ANMED HEALTH AND AFFILIATE

Consolidated Financial Statements

Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

AnMed Health and Affiliate

Consolidated Financial Statements

Years Ended September 30, 2010 and 2009

Contents

DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Report of Independent Auditors

The Board of Trustees
AnMed Health and Affiliate

We have audited the accompanying consolidated balance sheets of AnMed Health and Affiliate (the "Medical Center") as of September 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AnMed Health and Affiliate at September 30, 2010 and 2009, and the consolidated results of their operations and changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Dixon Hughes PLLC

January 14, 2011

11 Brendan Way, Suite 200
PO Box 25849
Greenville, SC 29616-0849
Ph. 864.288.5544 Fx. 864.458.8519
www.dixon-hughes.com

AnMed Health and Affiliate

Consolidated Balance Sheets

	September 30 2010	September 30 2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 24,159,411**	$ 27,886,404
Patient accounts receivable, less allowance for uncollectible accounts of approximately $58,716,000 in 2010 and $54,200,000 in 2009	**69,827,393**	79,326,072
Other receivables	**12,389,153**	6,977,272
Inventories of drugs and supplies	**2,906,410**	3,050,344
Prepaid expenses and other current assets	**6,271,118**	5,737,553
Assets whose use is limited, required for current liabilities	**7,065,876**	8,692,207
Total current assets	**122,619,361**	131,669,852
Assets whose use is limited, excluding amounts required for current liabilities	**228,819,554**	209,295,184
Property, plant, and equipment, net	**288,089,026**	295,935,527
Unamortized bond issuance costs	**6,318,596**	6,244,533
Cash surrender value of life insurance	**6,416,579**	6,107,395
Other assets	**9,762,132**	10,397,298
Due from related entities	**564,471**	765,582
Total assets	**$ 662,589,719**	$ 660,415,371
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 11,877,688**	$ 10,222,895
Accrued payroll and employee benefits	**25,060,264**	19,859,828
Accrued liabilities	**3,628,549**	5,884,102
Estimated third-party payor settlements	**1,126,792**	6,481,834
Due to related entities	**29,772**	358,709
Current installments of long-term debt	**4,660,000**	4,245,000
Total current liabilities	**46,383,065**	47,052,368
Interest rate swap instrument	**8,174,029**	4,496,895
Accrued pension cost	**42,959,619**	46,222,869
Long-term debt, excluding current installments	**258,505,396**	262,170,278
Total liabilities	**356,022,109**	359,942,410
Minority interest in consolidated subsidiary	**271,752**	345,422
Net assets:		
Unrestricted	**304,272,742**	298,638,359
Temporarily restricted	**2,023,116**	1,489,180
Total net assets	**306,295,858**	300,127,539
Total liabilities and net assets	**$ 662,589,719**	$ 660,415,371

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

AnMed Health and Affiliate

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30 2010	2009
Unrestricted revenues and other support:		
Net patient service revenue	**$ 449,477,385**	$ 429,958,118
Other operating revenue	**7,720,967**	7,385,612
Net assets released from restrictions used for operations	**908,404**	1,011,448
Total unrestricted revenues and other support	**458,106,756**	438,355,178
Operating expenses:		
Salaries	**141,673,841**	138,384,156
Benefits	**39,205,206**	42,975,113
Professional fees	**22,099,497**	19,966,911
Supplies	**73,579,506**	68,226,138
Purchased services	**26,756,483**	23,269,935
Utilities	**6,393,068**	6,681,602
Travel	**842,582**	777,050
Marketing expense	**671,964**	873,079
Other expenses	**13,076,545**	9,527,881
Depreciation and amortization	**37,514,979**	36,601,486
Interest	**10,086,390**	9,392,990
Provision for uncollectible accounts	**84,014,910**	77,140,283
Total operating expenses	**455,914,971**	433,816,624
Income from operations	**2,191,785**	4,538,554
Nonoperating gains (losses):		
Net change in unrealized gains on investments, trading securities	**3,820,010**	15,045,834
Change in fair value of interest swap instrument	**(3,677,134)**	(3,974,158)
Investment income	**10,695,217**	(18,158,109)
Loss on redemption of series 1999 bonds	**(793,069)**	–
Loss on redemption of series 2003 bonds	**–**	(2,810,748)
Loss on redemption of series 2007 bonds	**–**	(880,496)
Net other gains (losses)	**576,182**	(259,239)
Total nonoperating gains (losses)	**10,621,206**	(11,036,916)
Excess (deficit) of revenues and gains over expenses and losses	**12,812,991**	(6,498,362)
Net assets released from restrictions used for purchase of property and equipment	**–**	144,700
Change in unfunded pension losses	**(8,253,866)**	(17,527,374)
Other, net	**19,978**	(34,044)
Transfers from related organizations	**1,055,280**	4,782,572
Increase (decrease) in unrestricted net assets	**$ 5,634,383**	$ (19,132,508)

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AnMed Health and Affiliate

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

	Year Ended September 30 2010	2009
Temporarily restricted net assets:		
Investment income	**$ 601**	$ 1,850
Contributions, net	**615,199**	170,835
Grant for medical education	**826,540**	865,001
Net assets released from restrictions used for operations	**(908,404)**	(1,011,448)
Net assets released from restrictions used for purchase of property and equipment	**–**	(144,700)
Increase (decrease) in temporarily restricted net assets	**533,936**	(118,462)
Increase (decrease) in net assets	**6,168,319**	(19,250,970)
Net assets at beginning of year	**300,127,539**	319,378,509
Net assets at end of year	**$ 306,295,858**	$ 300,127,539

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

AnMed Health and Affiliate

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2010	**2009**
Operating activities		
Increase (decrease) in net assets	**$ 6,168,319**	$ (19,250,970)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**37,514,979**	36,601,486
Loss on early extinguishment of debt	**–**	3,691,244
Loss on disposal of property and equipment	**557,738**	456,256
Change in unfunded pension losses	**8,253,866**	17,527,374
Unrealized loss on joint ventures	**479,626**	160,754
Restricted contributions and investment income	**(615,800)**	(172,685)
Unrealized loss on interest rate swap instrument	**3,677,134**	3,974,158
Grant for medical education	**(826,540)**	(865,001)
Provision for uncollectible accounts	**84,014,910**	77,140,283
Change in minority interest of consolidated subsidiary	**(73,670)**	(58,339)
(Increase) decrease in:		
Patient accounts receivable	**(74,516,231)**	(68,062,373)
Other receivables	**(5,411,881)**	47,196
Inventories of drugs and supplies	**143,934**	(107,316)
Prepaid expenses and other assets	**(533,565)**	(2,839,924)
Assets whose use is limited classified as trading	**(17,898,039)**	(29,377,014)
Increase (decrease) in:		
Accounts payable	**1,654,793**	(6,328,510)
Accrued payroll and employee benefits	**5,200,436**	2,013,501
Other accrued liabilities	**(2,774,925)**	(2,168,198)
Estimated third-party payor settlements	**(5,355,042)**	(1,474,741)
Accrued pension cost	**(11,517,116)**	1,812,815
Net cash provided by operating activities	**28,142,926**	12,719,996
Investing activities		
Acquisitions of property, plant, and equipment	**(29,748,644)**	(49,505,329)
Proceeds from sale of equipment	**330,072**	–
(Increase) decrease in cash surrender value of life insurance	**(309,184)**	17,584
Net cash used in investing activities	**(29,727,756)**	(49,487,745)

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AnMed Health and Affiliate

Consolidated Statements of Cash Flows (continued)

	Year Ended September 30	
	2010	**2009**
Financing activities		
Grant for medical education	**$ 826,540**	$ 865,001
Repayment of long-term debt	**(46,671,151)**	(165,870,000)
Proceeds from issuance of long-term debt	**41,080,000**	222,190,000
Cost of issuance of long-term debt	**1,983,247**	(8,815,947)
Change in due from related entities	**201,111**	590,634
Change in due to related entities	**(328,937)**	(2,423,863)
Receipt on debt service leveling agreement	**151,227**	(2,379,788)
Restricted contributions and investment income	**615,800**	172,685
Net cash provided by (used in) financing activities	**(2,142,163)**	44,328,722
Net increase (decrease) in cash and cash equivalents	**(3,726,993)**	7,560,973
Cash and cash equivalents at beginning of year	**27,886,404**	20,325,431
Cash and cash equivalents at end of year	**$ 24,159,411**	$ 27,886,404
Noncash transactions:		
Property and equipment acquired through accounts payable	**$ 519,372**	**$ 2,455,912**

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

1. Description of Organization and Summary of Significant Accounting Policies

Organization - AnMed Health (the "Hospital") is an acute care regional referral center located in Anderson, South Carolina. The Medical Center is operated by AnMed Health Foundation, a nonstock, not-for-profit corporation that is its sole member with the authority to appoint the Medical Center's Board of Trustees.

Principles of Consolidation - The consolidated financial statements include the accounts of the Hospital and an affiliate, Anderson Area Physician Hospital Organization, Inc. (the "PHO"), an 83%-owned South Carolina stock corporation. Together, the Hospital and PHO, are referred to as the "Medical Center". All significant intercompany accounts and transactions have been eliminated. PHO is ending its operations in 2010.

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

Cash and Cash Equivalents - Cash and cash equivalents include overnight bank repurchase agreements. For purposes of the statements of cash flows, the Medical Center considers all highly liquid investments with original maturities of three months or less, exclusive of assets whose use is limited, to be cash equivalents.

Inventories of Drugs and Supplies - Inventories of drugs and supplies are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Assets Whose Use Is Limited - Assets whose use is limited primarily include amounts designated by the Board of Trustees for capital improvements and operating contingencies over which the Board retains control and may at its discretion subsequently use for other purposes, and amounts held by Bond Trustees in accordance with the indenture agreements. Amounts required to meet current liabilities of the Medical Center have been reclassified in the consolidated balance sheets and are included in current assets.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficit) of revenues and gains over expenses and losses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess (deficit) of revenues and gains over expenses and losses unless the investments are trading securities.

Property, Plant, and Equipment - Property, plant, and equipment is recorded at cost or at fair value at the date of donation. Depreciation on plant and equipment is computed over the estimated useful lives of the assets, which range from 3 to 25 years, using the straight-line method. Routine maintenance, repairs, and replacements are charged to operating expenses. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

The Medical Center periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

Capitalization of Interest - Interest costs incurred on borrowed funds during the period of construction of qualifying capital assets are capitalized as a component of the cost of acquiring these assets. No interest was capitalized in 2010 or 2009.

Bond Issuance Costs - Bond issuance costs are amortized using the effective interest rate method over the term of the related bonds. Accumulated amortization of bond issuance costs at September 30, 2010 and 2009 is approximately $1,318,000, and $889,000, respectively.

Investments in Joint Ventures - Upstate Linen Services, LLC is a limited liability company formed to offer a collaborative linen service. Upstate Linen Services, LLC is owned 17% by the Hospital and 83% by other area hospitals.

Clemson Health Center was formed to provide an urgent care/diagnostic center and a primary care center near Clemson, South Carolina. Clemson Health Center is owned 50% by the Hospital and 50% by another area hospital.

The Hospital's investments in joint ventures are included in other assets. Each of these investments is accounted for using the equity method.

Derivative Instruments - The Hospital entered into a derivative, exclusively an interest rate swap agreement, to manage interest rate exposures on floating rate Hospital Revenue Bonds. Interest rate swaps allow the Hospital to swap variable interest rates on a stated notional amount for fixed rates. Under the swap agreement that expires in 2033, the Hospital pays interest at a fixed rate of 3.51% and receives interest at a variable rate equal to 65% of the monthly LIBOR plus 45 basis points. The 65% LIBOR rate on each reset date determines the variable portion of the interest rate swap for the following month. The fixed and variable rate payments are calculated on a notional amount equal to $55,800,000.

The fair value of the interest rate swap instrument is presented in the consolidated balance sheets as follows:

	Liability Derivative			
	September 30, 2010		**September 30, 2009**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivative not designated as hedging instrument				
Interest rate swap	Interest rate swap instrument	$ 8,174,029	Interest rate swap instrument	$ 4,496,895

The unrealized loss for the period associated with the fair market value of the agreement is included in the consolidated statements of operations as follows:

Derivative not designated as hedging instrument	**Location of unrealized loss recognized in income on derivative**	**Amount of unrealized loss recognized in income on derivative**	
		2010	**2009**
Interest rate swap	Change in fair value of interest rate swap instrument	$ (3,677,134)	$ (3,974,158)

The Hospital is exposed to credit loss in the event of nonperformance by the counterparty in relation to its interest rate swap agreement. Management believes that the counterparty will be able to fully satisfy its obligations under the agreement. Credit exposure exists in relation to all the Medical Center's financial instruments, and is not unique to derivatives.

Bond Discounts and Premiums - Bond discounts and premiums are amortized using the effective interest rate method over the life of the related series of bonds.

Net Assets - Substantially all of the Medical Center's net assets are classified as unrestricted for accounting and reporting purposes. These resources of the Medical Center have no external restrictions as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property, plant, and equipment.

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

Consolidated Statements of Operations and Changes in Net Assets - For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Investment income, unrestricted gifts and bequests, and contributions to the community are recorded as nonoperating activities. Gains or losses on disposals of property, plant, and equipment are recorded as operating activities.

Net Patient Service Revenue - The Medical Center has agreements with third-party payors for health care services that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or visit. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Approximately 31% and 38% of the Hospital's net patient service revenue for the years ended September 30, 2010 and 2009, respectively, was derived from Medicare.

- Medicaid: Inpatient reimbursement is based upon prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under various reimbursement methodologies. The Medical Center is reimbursed for outpatient services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediary. Approximately 8% of the Medical Center's net patient service revenue for the years ended September 30, 2010 and 2009, respectively, was derived from Medicaid.

- Other: The Medical Center also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payments to the Medical Center under these agreements include prospectively determined daily rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Third-party contractual adjustments are recorded on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as cost report years are no longer subject to such audits, reviews, and investigations.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

There was no significant change in the 2010 and 2009 net patient service revenue due to changes in the allowances previously estimated that are no longer necessary as a result of final settlements, and years that are no longer subject to audits, reviews, and investigations.

The Medical Center receives payments for serving a disproportionately high volume of Medicaid patients. The Medical Center received approximately $17,046,000 and $15,988,000 of Medicaid disproportionate share program reimbursement for the year ended September 30, 2010 and 2009, respectively. These amounts have been included in net patient service revenue.

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

The following information measures the level of charity care provided during the years ended September 30:

	2010	**2009**
Charges based on established rates	**$ 40,127,000**	$ 36,024,000
Equivalent percentage of charity care patients to all patients served based on gross charges	**2.9%**	2.8%

Donor-Restricted Gifts - Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Pension Costs - The Medical Center's funding policy is to contribute amounts sufficient to meet the minimum funding requirements as set forth in the Employee Retirement Income Security Act (ERISA) of 1974, plus such additional amounts as the Medical Center may determine to be appropriate.

Excess (Deficit) of Revenues and Gains Over Expenses and Losses - The consolidated statements of operations and changes in net assets include excess (deficit) of revenues and gains over expenses and losses. Changes in unrestricted net assets which are excluded from excess (deficit) of revenues and gains over expenses and losses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Functional Expenses - The Medical Center does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since the Medical Center receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Income Taxes - The Hospital is exempt from income tax under Section 501(a) as an organization described in Section 501(c) (3) of the Internal Revenue Code; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal or State income taxes. PHO is subject to federal and state income taxes. The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of asset and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Medical Center has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2010.

Reclassification - Certain amounts in the fiscal year 2009 consolidated financial statements have been reclassified to conform to the fiscal year 2010 presentation.

2. **Assets Whose Use Is Limited**

The composition of assets whose use is limited is set forth below as of the years ended September 30:

	2010	2009
By Board for capital improvements:		
Cash and cash equivalents	**$ 5,414,316**	$ 14,819,856
Investments:		
Government securities	**11,304,666**	5,986,264
Corporate bonds	**31,674,012**	30,088,333
Common stock	**104,010,309**	93,875,654
Mutual funds	**32,085,167**	23,569,237
Other investments, principally mortgage obligations	**14,717,898**	16,625,906
Diversified investment fund	**16,499,975**	16,499,975
Accrued interest	**615,813**	649,638
	216,322,156	202,114,863
By Board for operating reserve:		
Cash and cash equivalents	**768,970**	1,897,296
Fixed income	**13,748,966**	9,144,692
Accrued interest	**123,024**	86,724
	14,640,960	11,128,712
By Trustee for former and current employees:		
Cash and cash equivalents	**4**	4
Mutual funds	**446,909**	511,797
	446,913	511,801
By Board for bond repayment	**4,475,401**	4,232,015
	235,885,430	217,987,391
Less amounts required for current liabilities:		
Current installments of bond principal	**4,660,000**	4,245,000
Deferred compensation payable	**446,913**	511,801
Retainage and construction payable	**519,372**	2,455,912
Accrued interest and other	**1,439,591**	1,479,494
	7,065,876	8,692,207
	$ 228,819,554	$ 209,295,184

Investment income from assets whose use is limited, cash, and cash equivalents are comprised of the following for the years ended September 30:

	2010	2009
Interest and dividend income	**$ 5,227,099**	$ 4,838,179
Net realized net gains (losses) on sales of investments	**5,468,118**	(22,996,288)
	$ 10,695,217	$ (18,158,109)

3. Property, Plant and Equipment

Property, plant, and equipment consist of the following for the years ended September 30:

	2010	2009
Land	**$ 18,976,616**	$ 18,912,696
Land improvements	**3,596,609**	3,502,881
Building and building service equipment	**348,600,772**	337,068,449
Major movable equipment	**269,162,731**	265,112,502
Construction in progress	**22,539,964**	24,602,234
	662,876,692	649,198,762
Less accumulated depreciation	**374,787,666**	353,263,235
	$ 288,089,026	$ 295,935,527

Depreciation expense for the years ended September 30, 2010 and 2009 was approximately $37,231,000 and $36,161,000, respectively.

Construction-in-progress includes costs related to various expansion and renovation projects. The Hospital has entered into various contracts related to these expansion and renovation projects amounting to approximately $7,727,000. As of September 30, 2010, the Hospital has paid approximately $6,920,000. The expansions and renovations are expected to be completed in December 2010.

4. **Long-Term Debt**

A summary of long-term debt follows for the years ended September 30:

	2010	2009
Series 1999:		
Serial bonds, 5.00% to 5.625% interest, maturing in amounts escalating from $1,800,000 in February 2009 to $5,450,000 in February 2015, paid in full in 2010.	**$ -**	$ 28,840,000
Term bonds, 5.25% interest, maturing in 2018, paid in full in 2010.	**-**	18,140,000
	-	46,980,000
Less unamortized original issue discount	**-**	188,045
	-	46,791,955
Series 2009A:		
Weekly interest rate securities, 3.17% assumed net interest, maturing in amounts escalating from $3,600,000 in February 2030 to $10,000,000 in February 2035.	**34,585,000**	34,585,000
Series 2009B:		
Serial bonds, 3.50% to 5.00% interest, maturing in amounts escalating from $180,000 in February 2012 to $4,355,000 in February 2022.	**20,410,000**	20,410,000
Term bonds, 5.375% interest, maturing in 2029	**35,065,000**	35,065,000
Term bonds, 5.50% interest, maturing in 2038	**56,525,000**	56,525,000
	112,000,000	112,000,000
Less unamortized original issue discount	**2,426,024**	2,566,677
	109,573,976	109,433,323
Series 2009C:		
Weekly interest rate securities, 3.51% assumed net interest, maturing in amounts escalating from $100,000 in February 2011 to $5,480,000 in February 2033.	**56,750,000**	56,800,000
Series 2009D:		
Weekly interest rate securities, 3.17% assumed net interest, maturing in amounts escalating from $50,000 in February 2011 to $15,850,000 in February 2039.	**18,805,000**	18,805,000
Series 2010:		
Serial bonds, 2.00% to 5.00% interest, maturing in amounts escalating from $4,510,000 in February 2011 to $5,935,000 in February 2018.	**41,080,000**	-
Add unamortized original issue premium	**2,371,420**	-
	43,451,420	-
	263,165,396	266,415,278
Less current installments	**4,660,000**	4,245,000
Long-term debt excluding current installments	**$ 258,505,396**	$ 262,170,278

On July 1, 1999, AnMed Health issued $60,600,000 of South Carolina Jobs – Economic Development Authority Hospital Revenue Bonds – Series 1999 (1999 Bonds) to pay for the acquisition and construction of hospital and health care facilities to be owned and operated by AnMed Health. The issue consists of both serial and term bonds and is secured by a pledge of the revenues of AnMed Health. The term bonds are subject to mandatory sinking fund redemption beginning in years 2016 through 2018, ranging in amounts from $5,740,000 to $6,360,000. Beginning February 1, 2009 to January 31, 2011, any 1999 bonds maturing on or after February 1, 2010, may be redeemed at a redemption price averaging 100.50% plus accrued interest. Beginning February 1, 2011, they may be redeemed at their principal amount plus accrued interest.

The Trust agreement names a bank as Trustee to receive, transfer, and disburse all monies. Under the terms of the Trust agreement, AnMed Health is required to maintain certain deposits with the Trustee. Such deposits are included with “Assets whose use is limited.”

On April 20, 2009, AnMed Health issued $34,585,000 of South Carolina Jobs-Economic Development Authority Hospital Refunding Revenue Bonds, Series 2009A. The Series 2009A Bonds are secured by a letter of credit totaling $34,982,965. The letter of credit has a term ending April 2, 2012. The proceeds of the Series 2009A are to be used to refund the $33,890,000 principal amount outstanding on the Series 2007 and for paying certain expenses incurred in connection with the issuance of the Bonds. The refunding of the Series 2007 Bonds was accomplished through depositing proceeds from the original sale of the Bonds in an escrow fund to be established at U.S. Bank National Association, acting in its capacity as bond trustee for the Series 2003B Bonds, to be redeemed not later than 90 days after the issuance of the Bonds.

On May 1, 2009, AnMed Health issued $112,000,000 of South Carolina Jobs-Economic Development Authority Hospital Refunding Revenue Bonds, Series 2009B. The proceeds of the Series 2009B are to be used in the financing of renovations and improvements to the expansion of hospital facilities and improvements located at AnMed Health’s main hospital campus and related machinery and equipment, including, but not limited to, the upgrade of the campus electrical system, patient room renovations, cardiology, NICU, neurosciences, family practice center and operating room facilities expansion and renovation, the construction of parking facilities and a helipad, and refunding $54,250,000 of the principal amount of the 2003B Series and paying certain expenses incurred in connection with the issuance of the Bonds. The refunding of the Series 2003B Bonds was accomplished through depositing proceeds from the original sale of the Bonds in an escrow fund to be established at U.S. Bank National Association, acting in its capacity as bond trustee for the Series 2003B Bonds, to be redeemed not later than 90 days after the issuance of the Bonds.

On May 1, 2009, AnMed Health issued $56,800,000 of South Carolina Jobs-Economic Development Authority Hospital Refunding Revenue Bonds, Series 2009C. The Series 2009C Bonds are secured by a letter of credit totaling $57,453,590. The letter of credit has a term ending May 13, 2012. The proceeds of the Series 2009C are to be used to refund the $55,850,000 principal amount presently outstanding on the Series 2003A and for paying certain expenses incurred in connection with the issuance of the Bonds. The refunding of the Series 2003A Bonds was accomplished through depositing proceeds from the original sale of the Bonds in an escrow fund to be established at U.S. Bank National Association, acting in its capacity as bond trustee for the Series 2003A Bonds, to be redeemed not later than 90 days after the issuance of the Bonds.

On May 1, 2009, AnMed Health issued $18,805,000 of South Carolina Jobs-Economic Development Authority Hospital Refunding Revenue Bonds, Series 2009D. The Series 2009D Bonds are secured by a letter of credit totaling $19,021,387. The letter of credit has a term ending May 13, 2012. The proceeds of the Series 2009D are to be used are to refund a portion of the $73,500,000 principal amount presently outstanding on the Series 2003B and for paying certain expenses incurred in connection with the issuance of the Bonds. The refunding of the Series 2003B Bonds was accomplished through depositing proceeds from the original sale of the Bonds in an escrow fund to be established at U.S. Bank National Association, acting in its capacity as bond trustee for the Series 2003B Bonds, to be redeemed not later than 90 days after the issuance of the Bonds.

On March 1, 2010, AnMed Health issued $41,080,000 of South Carolina Jobs – Economic Development Authority Hospital Revenue Bonds – Series 2010 (Bonds) with an average interest rate of 4.37%. The proceeds of the Series 2010 Bonds are to be used for the refunding of the amount that was outstanding under the Issuer’s $60,600,000 original principal amount Hospital Revenue Bonds Series 1999 and paying certain expenses incurred in connection with the issuance of the Bonds. The refunding of the Series 1999 Bonds from proceeds of the Bonds will be accomplished through depositing proceeds from the original sale of the Bonds, together with other available moneys to the extent applicable, in an escrow fund to be established with U.S. Bank National Association, acting in its capacity as bond trustee for the Series 1999 Bonds, to be redeemed no later than 90 days after the issuance of the Bonds.

Trust agreements related to the 1999, 2009A, 2009B, 2009C, 2009D, and 2010 Bonds contain certain restrictive covenants, which among other matters, require the Medical Center to maintain its rates, fees, and charges to the extent necessary in order to maintain certain liquidity and debt service coverage ratios, as defined.

Interest paid in 2010 and 2009 amounted to approximately $10,126,000 and $8,945,000, respectively.

Future principal payments under the Medical Center's long-term debt agreements for the years ending September 30 are:

2011	$ 4,660,000
2012	4,980,000
2013	5,250,000
2014	5,620,000
2015	5,840,000
Thereafter	236,870,000
Total	263,220,000
Less bond discount	(2,426,024)
Add bond premium	2,371,420
	$ 263,165,396

5. **Pension Plan**

The Hospital has a defined benefit, noncontributory pension plan (the "Plan") covering substantially all of its employees hired prior to January 1, 2007. Effective December 31, 2009, the Hospital froze its defined benefit plan and started a 3% safe harbor contribution on its defined contribution plan. No further benefits will accrue to the employees after December 31, 2009. The Plan continues to operate for those employees who are already enrolled. The plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Board of AnMed Health approved ceasing pension accruals as of December 31, 2009. The impact of this plan change is reflected in the liabilities disclosed as of September 30, 2009. This liability reduction is shown as a curtailment in the following information. Furthermore, as the plan change is actually effective as of December 31, 2009, the curtailment income will be recognized in the 2010 fiscal year.

The following table presents a reconciliation of the beginning and ending balances of the Plan's projected benefit obligation, the fair value of the plan assets, and the funded status of the Plan for the years ended September 30:

	2010	2009
Change in benefit obligation		
Projected benefit obligation at beginning of year	**$ 150,414,595**	$ 142,352,179
Service cost	**2,553,208**	8,002,570
Interest cost	**8,147,561**	9,832,357
Actuarial loss	**5,274,510**	36,981,210
Benefits paid	**(8,272,827)**	(7,067,413)
Curtailments	**-**	(39,686,308)
Projected benefit obligation at end of year	**$ 158,117,047**	$ 150,414,595
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 104,191,726**	$ 115,469,499
Actual return on plan assets	**8,238,529**	(10,210,360)
Employer contributions	**11,000,000**	6,000,000
Benefits paid	**(8,272,827)**	(7,067,413)
Fair value of plan assets at end of year	**$ 115,157,428**	$ 104,191,726
Net amount recognized (as noncurrent liabilities)		
Funded status of the plan	**$ (42,959,619)**	$ (46,222,869)

Expected employer contributions for the fiscal year ending September 30, 2011 are approximately $8,000,000.

The actuarial assumptions used to determine benefit obligations for the plan as of September 30, 2010 and 2009, were as follows:

	2010	2009
Discount rate	**5.25%**	5.50%
Rate of annual compensation increases	**n/a**	4.00%

The actuarial assumptions used to determine net periodic benefit cost for the Plan for the years ending September 30, 2010 and 2009 were as follows:

	2010	2009
Weighted average discount rate	**5.50%**	7.00%
Rate of increase in compensation levels	**4.00%**	4.50%
Expected long-term rate of return on assets	**8.50%**	9.00%

Net periodic benefit cost for the years ending September 30, 2010 and 2009, includes the following components:

	2010	2009
Service cost – benefits earned during the period	**$ 2,553,208**	$ 8,002,570
Interest cost on projected benefit obligation	**8,147,561**	9,832,357
Expected return on plan assets	**(11,243,553)**	(10,976,150)
Amortization of prior service cost	**(63,383)**	(253,532)
Recognized net actuarial loss	**997,538**	1,207,570
Curtailment	**(908,487)**	-
Net periodic pension cost	**$ (517,116)**	$ 7,812,815

Amounts recognized as changes in unrestricted net assets (not yet reflected in net periodic pension cost) for the years ending September 30:

	2010	2009
Prior service credit	**$ -**	$ 971,870
Net actuarial loss	**(59,658,831)**	(52,376,835)
	$(59,658,831)	$(51,404,965)

The prior service credit and net actuarial loss included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the fiscal year ending September 30, 2011 is $0 and $2,008,008, respectively.

The Plan's target asset allocation and the Plan's asset allocations at the measurement dates of September 30, 2010 and 2009, as a percentage of plan assets by asset category are as follows:

Asset Category	Target Allocation	Percentage of Plan Assets as of September 30 2010	2009
Fixed income securities	25%	**38%**	34%
Equity	65	**52**	56
Alternative investments	10	**10**	10
Total	100%	**100%**	100%

Investment Policy and Strategy

The investment policy, as established by the Pension Committee, is to provide for growth of capital with a moderate level of volatility by investing in a balanced portfolio. The expected long-term equity allocation target is 65% equity. The actual asset allocation of the overall plan assets, as well as the performance of the individual managers, is reviewed by the Committee and its independent investment consultant on a quarterly basis.

The Plan's long-term rate of return assumption of 8.5% is based on expectations regarding each asset category and average long-term rate of returns for a portfolio allocated across these categories. Plan assets are invested in corporate debt instruments, corporate stocks, government obligations, money market securities, and an alternative investment hedge fund.

No plan assets are expected to be returned to the employer in the next 12 months.

Estimated Future Benefit Payments

The following benefit payments reflecting future services are expected to be paid as follows:

2011	$ 4,776,759
2012	5,034,226
2013	5,598,948
2014	6,791,061
2015	7,563,157
2016 – 2020	46,173,279
	$ 75,937,430

6. Financial Instruments

Concentrations of Credit Risk

Financial instruments that potentially subject the Medical Center to a concentration of credit risk consist principally of cash, investments, and accounts receivable from patients and third-party payors. The Medical Center places its cash and investments with high quality credit financial institutions. Third-party payors are primarily Medicare and Medicaid, which provide reimbursement on patient accounts on a regular basis. Managed care receivables are distributed among several primary payors. The credit worthiness of all managed care payors is considered by the Medical Center prior to entering into an agreement with the payor.

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party agreements. The mix of receivables from patients and third-party payors was as follows as of the years ended September 30:

	2010	**2009**
Medicare	**37%**	34%
Medicaid	**9**	10
Other third-party payors	**21**	24
Private pay	**33**	32
	100%	100%

Fair Value of Financial Instruments

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

- *Cash and cash equivalents*: The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

- *Assets whose use is limited*: These assets consist primarily of cash, investments, and interest receivable. As discussed in Note 1, the carrying values of investments at September 30, 2010 and 2009 are equal to estimated fair value based on quoted market prices or lower of cost or market as appropriate.

- *Accounts payable and accrued expenses*: The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

- *Estimated third-party payor settlements*: The carrying amounts reported in the consolidated balance sheets for these settlements approximate their fair value.

- *Bonds Payable*: Fair values for the 2009 and 2010 Bonds are based on estimates using present value techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, prepayments, and estimates of future cash flows, future expected loss experience, and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison of independent markets and, in many cases, may or may not be realized in an immediate sale of the instrument. The fair value of the 2009 and 2010 Bonds, described in Note 4, is estimated to be $275,861,780 at September 30, 2010. The fair value of the 1999 and 2009 Bonds, described in Note 4, is estimated to be $267,894,773 at September 30, 2009.

7. Commitments and Contingencies

Insurance Programs

The Hospital is self-insured for employee health care. An estimate for health claims incurred but unpaid at year-end is recorded in accrued payroll and employee benefits on the consolidated balance sheets and totaled approximately $4,800,000 and $4,400,000 at September 30, 2010 and 2009, respectively.

The Hospital participates in a multiprovider captive for professional and general liability insurance coverage on a claim made basis. Liabilities are joint and several among participating providers. The Hospital’s premiums are accrued based on the experience to date of the participating health care providers.

Malpractice claims have been asserted against the Hospital by various claimants, and additional claims could be asserted for incidents occurring through September 30, 2010. At September 30, 2010, management is aware of no incidents that might lead to significant claims that are not adequately covered by insurance or that would have a material adverse effect on the consolidated financial position of the Medical Center. Accordingly, no provision has been made in the accompanying consolidated financial statements for any such claims.

The Hospital held a letter of credit from Bank of America in the amount of $1,084,231 dated July 8, 2005 with Palmetto Hospital Trust as the beneficiary. This letter of credit was automatically extended without amendment each year. On March 25, 2010, the board of trustees of Palmetto Hospital Trust eliminated the surety requirement. The letter of credit expired July 6, 2010.

Industry Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulation by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services billed.

Litigation

The Medical Center is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results of operations.

Other

The Hospital entered into an agreement with a nonrelated company to provide helicopter ambulance service to commence January 1, 2010. The company will pay the Hospital for providing base facilities, medical crew services, medical supplies, medical direction, program management, and other services by reimbursing for the fair market value of such services in an amount equal to $750 per billable mission, but not less than $250,000 per year or more than $600,000 per year.

8. **Related-Party Transactions**

The Hospital transferred $-0- and $200,000 to related organizations during the years ended September 30, 2010 and 2009, respectively.

The Hospital's receivables from related entities of approximately $565,000 and $766,000 at September 30, 2010 and 2009, respectively, are noninterest-bearing. There are no repayment terms for the receivables and, accordingly, at September 30, 2010 and 2009, these amounts have been classified as noncurrent.

9. **Management Agreements**

On October 1, 2009, the Hospital entered into a services and affiliation agreement with the Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Healthcare System. The agreement appoints Carolinas Healthcare System as the manager of the Hospital. Under the affiliation agreement, the Hospital will pay Carolinas Healthcare System a base management services fee of $2,000,000 each year and reimburses the salaries and benefits of key management personnel, with the maximum amount payable in any year being $5,000,000. As of September 30, 2010, the Hospital paid approximately $4,447,000 related to this agreement. The affiliation agreement expires on September 30, 2019.

On October 1, 2009, the Hospital entered into a management services agreement with Cannon Memorial Hospital. The agreement appoints the Hospital as the manager of Cannon Memorial Hospital. Under the management agreement, Cannon Memorial Hospital will pay the Hospital a base management services fee of $120,000 each year, plus salaries related to key executive positions, plus an incentive compensation award equal to 10% of Cannon Memorial Hospital's revenue over expenses that exceed the target operating margin for each fiscal year. As of September 30, 2010, the Hospital had received approximately $349,000 related to this agreement. The management agreement expires on September 30, 2019.

10. **Other**

In a prior year, the Hospital made a commitment to provide a guarantee of up to $8,000,000 of bond indebtedness for the YMCA of Anderson County. At September 30, 2010, $6,475,000 of the bonds were issued and outstanding.

On August 20, 2010, the Hospital made a commitment to provide a guarantee of up to 17% of the Equipment Lease of Upstate Linen. Total amount of the lease was approximately $1,400,000

11. **Fair Value Disclosures**

The provision of the Fair Value Measurement standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provision does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. The provision creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

The provision defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Medical Center considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable.

Among the Medical Center's assets and liabilities, investment trading securities and an interest rate swap instrument were reported at their fair values on a recurring basis.

For assets and liabilities carried at fair value, the following table provides fair value information as of September 30, 2010 and 2009:

		Fair value measurements at September 30, 2010 using:		
	Fair value at September 30, 2010	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Assets measured at fair value:				
Investment trading securities	$ 206,294,969	$ 206,294,969	$ -	$ -
Liabilities measured at fair value:				
Interest rate swap instrument	$ 8,174,029	$ -	$ 8,174,029	$ -

		Fair value measurements at September 30, 2009 using:		
	Fair value at September 30, 2009	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Assets measured at fair value:				
Investment trading securities	$ 201,487,416	$ 201,487,416	$ -	$ -
Liabilities measured at fair value:				
Interest rate swap instrument	$ 4,496,895	$ -	$ 4,496,895	$ -

Prices for government securities, corporate bonds, common stock, and mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the 'Level 1 input' column.

Under the terms of the existing interest rate swap instrument, the Hospital pays a fixed payment to the counterparty in exchange for receipt of a variable payment that is determined based on the 1-month LIBOR rate. The fair value of the interest rate swap instrument are therefore based on projected LIBOR rates for the duration of the hedge, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument and the resulting fair values are shown in the 'Level 2 input' column.

12. **Subsequent Events**

Subsequent events have been evaluated through January 14, 2011, which is the date the consolidated financial statements were available to be issued.