ANNUAL REPORT

ORLANDO HEALTH, INC.

For the Fiscal Year ended September 30, 2016

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Overview

Orlando Health, Inc. ("Orlando Health" or "Corporation") is the owner and operator of a regional healthcare system headquartered in Orlando, Florida. Orlando Health is a not-for-profit corporation, recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Orlando Health and its controlled affiliates (collectively referred to as the "System") operate 1,881 licensed beds in six hospitals, and are one of Florida's most comprehensive medical systems, offering a wide-range primary and specialist physician care and tertiary and secondary acute healthcare services to approximately 2 million residents of Orange, Seminole, and Osceola counties in Central Florida, its primary service area (the "Tri-County Area"). The System's professionals treated approximately 130,000 inpatient and observation patients, 684,000 outpatients, and 320,000 emergency patients in its facilities during fiscal year 2016.

Orlando Health has enjoyed a history of growth and change since opening in 1918 as Orange General Hospital. In continuing to grow and meet the challenges of the future, it now encompasses facilities in Central Florida offering primary and specialist physician care, secondary and tertiary acute care, and rehabilitation care. Specialized treatment includes medicine, surgery, cardiology, oncology, pediatrics, orthopedics, obstetrics and emergency care. The Corporation also owns and operates a hospital-based home health services division and a variety of healthcare related organizations, including a multi-specialty physician group, a primary care physician group, an oncology physician group, several surgical and imaging centers, a clinically integrated network, and an accountable care organization, and holds a 50% board membership in an acute care hospital located in Lake County (see "Organizational Structure" below).

The following services distinguish Orlando Health in the Central Florida market:

Orlando Health opens ORMC's New North Patient Tower in 2015 - The new 245-bed, 10-story, 345,000 square foot tower is referred to as ORMC North Tower. The existing ORMC building is now referred to as ORMC South Tower. The ORMC North Tower is designed to enhance the quality of care, reinforce safety for patients and caregivers, and heighten patient satisfaction. It features all private rooms, centralized registration, in-room computers to enable caregivers to chart at patients' bedside, safety "redlines" that are integrated into acute-care rooms to identify isolation boundaries, and a host of concierge style amenities; all nestled in a building that reflects the natural beauty of Florida – blending medicine and art for a unique healing environment. The North Tower is part of the ORMC redesign and renovation project. The project includes an expanded state-of-the-art emergency department, cardiovascular service areas, operating suites, and other ancillary services located inside ORMC South Tower. The entire redesign and renovation project with a cost of approximately $324 million represents one of the largest and most significant projects in the organization's history.

Level One Trauma Center – Orlando Health is the only provider of trauma services in Central Florida, and is one of only seven level 1 trauma centers in Florida. Orlando Regional Medical Center ("ORMC") treats adults and Arnold Palmer Hospital treats children needing trauma services. ORMC's trauma center is one of the busiest in the state. Orlando Health is the only hospital in the area licensed to provide air transport from the scene of accidents, which is provided by three helicopters stationed at three area bases of operation.

UF Health Cancer Center Orlando Health – During 2014, Orlando Health enhanced its affiliation with University of Florida Health (UF Health), one of Florida's leading teaching hospitals. Orlando Health and UF Health have joined forces to establish one of the state's largest, most comprehensive cancer programs. UF Health Cancer Center Orlando Health provides care with the same Orlando Health physicians, oncologists, surgeons and staff that existing patients have come to know and trust. In addition, patients now have more options for leading-edge treatment and expanded access to additional specialists, new drugs, clinical trials and other resources. The program also provides greater flexibility by offering care at community medical facilities closer to patients' homes, whether in the Orlando or Gainesville areas. The relationship is expected to create Florida's leading program to respond to the state's increasing demands for oncology clinical care and research. In 2016, Orlando Health opened the first proton therapy center in Central Florida. Proton therapy is a form of radiation therapy that uses proton beams to treat select tumors in adult and pediatric patients.

Statutory Teaching Hospital - Orlando Health is one of eight hospitals in Florida recognized as a statutory teaching hospital. The post graduate medical education programs include seven teaching programs and multiple fellowships.

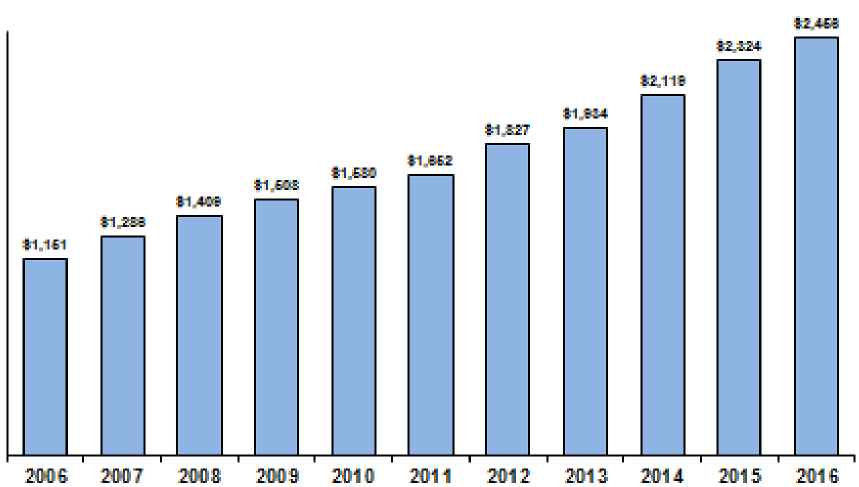
Regional Perinatal Intensive Care Center - This state designation requires the provision of the highest acuity neonatal services, pediatric subspecialist support and high-risk obstetrics. The unique integration of these programs at the Arnold Palmer Medical Center distinguishes Orlando Health from local competitors.

Pediatric Subspecialty Services - Arnold Palmer Hospital offers a comprehensive range of physician subspecialists, including 48 employed physicians (employed by OHPG, see below).

The following charts covering the Corporation's fiscal years from 2006 to 2016, demonstrate the historical trends in total unrestricted revenue and other support growth and liquidity levels achieved by Orlando Health and Controlled Affiliates:

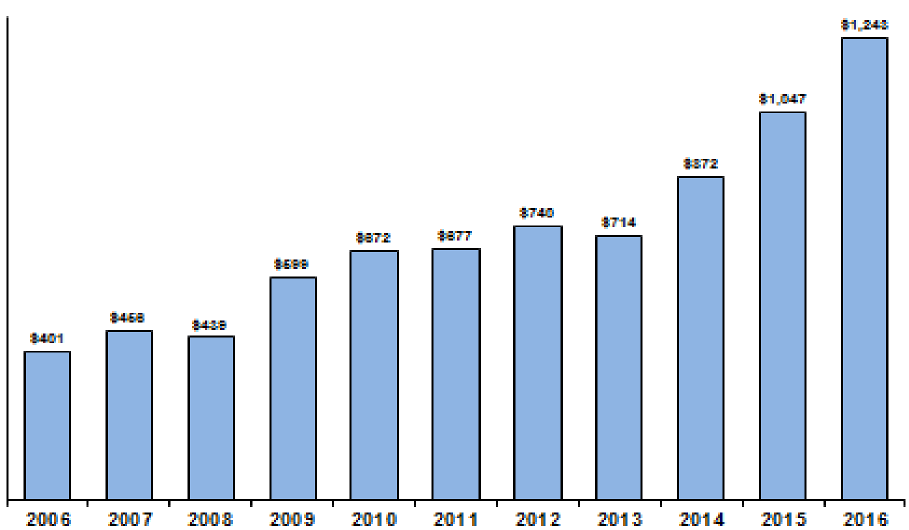
Revenue Growth
The Compound Annual Growth Rate is 7.87%

($ millions)
(Bad debt expense reclassified as deduction from revenue for all years presented)



Unrestricted Cash and Investments
The Compound Annual Growth Rate is 11.98%

($ millions)



Organizational Structure

The Corporation

Five of the Corporation-owned hospitals and a hospital-based home health agency are unincorporated divisions of the Corporation. One Corporation-owned hospital is independently incorporated.

The Corporation's senior debt is secured by a first mortgage and gross revenue pledge under the Master Trust Indenture. Orlando Health, Inc. along with Orlando Health Central, Inc. comprise the Obligated Group under the Master Trust Indenture. The Obligated Group is obligated for the payment of principal and premium, if any, and interest on any outstanding bonds or debt issued under the Master Trust Indenture, and is subject to any other obligation or restriction set forth in any agreement, note, or indenture entered into or issued by the Obligated Group in connection with the issuance of any debt or related obligations issued under the Master Trust Indenture.

The following services are centralized within the Corporation to avoid duplication of overhead expenses and provide standards and consistent policies and procedures and internal controls: information systems, finance and accounting, patient financial services, managed care management, human resources, health information management, marketing and planning, materials management, and construction management. The following describes the divisions of the Corporation:

Orlando Regional Medical Center ("ORMC"). ORMC is a major teaching hospital located in downtown Orlando and is the Corporation's flagship medical center. ORMC includes a total of 794 licensed beds, is one of Florida's eight statutory teaching hospitals, and offers graduate medical education in seven physician specialties and 16 fellowship programs. ORMC is the site of Central Florida's only Level One Trauma Center for adults. ORMC's 585 acute-care bed tertiary care center focuses in cardiovascular, neurosciences, oncology, orthopedics, and trauma. It is one of Central Florida's largest providers of intensive and progressive care services.

A 38,000 square-foot Ambulatory Care Center ("ACC") is connected to ORMC, which facilitates efficient exchange of staff and equipment between ORMC and the ACC. ORMC and the ACC provide a variety of sophisticated diagnostic and interventional cardiology, vascular, angiography, mammography, ultrasound, diagnostic radiology, CAT scan, nuclear medicine, magnetic resonance imaging, laboratory, pharmacy, surgery, and dialysis services.

Arnold Palmer Medical Center. The Arnold Palmer Medical Center includes the Arnold Palmer Hospital for Children and the Winnie Palmer Hospital for Women & Babies. The hospitals are physically connected, facilitating the provision of specialty neo-natal and intensive pediatric services as needed to newborns, as well as transport of patients and staff and the provision of shared ancillary and support services. This structure supports high quality, optimal, cost-effective care to patients of both facilities.

> **Arnold Palmer Hospital for Children ("Arnold Palmer Hospital")**. Arnold Palmer Hospital is located two blocks from ORMC on the downtown campus and includes 158 licensed beds. Arnold Palmer Hospital is the setting for the provision of specialized care to the children of Central Florida. State-of-the-art pediatric services, including a Level One trauma center, are provided by a comprehensive staff which includes pediatric subspecialty physicians.
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> **Winnie Palmer Hospital for Women & Babies ("Winnie Palmer Hospital").** Winnie Palmer Hospital opened in 2006 and includes programs and services focusing on the unique needs of pregnant women and newborns. It is the site where 14,260 of the System's deliveries occurred in 2016. Winnie Palmer Hospital's 315 total beds include 142 neonatal intensive care beds, making it the largest neonatal intensive-care unit and second largest delivery hospital in the United States.

Together, the two facilities operate under the Arnold Palmer Hospital license, which includes 473 licensed beds (331 acute care, 90 NICU Level II, and 52 NICU Level III).

Dr. P. Phillips Hospital. Dr. P. Phillips Hospital is a medical and surgical facility serving southwest Orange County, located 10 miles southwest of the ORMC campus. Dr. P. Phillips Hospital is licensed for 237 acute care beds. Dr. P. Phillips Hospital opened in 1985 and serves Southwest Orlando community residents and visitors near Walt Disney World, Universal Studios, Sea World, International Drive, and other area attractions. Dr. P. Phillips Hospital's services include 24-hour emergency services (with 50 beds serving about 230 patients a day), surgical services (including robotic and minimally invasive surgery, neurosurgery, vascular surgery and orthopedics); diagnostic and interventional cardiovascular care; diagnostic and interventional imaging services (including radiology, nuclear medicine, mammography, and angiography); outpatient infusion, an accredited Chest Pain Center and Heart Failure Programs and a designated Primary Stroke Center. Dr. P. Phillips Hospital is also home to the Endoscopy Center and the Comprehensive Wound Care Center (including hyperbaric oxygen therapy for wound care). In 2008, Dr. P. Phillips Hospital opened a new hospital tower that added capacity for 94 more licensed beds, added and expanded operating rooms and interventional platforms, and other ancillary capacity.

South Seminole Hospital ("South Seminole"). South Seminole is a 206-bed acute care hospital located in Longwood, Florida, 15 miles north of the downtown campus. Of its 206 beds, 126 are acute care and 80 are inpatient behavioral health. South Seminole is a full-service community hospital that provides services for critical care, medical-surgical and behavioral health patients, and has a 39-bed emergency department, surgical department, endoscopy center, and diagnostic cardiac catheterization laboratory. South Seminole also provides a full range of outpatient services including hyperbaric oxygen therapy for wound care, diagnostic and interventional radiology, nuclear medicine, laboratory, surgical, MRI, Women's Imaging, rehabilitation, sleep disorder services and outpatient psychotherapy services.

Orlando Health Central, Inc. ("Orlando Health Central"). Orlando Health's long affiliation with the West Orange Healthcare District, the former owner of the Health Central Hospital ("Health Central") located in west Orange County, became part of the System during 2012 when the Corporation acquired substantially all the assets and operations of the West Orange Healthcare District (the "District"). The District is a political subdivision of the State established to serve West Orange County. Orlando Health Central operates a 211-bed acute care hospital known as Health Central, a 228-bed skilled nursing facility known as Health Central Park, other outpatient clinics, and physician practices in communities just west of Orlando, Florida (collectively referred to as "Health Central").
Health Central has committed to a substantial campus development with the construction of a $28 million cancer center and a $35 million skilled nursing facility. After opening, the organization will operate the new 100-bed skilled nursing facility along with the 128-beds at the current facility.

Hospital-Based Home Health Agency. The Corporation operates a Medicare-certified home health agency that provides intermittent services (e.g. skilled nursing, rehabilitative therapies, social workers, home health aides), adult attendant care, and in-home telehealth monitoring service.

Controlled Affiliates

The Controlled Affiliates are *not* Members of the Obligated Group, and are *not* obligated for the payment of principal and premium, if any, or interest on any outstanding bonds or debt issued under the Master Trust Indenture, or subject to any other obligation or restriction set forth in any agreement, note, or indenture entered into or issued by the Obligated Group in connection with the issuance of any outstanding bonds, or debt issued under the Master Trust Indenture.

Controlled Affiliates are those entities the Corporation controls as the sole or majority member, sole shareholder or through Board appointment and approval of all major transactions. Since the Corporation has a greater than 50% controlling interest in the Controlled Affiliates, the accounts of the Controlled Affiliates are included in the consolidated financial statements of the Corporation. The Corporation, together with its Controlled Affiliates are collectively referred to herein as the "System." As of September 30, 2016, the Controlled Affiliates represented approximately 15.4% of consolidated total revenues and 10.3% of consolidated total assets of the System.

Orlando Cancer Center, Inc. ("Cancer Center"). The Cancer Center, a Florida not-for-profit corporation, is a physician group staffed by full-time employed and part-time contracted physicians. The diagnostic and therapeutic services are provided in the hospital setting. On January 31, 2014, the arrangement with University of Texas MD Anderson Cancer Center expired and the existing arrangement with the University of Florida Health was enhanced to include the oncology program that now operates as UF Health Cancer Center Orlando Health.

Orlando Health Physician Group, Inc. ("OHPG"). OHPG is a Florida not-for-profit corporation governed by a board of directors appointed by the Corporation. During 2011, OHPG became the employer and operator of all physician practices of Orlando Health, except for the physicians employed by the Cancer Center, PAL and OPN. OHPG is led by a physician executive with other executives with practice management and physician development skills. OHPG also provides physician practice management and billing services for the Cancer Center.

Physician Associates LLC ("PAL"). On December 31, 2012, the Corporation, through its Controlled Affiliate, Healthnet Services, Inc. (Healthnet) acquired all of the members' interests in Physician Associates LLC (PAL) and the practice management assets of PA Management LLC (PAM). At the time, PAL employed 89 physicians, mostly primary care physicians and obstetricians who work in locations throughout the Corporation's primary market area. PAM provided management services to PAL. During 2015, PAL acquired a pediatric practice and as of September 30, 2016, there are a total of 106 physicians employed by PAL.

Orlando Physicians Network, Inc. ("OPN"). OPN is a Florida not-for-profit corporation governed by a board of directors appointed by the Corporation. During 2013, certain primary care physicians employed by OHPG moved to OPN to allow for its physicians to participate in more than one accountable care organization.

Orlando Health Physician Partners, Inc. ("OHPP"). OHPP is a Florida for-profit corporation created in 2011 and governed by a board of directors appointed by the Corporation. OHPP was assigned the right to contract with payors on behalf of all physicians of Orlando Health. OHPP is the only member of Collaborative Care of FL, LLC ("CCF"), a Florida for-profit corporation created in 2012. CCF is an accountable care organization participating in the Medicare Shared Savings Program.

Orlando Health Foundation, Inc. ("Foundation"). The Foundation is a Florida not-for-profit corporation governed by a board of directors appointed by the Corporation. Since 1982, the Foundation has supported the Corporation by obtaining philanthropic support for a variety of programs and equipment.

Healthcare Purchasing Alliance, LLC ("HPA"). HPA is a for-profit Delaware Limited Liability Company that serves the System and others as a group purchasing organization. The Corporation has a majority membership interest in HPA. Thus, the accounts of HPA are included in the consolidated financial statements of the Corporation.

Orange Indemnity, Ltd. ("OIL"). OIL was created and incorporated in 2006 for the purpose of providing property and business interruption insurance to the Corporation, its sole shareholder. OIL operates subject to the provisions of the Companies Law of the Cayman Islands and was granted an Unrestricted Class "B" insurers license which it holds subject to the provisions of the Insurance Law of the Cayman Islands. Currently, OIL insures on a quota share basis 25% of losses between $5 million and $20 million in casualty losses related to named storm coverage.

Healthnet Services, Inc. ("Healthnet"). Healthnet is a Florida for-profit corporation governed by a board of directors appointed by the Corporation. Healthnet was formed to hold investments and properties not directly related to the medical functions of the Corporation and engage in various non-tax-exempt functions incidental to the provision of health care and operation of a PPO network. The System's 20% interest in OsceolaSC, LLC (an 84 bed acute care hospital located in Osceola County) is held by Healthnet and accounted for using the equity method. The accounts of OsceolaSC are excluded from the consolidated financial statements of the Corporation. Healthnet wholly owns Healthchoice, Inc., a for-profit corporation that provides managed system networking to the Corporation for employee health and worker compensation plans.

Orlando Health/USP Surgery Centers, L.L.C. ("OHUSP"). OHUSP is a Florida Limited Liability Company formed in December 2013. The Corporation holds a 50.1% controlling interest. During 2014, the Corporation invested $1.4 million in OHUSP which then purchased a 51.0% interest in University Surgical Center, Ltd (UCS). UCS is the owner of an outpatient surgery center, currently its only operation. The Corporation effectively owns a 25.6% interest in the outpatient surgery center. Since the System owned a controlling interest in OHUSP, all of its assets, liabilities, equity, and operations are included in the consolidated financial statements for 2014 and 2015. Effective October 1, 2015, the Corporation sold 0.2% of the System's interest in OHUSP and terminated its management subcontract, thereby reducing its interest in OHUSP to a non-controlling 49.9% and OHUSP is no longer consolidated in the financial statements of the System as of September 30, 2016.

OHRI, LLC ("OHRI"). OHRI is a Florida Limited Liability Company formed in 2014. On November 21, 2014, the System entered into a joint venture agreement with an unrelated party to purchase five imaging centers. The purchase was effective December 1, 2014, at which time the System invested $1.5 million for a 51.0% interest in OHRI.

Related Organizations

Related Organizations are *not* Members of the Obligated Group, and are *not* obligated for the payment of principal and premium, if any, or interest on any outstanding bonds, or subject to any other obligation or restriction set forth in any agreement, note, or indenture entered into or issued by the Obligated Group in connection with the issuance of any outstanding bonds.

South Lake Hospital, Inc. ("South Lake"). The Corporation holds a 50% Board membership interest in South Lake, a not-for-profit Florida corporation, jointly controlled by the Corporation and South Lake Memorial Hospital, Inc. ("SLMH"). South Lake, a 170-bed hospital is located in Lake County. None of the Corporation's owned hospitals are in Lake County. Since the Corporation does not have a controlling interest in, nor rights and obligations to profits and losses, the accounts of South Lake are excluded from the consolidated financial statements of the System. South Lake serves south Lake County and offers the surrounding communities a diverse and comprehensive scope of services including cardiac catheterization, cardiac rehabilitation, wound care, robotic surgery, obstetrics, emergency, and rehabilitation, as well as a hospital-based home health agency. The Corporation provides management services under a management agreement with South Lake. The Corporation guarantees $31.7 million of South Lake's tax-exempt bonds in connection with the initial issuance thereof in 1999 and the refinancing of such bonds in 2010 (the "South Lake Guaranteed Debt") (see "Existing Indebtedness" in the body of the Official Statement for more information on the 2010 South Lake Guaranty.), and has also extended a $7.4 million line of credit to South Lake. Since the establishment of the line of credit, South Lake has not drawn upon the line of credit. Since the original issuance of the South Lake Guaranteed Debt in 1999, South Lake has made all debt service payments when due, and the Corporation has not been required to make any payments under the guaranty.

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Governance

The Corporation is governed by a Board of Directors ("Board"). The bylaws of the Corporation provide that all corporate powers of the Corporation and its business and affairs shall be managed under the direction of the Board. The bylaws provide that the Board shall consist of not less than 14 directors.

Committees of the Board include the Audit Committee, Finance Committee, Executive Committee, Governance Committee, Quality Committee, Strategy Committee, and Campus Planning and Real Estate Development Committee. The Finance Committee makes recommendations to the Board regarding budgets, significant capital expenditures and other major financial-related matters. The Audit Committee appoints independent auditors who perform audits of the consolidated financial statements of the System.

Generally, directors serve three-year terms that are divided into three classes so that the terms of one third of the directors expire at each annual meeting. Directors usually do not hold office for more than three consecutive full three year terms, except directors who are also officers of the Corporation and continue as directors through tenure as an officer. The Chairman of the Board, whose term as director and officer expire at the same time, may serve one additional two-year term as director regardless of prior service as a director.

In keeping with Orlando Health's *Conflict of Interest Disclosure* policy, board and board committee members, disclose all interests that could result in a conflict of interest. Disclosure is accomplished annually, at the start of each of fiscal year.

Relationship of Parties

Ray Sandhagen, a member of the Board of Directors of the Corporation, was Chairman of SunTrust Bank Central Florida ("SunTrust Bank") until he retired from that position in January 2012. Rex V. McPherson, II, a member of the Board of Directors of the Corporation, is a member of the Advisory Board of SunTrust Central Florida, a division of SunTrust Bank. SunTrust Bank provides the primary banking services for the Corporation. SunTrust Bank has provided letters of credit supporting the Corporation's variable rate bonds in the past. SunTrust Robinson Humphrey, Inc., an affiliate of SunTrust Bank, has served as underwriter for various bond issues of the Corporation and was part of the syndicate of underwriters on the Series 2012 A Bonds and Series 2012 B Bonds, and was previously the remarketing agent for certain outstanding bonds. The Series 2011 Bonds were purchased by SunTrust Bank.

Aurelio Duran, MD, a member of the Board of Directors of the Corporation, is employed by Orlando Health Physician Group, Inc., a Controlled Affiliate of Orlando Health, Inc.

Mary Farrell, MD, a member of the Board of Directors of the Corporation, is a member of Children's Critical Care Associates, which provides intensive care services for Arnold Palmer Hospital.

Executive Management

David Strong, President and CEO, Age 52: Mr. Strong became president and CEO of Orlando Health on April 9, 2015. Orlando Health is one of Florida's most comprehensive private, not-for-profit healthcare organizations. Since 1918, Orlando Health has been part of the Greater Orlando community, growing from a single hospital into a $2.6 billion award-winning community-based network of physician practices, hospitals and care centers throughout Central Florida. Prior to joining Orlando Health, he served as chief operating officer of the University of North Carolina (UNC) Health Care system and president of UNC Rex Healthcare. Earlier in his career, he served as chief operating officer at Mercy Health System Oklahoma, and executive vice president/chief operating officer at Our Lady of the Lake Regional Medical Center in Baton Rouge, Louisiana. He currently serves as a member of the CHRISTUS Health Audit and Finance & Strategy Committees, Dallas, Texas, chair of CHRISTUS St. Vincent, Santa Fe, New Mexico, a member of the Florida Chamber board, and the Florida Hospital Association board.

Jamal A. Hakim, MD, Chief Operating Officer, Age 55: Dr. Hakim assumed the role of COO of Orlando Health in June 2015, after serving as interim CEO of Orlando Health from September 2013 through April of 2015. Dr. Hakim previously held the position of chief of quality and clinical transformation, where he was responsible for developing and implementing Orlando Health's quality, safety, and service platform, and served on the Orlando Health board of directors from 2007 to 2015. Dr. Hakim received his bachelor's degree in chemistry from Duke University, completed medical school at Indiana University, and completed his residency at the University of Florida. He is board certified in anesthesiology, and continues to practice at Winnie Palmer Hospital for Women & Babies. Dr. Hakim, who has been on staff at Orlando Health since 1991, served as chief of staff from 2009 to 2011. Other leadership roles have included the chairman of Orlando Health's Credentials Committee, director of anesthesia for women's services at Arnold Palmer Medical Center (APMC), chairman of the APMC anesthesia department, and chairman of the APMC Leadership Committee. Dr. Hakim is active in many professional and community organizations.

Bernadette Spong, CPA, MBA, Chief Financial Officer, Age 59: Ms. Spong currently serves as chief financial officer for Orlando Health, Inc. In this role she oversees a number of corporate functions including finance, revenue cycle, supply chain, care coordination, information technology and the physician enterprise's Clinically Integrated Network and ACO program. She is responsible for the financial performance of the $2.6 billion healthcare system. Prior to coming to Orlando Health, she served as senior vice president of finance/chief financial officer of network hospitals for the $3.4 billion University of North Carolina (UNC) Health Care system based in Chapel Hill, North Carolina. She held the same position for the 665-bed Rex Healthcare System, one of UNC Health Care's member systems. She is a licensed CPA who holds a bachelor's degree in accounting from the University of North Carolina-Greensboro and an MBA from Elon University. She serves on the board of directors for Quest, Inc. and Rollins College Crummer Graduate School of Business. She has received numerous honors and awards including the Becker's Hospital Review 2016 130 Women Hospital and Health System Leaders to Know.

Mildred D. Beam, Senior Vice President Legal Affairs, Age 49: Ms. Beam serves as Orlando Health's senior vice president of legal affairs and general counsel and is responsible for overseeing legal services, risk management, and research of the Corporation. Prior to joining Orlando Health, Ms. Beam served as managing attorney of the Florida Hospital division of Adventist Health System. In that role, she managed the legal services for 17 Florida hospital facilities, as well as a myriad of other entities. Before assuming an in-house role, Ms. Beam was in private practice for 13 of her 25 years of practice, most notably as a shareholder at Mateer & Harbert, P.A. in Orlando. In the aggregate, Ms. Beam has provided legal representation to over 28 hospital facilities and numerous other ancillary providers within Central Florida. Ms. Beam is board-certified in health law and a past member of the Executive Council of the Health Law Section of the Florida Bar. She obtained her Bachelor's of Business Administration in accounting from Howard University in Washington, D.C., where she graduated summa cum laude and salutatorian of the School of Business. She earned her Juris Doctor with honors from Georgetown University. While in law school, Ms. Beam worked full-time as a certified public accountant, specializing in tax, at a then Big 8 accounting firm (Coopers & Lybrand) and as a tax analyst in the corporate tax department of MCI Telecommunications, respectively. Ms. Beam's professional memberships include the American Health Lawyers Association, National Bar Association, and American Bar Association.

John W. Bozard, Senior Vice President, Orlando Health and President Orlando Health Foundation; President Arnold Palmer Medical Center Foundation, Age 67: Mr. Bozard joined the Corporation staff in November 1977 as internal auditor and since that time he has held the positions of financial analyst, director of finance, vice president of finance, president of Arnold Palmer Hospital for Children, and vice president/business development. He began his current role as president of the Orlando Health Foundation in October 1998; and president of the Arnold Palmer Medical Center Foundation in 2005. Prior to joining the Corporation, Mr. Bozard was on the management consulting staff at Ernst and Young, LLP in Orlando, Florida. A graduate of Florida State University with a bachelor's degree in accounting, Mr. Bozard is also a certified public accountant and certified fund raising executive (CFRE). Currently, Mr. Bozard serves as chairman of the Board of Trustees for the National Children's Miracle Network; board member for Arnie's Army Charitable Foundation; board member of Baptist Financial Services; and a member of the Florida Retirement Center Board, Florida Baptist Foundation Board, Reliance Foundation in Salt Lake City, and Church Growth Investment Fund.

Karen Frenier, Senior Vice President, Orlando Health and President, South Seminole Hospital, Age 58: In addition to her duties as president of South Seminole Hospital since November 2012, Mrs. Frenier was also president of Dr. P. Phillips Hospital from June 2013 to April 2016. Previous to that time she held the role of vice president of operations at Orlando Regional Medical Center (ORMC). She has held various leadership roles throughout the organization since her career started at Orlando Health back in 1980 as a staff nurse, including nurse manager of neurology, orthopedics and progressive care units, patient care administrator of Lucerne Hospital, executive director of Lucerne Hospital, and chief operating officer of ORMC. Mrs. Frenier received her Bachelor of Science in nursing from Florida Southern University and her MBA from the University of Phoenix. Mrs. Frenier had served as the American Lung Association Asthma Walk chairperson for Orlando Health 2005-2010 as well as serving as ORMC's chair for the American Heart Association annual Heart Walk campaign 2011-2012. Karen currently sits on the foundation board of directors for Seminole State College as well as the board for The Christian Sharing Center.

Andy Gardiner, Senior Vice President of External Affairs and Community Relations, Age 48: Mr. Gardiner joined Orlando Health in June 2008. He oversees the strategy for corporate external affairs and is responsible for all community and business relations activities for the organization. Previously, Mr. Gardiner was the president of the Apopka Chamber of Commerce, a position he held for 10 years. Mr. Gardiner is a former member of the Florida State Senate. He served as president of the senate for 2015-2016. He holds a Bachelor of Science degree from Stetson University. Mr. Gardiner's professional memberships include the Metro Orlando Economic Development Commission Governor's Council, the Central Florida Partnership board of directors, Central Florida Commission on Homelessness board of directors, LIFT Orlando board of directors, YMCA Metro board of directors and the Orlando Museum of Art board of trustees.

R. Erick Hawkins, Senior Vice President of Strategic Management, Age 43: Mr. Hawkins leads Orlando Health's strategic planning, business development and innovation efforts, serving as a catalyst for advancing new business ventures, partner affiliations and network/market expansion initiatives. Mr. Hawkins joined Orlando Health from UNC Rex Healthcare where he most recently served as chief financial officer and vice president of heart and vascular services. Additionally, he was the executive responsible for Rex Strategic Innovations, Rex Healthcare's innovation strategy which includes Rex Health Ventures, a corporate venture capital fund. Prior positions with Rex Healthcare include vice president of finance and strategy, controller, and director of corporate finance. Other leadership positions Mr. Hawkins has held include the president of the board of directors for Hospice of Wake County, member of the executive leadership team for the American Heart Association's Triangle Heart Ball, and member of the Leukemia & Lymphoma Society's Triangle Light the Night Walk's executive leadership council. Mr. Hawkins received a bachelor's degree from Yale University and an MBA from Duke University's Fuqua School of Business.

David F. Huddleson, Chief Compliance and Ethics Officer, Age 52: Mr. Huddleson was appointed chief compliance and ethics officer in 2005. He is responsible for the Compliance & Ethics Program which includes corporate compliance, internal audit, privacy, and information security. Mr. Huddleson joined the Corporation in 1994 and has held many positions prior to his current appointment including director of corporate compliance and internal audit, director of managed care contracting and director of international business. He is a certified public accountant in the state of Florida and certified in healthcare compliance by the Health Care Compliance Association. Mr. Huddleson has received his MS in health services administration as well as an MBA and a bachelor's in accounting. His professional memberships include the Florida Institute of Certified Public Accountants, Health Care Compliance Association, Institute of Internal Auditors, Association of Healthcare Internal Auditors, Florida Hospital Association, Association of

Certified Fraud Examiners, Healthcare Information and Management Systems Society, American Hospital Association Chief Compliance Officer's Roundtable, and he is past-president of the Florida Health Care Compliance Association.

Mark A. Jones, Senior Vice President, Orlando Health and President, Orlando Regional Medical Center, Age 54: In June 2013, Mr. Jones was appointed senior vice president of Orlando Health and president of Orlando Regional Medical Center. His career with Orlando Health began in 1986 as an administrative resident, and since that time has held various leadership positions throughout the organization, including project director and administrator for support services for Arnold Palmer Hospital. He then served as the Orlando Health director of government relations. From 1993 to 1998, Mark pursued opportunities outside of the organization in healthcare sales, outpatient imaging management and consulting. He returned to Orlando Health in 1998 to serve as project director for the expansion of Arnold Palmer Hospital and since then has served in many roles, including administrator for ancillary services, administrator of clinical support and business development for Orlando Regional Medical Center (ORMC) and Lucerne Hospital, chief operating officer at ORMC, vice president of operations for ORMC and Lucerne Hospital, and president of Dr. P. Phillips Hospital. Mark received his bachelor's degree from Florida State University and his MBA and master's of health administration from Georgia State University. He currently serves as a board member of the United Arts of Central Florida, a board member of the Historical Society of Central Florida, Inc., on the Florida State College of Medicine Orlando Community Board, and as a member of the Heart of Florida United Way's Investing in Results Council. Mark is a member of the American College of Healthcare Executives. He previously served as the chairman of United Way's Improving Financial Stability Cabinet, board member with the Heart of Florida United Way, board member of the International Drive Resort Area Chamber of Commerce, and as a member of the community board for the Dr. Phillips YMCA. He was honored as recipient of the Orlando Business Journal's 2014 C-Suite Level award in 2014.

Mark Marsh, President, Health Central Hospital, Age 49: Mr. Marsh was named president of Orlando Health Central, a 400-bed healthcare system located in Ocoee, Florida, on May 1, 2016. Mr. Marsh previously served as chief executive officer of Gateway Medical Center in Clarksville, Tennessee, a 270-bed acute care hospital. In that position, he was responsible for operations, building physician relationships and engaging employees. During his 23-year healthcare career, Mr. Marsh served as chief executive officer of Greenview Regional Hospital in Bowling Green, Kentucky, and at Marshall Medical Center in Lewisburg, Tennessee. His community involvement includes serving as a board member for the United Way, March of Dimes, American Heart Association, Red Cross and YMCA. He is a fellow in the American College of Healthcare Executives and has been honored with the Regent's Award and Young Healthcare Executive of the Year Award for Tennessee. Mr. Marsh holds a bachelor's and master's degree in healthcare administration from Western Kentucky University.

Greg Ohe, Senior Vice President of Ambulatory, Age 56: Mr. Ohe was promoted to senior vice president, ambulatory services for Orlando Health in 2016. He previously served as chief operating officer/senior vice president at Health Central from 2004 through 2012 and president through 2015. Prior to this position, Mr. Ohe was a vice president with Bon Secours – Venice Healthcare in Venice, Florida. He also served as the vice president of operations for Bay Medical Center in Panama City, Florida and was a member of senior management with Ascension Health-Sacred Heart Hospital in Pensacola, Florida. Mr. Ohe has a bachelor's degree in chemistry and a master's degree in hospital and health administration form Xavier University in Cincinnati, Ohio. He is a fellow in the American College of Healthcare Executives (FACHE) and is a member of the Healthcare Financial Management Association (HFMA). Mr. Ohe has served as the president of the Central Florida chapter of the American College of Healthcare Executives and as a member of Community Advisory Committee for the Health Services Administration program at the University of Central Florida. He has functioned as a mentor for young professionals associated with the University of Central Florida and Xavier University. Mr. Ohe is also a member of the Roper YMCA board of directors and the West Orange Chamber of Commerce board of directors. He has served on numerous healthcare committees throughout Florida and Southeastern United States. Currently, Mr. Ohe is an active member of the Rotary Club of Windermere and the West Orange Committee of 101. He was a member of the board of directors for Shepherd's Hope from 2006 through 2011.

Andrew J. Snyder, Senior Vice President of Marketing and Communications, Age 55: Mr. Snyder has executive oversight and ongoing leadership responsibility for the implementation of all marketing, branding, communications, social media, web and mobile strategies and initiatives for Orlando Health. He joined Orlando Health in 2016 and has been in healthcare marketing for nearly 21 years. Prior to joining Orlando Health, Mr. Snyder was the vice president and chief marketing officer for AMITA Health, the Chicago-based joint operating company for Alexian Brothers Health System and Adventist Midwest Health. He earned a bachelor's degree in biology from Wabash College. He is a frequent presenter at industry events and universities, such as the Harvard/Chan School of Public Health, Loyola University, Modern Healthcare, the Society for Healthcare Strategy and Market Development and the Forum for Healthcare Strategies. Currently, Mr. Snyder is a member of the Orlando Ballet and Zebra Coalition boards. Other leadership positions he has held include board member of the Elgin Symphony Orchestra, the Chamber of Commerce of St. Joseph County, AIDS Ministries of Northern Indiana and United Way of Porter County.

Kathy A. Swanson, Senior Vice President and President, Arnold Palmer Medical Center, Age 59: Ms. Swanson is senior vice president of Orlando Health and president of Arnold Palmer Medical Center, which includes Arnold Palmer Hospital for Children and Winnie Palmer Hospital for Women & Babies. As president of Arnold Palmer Medical Center, she has strategic oversight of pediatric, neonatal and women's services at Orlando Health. Prior to becoming president of Arnold Palmer Medical Center in 2013, Kathy served as president of Winnie Palmer Hospital. She was responsible for the overall planning, development, and opening of Winnie Palmer Hospital, the only free-standing hospital in Central Florida dedicated to the care of women and babies. Kathy joined Orlando Health in 1977 as a neonatal intensive care nurse and has grown as a leader within the organization. She has held various positions, including president of Arnold Palmer Hospital for Children and Women, vice president/executive director of Arnold Palmer Hospital for Children and Women, administrator of business planning, administrator of clinical/ancillary services, director of nursing, and nurse manager of pediatric services. Mrs. Swanson has earned an MBA, a master's in health services administration degree, and a BS in nursing degree. She is a member of the American College of Healthcare Executives, Greater Orlando Children's Miracle Network Board, the Orlando Health Foundation board, the Arnold Palmer Medical Center Foundation board, and the Heritage Circle. In 2008, Mrs. Swanson was invited to participate in a documentary movie entitled "The Glow Project"- an inspirational film highlighting 15 women entrepreneurs and corporate leaders from across the United States.

Thibaut van Marcke, President of Dr. P. Phillips Hospital, Age 41: Mr. van Marcke joined Orlando Health as a senior vice president and president of Dr. P. Phillips Hospital in April 2016. He comes to Orlando Health from HCA - North Florida Regional Medical Center in Gainesville, a 432-bed tertiary hospital, where he was vice president and chief operating officer, responsible for all hospital operations including executive oversight of surgical services, cardiovascular services and all ancillary and support departments. Prior to that role, he was chief operating officer of Medical Center of Trinity in New Port Richey, Florida, and associate administrator at HCA/HealthONE in Aurora, Colorado. He has worked closely with the American Heart Association and has served as an advisory board member for the YMCA of the Suncoast. He holds a bachelor's degree from the University of Richmond and a master's of health administration from Virginia Commonwealth University.

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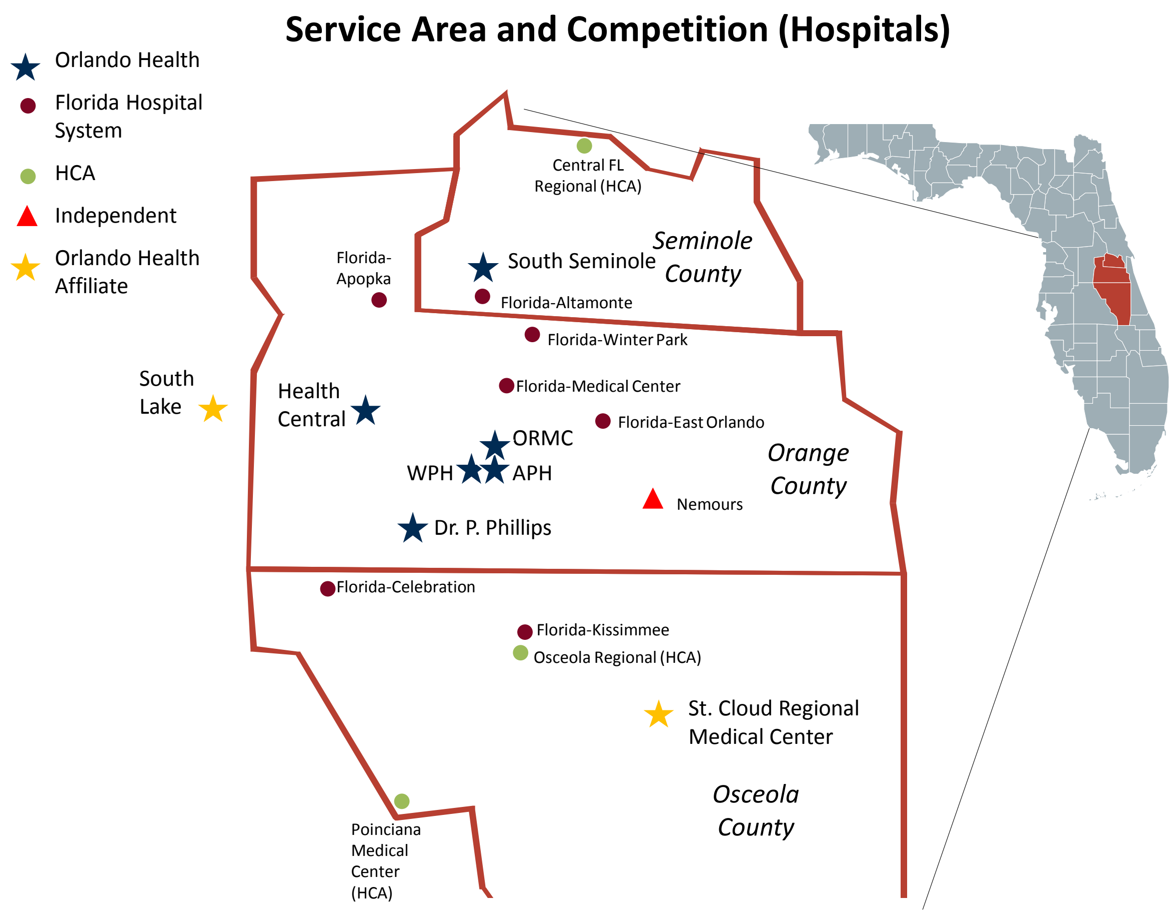
Service Area

Orlando Health provides tertiary, secondary and certain primary care services to residents of Orange, Seminole and Osceola counties (the "Tri-County Area"). The maps below represent the primary service area of the hospitals owned by the Corporation and locations of all hospitals in the primary service area. Located in west Orange County, Health Central is an integral part of the Tri-County Area. The Corporation's secondary service area includes Lake and Volusia counties, which are to the west and north of the primary service area, respectively:



Source: Records of the Corporation

Origin of Admissions

During the year ended September 30, 2016, 82.3% of the Corporation's inpatient admissions originated from the Corporation's primary service area (the Tri-County Area) and 7.2% from the Corporation's secondary service area of Lake and Volusia counties. The following table summarizes the percentage of inpatient admissions by county:

Percentage Inpatient Origin by County

	Year ended September 30		
	2016	**2015**	**2014**
Primary Service Area			
Orange County	**64.4%**	65.3%	65.3%
Seminole County	**12.9%**	12.7%	12.5%
Osceola County	**5.0%**	5.2%	5.0%
	82.3%	83.2%	82.8%
Secondary Service Area			
Lake County	**4.9%**	4.8%	4.7%
Volusia County	**2.3%**	2.2%	2.3%
	7.2%	7.0%	7.0%
All Other	**10.5%**	9.8%	10.2%
	100.0%	100.0%	100.0%

Source: Records of the Corporation

Service Area Demographics

Over the next five years, the population of the Tri-County Area is expected to increase by 162,000 or 7.9%.

	2016	2021
Population Total	2,050,530	2,212,277
Growth From 2015		7.9%
Gender		
Male	49.0%	49.0%
Female	51.0%	51.0%
Age		
Ages 0 - 14	18.5%	17.6%
Ages 15 - 17	4.1%	4.0%
Ages 18 - 24	10.3%	9.6%
Ages 25 - 34	15.2%	14.5%
Ages 35 - 54	27.7%	27.3%
Ages 55 - 64	11.8%	12.6%
Ages 65+	12.4%	14.4%
	100.0%	100.0%

Central Florida Economy

The Central Florida economy includes business and governmental activities in Orange, Osceola, Seminole, and Lake counties, and is composed of a variety of industries as summarized in the table below.

Nonagricultural Employment by Industry - Orlando, FL MSA

as of October 2016

Industry	October 2016	% of Total	October 2015 to October 2016 % Change
Leisure & Hospitality	257,300	21.1%	6.1%
Professional & Business Services	204,600	16.8%	1.8%
Retail Trade	147,900	12.1%	2.9%
Education & Health Services	154,600	12.7%	6.8%
Government	124,100	10.2%	1.7%
Financial Activities	72,000	5.9%	-0.6%
Construction	72,700	6.0%	17.4%
Wholesale Trade	44,300	3.6%	1.6%
Manufacturing	43,800	3.6%	4.3%
Other Services	41,000	3.4%	0.0%
Transportation, Warehousing, & Utilities	35,100	2.9%	0.9%
Information	23,400	1.9%	-1.3%
Mining and Logging	300	0.0%	0.0%
	1,221,100	100.0%	4.0%

Source: Florida Department of Economic Opportunity, Current Employment Statistics (CES) - updated December 2016
Orlando Health Source: Orlando Metro Economic Development Commission

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Other Area Hospitals

In addition to the Corporation's hospital facilities, the health care systems and independent hospitals listed below operate facilities that provide acute inpatient health care services within the Tri-County Area. The primary competition of the Corporation is Florida Hospital. Presented below are the number of licensed beds for the health care systems and independent hospitals in the Tri-County Area.

	Licensed Beds	Percent of Total
Orlando Health and Affiliates		
Orlando Regional Medical Center	794	14.2%
Arnold Palmer Hospital	158	2.8%
Winnie Palmer Hospital	315	5.6%
South Seminole Hospital	206	3.7%
Dr. P. Phillips Hospital	237	4.2%
Health Central	211	3.8%
	1,921	34.3%
St. Cloud Regional Medical Center*	84	1.5%
	2,005	35.8%
Florida Hospital		
Florida Hospital-Orlando	1,393	25.0%
Florida Hospital-Winter Park	320	5.7%
Florida Hospital-Altamonte	398	7.1%
Florida Hospital-East Orlando	295	5.3%
Florida Hospital-Celebration	227	4.1%
Florida Hospital-Kissimmee	162	2.9%
Florida Hospital-Apopka	50	0.9%
	2,845	51.0%
HCA		
Central Florida Regional Medical Center	221	4.0%
Osceola Regional Hospital	332	6.0%
Poinciana Medical Center	76	1.4%
	629	11.4%
Independent Hospitals		
Nemours Children's Hospital	100	1.8%
	5,579	100.0%

Source: AHCA September 30, 2016

*A majority ownership interest in St. Cloud Regional Medical Center was sold by the Corporation in February 2006. 80% is now owned by a subsidiary of Community Health Systems and 20% by the System.

Market Share

The following summarizes inpatient admission market share percentages for the Corporation and the other hospital systems in the Tri-County Area.

	Year ended September 30		
	2015	2014	2013
All Inpatient Cases (excludes normal newborns)			
Orlando Health (the Corporation)	29.4%	29.3%	30.3%
Health Central	4.4%	4.5%	4.7%
	33.8%	33.8%	35.0%
Florida Hospital	50.7%	52.0%	51.9%
HCA hospitals	13.2%	11.9%	10.9%
Nemours	0.9%	0.8%	0.7%
St. Cloud Regional Medical Center	1.4%	1.5%	1.5%
	100.0%	100.0%	100.0%
Pediatrics (excluding all newborns)			
Orlando Health (the Corporation)	42.2%	39.9%	43.4%
Health Central	0.3%	1.5%	2.2%
	42.5%	41.4%	45.6%
Florida Hospital	42.1%	44.2%	43.0%
HCA hospitals	2.9%	1.7%	2.1%
Nemours	12.5%	12.7%	9.3%
St. Cloud Regional Medical Center	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%
All Newborns			
Orlando Health (the Corporation)	51.0%	50.5%	50.8%
Health Central	2.5%	2.6%	2.9%
	53.5%	53.1%	53.7%
Florida Hospital	37.9%	38.5%	38.3%
HCA hospitals	8.2%	8.1%	7.9%
Nemours	0.4%	0.3%	0.1%
St. Cloud Regional Medical Center	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%

Source: Admission data obtained from Agency for Health Care Administration. September 2015 data are the latest available.

Competitor Developments in the Central Florida Region

Both Florida Hospital and HCA have completed or expect to complete several construction projects during the next year.

During 2015, Florida Hospital completed a new patient tower with 80 private rooms in Kissimmee and a renovation of pediatric emergency rooms in East Orlando. In February 2016, Florida Hospital opened a portion of a new 12-story, 332-bed hospital for women on its main campus in Orlando. The facility will provide a wide range of women's services from obstetrics to women's surgery. Florida Hospital broke ground in December 2015 on a 120-bed replacement hospital in Apopka. The facility is expected to open in spring 2017. In addition, during 2016, Florida Hospital opened a three-story, 97,000 square-foot building at its Winter Garden location to house a stand-alone emergency room, outpatient surgery and access to multi-specialty physician practices. Florida Hospital received approval to build a new tower at its Winter Park location, which would add 97 private rooms.

In December 2016, Florida Hospital received approval to build a 100-bed general acute care hospital in Winter Garden.

During 2015, HCA opened a Level II trauma center at Osceola Regional in Kissimmee and Central Florida Regional in Sanford and it announced the expansion of Poinciana Medical Center with the addition of 46 private rooms. HCA broke ground in September 2015 on a new 80-bed acute care hospital located in Oviedo. The facility will be HCA's fourth acute care hospital in the Orlando market.

In December 2016, the University of Central Florida and HCA received approval to jointly build a 100-bed academic medical center in Lake Nona.

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Medical Staff

The System has one medical staff, which as of September 30, 2016, consisted of 2,562 physicians and dentists (excluding honorary staff).

	Medical Staff 2016	Medical Staff 2015
Total physicians	2,562	2,599
Board certified physicians	2,358	2,379
Percent board certified	92%	92%
Average age of total physicians (years)	50	50

Specialty	Total Physicians	Number of Board Certified Physicians	Percent Board Certified Physicians	Average Age of Total Physicians
Anesthesiology	56	51	91%	49
Cardiology/Pulmonary	210	209	100%	54
Dentistry/Oral Surgery	26	17	65%	48
Dermatology	25	25	100%	53
Emergency Medicine	122	112	92%	46
Family Practice	339	318	94%	52
Gastroenterology	48	48	100%	54
Internal Medicine	392	355	91%	47
Nephrology	74	70	95%	51
Neurology/Neurosurgery	99	74	75%	55
Obstetrics/Gynecology	190	170	89%	50
Oncology/Hematology	54	53	98%	50
Ophthalmology	43	41	95%	50
Orthopedics/Podiatry	139	123	88%	53
Otolaryngology	30	30	100%	52
Pathology	25	25	100%	53
Pediatric	350	327	93%	51
Plastic Surgery	38	33	87%	52
Psychiatry	58	52	90%	50
Radiology	83	76	92%	50
Surgery	122	113	93%	54
Urology	39	36	92%	53
	2,562	2,358	92%	50

Source: Corporation records

Employed Physicians

The System has been adding to its complement of employed physicians as part of its strategy to meet the healthcare needs of the community in a more efficient and coordinated manner. This will continue into the future to fill unmet specialist needs in certain segments of its market, improve the coordination of care, improve outcomes, control costs, and provide for graduate physician training in its residency and multiple fellowship programs. As of September 30, 2016, the System employed 520 physicians, compared to 496 physicians as of September 30, 2015. At September 30, 2016, physicians were employed in these areas:

	Employed Physicians
Primary Care	125
Hospitalists and Intensivists	110
Medical Education Faculty	67
Cardiologists	54
Pediatric Subspecialists at Arnold Palmer Hospital	48
Oncologists	45
All Other Practices	71
	520

Orlando Health operates a central business office to manage the revenue cycle for physician services in a consistent manner.

Medicare and Medicaid Programs

Medicare pays the Corporation based on a DRG-based prospective payment system for inpatient services and capital. Outpatient services are paid by Medicare on an Ambulatory Payment Classification-based prospective payment system. Home health care services are paid by Medicare on a prospective payment system.

Medicaid pays the corporation based on the 3M APRDRG system adjusted weights for the Florida population. The change began July 1, 2013, and replaced the former per diem system. Orlando Health hospitals were paid on per diem for the nine months ended June 30, 2013 and began the APR DRG method on July 1, 2013. In addition to the APR DRG system, a portion of payments are broken out for teaching facilities. The State of Florida funding for 2016 was approximately $10.3 million and this was made up of GME DSH of $2.9 million, new GME of $4.6 million, and new resident program of $2.8 million.

Managed Care Participation

The Corporation contracts with certain health maintenance organizations and preferred provider organizations, which pay the Corporation based on varied reimbursement methodologies, such as percentage of charges, DRG, or per diems. As of September 30, 2016, the Corporation has contracted with all major preferred provider organizations (PPO), health maintenance organizations (HMO), and point of service organizations (POS) in the area. The Corporation currently has contracts with most of the commercial HMO, POS and PPO payors, and has access to over 95% of Medicare Advantage plans and 100% of the Medicaid Managed Medical Assistance plans in the market. The top six plans represent over 90% of the commercial market and include Aetna, AvMed, Blue Cross/Blue Shield, Cigna/Great West, Humana, and United Healthcare. These top six plans combined provide over 87% of the Corporation's commercial managed care hospital net patient service revenue. The majority of managed care contracts cover one year periods. The Corporation has been successful in renewing its contracts annually with rate increases over the last several years.

Sources of Patient Revenues and Utilization of Patient Services

The table below lists the approximate percentage of gross patient charges for hospital services by payor category and patient services utlization statistics.

	Year ended September 30		
	2016	**2015**	**2014**
Payor Mix			
Medicare (includes HMO's)	**34.4%**	33.7%	33.9%
Medicaid (includes HMO's)	**18.3%**	18.6%	19.2%
Managed Care	**34.2%**	34.0%	31.8%
Commercial	**3.6%**	4.1%	4.2%
Self Pay	**7.2%**	7.3%	8.5%
Other	**2.3%**	2.3%	2.4%
	100.0%	100.0%	100.0%
Average Licensed Beds	**1,881**	1,886	1,876
Average Beds in Service	**1,823**	1,812	1,791
Average Daily Census			
Adult	**1,072**	1,061	1,028
Newborn and neonatal	**190**	205	190
	1,262	1,266	1,218
Admissions			
Adult	**85,194**	85,932	83,860
Newborn and neonatal	**15,376**	15,273	14,865
	100,570	101,205	98,725
Observation Cases			
Adult and neonatal	**29,168**	25,993	24,486
Patient Days			
Adult	**392,369**	387,236	375,161
Newborn and neonatal	**69,553**	74,698	69,266
	461,922	461,934	444,427
Average Length of Stay *(days)*			
Adult	**4.6**	4.5	4.5
Newborn and neonatal	**4.5**	4.9	4.7
Percent Occupancy *(beds in service)*			
Adult	**68.5**	68.6	66.7
Newborn and neonatal	**73.4**	77.2	75.9
Outpatient Visits			
Outpatient Visits	**657,294**	632,606	623,296
Outpatient Surgery Cases	**26,216**	25,787	25,517
Total Outpatient Visits	**683,510**	658,393	648,813
Emergency Dept. Patients Treated	**319,864**	309,234	301,432
Case Mix Index			
Medicare only	**1.80**	1.73	1.69
All payors	**1.61**	1.52	1.50

Source: Records of the Corporation

Accreditations and Affiliations

The Corporation is accredited by The Joint Commission, which is the nation's oldest and largest standards-setting and accrediting body in health care. The Joint Commission accreditation is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards. CMS has given The Joint Commission "deemed status" as its surveying body and hospitals are surveyed by The Joint Commission at least every three years. The Corporation received full accreditation during the most recent triennial survey in June 2014.

Orlando Health Laboratories are accredited by the College of American Pathologist (CAP) Laboratory Accreditation. CAP Laboratory Accreditation is recognized as ensuring the highest level of Quality Laboratory Testing. Accreditation surveys are conducted every two years. Orlando Health Laboratories received full accreditation during the most recent survey in September 2015.

Orlando Health is one of the select few statutory teaching hospitals in the State of Florida that provides training to resident/fellow physicians. In order to provide teaching opportunities for medical students, master affiliation agreements are maintained with the University of Florida College of Medicine, Florida State University College of Medicine, and University of Central Florida College of Medicine. Orlando Health sponsors a total of 16 accredited training programs: 6 residency and 10 fellowship programs with the Accreditation Council for Graduate Medical Education (ACGME), 3 additional ACGME programs that train at Orlando Health are sponsored by the University of Florida. In addition, there are 7 non-ACGME accredited fellowship programs and a Pharmacy Residency program that trains at Orlando Health. As of September 30, 2016, the Corporation had a total of 263 resident/fellow physicians training in Medical Education programs.

Human Resources and Employee Retirement Plan

Orlando Health employs approximately 15,000 full-time equivalent employees, of which one quarter are nursing staff. During the year ended September 30, 2016, the Corporation’s overall turnover rate was around 16% and within the nursing population, the voluntary RN turnover rate was approximately 15%. Orlando Health continues to invest in the training and development of new graduate RNs.

Because our business relies heavily on our human resources, Orlando Health works hard to maintain satisfactory relationships with all team members. Employee engagement for 2016 was in the 84th percentile as compared to like organizations. Management believes that employee engagement will continue to improve as a result of management’s ongoing efforts to improve communications and strengthen the workplace culture.

The System has three defined contribution plan. Most employees of the System are eligible to participate in one of these plans.

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Awards and Recognition

The Corporation has been recognized both locally and nationally with a variety of awards. The following are current year examples:

- **Dr. P. Phillips Hospital** and **South Seminole Hospital** both earned the "A" in the nationally recognized Fall 2016 Leapfrog Hospital Safety Grade. The hospital joins an elite group of hospitals that have demonstrated the commitment to patient safety.

- **South Seminole Hospital** was awarded the 2016 Top Hospital, an honor awarded to hospitals that perform at the highest levels based on Leapfrog's rigorous quality and safety standards.

- **Orlando Health Arnold Palmer Hospital for Children** was named a Top Children's Hospital by The Leapfrog Group.

- **Winnie Palmer Hospital for Women & Babies** won its first-ever 2016 Top Teaching Hospital award by The Leapfrog Group. Winnie Palmer Hospital is the only hospital in Florida to receive this award.

- **Orlando Health** received an Excellence in Leadership Award from the Florida Hospital Association in October 2016 for success in preventing wrong site procedures

- **David Strong,** Orlando Health President & CEO was honored as CEO of the Year by the Orlando Business Journal.

- **Orlando Regional Medical Center** was honored with the quality achievement award for atrial fibrillation care. ORMC is one of only two hospitals in Florida, and the only one in Central Florida achieving the designation for its Atrial Fibrillation Program.

- **Arnold Palmer Hospital for Children** was recognized as a top children's hospital by *U.S. News & World Report* in its 2016-17 Best Children's Hospitals rankings. Arnold Palmer Hospital is the only children's hospital in Orlando to make the ranking.

- **Orlando Health** received its second, consecutive Overall 3 Star Rating from The Society of Thoracic Surgeons for providing excellent care to patients undergoing bypass surgery and lobectomy for lunch cancer.

- **Orlando Regional Medical Center's Trauma Intensive Care Unit and Trauma Step-Down Unit** earned silver-level Beacon Awards for Excellence from The American Association of Critical-Care Nurses (AACN).

- **Orlando Health** was once again selected as one of the 2016 Orlando Sentinel Top 100 Companies, ranking in the top 20. This survey and award program was designed to identify, recognize and honor the best places of employment in Orlando, benefiting the city's economy, its work force and businesses.

- **ORMC Trauma Team** was awarded the Orlando Sentinel Floridian of the Year for 2016.

Malpractice Insurance Plan

The System is self-insured for medical malpractice risk not covered under a commercial malpractice policy. Losses from asserted claims, certain unasserted claims identified under the System's incident reporting system, and for incidents which have occurred, but have not been identified under the incident reporting system, are accrued based on estimates provided by the System's consulting actuary. Such estimates are based on actuarial assumptions that incorporate the System's past experience and other considerations, including the nature of each claim or incident, and relevant trends. The System has on deposit, in a revocable trust, cash and investments to be used for the payment of self-insured claims in the future. All commercial malpractice polices were renewed on May 1, 2016.

The District retained medical malpractice liability for Health Central events occurring prior to closing of the Health Central transaction and maintains a fund to fund such liabilities. The District is a governmental entity and is protected to a large extent by sovereign immunity protection against liability claims. The System is not liable for any events at Health Central occurring prior to the closing date of April 1, 2012.

Investment Policy

At September 30, 2016, the System's unrestricted cash and investments totaled $1.24 billion and the medical malpractice self-insurance fund totaled $12.4 million. These funds are invested in accordance with the investment policies approved by the Board of Directors. The status of the investments and performance of external managers are reviewed regularly by the Joint Investment Subcommittee of the Finance and Audit Committee of the Board. The policy for the System establishes the following investment pools with the permitted assets as described below. Each investment manager operates in accordance with a written investment policy statement that delineates the permitted investments and targeted asset allocations. At September 30, 2016, the Corporation's unrestricted cash and investments were composed of 25% equities, 40% fixed income, 8% absolute return, 6% real assets, and 21% cash and cash equivalents.

Unrestricted Cash and Investments

Short Term Investments

- Orlando Health may invest in any type of investment as deemed appropriate within a portfolio context.
- The funds are managed both internally and externally.

Medical Malpractice Self Insurance Fund

- The fund is currently $12.4 million which satisfies state hospital licensure requirements. Investment returns remain in the fund.
- Permitted investments are fixed income securities of high quality with an average duration of between 2 and 5 years (90% of the pool)
- These funds are managed externally.

Long Term Investment Funds

- Once operating cash needs and malpractice regulatory requirements are met, the remainder of unrestricted cash and investments are invested in accordance with the long term needs of the System.
- These funds are externally managed.

The policy does not allow for investments in alternative asset classes, nor does it allow for investments in structured investment vehicles or auction rate securities.

Condensed Consolidated Financial Statements

The following condensed consolidated financial statements reflect the consolidated financial position of Orlando Health, Inc. and Controlled Affiliates at September 30, 2016, 2015 and 2014, and the results of operations and non-operating gains and losses for the years ended September 30, 2016, 2015 and 2014.

Consolidated Statements of Operations and Changes in Net Assets (in 000's)

	Year Ended September 30,		
	2016	**2015**	**2014**
Unrestricted revenues and other support			
Net patient service revenue (net of contractual allowances and discounts)	**$ 2,507,482**	$ 2,311,582	$ 2,130,900
Provision for bad debts	**(181,450)**	(112,793)	(120,019)
Net patient service revenue, less provision for bad debts	**2,326,032**	2,198,789	2,010,881
Other revenue	**124,794**	119,622	103,668
Net assets released from restrictions	**5,096**	5,156	4,052
Total unrestricted revenues and other support	**2,455,922**	2,323,567	2,118,601
Expenses			
Salaries and benefits	**1,276,382**	1,202,884	1,112,691
Supplies and other	**802,197**	747,664	695,579
Professional fees	**39,318**	38,098	34,465
Depreciation and amortization	**119,734**	109,650	103,356
Impairment	**–**	–	3,170
Interest	**45,565**	44,422	42,060
Total expenses	**2,283,196**	2,142,718	1,991,321
Income from operations	**172,726**	180,849	127,280
Non-operating gains and losses			
Investment income (loss)	**63,602**	(7,827)	36,494
Change in fair value of interest rate swap agreements	**(9,932)**	(10,592)	(2,514)
Loss on early extinguishment of debt	**(16,442)**	–	–
Non-operating gains (losses), net	**37,228**	(18,419)	33,980
Excess of revenues, other support, and gains over expenses and losses	**209,954**	162,430	161,260
Less: Excess of revenues, other support, and gains over expenses and losses attributed to non-controlling interests in Controlled Affiliates	**(448)**	(550)	(422)
Excess of revenues, other support, and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	**209,506**	161,880	160,838

Continued on next page.

Consolidated Statements of Operations and Changes in Net Assets (in 000's)(continued)

	Year Ended September 30,		
	2016	**2015**	**2014**
Unrestricted net assets			
Excess of revenues, other support, and gains over expenses and losses	**$ 209,954**	$ 162,430	$ 161,260
Other changes in unrestricted net assets:			
Net assets released from restriction for property and equipment	**22,895**	20,773	12,724
Deconsolidation of controlling interest in OH/USP Surgery Centers	**(3,679)**	–	–
Other	**290**	661	1,987
Increase in unrestricted net assets	**229,460**	183,864	175,971
Temporarily restricted net assets			
Contributions	**93,948**	51,808	16,960
Net assets released from restrictions	**(27,991)**	(25,929)	(16,776)
Net realized and unrealized gains (losses) on investments	**1,401**	(1,282)	1,823
Other	**(191)**	(195)	(415)
Increase in temporarily restricted net assets	**67,167**	24,402	1,592
Permanently restricted net assets			
Contributions	**2**	24	–
Net realized and unrealized gains on investments	**1**	5	1
Increase in permanently restricted net assets	**3**	29	1
Increase in net assets	**296,630**	208,295	177,564
Net assets at beginning of year	**1,558,271**	1,349,976	1,172,412
Net assets at end of year	**$ 1,854,901**	$ 1,558,271	$ 1,349,976

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

Consolidated Balance Sheets (in 000's)

	September 30		
	2016	**2015**	**2014**
Assets			
Current assets:			
Cash and cash equivalents	**$ 270,712**	$ 133,415	$ 98,269
Short-term investments	**100**	672	330
Assets limited as to use	**36,805**	37,048	53,957
Accounts receivable, less allowances for uncollectible accounts of $142,734 in 2016, $162,928 in 2015, and $142,941 in 2014	**298,939**	291,992	265,215
Other receivables	**49,132**	50,766	28,682
Other current assets	**66,053**	62,068	53,080
Total current assets	**721,741**	575,961	499,533
Assets limited as to use:			
Debt service and reserve funds held by bond trustee	**41,668**	54,151	55,560
Interest rate swap contract collateral	**29,395**	18,002	8,793
Malpractice self-insurance	**12,417**	12,029	83,263
	83,480	84,182	147,616
Less amount required to meet current obligations	**(36,805)**	(37,048)	(53,957)
	46,675	47,134	93,659
Assets Held for Sale	**8,596**	8,596	–
Long-term investments – unrestricted	**971,900**	913,061	773,549
Long-term investments – restricted	**83,957**	70,324	71,997
Investments in related parties	**25,274**	23,319	24,520
Other assets	**237,580**	167,008	150,619
Property and equipment, net	**1,261,100**	1,227,052	1,164,713
Total assets	**$ 3,356,823**	$ 3,032,455	$ 2,778,590
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	**$ 234,460**	$ 219,402	$ 196,112
Other current liabilities	**108,594**	76,898	60,398
Current portion of long-term debt	**20,860**	30,133	28,303
Total current liabilities	**363,914**	326,433	284,813
Long-term debt, less current portion	**959,618**	982,278	1,003,854
Accrued malpractice claims	**97,977**	86,735	86,197
Other noncurrent liabilities	**80,413**	78,738	53,750
Total liabilities	**1,501,922**	1,474,184	1,428,614
Net assets:			
Unrestricted			
Orlando Health, Inc. and Controlled Affiliates	**1,671,804**	1,439,659	1,257,067
Non-controlling interest in Controlled Affilates	**1,060**	3,745	2,473
Total unrestricted	**1,672,864**	1,443,404	1,259,540
Temporarily restricted	**179,540**	112,373	87,971
Permanently restricted	**2,497**	2,494	2,465
Total net assets	**1,854,901**	1,558,271	1,349,976
Total liabilities and net assets	**$ 3,356,823**	$ 3,032,455	$ 2,778,590

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

Consolidated Statements of Cash Flows (in 000's)

	Year Ended September 30		
	2016	**2015**	**2014**
Operating activities			
Increase in net assets	**$ 296,630**	$ 208,295	$ 177,564
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization	**119,734**	109,650	103,356
Change in value of interest rate swap agreements	**9,932**	10,592	2,514
Net unrealized (gains) losses on investments	**(33,089)**	35,592	(12,221)
Loss on early extinguishment of debt	**16,442**	–	–
Impairment	**–**	–	3,170
Restricted non-cash contribution from the District	**(75,200)**	(27,538)	–
Deconsolidation of OH/USP Surgery Centers	**3,679**	–	–
Restricted contributions and investment income	**(19,961)**	(22,822)	(18,369)
Changes in operating assets and liabilities:			
Accounts receivable, net	**(7,165)**	(26,515)	(6,177)
Other operating assets	**(2,559)**	(10,328)	2,690
Accounts payable and accrued expenses	**15,203**	22,647	32,618
Other operating liabilities	**35,761**	31,360	5,040
Net cash provided by operating activities	**359,407**	330,933	290,185
Investing activities			
Purchases of property, equipment, and other noncurrent assets	**(154,344)**	(178,503)	(192,330)
Acquisition of OHRI imaging centers	**–**	(11,209)	–
Acquisition of physician practice	**–**	(1,360)	–
Acquisition of OH/USP Surgery Centers	**–**	–	(1,410)
(Increase) Decrease in assets limited as to use	**(16,207)**	62,336	72,282
Purchase of trading securities, net of sales	**(39,346)**	(172,436)	(132,014)
Other investing activities	**(1,371)**	2,853	(7,888)
Net cash used in investing activities	**(211,268)**	(298,319)	(261,360)
Financing activities			
Proceeds from issuance of long-term debt	**350,661**	8,500	–
Refunding and repayments of long-term debt	**(396,157)**	(28,790)	(27,669)
Proceeds from debt service reserve fund liquidation	**17,424**	–	–
Bond proceeds used for loan costs	**(2,731)**	–	–
Restricted contributions and investment income	**19,961**	22,822	18,369
Net cash (used in) provided by financing activities	**(10,842)**	2,532	(9,300)
Increase in cash and cash equivalents	**137,297**	35,146	19,525
Cash and cash equivalents at beginning of year	**133,415**	98,269	78,744
Cash and cash equivalents at end of year	**$ 270,712**	$ 133,415	$ 98,269

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

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements include the accounts and activity of the Corporation and its Controlled Affiliates. All significant intercompany transactions have been eliminated in consolidation for all periods presented.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. However, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended September 30, 2016, 2015, and 2014.

2. Organization

Orlando Health, Inc. (Orlando Health) is a not-for-profit corporation and along with Orlando Health Central, Inc. (Health Central) comprise the Obligated Group. Orlando Health is recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, which controls a diversified healthcare delivery system headquartered in Orlando, Florida. Orlando Health includes the following hospitals operating in Central Florida: Orlando Regional Medical Center (ORMC), which included the Lucerne Pavilion (Lucerne) that closed during 2014, Dr. P. Phillips Hospital, Arnold Palmer Hospital for Children (APH), Winnie Palmer Hospital for Women and Babies (WPH), and South Seminole Hospital. APH and WPH are jointly referred to as the Arnold Palmer Medical Center (APMC). Health Central includes a hospital and Health Central Park, a skilled nursing facility. Orlando Health also has a home health services division and eight medical residency programs.

Controlled Affiliates are those entities Orlando Health controls as the sole or majority member, sole shareholder, or through board appointment and approval of all major transactions. Controlled Affiliates operate a variety of healthcare-related services, including physician practice groups (Orlando Health Physician Group, Inc., Orlando Physician Network, Inc., Orlando Cancer Center, Inc. (dba UF Health Cancer Center at Orlando Health), Physician Associates, LLC (PAL), ORHI, LLC (ORHI), which operates five imaging centers, a group purchasing organization, a fund-raising organization (Orlando Health Foundation, Inc.) and other healthcare-related services. Orlando Health, together with its Controlled Affiliates, is collectively referred to herein as the "System." These consolidated financial statements include the consolidated accounts of Orlando Health, Orlando Health Central, and their Controlled Affiliates. Significant transactions between entities have been eliminated.

The System owns a 20% interest in OsceolaSC, LLC (OsceolaSC), a for-profit limited liability corporation. The remaining 80% is owned by Central Florida HMA Holdings, LLC, a subsidiary of Community Health Systems, Inc., a publicly held company. OsceolaSC owns and operates St. Cloud Regional Medical Center, an 84-bed hospital in Osceola County. The System's 20% interest in OsceolaSC is accounted for using the equity method with the accounts of OsceolaSC excluded from these consolidated financial statements.

Orlando Health has a 50% membership in South Lake Hospital, Inc. (South Lake), a not-for-profit acute care hospital. As Orlando Health does not hold a controlling interest, nor rights and obligations to profits and losses, the accounts of South Lake are excluded from the consolidated financial statements.

3. Acquisitions

Imaging Centers

On November 21, 2014, the System and an unrelated party created OHRI, LLC (OHRI), whose purpose is to operate imaging centers. The System holds a 51% interest in OHRI. Effective December 1, 2014, the System invested $1,530,000 and its partner invested $1,470,000 toward the $11,209,000 purchase price of five imaging centers. In order to finance the remaining balance and fund initial operations, OHRI received an $8,500,000 seven year bank loan, of which 51% is guaranteed by Orlando Health. The new LLC also received a line of credit with a bank of

$4,500,000, of which Orlando Health guarantees 51%. Since the System owns a controlling interest in OHRI, all of its assets, liabilities, equity, and approximately ten months of operations are included in these consolidated financial statements. The purchase resulted in the addition of $11,209,000 in total assets (of which $291,000 was cash, $1,650,000 fixed assets, and $9,559,000 goodwill), $8,500,000 in long-term debt, and $3,000,000 of unrestricted net assets.

Surgical Centers

On June 11, 2014, Orlando Health invested approximately $1,410,000 in Orlando Health/USP Surgery Centers, L.L.C. (OHUSP), an entity formed in December 2013, in which Orlando Health holds a 50.1% interest. OHUSP then purchased a 51.0% interest in University Surgical Center, Ltd (UCS). UCS is the owner of an outpatient surgery center, which is its only operation. Orlando Health effectively owns a 25.6% interest in the outpatient surgery center. Since Orlando Health owns a controlling interest in OHUSP, all of its assets, liabilities, equity, and operations are included in these consolidated financial statements. The adjusted opening balance sheet of OHUSP includes $5,240,000 in total assets (of which $4,064,000 is goodwill), $1,417,000 of liabilities (including $1,017,000 of redeemable non-controlling interest), and $3,823,000 of unrestricted net assets (of which $1,009,000 is non-redeemable non-controlling interest). On October 1, 2015, an amended operating agreement was executed that provided for the sale of 0.2% of the System's interest in OHUSP and termination of the management subcontract, thereby reducing its interest in OHUSP to a non-controlling 49.9%. Accordingly, the accounts of OHUSP are no longer consolidated in the financial statements of the System as of September 30, 2016.

4. Net Patient Service Revenue, Allowance for Doubtful Accounts, and Charity care

Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established charges. Payment arrangements include prospectively determined rates per discharge, discounted charges, and percentages of Medicare fee schedules for physician services. There are some minor per diem arrangements remaining after the Medicaid program moved to a prospective payment arrangement effective July 1, 2013. The System also provides a 65% discount (75% for Health Central) from established charges to uninsured patients. Net patient service revenue is presented net of such discounts for uninsured patients that totaled approximately $207,174,000, $166,470,000, and $141,133,000 for the years ended September 30, 2016, 2015, and 2014, respectively. The System has determined, based on an assessment at the reporting-entity level, that patient service revenue is primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for bad debts is recorded as a deduction from net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Net patient service revenue is reported at estimated net realizable amounts due from patients and third-party payors for medical services rendered, and includes adjustments resulting from reviews and audits of prior year Medicare and Medicaid cost reports. Such adjustments are considered in the recognition and estimation of revenue in the current and future periods as the adjustments become known or as cost report years are no longer subject to such reviews and audits.

The combined effect from changes of all prior year cost report settlements and adjustments was an increase in net patient service revenue of approximately $3,538,000, $10,480,000, and $355,000 for the years ended September 30, 2016, 2015, and 2014, respectively.

The percentage of estimated net patient service revenue (net of contractual allowances and discounts) by payor type based on primary insurance is presented below. Patient deductibles and co-pays, as well as accounts whose qualification for the Medicaid program is pending, are included in third-party payors amounts.

	Year ended September 30		
	2016	**2015**	**2014**
Third-party payors	**96%**	97%	96%
Patients	**4%**	3%	4%
	100%	100%	100%

Approximately 24%, 25%, and 25% of net patient service revenue was earned under the Medicare and Medicare HMO programs for the years ended September 30, 2016, 2015, and 2014, and 11%, 13%, and 14% under state Medicaid and Medicaid HMO programs (including estimated revenue for patients whose qualification for the Medicaid program is pending), for the years ended September 30, 2015, 2014, and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Centers for Medicare and Medicaid Services (CMS) utilizes Recovery Audit Contractors (RAC) to retroactively review the propriety of payments to hospitals and physicians for services rendered. During the RAC demonstration project, CMS began recouping amounts previously paid to the System based upon a review of medical records. The System was a part of the demonstration project that reviewed claims from 2002 to 2006, and for 2008 claims, and will be subject to the RAC program that was made permanent by Section 302 of the Tax Relief and Healthcare Act of 2006. The System considered its history of denied claims and successful appeals of previously denied claims in estimating its valuation allowances for exposure to RAC audits. The complexities of the Medicare program rules and the nature of the RAC audit process provide at least a reasonable possibility that the System's valuation allowances for exposure to the RAC audit may change in the near term. The effect of the RAC's recouping of amounts previously paid to the System, net of estimated amounts due was an increase in net patient service revenue of approximately $10,327,000 for the year ended September 30, 2016, an increase in net patient service revenue of $1,020,000 for the year ended September 30, 2015, and a reduction of $6,320,000 for the year ended September 30, 2014.

The System received $2,446,000, $4,559,000 and $6,791,000 during the years ended September 30, 2016, 2015 and 2014, respectively, in incentives under the Medicare and Medicaid Electronic Medical Record incentive program as authorized by the Health Information Technology for Clinical Health Act (HITEC). The System adopted the gain contingency income recognition model for HITEC, and recognizes income when the cash is received and the System has demonstrated meaningful use of certified electronic health record technology for the applicable period. The System defers income on its balance sheet for any incentive payments received, but not yet earned. All payments received to date have been earned and recognized as other revenue. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit.

The System grants credit without collateral to its patients, most of whom are local residents, insured under third-party payor agreements. The mix of receivables from patients and third-party payors before allowances for doubtful accounts is as follows:

	September 30		
	2016	**2015**	**2014**
Medicare	**20%**	21%	23%
Medicaid	**13**	17	19
Other third-party payors	**51**	46	42
Patients	**16**	16	16

Allowances for Doubtful Accounts

The provision for bad debts is based upon management's assessment of historical and expected collections of accounts receivable considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Accounts receivable are written off and charged to the provision for bad debts after collection efforts have been followed in accordance with the System's policies. Recoveries are treated as a reduction to the provision for bad debts. Accounts receivable are reduced by an allowance for doubtful accounts. Periodically, management performs a review and assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category.

Data related to payor sources of revenue and the results of this review are then used to establish an appropriate allowance for uncollectible receivables and provision for bad debts. Additionally, for receivables associated with services provided to patients who have third-party coverage, contractually due amounts are analyzed and compared to actual cash collected over time to enhance the quality of the estimate of the allowance for doubtful accounts and the provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors 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), a significant allowance for doubtful accounts is recorded on the basis of historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. An estimate of the difference between contracted rates and amounts actually collected, after all reasonable collection efforts have been exhausted, is charged to the provision for bad debts and credited to the allowance for doubtful accounts.

Allowances for doubtful accounts decreased $20,194,000 during the year ended September 30, 2016, from $162,928,000 at September 30, 2015, to $142,734,000 at September 30, 2016. The decrease in the allowance for doubtful accounts was primarily driven by stronger collections during the year ended September 30, 2016 in addition to less aged accounts with balances. The allowance for doubtful accounts includes $51,852,000, $79,087,000, and $67,799,000 in amounts due from third-party payors (including the patient responsibility portion included in these accounts) at September 30, 2016, 2015, or 2014, respectively. The allowance for doubtful accounts for self-pay hospital patients as a percent of related self-pay accounts receivable was 93%, 94%, and 95% at September 30, 2016, 2015, and 2014, respectively.

The provision for bad debts increased from $112,793,000 for the year ended September 30, 2015, to $181,450,000 for the year ended September 30, 2016. During the year ended September 30, 2015, the System determined there were a significant number of previously reserved patient accounts that qualified for charity status. Accordingly, during 2015 the related reserve was reclassified from the allowance for doubtful accounts to the allowance for charity care, resulting in a reduction to the provision for bad debts and a related reduction to net patient service revenue.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy at no charge or at amounts less than its established charges. Because the System does not pursue collection of amounts determined to qualify as charity care, such amounts are excluded from net patient service revenue. Patients are eligible for charity care if their documented household income is less than 200% of the federal poverty level guidelines (150% for Health Central), or the amount of their medical bill is more than 25% of their annual household income and their household income does not exceed 400% of the federal poverty level guidelines. Charity care is provided to all patients meeting these criteria.

Charity care provided was approximately 5%, 5%, and 6% of total services rendered during the years ended September 30, 2016, 2015, and 2014, respectively, based on total charges for all services in those years. The estimated cost of charity care delivered was approximately $92,503,000, $101,176,000, and $114,898,000 during the years ended September 30, 2016, 2015, and 2014, respectively. Cost is estimated based on the System's ratio of expenses to established patient service charges.

5. Long-term Debt

Long-term debt consists of the following:

	September 30 2016	2015	2014
	(In Thousands)		
Fixed Rate Hospital Revenue Bonds - secured			
Series 2016A – plus net unamortized premium and issuance costs of $28,864,000, $0, and $0 at September 30, 2016, 2015, and 2014 respectively, interest rates from 3.0% to 5.0%, payable through 2041	**$ 202,579**	$ -	$ -
Series 2016B (Orlando Health Central) – plus net unamortized premium and issuance costs of $4,025,000, $0, and $0 at September 30, 2016, 2015, and 2014 respectively, interest rates from 4.0% to 5.0%, payable 2045 through 2046	**70,600**	-	-
Series 2016C (Orlando Health Central) – less unamortized issuance costs of $1,158,000, $0, and $0 at September 30, 2016, 2015, and 2014 respectively, interest rate of 4.416%, payable 2044 through 2045	**73,307**	-	-
Series 2012A and B – plus net unamortized premium and issuance costs of $3,368,000, $3,496,000 and $3,625,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 4.0% to 5.0%, payable through 2043	**188,242**	188,371	188,500
Series 2009 – less net unamortized premium and issuance costs of $98,000, $108,000, and $118,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 4.5% to 5.375%, payable through 2027	**173,942**	184,982	197,471
Series 2008A and B – less net unamortized premium and issuance costs of $1,327,000, $2,405,000, and $2,577,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 4.0% to 5.25%, payable through 2036. Series 2008A and B were partially advance refunded as of April 2016.	**83,583**	139,820	141,473
Series 2008C – less net unamortized discount and issuance costs of $0, $1,998,000, and $2,074,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 5.25% to 5.375%, payable 2029 through 2042. Series 2008C Bonds were advanced refunded as of April 2016.	-	78,227	78,151
Series 2006B – plus net unamortized premium and issuance costs of $0, $48,000, and $50,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 4.75% to 5.125%, payable 2034 through 2040. Series 2006B bonds were currently refunded as of April 2016.	-	74,698	74,700
Series 1996A and Series 1996C – plus net unamortized premium and issuance costs of $238,000, $357,000, and $485,000 at September 30, 2016, 2015, and 2014 respectively, interest rate of 6.25%, payable through 2022	**45,448**	49,352	53,045
Variable rate hospital revenue bonds – secured			
Series 2011 – interest rate of 1.1957% at September 30, 2016, less unamortized issuance costs of $263,000, $273,000, and $284,000 at September 30, 2016, 2015, and 2014 respectively, payable 2027 through 2041	**82,912**	82,902	82,891
Series 2008E – interest rate of 0.95%, less unamortized issuance costs of $220,000, $242,000, and $263,000 at September 30, 2016, 2015, and 2014 respectively, payable 2015 through 2026	**51,710**	53,888	53,867
Notes payable and other indebtedness			
Note Payable to the West Orange Healthcare District – secured, fixed rate issued at par, less unamortized issuance costs of $0, $458,000, and $498,000 at September 30, 2016, 2015, and 2014 respectively, interest rates from 2.452% to 4.68%, payable through 2027. Note paid in full during April 2016	-	151,012	161,087
Note Payable to SunTrust Bank, interest rate of 3.98%, payable through 2022	**7,670**	8,413	-
Other	**485**	746	972
Total debt, net of unamortized premiums, discounts and issuance	**980,478**	1,012,411	1,032,157
Less current portion	**(20,860)**	(30,133)	(28,303)
Total long-term debt	**$ 959,618**	$ 982,278	$ 1,003,854

6. Derivative Instruments and Hedging Activities

In an effort to reduce costs of issuance and take advantage of low interest rates in effect at various times, Orlando Health has entered into interest rate swap arrangements that fix the interest rate on portions of variable rate bonds. The notional amounts under interest rate swap agreements hedging bonds are substantially the same as the principal maturities of the respective outstanding bond series. The construction loan swap hedged the majority of the construction loan at the maximum loan amount. Net interest receipts and payments are recognized as an adjustment to interest expense or as capitalized interest during periods of construction. The interest rate swap agreements are not accounted for under hedge accounting criteria. Therefore, changes in the value of these swaps are included in loss on interest rate swap agreements.

Collateral was required and posted on the 2011 swaps in the amount of $29,395,000, $18,002,000 and $8,793,000 at September 30, 2016, 2015 and 2014, respectively, and is included in interest rate swap contract collateral receivable in assets limited as to use.

The following summarizes outstanding swap positions as of September 30, 2016:

	2008E Swap	2011 Swaps
	(Dollars in Thousands)	
Initial notional amount	$ 55,000	$ 90,000
Notional amount at September 30, 2015	$ 54,130	$ 90,000
Current bond or loan hedged	2008E Bonds	2011 Bonds
Original bond or loan hedged	2006A Bonds	2007A1A2Bonds
Maturity date	10/1/2026	10/1/2041
Fixed rate paid	3.425%	3.860%
Floating rate received	68% 30-day USD-LIBOR-BBA	68% 30-day USD-LIBOR-BBA

7. Commitments and Contingencies

The System leases equipment and space under operating leases with various lease terms. Aggregate future minimum lease payments, anticipated future lease payments on optional renewals, and estimated variable costs under these leases total $109,148,000 and are payable during the following years ending September 30: $21,577,000 in 2017, $21,137,000 in 2018, $20,756,000 in 2019, $20,250,000 in 2020, $20,562,000 in 2021 and $4,857,000 thereafter.

On September 1, 2011, the System employed a group of physicians and entered into employment agreements with the physicians for a period of seven years. On September 30, 2014, there was a remaining commitment of $25,380,000 to be paid on these contracts. On September 30, 2015, notice of termination was issued, with an effective date of March 31, 2016 for termination of the employment agreements. As a result, the System accrued the remaining commitment and the System recorded salary expense of $15,887,000 in 2015. The System made payments of $3,972,000 to the physicians during 2016. Approximately $11,915,000 is outstanding as of September 30, 2016, of which $7,943,000 is a current liability. The liability will be paid over the remaining 18 months.

On March 18, 2015, Orlando Health entered into an agreement to purchase a medical office building for $6,538,000, of which $538,000 was paid on March 20, 2015. The transaction is not expected to close until May 1, 2019, at which time, the remaining $6,000,000 will be paid.

On March 23, 2015, Orlando Health entered into an agreement to lease a building that will be constructed by the owner and valued at $21,000,000. Construction is expected to be completed by early 2017. The lease is for 15 years beginning at construction completion. At that time, the lease will be capitalized. The building will be used for medical office space and other outpatient services.

8. Subsequent Events

In preparing these condensed consolidated financial statements, the System has evaluated events and transactions for potential recognition and disclosure through the date these condensed consolidated financial statements were issued.

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Management's Discussion and Analysis

Year ended September 30, 2016 Compared to 2015

Excess of revenues, other support and gains over expenses and losses was $209.9 million for the year ended September 30, 2016, a $47.5 million or 29.3% increase from the prior year. Income from operations of $172.7 million for the year was $8.1 million or 4.5% less than the prior year. Non-operating gains and losses increased $55.6 million from the prior year.

Revenue, Utilization, and Payor Mix

Net patient service revenue, less the provision for bad debts for the year ended September 30, 2016 increased $127.2 million or 5.8% compared to the prior year. The increase is due to increased volumes, rate increases and higher acuity.

The provision for bad debts increased $68.7 million from the year ended September 30, 2015 impacted by an increase in self-pay patients, shift in more cost to patient responsibility, and a reclassification of certain accounts to charity during the year ended September 30, 2015. Combined admissions and observation cases increased 2.0%, case mix index from increased from 1.52 to 1.61, and outpatient visits and adult length of stay were consistent with the prior year. The payor mix changed with decreases in Medicaid, commercial and self-pay patients, offset with increases in Medicare and managed care patients.

Expenses

Total expenses for the year ended September 30, 2016 increased $140.5 million or 6.6% compared to the prior year. The increase is due to increased volumes and related increase in employees, employee pay rate increases, supply inflation, and growth in supply intensive service lines.

Changes in Cash, Investments, Accounts Receivable, and Working Capital

From September 30, 2015 to September 30, 2016, unrestricted cash and investments increased $195.6 million or 18.7% due to operating cash flow.

Accounts receivable increased $6.9 million or 2.4%. Days of revenue in accounts receivable is based on one year of net patient service revenue. There were 47 days revenue in accounts receivable at September 30, 2016, which is slightly lower than September 30, 2015.

Current assets increased $145.8 million or 25.3 % and current liabilities increased $37.5 million or 11.5%. Current ratio increased from 1.76 as of September 30, 2015 to 1.98 as of September 30, 2016.

Capital Expenditures and Construction Projects

Capital expenditures decreased from $178.5 million in 2015 to $54.3 million in 2016.

Construction-in-progress represents numerous construction and renovation projects. Estimated costs to complete these projects as of September 30, 2016, are approximately $181.2 million which includes $7.2 million for the ORMC expansion and redevelopment project expected to be completed in December 2016, $9.1 million for Health Central's Sunrise Clinical Manager System, $8.8 million for a new outpatient health pavilion located near Health Central, $35.6 million for the Horizons West campus development, $25.8 million for an on campus Cancer Center at Health Central and $34.6 million for an on campus Skilled Nursing Facility at Health Central.

Obligated Group and Controlled Affiliates

Excess (deficiency) of revenues, other support, and gains over expenses and losses by the Obligated Group and Controlled Affiliates for the years ended September 30, 2016 and 2015 is presented below:

	Year Ended September 30	
Excess (deficiency) of revenue, other support, and gains over expenses and losses	**2016**	**2015**
	(in millions)	
Orlando Health Obligated Group	**$313.1**	$261.9
Controlled Affiliates	**(95.2)**	(93.0)
Inter-company Eliminations	**(7.9)**	(6.5)
Consolidated	**$210.0**	$162.4

Year ended September 30, 2015 Compared to 2014

Excess of revenues, other support and gains over expenses and losses was $162.4 million for the year ended September 30, 2015, a $1.2 million or 0.7% increase from the prior year. Income from operations of $180.8 million for the year was $53.6 million or 42.1% more than the prior year. Non-operating gains and losses decreased $52.4 million from the prior year.

Revenue, Utilization, and Payor Mix

Net patient service revenue, less the provision for bad debts for the year ended September 30, 2015 increased $187.9 million or 9.3% compared to the prior year. The increase is due to increased volumes, rate increases, higher acuity, fewer patients without insurance, and the addition of surgical and imaging centers.

Combined admissions and observation cases increased 4.0%, case mix index from increased from 1.50 to 1.52, and outpatient visits and adult length of stay were consistent with the prior year. The payor mix changed with decreases in Medicare, Medicaid, commercial and self-pay patients, offset with increases in managed care patients.

Expenses

Total expenses for the year ended September 30, 2015 increased $151.4 million or 7.6% compared to the prior year. The increase is due to increased volumes and related increase in employees, employee pay rate increases, supply inflation, and the addition of surgical and imaging centers.

Changes in Cash, Investments, Accounts Receivable, and Working Capital

From September 30, 2014 to September 30, 2015, unrestricted cash and investments increased $175.0 million or 20.1% due to operating cash flow and the transfer of $73.6 million from the self-insurance trust.

Accounts receivable increased $26.8 million or 10.1%. Days of revenue in accounts receivable is based on one year of net patient service revenue. There were 48 days revenue in accounts receivable at September 30, 2015, which is the same as at September 30, 2014.

Current assets increased $114.7 million or 16.4 % and current liabilities increased $41.6 million or 14.6%. Current ratio increased from 2.45 as of September 30, 2014 to 2.49 as of September 30, 2015.

Capital Expenditures and Construction Projects

Capital expenditures decreased from $192.3 million in 2014 to $178.5 million in 2015.

Construction-in-progress represents numerous construction and renovation projects. Estimated costs to complete these projects as of September 30, 2015, are approximately $120,438,000, which includes $28,110,000 in remaining construction costs associated with the ORMC expansion and redevelopment project (ORMC Project) that is expected to be completed in October 2016, $31,392,000 in remaining costs of an additional patient bed tower and emergency department expansion project (Health Central Project) located at Health Central that is expected to be completed in the fall of 2016, and $18,362,000 in remaining costs of a new $19,560,000 outpatient health pavilion construction project located near Health Central.

Obligated Group and Controlled Affiliates

Excess (deficiency) of revenues, other support, and gains over expenses and losses by the Obligated Group and Controlled Affiliates for the years ended September 30, 2015 and 2014 is presented below:

	Year Ended September 30	
Excess (deficiency) of revenue, other support, and gains over expenses and losses	**2015**	**2014**
	(in millions)	
Orlando Health, Inc. (sole Member of the Obligated Group)	**$261.9**	$231.5
Controlled Affiliates	**(93.0)**	(64.9)
Inter-company Eliminations	**(6.5)**	(5.3)
Consolidated	**$162.4**	$161.3

Year ended September 30, 2014 Compared to 2013

Excess of revenues, other support and gains over expenses and losses was $161.3 million for the year ended September 30, 2014, a $129.2 million or 403.6% increase from the prior year. Income from operations of $127.3 million for the year was $136.8 million more than the prior year. Net non-operating gains decreased $7.6 million from the prior year.

Revenue, Utilization, and Payor Mix

Net patient service revenue, less the provision for bad debts for the year ended September 30, 2014 increased $173.6 million or 9.5% compared to the prior year. Net patient service revenue decreased $64.4 million or 3.7%. The current year includes $0.5 million in net positive cost report and other items unrelated to the year, but the prior year included $10.9 million of similar positive items. Excluding these prior period items, net patient service revenue increased $184.0 million or 10.1%.

Combined admissions and observation cases decreased 0.9%, case mix index from increased from 1.47 to 1.50, outpatient visits increased 3.8%, and length of stay was consistent with the prior year at 4.5 days. The payor mix changed with decreases in Medicare, Medicaid and self-pay patients, offset with increases in managed care patients.

Expenses

Total expenses for the year ended September 30, 2014 increased $47.7 million or 2.5% compared to the prior year. Expenses in the current year include $16.8 million in restructuring consulting fees and severance costs, $3.2 million in impairment costs, offset with a reduction of $2.0 million in medical malpractice expense. In the prior year, there were $18.9 million in similar negative nonrecurring items. Excluding these items in both years, expenses increased $48.6 million or 2.5%.

Management recognizes the possibility of further revenue reductions from government payors and continues its commitment to control expenses and increase revenue to continue achieving operating income levels that allow Orlando Health to compete effectively in the local market and continue to meet the changing healthcare needs of its market. Since the initiatives began in the 4th quarter of fiscal 2013, there have been approximately $111 million in cumulative cost reduction and revenue enhancement improvements realized. These and new initiatives are expected to produce approximately $140 million in benefits in the next fiscal year.

Changes in Cash, Investments and Accounts Receivable

From September 30, 2013 to September 30, 2014, unrestricted cash and investments increased $158.3 million or 22.2%.

Accounts receivable increased $6.3 million or 2.5%. Days of revenue in accounts receivable is based on one year of net patient service revenue. There were 48 days revenue in accounts receivable at September 30, 2014, a decrease from the 51 days at September 30, 2013.

Current liabilities increased $27.0 million or 10.5%.

Capital Expenditures

As of September 30, 2014, the total estimated cost to complete all capital projects was $$118.9 million, including $74.9 million for the ORMC redesign and redevelopment project. The project is being funded with approximately $155.5 million of proceeds from the 2012 Bonds, unrestricted cash and investments, and fundraising.

Obligated Group and Controlled Affiliates

Excess (deficiency) of revenues, other support, and gains over expenses and losses by the Obligated Group and Controlled Affiliates for the years ended September 30, 2014 and 2013 is presented below:

	Year Ended September 30	
Excess (deficiency) of revenue, other support, and gains over expenses and losses	**2014**	**2013**
	(in millions)	
Orlando Health, Inc. (sole Member of the Obligated Group)	**231.5**	$115.9
Controlled Affiliates	**(64.9)**	(78.8)
Inter-company Eliminations	**(5.3)**	(5.1)
Consolidated	**161.3**	$32.0

Most of the losses from the Controlled Affiliates were derived from physician practices. The addition of certain physician groups has brought new hospital based ancillary services, which in many cases more than offsets the physician practice losses.

System Outlook and Plans for the Future

This outlook is being provided by the Corporation. While the information contained in this section is believed to be accurate, no representation or warranty (whether express or implied) is made by the Corporation as to the accuracy, reliability, or completeness of such information.

This Outlook includes forward-looking statements as defined in the Securities Act of 1933, as amended. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, interest rate risk, delinquency and default rates, competition, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preferences, and various other matters, many of which are beyond the Corporation's control. These forward-looking statements speak only as of the date of this Official Statement. The Corporation and its Controlled Affiliates expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Corporation, this outlook and its expectations or those of its Controlled Affiliates with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Under the Private Securities Litigation Reform Act of 1995, statements in this Annual Report that are not historical facts, including statements about plans and expectations regarding businesses and opportunities, demand and acceptance of new and existing businesses, capital resources, and future financial condition and results are forward-looking. Forward-looking statements involve risks and uncertainties, which may cause actual results in future periods to differ materially and adversely from those expressed. These uncertainties and risks include changing consumer (patient) preferences, lack of success of new businesses, loss of customers (patients), competition, and other factors discussed from time to time in filings with the Securities and Exchange Commission (NRMSRs or EMMA) / under SEC Rule 15c2-12.

The healthcare industry continues to experience increasing competition, stringent regulatory constraints, increasing labor and pharmaceutical and supply costs, and payment reductions from Medicare and Medicaid, and continued pressure on employers to share more of the costs of health insurance with their employees. The economy in the local market has improved and the number of residents without health insurance has decreased. This has translated into a decrease in the number of patients without insurance. However, the future of the insurance exchange products is uncertain given the possible repeal of the Affordable Care Act. Orange County has had one of the largest insurance exchange enrollments in the United States. If insurance exchange enrollment declines due to either an elimination of penalties or discontinued product offerings, the number of residents without insurance could rise significantly. To meet the continuing challenges, Orlando Health is becoming a clinically integrated system focused on improving quality, coordination of care, and the total cost of care to our patients. Over the last 10 years, the System made significant operational and financial changes, including initiatives to increase revenue, acquisition of a hospital located in the System's service area, employment of a key primary care physician group, creation of a Medicare ACO participating in the shared savings program, implementation of initiatives to retain high quality personnel, programs to better manage supply and pharmaceutical costs, and continued investment in information technology. Continued risks include:

- continued pressures from Medicare and Medicaid reimbursement
- ultimate effects of Federal healthcare reform legislation
- unknown effects of possible modifications to Federal healthcare reform legislation
- Florida's decision to not expand Medicaid eligibility under the Affordable Care Act
- pressures from managed care companies to slow the rate of increase in healthcare spending
- shortage of skilled health care professionals
- un-reimbursed charity care losses increases in malpractice losses and insurance premiums

The organization has achieved significant cost reductions in its core operations over several years and has increased revenue substantially as a result of improvements in the revenue cycle, increased case mix index and improved payer mix of hospital patients. In order to meet its goal of becoming a clinically integrated organization, the Corporation is continuing to hire physicians and planning other ways for community physicians to become more connected to the Corporation. We believe that clinical integration will be necessary to improving quality, patient safety, patient satisfaction and efficiency.

In order to meet the health care needs of the community, Orlando Health continues to invest in capital improvements, including:

- The ORMC North Tower and expanded emergency department opened in 2015. The ORMC North Tower is a new ten-story patient bed tower that is connected to ORMC with 245 private patient rooms, allowing most patients at ORMC to be in private rooms. Other improvements at ORMC are underway and approximately $31 million remains to be spent in 2016 on this $324 million project.

- In 2014, construction was completed on a $12 neonatal intensive care unit expansion at Winnie Palmer Hospital that increased NICU beds from 112 to 142.

- In 2015, construction began on a $13 million project to build out a shelled floor of Winnie Palmer Hospital. The expansion will add 30 adult post-partum beds and is expected to be complete by the fall of 2016.

- In 2015, Health Central began $45.3 million in expansion projects that includes renovation of its emergency department and the addition of a new 40 bed patient tower. The West Orange District has committed $38.8 million in grant funding and Corporation’s Board approved funding $4.5 million towards one of the projects.

These and other projects and equipment purchases have enabled the System to maintain its strong market position.

In December 2016, the System received approval to build a 103-bed general acute care hospital in Horizons West.

On February 1, 2017, the System announced it had entered into a letter of intent with Lakeland Regional Health to form an affiliation to create an integrated regional health care system. This announcement was posted to the Electronic Municipal Market Access System.