

EXHIBIT 3.2(b)

Form of Assignment and Assumption Agreement
(see attached)

ASSUMED LIABILITIES, CONTRACTS AND EMPLOYEE BENEFIT PLANS ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSUMED LIABILITIES, CONTRACTS AND EMPLOYEE BENEFIT PLANS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made this 1st day of July, 2014, by and between Garden City Hospital, a Michigan nonprofit corporation ("Assignor") and Prime Healthcare Services – Garden City, LLC, a Delaware limited liability company ("Assignee").

RECITALS:

A. Assignor and Assignee have entered into that certain Asset Purchase Agreement dated January 30, 2014 (the "APA"), pursuant to which Assignee has agreed, among other obligations, to take an assignment of Assignor's rights and to assume Assignor's obligations, under the Assumed Liabilities, Contracts and Employee Benefit Plans (as such terms are defined in the APA);

B. Assignor has assigned its rights under the APA to Assignee; and

C. Effective simultaneously with the consummation of the purchase and sale under the APA, Assignor desires to assign the Assumed Liabilities and its interest in the Contracts and Employee Benefit Plans to Assignee and Assignee desires to accept such assignment on the terms and conditions set forth below.

NOW, THEREFORE, for valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, mutually agree as follows:

SECTION 1. ASSUMPTION TIME

1.1 This Assignment shall automatically become effective without the further action of any party hereto as of the Effective Time, as such term is defined in the APA.

SECTION 2. ASSIGNMENT OF ASSUMED LIABILITIES, CONTRACTS AND EMPLOYEE BENEFIT PLANS AND ASSUMPTION OF PROSPECTIVE OBLIGATIONS THEREUNDER

2.1 Assignment of Rights. Subject to the terms and conditions of the APA, Assignor hereby assigns, transfers, conveys and delivers to Assignee, and Assignee hereby accepts from Assignor, all of Assignor's right, title and interest in and to the Assumed Liabilities, Contracts and Employee Benefit Plans accruing on and after the Effective Time.

2.2 Assumption of Duties. Subject to the terms and conditions of the APA, Assignee hereby assumes and agrees to discharge, perform and fulfill all of the duties, obligations, and restrictions imposed on Assignor under the Assumed Liabilities, Contracts and Employee Benefit Plans which pertain to and are to be performed on and after the Effective Time.

SECTION 3. MISCELLANEOUS

3.1 This Assignment supersedes all other agreements and understandings of the parties with respect to this assignment and assumption of the Assumed Liabilities (other than the APA with respect to the rights and obligations of the parties thereto, including, without limitation, Assignor and Assignee, to each other) and may be modified or amended only by a written agreement executed by all parties hereto.

3.2 This Assignment and the obligations of the parties hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.3 This Assignment shall be governed and construed in accordance with the laws of the State of Michigan, without reference to any choice of law principles.

IN WITNESS WHEREOF, Assignor and Assignee have signed this Assignment on the date first above written.

ASSIGNOR:

Garden City Hospital, a Michigan
nonprofit corporation

By: _____
Name: _____
Its: _____

ASSIGNEE:

Prime Healthcare Services – Garden City,
LLC, a Delaware limited liability company

By: _____
Name: _____
Its: _____

EXHIBIT 3.3(b)

Form of Bill of Sale
(see attached)

GENERAL ASSIGNMENT, CONVEYANCE AND BILL OF SALE

This **GENERAL ASSIGNMENT, CONVEYANCE AND BILL OF SALE** ("Bill of Sale") is made and effective as of the 1st day of July, 2014 (the "Effective Date") by Garden City Hospital, a Michigan nonprofit corporation ("Seller"), in favor of Prime Healthcare Services – Garden City, LLC, a Delaware limited liability corporation ("Purchaser"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Asset Purchase Agreement, as defined below.

WITNESSETH:

1, Sale and Transfer of Assets and Contract Rights. For good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, and as contemplated by that certain Asset Purchase Agreement dated as of January 30, 2014 (the "Purchase Agreement") by and between Purchaser and Seller, Seller SELLS, TRANSFERS, ASSIGNS, CONVEYS, GRANTS AND DELIVERS to Purchaser, free and clear of all encumbrances, except Assumed Liabilities, effective as of the Effective Time, all of Seller's right, title and interest in, to and under the Purchased Assets (as that term is defined in the Purchase Agreement).

2. Further Actions. Seller covenants and agrees to warrant and defend the sale, transfer, assignment, conveyance, grant and delivery of the Purchased Assets hereby made against all persons whomsoever; to take all steps reasonably necessary to establish the record of Purchaser's title to the Purchased Assets; to execute and deliver to Purchaser upon demand, from time to time, any further instruments of transfer and assignment; and take such other action as Purchaser may reasonably request to reaffirm, correct or effect the sale, transfer, assignment, conveyance, grant and delivery to and vest in Purchaser each of the Purchased Assets, all at the sole cost and expense of Seller.

3. Power of Attorney. Without limiting Section 2, Seller hereby constitutes and appoints Purchaser, its successors and assigns, the true and lawful agent and attorney-in-fact of Seller, with full power of substitution and resubstitution, in whole or in part, in the name and stead of Seller, but on behalf and for the benefit of Purchaser and its successors and assigns:

to demand, receive and collect any and all of the Purchased Assets and to give receipts and releases for and with respect to the same, or any part thereof;

to institute and prosecute, in the name of Seller or otherwise, any and all proceedings at law, in equity or otherwise, that Purchaser or its successors and assigns may deem proper in order to collect or reduce to possession any of the Purchased Assets and in order to collect or enforce any claim, right or title of any kind hereby assigned or transferred, or intended so to be;

to defend or compromise any and all actions, suits, or proceedings with respect to said Purchased Assets; and

to do all things legally permissible, required or reasonably deemed by Purchaser to be required to recover and collect the Purchased Assets and to use Seller's name in such manner as Purchaser may reasonably deem necessary for the collection and recovery of same.

Seller hereby declares that the foregoing powers are coupled with an interest and are irrevocable by Seller.

4. Bill of Sale Absolute. This Bill of Sale is absolute as to said Purchased Assets, and Purchaser shall have all rights of Seller in and to the Purchased Assets so transferred and assigned hereby.

5. Terms of the Purchase Agreement. The terms of the Purchase Agreement, including, but not limited to, Seller's representations, warranties, covenants, agreements and indemnities relating to the Purchased Assets, are incorporated herein by this reference. Seller hereby acknowledges and agrees that the representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement are not superseded hereby but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement govern.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of the day first set forth above.

Garden City Hospital, a
Michigan nonprofit corporation

By: _____
Name: _____
Its: _____

EXHIBIT 3.3(d)

Form of Assignment of Domain Name
(see attached)

DOMAIN NAME TRANSFER AGREEMENT

This Domain Name Transfer Agreement ("Agreement") is made and entered into as of July 1, 2014 (the "Effective Date") by and between Prime Healthcare Services – Garden City, LLC, a Delaware limited liability corporation ("Purchaser"), and Garden City Hospital, a Michigan nonprofit corporation ("Seller").

RECITALS

A. Seller is the owner of the Internet domain name "www.gchosp.org" (the "Domain Name") and is the registrate of record for the Domain Name with Network Solutions, LLC ("Registrar");

B. Seller obtained the Domain Name on April 23, 1997;

C. Seller and Purchaser have entered into that certain Asset Purchase Agreement dated January 30, 2014 (the "APA"), pursuant to which Purchaser has agreed to purchase the Purchased Assets (as such term is defined in the APA).

D. Purchaser wishes to purchase from Seller all of Seller's rights, title, and interest in and to the Domain Name and any and all goodwill associated therewith; and

E. Seller has agreed to sell, assign, transfer, and deliver to Purchaser all of its rights, title, and interest in and to the Domain Name, including any and all goodwill associated therewith subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

1. Assignment and Transfer.

1.1 Effective as of the Effective Time, as defined in the APA, Seller hereby irrevocably sells, assigns, and transfer to Purchaser all of Seller's and any of its affiliates' rights, title, and interest in and to the Domain Name, the look and feel of the website associated with the Domain Name (the "Website"), and any goodwill associated therewith (the Domain Name, the Website, and any goodwill associated therewith shall hereinafter collectively be referred to as the "Domain Name"). Purchaser hereby accepts such assignment and transfer.

1.2 Seller and its directors, officers, and employees shall hereafter take such other actions and execute such other agreements and instruments as are reasonably deemed necessary by Purchaser or the Registrar to document Seller's assignment and transfer of the Domain Name to Purchaser.

1.3 Seller will cooperate promptly in facilitating the transfer to Purchaser of the Domain Name with the Registrar and will follow the rules designated by the Registrar to effect such transfer.

2. **Future Use of Domain Name.**

2.1 Once Purchaser becomes the owner of the Domain Name, Seller shall not make any use, either for their own benefit or for the benefit of any other person or entity, of the Domain Name. As of the date Purchaser receives confirmation from Registrar that the Domain Name has been transferred, Purchaser shall, as the sole owner of the Domain Name, have the exclusive right to use or otherwise transfer the Domain Name.

2.2. Seller agrees that it will not in the future register, use, apply to register or assist any third party with registering, using or applying to register a domain name, trademark, or designation that comprises or includes, whether alone or in combination with each other or with other words, the Domain Name.

3. **Liabilities.**

3.1 Purchaser shall not assume or become obligated in any way to pay any liabilities, debts, or obligations of Seller whatsoever, including, but not limited to, any liabilities or obligations now or hereafter arising from Seller's business activities that took place prior to the execution of this Agreement or any liabilities arising out of or connected to the execution of this Agreement.

3.2 Seller shall indemnify and hold harmless Purchaser and its officers, directors, affiliates, employees, and agents against any loss or claim related to the foregoing. Notwithstanding the foregoing, Purchaser shall assume any and all liabilities and obligations associated with the Domain Name and use of the website associated therewith arising out of or related to Purchaser's use of the Domain Name and any associated website and Purchaser shall indemnify and hold harmless Seller and its officers, directors, affiliates and agents against any loss or claim related thereto.

4. **Representations and Warranties of Purchaser.** Purchaser represents and warrants that (i) Purchaser has full power and authority to enter into this Agreement and will be bound by and perform its obligations under this Agreement; (ii) this Agreement, when signed and delivered by Purchaser, will be duly and validly executed and delivered and will be the valid and binding obligation of Purchaser, enforceable against Purchaser, in accordance with its terms.

5. **Representations and Warranties of Seller.** Seller represents and warrants that (i) Seller has full power and authority to enter into this Agreement and will be bound by and perform its obligations under this Agreement; (ii) this Agreement, when signed and delivered by Seller, will be duly and validly executed and delivered and will be the valid and binding obligation of Seller, enforceable against Seller, in accordance with its terms; (iii) neither the signing and delivery of this Agreement by Seller, nor the performance by Seller of its obligations under this Agreement, will violate any law, statute, rule, or regulation or order, judgment,

injunction, or decree of any court, administrative agency, or governmental body applicable to Seller; (iv) Seller has not taken any action to assign, transfer, or encumber the Domain Name; (v) Seller is not legally bound by any agreements or obligation relating to the Domain Name that could (a) obligate Seller or Purchaser to license or otherwise grant rights to any other person or entity in the Domain Name (whether owned or used by the Seller or Purchaser), (b) result in a claim against or lien on the Domain Name, or (c) prohibit the arrangements contemplated hereby or result in a claim with respect to the Domain Name; (vi) Seller owns and possesses all rights, title, and interest in and to the Domain Name and its related website; (vii) Seller has no knowledge of any existing threatened or known claims or liabilities related to the use of the Domain Name; and (viii) the Domain Name is free and clear of any liens, security interests, or other encumbrances.

6. **Confidentiality**. Neither party shall disclose the existence or terms of this Agreement without the express written consent of the other party, except for disclosures required by applicable law.

7. **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State of Michigan, without reference to any choice of law principles.

8. **Entire Agreement**. This Agreement and any schedules or exhibits hereto constitute the entire agreement of Seller and Purchaser with respect to the subject matter hereof and supersede any prior or contemporaneous agreements (whether written or oral) between the parties with respect to the subject matter contained herein. This Agreement may be amended or modified only by a writing signed by each party hereto.

9. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and will be deemed fully executed when both parties have affixed authorized signatures, whether or not on a single page. Signatures received via facsimile shall be as legally binding for all purposes as an original signature.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above by and through their duly authorized agents.

“PURCHASER”

Prime Healthcare Services – Garden City, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

“SELLER”

Garden City Hospital,
a Michigan nonprofit corporation

By: _____

Name: _____

Its: _____

EXHIBIT 3.3(e)

Form of Assignment of Trademarks
(see attached)

TRADEMARK ASSIGNMENT

WHEREAS, Garden City Hospital, a Michigan nonprofit corporation (“Assignor”), on behalf of itself and any wholly owned subsidiaries, is the owner of the following trademarks, copyrights and/or service marks registered in the United States Patent and Trademark Office:

**Trademark/ Copyright / Service
Mark**

Registration No.

WHEREAS, Prime Healthcare Services – Garden City, LLC, a Delaware limited liability corporation (“Assignee”), is desirous of acquiring said registered trademarks, copyrights and/or service marks, and Assignor desires to assign all rights in the trademarks, copyrights and service marks, and all goodwill associated therewith, to Assignee.

NOW, THEREFORE, in consideration of the sum of ten dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, Assignor hereby assigns to Assignee all right, title and interest in the United States in and to said trademarks and or service marks, together with the goodwill of the business symbolized by said trademarks and/or service marks and registration thereof.

Signed in Garden City, Michigan, this ____st day of June, 2014, to be effective July 1, 2014.

Garden City Hospital,
a Michigan nonprofit corporation

By: _____

Name: _____

Its: _____

STATE OF MICHIGAN)
) SS:
COUNTY OF WAYNE)

Before me, a Notary Public in and for said County and State, personally appeared Gary Ley, President and CEO of the Assignor, who acknowledged the execution of the foregoing Assignment, and who, having been duly sworn, stated that all matters referred to therein are true.

WITNESS my hand and Notarial Seal this _____ day of _____, 2014.

My Commission Expires:

Notary Public

My County of Residence:

Printed

Schedule 1.1

Excluded Assets

Garden City Hospital's membership interest in Garden Nursing Center, a Michigan nonprofit corporation

Schedule 2.1(a)
Real Property Purchased

PARCEL # (SEE NEXT TWO PAGES FOR LEGAL DESCRIPTIONS)	BUSINESS NAME	ADDRESS	CITY	OWNER	VESTING DEED(S) LIBER/PAGE
Parcel 1	Family Health Associates of Garden City	30730 Ford Rd.	Garden City	Amerigard Development Corporation	Liber 24287, Page 601
Parcel 2	Harrison Business Office	6701 Harrison St. (next to Douglas school – no address in assessing records; boundaries to be determined by survey)	Garden City	Garden City Hospital	Liber 22606, Page 82 Liber 23415, Page 155
Parcel 3	Garden City Hospital (Main Hospital)	6245 Inkster Rd. 27425 Maplewood (This was purchased from church - it is parking lot adjacent to Main Hospital fronting Maplewood)	Garden City	Garden City Hospital	Liber 13766, Page 563 Liber 13766, Page 564 Liber 13768, Page 743 Liber 14055, Page 812 Liber 18050, Page 116 Liber 13773, Page 35 Liber 14058, Page 593 Liber 14976, Page 540 Liber 24496, Page 706
Parcel 3	Garden City Hospital Medical Office Building (on Hospital campus – attached MOB with separate entrance available)	6255 Inkster Rd.	Garden City	Garden City Hospital	See above vesting deeds for 6245 Inkster Rd.
Parcel 3	Garden City Hospital Office Center East (on Hospital campus but unattached building on outlot – GCH obtained mailing address of 6265 which is not reflected in assessing records)	6265 Inkster Rd.	Garden City	Garden City Hospital	See above vesting deeds for 6245 Inkster Rd.
Parcel 4	MedStop Building	30150 Plymouth Rd.	Livonia	Garden City Hospital Foundation	Liber 25755, Page 669

Parcel 1 – Property Address: 30730 Ford

Lot(s) 591 through 599, inclusive, and the Easterly 70 feet of Lot 609, of Folker's Garden City Acres Subdivision No. 4, according to the plat thereof recorded Liber 48, Page 5, of Wayne County Records.

Tax Parcel Nos.: 35-006-02-0591-301, and 35-006-02-0609-002

Parcel 2 - Property Address: 6701 Harrison

Lot(s) 105 through 119 and the adjacent 60 feet of the vacated Windsor Avenue, Lots 120 through 134, Lots 224 through 238 and the adjacent 60 feet of the vacated Dover Avenue, Garden City Subdivision of part of the Northwest 1/4 of Section 12, Town 2 South, Range 9 East, according to the plat thereof recorded in Liber 47 of Plats, Page 25 of Wayne County Records.

Also, the North 12 feet of Lots 239 through 253, Garden City Subdivision of part of the Northwest 1/4 of Section 12, Town 2 South, Range 9 East, according to the plat thereof recorded in Liber 47 of Plats, Page 25 of Wayne County Records.

Tax Parcel No.: 35-009-04-0105-000

Parcel 3 (HOSPITAL CAMPUS):

Lot 1 through 28 inclusive, 73 through 100 inclusive, 131 through 158 inclusive, and 189 through 216 inclusive, and all adjacent alleys and streets between Maplewood Ave. and Elmwood Ave. of Kane and Moynihan's Bungalow Heights being a subdivision of the Northeast 1/4 of the Southeast 1/4 of Section 12, Town 2 South, Range, 9 East, Wayne County, Michigan as recorded in Liber 57 of plats, Page 53, Wayne County records.

Property Address: 27425 Maplewood ; Tax Parcel No.: 35-011-02-0001-000

Parcel 3 (HOSPITAL CAMPUS) cont'd:

Property Address: 6245 Inkster; Tax Parcel Nos.: 35-011-02-0009-002; 35-415-99-0004-000; 35-011-02-0013-002; 35-011-02-0016-002; 35-011-02-0019-000; 35-011-02-0087-000; 35-011-02-0131-000; 35-011-02-0145-000; 35-011-02-0189-000; 35-011-02-0203-000;

Parcel 4 - Property Address: 30150 Plymouth

Outlot #1: Part of the Southeast 1/4 of Section 26, Town 1 South, Range 9 East, City of Livonia, Wayne County, Michigan, described as follows: Beginning at a point distant South 89 degrees 58 minutes 59 seconds East, 656.07 feet and North 00 degrees 20 minutes 35 seconds West 60.00 feet from the South 1/4 corner of said Section 26, said point being on the North line of Plymouth Road (120 feet wide) and proceeding thence North 00 degrees 20 minutes 35 seconds West 335.00 feet; thence South 45 degrees 20 minutes 35 seconds East, 229.23 feet; thence South 00 degrees 01 minutes 01 second West 173.92 feet; thence North 89 degrees 58 minutes 59 seconds West 161.00 feet to the point of beginning.

Tax Parcel No.: 46-104-99-0002-003

Schedule 2.1(c)

Contracts and Leases to be Assumed by Purchaser

The Parties agree and acknowledge that Purchaser is assuming all contracts, agreements and leases entered into by Seller except for those managed care and other third party payor agreements specifically with the parties set forth below. The Parties acknowledge, unless otherwise agreed to between Purchaser and such contracting party, Purchaser shall be obligated to comply with and honor the terms of the contracts, agreements and leases listed below until such time as they may be terminated in accordance with any applicable terms and conditions.

Aetna Health Management, LLC
Align Networks, Inc.
American Family Care
Beech Street
ChoiceOne, Inc.
Cigna
First Health
Galaxy Health Network
Great Lakes Health Plan (Now UnitedHealthCare Community Plan)
Great-West Healthcare
Health Alliance Plan (HAP)
Health Net Federal Services (TRICARE)
Health Value Management dba ChoiceCare Network (Humana)
HealthPlus of Michigan
Integrated Health Plan
McLaren Health Plan, Inc.
Mercy Health Plans
Multiplan
One Health Plan of Michigan, Inc.
PPOM dba Cofinity, Inc.
Priority Health Government Programs, Inc.
Private Healthcare Systems, Inc. (PHCS)
Pro Care Health Plan, Inc.
Three Rivers Provider Network, Inc.
Total Health Care, Inc.
United Health Care
USA Health Network Company, Inc. of Arizona

Schedule 2.1(j)

Other Tangible/Intangible Assets to be Purchased

None

Schedule 2.5

Calculation of Purchase Price

(a) An amount equal to \$20 million		20,000,000	
plus the amount of the "Projected Net Working Capital"			Defined in Section 1.1
Current Assets	21,118,893		Month-end Estimate
Less: Current Liabilities	15,222,329		Month-end Estimate
Plus Current Liabilities not assumed by Buyer:			
Current Portion of Bonds Payable	995,000		Month-end Estimate
Accrued Interest Payable on Bonds	<u>740,440</u>		Month-end Estimate
Projected Net Working Capital		7,632,004	
(b) Seller's shortfall at closing, up to \$4 million		<u>-</u>	See Separate Calculation
		<u><u>27,632,004</u></u>	

Calculation of Seller's Shortfall/Excess per Section 2.5(d)				
Sources of funds				
	Cash Consideration per Section 2.5(a), and 2.5(b)		27,632,004	
Seller's Excluded Assets per Section 1.1 "Excluded Assets":				
	(a) Board Designated Funds and	26,363,320		Month-end Amount at 5/31
	Bond Escrow Account	6,356,786		Month-end Amount at 5/31
	(b) Intercompany with Foundation	-		
	(c) Investments in marketable securities	-		
			<u>32,720,106</u>	
	Total Sources of Funds		60,352,110	
Uses of Funds				
	Payoff on 1998 Bonds	4,484,938		FRA Estimate 5/8/14
	Sinking Fund deposits for 2007 Bonds	<u>53,458,037</u>		FRA Estimate 5/8/14
		57,942,975		
Transaction Costs				
	Juniper Advisory, LLC	1,271,000		
	Executive Retention Payment	184,997		Per Contract
	Hall, Render, Killian, Heath & Lyman, P.C.	130,000		HR Estimate
	First River Advisory, LLC	75,000		Per Agreement
	Wells Fargo:			
	Debt Service Deposit Agreement termination	39,700		Wells Fargo 6/13
	Forward Delivery Agreement termination	25,200		Wells Fargo 6/13
	Trustee and Escrow Agent	9,250		Wells Fargo 5/6 e-mail; includes Mitz Levin's not-to-exceed
	Verification Agent & Arbitrage Rebate Calc	7,000		Berens-Tate Contract
	D&O Tail Coverage	-		To be purchased by Prime
			<u>59,685,122</u>	
Excess (shortfall)			<u>666,988</u>	

Schedule 2.6

Allocation of Purchase Price

Cash and equivalents	\$ 4,588,666
Accounts receivable	\$12,207,197
Prepays and other current assets	\$ 2,982,806
Property and Equipment (net)	\$45,084,115
Other assets	\$12,509,129

Schedule 4.4

Financial Statements
(see attached)

Garden City Hospital and Subsidiaries

Auditor's Reports and Consolidated Financial Statements

September 30, 2013 and 2012



Garden City Hospital and Subsidiaries

September 30, 2013 and 2012

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Independent Auditor's Report

Board of Trustees
Garden City Hospital and Subsidiaries
Garden City, Michigan

We have audited the accompanying consolidated financial statements of Garden City Hospital and Subsidiaries (Corporation), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Garden City Hospital and Subsidiaries as of September 30, 2013 and 2012, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Fort Wayne, Indiana
January 7, 2014

Garden City Hospital and Subsidiaries
Consolidated Balance Sheets
September 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,032,890	\$ 6,805,639
Patient accounts receivable, net of allowance; 2013 - \$15,134,000, 2012 - \$15,895,000	9,664,126	11,357,987
Other receivables	210,740	777,669
Inventories	1,476,583	1,302,262
Prepaid expenses and other assets	2,370,584	2,318,035
Total current assets	<u>20,754,923</u>	<u>22,561,592</u>
Assets Whose Use is Limited	<u>40,962,951</u>	<u>35,332,577</u>
Property and Equipment, net	<u>47,496,578</u>	<u>46,323,872</u>
Other Assets		
Deferred bond issuance costs	657,488	704,503
Investment in multi-provider captive insurance company	878,688	1,605,959
Other	482,153	516,690
Total other assets	<u>2,018,329</u>	<u>2,827,152</u>
Total assets	<u><u>\$ 111,232,781</u></u>	<u><u>\$ 107,045,193</u></u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of obligations under capital leases	\$ 195,741	\$ 120,905
Current portion of long-term debt	1,109,755	1,052,542
Accounts payable and other accrued expenses	6,416,814	6,764,038
Accrued benefits payable	6,842,895	5,629,124
Amounts due to third-party payers	2,633,538	979,023
Total current liabilities	<u>17,198,743</u>	<u>14,545,632</u>
Other Liabilities		
Reserve for professional liability claims	10,248,606	9,928,768
Pension liability	19,720,057	31,566,611
Long-term obligations under capital leases	1,739,544	113,902
Long-term debt	50,367,901	51,430,487
Total other liabilities	<u>82,076,108</u>	<u>93,039,768</u>
Total liabilities	<u>99,274,851</u>	<u>107,585,400</u>
Net Assets		
Unrestricted	11,512,126	(1,011,851)
Temporarily restricted	445,804	471,644
Total net assets	<u>11,957,930</u>	<u>(540,207)</u>
Total liabilities and net assets	<u><u>\$ 111,232,781</u></u>	<u><u>\$ 107,045,193</u></u>

See Notes to Consolidated Financial Statements

Garden City Hospital and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Revenue and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 149,751,042	\$ 150,332,490
Provision for uncollectible accounts	<u>(15,370,662)</u>	<u>(14,949,620)</u>
Net patient service revenue less provision for uncollectible accounts	134,380,380	135,382,870
Investment income	1,354,259	1,979,492
Other revenue	<u>8,358,319</u>	<u>6,443,186</u>
Total unrestricted revenue and other support	<u>144,092,958</u>	<u>143,805,548</u>
Expenses		
Salaries and wages	62,760,091	63,927,608
Employee benefits	17,158,305	15,708,393
Professional fees	2,710,373	2,634,076
Supplies	24,121,845	25,836,223
Utilities	2,325,416	2,215,935
Purchased services	11,020,015	11,792,362
Other	11,273,013	11,637,726
Insurance	2,807,338	949,527
Interest	2,779,985	2,767,681
Depreciation and amortization	<u>5,725,655</u>	<u>5,736,848</u>
Total expenses	<u>142,682,036</u>	<u>143,206,379</u>
Excess of Revenue Over Expenses	1,410,922	599,169
Change in defined benefit pension plan gains (losses)	11,105,659	(9,479,644)
Other	<u>7,396</u>	<u>4,295</u>
Increase (decrease) in unrestricted net assets	<u>12,523,977</u>	<u>(8,876,180)</u>
Temporarily Restricted Net Assets		
Contributions	22,850	31,371
Net assets released from restrictions	<u>(48,690)</u>	<u>(42,072)</u>
Decrease in temporarily restricted net assets	<u>(25,840)</u>	<u>(10,701)</u>
Increase (Decrease) in Net Assets	12,498,137	(8,886,881)
Net Assets, Beginning of Year	<u>(540,207)</u>	<u>8,346,674</u>
Net Assets, End of Year	<u><u>\$ 11,957,930</u></u>	<u><u>\$ (540,207)</u></u>

See Notes to Consolidated Financial Statements

Garden City Hospital and Subsidiaries

Consolidated Statements of Cash Flows Years Ended September 30, 2013 and 2012

	2013	2012
Operating Activities		
Increase (decrease) in net assets	\$ 12,498,137	\$ (8,886,881)
Items not requiring operating cash flows		
Depreciation and amortization	5,725,655	5,736,848
Provision for uncollectible accounts	15,870,662	14,949,620
Change in investment in multi-provider captive insurance company	727,271	1,354,775
Change in defined benefit pension plan gains (losses)	(11,105,659)	9,479,644
Changes in assets and liabilities		
Patient accounts receivable	(14,176,801)	(12,727,684)
Other receivables	566,929	(398,054)
Amounts due to third-party payers	1,654,515	570,770
Inventories, prepaid expenses and other assets	(226,870)	456,625
Investments in trading securities	(5,630,374)	(2,183,401)
Accounts payable and other accrued expenses	(271,360)	(775,848)
Accrued benefits payable	1,213,771	293,036
Reserve for professional liability claims	319,838	(745,681)
Pension liability	(740,895)	(908,507)
Net cash provided by operating activities	<u>6,424,819</u>	<u>6,215,262</u>
Investing Activities		
Additions to property and equipment	(4,981,285)	(3,342,680)
Decrease in bond proceeds designated for capital projects	-	(193,570)
Investment in joint ventures	<u>34,537</u>	<u>(98,773)</u>
Net cash used in investing activities	<u>(4,946,748)</u>	<u>(3,635,023)</u>
Financing Activities		
Payments on capital lease obligations	(245,447)	(539,009)
Payments on long-term debt	<u>(1,005,373)</u>	<u>(961,275)</u>
Net cash used in financing activities	<u>(1,250,820)</u>	<u>(1,500,284)</u>
Increase in Cash and Cash Equivalents	227,251	1,079,955
Cash and Cash Equivalents, Beginning of Year	<u>6,805,639</u>	<u>5,725,684</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,032,890</u></u>	<u><u>\$ 6,805,639</u></u>
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ 2,784,467	\$ 2,767,681
Property and equipment acquired through issuance of a capital lease obligation	1,945,925	-
Property and equipment in accounts payable	254,184	330,048

See Notes to Consolidated Financial Statements

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

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

Nature of Operations

Garden City Hospital (Corporation), a Michigan nonprofit organization, is the parent corporation of GCH Assurance Company Limited, Amerigard Development, Inc., United Home Health Services, Inc., Garden City Hospital Foundation (Foundation), Amerigard Diagnostic Centre and Advance Nursing Center, Inc. The Corporation is committed to providing health care that improves the well being of the whole person and the health status of the community at large through the provision of comprehensive health care services, osteopathic medical education and health care related programs. Services provided include emergency services, inpatient services and outpatient services.

The consolidated financial statements include the accounts of the Corporation and the above subsidiaries, all of which are wholly owned. Significant intercompany balances and transactions have been eliminated.

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 consolidated 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

The Corporation considers all liquid investments with original maturities of three months or less, excluding amounts whose use is limited by other arrangements and under trust agreements, to be cash equivalents. At September 30, 2013 and 2012, cash equivalents consisted primarily of money market accounts and a certificate of deposit.

At September 30, 2013, the Corporation's cash accounts exceeded federally insured limits by approximately \$7,260,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value.

The Corporation has designated its entire investment portfolio as trading, with unrealized gains and losses included in the deficiency of revenue over expenses. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is reported as operating gains (losses) unless the income is restricted by donor or law.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Assets Whose Use is Limited

Assets whose use is limited include (1) assets held by trustees under bond indenture agreements, (2) assets restricted by donors, (3) 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, (4) deposits held by the Corporation's multi-provider captive insurance company and (5) deposits required to be set aside for securing workers' compensation payments. There were no amounts required to meet current liabilities of the Corporation at September 30, 2013 or 2012.

Assets whose use is limited are comprised substantially of cash and cash equivalents, marketable securities, and debt securities and are stated at fair value.

Inventories

Inventories, which consist principally of medical supplies, are valued at the lower of cost or market. Cost is determined based on the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	2-25 years
Buildings and fixed equipment	3-50 years
Furniture and equipment	3-20 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended September 30, 2013 and 2012.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Deferred Bond Issuance Costs

Bond issue costs and unamortized bond discounts are amortized using the bonds outstanding method over the terms of the bonds.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Estimated settlements are recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result from final settlements.

The majority of the Corporation's services are reimbursed under fixed price provision of third-party payment programs (primarily Medicare, Medicaid and Blue Cross Blue Shield of Michigan). During 2013 and 2012, 50% and 51% of net patient service revenue was received from Medicare, 10% was received from Medicaid and 20% and 21% was received from Blue Cross Blue Shield of Michigan programs, respectively. Under these provisions, payment rates for patient care are determined prospectively on various bases, and the Corporation's revenue is limited to such amounts. Payments are also received for the Corporation's medical education costs, subject to certain limits. Additionally, the Corporation has entered into agreements with commercial insurance carriers, certain health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined case rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with such laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory actions, including fines, penalties and possible exclusion from the Medicare and Medicaid programs.

The provision for uncollectible accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write off experience by payer category. The results of this review are then used to make any modification to the provisions for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the Corporation follows established guidelines for placing certain past due patient balances with collection agencies.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients was greater than 90% of self-pay accounts receivable at September 30, 2013 and 2012. In addition, the Corporation's write-offs increased approximately \$421,000 from approximately \$14,950,000 for the year ended September 30, 2012, to approximately \$15,371,000 for the year ended September 30, 2013.

Charity Care

The Corporation provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Corporation's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$379,000 and \$325,000 in 2013 and 2012, respectively.

Estimated Professional Liability Claims

An annual estimated provision is accrued for the self-insured portion of professional liability claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported, as well as associated estimated insurance recoveries.

Income Taxes

The Corporation, Foundation, United Home Health Services, Inc. and Advance Nursing Center have been determined by the Internal Revenue Service to be organizations as described under Internal Revenue Code Section 501(c)(3) and as such, are exempt from federal income taxes under Code Section 501(a).

Amerigard Development, Inc. and Amerigard Diagnostic Centre are subject to corporate income taxes. These entities had approximately \$20,400,000 and \$19,300,000 at September 30, 2013 and 2012, respectively, in tax net loss carryforwards expiring from 2012 to 2027. The deferred asset resulting from the cumulative losses has been entirely offset by a valuation allowance since it is more likely than not that the asset will not be realized. This is the only temporary difference related to these entities. As a result, no current or deferred income tax expense or benefit has been recognized in 2013 or 2012.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

The Corporation is unaware of any tax positions, for which it is reasonably possible, that the total of unrecognized tax positions will significantly increase or decrease within the next year.

The entities file tax returns in the U.S. federal jurisdiction. With a few exceptions, the entities are no longer subject to U.S. federal examinations by tax authorities for years before 2009.

The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

Excess (Deficiency) of Revenue Over Expenses

The consolidated statements of operations include excess (deficiency) of revenue over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenue over expenses, consistent with industry practice, includes changes in the defined benefit pension plan gains (losses).

Self-Insurance

The Corporation has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Corporation has purchased insurance that limits its exposure to \$150,000 per individual claim.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the State of Michigan, that is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Corporation continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Corporation recognizes revenue when management is reasonably assured it will meet all of the meaningful use objectives for the reporting period.

In 2012, the Corporation completed the first-year requirements under the Medicaid program and recorded revenue of approximately \$725,000, which is included in other revenue within operating revenues in the consolidated statement of operations.

In 2013, the Corporation completed the requirements under the Medicare program and has recorded revenue of approximately \$2,261,000, which is included in other revenue within operating revenues in the consolidated statement of operations. In addition, in 2013, \$575,000 was recorded under the Medicaid program.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 2: Patient Service Revenue

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized for the years ended September 30, was approximately:

	2013	2012
Medicare	\$ 74,706,288	\$ 76,923,463
Blue Cross Blue Shield of Michigan	29,189,316	32,076,869
Medicaid	14,955,589	14,685,833
Other third-party payers and self-pay	30,899,849	26,646,325
	<u>\$ 149,751,042</u>	<u>\$ 150,332,490</u>

The 2013 and 2012 net patient service revenue increased approximately \$490,000 and \$3,265,000, respectively, due to changes in previously estimated amounts based on additional information.

Note 3: Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers as follows:

	2013	2012
Medicare	24%	18%
Medicaid	7%	10%
Blue Cross Blue Shield of Michigan	12%	12%
Self-pay	41%	35%
Other	16%	25%
	<u>100%</u>	<u>100%</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 4: Other Revenue

Other revenue for the years ended September 30, consists of the following:

	2013	2012
EHR incentive program	\$ 2,835,828	\$ 724,599
Retail pharmacy sales	2,476,972	2,755,461
Medical office building rent	610,602	589,225
Physician insurance premiums	558,528	503,891
Cafeteria and coffee shop sales	429,309	437,809
Net assets released from restriction for operations	48,690	42,072
Other	1,398,390	1,390,129
	<u>\$ 8,358,319</u>	<u>\$ 6,443,186</u>

Note 5: Cash and Cash Equivalents, Investments and Investment Return

Cash and cash equivalents and investments, at September 30, are summarized as follows:

	2013	2012
Cash	\$ 6,604,535	\$ 6,527,799
Money Market Funds	3,120,001	2,535,529
Certificates of deposit	428,354	706,193
United States government obligations	18,273,688	20,165,103
Foreign obligations	-	131,737
Asset and mortgage-backed GSE securities	3,247,347	3,431,162
Corporate bonds	8,576,196	3,444,280
Common stocks	5,310,328	3,566,697
Mutual funds	2,435,392	1,629,716
	<u>\$ 47,995,841</u>	<u>\$ 42,138,216</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Investment return is summarized as follows:

	2013	2012
Interest, dividends and realized gains	\$ 1,524,361	\$ 811,065
Unrealized gains (losses) on trading securities	<u>(170,102)</u>	<u>1,168,427</u>
 Total investment gain included in operating income	 <u>\$ 1,354,259</u>	 <u>\$ 1,979,492</u>

Investment return, including unrealized gains and losses, on cash, investments, professional liability funds, funds designated for capital improvements and funds held in trust under bond agreements is included in operating income.

The Corporation 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 value of investments will occur in the near term, and that such changes could materially affect the amounts reported in the consolidated statements of operations and changes in net assets.

Note 6: Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2013 and 2012. There were no liabilities measured at fair value on a recurring basis at September 30, 2013 or 2012.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
September 30, 2013				
Money market funds	\$ 3,120,001	\$ 3,120,001	\$ -	\$ -
United States government obligations	18,273,688	-	18,273,688	-
Asset and mortgage- backed GSE securities	3,247,347	-	3,247,347	-
Corporate bonds	8,576,196	-	8,576,196	-
Common stocks				
Consumer discretionary	539,878	539,878	-	-
Consumer staples	869,973	869,973	-	-
Energy	334,890	334,890	-	-
Financial services	1,174,190	1,174,190	-	-
Healthcare	384,808	384,808	-	-
Industrial	160,037	160,037	-	-
Information technology	937,774	937,774	-	-
Materials	468,864	468,864	-	-
Other	221,167	221,167	-	-
Telecommunication	218,747	218,747	-	-
	<u>5,310,328</u>	<u>5,310,328</u>	<u>-</u>	<u>-</u>
Fixed income mutual funds	<u>2,435,392</u>	<u>2,435,392</u>	<u>-</u>	<u>-</u>
	<u>\$ 40,962,952</u>	<u>\$ 10,865,721</u>	<u>\$ 30,097,231</u>	<u>\$ -</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
September 30, 2012				
Money market funds	\$ 2,535,529	\$ 2,535,529	\$ -	\$ -
United States				
government				
obligations	20,165,103	-	20,165,103	-
Foreign obligations	131,737	-	131,737	-
Asset and mortgage-				
backed GSE				
securities	3,431,162	-	3,431,162	-
Corporate bonds	3,444,280	-	3,444,280	-
Common stocks				
Consumer				
discretionary	748,794	748,794	-	-
Consumer staples	597,956	597,956	-	-
Energy	261,994	261,994	-	-
Financial services	785,478	785,478	-	-
Healthcare	272,808	272,808	-	-
Industrial	181,346	181,346	-	-
Information				
technology	401,809	401,809	-	-
Materials	316,512	316,512	-	-
	<u>3,566,697</u>	<u>3,566,697</u>	<u>-</u>	<u>-</u>
Fixed income mutual				
funds	<u>1,629,716</u>	<u>1,629,716</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,904,224</u>	<u>\$ 7,731,942</u>	<u>\$ 27,172,282</u>	<u>\$ -</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2013. The Corporation has no liabilities measured at fair value on a recurring basis. The Corporation has no Level 3 assets. The Corporation has no assets or liabilities measured at fair value on a nonrecurring basis at September 30, 2013 or 2012.

Cash Equivalents and Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents

The carrying value approximates fair value and is considered a Level 1 financial instrument.

Long-Term Debt

The fair value of the Corporation's long-term debt (excluding capital leases) was \$45,439,969 and \$47,161,793, at September 30, 2013 and 2012, respectively, with carrying values of \$51,477,656 and \$52,483,029, respectively. Fair value of debt is estimated by a commercial evaluation service used by many financial institutions which integrates its own modeling techniques with market information, credit quality information, perceived market movements, news and other relevant information and is considered a Level 2 financial instrument.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 7: Assets Whose Use is Limited

Assets whose use is limited, at September 30, consists of the following:

	2013	2012
Board designated for capital improvements	\$ 25,114,218	\$ 19,966,162
Funds held for professional liability losses	10,166,224	9,291,291
Bond proceeds held by trustee for debt service	4,936,705	5,216,626
Amounts securing workers compensation payments		
Funds held by insurance company	300,000	-
Certificate of deposit	-	428,354
Temporarily restricted investments	445,804	430,144
	<u>\$ 40,962,951</u>	<u>\$ 35,332,577</u>

Note 8: Property and Equipment

Property and equipment and related accumulated depreciation, at September 30, consists of the following:

	2013	2012
Land and land improvements	\$ 1,975,064	\$ 1,975,064
Buildings and fixed equipment	81,885,687	81,230,229
Furniture and equipment	66,389,593	59,287,887
Construction in progress	469,079	1,664,340
	150,719,423	144,157,520
Less accumulated depreciation	<u>(103,222,845)</u>	<u>(97,833,648)</u>
	<u>\$ 47,496,578</u>	<u>\$ 46,323,872</u>

Note 9: Professional Liability

The Corporation holds 50% of the outstanding shares in Medilink Insurance Company Ltd. (Medilink), a Cayman Islands captive insurance company, which was organized to provide primary comprehensive hospital liability insurance for a group of osteopathic hospitals. The investment is recorded on the equity method of accounting and the net carrying value of the Corporation's interest was \$935,678 and \$1,719,715 at September 30, 2013 and 2012, respectively. Premiums under the retrospectively rated claims policy are determined based on the ultimate cost of the experience to date of the group of hospitals. During 2013 and 2012, the Corporation received retrospective premium refunds of \$804,139 and \$1,897,852, respectively. Effective July 1, 2008, the Board elected to dissolve the company upon resolution of all outstanding claims. The

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

premiums paid to Medilink are offset against the estimated liability for losses insured by Medilink prior to July 1, 2008, to determine the equity interest in Medilink.

Effective July 1, 2008, the Corporation formed GCH Assurance Company, Ltd., a Cayman Islands captive insurance company, organized to provide primary comprehensive hospital liability insurance for the Corporation and certain participating medical staff. The captive insurance company is included in the consolidated balance sheets, statements of operations and changes in net assets and cash flows. The Corporation's premiums are retrospectively rated and are determined based on the ultimate cost of the experience to date of the Corporation and participating physicians.

The Corporation estimates a range of loss for professional liability claims based on its own experience. This estimate includes a reserve for known claims and unreported incidents. The Corporation has accrued a present value of what it believes to be the most likely amount of the loss in the range, with all estimates discounted at 4.9% per annum at September 30, 2013 and 2012.

The Corporation has accrued its best estimate of the ultimate cost to settle such claims; however, actual losses may differ from the amount accrued. It is reasonably possible that this estimate could change materially in the near term. Approximately \$1,444,000 and (\$606,000) was included in insurance expense for professional liability for the years ended September 30, 2013 and 2012, respectively.

Activity in the Corporation's accrued medical malpractice claims liability during 2013 and 2012 is summarized as follows:

	2013	2012
Balance, beginning of year	\$ 9,928,768	\$ 10,674,449
Current year claims incurred and changes in estimates for claims incurred in prior years	1,647,958	548,930
Claims and expenses paid	<u>(1,328,120)</u>	<u>(1,294,611)</u>
Balance, end of year	<u>\$ 10,248,606</u>	<u>\$ 9,928,768</u>

Note 10: Long-Term Debt

Garden City Hospital is the sole member of the Garden City Hospital Obligated Group (Obligated Group). The Bonds are secured by a security interest in certain tangible and intangible property of Garden City Hospital.

In March 2007, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds Series 2007A, subject to redemption in amounts ranging from \$1,325,000 in 2018 to \$3,475,000 in 2038. The bonds bear interest at rates ranging from 4.875% to 5.000%. The proceeds from the Series 2007A Bonds were used to refund Series 1996 Bonds, advance refund a portion of the Series 1998 Bonds and provide funding for certain hospital capital projects.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

In 1998, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds Series 1998A. During 2007, the Obligated Group advance refunded \$9,135,000 of Series 1998A Bonds. The remaining redemption amounts range from \$935,000 in 2013 to \$1,225,000 in 2017 and bear interest at 5.750%.

The Garden City Hospital Finance Authority Revenue Bond Series 1998A and the Revenue and Refunding Bonds Series 2007A contain certain restrictive covenants. The Corporation believes that the Obligated Group is in compliance with the covenants at September 30, 2013.

	2013	2012
Garden City Hospital Finance Authority		
Revenue and Refunding Bonds - Series 2007A	\$ 46,870,000	\$ 46,870,000
Revenue Bonds - Series 1998A	4,380,000	5,315,000
Other	<u>227,656</u>	<u>298,029</u>
	51,477,656	52,483,029
Less current portion	<u>(1,109,755)</u>	<u>(1,052,542)</u>
	<u><u>\$ 50,367,901</u></u>	<u><u>\$ 51,430,487</u></u>

The aggregate maturities of long-term debt for years subsequent to September 30, 2013, are as follows:

2014	\$ 1,109,755
2015	1,099,169
2016	1,161,839
2017	1,236,893
2018	1,325,000
Thereafter	<u>45,545,000</u>
	<u><u>\$ 51,477,656</u></u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 11: Lease Commitments

The Corporation has commitments under various capitalized leases as follows:

2014	\$ 298,745
2015	298,745
2016	288,409
2017	253,421
2018	253,421
Thereafter	<u>1,055,921</u>
	2,448,662
Less amounts representing interest	<u>(513,377)</u>
Minimum lease payments	<u><u>\$ 1,935,285</u></u>

Equipment relating to the capitalized lease obligations is included in property and equipment. The capitalized cost of this equipment was approximately \$2,139,000 and \$2,399,000 at September 30, 2013 and 2012, and accumulated amortization was approximately \$215,000 and \$1,927,000 at September 30, 2013 and 2012, respectively.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 20, 2013.

Year ending September 30:

2014	\$ 1,069,953
2015	979,955
2016	642,111
2017	305,489
2018	148,327
Thereafter	<u>773,760</u>
	<u><u>\$ 3,919,595</u></u>

Total rental expense attributable to operating leases amounted to approximately \$3,330,000 and \$3,320,000 for the years ended September 30, 2013 and 2012, respectively.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 12: Functional Expenses

The Corporation fulfills the health care requirements of residents within the community it serves by providing an array of health care services. Expenses, related to providing these services, classified by function, are as follows:

	2013	2012
Health care services	\$ 91,698,217	\$ 95,317,394
General and administrative	42,431,162	39,384,456
Depreciation and amortization	5,772,671	5,736,848
Interest	2,779,986	2,767,681
	<u>\$ 142,682,036</u>	<u>\$ 143,206,379</u>

Note 13: Pension Plan

The Corporation has a qualified defined benefit pension plan covering substantially all eligible employees hired prior to January 1, 2003, as defined by the *Employee Retirement Income Security Act of 1974* (ERISA). The benefits are based on years of service and employee compensation. The Corporation's funding policy is to contribute annually an amount necessary to a trust to meet or exceed the minimum funding requirements of ERISA. Contributions are intended to provide for benefits attributed to service rendered through May 15, 2004.

Effective May 5, 2003, the Corporation froze the benefits for employees at the compensation levels in effect at December 31, 2002, and effective May 15, 2004, the benefits under the defined benefit plan were frozen.

During 2003, the Corporation instituted a defined contribution plan covering most of its employees. Employees who meet eligibility requirements specified by the plan may contribute to the plan. The Corporation may make contributions to eligible employees at its discretion. Expense under the defined contribution plan was approximately \$1,331,000 and \$1,454,000 for the years ended September 30, 2013 and 2012, respectively.

The Corporation recognizes the funded status (*i.e.*, the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in the consolidated balance sheets. Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. The amounts included in unrestricted net assets will be subsequently recognized as net periodic pension cost pursuant to the Corporation's accounting policy for amortizing such amounts. The amounts will be subsequently recognized as a component of net periodic pension cost.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

The following table provides a reconciliation of the changes in the benefit obligation and fair value of plan assets for the years ended September 30, 2013 and 2012, and a statement of the funded status as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Reconciliation of benefit obligation		
Benefit obligation at the beginning of the year	\$ 77,605,160	\$ 64,747,232
Interest cost	2,780,406	3,146,731
Actuarial (gain) loss	(8,507,103)	12,400,860
Benefits paid	(3,135,010)	(2,689,663)
	<u>68,743,453</u>	<u>77,605,160</u>
Benefit obligation at the end of the year		
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	46,038,549	41,751,758
Actual return on plan assets	5,122,670	5,433,512
Employer contributions	997,187	1,542,942
Benefit paid	(3,135,010)	(2,689,663)
	<u>49,023,396</u>	<u>46,038,549</u>
Fair value of plan assets at end of year		
Funded status at September 30	<u>\$ (19,720,057)</u>	<u>\$ (31,566,611)</u>

The change in the actuarial (gain) loss for the years ended September 30, 2013 and 2012, is attributable to the change in the discount rate utilized to determine the benefit obligation amount.

Liabilities recognized in the consolidated balance sheets are as follows:

	<u>2013</u>	<u>2012</u>
Noncurrent liabilities	<u>\$ (19,720,057)</u>	<u>\$ (31,566,611)</u>

Information for the pension plan which has an accumulated benefit obligation in excess of plan assets:

	<u>2013</u>	<u>2012</u>
Projected benefit obligation	<u>\$ 68,743,453</u>	<u>\$ 77,605,160</u>
Accumulated benefit obligation	<u>\$ 68,743,453</u>	<u>\$ 77,605,160</u>
Fair value of plan assets	<u>\$ 49,023,396</u>	<u>\$ 46,038,549</u>

Garden City Hospital and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

A summary of the components of net pension expense are as follows:

	2013	2012
Interest cost	\$ 2,780,406	\$ 3,146,731
Expected return on plan assets	(3,819,506)	(3,457,557)
Amortization of actuarial loss	1,295,392	945,261
Net defined benefit pension expense	256,292	634,435
Defined contribution plan expense	1,331,390	1,454,369
Net pension expense	<u>\$ 1,587,682</u>	<u>\$ 2,088,804</u>

The unrecognized net actuarial loss included in unrestricted net assets at September 30, 2013 and 2012, is \$29,978,295 and \$41,083,954, respectively.

Changes in plan assets and obligations recognized in unrestricted net assets during the year ended September 30, 2013 and 2012, include:

	2013	2012
Current year actuarial (gain) loss	\$ (9,810,267)	\$ 10,424,905
Amortization of unrecognized actuarial loss	(1,295,392)	(945,261)
Change in unrecognized net loss	<u>\$ (11,105,659)</u>	<u>\$ 9,479,644</u>

The unrecognized net loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during fiscal year ended September 30, 2014, is approximately \$925,000.

The assumptions used to determine the benefit obligations at September 30 are set forth below:

	2013	2012
Weighted-average discount rate	4.61%	3.68%
Measurement date	September 30	September 30

The assumptions used to determine the net periodic benefit cost for the years ended September 30 are as follows:

	2013	2012
Weighted-average discount rate	3.68%	4.90%
Weighted-average expected long-term rate of return on plan assets	8.5%	8.5%

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Expected Rate of Return

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the plan's investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Pension Plan Assets

A description of the valuation methodologies used for assets measured at fair value on a recurring basis is discussed in Note 6. For the pension plan assets, Level 1 assets include money market mutual funds, American Depositary Receipts, foreign stocks, common stocks and mutual funds. Level 2 for which quoted market prices are not available include investments in U. S. Government obligations, mortgage-backed GSE securities, collateralized mortgage obligations, asset-backed GSE securities, foreign securities, U.S. agency securities, corporate bonds and annuities. There are no Level 3 assets.

The fair values of the Corporation's pension plan assets at September 30, 2013 and 2012, by asset class are as follows:

		Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		Fair Value			
September 30, 2013					
Money market funds	\$ 1,251,902	\$ 1,251,902	\$ -	\$ -	
United States					
government obligations	6,652,788	-	6,652,788	-	
Mortgage-backed GSE					
securities	2,005,202	-	2,005,202	-	
Collateralized mortgage					
obligations	4,536,329	-	4,536,329	-	
Asset-backed GSE					
securities	578,460	-	578,460	-	

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

		Fair Value Measurement Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2013					
Foreign securities	\$ 994,280	\$ -	\$ 994,280	\$ -	
United States agencies securities	280,636	-	280,636	-	
American Depository Receipts	181,865	181,865	-	-	
Foreign stocks	2,199,116	2,199,116	-	-	
Corporate bonds	4,306,182	-	4,306,182	-	
Convertible corporate bonds	7,238,548	-	7,238,548	-	
Common stocks					
Consumer discretionary	2,427,737	2,427,737	-	-	
Consumer staples	1,603,290	1,603,290	-	-	
Energy	535,164	535,164	-	-	
Financial services	3,794,200	3,794,200	-	-	
Healthcare	1,995,510	1,995,510	-	-	
Industrial	1,348,148	1,348,148	-	-	
Information technology	4,542,697	4,542,697	-	-	
Materials	1,350,316	1,350,316	-	-	
	17,597,062	17,597,062	-	-	
Annuities	1,095,592	-	1,095,592	-	
	\$ 48,917,962	\$ 21,229,945	\$ 27,688,017	\$ -	

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2012				
Money market funds	\$ 1,918,714	\$ 1,918,714	\$ -	\$ -
United States				
government obligations	6,848,212	-	6,848,212	-
Mortgage-backed GSE				
securities	2,042,860	-	2,042,860	-
Collateralized mortgage				
obligations	6,202,588	-	6,202,588	-
Asset-backed GSE				
securities	347,378	-	347,378	-
Foreign securities	692,960	-	692,960	-
United States agencies				
securities	293,071	-	293,071	-
American Depository				
Receipts	164,055	164,055	-	-
Foreign stocks	896,544	896,544	-	-
Corporate bonds	4,243,448	-	4,243,448	-
Common stocks				
Consumer				
discretionary	2,730,328	2,730,328	-	-
Consumer staples	1,114,620	1,114,620	-	-
Energy	482,201	482,201	-	-
Financial services	2,022,580	2,022,580	-	-
Healthcare	1,723,619	1,723,619	-	-
Industrial	1,960,964	1,960,964	-	-
Information technology	3,410,050	3,410,050	-	-
Materials	1,103,172	1,103,172	-	-
	14,547,534	14,547,534	-	-
Fixed income mutual				
funds	6,584,678	6,584,678	-	-
Annuities	1,183,290	-	1,183,290	-
	<u>\$ 45,965,332</u>	<u>\$ 24,111,525</u>	<u>\$ 21,853,807</u>	<u>\$ -</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. government securities, and other specified investments, based on certain target allocation percentages. The weighted-average asset allocation for the Corporation's pension plan at the end of fiscal 2013 and 2012, and the target allocation for fiscal 2013, by asset category, is as follows:

	Target Allocation	Percentage of Plan Assets September 30	
		2013	2012
Equity securities	35.0%	41.8%	33.7%
Debt securities	65.0%	55.6%	58.8%
Other	0.0%	2.6%	7.5%
Total	100.0%	100.0%	100.0%

Investment Strategy

The plan's asset allocation and investment strategy is designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors and manager style to minimize the risk of large losses. The Corporation uses investment managers specializing in each asset category and where appropriate, provides the investment manager with specific guidelines which include allowable and/or prohibited investment types. The Corporation regularly monitors manager performance and compliance with investment guidelines.

Expected Cash Flows

Information about the expected cash flows for the pension plans follows:

	Pension Benefits
Expected employer contributions, 2014	\$ 1,944,900
Expected benefit payments	
2014	3,311,654
2015	3,381,012
2016	3,516,867
2017	3,691,934
2018	3,805,694
2019 - 2023	21,408,402

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

The contribution amounts above include amounts paid to the trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the trust.

Note 14: Internal Revenue Service FICA Tax Refund for Former Residents

The Internal Revenue Service (IRS) announced in March 2010 that medical residents are excepted from FICA taxes based on the student exception for tax periods ending before April 1, 2005. The Corporation submitted claims for the years 2000-2005. The IRS refunded approximately \$198,000 and \$1,462,000 in FICA employer tax and interest which was recorded as a reduction of employee benefit expense on the consolidated statements of operations and changes in net assets for the years ended September 30, 2013 and 2012, respectively.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Commitments

The Corporation has outstanding commitments with certain companies for the construction of buildings and implementation of an electronic medical records system totaling approximately \$6,875,000 at September 30, 2013.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in Notes 1 and 9.

Litigation

In the normal course of business, the Corporation is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Corporation's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Corporation evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Pension Obligations

The Corporation has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Corporation 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 change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Current Economic Conditions

The current economic situation continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Corporation.

Current economic conditions, including the high unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue and provision for uncollectible accounts, which could have an adverse impact on the Corporation's future operating results.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values (including defined benefit pension plan investments) and allowances for accounts receivable that could negatively impact the Corporation's ability to meet debt covenants or maintain sufficient liquidity.

Note 16: *Patient Protection and Affordable Care Act*

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The State of Michigan has currently indicated it will participate in the Medicaid expansion program as of April 2014.

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

Note 17: Subsequent Event

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

Supplementary Information

Independent Auditor's Report on Supplementary Information

Board of Trustees
Garden City Hospital and Subsidiaries
Garden City, Michigan

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Fort Wayne, Indiana
January 7, 2014

Garden City Hospital and Subsidiaries
Consolidating Balance Sheet Information
September 30, 2013

	Consolidated	Consolidation Adjustments	Garden City Hospital
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,032,890	\$ -	\$ 6,474,108
Patient accounts receivable	9,664,126	-	8,904,656
Other receivables	210,740	-	210,740
Inventories	1,476,583	-	1,476,583
Prepaid expenses and other assets	2,370,584	(1,159,194)	1,433,339
Total current assets	20,754,923	(1,159,194)	18,499,426
Assets Whose Use is Limited	40,962,951	-	30,238,493
Due From Related Parties	-	(3,927,798)	3,452,135
Property and Equipment, net	47,496,578	-	46,558,909
Other Assets			
Deferred bond issuance costs	657,488	-	657,488
Investment in multi-provider captive insurance company	878,688	(4,811,354)	5,690,042
Other	482,153	-	482,153
Total other assets	2,018,329	(4,811,354)	6,829,683
Total assets	\$ 111,232,781	\$ (9,898,346)	\$ 105,578,646
Liabilities and Net Assets			
Current Liabilities			
Current portion of obligations under capital leases	\$ 195,741	\$ -	\$ 157,168
Current portion of long-term debt	1,109,755	-	1,064,670
Accounts payable and other accrued expenses	6,416,814	-	6,220,212
Accrued benefits payable	6,842,895	-	6,590,685
Amounts due to third-party payers	2,633,538	-	2,633,538
Total current liabilities	17,198,743	-	16,666,273
Other Liabilities			
Reserve for professional liability claims	10,248,606	(5,852,366)	3,978,169
Pension liability	19,720,057	-	19,720,057
Due to related parties	-	(3,925,980)	-
Long-term obligations under capital leases	1,739,544	-	1,664,216
Long-term debt	50,367,901	-	50,255,824
Total other liabilities	82,076,108	(9,778,346)	75,618,266
Total liabilities	99,274,851	(9,778,346)	92,284,539
Net Assets			
Unrestricted (deficit)	11,512,126	(120,000)	13,182,789
Temporarily restricted	445,804	-	111,318
Total net assets (deficit)	11,957,930	(120,000)	13,294,107
Total liabilities and net assets	\$ 111,232,781	\$ (9,898,346)	\$ 105,578,646

GCH Assurance Company Limited	Amerigard Development, Inc.	United Home Health Services, Inc.	Garden City Hospital Foundation	Amerigard Diagnostic Centre	Advance Nursing Center, Inc.
\$ 181,439	\$ 181,594	\$ 88,398	\$ 75,511	\$ 31,840	\$ -
-	359,396	396,951	2,575	548	-
-	-	-	-	-	-
-	-	-	-	-	-
1,910,077	136,286	50,076	-	-	-
2,091,516	677,276	535,425	78,086	32,388	-
10,166,224	-	223,748	334,486	-	-
-	-	-	475,663	-	-
-	916,543	20,206	920	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 12,257,740	\$ 1,593,819	\$ 779,379	\$ 889,155	\$ 32,388	\$ -
\$ -	\$ 38,573	\$ -	\$ -	\$ -	\$ -
-	45,085	-	-	-	-
14,937	146,714	34,880	-	71	-
-	75,306	176,870	34	-	-
-	-	-	-	-	-
14,937	305,678	211,750	34	71	-
12,122,803	-	-	-	-	-
-	-	-	-	-	-
-	2,617,261	54,209	-	1,254,510	-
-	75,328	-	-	-	-
-	112,077	-	-	-	-
12,122,803	2,804,666	54,209	-	1,254,510	-
12,137,740	3,110,344	265,959	34	1,254,581	-
120,000	(1,516,525)	513,420	554,635	(1,222,193)	-
-	-	-	334,486	-	-
120,000	(1,516,525)	513,420	889,121	(1,222,193)	-
\$ 12,257,740	\$ 1,593,819	\$ 779,379	\$ 889,155	\$ 32,388	\$ -

Garden City Hospital and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended September 30, 2013

	Consolidated	Consolidation Adjustments	Garden City Hospital
Unrestricted Revenue and Other Support			
Patient service revenue (net of contractual discounts and allowances)	\$ 149,751,042	\$ -	\$ 142,337,059
Provision for uncollectible accounts	(15,370,662)	-	(15,287,487)
Net patient service revenue less provision for uncollectible accounts	134,380,380	-	127,049,572
Investment income	1,354,259	-	1,152,386
Other revenue	8,358,319	(242,186)	7,329,932
Total unrestricted revenue and other support	144,092,958	(242,186)	135,531,890
Expenses			
Salaries and wages	62,760,091	-	57,211,610
Employee benefits	17,158,305	-	15,990,681
Professional fees	2,710,373	-	2,660,609
Supplies	24,121,845	-	23,652,277
Utilities	2,325,416	-	2,161,230
Purchased services	11,020,015	-	10,440,430
Other	11,273,013	-	10,100,953
Insurance	2,807,338	(242,186)	1,972,339
Interest	2,779,985	-	2,758,021
Depreciation and amortization	5,725,655	-	5,505,270
Total expenses	142,682,036	(242,186)	132,453,420
Excess (Deficiency) of Revenue Over Expenses	1,410,922	-	3,078,470
Change in defined benefit plan gains	11,105,659	-	11,105,659
Other	7,396	-	-
Transfer to/from affiliate	-	-	(666,386)
Increase (decrease) in unrestricted net assets	12,523,977	-	13,517,743
Temporarily Restricted Net Assets			
Contributions	22,850	-	18,583
Net assets released from restrictions	(48,690)	-	(43,390)
Decrease in temporarily restricted net assets	(25,840)	-	(24,807)
Increase (Decrease) in Net Assets	12,498,137	-	13,492,936
Net Assets Beginning of Year	(540,207)	(120,000)	(198,829)
Net Assets End of Year	\$ 11,957,930	\$ (120,000)	\$ 13,294,107

GCH Assurance Company Limited	Amerigard Development, Inc.	United Home Health Services, Inc.	Garden City Hospital Foundation	Amerigard Diagnostic Centre	Advance Nursing Center, Inc.
\$ -	\$ 4,309,183	\$ 3,205,471	\$ -	\$ (100,671)	\$ -
-	(149,455)	18,353	-	47,927	-
-	4,159,728	3,223,824	-	(52,744)	-
175,722	-	12,166	13,985	-	-
800,714	335,527	10,286	132,749	(8,703)	-
976,436	4,495,255	3,246,276	146,734	(61,447)	-
-	3,375,623	2,136,539	6,094	30,225	-
-	696,382	464,239	467	6,536	-
-	15,738	11,500	3,400	19,126	-
-	395,389	73,034	389	756	-
-	98,724	60,736	-	4,726	-
-	388,287	129,153	9,182	52,963	-
166,606	523,678	413,033	56,914	11,829	-
809,830	186,524	79,191	-	1,640	-
-	21,964	-	-	-	-
-	195,548	23,297	346	1,194	-
976,436	5,897,857	3,390,722	76,792	128,995	-
-	(1,402,602)	(144,446)	69,942	(190,442)	-
-	-	-	-	-	-
-	-	-	-	-	7,396
-	693,800	-	-	-	(27,414)
-	(708,802)	(144,446)	69,942	(190,442)	(20,018)
-	-	-	4,267	-	-
-	-	-	(5,300)	-	-
-	-	-	(1,033)	-	-
-	(708,802)	(144,446)	68,909	(190,442)	(20,018)
120,000	(807,723)	657,866	820,212	(1,031,751)	20,018
\$ 120,000	\$ (1,516,525)	\$ 513,420	\$ 889,121	\$ (1,222,193)	\$ -

Consolidated Statements of Operations
and Changes in Net Assets

	Period Ended May 31 <u>2014</u>
Unrestricted revenue and other support	
Patient Service revenue	\$ 102,893,910
Provision for Uncollectible accounts	<u>(10,267,119)</u>
Net patient service revenue less provision for uncollectible accounts	92,626,791
Investment income	1,264,211
Other revenue	<u>4,043,894</u>
Total revenue and other support	97,934,896
Expenses	
Wages	41,325,256
Employee benefits	11,698,803
Professional fees	1,959,521
Supplies	17,264,116
Utilities	1,318,362
Purchased services	7,078,891
Other	8,110,244
Insurance	2,055,847
Interest	1,824,096
Depreciation and amortization	<u>3,796,278</u>
Total expenses	96,431,413
Excess of revenue over expenses	1,503,483
Change in defined benefit pension plan gains	-
Other	<u>5,700</u>
Increase in unrestricted net assets	1,509,183
Temporarily restricted net assets	
Contributions	44,570
Net assets released from restrictions	<u>(421,198)</u>
Decrease in temporarily restricted net assets	(376,628)
Increase/(Decrease) in net assets	1,132,552
Net assets at beginning of year	<u>11,957,930</u>
Net assets at end of year	<u><u>\$ 13,090,482</u></u>

Garden City Hospital and Subsidiaries
Consolidated Balance Sheets

	As of May 31 2014
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,588,666
Accounts receivable, less allowance for uncollectible accounts of \$14,601,000 in 2014 and \$15,134,000 in 2013	12,207,197
Other Receivables	79,110
Due from third party payors	-
Inventories	1,477,067
Prepaid expenses and other assets	2,766,853
Total current assets	21,118,893
Assets whose use is limited	42,851,497
Property and equipment, net	48,872,246
Other assets:	
Deferred bond costs, less accumulated amortization	626,144
Investment in multiprovider captive insurance company	(2,997,347)
Other	328,538
Total other assets	(2,042,665)
Total assets	<u><u>\$ 110,799,971</u></u>
Liabilities and net assets	
Current liabilities:	
Current portion of obligations under capital leases	\$ 203,434
Current portion of long-term debt	1,109,632
Due to third-party payors	2,159,145
Accounts payable and accrued expenses	7,329,631
Accrued benefits payable	4,420,487
Total current liabilities	15,222,329
Other liabilities:	
Reserve for professional liability claims	11,579,003
Pension obligation	18,970,314
Obligations under capital leases, less current portion	1,602,618
Long-term debt, less current portion	50,335,223
Total other liabilities	82,487,158
Total liabilities	97,709,487
Net assets:	
Unrestricted	13,021,309
Temporarily restricted	69,175
Total net assets	13,090,484
Total liabilities and net assets	<u><u>\$ 110,799,971</u></u>

Schedule 4.6

Material Licenses and Permits

GARDEN CITY HOSPITAL LICENSES & CERTIFICATIONS		
Issued to	License/ Certificate No.	Description
Garden City Hospital	SFE4882030728	State of Michigan license to operate a food service establishment (Expired 04/30/14)
Garden City Hospital	23D0367602	CLIA Certificate of Accreditation (Expires 07/20/15)
Garden City Hospital		Confirmation letter and certificate from the American Osteopathic Association's Healthcare Facilities Accreditation Program granting laboratory accreditation (Expires 11/05/14)
Garden City Hospital Center for Breast Health	33122	Radiation Machine Registration Certificate from the Michigan Department of Licensing and Regulatory Affairs Radiation Safety Section. Mammography machine no. 71041 (Expired 12/01/13)
Garden City Hospital	4039	Radiation Machine Registration Certificate from the Michigan Department of Licensing and Regulatory Affairs Radiation Safety Section. Mammography machine no. 49295 (Expired 06/01/14)
Garden City Hospital	4038	Radiation Machine Registration Certificate from the Michigan Department of Licensing and Regulatory Affairs Radiation Safety Section. Radiation machine nos. 11696; 22769; 34311; 39819; 43734; 43735; 43736; 45824; 51897; 52274; 57055; 57215; 57433; 60004; 62610; 63028; 64573; 67229; and 71272.
Garden City Hospital		Nuclear medicine services accreditation certificate from the American College of Radiology for the ADAC Laboratories FORTE 2007 for Planar, SPECT, Nuclear Cardiology (Expires 12/01/14)
Garden City Hospital		Nuclear medicine services accreditation certificate from the American College of Radiology for the ADAC Laboratories FORTE 2000 for Planar, SPECT, Nuclear Cardiology (Expires 12/01/14)
Garden City Hospital		Computed tomography services accreditation certificate from the American College of Radiology for the Siemens SENSATION OPEN 2007 for Adult and Pediatric Patients Head/Neck, Chest, Abdomen (Expires 10/20/14)
Garden City Hospital		Computed tomography services accreditation certificate from the American College of Radiology for the Siemens SOMATOM SENSATION 64 2007 for Adult and Pediatric Patients Head/Neck, Chest, Abdomen, Cardiac (Expires 10/20/14)
Garden City Hospital		Ultrasound services accreditation certificate from the American College of Radiology for Obstetrical (1st, 2nd and 3rd Trimesters), Gynecological, General, Vascular (Expires 02/17/16)
Garden City	21-04072-01	Materials license from the U.S. Nuclear Regulatory Commission for

Osteopathic Hospital		use of nuclear material (Expires 05/31/15)
Garden City Hospital		Mammographic imaging services accreditation certificate from the American College of Radiology for the General Electric Co. (GE Medical Systems) SENOGAPHE ESSENTIAL 2011 (Expires 05/11/15)
Garden City Hospital Center for Breast Care	155051 (Facility ID number)	FDA certificate for Certified Mammography Facility (Expires 05/11/15)
Garden City Hospital		Magnetic resonance imaging services accreditation certificate from the American College of Radiology for General Electric 12X HD EXCITE 2005 for Head, Spine, Body, MSK, MRA (Expires 03/12/15)
Garden City Hospital PHARM	AG2734677	DEA Controlled Substance Registration Certificate (Expires 09/30/14)
Garden City Hospital Outpatient Pharmacy	BG2881313	DEA Controlled Substance Registration Certificate (Expires 09/30/15)
Garden City Hospital PHARM	L2235906	State of Michigan Department of Licensing and Regulatory Affairs Pharmacy License (Expires 06/30/14)
Garden City Hospital PHARM	L2235909	State of Michigan Department of Licensing and Regulatory Affairs Controlled Substance License (Expires 06/30/14)
Garden City Hospital Outpatient Pharmacy	L2235907	State of Michigan Department of Licensing and Regulatory Affairs Pharmacy License (Expires 06/30/14)
Garden City Hospital Outpatient Pharmacy	L2235910	State of Michigan Department of Licensing and Regulatory Affairs Controlled Substance License (Expires 06/30/14)
Garden City Hospital Osteopathic	MW0001311	State of Michigan Department of Environmental Quality Certificate of Registration as a Medical Waste Producing Facility (Expires 7/31/16)

Schedule 4.8

Exceptions to Regulatory Compliance

None

Schedule 4.9

Material Contracts
(see attached)

Contracting Party

A-1 INTERNATIONAL INC.
ADVISORY BOARD COMPANY
AGFA FINANCE CORPORATION
AIRGAS GREAT LAKES INC.
AIRWATCH LLC
ALLIANCE-HNI LLC
ALLSCRIPTS HEALTHCARE LLC
ALLSCRIPTS LLC
AMERICAN BAROMEDICAL CORP.
AMERICAN MESSAGING
Amerisource
AMERISOURCE CORP. I/P
ANESTHESIA ASSOCIATES
ANESTHESIA BUSINESS
API SOFTWARE INC
ARC SOUTHEASTERN MICHIGAN
ASHA JAIN M.D.
BANK OF AMERICA
BAXTER HEALTHCARE
BCTECHNICAL INC.
BEACON PARTNERS INC.
Bette Fitz
BP CANADA ENERGY MARKETING
Brookfield Clinic
BUILDING TECHNOLOGY SERVICE
CAREFUSION SOLUTIONS, LLC
Caretech
CARETECH SOLUTIONS INC.
CBCS
CERNER CORPORATION
CHRISTOPHER DOIG D.O.
CIGNA GROUP INSURANCE
CISCO CAPITAL
CONCERRO INC.
COVERYS INSURANCE SERVICES
COVERYS INSURANCE SERVICES
CRIMSON
CRITICAL CARE MEDICINE ASS
DATA INNOVATIONS, LLC
DATA STRATEGY LLC
DeGara

Contract Name / Nature of Service

Courier Services
Pay Nav, Crimson, & Nursing Leadership Council
Radiology Supplies and Maint.
Medical Gases, Bulk
Mobile Device Mgmt Software Purchase
MRI Lease and Staffing
Case Mgmt Software
EMR/Revenue Software Maint.
Wound Care Center Management
Pagers
Pharmaceuticals
Pharmacy Distribution
Medical Director
CRNA Billing Services
Timekeeping Software
Blood and Blood Products
Medical Director
Marsh Brokerage Fee
IV Pump Lease and Supplies
Biomedical Service Agreement
IT Consulting
Severance Agreement
Utilities
Collections of Billing Services
Medical Office Build Out
Pharmacy Dispensing Machine Lease
IT Outsource
IT Outsourcing (most is paid by wire)
Bad Debt Collection
Lab Software being replaced 7/1
Residency Director Fee
Employee Disability, Life, & Accident
Network Equipment Lease
Bid-Shift Software
Workers Comp Escrow
Workers Comp Self Funded Admin Fees
Market Intelligence Software Subscription
ICU Intensivists
Lab Software Conversion
Pharmacy Software
Enhanced Medicaid

DEGARA GARDEN CITY PLLC	Medicaid Enhance Reimb
DEGARA GROUP	Emergency Physician Group
DEPUY ORTHOPAEDICS INC.	Medical Implants and Supplies
DONALD COX D.O. PC	Physician Services
DONALD S SHIN MD	Physician Services
DR HAMID SANJAGHSAZ	Enhanced Medicaid Billing
DR DENNIS VOLLMAN	Physician Services
EASYPERMIT POSTAGE	Postage
EBIX HEALTH INC.	Employee Benefits Enrollment Service
EMMANUEL PAPASIFAKIS D.O.	Residency Director Fee, Med Director
EV3 ENDOVASCULAR INC	Medical Implants and Supplies
EVERBRIDGE INC.	Notification System
FINCOR SOLUTIONS	Workers Comp Management, just signed
FLAGSTAR BANK, FSB	Westland Building Rent (During LL Bankruptcy)
FORERUN INC.	fka Emergisoft ER Software being replaced 7/1/14
FRANK WINTERS DR.	Physician Services
FRESENIUS MANAGEMENT SERVI	Dialysis Services and Supplies
Gary Ley	Employment Agreement
GE HEALTHCARE IITS USA COR	Centricity OB Information System
GE MEDICAL SYSTEMS INFORMA	Muse Software Support
GEN-PROBE	Lab Reagent Lease Agreement
GHULAM QADIR M.D. P.C.	Physician Services
GREAT LAKES HEALTH	HIE Membership Fees
GREAT LAKES MEDICAL SERVICE	Cryosurgical Equipment Rental and Supplies
GREAT LAKES REIMBURSEMENT	Reimbursement Consulting
GUARDIAN ENVIRONMENTAL SER	Maintenance Services
H REX RUETTINGER	Medical Director, Unassigned Call
HADDAD CONSULTING LLC	Office Rent
HAEMONETICS CORPORATION	Soarian Lab Software
HAMID SANJAGHSAZ DO	Residency Director, On Call
HEALTH EDUCATION STRATEGIE	Former Staff Training BLS, ACLS Classes
HEALTHCARE PAYMENT SPECIAL	Medicaid DSH Services
HEART RHYTHM AND PACEMAKER	Dr. Hassan
HEMS INC.	Medical Control Authority Membership
HEWLETT PACKARD FINANCIAL	Allscripts Software Lease
Hospital Billing & Collection Service	
(HBCS)	Invision Billing Follow-up after Soarian Go Live
INFOR (US), INC.	Lawson Software Maint
INTEGRATED MEDICAL SYSTEMS	Surgical Instrument Repair and Service
IRON MOUNTAIN RECORDS MGMT	Offsite Storage
J BAGGS LAWN SERVICE	Lawn Maintenance
JOHN H. MORRISON JR. D.O.P	Sleep, Pulmonary Medicine
Kirsten Waarala	Severance Agreement

KONE INC.	Elevator Repair & Maintenance Agreement
KONICA MINOLTA BUSINESS	Usage charges on old copier lease
KONICA MINOLTA PREMIER FIN	Old Copier Leases
L & S ASSOCIATES INCORPORA	Medicaid Eligibility Services
LIFEPOINT INFORMATICS	Reference Lab software
LINDE GAS LLC	Medical Gases, Cylinders
LOGICALIS INC.	VM Ware Software
LOUIS C TEGTMEYER D.O.PC	Physician Services
LOUIS JACOBS D.O. PC	Physician Services
LUCENT SURGICAL INC.	Surgical Instruments
MARSHALL MEDLEY D.O.	Med Dir Quality, Wound Care
ME ENTERPRISE CCP WESTLAND	Westland Building Rent (New Landlord)
MEHRAN MIRKAZEMI D.O.	Surgical On Call
MERGE HEALTHCARE INC.	Radiology Software
MHA SERVICE CORPORATION	IDS Membership & Unemployment Admin Fees
MICHAEL BURRY	Residency Medical Director
MICHIGAN CO-TENANCY LABORT	Reference Lab
MICHIGAN STATE UNIVERSITY	Enhanced Medicaid Billing
MICHIGAN STATE UNIVERSITY	Medical Ed Statewide Campus System Dues
MOUNTAIN WEST SURGICAL ASS	Dr. Gross Surgical On Call
NATUS MEDICAL INC	OB Services and Hearing Screening
NUANCE COMMUNICATIONS	Transcription Software (fka Webmedx)
OAKWOOD HEALTH SERVICE COR	Neonatology Physician Coverage
OLYMPUS FINANCIAL SERVICES	Endo Cost/Case Contract
OPTUMINSIGHT	CAC Implementation
PAUL J DROUILLARD, D.O.	Residency Medical Director
PEPSI-COLA	Beverages
Pharmacy Systems	Pharmacy Management
Philips Medical	Telemetry Equipment Lease
PICIS INC.	Lynx ED Leveling Software Subscription
PLANTE MORAN FINANCIAL ADV	401k Investment Advisor
PREMIER INC.	Software Subscription
PRESS GANEY ASSOCIATES INC	Patient Survey Services
PROFESSIONAL BUILDING MAIN	Non-Hospital Building Maint.
PROVIDENT LIFE AND ACCIDEN	Disability Insurance
PSYCHE SYSTEMS CORPORATION	New Lab Software
RADIOMETER AMERICA INC	Badge Reading Services
REHABILITATION PHYSICIANS	Medical Director of Rehab Unit
REINO LINEN SERVICE INC.	Oursourced Linen
RETAIL MANAGEMENT PRODUCTS	Pharmacy Software
REVENUE CYCLE COMPASS	Advisory Board Comp. Decision Support Software
RICHARD SPINALE D.O.	Residency Medical Director, On Call
ROBERT BAKE REAL ESTATE IN	Office Rent

Rybar Group	BC Settlement Review
Saju George	Severance Agreement
Service Express, Inc.	Computer Server Annual Maintenance
Siemens Healthcare Diagnostics	PFA-100 6/13-6/14
Siemens Medical Solutions	Sireskop SX Fluorospot 2/20/11-2/19/16
Siemens Healthcare Diagnostics	PFA-100 6/12-6/13
Siemens Medical Solutions	Sequoia Ultrasound Service 4/14/06-4/13/12
Siemens Medical Solutions	Ultrasound Maintenance 11/20-09-11/19/14
Siemens Medical Solutions	Axiom Sensis Hemo gold 6/1/11-5/31/16
Siemens Healthcare Diagnostics	Advia Centaur 9/5/13-9/4/14
Siemens Healthcare Diagnostics	Sysmex CA-1500 10/20/13-10/19/14
Siemens Medical Solutions	SOMATOM Sensation 64 (9/21/13-9/20/18)
Siemens Medical Solutions	SOMATOM Sensation 64 (9/21/13-9/20/18)
Siemens Healthcare Diagnostics	Sysmex CA-1500 1/24/14-1/23/15
Siemens Healthcare Diagnostics	PFA-100 6/12/14-6/11/15
Siemens Healthcare Diagnostics	Stratus CS 10/10/13-10/9/14
Siemens Medical Solutions	Sequoia Gold Contract 5/6/11-5/5/17
Siemens Medical Solutions	Sequoia Gold Contract 5/6/11-5/5/17
Siemens Medical Solutions	Axiom Artis dFC
Siemens Medical Solutions	Coag Instrument reagent minimum requirements
SIEMENS MEDICAL SOLUTIONS	Software Hosting and Build
SLEIMAN ARBOR CENTER LLC	Office Rent
SPECIALTYCARE CARDIOVASCUL	Intra-Aortic Balloon Services
STERICYCLE INC.	Medical Waste Management
Steve Solomon	Severance Agreement
SUNTEL SERVICES LLC	Telephone Maintenance
SYSMEX AMERICA INCORPORA	Lab Equipment Lease
TCF EQUIPMENT FINANCE INC	Allscripts Hardware Lease
TELEHEALTH SERVICES	Television Lease and Programming
TERAMEDICA HEALTHCARE TECH	IT Software
TERARECON INC.	IT Software
THE JACKSON GROUP	Employee Survey Services
THREE M HEALTH INFORMATION	Encoder Software
Tim Jodway	Severance Agreement
TOSHIBA BUSINESS SOLUTIONS	Copier Supplies
TOSHIBA FINANCIAL SERVICES	Copier Rental
VELOCITY TECHNOLOGY SOLUTI	Lawson Software Hosting
VHS OF MICHIGAN INC.	Medical Education Urology from DMC
WASTE REDUCTION TEAM INC.	Broker for Waste Management
WAYNE STATE UNIVERSITY	Pathology Services
ZEE COMPANY INCORPORATED	Service Agreement Water Maintenance

Schedule 4.10

Equipment Depreciation Schedule

To be provided by Seller as of May 31, 2014.

Schedule 4.12

Exceptions to Real Property Representation

1. Lease Agreement dated on or about July 5, 2007, as amended, between Garden City Hospital, as tenant, and Westland Holdings, LLC, as landlord (now owned by ME Enterprise CCP Westland LLC, as the new landlord), for space located at 35550-35600 Central City Parkway, Westland, MI.
2. Lease Agreement dated on or about January 30, 2013, between Garden City Hospital, as tenant, and Haddad Consulting, LLC, as landlord, for space located at 6221 N. Telegraph Rd., Dearborn Heights, MI.
3. Medical Office Sublease dated on or about July 1, 2007, between Garden City Hospital, as sublessee, and Pamela Geppert, D.O., as sublessor, for space located at 9333 Haggerty Road, Plymouth, MI (draw lab).
4. Medical Office Sublease dated on or about July 12, 2012, between Garden City Hospital, as sublessee, and Howard Wright, D.O., as sublessor, for space located at 3133 S. Telegraph, Dearborn, MI (draw lab).
5. Medical Office Sublease dated on or about November 1, 2003, between Garden City Hospital, as sublessee, and Frank Winters, D.O., as sublessor, for space located at 38253 Ann Arbor Rd., Livonia, MI (draw lab).
6. Medical Office Sublease dated on or about September 8, 2008, between Garden City Hospital, as sublessee, and H. Rex Ruettinger, D.O., P.C., as sublessor, for space located at 8623 N. Telegraph #1, Dearborn Heights, MI (draw lab).
7. Medical Office Sublease dated on or about November 1, 2009, between Garden City Hospital, as sublessee, and William Preschel, D.O., as sublessor, for space located at 16551 W. Warren, Detroit, MI (draw lab).

Schedule 4.13

List of Life Safety Code Deficiencies

To be provided by Seller, if any.

Schedule 4.14

Insurance Policies

As provided by Seller.

Schedule 4.15

Exceptions to Employee Benefit Plan Representations

All employee health and welfare benefit plans have been administered in compliance with ERISA and provision of the IRS Code of 1986

The below listing is of all Health and Wellness Plans and Pension Plans:

GCH Welfare Plan

GCH Flex Plan

GCH Short Term Disability Plan

GCH Long Term Disability Plan

GCH Comprehensive Health Care Plan

GCH Life and AD&D Plan

GCH Osteopathic Employee Pension Plan

GCH Savings and Profit Sharing Plan

Schedule 4.16

EEOC/Wage and Hour Claims

No collective bargaining exists; no demand for recognition by a labor organization; no unfair practice claim against GCH before National Labor Relations Board; no pending or threatened EEOC claims or wage and hour claims

See the attached list of unemployment claims and workers' compensation claims.

Schedule 4.18

Disputes with Medical Staff Members

None

Schedule 6.2

Exceptions to Ordinary Course of Business

None

Schedule 12.1(a)

Inactive Employees (Short-Term or Long-Term Disability, LOA)

See attached list of employees on STD/LTD/LOA including: date leave began, expected return to work date (if known)