



**Deaconess
Health System**
Evansville, IN

**Period Ended
June 30, 2010**

**Unaudited
Consolidated
Financial Statements**

92 Bonds: 454797GF2
93 Bonds: 454797NW7
99A Bonds: 454797M81
99B Bonds: 454797T43
04B Bonds: 4547978A2

04A Bonds: 4547977W5
4547977Z8
4547977X3
4547977Y1
09A Bonds: 45471AAJ1
45471AAK8
09B Bonds: 45471AAH5

Release Date July 28, 2010

Deaconess Health System, Inc.

Consolidated Balance Sheets

	Period Ended June 30 2010	Fiscal Year Ended September 30 2009	Change
Assets			
Current assets:			
Cash and cash equivalents	\$ 53,668,787	\$ 36,087,735	\$ 17,581,052
Investments limited as to use, held by trustee	5,317,719	4,662,917	654,802
Accounts receivable, net	116,959,058	106,684,229	10,274,829
Estimated third-party payor settlements	-	-	-
Inventories	5,759,729	4,608,569	1,151,160
Prepaid expenses and other current assets	12,952,239	11,886,931	1,065,308
Total current assets	<u>194,657,532</u>	<u>163,930,381</u>	<u>30,727,151</u>
Investments limited as to use, less current portion:			
Funds held by trustee	39,680,744	76,646,339	(36,965,595)
Board designated funds	133,975,653	143,319,008	(9,343,355)
Restricted	7,655,332	7,433,786	221,546
	<u>181,311,729</u>	<u>227,399,133</u>	<u>(46,087,404)</u>
Property and Equipment:			
Land and improvements	17,488,308	17,415,922	72,386
Buildings and fixed equipment	397,759,070	391,908,971	5,850,099
Movable equipment	189,224,977	181,098,645	8,126,332
	<u>604,472,355</u>	<u>590,423,538</u>	<u>14,048,817</u>
Less allowances for depreciation	341,329,780	315,543,831	25,785,949
	<u>263,142,575</u>	<u>274,879,707</u>	<u>(11,737,132)</u>
Construction in progress	75,296,220	36,588,039	38,708,181
	<u>338,438,795</u>	<u>311,467,746</u>	<u>26,971,049</u>
Other assets:			
Deferred financing costs	2,980,014	3,123,267	(143,253)
Investments in joint ventures and other	51,582,225	53,351,732	(1,769,507)
	<u>54,562,239</u>	<u>56,474,999</u>	<u>(1,912,760)</u>
Total assets	<u>\$ 768,970,295</u>	<u>\$ 759,272,259</u>	<u>\$ 9,698,036</u>

Deaconess Health System, Inc.

Consolidated Balance Sheets (continued)

	Period Ended June 30 2010	Fiscal Year Ended September 30 2009	Change
Liabilities and net assets			
Current liabilities:			
Accounts payable and other current liabilities	\$ 34,947,517	\$ 38,950,490	\$ (4,002,973)
Salaries, wages and related liabilities	29,164,565	27,003,199	2,161,366
Estimated third-party payor settlements	4,844,193	1,617,444	3,226,749
Accrued interest	3,090,056	1,046,515	2,043,541
Current portion of long-term debt	7,025,528	6,599,176	426,352
Capital lease oblig - short-term	2,444,757	3,363,993	(919,236)
Other short-term liabilities	613,036	7,013,700	(6,400,664)
Total current liabilities	<u>82,129,652</u>	<u>85,594,517</u>	<u>(3,464,865)</u>
Long-term liabilities:			
Long-term debt, less current portion	231,984,670	238,035,547	(6,050,877)
Long-term capital leases	3,817,908	5,734,430	(1,916,522)
Other long-term liabilities	67,639,758	65,094,052	2,545,706
Total liabilities	<u>303,442,336</u>	<u>308,864,029</u>	<u>(5,421,693)</u>
Minority interest in consolidated entities	8,032,552	7,597,961	434,591
Net assets:			
Unrestricted	367,710,422	349,781,965	17,928,457
Restricted	7,655,333	7,433,787	221,546
Total net assets	<u>375,365,755</u>	<u>357,215,752</u>	<u>18,150,003</u>
Total liabilities and net assets	<u>\$ 768,970,295</u>	<u>\$ 759,272,259</u>	<u>\$ 9,698,036</u>

Deaconess Health System, Inc.

Consolidated Statement of Revenue and Expense

Period Ending June 30, 2010

CURRENT MONTH			YEAR TO DATE	
ACTUAL	LAST YEAR		ACTUAL	LAST YEAR
		Revenue:		
\$ 49,703,809	\$ 50,335,980	Net patient service revenue	\$ 438,793,297	\$ 437,882,905
131,320	145,936	Rental revenue	1,064,046	1,366,179
2,827,567	2,637,546	Other revenue	22,910,911	23,513,182
52,662,696	53,119,462	Total revenue	462,768,254	462,762,266
		Operating expenses:		
18,856,096	18,799,560	Salaries and wages	173,599,953	171,323,014
5,546,571	4,391,930	Employee benefits	46,184,535	40,083,802
9,515,066	8,199,554	Medical and surgical supplies	71,997,785	68,550,540
778,162	995,984	Other general supplies	6,727,364	8,437,957
5,783,917	6,766,127	Contract services	48,661,234	55,244,205
1,080,184	973,648	Utilities	8,864,717	9,041,920
1,723,001	1,742,693	Repair and maintenance	14,359,220	14,052,499
3,290,306	2,751,428	Provision for bad debts	20,670,549	23,704,309
3,082,672	2,884,954	Depreciation	27,867,434	25,168,987
581,870	611,450	Interest	4,937,511	5,122,415
899,330	1,037,960	Operating leases	8,028,541	9,556,750
1,494,734	1,459,829	Other	13,678,195	12,363,830
52,631,909	50,615,117	Total expenses	445,577,038	442,650,228
30,787	2,504,345	INCOME FROM OPERATIONS	17,191,216	20,112,038
484,501	(376,141)	Investment income	3,105,551	9,833,238
\$ 515,288	\$ 2,128,204	NET INCOME BEFORE MINORITY INTEREST	\$ 20,296,767	\$ 29,945,276
378,999	344,753	Minority Interest	2,891,484	2,496,858
\$ 136,289	\$ 1,783,451	NET INCOME AFTER MINORITY INTEREST	\$ 17,405,283	\$ 27,448,418
		Other changes in net assets		
(1,558,339)	1,712,783	unrestricted	523,174	(6,238,275)
		Increase (decrease) in		
\$ (1,422,050)	\$ 3,496,234	unrestricted net assets	\$ 17,928,457	\$ 21,210,143
		Increase (decrease) in restricted net assets, including		
8,540	(56,750)	assets released from restriction	221,546	(719,221)
\$ (1,413,510)	\$ 3,439,484	Increase (decrease) in net assets	\$ 18,150,003	\$ 20,490,922

Deaconess Health System, Inc.

Consolidated Statement of Cash Flows

	Period Ended June 30 2010	Fiscal Year Ended September 30 2009
Operating activities		
Increase in net assets	\$ 18,150,003	\$ (14,047,949)
Adjustments to reconcile increase in net assets to net cash provided by operating activities and investment income:		
Depreciation and amortization	27,867,434	34,049,286
Net change in unrealized (gain) loss on investments	(523,174)	(4,519,311)
Minority interest in earnings	2,891,484	1,930,105
Amortization of deferred financing costs and original issue discount	194,140	147,930
Increase in pension liability and other	629,184	47,344,337
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,274,829)	(18,656,117)
Other current assets	(2,216,468)	(4,740,543)
Accounts payable and other current liabilities	(4,002,973)	15,181,144
Salaries, wages and related liabilities	2,161,366	5,653,724
Estimated third-party payor settlements	3,226,749	2,999,159
Accrued interest	2,043,541	411,681
	40,146,457	65,753,446
Investing activities		
Purchases of property and equipment	(62,287,430)	(61,034,856)
Disposals of property and equipment	129,047	3,527,976
Transfers from trustee assets for principal, interest and construction draws	43,986,436	28,064,778
Deposits (to) from funds held by trustee	(7,675,643)	(108,093,077)
Change in board designated funds	9,866,529	(22,831,202)
Change in other investments	2,315,750	1,336,980
Other	(767,789)	(20,670,905)
	(14,433,100)	(179,700,306)
Financing activities		
Receipt of (distribution to) minority interest in consolidated entities	(2,456,893)	4,520,717
Repayments on long-term debt	(5,675,412)	(1,238,098)
Issuance of long-term debt	-	97,340,000
Premium/discount on issuance of new debt	-	(2,056,441)
Deferred issuance cost on new debt	-	(617,974)
	(8,132,305)	97,948,204
Net cash provide by (used in) financing activities	(8,132,305)	97,948,204
Increase (decrease) in cash and cash equivalents	17,581,052	(15,998,656)
Cash and cash equivalents at beginning of period	36,087,735	52,086,391
Cash and cash equivalents at end of period	\$ 53,668,787	\$ 36,087,735

Deaconess Health System, Inc.

Ratio Analysis

	Deaconess		Consolidated	
	Obligated Group			
	9 Months Ending June 30 2010	12 Months Ending September 30 2009	9 Months Ending June 30 2010	12 Months Ending September 30 2009
Operating Margin	3.77%	3.83%	3.71%	3.50%
Net Margin:				
before minority interest	4.58%	6.02%	4.39%	5.30%
after minority interest	4.58%	6.02%	3.76%	4.98%
Non-Operating Revenue %:				
before minority interest	17.76%	36.32%	15.30%	33.92%
after minority interest	17.76%	36.32%	17.84%	36.06%
Current Ratio	2.54	2.05	2.37	1.92
Days Cash on Hand	145.84	137.40	122.64	116.75
Days in Accounts Receivable (net)	74.98	65.10	72.77	66.97
Average Payment Period	52.91	54.39	53.14	57.96
Return on Assets:				
before minority interest	3.18%	4.70%	3.57%	4.87%
after minority interest	3.18%	4.70%	3.06%	4.59%
Return on Equity:				
before minority interest	6.31%	8.78%	7.36%	9.33%
after minority interest	6.31%	8.78%	6.31%	8.78%
Growth Rate in Equity:				
before minority interest	6.78%	-3.76%	7.89%	-3.23%
after minority interest	6.78%	-3.76%	6.78%	-3.76%
Cash to Debt	0.78	0.72	0.80	0.74
Long Term Debt to Equity:	0.66	0.72	0.67	0.73
Debt to Total Assets	0.31	0.33	0.31	0.32
EBITDA Debt Service Coverage:				
before minority interest	4.29	4.27	4.41	4.28
after minority interest	4.29	4.27	4.17	4.16
Cushion Ratio	8.24	7.84	8.52	8.14
Maximum Annual Debt Service as a % of Revenue	3.61%	3.58%	2.96%	2.96%
Funded Indebtedness to Total Capitalization	0.40	0.42	0.40	0.42
Average Age of Plant	9.86	9.97	9.19	9.27

DEACONESS HEALTH SYSTEM, INC.

RATIO ANALYSIS

OPERATING MARGIN	=	$\frac{\text{Income From Operations}}{\text{Net Revenue (Total Revenue)}}$
NET MARGIN	=	$\frac{\text{Excess Revenue Over Expense}}{\text{Net Revenue (Total Revenue)}}$
NON-OPERATING REVENUE %	=	$\frac{\text{Non Operating Revenue}}{\text{Excess Revenue Over Expense}}$
CURRENT RATIO	=	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
DAYS CASH ON HAND	=	$\frac{\text{Cash + Investments + Board Designated Funds}}{\frac{\text{Operating Expense - Depreciation}}{\text{Days in Period}}}$
DAYS IN PATIENT ACCOUNTS RECEIVABLE	=	$\frac{\text{Net Patient Accounts Receivable}}{\frac{\text{Net Patient Service Revenue}}{\text{Days in Period}}}$
AVERAGE PAYMENT PERIOD	=	$\frac{\text{Current Liabilities - Estimated Third Party Settlements}}{\frac{\text{Operating Expense - Depreciation - Bad Debt}}{\text{Days in Period}}}$
RETURN ON ASSETS	=	$\frac{\text{Excess Revenue Over Expenses}}{\text{Total Assets - Restricted Funds - Unrealized Gain/Loss}}$
RETURN ON EQUITY	=	$\frac{\text{Excess Revenue Over Expenses}}{\text{Unrestricted Net Assets}}$
GROWTH RATE IN EQUITY	=	$\frac{\text{Change in Unrestricted Net Assets}}{\text{Unrestricted Net Assets Beginning Balance}}$
CASH TO DEBT	=	$\frac{\text{Cash + Investments + Board Designated Funds}}{\text{Long-Term Debt Less Current Portion}}$
LONG TERM DEBT TO EQUITY	=	$\frac{\text{Long-Term Debt}}{\text{Unrestricted Net Assets}}$
DEBT TO TOTAL ASSETS	=	$\frac{\text{Long-Term Debt Less Current Portion}}{\text{Total Assets}}$
EBITDA DEBT SERVICE COVERAGE	=	$\frac{\text{Excess Revenue Over Expenses + Depreciation + Interest}}{\text{Interest Expense + Current Portion Long-Term Debt}}$
CUSHION RATIO	=	$\frac{\text{Cash + Investments + Board Designated Funds}}{\text{Maximum Annual Debt Service}}$
MAXIMUM ANNUAL DEBT SERVICE AS A % OF REVENUE	=	$\frac{\text{Maximum Annual Debt Service}}{\text{Net Revenue (Total Revenue)}}$
FUNDED INDEBTEDNESS TO TOTAL CAPITALIZATION	=	$\frac{\text{Long-Term Debt}}{\text{Long-Term Debt + Unrestricted Net Assets}}$
AVERAGE AGE OF PLANT	=	$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$

Deaconess Health System, Inc.

Details of Consolidated Balance Sheet

June 30, 2010

	Obligated Group				Non-Obligated Group		
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Assets							
Current assets:							
Cash and cash equivalents	\$ 53,668,787	\$ -	\$ 47,494,722	\$ -	\$ 1,228,166	\$ 46,266,556	\$ 6,174,065
Investment assets limited as to use, held by trustee	5,317,719	-	5,317,719	-	-	5,317,719	-
Accounts receivable, net	116,959,058	-	102,591,496	-	-	102,591,496	14,367,562
Estimated third-party payor settlements	-	-	-	-	-	-	-
Inventories	5,759,729	-	4,922,143	-	-	4,922,143	837,586
Prepaid expenses	6,008,779	-	5,123,526	-	14,234	5,109,292	885,253
Other current assets	6,943,460	(426,199)	2,109,090	151,530	991,107	966,453	5,260,569
Total current assets	194,657,532	(426,199)	167,558,696	151,530	2,233,507	165,173,659	27,525,035
Investment assets limited as to use, less current portion:							
Funds held by trustee	39,680,744	-	39,680,744	-	-	39,680,744	-
Board designated funds	133,975,653	-	133,975,653	-	-	133,975,653	-
Restricted	7,655,332	-	7,655,332	-	-	7,655,332	-
	181,311,729	-	181,311,729	-	-	181,311,729	-
Property and Equipment:							
Land and improvements	17,488,308	-	17,488,308	-	2,986,889	14,501,419	-
Buildings and fixed equipment	397,759,070	-	390,227,474	-	36,945,489	353,281,985	7,531,596
Moveable equipment	189,224,977	-	184,074,670	-	224,545	183,850,125	5,150,307
	604,472,355	-	591,790,452	-	40,156,923	551,633,529	12,681,903
Less allowances for depreciation	341,329,780	-	337,997,052	-	24,840,863	313,156,189	3,332,728
	263,142,575	-	253,793,400	-	15,316,060	238,477,340	9,349,175
Construction in progress	75,296,220	-	74,564,261	-	60,824	74,503,437	731,959
	338,438,795	-	328,357,661	-	15,376,884	312,980,777	10,081,134
Other assets:							
Deferred financing costs	2,980,014	-	2,980,014	-	-	2,980,014	-
Investments in joint ventures	20,851,352	(16,767,933)	37,387,587	-	6,352,930	31,034,657	231,698
Other	30,730,873	-	24,048,127	(73,229)	-	24,121,356	6,682,746
	54,562,239	(16,767,933)	64,415,728	(73,229)	6,352,930	58,136,027	6,914,444
Total assets	\$ 768,970,295	\$ (17,194,132)	\$ 741,643,814	\$ 78,301	\$ 23,963,321	\$ 717,602,192	\$ 44,520,613

Deaconess Health System, Inc.

Details of Consolidated Balance Sheet (continued)

June 30, 2010

	Obligated Group						Non-Obligated Group
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Liabilities and net assets							
Current liabilities:							
Accounts payable and other current liabilities	\$ 34,947,517	\$ (426,199)	\$ 25,745,410	\$ 151,530	\$ 122,932	\$ 25,470,948	\$ 9,628,306
Accrued salaries and vacation	24,159,731	-	20,331,769	-	-	20,331,769	3,827,962
Accrued payroll taxes and withholdings	5,004,834	-	4,291,847	-	-	4,291,847	712,987
Estimated third-party payor settlements	4,844,193	-	3,954,836	-	-	3,954,836	889,357
Accrued interest	3,090,056	-	3,088,743	-	227,045	2,861,698	1,313
Current portion of long-term debt	7,025,528	-	6,155,000	-	-	6,155,000	870,528
Capital lease oblig - short-term	2,444,757	-	2,444,757	-	-	2,444,757	-
Other short-term liabilities	613,036	-	45,540	-	-	45,540	567,496
Total current liabilities	82,129,652	(426,199)	66,057,902	151,530	349,977	65,556,395	16,497,949
Long-term liabilities:							
Long-term debt	240,558,076	-	236,895,000	-	-	236,895,000	3,663,076
Bond discount	(1,547,878)	-	(1,547,878)	-	-	(1,547,878)	-
Current portion of long-term debt	(7,025,528)	-	(6,155,000)	-	-	(6,155,000)	(870,528)
Long-term capital leases	3,817,908	-	3,817,908	-	-	3,817,908	-
Other long-term liabilities	67,639,758	-	67,210,128	-	-	67,210,128	429,630
Total long-term liabilities	303,442,336	-	300,220,158	-	-	300,220,158	3,222,178
Total liabilities	385,571,988	(426,199)	366,278,060	151,530	349,977	365,776,553	19,720,127
Minority interest in consolidated entities	8,032,552	8,032,552	-	-	-	-	-
Net assets:							
Unrestricted	367,710,422	(24,800,485)	367,710,421	(73,229)	23,613,344	344,170,306	24,800,486
Restricted	7,655,333	-	7,655,333	-	-	7,655,333	-
Total net assets	375,365,755	(24,800,485)	375,365,754	(73,229)	23,613,344	351,825,639	24,800,486
Total liabilities and net assets	\$ 768,970,295	\$(17,194,132)	\$ 741,643,814	\$ 78,301	\$ 23,963,321	\$ 717,602,192	\$ 44,520,613

Deaconess Health System, Inc.

Details of Consolidated Statement of Operations and
Changes in Net Assets

As of June 30, 2010

	Obligated Group						Non-Obligated
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Unrestricted revenue and other support:							
Net patient service revenue	\$ 438,793,297	\$ -	\$ 373,517,060	\$ -	\$ -	\$ 373,517,060	\$ 65,276,237
Other revenue	23,974,957	1,585,339	6,214,739	(1,134,619)	(12,188,348)	19,537,706	16,174,879
Total unrestricted revenue and other support	462,768,254	1,585,339	379,731,799	(1,134,619)	(12,188,348)	393,054,766	81,451,116
Expenses:							
Salaries and wages	173,599,953	-	136,216,718	-	-	136,216,718	37,383,235
Employee benefits	46,184,535	-	40,898,273	-	-	40,898,273	5,286,262
Medical and surgical supplies	71,997,785	-	61,014,930	-	-	61,014,930	10,982,855
Other general supplies	6,727,364	-	6,292,871	-	-	6,292,871	434,493
Contract services	48,661,234	(9,545,502)	38,044,749	-	754,649	37,290,100	20,161,987
Utilities	8,864,717	-	7,567,328	-	403,074	7,164,254	1,297,389
Repairs and maintenance	14,359,220	-	13,146,590	-	84,198	13,062,392	1,212,630
Provision for bad debts	20,670,549	-	19,251,597	-	-	19,251,597	1,418,952
Depreciation	27,867,434	-	25,715,151	-	821,651	24,893,500	2,152,283
Interest	4,937,511	-	4,680,390	-	-	4,680,390	257,121
Operating leases	8,028,541	-	6,024,002	-	43,065	5,980,937	2,004,539
Other	13,678,195	(321,514)	6,565,372	(1,134,619)	478,375	7,221,616	7,434,337
Total expenses	445,577,038	(9,867,016)	365,417,971	(1,134,619)	2,585,012	363,967,578	90,026,083
Income from operations	17,191,216	11,452,355	14,313,828	-	(14,773,360)	29,087,188	(8,574,967)
Investment income	3,105,551	-	3,091,455	-	1,652	3,089,803	14,096
Net income before minority interest	20,296,767	11,452,355	17,405,283	-	(14,771,708)	32,176,991	(8,560,871)
Minority interest	2,891,484	2,891,484	-	-	-	-	-
Net income after minority interest	17,405,283	8,560,871	17,405,283	-	(14,771,708)	32,176,991	(8,560,871)
Net gain(loss) on unrealized appreciation of investments	523,174	-	523,174	-	-	523,174	-
Fund balance transfers	-	-	-	-	-	-	-
Accumulated other comprehensive income under pension plan	-	-	-	-	-	-	-
Other changes in unrestricted net assets	-	(8,858,943)	-	-	13,944,456	(13,944,456)	8,858,943
Increase (decrease) in unrestricted net assets	17,928,457	(298,072)	17,928,457	-	(827,252)	18,755,709	298,072
Restricted net assets:							
Contributions, gifts, and bequests	1,406,244	-	1,406,244	-	-	1,406,244	-
Net gain(loss) on unrealized appreciation of investments	(297,176)	-	(297,176)	-	-	(297,176)	-
Investment income	41,228	-	41,228	-	-	41,228	-
Grants	(639,445)	-	(639,445)	-	-	(639,445)	-
Specific purpose expenditures and other	(289,305)	-	(289,305)	-	-	(289,305)	-
Elimination of student nurse restricted funds	-	-	-	-	-	-	-
Increase in restricted net assets	221,546	-	221,546	-	-	221,546	-
Increase in net assets	18,150,003	(298,072)	18,150,003	-	(827,252)	18,977,255	298,072
Net assets at beginning of year	357,215,752	(24,502,413)	357,215,751	(73,229)	24,440,596	332,848,384	24,502,414
Net assets at end of year	\$ 375,365,755	\$ (24,800,485)	\$ 375,365,754	\$ (73,229)	\$ 23,613,344	\$ 351,825,639	\$ 24,800,486

Deaconess Health System, Inc.

Details of Consolidated Statement of Cash Flows

As of June 30, 2010

			Obligated Group			Non-Obligated Group	
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Operating activities							
Increase (decrease) in net assets	\$ 18,150,003	\$ (298,072)	\$ 18,150,003	\$ -	\$ (827,252)	\$ 18,977,255	\$ 298,072
Adjustments to reconcile changes in net assets to net cash provided by operating activities:							
Depreciation and amortization	27,867,434	-	25,715,151	-	821,651	24,893,500	2,152,283
Net unrealized (gain) loss on investments	(523,174)	-	(523,174)	-	-	(523,174)	-
Minority interest in earnings	2,891,484	2,891,484	-	-	-	-	-
Amortization of deferred financing costs and original issue discount	194,140	-	194,140	-	-	194,140	-
Change in pension liability and other	629,184	-	816,502	-	-	816,502	(187,318)
Changes in operating assets and liabilities:							
Accounts receivable, net	(10,274,829)	-	(14,635,955)	-	-	(14,635,955)	4,361,126
Other current assets	(2,216,468)	539,673	(1,143,155)	(259,120)	(884,828)	793	(1,612,986)
Accounts payable and other current liabilities	(4,002,973)	(539,673)	(5,572,447)	259,120	(6,773)	(5,824,794)	2,109,147
Salaries, wages and related liabilities	2,161,366	-	2,290,932	-	-	2,290,932	(129,566)
Estimated third-party settlements	3,226,749	-	2,990,814	-	(117,965)	3,108,779	235,935
Accrued interest	2,043,541	-	2,050,545	-	(57,366)	2,107,911	(7,004)
Net cash provided by operating activities and investment income	40,146,457	2,593,412	30,333,356	-	(1,072,533)	31,405,889	7,219,689
Investing activities							
Purchases of property and equipment	(62,287,430)	-	(54,391,314)	-	(6,286)	(54,385,028)	(7,896,116)
Disposals of property and equipment	129,047	-	-	-	-	-	129,047
Transfers from trustee assets for principal, interest and construction draws	43,986,436	-	43,986,436	-	-	43,986,436	-
Deposits (to) from funds held by trustee	(7,675,643)	-	(7,675,643)	-	-	(7,675,643)	-
Change in board designated funds	9,866,529	-	9,866,529	-	-	9,866,529	-
Change in other investments	2,315,750	(136,519)	2,457,827	-	722,442	1,735,385	(5,558)
Other	(767,789)	-	(777,783)	-	-	(777,783)	9,994
Net cash used by investing activities	(14,433,100)	(136,519)	(6,533,948)	-	716,156	(7,250,104)	(7,762,633)
Financing activities							
Receipt of (distribution to) minority interest in consolidated entities	(2,456,893)	(2,456,893)	-	-	-	-	-
Repayments on long-term debt	(5,675,412)	-	(5,835,000)	-	-	(5,835,000)	159,588
Issuance of long-term debt	-	-	-	-	-	-	-
Premium/discount on issuance of new debt	-	-	-	-	-	-	-
Deferred issuance cost on new debt	-	-	-	-	-	-	-
Net cash used by financing activities	(8,132,305)	(2,456,893)	(5,835,000)	-	-	(5,835,000)	159,588
Increase (decrease) in cash and cash equivalents	17,581,052	-	17,964,408	-	(356,377)	18,320,785	(383,356)
Cash and cash equivalents at beginning of year	36,087,735	-	29,530,314	-	1,584,543	27,945,771	6,557,421
Cash and cash equivalents at end of year	\$ 53,668,787	\$ -	\$ 47,494,722	\$ -	\$ 1,228,166	\$ 46,266,556	\$ 6,174,065

**DEACONESS HOSPITAL, INC.
STATISTICAL INFORMATION
2006 THRU 2010**

	FISCAL YEAR ENDING SEPTEMBER 30,				2010 FISCAL YTD Period Ending
	2006	2007	2008	2009	June, 30 2010
BEDS IN OPERATION	468	538	560	544	468
DISCHARGES - EXC. SNF	20,503	24,051	25,045	23,525	17,346
DISCHARGES - SNF ONLY	1,158	1,015	1,047	940	387
ADJUSTED DISCHARGES - ALL	36,289	41,641	45,281	45,204	33,713
% OCCUPANCY: OPERATIONAL BEDS	68%	70%	69%	67%	74%
PATIENT DAYS - EXC. SNF	101,063	124,816	128,173	121,185	89,082
PATIENT DAYS - SNF ONLY	14,468	12,444	13,398	12,685	5,497
ADJUSTED PATIENT DAYS - ALL	193,552	228,026	245,686	247,353	179,808
AVERAGE DAILY CENSUS - ALL	317	376	387	367	346
AVERAGE LENGTH OF STAY - EXC. SNF	4.9	5.2	5.1	5.2	5.1
AVERAGE LENGTH OF STAY - SNF ONLY	12.5	12.3	12.8	13.5	14.2
PAID FTE's	3,125	3,238	3,428	3,647	3,638
CASE MIX INDEX (MEDICARE ONLY)	1.6802	1.5767	1.5603	1.575	1.5325
OTHER OUTPATIENT VISITS	234,662	257,934	287,221	438,367	361,739
ER VISITS	73,087	79,969	83,383	86,059	63,940
OUTPATIENT SURGERIES	3,960	4,506	4,685	4,830	3,345
PAYOR MIX BY DISCHARGE					
MEDICARE	62.3%	58.8%	57.3%	56.8%	56.3%
MEDICAID	7.7%	9.4%	8.9%	9.3%	9.4%
MANAGED CARE	20.8%	23.0%	23.7%	23.1%	22.7%
OTHER COMMERCIAL, SELF PAY	9.2%	8.8%	10.1%	10.8%	11.6%
PAYOR MIX BY PATIENT DAY					
MEDICARE	67.1%	61.9%	61.1%	61.3%	60.9%
MEDICAID	7.7%	11.2%	9.9%	10.3%	10.8%
MANAGED CARE	16.9%	18.8%	19.7%	18.8%	18.3%
OTHER COMMERCIAL, SELF PAY	8.3%	8.1%	9.3%	9.6%	10.0%
PAYOR MIX BY REVENUE (I/P only)					
MEDICARE	62.5%	61.6%	59.2%	59.3%	58.6%
MEDICAID	7.1%	8.3%	7.8%	8.1%	8.5%
MANAGED CARE	20.9%	20.9%	22.2%	21.1%	21.3%
OTHER COMMERCIAL, SELF PAY	9.5%	9.2%	10.9%	11.5%	11.6%

**DEACONESS HOSPITAL, INC.
 STATISTICAL INFORMATION
 2006 THRU 2010**

	FISCAL YEAR ENDING SEPTEMBER 30,				2010 FISCAL YTD Period Ending
	2006	2007	2008	2009	June, 30 2010
CONTRACTUALS AS A % OF GROSS REVENUES					
MEDICARE	34.0%	33.5%	32.7%	32.7%	33.0%
MEDICAID	6.2%	7.0%	7.3%	7.0%	8.0%
MANAGED CARE AND OTHER	13.5%	14.3%	15.6%	16.9%	17.7%
CHARITY	2.1%	2.4%	3.7%	4.0%	4.1%
AVERAGE % OF CHARGE INCREASES	4.5%	4.5%	4.5%	5.5%	5.5%
DAYS NET REVENUE IN ACCOUNTS RECEIVABLE	72.10	63.10	69.54	66.33	74.26
% OF ACCOUNTS RECEIVABLE OVER 90 DAYS	19.0%	23.3%	21.7%	36.3%	31.6%

* As of most recent Case Mix Reports 03/31/10

**DEACONESS WOMEN'S HOSPITAL OF SOUTHERN INDIANA, LLC d/b/a
THE WOMEN'S HOSPITAL
STATISTICAL INFORMATION
2006 THRU 2010**

	FISCAL YEAR ENDING DECEMBER 31,				FISCAL YTD JUNE 30,
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
LICENSED BEDS	71	74	74	74	74
BEDS IN OPERATION	71	74	74	74	74
DISCHARGES - EXC. SNF	4,578	4,621	4,227	3,882	1,861
DISCHARGES - SNF ONLY	N/A	N/A	N/A	N/A	N/A
ADJUSTED DISCHARGES - ALL	5,747	5,905	5,633	6,287	3,164
% OCCUPANCY: OPERATIONAL BEDS	61%	66%	60%	57%	54%
% OCCUPANCY: LICENSED BEDS	61%	66%	60%	57%	54%
PATIENT DAYS - EXC. SNF	15,886	17,594	16,316	15,396	7,204
PATIENT DAYS - SNF ONLY	N/A	N/A	N/A	N/A	N/A
ADJUSTED PATIENT DAYS - ALL	19,943	22,483	21,743	24,934	12,250
AVERAGE DAILY CENSUS - ALL	44	48	45	42	40
AVERAGE LENGTH OF STAY - EXC. SNF	3.5	3.8	3.9	4.0	3.9
AVERAGE LENGTH OF STAY - SNF ONLY	N/A	N/A	N/A	N/A	N/A
PAID FTE's	322	351	353	357	354
CASE MIX INDEX (MEDICARE ONLY)	N/A	N/A	N/A	N/A	N/A
OTHER OUTPATIENT VISITS	5,353	5,948	5,876	5,916	2,929
ER VISITS	N/A	N/A	N/A	N/A	N/A
OUTPATIENT SURGERIES	1,023	1,228	1,350	1,491	807
LIVE BIRTHS	3,245	3,417	3,232	3,102	1,510
PAYOR MIX BY DISCHARGE					
MEDICARE	2.7%	1.8%	1.9%	1.2%	4.2%
MEDICAID	35.9%	34.3%	34.2%	37.9%	32.0%
MANAGED CARE	57.9%	60.7%	61.1%	58.7%	59.7%
OTHER COMMERCIAL, SELF PAY	3.5%	3.2%	2.8%	2.2%	4.1%
PAYOR MIX BY PATIENT DAY					
MEDICARE	1.7%	1.3%	1.4%	1.0%	0.5%
MEDICAID	40.3%	36.0%	35.7%	40.2%	40.7%
MANAGED CARE	55.4%	60.3%	60.5%	56.9%	57.3%
OTHER COMMERCIAL, SELF PAY	2.6%	2.4%	2.4%	1.9%	1.5%

**DEACONESS WOMEN'S HOSPITAL OF SOUTHERN INDIANA, LLC d/b/a
THE WOMEN'S HOSPITAL
STATISTICAL INFORMATION
2006 THRU 2010**

	FISCAL YEAR ENDING DECEMBER 31,				FISCAL YTD JUNE 30,
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
PAYOR MIX BY REVENUE (I/P only)					
MEDICARE	4.1%	2.7%	3.0%	1.8%	1.0%
MEDICAID	34.6%	31.2%	31.8%	36.3%	37.1%
MANAGED CARE	57.1%	62.0%	60.2%	56.7%	58.0%
OTHER COMMERCIAL, SELF PAY	4.2%	4.1%	5.1%	5.2%	3.9%
CONTRACTUALS AS A % OF GROSS REVENUES					
MEDICARE	1.8%	1.5%	1.9%	2.5%	2.5%
MEDICAID	22.0%	18.1%	21.3%	22.8%	26.0%
MANAGED CARE	15.1%	17.3%	15.7%	13.6%	13.4%
OTHER	6.3%	6.5%	6.8%	8.7%	8.4%
CHARITY	0.5%	0.3%	0.3%	0.2%	0.3%
AVERAGE % OF CHARGE INCREASES	N/A	N/A	N/A	N/A	N/A
DAYS NET REVENUE IN ACCOUNTS RECEIVABLE	62.7	59.3	62.1	57.3	55.6
% OF ACCOUNTS RECEIVABLE OVER 90 DAYS	13.5%	13.0%	16.1%	13.1%	11.9%

**HEALTHSOUTH/DEACONESS, LLC d/b/a
 TRI-STATE REGIONAL REHABILITATION HOSPITAL
 STATISTICAL INFORMATION
 2006 THRU 2010**

	FISCAL YEAR ENDING DECEMBER 31,			FISCAL YTD JUNE 30,	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
BEDS IN OPERATION	76	76	78	80	80
% OCCUPANCY	59%	60%	56%	58%	71%
DISCHARGES	1,195	1,203	1,071	1,165	649
ADJUSTED DISCHARGES	1,290	1,306	1,178	1,280	701
PATIENT DAYS	16,277	16,623	15,834	17,037	10,248
O/P VISITS	7,848	6,486	6,833	6,815	3,481