

LEGACY HEALTH SYSTEM AND AFFILIATES  
CREDIT GROUP  
BALANCE SHEET  
AS OF DECEMBER 31, 2009  
(Dollars in thousands)

<u>ASSETS</u>	<u>12/31/09</u> (unaudited)
CURRENT ASSETS:	
Cash and cash equivalents	\$ 71,155
Short-term investments	42,277
Cash and cash equivalents held under securities lending program	7,066
Accounts receivable from patients, net	156,784
Other receivables	14,047
Inventories	17,027
Prepaid expenses	9,841
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Total current assets	318,197
ASSETS LIMITED AS TO USE:	
Community health fund	9,851
Held by trustee	173,289
Non-current investments restricted for capital acquisitions	1,744
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	184,884
OTHER ASSETS:	
Property, plant and equipment, net	679,416
Noncurrent investments	410,203
Property held for development or sale	23,526
Other assets	24,068
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	1,137,213
	<hr/>
	\$ 1,640,294
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<u>LIABILITIES AND NET ASSETS</u>	<u>12/31/09</u> (unaudited)
CURRENT LIABILITIES:	
Accounts payable	\$ 28,230
Accrued wages, salaries and benefits	64,713
Accrued interest	7,912
Settlements payable to third-party payors, net	4,904

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Other current liabilities	29,130
Payable under securities lending program	7,129
Long-term debt subject to short-term remarketing arrangements	1,500
Current portion of long-term debt	<u>17,430</u>
Total current liabilities	160,948
LONG-TERM DEBT, less current portion	557,139
OTHER LIABILITIES:	
Estimated general and professional claims liability	40,678
Accrued pension liability	80,712
Other noncurrent liabilities	<u>19,717</u>
Total other liabilities	141,107
Total liabilities	<u>859,194</u>
NET ASSETS:	
Unrestricted net assets	740,507
Temporarily restricted	28,857
Permanently restricted	<u>11,736</u>
Total net assets	<u>781,100</u>
	<u><u>\$ 1,640,294</u></u>

Note 1: In January 2010, Legacy issued \$123.7 million of Revenue Bonds Series 2010 (Series 2010 Bonds) through the Oregon Facilities Authority which refunded Legacy's outstanding Series 1999 and 2003 bonds. As a result of the Series 2010 issuance, Legacy reclassified \$42.8 million of the Series 2003 bonds from long-term debt subject to short-term remarketing arrangements to long-term debt on the consolidated balance sheet. Legacy anticipates recognizing a loss of \$0.9 million in the fourth quarter of fiscal 2010 related to this transaction.

LEGACY HEALTH SYSTEM AND AFFILIATES  
CREDIT GROUP  
STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2009  
(Dollars in thousands)

	<u>12/31/09</u> (unaudited)
Net patient service revenues	\$ 934,244
Other revenues	<u>22,312</u>
Total operating revenues	<u>956,556</u>
Operating expenses	
Wages & benefits	502,765
Professional fees	39,801
Supplies	146,052
Purchased services	46,780
Utilities, insurance, and other	48,593
Interest and amortization	10,313
Depreciation	65,497
Provision for doubtful accounts	67,328
Total operating expenses	<u>927,129</u>
Income from operations	<u>29,427</u>
Other income (expenses):	
Investment income, net	81,258
Other, net	(9,523)
Total other income (expense)	<u>71,736</u>
Revenues in excess of expenses	<u>101,163</u>
Net assets released from restriction used for	
property, plant and equipment	427
Pension and other post retirement benefits	57,838
Other transfers	509
Distributions	-
Contributions	-
Change in unrestricted net assets	<u><u>\$ 159,937</u></u>

Note 1: Legacy amended its defined benefit pension plan, transitioning from a final average pay benefit formula to a cash balance benefit formula effective January 1, 2010. Benefits earned under the final average pay benefit formula were frozen as of December 31, 2009. Legacy remeasured the plan assets and benefit obligation as of December 31, 2009, resulting in an increase in unrestricted net assets and a decrease in accrued pension liability of \$57.8 million.

LEGACY HEALTH SYSTEM AND AFFILIATES  
CREDIT GROUP  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2009  
(Dollars in thousands)

	12/31/09 (unaudited)
Unrestricted net assets	
Revenues in excess of expenses	\$ 101,163
Net assets released from restriction used for property, plant and equipment	427
Pension and other post retirement adjustments	57,838
Other transfers	509
Change in unrestricted net assets	<u>159,937</u>
Temporarily restricted net assets:	
Donor restricted contributions and grants	13,207
Investment income, net	6,026
Net assets released from restriction	(12,175)
Change in temporarily restricted net assets	<u>7,058</u>
Permanently restricted net assets:	
Donor restricted contributions and grants	336
Investment income, net	509
Other transfers	(509)
Change in permanently restricted net assets	<u>336</u>
Change in net assets	167,331
Net assets, beginning of year	613,769
Net assets, end of period	<u><u>\$ 781,100</u></u>

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LEGACY HEALTH SYSTEM AND AFFILIATES  
CONSOLIDATED  
BALANCE SHEET  
AS OF DECEMBER 31, 2009  
(Dollars in thousands)

<u>ASSETS</u>	<u>12/31/09</u> (unaudited)
CURRENT ASSETS:	
Cash and cash equivalents	\$ 72,570
Short-term investments	42,277
Cash and cash equivalents held under securities lending program	7,066
Accounts receivable from patients, net	159,419
Other receivables	14,272
Inventories	17,464
Prepaid expenses	10,756
	<hr/>
Total current assets	323,824
ASSETS LIMITED AS TO USE:	
Community health fund	9,851
Held by trustee	173,290
Non-current investments restricted for capital acquisitions	1,745
	<hr/>
	184,886
OTHER ASSETS:	
Property, plant and equipment, net	682,779
Noncurrent investments	404,115
Property held for development or sale	23,526
Other assets	45,311
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	1,155,731
	<hr/>
	\$ 1,664,441
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<u>LIABILITIES AND NET ASSETS</u>	<u>12/31/09</u> (unaudited)
CURRENT LIABILITIES:	
Accounts payable	\$ 28,654
Accrued wages, salaries and benefits	64,973
Accrued interest	7,912
Settlements payable to third-party payors,net	4,904

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Other current liabilities	29,412
Payable under securities lending program	7,130
Long-term debt subject to short-term remarketing arrangements	1,500
Current portion of long-term debt	<u>17,811</u>
Total current liabilities	162,296
LONG-TERM DEBT, less current portion	558,059
OTHER LIABILITIES:	
Estimated general and professional claims liability	41,532
Accrued pension liability	80,712
Other noncurrent liabilities	<u>19,867</u>
Total other liabilities	142,111
Total liabilities	<u>862,466</u>
NET ASSETS:	
Unrestricted, controlling interest	740,773
Unrestricted net assets, non-controlling interest	20,609
Temporarily restricted	28,857
Permanently restricted	<u>11,736</u>
Total net assets	<u>801,975</u>
	<u>\$ 1,664,441</u>

Note 1: In January 2010, Legacy issued \$123.7 million of Revenue Bonds Series 2010 (Series 2010 Bonds) through the Oregon Facilities Authority which refunded Legacy's outstanding Series 1999 and 2003 bonds. As a result of the Series 2010 issuance, Legacy reclassified \$42.8 million of the Series 2003 bonds from long-term debt subject to short-term remarketing arrangements to long-term debt on the consolidated balance sheet. Legacy anticipates recognizing a loss of \$0.9 million in the fourth quarter of fiscal 2010 related to this transaction.

LEGACY HEALTH SYSTEM AND AFFILIATES  
CONSOLIDATED  
STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2009  
(Dollars in thousands)

	12/31/09 (unaudited)
Net patient service revenues	\$ 940,423
Other revenues	<u>23,757</u>
Total operating revenues	<u>964,180</u>
Operating expenses	
Wages & benefits	505,174
Professional fees	40,197
Supplies	147,301
Purchased services	47,586
Utilities, insurance, and other	49,473
Interest and amortization	10,383
Depreciation	65,750
Provision for doubtful accounts	67,482
Total operating expenses	<u>933,346</u>
Income from operations	30,834
Other income (expenses):	
Investment income, net	81,264
Other, net	(9,490)
Total other income (expense)	<u>71,774</u>
Revenues in excess of expenses	102,608
Net assets released from restriction used for	
property, plant and equipment	427
Pension and other post retirement benefits	57,838
Other transfers	509
Distributions	(1,362)
Contributions	16,133
Change in unrestricted net assets	<u>\$ 176,153</u>

Note 1: Legacy amended its defined benefit pension plan, transitioning from a final average pay benefit formula to a cash balance benefit formula effective January 1, 2010. Benefits earned under the final average pay benefit formula were frozen as of December 31, 2009. Legacy remeasured the plan assets and benefit obligation as of December 31, 2009, resulting in an increase in unrestricted net assets and a decrease in accrued pension liability of \$57.8 million.

LEGACY HEALTH SYSTEM AND AFFILIATES  
CONSOLIDATED  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2009  
(Dollars in thousands)

	12/31/09
	(unaudited)
Unrestricted net assets, controlling interest	
Revenues in excess of expenses	\$ 101,333
Net assets released from restriction used for property, plant and equipment	427
Pension and other post retirement adjustments	57,838
Other transfers	509
Change in unrestricted net assets, controlling interest	<u>160,107</u>
Unrestricted net assets, non-controlling interest	
Revenues in excess of expenses	\$ 1,275
Distributions	(1,362)
Contributions	16,133
Change in unrestricted net assets non-controlling interest	<u>16,046</u>
Change in unrestricted net assets	<u>176,153</u>
Temporarily restricted net assets:	
Donor restricted contributions and grants	\$ 13,207
Investment income, net	6,026
Net assets released from restriction	(12,175)
Change in temporarily restricted net assets	<u>7,058</u>
Permanently restricted net assets:	
Donor restricted contributions and grants	\$ 336
Investment income, net	509
Other transfers	(509)
Change in permanently restricted net assets	<u>336</u>
Change in net assets	183,547
Net assets, beginning of year	618,428
Net assets, end of period	<u><u>\$ 801,975</u></u>

Note 1: Legacy amended its defined benefit pension plan, transitioning from a final average pay benefit formula to a cash balance benefit formula effective January 1, 2010. Benefits earned under the final average pay benefit formula were frozen as of December 31, 2009. Legacy remeasured the plan assets and benefit obligation as of December 31, 2009, resulting in an increase in unrestricted net assets and a decrease in accrued pension liability of \$57.8 million.