDXE45P75HB31671	Ground Transp-Ford	13Y727
1GBKG316991155537	Ground Transp-2009-Chevy	014Y041
1GB6G5CL1B1176548	Grand Transp-2011 GMC	
1FMJU1651BEF46775	NonTransport-2011Ford	019X218
1GB8G5B62A1119508	Ground Transp-2010-Chevy	014Y042
1FDWE35F61HA38826	Ground Transp-2001-Ford	015Y703

Issued to Rampart E.M.S., Inc., Ambulance Operation – Geographic Service Area Delta,

SW Marquette, SW Schoolcraft, Facility No. 211002

1FDJE30FOSHC10951	NonTransport-1995 Ford
1GBKG316091100104	Ground Transp 2009-Chevy
1GBKG316791100116	Ground Transp-2009-Chevy
1FDLE40F1VHB70401	Ground Transp-1997-Ford
1FDXE45P47DA12793	Ground Transp-2007-Ford
1FDWE35PX5HA55692	Ground Transp-2005-Ford
1GB6G5CL7B1175789	Ground Transp-2011-GMC

Substance Abuse Program License 520006 – Marquette General Hospital Behavioral Health Services/Addiction Services

- Inpatient
- Residential Detox
- Residential
- Outpatient
- CAIT
- SARF
- Case Management
- Early Intervention
- Integrated Treatment
- Peer Recovery and Support

Nuclear Regulatory Commission Materials License – Marquette General Health System, 420 W Magnetic/580 W College, Marquette, MI

License 210543204; Docket No. 030-18133

Joint Ventures

UPMC – Department of Consumer and Industry Services Insurance Sales License
Resident Producer; System ID 0039611

Registrations:

DEA Controlled Substance Registration Certificate issued to Marquette General Hospital, Inc.
Registration No. AM 5751765

DHHS-FDA Blood Center Annual Registrations

Marquette General Hospital, Inc. Upper Peninsula Regional Blood Center, 420 West Magnetic, Marquette, Michigan

FEI 1870537; CFN 1870537; U.S. License Number 891

Marquette General Hospital, Inc. UP Regional Blood Center – Iron Mountain, North Country Medical Specialists, 1711 S. Stephenson Ave., Iron Mountain, Michigan

FEI 1000115455; CFN 1833773; U.S. License Number 891

Marquette General Hospital, Inc. UP Regional Blood Center – Hancock, 787 Market Street, Suite 6, Hancock, Michigan

FEI 1000115559; CFN 1833543; U.S. License Number 891

Marquette General Hospital, Inc. UP Regional Blood Center – Escanaba, 2500 7th Ave South, Escanaba, Michigan

FEI 1000306322; CFN 1834381; U.S. License Number 891
Marquette General Hospital, Inc. UP Regional Blood Center – Sault Sainte Marie, 550
Osborne Blvd, Sault Sainte Marie, Michigan
FEI 3006403405; U.S. License Number 891

Department of Natural Resources and Environment

Underground Storage Tank Registration Certificate issued to Marquette General Health
System, Facility No. 00015983

420 West Magnetic, Marquette, Michigan – Tank 4, 5, 6

Certificate of Registration as a Producing Facility of Medical Waste

Chippewa Medical Associates, 510 Ashmun, Sault Sainte Marie, Michigan

Registration 38603; Certificate 57773

Cytogenetics Lab, Marquette General Hospital, NMU, Rm 3611 West Science,
Marquette, Michigan

Registration 43174; Certificate 53442

Doctors Park Family Physicians, 2500 7th Ave South, Suite 201, Escanaba,
Michigan

Registration 40192; Certificate 57772

Lakewood Medical Clinic, 5087 US 41 South, Marquette, Michigan

Registration 40194; Certificate 57766

Marquette General Health System, 580 West College, Marquette, Michigan

Registration 4205; Certificate 55962

Marquette General Hospital Offices, 1414 West Fair Ave, Marquette, Michigan

Registration 40197; Certificate 43307

Marquette Medical Clinic – Grand Marais, Burt Township Hall, Grand Marais,
Michigan

Registration 40190; Certificate 57770

Marquette Medical Clinic – Iron River, 1500 W Ice Lake Road, Iron River,
Michigan

Registration 30752; Certificate 57764

Marquette Medical Clinic – Kingsford, 800 East Blvd, Kingsford, Michigan

Registration 40189; Certificate 57771

Marquette Medical Clinic – Trenary, Community Building, Trenary, Michigan

Registration 40187; Certificate 57774

Negaunee Medical Associates, 405 US 41 East, Negaunee, Michigan

Registration 40188; Certificate 57768

North Country Medical Specialists, 1711 S Stephenson, Iron Mountain, Michigan

Registration 41781; Certificate 46402

UP Regional Blood Center – Hancock, 504 Campus W Drive, Hancock, Michigan

Registration 42763; Certificate 49744

Department of Licensing and Regulatory Affairs; Radiation Safety Section; Radiation Machine
Registration Certificates

Facility 5398, issued to Marquette General Hospital for Marquette General Hospital, 420

West Magnetic, Marquette, Michigan
 65545 Mamm Suite, Siemens Novation Dr
 Facility 19767, issued to Marquette General Hospital for Marquette Medical Clinic, 2500
 South 7th Ave, Escanaba, MI
 42349 Bone Dens Room, Hologic QDR 4500 W
 88890 X Ray Room, Siemens Axiom Multix M
 Facility 21970, issued to Marquette General Health System Imaging Center for Peninsula
 Medical Center, Imaging Center, 1414 West Fair Ave, Suite 232, Marquette, Michigan
 52356 X Ray Room, Hologic EPEX
 62285 Bone Dense Room, Hologic QDR 4500 W
 70037 Facility, Sedecal Rad Pro
 Facility 18280, issued to Marquette General Hospital for Marquette General Hospital
 Cardiac Institute, 580 West College, Marquette, Michigan
 43206 Cath Lab Rm 3, Philips MD Integris BH3000
 54937 Cath Lab Rm 4, Siemens Axiom Artis
 54938 Cath Lab Rm 5, Siemens Axiom Artis
 60383 Cath Lab Rm 2, Siemens Axiom Artis
 Facility 26918, issued to Marquette General Health Systems Imaging Center for
 Peninsula Medical Center, 1414 West Fair Ave, Suite 232, Marquette, Michigan
 66020 Suite 232, Siemens Novation
 Facility 5396, issued to Marquette General Hospital, Inc. for Marquette General Hospital,
 Inc. North 420 West Magnetic – North Building, Marquette, Michigan
 19240 Facility, Philips MD Oralix 65
 21980 Cancer TMT Orth, GE Maximar 100
 34469 Facility, GE AMX 4
 34470 Facility, GE AMX 4
 34676 Rm 4 Siemens, Polydoras 80
 37034 ED, Philips MD Disgnost H
 41269 Surgery, OEC 9600
 42629 Rad Therapy, Ravian Ximatron CX
 48835 Facility, GE AMX 4
 48836 Facility, GE AMX 4
 49023 OR, OEC 6600
 50290 Endo, OEC 9800
 51858 Rm 1, Siemens Multex
 55002 Rm 3, Siemens Axiom
 56283 CT Rm 2, Siemens Somatom 16
 58731 Facility, GE AMX 4
 58869 Spec 1, Siemens Multistar
 58871 Spec 2, Siemens Neurostar
 60533 Rm 2, Siemens Axiom Artis
 61797 CT Rm 3, Siemens Somatom Definition
 62550 OR, Hologic Insight Fluroscan
 63722 OR, Siemens Arcadis Orbic
 66546 Nuc Med 1, Siemens Symbia T
 67092 OR, Philips MD BV300 Plus

67849 Rm 84-422, Siemens Aracis Orbit 3D
68951 CT Rm 1, Siemens Somatom 4
69524 ED, Lodox Statscan
69962 Rad Oncology, Varian Truebeam
69963 Rad Oncology, Varian OBI
69983 OR, Medtronic OArm
70022 Cancer TMT L2, Siemens Mevatron 6740

Certificates:

Clinical Laboratory Improvement Amendments (CLIA) Certificates of Provider-Performed Microscopy Procedures

Marquette General – Family Medicine, 1414 West Fair Ave, Suite 36, Marquette, Michigan

CLIA ID 23D0873450

Marquette General Family Medicine – Grand Marais, Burt Township Hall, Grand Marais, Michigan

CLIA 23D0877004

Marquette General Family Medicine Lakewood (formerly Lakewood Medical Associates), 5087 US 41 South, Marquette, Michigan

CLIA 23D0946743

U.P. Internal Medicine Associates (formerly MG Medical Specialists), 1414 West Fair Ave, Suite 344, Marquette, Michigan

CLIA 23D0966759

Marquette General Urology, 1414 West Fair Ave, Suite 249, Marquette, Michigan

CLIA 23D1077637

Marquette General Family Medicine Negaunee (formerly Negaunee Medical Associates), 405 US 41 East, Negaunee, Michigan

CLIA 23D0946745

Pediatric Specialist, 1414 West Fair Ave, Suite 226, Marquette, Michigan

CLIA 23D0953601

Marquette General Family Medicine – Trenary, Community Building, Trenary, Michigan

CLIA 23D0877001

Marquette Medical Clinic – Gladstone, 2002 Minneapolis Ave, Gladstone, Michigan

CLIA 23D1021411

Clinical Laboratory Improvement Amendments (CLIA) Certificates of Waiver

UP Regional Blood Center – Escanaba, 2500 7th Ave South, Escanaba, Michigan

CLIA ID 23D2015834

UP Regional Blood Center – Hancock, 787 Market Street, Hancock, Michigan

CLIA ID 23D2015836

UP Regional Blood Center – Iron Mountain, 1711 S. Stephenson, Iron Mt., Michigan

CLIA ID 23D2015837

UP Regional Blood Center – Sault Sainte Marie, 550 Osborne Blvd., Sault Sainte Marie, Michigan

CLIA ID 23D2015835

Doctors Park Family Physicians, 2500 7th Ave Suite 201, Escanaba, Michigan
CLIA ID 23D0671520
Marquette Medical Clinic – Iron River, 1500 W Ice Lake Road, Iron River, Michigan
CLIA 23D0920290
Marquette General Wound Care, 1414 West Fair Ave, Suite 385, Marquette, Michigan
CLIA 23D2030847
Marquette General Home Health Parent Org, 420 West Magnetic, Marquette, Michigan
CLIA 23D0876781
Marquette General Hospital EMS, 420 West Magnetic, Marquette, Michigan
CLIA 23D1048828
Marquette General Hospital Occupational Medicine, 1414 West Fair Ave, Suite 35,
Marquette, Michigan
CLIA 23D0961972
Upper Peninsula Surgery Center, 1414 West Fair Ave, Marquette, Michigan
CLIA 23D0910084

Clinical Laboratory Improvement Amendments (CLIA) Certificates of Accreditation
Upper Peninsula Regional Blood Center – Marquette, 427 West College, Marquette,
Michigan
CLIA 23D1089229
Marquette General Health System Cytogenetics and Molecular Diagnostic Lab, NMU
Room 3611 West Science Bldg, Marquette, Michigan
CLIA ID 23D1062707
Marquette Medical Clinic – Iron Mountain, 1001 Hemlock Street, Iron Mountain,
Michigan
CLIA 23D1096206
Marquette Visiting Specialists, 2500 7th Ave South, Suite 100, Escanaba, Michigan
CLIA 23D0690740
Marquette Medical Clinic – Kingsford, 800 East Blvd, Kingsford, Michigan
CLIA ID 23D0381992
Marquette General Hospital, 420 West Magnetic, Marquette, Michigan
CLIA ID 23D0038098

Florida Clinical Lab Certificate – 420 West Magnetic Street, Marquette, Michigan
Certificate 86168, License No. 800017872

Joint Ventures

CMS CLIA Certificate of Provider-Performed Microscopy Procedures, Chippewa
Medical Associates, 510 Ashmun Street, Suite 5, SSM, Michigan
CLIA ID 23D0945486

CMS CLIA Certificate of Provider-Performed Microscopy Procedures,
Ontonagon Community Health Center, 751 South 7th St, Ontonagon, Michigan
CLIA ID 23D1077423

Department of Energy, Labor and Economic Growth Annual Elevator Certification of Operation

State #
19779
19778
19780
19781
12647
12646
4009
8116
21328
21329
6436
27117
27118
27115
27116
34890
34891
34892
34889
34888
34887
42853
42789
25794
25795
12645
27297
27296
19782
19792
19793
7150
33215

Department of Licensing and Regulatory Affairs Certificates of Boiler Inspection

Boiler Number	Location	State Number
1	South Campus	R086760
2	South Campus	R086761
3	South Campus	R331187
4	North Campus	R363220
5	North Campus	R363221

6	North Campus	R363222
7	North Campus	R363218
8	North Campus	R363219
9	West Building	R413373
10	West Building	R413374
11	West Building	R413375

Certificates of Authority:

CMS Approval for off-site locations meeting provider-based criteria

Family Care Doctors
Lakewood Medical Associates
Negaunee Medical Associates
Respiratory Medicine
Marquette General Urology
Marquette General Endocrinology
Upper Peninsula Internal Medicine Associates
U.P Hematology/Oncology
Marquette General Wound Care
Upper Peninsula Surgery Center
Upper Peninsula Medical Center Lab
Marquette Medical Clinic Escanaba (Lab and Imaging only)
Marquette Medical Clinic Kingsford (Lab and Imaging only)
Marquette Medical Clinic Hancock (Lab and Imaging only)
Marquette Visiting Specialist Clinic (Lab and Imaging only)
MGH Therapies – Marquette (Provider-based status materials filed with CMS.)
MGH Therapies – Negaunee (Provider-based status materials filed with CMS.)
U.P. Sports Medicine & Therapy (Provider-based status materials filed with CMS.)
Sawyer Rehabilitation (Provider-based status materials filed with CMS.)
Doctors Park Rehabilitation (Provider-based status materials filed with CMS.)

Joint Ventures

UPHP – HMO Certificate of Authority issued by State of Michigan Department of Consumer and Industry Services
UPMC – Third Party Administrator Certificate of Authority issued by State of Michigan Department of Labor and Economic Growth

Certificates of Need:

Megavoltage Radiation Therapy Unit – replace one and decommission a second unit
CON Application 09-0260; Facility 52-0050

Authorizations:

Federal Communications Commission Wireless Telecommunications Bureau Radio Station
Authorization issued to Marquette General Hospital, Inc.
Call Sign WRA 292, File No. 0000870770, PW Public Safety Pool – Conventional,
PMRS
Location 1 – 515 West College Avenue, Marquette, Michigan

Location 2 – Morgan Meadows Location Off County Road 492
 Call Sign WPXR379, File No. 0001079462, IG Industrial/Business Pool, Conventional,
 PMRS, Frequency Coordination Number PC20023040514
 Location 1 – 420 West Magnetic Street, Marquette, Michigan
 Location 2 – 40 km radius around fixed location 1
 Call Sign WQGV535, File No. 0002977317, IG Industrial/Business Pool, Conventional,
 PMRS, Frequency Coordination Number PC20070740503
 Location 1 – 420 West Magnetic Street, Marquette, Michigan
 Location 2 – 40 km radius around fixed location 1
 Call Sign WPHE230, File No. 0002115834, PW Public Safety Pool – Conventional,
 PMRS
 Location 1 – 515 West College Avenue, Marquette, Michigan
 Location 2 – Marquette County
 Call Sign WRA 291, File No. 0001870837, PW Public Safety Pool – Conventional,
 PMRS
 Location 1 – County Road 553 WHWL FM Tower, City of Marquette, County of
 Marquette
 Call Sign KUQ715, File No. 0001236840, PW Public Safety Pool – Conventional,
 PMRS
 Location 1 – County Road 553 WHWL FM Tower, City of Marquette, County of
 Marquette
 Location 2 – 105 km radius around fixed location 1

SCHEDULE 4.10
CERTIFICATES OF NEED

All filings have been submitted regarding CON #09-0260; however, closing letter has not yet been received.

SCHEDULE 4.11(b)
ACCREDITATIONS AND CERTIFICATIONS

Accreditations:

American Society for Metabolic and Bariatric Surgery - Bariatric Surgery Center of Excellence
issued to Marquette General Hospital and Dr. Wayne English
College of American Pathologists – Laboratory Accreditation issued to Marquette General
Hospital Cytogenetics & Molecular Diagnostics
LAP 7197834; AU-ID 1477644; CLIA 23D1062707

The Joint Commission – Organization ID No. 7552
Hospital Accreditation Program – Marquette General Hospital
Home Care Services Accreditation Program Home Health and Hospice – Marquette, with
branches in Menominee and Escanaba
Provider 237093; Facility 528630
Laboratory Accreditation – Marquette (Point of Care Accreditation)
CLIA 23D0038098
Laboratory Accreditation – Kingsford
CLIA 23D0381992
Laboratory Accreditation – Visiting Specialists
CLIA 23D0690740
Laboratory Accreditation – Iron Mountain
CLIA 23D01096206
Primary Stroke Center – Advanced Certification – Marquette General Hospital

CARF – Upper Michigan Rehabilitation Center of Marquette General Hospital
Comprehensive Integrated Inpatient Rehabilitation Programs
Comprehensive Occupational Rehabilitation Programs

Joint Review Committee on Education in Radiologic Technology – Marquette General Health
System – Accredited Educational Program in Radiologic Sciences
Program 2661

American College of Radiology
Nuclear Medicine Services of Marquette General Health System
Siemens SYMBIA T2 2009 for Planar, SPECT; NMPA No. 50093-01
Siemens Signature Series 2004 for Planar, SPECT, Nuclear Cardiology; NMAP
No. 50093-02
Computed Tomography Services of Marquette General Health System
Siemens Sensation 4 2002 for Adult Patients, Head/Neck, Abdomen; CTAP No.
04067-01
Siemens Sensation 16 2004 for Adult and Pediatric Patients, Head/Neck, Chest,
Abdomen; CTAP No. 04067-02
Siemens SOMATOM DEFINITION 2007 for Adult and Pediatric Patients,
Head/Neck, Chest, Abdomen, Cardiac; CTAP No. 04067-03

Ultrasound Imaging Services of Marquette General Health System
 OB, Gynecological, General & Vascular Ultrasound services, including peripheral vascular, cerebrovascular, abdominal vascular and deep abdominal vascular; UAP No. 04505
 Magnetic Resonance Imaging Services of Marquette General Health System
 General Electric 1.5 HDX 2005 for Head, Spine, Body, MSK, MRA; MRAP No. 50054-02
 General Electric 1.5 GE SIGNA LX 1998 for Head, Spine, MSK, MRA; MRAP No. 50054-01
 Breast MR Imaging Services of Marquette General Health System
 GEMS, SIGNA EXCITE HD 2005; BMRAP ID No. 00814-01
 Mammographic Imaging Services of Marquette General Health System Imaging Center
 Siemens Medical Systems, MAMMOMAT NOVATION DR 2009, MAP ID 15581-02
 Mammographic Imaging Services of Marquette General Health System
 Siemens Medical Systems, MAMMOMAT NOVATION DR 2009, MAP ID 00234-03
 Breast Imaging Center of Excellence accreditation in mammography, stereotactic breast biopsy, breast ultrasound and ultrasound-guided breast biopsy issued to Marquette General Health System
 Breast Ultrasound Imaging Services of Marquette General Health System accredited for breast ultrasound and ultrasound-guided biopsy; BUAP No. 02068

Michigan State Medical Society – Accreditation in Continuing Medical Education issued to Marquette General Hospital

Commission on Accreditation for Respiratory Care
 Northern Michigan University and Marquette General Hospital AAS & BS Degree Respiratory Care Program

AABB Accreditation for Donor Center Activities and Transfusion Activities issued to Marquette General Hospital

Wisconsin Nurses Association – Continuing Education Approval Program – Approved provider status of Marquette General Health System

Joint Ventures:

UPHP – NCQA Medicaid HMO
 UPHG – NCQA Credentials Verification Organization
 UPIMS – American College of Radiology – Nuclear Medicine Services of Upper Peninsula Imaging Management Services
 ADAC Laboratories Cardio 60 2000 for Nuclear Cardiology (NMAP No. 01364-01)
 Siemens E-CAM 2000 for Nuclear Cardiology (NMAP No. 01364-02)

Certifications:

American Board for Certification in Orthotics, Prosthetics and Pedorthics, Inc.
Orthotic, Prosthetic, and Ancillary Assistive Device Accreditation – Upper Peninsula
Orthotics and Prosthetics, Marquette
Orthotic and Prosthetic Accreditation – Upper Peninsula Orthotics and Prosthetics,
Affiliate, Escanaba

U.S. Department of Health and Human Services, Food and Drug Administration
Certified Mammography Facility issued to Marquette General Health Systems
Facility ID – 149179
Certified Mammography Facility issued to Marquette General Health Systems Imaging
Center
Facility ID – 232000

Designations:

MDCIS, Bureau of Health Systems – Substance Abuse Program Designation
No. 52006

Verifications:

Level II Trauma Center – American College of Surgeons
Regional Referral Center – Department of Health and Human Services
Sole Community Hospital – Department of Health and Human Services

SCHEDULE 4.12(a)
LISTED CONTRACTS

To be completed post-signing.

SCHEDULE 4.14
PERSONAL PROPERTY EXCEPTIONS

Marquette General Hospital, Inc.

1. Wells Fargo Bank, N.A., Trustee; UCC File No. 2004243040-7; Filed 12/15/2004.

The secured party has a lien on, among other items, property and intangibles and specifically excluding certain other items, property and intangibles, the obligated parties' "Gross Revenues" which shall mean all receipts, revenues and other operating and nonoperating income of the members of the obligated group, including but not limited to healthcare-insurance receivables and all other rates, fees and charges fixed, charged and collected for hospital, medical care, and other services rendered by or on behalf of the members of the obligated group or arising in any other manner from or on account of the operations of the property or other facilities of the members of the obligated group and from any source, Accounts, Chattel Paper, Deposit Accounts, Documents, General Intangibles, Investment Property, Instruments, other rights to the payment of money, all unrestricted income from the investment of funds of the members of the obligated group, and any gains from the sale or other disposition of Capital Assets, including all Proceeds (whether cash Proceeds or noncash Proceeds) of any of the foregoing property and of eminent domain or condemnation awards. This lien shall be discharged at Closing.

Peninsula InfoMed, LLC

1. Wells Fargo Bank, National Association; UCC File No. 2005110647-5; Filed 06/17/2005.

The secured party has a lien on all Inventory, Accounts, Equipment and General Intangibles; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements, and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing; all proceeds relating to any of the foregoing (including insurance, general intangibles and other accounts proceeds).

Rampart Emergency Medical Services, Inc.

1. W.L. Gore & Associates, Inc.; UCC File No. 2009108309-3; Filed 07/24/2009.

The secured party has a lien on all inventory delivered to Rampart Emergency Medical Services, Inc. pursuant to the consignment agreement dated 03/11/2009 between Consignor and Rampart Emergency Medical Services, Inc., as may be amended by the parties. Inventory consists of medical products made or distributed by Consignor and proceeds of same including, but not limited to, certain specified products. Seller believes that this lien was filed against the incorrect entity and is investigating this filing.

SCHEDULE 4.16
LITIGATION OR PROCEEDINGS SELLER AS DEFENDANT

To be completed post-signing.

A detailed description, including where possible the full names of the parties involved, the court in which the claim was filed or occurred, and a brief description, has been or will be provided to Buyer in a manner reasonably satisfactory to Buyer. Seller will update the information set forth in this Schedule prior to Closing if the status of any of the matters change from the date hereof.

SCHEDULE 4.17(j)
TAXED REAL ESTATE AND PERSONAL PROPERTY

The following real property owned by MGH is subject to taxation:

All lots on which houses are situated within the City of Marquette, Michigan.

All properties listed as vacant lots or green spaces within the City of Marquette, Michigan.

Two parcels located at 800 East Blvd in the City of Kingsford, Michigan.

Lot located at 710 South Lincoln Road in Escanaba, Michigan and lot located at 2404 8th Ave South in Escanaba, Michigan (Duke Realty). The real property taxes are currently being paid by Duke Realty, but will become solely MGH's responsibility to pay when the new building located at 2500 7th Ave South opens in Fall 2012.

The following real property owned by Rampart Emergency Medical Services, Inc. is subject to taxation:

Two parcels located at 828 Sheridan Ave in Escanaba, Michigan.

Three parcels located at 819 N 16th St in Escanaba, Michigan.

Three parcels located at 823 N 16th St in Escanaba, Michigan.

The following real property owned by Ice Lake Medical Arts Building, Inc. is subject to taxation:

Lot located at 1500 West Ice Lake Road in Iron River, Michigan

The following real property owned by Mattson Management Group, LLC is subject to taxation:

Lot located between N. Second Street and N. Third Street in Ishpeming, Michigan.

The following personal property is subject to taxation:

All personal property owned by Marquette General Hospital in the following locations:

Upper Peninsula Medical Center, 1414 West Fair Avenue, Marquette, Michigan.

Main Street Depot, 107 West Main Street, Marquette, Michigan.

Superior Dome Rooms B112, B112A-D, 1401 Presque Isle Avenue, Marquette, Michigan.

West Sciences Building, Rooms 3607, 3609 and 3611, Don H. Bottum University Center, Marquette, Michigan.

Lakewood Medical Associates, 5087 US 41 South, Marquette, Michigan.

Negaunee Medical Associates, 405 US 41 East, Negaunee, Michigan.

Marquette Medical Clinic – Escanaba, 2500 7th Avenue South, Escanaba, Michigan

Marquette Medical Clinic – Kingsford, 800 East Boulevard, Kingsford, Michigan

Marquette Medical Clinic – Iron River, 1500 West Ice Lake Road, Iron River, Michigan.

Marquette General Home Health & Hospice, 1101 11th Avenue, Menominee, Michigan.

Marquette Medical Clinic – Hancock, 504 Campus Drive, Hancock, Michigan.

UP Blood Bank, 787 Market Street, Suite 6, Hancock, Michigan.

Marquette Visiting Specialist Clinic, 550 Osborn Boulevard, Sault Sainte Marie, Michigan.

MGH Therapies – Marquette, 550 and 555 County Road HQ, Marquette, Michigan.

MGH Therapies – Negaunee, 400 US 41 East, Suite 105, Negaunee, Michigan.

Sawyer Rehabilitation, 301 Explorer Street, Suite, F, Gwinn, Michigan

All personal property owned by Rampart Emergency Medical Services, Inc.

All leased personal property held by Marquette General Hospital located at the Hospital and Hospital Facilities.

SCHEDULE 4.17(l)
AGREEMENTS FOR ALLOCATION OR SHARING OF TAXES

Agreements for certain leased personal property provide that in the event that property taxes are imposed, Seller will pay such taxes. Agreements through which property is leased include:

VENDOR	DESCRIPTION	LOCATION
ALARIS	Smart Pumps	CENTRAL SUPPLY
ABBOTT LAB	Glucometers	LAB
BAXTER	Vaporizers	ANESTHESIA
BECKMAN COULTER	Cytomics System	LAB - FLOW CYTOM
BECKMAN COULTER	Cytomics System	LAB - FLOW CYTOM
BECTON DICKINSON	Probetec System	LAB - MICRO
BIORAD	Variant II Turbo System	LAB
BIORAD	Evolis ETA Instruments	LAB
BRACCO	Injectors	CARDIAC IMAGING
BRACCO	Injectors	CT SCANNING
BRACCO	Injectors	MRI
COVIDIEN	SCD Express Devices	CENTRAL SUPPLY
GYRUS	G400 Generator	OPERATING ROOM
IDS	ISYS Immuno	LAB
INSTRUMENTATION LABS	Blood Gas Anayzers	LAB
MAQUET	Intra Aortic Pumps	CARDIAC IMAGING
MEDTRONIC S-D	O-Arm Navigation	OPERATING ROOM
POLY MEDCO	Micro 80 Analyzer	LAB
QIAGEN	RCS Sytem	LAB
ROCHE	Molecular Equip	LAB
SIEMENS	Microscan Walkaway	LAB - MICRO
SIEMENS	Immulite 2500 System	LAB
SIEMENS	Versant Equipment	LAB
Smith & Nephew	Dyonics RF Generators	OPERATING ROOM
SYNTHES	ZipFix Instrument	OPERATING ROOM
TREK DIAGNOSTICS	Versatrek	LAB - MICRO
VOLCANO	S5 Ultrasound Imaging/via supplies	CARDIAC IMAGING
ALARIS	Smart Pumps	CENTRAL SUPPLY
ABBOTT LAB	Glucometers	LAB
BECKMAN COULTER	AC T Diff Analyzer	LAB - REFERENCE
CANON FINANCIAL	Copier	FAMILY CARE
CANON FINANCIAL	Copier	PRINT SHOP
CIT	Laptops	INFORMATION TECH
CIT	Desktops	INFORMATION TECH
CIT	Desktops	INFORMATION TECH
CIT	Desktops	INFORMATION TECH
CIT	IBM HP Towers	INFORMATION TECH

CIT	Desktops	INFORMATION TECH
DADE	BCS XP System	LAB
ENTERPRISE FM	2012 Nissan Versa Vehicles	HH-MQT
EVER BANK	Pentax EUS Equipment	ENDOSCOPY
HASLER FINANCIAL	Postage Machine	VOLUNTEERS
HASLER FINANCIAL	Postage Machine	FAMILY CARE
HASLER FINANCIAL	Postage Machine	CENTRAL BILLING
HASLER FINANCIAL	Postage Machine	MMC-KINGSFORD
HASLER FINANCIAL	Postage Machine	DP FAMILY PHYS
HEARTLAND	Vantage/Symph	LAB-PATH
HEWELETT PACKARD	Laptops w/ docking	INFORMATION TECH
HEWLETT PACKARD	Desktops	INFORMATION TECH
HEWLETT PACKARD	Laptops	INFORMATION TECH
HEWLETT PACKARD	Desktops	INFORMATION TECH
HEWLETT PACKARD	Servers	INFORMATION TECH
HEWLETT PACKARD	Monitors	INFORMATION TECH
HEWLETT PACKARD	Zebra Printers	INFORMATION TECH
HEWLETT PACKARD	Monitors	INFORMATION TECH
HEWLETT PACKARD	Desktops	INFORMATION TECH
HEWLETT PACKARD	WOW's	INFORMATION TECH
HEWLETT PACKARD	Printers	INFORMATION TECH
HEWLETT PACKARD	WOW's	INFORMATION TECH
HEWLETT PACKARD	Laptops	INFORMATION TECH
HEWLETT PACKARD	Laptops	INFORMATION TECH
HEWLETT PACKARD	Monitors	INFORMATION TECH
HEWLETT PACKARD	Desktops	INFORMATION TECH
HEWLETT PACKARD	Monitors	INFORMATION TECH
HEWLETT PACKARD	Laptops w/ docking	INFORMATION TECH
HEWLETT PACKARD	Laptops w/ docking	INFORMATION TECH
J & J FINANCE CORP	Vitros 3600 w/Conveyor	LAB
K2 CAPITAL	BrainLab Navigation	OPERATING ROOM
MED ONE	Apollo Machines	ANESTHESIA
MICROSOFT FINANCING	Microsoft License	INFORMATION TECH
SIEMENS	Advia Hemo Sys	LAB
SIEMENS	Axiom Radiographer	MMC-ESCANABA
SIEMENS	Digital Mamm	IMAGING CENTER
SIEMENS	Versant Equipment	LAB
SIEMENS	Digital Mamm	RADIOLOGY
SIEMENS	Symbia CT Scanner	NUCLEAR MEDICINE
STRYKER	Beds	Gen Fund
THERMO FISHER	Cassette Labeler	LAB - PATH
VENTANA	Iscan Coreo System w/server	LAB - PATH
XEROX	Scanner/Copier	LAB
WINTHROP (Siemens)	Hemodynamic Sys	CID

WINTHROP (Karl Storz)	Neuroendoscopy Set	OR
WINTHROP (McKesson)	Practice Partner	IT
WINTHROP (McKesson)	Practice Partner	IT
WINTHROP (McKesson)	Practice Partner	IT
WINTHROP (Teoma)	Practice Partner	IT
WINTHROP (Zibiz)	Practice Partner	IT
WINTHROP (Camera Corner)	Practice Partner	IT
WINTHROP (McKesson)	Practice Partner	IT
WINTHROP (Data Strategy)	Practice Partner	IT
WINTHROP (Data Strategy)	Practice Partner	IT
WINTHROP (Data Strategy)	Practice Partner	IT
WINTHROP (CDW)	Practice Partner	IT
WINTHROP (McKesson)	Pharmacy Automation	IT
WINTHROP (McKesson)	Pharmacy RX Conn	IT
WINTHROP (McKesson)	Pharmacy Paragon	IT
WINTHROP (McKesson)	Pharmacy Paragon	IT
WINTHROP (McKesson)	Paragon Clinical Data	IT
WINTHROP (Symantec)	Disc Space/Backup	IT
WINTHROP (CDW)	Disc Space/Backup	IT
AESULAB	Insulation Tester	CENTRAL SUPPLY
BAXTER	AUTOMIX 3+3 COMPOUNDERS	PHARMACY
COVIDIEN	Temp Monitors	ANESTHESIA
GOSPEL OPP	VHF RADIO FREQ	EMERG DEPT
HASLER FINANCIAL	POSTAGE METER	MGHH - MEN
HASLER FINANCIAL	POSTAGE METER	MMC - IR
MEDELA	Breast Pump	FAMILY BIRTHING
MEDELA	Breast Pump	WOMENS & CHILDRENS
MEDELA	Breast Pump	WOMENS & CHILDRENS
MEDELA	Breast Pump	WOMENS & CHILDRENS

OR SOLUTIONS	Fluid Warmers	OR
RESPIRONICS	BIPAP RESP.	NEUROPHYS
S&N	Towers & Access.	OR
UHS	ALCON INFINITY	UP SURG

SCHEDULE 4.19(b)(iv)
SELLER RAISES

Members of the collective bargaining unit have contractual salary increases pursuant to the Collective Bargaining Agreement.

SCHEDULE 4.20
SELLER POST-BALANCE SHEET DATE RESULTS

Seller does not believe that since the Balance Sheet Date there have been any actions, events, occurrences, developments, transactions, commitments, changes, violations, inaccuracies or other conditions (financial or otherwise) of any character (whether or not in the ordinary course of business) that can reasonably be expected to have, in the aggregate, a Material Adverse Effect. However, certain Assets have suffered material damage, destruction or loss, individually, as follows:

1. Impairment of the current Doctors Park Building in Escanaba, as the net book value is higher than the amount for which Seller could sell the building.
2. Retirement of imaging and cardiac catheterization laboratory equipment and information technology equipment in the ordinary course of business.
3. Impairment of those certain fully depreciated assets, as set forth on Seller's Fixed Asset Master List, dated March 14, 2012, which are retained on Seller's general ledger at 10% residual (salvage) value, pursuant to Seller policy.
4. Accrued pension liability adjustment for period ending June 30, 2012 in the ordinary course of business.

SCHEDULE 4.22(a)
REGULATORY COMPLIANCE

To be completed post-signing.

SCHEDULE 4.22(b)
OPEN AUDITS

PAYOR	DATE OF REQUEST	AUDIT TYPE	AUDIT ID
BCBS MI	2/21/2012	Catastrophic	102929
HDI	1/31/2012	Coding	201102443
BCBS MI	1/24/2012	Outpatient Billing	201200106
BCBS MI	3/19/2012	Readmission	201200289
National Audit	2/7/2012	Short Stay Change	248435
National Audit	5/8/2012	Short Stay Change	264359
Humana	4/12/2012	Records sent	624085311
HDI	4/30/2012	Short Stay Change	97584
RAC 8	4/21/2011	ALJ	
RAC 9	6/17/2011	Level II appeal	
RAC 13	2/29/2012	Records sent	
RAC 14	5/1/2012	Records sent	

SCHEDULE 4.23(a)
INFORMATION PRIVACY AND SECURITY COMPLIANCE

None.

SCHEDULE 4.23(b)
PRIVACY TRAINING

None.

SCHEDULE 4.23(c)(i)
BUSINESS ASSOCIATE AGREEMENTS

1. Medical Director Agreement, undated, by and between Bio-Medical Applications of Michigan, Inc. and Marquette General Hospital, Inc.
2. Medical Director Agreement, effective April 1, 2009, by and between G. Michael Nidiffer, M.D. and Marquette General Hospital, Inc.
3. Interpretation and Billing Services Agreement, dated September 4, 2009, by and between Virtual Radiologic Professionals of Michigan, P.C. and Marquette General Hospital, Inc.
4. Teleradiology Services Agreement, effective February 12, 2008, by and between Virtual Radiologic Professionals of Michigan, P.C. and Marquette General Hospital, Inc.
5. Final Advantage Teleradiology Services Agreement, dated September 4, 2009, by and between Virtual Radiologic Professionals of Michigan, P.C. and Marquette General Hospital, Inc.

SCHEDULE 4.23(c)(ii)
VIOLATIONS OF INFORMATION PRIVACY OR SECURITY LAWS

None.

SCHEDULE 4.24(a)
MEDICAL STAFF ACTIONS

None.

SCHEDULE 4.24(b)
MEDICAL STAFF MEMBERS

Abbasi	Farha	Z.
Acharya	Sheetal	Sumant
Addison	James	R
Aderholdt	Karen	G.
Ahmad	Ayesha	
Aho	Nathan	T.
Alaradi	Osama	Habib- Jasim
Alderete	Joseph	F.
Alexander	Nicole	Elizabeth
Altman	Kevin	C.
Ananich	Marina	Ivanovna
Anderson	Cindy	S.
Andreini	Larry	J
Arndt	Daniel	H.
Arnold	Daniel	Jack
Arnoldus	Christina	L
Asano	Gary	Y
Asmus	Victoria	N.
Atkins	Jennifer	A.
Bailey	Stephen	J
Baldwin	Douglas	Rawling
Baldwin	Jennifer	P
Bambach	Gregory	Alan
Barber	Christina	M.
Bartlett	John	P
Baugh	Andrew	C.
Bedoyan	Jirair	K.
Beerman	Amanda	L
Bentlage	Eric	W.
Bis	Kostaki	G.
Bjork	Cary	M
Blotter	Robert	H
Bohl	Ginger	K.
Bolmer	Amy	G.
Bostwick	Todd	Kendall
Boudreau	Andrew	G.
Boyd	Donna	J
Bradley	David	J.
Brick	Steven	H.

Broeders	Melissa	A
Brouillette	Laura	V.
Brundavanam	Chaitanya	V.
Brzezinski	Joseph	F
Buchman	Steven	R.
Buckbee	Toni	K
Bulczak	Dariusz	P.
Bulinski	Patrick	Peter
Buran	Kenneth	S
Burkholz	Kimberly	J.
Burri	Amy	S.
Burton	Colleen	M.
Busser- DeMarte	Heather	L.
Buth	Eric	P
Caird	Michelle	S.
Caldemeyer	Karen	S.
Campbell	Andrew	B.
Carlson	Wayne	B
Carpenter	Linda	M.
Chadehumbe	Madeline	A
Clarke	Suzanne	M
Cobb	Mariel	L.
Coccia	Craig	T
Cohen	Steven	M.
Colligan	Matthew	B
Collins	Christianne	L
Compaan	Pearl	Joan
Conklin	Jeffrey	A.
Cook	Robert	A.
Cook	Robin	D
Cooley	Richard	A
Cools	Joseph	M
Cotts	Timothy	B.
Cowan	Mark	D
Crabb	Lacey	L
Dahlin	John	E.
Danek	Steven	Jerry
Danielson	Rosanne	M.
Dank	Joel	R.

Darr	Francis	P.
Davenport	Kenneth	A
Davis	Mark	C.
Dehlin	Christopher	A.
Dehlin	Jennifer	M.
DeRoos	Steven	Tab
Dhamers	Natalie	F.
D'Innocenzo	Thomas	J
Dinsmore	Christian	Mark
Dixon	James	Bryan
Doppelt	Jason	D
Dosh	Kristofer	M
Dosh	Tyenne	L.
Doughty	Matthew	Scott
Dowling	James	J.
Dua	Kulwinder	S.
Duelge	Jason	Scott
Durley	Theresa	M.
Edunuri	Krishna	K.
Edunuri	Shruthi	
Edwards	Ryan	D
Eggleston	Ben	E.
Eiben	Carl	F
El Naggar	Safaa	
Eldevick	Karen	L
Elkhatib	Rifat	T.
Emerson	Thomas	Scott
English	Wayne	J
Evonich	Rudolph	Francis
Farag	Ahmed	
Farbod	Frank	F.
Farley	Frances	A.
Farnsworth	Jennifer	B.
Fay	Thomas	A.
Fierstine	Jeffrey	A
Fladung	Lawrence	D
Fletemier	Amy	Lynn
Foley	Lynda	J.
Folker	Randy	J
Frantz	Nancy	J.
Frei	Julia	I
Friesen	Gary	Merle
Gallagher	James	W
Gamber	Carol	E

Geissler	Mark	S
Gencheff	Nelson	E
Gephart	Jeffrey	F
Gera	Renuka	
Ghiardi	Greg	James
Godec	Emily	
Goodreau	Janelle	N.
Goradia	Dhawal	A.
Gostenik	Kevin	S.
Gowda	Santosh	
Gowda	Raghu	
Hanumaiah	Chandra	
Graham	Janet	E
Grandy	John	P.
Grant	David	Christian
Griffin	Erica	J.
Griffith	Anna	A.
Griffith	Brian	D
Griffith	Jared	A.
Groeneveld	John	R
Grosvenor	Stephanie	Wise
Gruber	Stephen	B.
Gualdoni	Steven	M
Guindon	Brian	M
Gullett	John	H.
Gunawardene	Navajeeva	R
Gupta	Pratap	C
Gutai	James	P
Habra	Ghiyath	K.
Hagle	Scott	M
Haider	Mohammed	Daud
Hall	John	W
Hammerstrom	Carl	F
Hannibal	Mark	C.
Hardie	Daniel	D
Harl	Michael	J.
Harper	Derrick	K.
Harrington	Virginia	V.
Hartman	Lynn	R.
Hashem	Mohammed	A.
Hatfield	Leanne	M
Hayward	James	S
He	Ming	S.
Hedmark	Connie	L

Heichel	David	J
Heikenen	Janice	B.
Hendrickson	Carey	Ann
Hendrickson	Melissa	T
Henry	Heidi	Kristine
Henry	Thomas	D.
Heron	James	J
Herzog	Dennis	A
Heslip	Michelle	L
Hill	Karl	A.
Himes	Jon	Marc
Hines	MaryBeth	
Hoenke	Frederick	P
Holzgang	Anthony	J
Hoo	Charles	C.
Hooper	Lloyd	J
Houle	Jorrie	A.
Houle	Katherine	H
Howard	James	M
Hubert	Roderick	Landon
Hueftle	Mark	G.
Huffman	Thomas	F
Innis	Jeffrey	W
Iskra	Carrie	E.
Ittner	Eric	John
Jackson	James	D
Jaecklein	Frederick	P
Jahoda	Andrew	E.
Jain	Shelly	
Jameson	Joseph	C
Jamieson	Jeffrey	A.
Jamieson	Scott	A
Janofski	Mark	A.
Jares	Joseph	J
Jean	William	J
Jelsema	Russel	D.
Jentoft	Eric	A.
Johnson	Joel	A
Johnson	Reata	F.
Johnson	Stuart	K
Jones	Gregory	S
Joseph	Bobby	Z
Joseph	Jasmine	J
Kahler	Dorothy	S.

Karr	Jeffrey	S.
Kasten	Steven	J.
Kazmi	Alamdar	H.
Kearney	Terrance	P
Keegan	Catherine	E.
Kelly	G.	Peter
Kenyherz	Gregory	E.
Khader	Talal	T.M.
Khan	G Ashfaq	H.
Kilpela	Bonnie	L
Kinnison	Malonnie	L.
Kirkham	Julianne	S
Kivela	Kristine	M.
Klamerus	Steven	D.
Klein	Ami	L.
Klein	Susan	A.
Klemme	Kirk	R
Kofman	Joav	
Koivunen	Ray	S
Koreshi	Muhammad	K.
Koreshi	Sabeen	K.
		Vlad- imirov
Kotov	Petio	
Kreis	Michael	D.
Kroll	Catherine	A
Kroll	Tonia	D.
Krzymowski	George	Alan
Kublin	John	G.
Kuhl	Mackenzie	A.
Kulkarni	Roshni	
Kuopus	Lisa	A.
Kurin	Kelly	J.
Kus	John	E.
Ladd	Alison	E.
Lafave	Jeremy	J.
LaHaye	Paul	A.
Laitinen	Bradley	J.
Lane	Laura	M.
Lawson	Kevin	J
Le Galley	Thomas	Dale
Lee	Edward	K
Lehtinen	John	L
Leonard	Zachary	C
Lester	Eric	P.

Leveille	Dennis	W
Levine	Robert	S.
Lewis	Larry	S.
Lexmond	Michelle	
Long	Lisa	M
Longhurst	Jamie	Lynn
Lorinser	Robert	J
Lunseth	Christopher	P
Luoma	David	M
Ma	Marcus	
MacFalda	Brian	J.
Mackey	Elizabeth	A.
Mackler	Donald	F.
Magel	Jill	A.
Mahar	Kelley	A
Maher	Cormac	O.
Maher	John	M.
Mahler	Kim	D
Mahmood	Omar	A.
Marder	Curtis	Charles
Martin	Donna	M
Martyanov	Amy	M.
Maszlewski	Barbara	J
Matthews	Martin	Hugh
Mattson	Miles	J
Maureau	Michelle	M.
Maynard	Frederick	M.
McCollum	Jodi	L
McCowen	Sandra	K
McDermott	Wendy	R.
McElhaney	Robert	D
McIntire	Linda	
McKenzie	Thomas	E
McLain	Kimberly	A.
Meden	Terry	A.
Mehall	Christopher	J
Mekala	Bhavani	Prasad
Meneses	Myrna	R
Mering III	James	H
Merz	David	C.
Micale	Mark	A.
Miky	Mansour	A
Miller	Leslie	S.
Moisio	Bonita	L.

Montecalvo	Raymond	M.
Morel	Gustavo	P
Morel	Michelle	R
Napier	Jerold	Steven
Nawras	Ali	T.
Nelson	Cynthia	L
Nelson	Virginia	S
Nidiffer	G.	Michael
Niemela	John	D
Obeid	Muhammed	Anas
Olson	Allan	L
Olson	Kristi	Rae
Orhanen	Michael	T.
Osborne	Thomas	F.
Oswald	Ned	A.
Ouimette	Michael	V.
Ouwinga	Steven	R
Pap	John	M.
Papin	Michael	M.
Parent	Mark	D
Park	John	
Parker	Patricia	A
Parkkonen	William	D.
Parks	Kimberlee	M.
Patel	Anupkumar	K
Paul	Marc	H.
Pawlak	Paul	W.
Paxson	Charles	L.
Pearson II	Wallace	G
Peimer	Clayton	Austin
Pesola	David	A
Pfister	Michael	E.
Picucci	Katie	A.
Piggott	Kevin	L
Pires	Emanuel	
Politi	Roman	E.
Pond	Breanna	
Pragacz	Susan	A
Pritchett	Sandra	
Prominski	William	E.
Quasem	Islam	K
Racusin	Adam	W.
Ransom	Dana	M.
Rao	Chinta-	B

	maneni	
Ray	Holly	A
Reckker	Michael	F.
Reese	Anna	Elisabet
Reynolds	Pamela	N.
Riesland	Rodney	J
Rink	Anna	M.
Robb	Leslie	A
Romero	Al	Lagman
Rooney	Sean	M
Rose	Eric	J
Rovin	Richard	A
Rowan	Bo	M.
Rutkowski	Robert	
Ryan	Terence	D
Ryan-Berg	Janet	A.
Saah	Elna	Njuikwo
Saari	Arthur	F
Salameh	Mohammad	A.
Salyer	Rena	D.
Santi	Jaime	A.
	Rama-krishnan	
Sasi	Geeta	V.
Savla	Thomas	W
Schacht	Marie	T.
Schaper	Aaron	Philip
Scholnik	Matthew	J.
Schramski		
Scott-Emuakpor	Ajovi	B
Serra	Kenneth	L.
Shahbazi	David	C
Shearer	Douglas	Romney
Shi	Helen	H.
Shields	Michelle	A.
Shipkey	Jeffrey	M
Short	Martha	J
Short	William	M
Shull	Grayden	J.
Siemers	Ross	F.
Sifuentes	John	Elias
Simpson	Richard	E.
Simula	Janet	M.
Sinclair	Gary	I.

Skendzel	Laurence	P.
Sloan	Heather	A
Smarse	Jeffrey	M.
Smith	Donald	W
Smith	Randolph	Edward
Smith	Walter	E.
Soderberg	Milton	D
Songer	Matthew	N
Soto	Flavia	C.
Soyode	Olufemi	O.
Spawr-Seaton	Nan	
Spickerman	Carole	L.
Stade	Rachael	S.
Stahl	Kellie	E.
Stahl III	William	G
Stanchina	Richard	A
Steinitz	Hannah	B.
Stenton	Ellen	P.
Stevens	Andrew	C.
Stevens	Mark	C
Stewart	Laiandrea	M.
Storms	Michelle	R
Strong	Benjamin	W.
Sulik	Gregory	L
Sundell-Norlin	Sara	L.
Supron	Matthew	M
Surrell	James	Anthony
Swanson	Catherine	A
Szenina	Julie	A.
Tabor	Kendall	P
Takala	Gerald	Marvin
Talmi	Danit	
Taylor	Nathan	S
Thieme	Paul	O
Thirumalai	Shanti	S.
Thomas	Jill	M.
Thorsson	Thor	
Thurin	Serge	M.
Tobin-Anderson	Mary	L.
Todd	Eric	
Tollenaar	Tricia	
Tomacari	Richard	L

Toothman	Richard	L.
Trudeau	Autumn	M.
Tyler	Erika	J.
Ulrickson	Mark	W
Vallin	William	C
van den Ende	Hendrik	C
van den Ende	Nina	R.
VanderSchaaf	Lyle	J
VanHowe	Robert	S
Van- Landschoot	James	P
Vartanian	Stephen	A.
Vayre	Jason	J
Verbridge	Steven	J.
Vermeulen	Richard	E.
Vlasic	Niksa	
Waite	Brian	G
Walborn	Carolyn	F.
Walgren	Meredith	C.
Wallace	John	Robert
Wang	Shengfu	
Washnock	Mark	A
Wasie	Barbara	E
Wasilewski	Alisha	A.
Wautier	Gary	A
Weatherdon	Brian	R
Wei	Sainan	
Weise	Amy	M
Weiss	John	David
Weiss	Miriam	F.
White	Michael	J.
Whitney	John	T.
Wiggins	Cynthia	M
Wilcox	Cameron	D.
Wilseck	Jeffrey	M
Winkler	Neil	R
Wood	Raymond	A
Yacoub	Basem	A
Yard	Michael	H.
Yoo	Hwan	
Zahid	Adnan	Moham- mad
Zapawa	Jeffrey	

SCHEDULE 4.24(d)
MEDICAL STAFF RESIGNATIONS/REVOCATIONS SINCE BALANCE SHEET DATE

LAST	FIRST	DEGREE	TERM DATE	CATEGORY	DEPT
He	Ming	M.D.	5/1/2012	Active / Locum Tenen	Hematology/Oncology
Miller	Leslie	M.D.	4/1/2012	Telemedicine	Teleradiology
Shanks	Michael	M.D.	6/10/2012	Active	Radiology

SCHEDULE 4.27
ENVIRONMENTAL MATTERS

Release of hazardous materials

1996 release of fuel oil was reported

Off-site disposal

2008 disposal of spent Sodium Hydroxide post-operatively reviewed by the Department of Environmental Quality, new product ordered and put into use to meet their requirements.

Four discarded imaging processors are located in an off-site warehouse, currently checking the oil in them, assumed to be mineral oil based on dates of manufacture, but are verifying for no-PCB's before disposal.

Asbestos items

69 Building

High pressure steam pipe in boiler room tunnel
Domestic 2 ½ cold water pipe in boiler Room tunnel
Boiler blow down tank
Boiler Room #1 Boiler
Older boiler room pipes above condensate return
Caterpillar generator room high pressure steam line
Condensate return tank
Biomed maintenance storage
Elbow of steam coil piping to AHU in basement west mechanical
Penthouse next to AHU #7
Floor tile on third floor maintenance corridor
Second floor and north stairwell floor tile
Transition ramp between 60 building and JCM building floor tile
Ground floor dietary store room ceiling pipes
Floor outside electrical closet by Mt. Marquette Room

JCM Building

Attic south stair landing floor tile
Ceiling tile glue in ground floor old mechanical room
Mechanical room, basement level pipe chase

St. Luke's Building

Piping in main laundry room overhead
Piping in main laundry room west wall (most removed during repair in 2009)
Piping ground floor x-ray storage rooms B, C, and D
Ceiling plaster home health office
1st floor front entrance floor tile

Underground Tanks

4	20,000 gallons Diesel
5	12,000 gallons Diesel
6	15,000 gallons Diesel

SCHEDULE 4.28
CONDITION AND SUFFICIENCY OF ASSETS

Two houses are currently slated for demolition because of significant damage or disrepair. They are:

Address	Condition of Asset	Legal Description	Tax ID
324 W. Magnetic St. Marquette, MI 49855	Condition of house has led to decision to demolish. Currently vacant.	NE 1/4 of SW 1/4 Sec. 14, T48NR25W, Normal. Portion of exc. Lot D, 200' E of NE corner of Hebard Ct. & W. Magnetic St., N 150', E 50', S 150', W 50', City of Marquette, Marquette County	52-52-004-107-60
328 W. Magnetic St. Marquette, MI 49855	Water damage in house has led to decision to demolish. Currently vacant.	Parcel in NE 1/4 of SW 1/4, Section 14, T48NR25W, Normal, portion exc. Lot D, 100' E of NE corner of Hebard Ct. & W. Magnetic ST., N 150', E 50', S 150', W 50', City of Marquette, Marquette County	52-52-004-107-80

Currently the new Escanaba medical office building is unfurnished. The building must be equipped and furnished in order to conduct business at the new location, which is 710 S. Lincoln Road, Escanaba, Michigan.

SCHEDULE 4.29
UNDISCLOSED LIABILITIES

The books of Upper Great Lakes Family Health Center, a federally qualified health center, have been consolidated with Marquette General Hospital, Inc.'s books. The following items will be removed from the books prior to the transaction date:

Description	GL Account Number	Balance on 3/31/2012
AR – Physician	1100-11040	35,196
AR – UGL Reimbursement	1100-11150	425,000
Due to/due from UGL	1100-23270	-767,811

The books of Superior Health Partners have also been consolidated with Marquette General Hospital, Inc.'s books. The only asset of Superior Health Partners is \$1,000 in a bank account, which will be removed prior to the transaction date.

SCHEDULE 4.33
EXPERIMENTAL PROCEDURES

Institutional Review Board Open Studies (as of 12/31/2011)

Study Name	Study Description	Sponsorship
	Oncology Studies	
NSABP B-30	A Three-Arm Randomized Trial to Compare Adjuvant Adriamycine and Cyclophosphamide Followed by Taxotere (AC-T): Adriamycin and Taxotere (AT); and Adriamycin, Taxotere, and Cyclophosphamide (ATC) in Breast Cancer Patients with Positive Axillary Lymph Nodes	National Surgical Adjuvant Breast and Bowel Project (NSABP)
NSABP B-31	A Randomized Trial Comparing the Safety and Efficacy of Adriamycin and Cyclophosphamide Followed by Taxol (AC>T) to that of Adriamycin and Cyclophosphamide Followed by Taxol Plus Herceptin (AC>T+H) in Node Positive Breast Cancer Patients Who Have Tumors that Over-express HER2 and Tumors that Over-express HER2	NSABP
NSABP B-34	A Clinical Trial Comparing Adjuvant Clodronate Therapy Versus Placebo in Early-Stage Breast Cancer Patients Receiving Systemic Chemotherapy and/or Tamoxifen or No Therapy.	NSABP
NSABP B-35	A Clinical Trial Comparing Anastrozole with Tamoxifen in Postmenopausal Patients with Ductal Carcinoma In-Site (DCIS) Undergoing Lumpectomy with Radiation Therapy	NSABP
NSABP B-36	A Clinical Trial of Adjuvant Therapy Comparing Six Cycles of 5-FU, Epirubicin and Cyclophosphamide (FEC) to Four Cycles of Adriamycin and Cyclophosphamide (AC) With or Without Celecoxib, in Patients with Node-Negative Breast Cancer	NSABP
NSABP B-38	A Phase III Adjuvant Trial Comparing Three Chemotherapy Regimens in Women With Node-Positive Breast Cancer: Docetaxel/Coxorubicin/Cyclophosphamide (TAC); Dose-Dense (DD) Doxorubicin/ Cyclophosphamide Followed by DD Paclitaxel (DD AC>P); DD AC Followed by DD Paclitaxel Plus Gemcitabine (DD AC>PG)	NSABP
NSABP B-43	A Phase III Clinical Trial Comparing Trastuzumab Given Concurrently with Radiation Therapy and Radiation Therapy Alone for Women with HER2-Positive Ductal Carcinoma in Situ Resected by Lumpectomy	NSABP
NSABP B-44 BETH	A Multicenter Phase III Randomized Trial of Adjuvant Therapy for Patients with HER2 - Positive Node- Positive or High Risk Node-Negative Breast Cancer Comparing Chemotherapy Plus Trastuzumab with Chemotherapy Plus Trastuzumab Plus Bevacizumab CIRG (TRIO)	NSABP

NSABP B-42	A Clinical Trial to Determine the Efficacy of Five Years of Letrozole Compared to Placebo in Patients Completing Five Years of Hormonal Therapy consisting of an Aromatase Inhibitor (AI) or Tamoxifen Followed by an AI in Prolonging Disease-Free Survival in Postmenopausal Women with Hormone Receptor Positive Breast Cancer	NSABP
NSABP B-46	A Phase III Clinical Trial Comparing the Combination of TC Plus Bevacizumab to TC Alone and to TAC for Women with Node-Positive or High-Risk Node-Negative, HER2-Negative Breast Cancer	NSABP
NSABP C-07	A Clinical Trial Comparing 5-FU Plus Leucovorin and Oxaliplatin With 5-FU Plus Leucovorin for the Treatment of Patients with Stages II and III Carcinoma of the Colon	NSABP
NSABP C-08	A Phase III Clinical Trial Comparing Infusional 5-Fluorouracil (5-FU), Leucovorin, and Oxaliplatin (mFOLFOX6) Every Two Weeks with Bevacizumab to the Same Regimen Without Bevacizumab for the Treatment of Patients With Resected Stages II and III carcinoma of the Colon	NSABP
NSABP P-2	Study of Tamoxifen and Raloxifene (STAR) for the Prevention of Breast Cancer	NSABP
NSABP P-5	Statin Polyp Prevention Trial in Patients with Resected Colon Cancer	NSABP
ECOG E1208	A Phase III randomized, Double-Blind Trial of Chemoembolization with or without Sorafenib in Unresectable Hepatocellular Carcinoma (HCC) in Patients with and without Vascular Invasion	Eastern Cooperative Oncology Group (ECOG)
ECOG E1305	A Phase III Randomized Trial of chemotherapy With or Without Bevacizumab in Patients with Recurrent or Metastatic Head and Neck Cancer	ECOG
ECOG E1609	A Phase III Randomized Study of Adjuvant Ipilimumab Anti-CTLA4 Therapy Versus High-Dose Interferon a-2b for Resected High-Risk Melanoma	ECOG
ECOG E1908	A Phase II Randomized Trial Comparing Standard and Low Dose Rituximab; Initial Treatment of Progressive Chronic Lymphocytic Leukemia in Elderly Patients Using Alemtuzumab and Rituximab	ECOG
ECOG E2905	Randomized Phase III Trial Comparing the Frequency of Major Erythroid Resopnse (MER) to Treatment with Lenalidomide (Revlimid®) Alone and in Combination with Epoetin Alfa (Procrit®) in Subjects with Low- or Intermediate-1 Risk MDS and Symptomatic Anemia	ECOG
CALGB 40503	Endocrine Therapy With or Without Anti-VEGF Therapy: A Randomized, Phase III Trial of Endocrine Therapy Alone or Endocrine Therapy Plus Bevacizumab For Women with Hormone Receptor-Positive Advanced	NCI Cancer Trials Support Unit (CTSU)

Breast Cancer

CALGB 70604	A Randomized, Phase III Study of Standard Dosing Versus Longer Dosing Interval of Zoledronic Acid in Metastatic Cancer	CTSU
CALGB 90601	A Randomized Double-Blinded Phase III Study Comparing Gemcitabine, Cisplatin, and Bevacizumab to Gemcitabine, Cisplatin, and Placebo in Patients with Advanced Transitional Cell Carcinoma	CTSU
CTSU BR-19	Phase III Prospective Randomized, Double-Blind, Placebo-Controlled Trial of the Epidermal Growth Factor Receptor Antagonist in Completely Resected Primary Stage IB, II and IIIA Non-Small Cell Lung Cancer	CTSU
CTSU E1505	A Phase III Randomized Trial of Adjuvant Chemotherapy With or Without Bevacizumab for Patients With Completely Resected Stage IB IIIA Non-Small Cell Lung Cancer	CTSU
CTSU TAILOR-x	Program for the Assessment of Clinical Cancer Tests Trial Assigning Individualized Option for Treatment	CTSU
CTSU SCUSF 0806	Phase II placebo-controlled trial of Lisinopril and Coreg CR® to reduce Cardiotoxicity in patients with breast cancer receiving (neo)adjuvant chemotherapy with Trastuzumab (Herceptin®)	CTSU
CTSU SOFT	Suppression of Ovarian Function Trial, A Phase III CTSU Trial Evaluating the Role of Ovarian Function Suppression and the Role of Exemestane as Adjuvant Therapies for Premenopausal Women with Endocrine Responsive Breast Cancer	CTSU
SWOG 9133/9208	Randomized Trial of Subtotal Nodal Irradiation Versus Doxorubicin Plus Vinblastine and Subtotal Nodal Irradiation for Stage I-IIA Hodgkin's Disease, Phase III	Southwest Oncology Group (SWOG)
SWOG 9313	A Phase III Comparison of Adjuvant Chemotherapy with High Dose Cyclophosphamide Plus Doxorubicin (AC) Versus Sequential Doxorubicin Followed by Cyclophosphamide (AC) in High Risk Breast Cancer Patients with 0 - 3 Positive Nodes	SWOG
SWOG E2496	A Randomized Phase III Trial of ABVD Versus Stanford V +/- Radiation Therapy in Locally Extensive and Advanced Stage Hodgkin's Disease	SWOG
SWOG E2997	Phase III Randomized Trial of Fludarabine and Cyclophosphamide Versus Fludarabine for Previously Untreated Chronic Lymphocytic Leukemia	SWOG
SWOG G0182	A Phase III Randomized Trial of Paclitaxel and Carboplatin Versus Triplet of Sequential Doublet Combinations in Patients with Epithelial Ovariae or Primary Peritoneal Carcinoma	SWOG

SWOG S0008	Phase III Trial of High Dose Interferon Alfa-2b Versus Cisplatin, Vinblastine, DTIC plus IL-2 and Interferon in Patients with High Risk Melanoma	SWOG
SWOG S0421	Phase III Study of Docetaxel and Atrasentan versus Docetaxel and Placebo For Patients with Advanced Hormone Refractory Prostate Cancer	SWOG
SWOG S0777	A Randomized Phase III Trial of CC-5013 (Lenalidomide, NSC-703813) and Low Dose Dexamethasone (LLD) Versus Bortezomib (PS-341, NSC-681239), Lenalidomide and Low Dose Dexamethasone (BLLD) for Induction in Patients with Previously Untreated Multiple Myeloma Without an Intent for Immediate Autologous Stem Cell Transplant	SWOG
SWOG S1007	A Phase III, Randomized Clinical Trial of Standard Adjuvant Endocrine Therapy +/- Chemotherapy in Patients with 1 - 3 Positive Nodes, Hormone Receptor-Positive and HER2-Negative Breast Cancer with Recurrence Score (RS) of 25 or Less	SWOG
RTOG 0517	Randomized Phase III Trial to Evaluate Radiopharmaceuticals and Zoledronic Acid in the Palliation of Osteoblastic Metastases from Lung, Breast, and Prostate Cancer	Radiation Therapy Oncology Group (RTOG)
RTOG 9408	A Phase III Trial of the Study of Endocrine Therapy Used as a Cytoreductive and Cytostatic Agent Prior to Radiation Therapy in Good Prognosis Locally Confined Adenocarcinoma of the Prostate	RTOG
RTOG 9413	A Phase III Trial Comparing Whole Pelvic Irradiation Followed by a Conedown Boost to Boost Irradiation Only and Comparing Neoadjuvant to Adjuvant Total Androgen Suppression	RTOG
RTOG 9601	A Phase III Trial of Radiation Therapy With or Without Casodex in Patients with PSA Elevation Following Radical Prostatectomy for pT3N0 Carcinoma of the Prostate	RTOG
RTOG 9802	A Phase II Study of Observation in favorable Low-Grade Glioma and a Phase II Study of Radiation With or Without Chemotherapy in Unfavorable Low-Grade Glioma	RTOG
RTOG 9811	A Phase III Randomized Study of 5-FU, Mitomycin-C and Radiotherapy Versus 5-FU, Cisplatin and Radiotherapy in Carcinoma of the Anal Canal	RTOG
RTOG 9902	A Phase III Protocol of Androgen Suppression (AS) and Radiation Therapy (RT) Versus AS and RT Followed by Chemotherapy With Paclitaxel, Estramustine, and Etoposide (TEE) For Localized, High-Risk, Prostate Cancer	RTOG

ARIES AVASTIN	An observational study of AVASTIN (Bevacizumab) in combination with chemotherapy for treatment of metastatic or locally advanced and unresectable colorectal cancer, locally advanced or metastatic non-small cell lung (excluding predominant squamous cell histology)	Genentech, Inc.
Cardiovascular Studies		
AMGEN TIMI-57	A Double-Blind, Randomized, Placebo-controlled, Multicenter, Dose-Ranging Study to Evaluate Tolerability and Efficacy of AMG 145 on LDL-C in Combination with HMG-CoA Reductase Inhibitors in Hypercholesterolemic Subjects.	Amgen, Inc.
BLOCK-HF	Biventricular versus Right Ventricular Pacing in Heart Failure Patients with Atrioventricular Block	Medtronic, Inc.
DALCETRAPI B	A Phase IIIb Multi-Center, Double-Blind, Placebo-Controlled, Parallel Group Study to Evaluate the Effect of Dalcetrapib 600 mg on Cardiovascular (CV) Events in Adult Patients with Stable Coronary Heart Disease (CHD), CHD Risk Equivalents or at Elevated Risk for Cardiovascular Disease	F. Hoffmann-La Roche LTD
FREEDOM	Future Revascularization Evaluation in Patients with Diabetes Mellitus: Optimal Management of Multivessel Disease	National Heart, Lung and Blood Institute
IMPROVE-IT	IMPROved Reduction of Outcomes: Vytorin Efficacy International Trial. A Multicenter, Double-Blind, Randomized Study to Establish the Clinical Benefit and Safety of Vytorin (ezetimibe/simvastatin) vs Simvastatin Monotherapy in High-Risk Patients Presenting with Acute Coronary Syndrome	Merck/Schering Plough and Merck & Co
JOMED	Coronary Stent Graft for Humanitarian Use	Humanitarian Use
PAS	Attain Ability Family Post Approval Study (PAS). An Addendum to the Product Performance Platform	Medtronic, Inc.
PEGASUS TIMI-54	A Randomized, Double-Blind, Placebo Controlled, Parallel Group, Multinational Trial to assess the Prevention of Thrombotic Events with Ticagrelor compared to Placebo on a background of Acetyl Salicylic Acid (ASA) Therapy in Patients with History of Myocardial Infarction	AstraZeneca
PPP	Product Performance Platform, a prospective, non-randomized, multi-center study of implanted commercially available cardiac therapy products	Medtronic, Inc.
PROTECT CA	PROTECT Continued Access Post Marketing Surveillance Trial	
SOLID TIMI-52	A Clinical Outcomes Study of Darapladib versus Placebo in Subjects Following Acute Coronary Syndrome to Compare the Incidence of Major Adverse Cardiovascular	GlaxoSmithKline

Events

SURESCAN	Medtronic SureScan® Pacing System Post Approval Study	Medtronic, Inc.
TRA	A Multicenter, Randomized, Double-blind, Placebo-controlled Study to Evaluate the Safety and Efficacy of SCH 530348 in Addition to Standard of Care in Subjects with a History of Atherosclerotic Disease: Thrombin Receptor Antagonist for Secondary Prevention of Atherothrombotic Ischemic Events	Schering-Plough Research Institute
TRANSLATE-ACS	Treatment with ADP receptor iNhibitorS: Longitudinal Assessment of Treatment Patterns and Events after Acute Coronary Syndrome	Eli Lilly & Co.
TRANSLATE-ACS-POPS	Treatment and ADP receptor iNhibitorS: Longitudinal Assessment of Treatment Patterns and Events after Acute Coronary Syndrome. Substudy: Prospective, Open label, Anti-Platelet Therapy Study	Eli Lilly & Co.
XIENCE	V Everolimus Eluting Coronary Stent System (EECSS) USA Post-Approval Study	Abbot Cardiovascular Systems, Inc.
Orthopedic Studies:		
AUX-CC-860	Long-term Follow-up of Subjects Treated with AA4500 in Studies AUX-CC-854, AUX-CC-856, AUX-CC-857/AUX-CC-858 and AUX-CC-859	Auxilium Pharmaceuticals, Inc.
Finger Joint	Ascension Proximal Interphalangeal Finger Joint - Humanitarian Device Exemption #H010005	Humanitarian Use
IMPLIANT	A Prospective, Multi-Center clinical Study to Assess the Safety and Effectiveness of the Impliant Tops™ System	Impliant, Ltd.
NanOss Prospective	A Prospective, Multi-Center, Nonrandomized Study to Assess Lumbar Fusion Using Interbody Cages With Autograft in Conjunction with Instrumented Posterolateral Gutter Fusions Using NanOss BA™	Pioneer Surgical Tech.
NanOss Retrospective	A Retrospective Study to Assess NanOss™ Bioactive in Posterolateral Lumbar Fusion	Pioneer Surgical Tech.
NuBac	Artificial Disc Study	Pioneer Surgical Tech.
Physical Capability	Physical Capability Outcomes After Single-level ProDisc-L Total Disc Replacement or Single-level Anterior Lumbar Interbody Fusion: a Multi-center Clinical Trial	Gundersen Lutheran
Neurology Studies:		
CMV	Is the presence of Cytomegalovirus in tumor tissue a prognostic factor for patient with newly diagnosed glioblastoma multiforme study.	Dr. Rovin joint with NMU Dr. Winn

KARE 004	A Phase II study of Gliadel, Concomitant Temozolomide and Radiation followed by dose dense therapy with Temozolomide plus bevacizumab for newly diagnosed malignant high grade Glioma	Kentuckiana Cancer Institute, PLLC
Quality of Life	Validation of the National Institutes of Health Patient Reported Outcomes Measurement Information System (NIH PROMIS) Survey as a Quality of Life Instrument for Patients with Primary Malignant Brain Tumors and their Caregivers.	Dr. Rovin joint with NMU Dr. Romero
TCC	Total Cancer Care - A Partnership with High Risk and/or Diagnosed Cancer Patient For Life. Study designed to create a centralized clinical data and tissue repository	H. Lee Moffitt Cancer Center and Research Institute, Inc.
Quality Initiatives:		
Advanced	The Advanced Cardiovascular Imaging consortium CCTA Heart Consortium: A Collaborative Quality Improvement Project with William Beaumont Hospital and BCBS	BC/BS of Michigan
BMC2-PVI	The BC/BS of Michigan Cardiovascular consortium - Peripheral Vascular Intervention (BMC2-PVI) is a new collaborative quality initiative that aims to improve quality of care and outcomes of patients with peripheral vascular disease who undergo percutaneous peripheral arterial intervention	BC/BS of Michigan
CATHPCI	The CathPCI Registry measures outcomes of patients undergoing diagnostic catheterizations and percutaneous coronary interventions	National Cardiovascular Data Registry
Keystone ICU	Putting Evidence-based Patient Safety and Quality Improvement into Practice	MHA Keystone Center for Patient Safety & Quality
MAQI-2	Michigan Anticoagulation Quality Improvement Initiative. Collaboration with BC/BS of Michigan Network to Assess the Outcomes, Improve the Care and Appraise Anticoagulation Service Structure for Patients Receiving Anticoagulation Care.	BC/BS of Michigan
MiBOQI	Michigan Breast Oncology Quality Initiative; a multi-institutional breast cancer outcome project.	BC/BS of Michigan
M-SCORE	Collaborative Quality Improvement Initiative in Bariatric Surgery between BC/BS of Michigan/Blue Care Network and the Michigan Surgical Collaboration for Outcomes research and Evaluation	BC/BS of Michigan
MTQIP	Michigan Trauma Quality Improvement Program measuring trauma center outcomes	BC/BS of Michigan
NER	Neonatal Encephalopathy Registry - Study of infants born with neonatal encephalopathy	Vermont Oxford Network

NOPR POI	National Oncologic PET Registry Peri-Operative Outcomes Initiative	NOPR BC/BS of Michigan
MSU Studies:		
ATHN Dataset	American Thrombosis & Hemostasis Network (ATHN) seeks to compile routine clinical data collected at local hemophilia treatment centers to support and encourage research directed at clinical quality improvement and evidenced-based standards of care	ATHN
Hemophilia	Universal Data and Serum Specimen Collection System for Hemophilia	MSU
HUGS-V	Hemophilia Costs and Impact of Disease Study	USC Dept. of Pharm. Economics & Policy Tercica, Inc.
IGFD	MS 305: Increlex™ (mecasermin rDNA origin) Growth Forum Database - IGFD Registry: A Patient Registry for Monitoring Long-term Safety and Efficacy of Increlex™	
KIGS - E	Pfizer International Growth Study	Pfizer, Inc.
Telepsychiatry	Test the use of telemedicine to assess depression in rural cancer patients	MSU
Nursing Studies:		
Patient Flow	Patient Flow from Er - Managing Patient Flow from Emergency Department to Inpatient Bed	Nursing Study
Resuscitation	Health Care Provider attitudes and Beliefs Toward Family Presence Undergoing Resuscitations	Nursing Study
SWALLOW	Reliability and Validity of Nursing bedside Swallow Screening Tool	Nursing Study
Resident Studies:		
Contraception	Contraception Use in Women of Childbearing Age Post-Bariatric Surgery	Resident
Diabetic Retinopathy	Barriers to Ophthalmologic Care in a Rural Setting	Resident
Inhaler	Evaluation of Proper Inhaler Technique in children with Asthma	Resident
Opoid Dep	Examine cigarette smoking behavior in patients receiving treatment for chronic low back pain in an outpatient primary care setting	Resident
SEARCH 1	Screening, Evaluating and Assessing Rate Changes of diagnosing respiratory conditions in primary care	Resident

	Miscellaneous Studies:	
BOLD	Bariatric Outcomes Longitudinal Database participation	East Carolina University
Heliox	Experimental Protocol to assess lung flows in normal patient exhaling Heliox	Dr. Gene Pesola
Neuroform	Neuroform Microdelivery stent System - Humanitarian Use Device H020002	Humanitarian Use
Wingspan	Wingspan Stent System and Gateway PTA Balloon Catheter - Humanitarian Use Device H050001	Humanitarian Use

SCHEDULE 4.34
INTELLECTUAL PROPERTY

SOFTWARE LICENSES:

VENDOR	SYSTEM NAME	SYSTEM DESCRIPTION
3M	3M Encoder	
3M	3M SOFTMED	Being replaced by Paragon Transcription
3M	3M SOFTMED/ Chartline	ChartLinc - ADT Interface to Chartscript
3M	3M SOFTMED/ ChartPrint	Chart Print - Chartprint is the printing interface
3M	3M SOFTMED/Chartscript	Chartscript - Medical Transcriptionist's transcribe the Physician Dictation's from iVoice into Chartscript
3M	3M SOFTMED/DDSI	DDSI - Interface between iVoice and Softmed databases
Abbott	Abbott Point of Care	Management of Data on the Abbott Point of Care Server and Interfacing results into HLAB
Abbott	Abbott Point of Care Docking Meters	Docking devices for Glucose meters throughout health system sending data to Abbott Point of Care Server
Accession	Accession Register	Module of a larger cancer center application that allows data abstractors to track their cases.
Siemens	ACOMNET	ACOMNET is the Imaging Display System for CathLab Imaging. Images are Archived to tape. Vendor Support is through SIEMENS.
McKesson	AcuDose/McKesson	AcuDose -- is an automated medication dispensing cabinet that provides nurses with fast, safe, and secure access to patient medication.
Care Fusion	Alaris	Wireless Infusion Pump System with drug libraries and reports on user behavior
3M	APC Grouper	
Varian	ARIA	ARIA is a comprehensive information and image management system that collects patient data into a fully-electronic medical chart for radiation oncology
Bluecat Networks	Bluecat Networks	DHCP
Brainlab	BrainLab- OR App	BrainLab is a 3D app for taking CT/MR images and mapping the surgical plan for the brain, integrated with the BrainLab robotic hardware. Vendor is BrainLab.
Cardinal Health	Cardinal	Medical Products Services On-line Ordering
MGHS Development	CDEMS	An application designed to assist medical providers and management in tracking the care

		of patients with chronic health conditions.
Data Captor	CDI	Clinical Data interface
GE	Centricity Perinatal System	Captures fetal monitor strips and contains documentation of labor, delivery and care for mom and newborn
MGHS	Change Control	This database allows you to capture and track information about Change Control documents.
CheckPoint	CheckPoint	Corporate Firewalls
McKesson	Claims Administrator	Electronic Claims Submission Software
MGHS	Clinic Admin Database	Database to import Billing Procedures created in MS Word. The documents are editable by Lindie and read-only for all other users.
Paradox	Clinical Trials	Tracks Cancer Patients on Clinical Trials and related activities.
Med Assests	Code Correct	Coding, CDM (chargemaster) review and upkeep, Medical Necessity screening, and other various information portals
MediRegs	ComplyTrack	Audit Manager, Contract Manager
CompuClean	CompuClean	
McKesson	Connect Rx/McKesson	Connect Rx – is software that is an integrated platform for Automation and Medication Management from the patient bedside back to the distribution center.
Conveyant Systems, Inc.	CONVEYANT	Also called TeleDirectory network System (TDNS), it is a networked, multi-user database management program that can be used in conjunction with a telephone system for efficient call processing and message handling.
Cerner	CoPathPlus	Anatomic Pathology System
Definitive Homecare Solutions	CPR+	Cpr+ is for Home Infusion Pharmacy to create delivery of Meds, Inventory of Meds and Billing for Home Health.
BusinessObjects	CRYSTAL ENTERPRISE	Deploys Crystal Reports Enterprise Wide thru Browser
Medavis	DicomReader PRO or MEDAVIS	DICOM Image Reading Software, for reading a CD and importing the images to PACS or MagicWeb. MEDAVIS is a free download.
MHC	Document Express	Payroll and AP Check Printing, W2 Printing - download from Lawson Payroll and Paragon AP
Nuance	Dragon Medical 10-AP Division	Voice Recognition software used to populate Microsoft Word Templates within the CoPath Anatomic Pathology application
Sharepoint	E-Alert	Allows posting of urgent employee notifications in Notes.
Paradox	EAP Manager	EAP scheduling and reporting

Paradox	EAP Manager - Northstar EAP	EAP scheduling and reporting
	EchoWorks	Email Encryption
Wellsoft	EDIS (ICMS)	Emergency Department Information System; Charting, Billing, EMR.
XLTEK	EEG	EEG machine for performing clinical portable EEGs. Performs monitoring for carotid surgeries.
MGHS	Electronic Depot	The purpose of the Electronic Depot is to provide a centralized location for MGHS users to access information for registering patients.
Merge	EMED	There are 2 EMED servers. MGHEMED is primarily used for routing MGHS Radiology Images. MGHWEB is primarily for routing Outlying Hospital Images to VRC, MGH & other hospitals. Vendor support is MERGE.
Pentax	Endo Pro	Record and capture of video /image output from endoscope devices and templated physician documentation of procedures
InterSystems	Ensemble Interface Engine	
Eclipsys' Sunrise	EPSI	EPSi is the Accounting application used for Budget, GL tracking and Patient Revenue information and decision support
AAMC (Association of American Medical Colleges)	ERAS (DWS)	Electronic Residency Application Service
AAMC (Association of American Medical Colleges)	ERAS (PDWS)	Electronic Residency Application Service
EventPro Inc	EventPro	Education System
IDenticard Systems	ExpressionID	This system is used to create Photos and Badges for employees it is located in the two HR offices with two special printers
Microsoft	ForeFront EndPoint Protection 2010	
McKesson	Form Imprint	Application to print documents for the medical record containing patient identifiers and bar codes
Microsoft	Foxpro	various foxpro programs including bohoid and the load of payroll information from Lawson to Paragon GL. Also used to submit data to Press-Ganey for patient satisfaction surveys. MRI Data Submission to the State, Birthdefect Data Submission to the State
iSupport	GW	I T help desk/ dept. workticket system

Mediware	HCLL / HCLL Donor	HCLL transfusion service and HCLL Donor blood center system are replacing the Mediware Hemocare system for blood management.
3M	HDM	HDM - Patient Information/Clinical - Used by HIM in conjunction with the 3M Encoder to assign Diagnosis and Procedure codes to patient visits - Looking at replacing with Paragon Medical Records, but also need a Quality Product
Sansio	HealthEMS XchangeER	Pre-hospital care data is made available to the receiving hospital via wireless transmission. Data can be printed, saved as PDF, sent to EMR.
Mediware	HEMOCARE	Blood bank information system
McKesson	HLAB-Horizon LAB	LIS-Laboratory Information System
McKesson	HOL-Horizon Outreach Laboratory	Reference Lab Order Entry System
McKesson	Horizon Home Health	"This is the Home Health Sytem use to track the Care of Home bound Patience. The system at this point consist of three servers HHCAPPS HHCBD & HHCAPPSTEST"
McKesson	Horizon Patient Folders	Stores the legal electronic medical record for the hospital
McKesson	Horizon Tissue Manager	Tissue/Device Implant Management
MGHS	Hospitality Rooms Surveys	The purpose of the MGHS Hospital Rooms database is to allow the tracking of patient satisfaction survey results.
MGHS	HR Recruitment	The purpose of the "MGHS Recruits" application is for Human Resources to keep track of Recruiting Agencies, Recruits, and the expenses and charges of recruiting.
iMPAC	IMPAC/Metrique	Tumor Registry Data Abstracting and Reporting etc.
Imprivata	IMPRIVATA (SSO)	a single sign-on solution allowing users to authenticate to the SSO Appliance and allow users to open and access all his/her (deployed) applications.
IntrinsiQ	INTELLIDOSE	Stores chemotherapy protocols, produces chemo orders and contains documentaiton of administration in clinic
McKesson	InterQual	Care Management System
Identicard	IVIS	HR Badge System; Lawson data is sent in through a Kronos knx
FutureNet	IVOICE	Hospital Dictation Software, interfaces with NOVIUS, SoftMed and 3rd Party transcription

		services. 2 Dictation servers that process phone dictation and a SQL/Interface servers that handles the interfaces and processes digital dictation from Radiology and Lab PCs. Vendor is FutureNet, support is via BIS.
Kronos	KRONOS Workforce Timekeeper	Time tracking system by Employees via application or Time Clocks. Payroll used to run export of time to Lawson.
Lotus Notes	Lab Requisition Printing	Client records and custom lab ordering requisitions for printing.(Lotus Notes-based)
LANDesk Software, Ltd.	LANDesk	Remote Control for PC's/PC Management
Lawson	LAWSON - Portal/ESS/MSS	HRIS, Employee and Manager Self-Service
Medtronic	LIFENET/LIFENET Alert	Delivers two primary solutions: Stemi and Assest Management. Stemi addresses transmitting patient data (12-lead ECG, reports, vital signs, etc) from EMS devices to a monitor within the ED department. Alerts ED staff to inbound patient, view 12-lead ECG, and share data with physicians/cath lab.
McKesson	MAC - McKesson Anesthesia Care	Surgical Anesthesia EMR Record
SIEMENS	MagicMV300 Server	SIEMENS MV300 server with Teleradiology routing. Backup for EMED servers and
Siemens	MagicWeb	Backup Server for PACS. Temporary Image Storage and Enterprise Web Image Distribution for Physicians and Doctor Offices for inhouse and outlying hospital images. A 8 server cluster system. Vendor support is SIEMENS.
State of Michigan	MCIR	Michigan Child Immunization Records
McKesson	MedCarousel/McKesson	MedCarousel is an automatic storage and retrieval system designed to hold pharmacy medications and optimize limited storage space.
QuadraMed	MEDREC MILLENIUM	"Administration - Modify, Add and Delete Users, Code tables (definitions) and Hardware and software are no longer supported."parameters are done in this module.
MGHS	MGHS Advertising	Application to keep track of all advertising for a specific position/department within MGHS.
MGHS	MGHS Printshop Management	Printshop req management and reporting.
MGHS	MGHS Web Site	MGHS web site
MGHS	MGHSNet	Intranet for Marquette General Hospital
Thomson Reuters	MICROMEDEX/Carenotes	Clinical Db Access/Patient Education

Microsoft	Microsoft Desktop Optimization Pack	
Microsoft	Microsoft Lync	
Microsoft	Microsoft Outlook	
Microsoft	Microsoft SharePoint 2010	SharePoint Document imaging, web page hosting and application platform.
Microsoft	Microsoft System Center Service Manager	
Midwest Alliance	Midwest Alliance Web Site	Midwest Alliance for Health Education
Net Simplicity	MRM (Meeting Room Manager)	Room and Resource Scheduling
Hazsoft	MSDS	Material Safety Data Sheets
GE	MUSE	Muse is the application that stores EKG's and Holter tests that have been done and read by the interpreting physicians.
Misys Healthcare Systems	Mysis Tiger	Medical Office Practice Management system interface with practice partner
McKesson	Narc Station/McKesson	"NarcStation from McKesson electronically tracks narcotic inventories, assists with medication distribution, generates purchase orders, and helps to comply with government rules and regulations with state-of-the-art, real-time reporting methods."
Lotus Notes	NICU Developmental Follow-Up	Schedule, surveys and reporting on fu of NICU babies.
Northcare	NorthCare Web Site	
Siemens Syngo Imaging	Novious (Syngo Workflow)	Radiology Information System, with interfaces to iVoice dictation, Paragon Orders/Results, Physician Billing Systems and Modality Worklist to all Imaging Modalities. RIS drives PACS and supports integrated digital dictation with iVoice. Vendor Support is SIEMENS. A single AIX server, A Fax Server and 2 Print Format Servers.
Owens & Minor	O&M Direct	Medical Surgical Products On-Line Ordering
GE	OBLink	Allows remote viewing of fetal monitor in Centricity
McKesson	P2000 Archive	Contains historical information out of P2000
Medtronic	Paceart	Heart Cath Support Software, for Pacemakers, ICDs, etc
Siemens Syngo Imaging	PACS	SIEMENS SYNGO IMAGING is our PACS vendor. It is integrated with our SIEMENS SYNGO WORKFLOW (NOVIUS) and it is RIS driven. It consist of the OPM, which is a

		Windows box for support and interface management. And SDM is a SUSE Linux Enterprise Server 10. (x86_64) Version= 10 PatchLevel = 2. Images are archived to our TAPE LIBRARY.
Paradox	PARADOX	
McKesson	Paragon Accounts Payable	Paragon Accounts Payable
McKesson	Paragon Clinical Care Station	Nursing and ancillary documentation of patient care in the hospital
McKesson	Paragon General Ledger	Paragon general ledger application
McKesson	Paragon Interfaces/N'tier Printing	Paragon N'tier controls all of the inbound and outbound interfaces as well as all of the printing functions for Paragon
McKesson	Paragon Materials/Patient Supply Charges	Inventory, PO, Requisition system
McKesson	Paragon Medical Records	Paragon Medical Records
McKesson	Paragon Medication Administration	Barcode medication administration at the bedside
McKesson	Paragon Operating Room Module	Surgical Documentation
McKesson	Paragon Order Management	Generates patient orders / requests for services through Paragon and to lab and rad system through interfaces
McKesson	Paragon Patient Management	Paragon Patient Management for all patient charging/billing functions.
McKesson	Paragon Pharmacy	patient drug information management system
McKesson	Paragon Registration	
McKesson	Paragon Release of Information (ROI)	
McKesson	Paragon Resource Scheduling	
McKesson	Paragon Security	
McKesson	Paragon Side Novius Interfaces	
McKesson	Paragon Transcription	Transcription system that will be replacing 3M SoftMed
McKesson	Paragon WebStation	Web-based view of documentation in Paragon, used primarily by medical staff. Access into HPF and electronic signature for records
McKesson	Pathways Compliance Advisor - PCA	Outpatient Medical Necessity Checking and ABN
Pathways	Pathways Web Site	Pathways web site

PENRAD	PenRad (Mammography)	PenRad is a Mammography documentation system for tracking procedures and sending out follow up letters to physicians and patients regarding their mammograms. A Single Windows server, vendor support it PENRAD.
MGHS	Performance Management Tool	
MGHS	Photo Contest	The Photo Contest is available through the MGHS eForms application. It is available during Hospital Week each year in May. Human Resources is responsible for scanning and inserting the photos.
MGMG	Physician Recruitment	Physician Recruitment web site
Polycom	Polycom MGC	
Polycom	Polycom PVX	
Polycom	Polycom RMX	
McKesson	Practice Partner	Ambulatory EMR for physisian practice. Interfaced to hospital systems
Premier	Premier - Quality Advisor	Product of Premier that loads data submitted by MGH and provides a tool to run a vast array of reports both of our performance and how we compare with facilities accross the country
Press Ganey	Press Ganey Patient Satisfaction	Foxpro application to upload a file to Press Ganey for mailing of patient satisfaction surveys and for HCAPS reporting.
FUJI	PROSOLV	ProSolv is now a FUJI product, for Cardiac Image Storage. It is presently used for Echocardiography Image storage. It is a single Windox box. Images are archived to the TAPE library.
MGHS	Purchase Request Manager	Tracks IT Purchase requests and standing purchase orders.
Cardinal Health	PYXIS	Pharmacy Drug Dispensing System
Razer's Edge	Razer's Edge	Foundation system that track donations, fundraisers, Database of names, areas the funds are being donated to, etc..
Redwood	REDWOOD	Dosdocument and report distribution
Paradox	Reference Lab Catalog	Lab procedure records for web catalog and web page generation. (Paradox-based)
MGH	Region 8 Web Site	Region 8 Web Site
McKesson	Relay Clearance	Insurance Eligibility Verification
Blackbaud	Researcher's Edge	System to research possible donors, where they have donaed to and their worth.
	RESPOND	Employee Health Workers Comp tracking system
Lotus Notes	SAR Manager	Creation, approval, and storage of Security

		access requests.
Lotus Notes	Security Access Management (SAM)	Security Access Management (Lotus Notes based)
Siemens	SENSIS	SENSIS is the Hemodynamic System used by the CathLab for recording pressures, procedure notes and equipment used. The CathLab WS are the modality for the DICOM worklist from NOVIUS and the SENSIS workstations are integrated with the Xray systems., for Patient Demographics. Vendor Support is SIEMENS.
Microsoft	SharePoint 2010	
ShoreTel	ShoreTel	New Phone System for the Enterprise 1.3Million Awaiting Funding
Paradox	Specialty Clinics Manager	Clinic client scheduling, follow-up and reporting.(Paradox-based)
	SPSS	Analytical
MGHS	Supply Item Request	Application for Departments to enter Supply Item Requests by "Add", "Revise", and/or "Delete".
TeraRecon	TeraRecon (AQNET)	The TeraRecon servers support 3D/4D/PET imaging viewer. There is a APP server that does subtraction on the images and there is a Image Storage server. Images are viewable via a web client. There are also 2 stand alone workstations for post processing. Main use is for PET and Cardiac 4D/Ca Scoring. Vendor is TeraRecon.
MGHS	Time Off	The purpose of "Request Time Off" is to request and schedule employee time off from work.
Four Rivers	TMS (Bio-Med/Plant)	Total Maintenance Management System
Paradox	Tuition Reimbursement	Tuition reim management and reporting.(Paradox-based)
Lotus Notes	Tumor Board Manager	Tumor Board record management, document creation and reporting.(Lotus Notes-based)
MGH Developed	UPTNRSVP	
F5 Networks	URoam	
Varian	Varian/Eclipse	Radiation Oncology Treatment and Treatment planning system integrated with ARIA, and runs the linear accelerator
Ventana	Ventana Vantage	Anatomic Pathology Tissue and Slide Labelling
Ventana Medical Systems Inc	Ventana Virtuoso	Digital Pathology
Paradox	Web Doc Db	Medical records and web page creation.
Blue Print 4 Health	Web Site	Web Site for Children Weight Management - Run by Dr Bartlett
Upper Great Lakes	Web Site	Web site for Upper Great Lakes Recovery

Recovery Center		Center
BCBSM	web-DENIS	BCBSM's electronic inquiry system which gives providers online access to health insurance information for subscribers via an internet connection.
Western UP Sub Abuse	Western U.P. Substance Abuse Web Site	Western U.P. Substance Abuse Web Site
Cisco	Wireless	Our Cisco WISM's redundance won't support all of our Access Points, Need to Upgrade our WISMs and 100 Access Points. Awaiting Funding Estimated \$230K
MGHS	Womens & Childrens Classes	Application for keeping track of client registrations for Class Events, Breast Pump Rentals, and Other Revenue.
Equisys	Zetafax	

INTERNET DOMAINS:

blueprint4health.net
hnjh.org
icch.org
memorylosshelp.org
mgh.org
mghs.org
midwesthealthed.org
midwesttrc.org
mqtsportsmed.com
munisingmemorial.org
omh.org
peninfomed.com
reg8.org
superiorcare.org
superiorcarepartners.org
superiordocs.org
uglhealth.org
uphie.com
uphin.org
wmhos.org
womenshealthassociates.com
wupsasca.org

SCHEDULE 5.1
DLP SECURITIES AND MEMBERSHIP INTERESTS

Buyer is or will be (with respect to entities to be formed) the sole owner of the following entities:

- (a) DLP Marquette Health Plan, LLC, a Michigan limited liability company
- (b) DLP Marquette JV, LLC, a Delaware limited liability company [to be formed]
- (c) Marquette General Hospital, LLC, a Michigan limited liability company
- (d) DLP Marquette Physician Practices, Inc., a Michigan nonprofit corporation [to be formed]

SCHEDULE 5.2(a)
DLP CONSENTS

None.

SCHEDULE 6.2
SELLER'S OPERATIONS

Marquette General Hospital expects to sell the current Doctors Park Medical Office Building in Escanaba and move into the new Doctors Park Medical Office Building.

Marquette General Hospital is currently in settlement discussions regarding the Marquette Medical Dental Center Corporation call for redemption of stock in the name of hospital's employed physicians and held for the benefit of Marquette General Hospital, Inc. Notwithstanding the foregoing, Seller shall not negotiate or enter into any new, amended or renewed lease agreements with Marquette Medical Dental Center Corporation without the consent of Buyer.

SCHEDULE 6.9
FINANCIAL INFORMATION

U.P. Imaging Management Services, L.L.C. uses tax basis accounting.

Upper Peninsula Health Plan, Inc. uses Statutory Basis accounting.

SCHEDULE 7.2
NECESSARY CONSENTS

To be completed post-signing.

SCHEDULE 7.21
MMDCC LEASES TO BE RENEGOTIATED

Lease agreement #4 (Suite 35), #5 (Suite 36), #7 (Suite 111), #9 (Suite 211), #11 (Suite 232), #18 (Suite 233), #13 (Suite 242), #20 (Suite 344) and #16 (Suite 385) set forth on Schedule 1.1(a) are hereby incorporated by reference. This list shall be confirmed post-signing.

SCHEDULE 9.10
CAPITAL EXPENDITURE OBLIGATIONS

To be completed post-signing.

SCHEDULE 9.11
PHYSICIAN RECRUITMENT COMMITMENT

To be completed post-signing.

SCHEDULE 9.12
BOARD OF TRUSTEES

To be completed post-signing.

SCHEDULE 9.15
CORE SERVICES

To be completed post-signing.