INVESTOR REPORT

CONTINUING DISCLOSURE

June 30, 2016

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC. D/B/A UNIVERSITY HOSPITALS

AND THE

MEMBERS OF THE OBLIGATED GROUP

The information contained herein has been provided by
University Hospitals Health System, Inc. d/b/a University Hospitals

Any statements contained in this report that are not purely historical are forward-looking statements, including statements of the Obligated Group and Consolidated System's expectations, hopes and intentions, or strategies regarding the future. The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this report would prove to be accurate. Readers should therefore not place undue reliance on forward-looking statements. All forward-looking statements included in this report are based on information available to the Obligated Group and Consolidated System on the date hereof, and University Hospitals assumes no obligation to update any such forward-looking statements.

All information prior to Management's Discussion and Analysis, except where noted, is based on information as of and for the year ended December 31, 2015.

University Hospitals™
To Heal. To Teach. To Discover.

University Hospitals Health System, Inc. d/b/a/ University Hospitals (the "Parent"), together with its affiliates and subsidiaries (the "System" and/or "UH"), is an integrated, nonprofit health care delivery system that serves patients throughout the Northeast Ohio region. The System is known for providing superior, leading-edge health care across the full range of medical and surgical specialties from infancy to elder care. In addition to delivering quality patient care, the System serves as a preeminent teaching facility for physicians, nurses and ancillary medical personnel. The System's extensive clinical research programs continue to improve the understanding of disease and enhance patient care.

The System includes an academic medical center, twelve suburban medical center locations ("Community Medical Centers"), ambulatory health care centers, skilled nursing, rehabilitation, and home care services. The System also operates one of the State's largest networks of primary and specialty care physicians, with physician practice offices located throughout the region. The System is one of the largest private sector employers in the State. Joint venture affiliations with two regional community hospitals, two rehabilitation hospitals, and a specialty hospital in Lorain, Ohio extend the System's care to an even greater number of patients.

The System's 1,032 registered-bed academic medical center, University Hospitals Cleveland Medical Center d/b/a University Hospitals Case Medical Center ("UHCMC"), is the primary affiliate of Case Western Reserve University ("CWRU") School of Medicine. Through this affiliation, CWRU and UHCMC form one of the largest biomedical research centers in Ohio. Total sponsored research funding to CWRU School of Medicine and UHCMC totals $265 million collectively, including $150 million in annual funding from the National Institutes of Health ("NIH") to CWRU. UHCMC provides the principal clinical base for translational researchers at the Case Research Institute, a research program developed by UHCMC and CWRU School of Medicine, as well as a broad and well-characterized patient population for clinical trials involving the most innovative treatments.

UHCMC includes three distinct, nationally recognized Centers of Excellence: UH Rainbow Babies & Children's Hospital ("RB&C"), UH Seidman Cancer Center ("Seidman Cancer Center"), and UH MacDonald Women's Hospital. According to the U.S. News & World Report's 2016-17 annual rankings, RB&C has been ranked in every one of the 10 pediatric specialties and is consistently ranked as one of the best children's hospitals in the country marking two decades of achieving national recognition.

The Seidman Cancer Center is part of the National Cancer Institute ("NCI") designated Case Comprehensive Cancer Center at CWRU, one of approximately 41 centers to receive the NCI's highest designations. The System has funded a $34 million proton therapy center, designed to further position Seidman Cancer Center at the forefront of cancer treatment. UH MacDonald Women's Hospital is Ohio's only hospital dedicated solely to women's healthcare, and offers special expertise in urogynecologic, breast and ovarian cancers.

In addition to these distinct hospitals, UHCMC includes a UH Neurological Institute, UH Harrington Heart & Vascular Institute, UH Urology Institute, UH Ear, Nose & Throat Institute, UH Digestive Health Institute, the UH Respiratory Health Institute and the UH Eye Institute. The Orthopedic Surgery Department and the General Surgery Department are other major programs at UHCMC.

Specific highlights of the System include[1]:

- 847 staffed-bed Academic Medical Center
- 12 Community Medical Center Locations
- 3 Joint Venture Hospitals [(3)]
- 35 Major Outpatient Health Centers
- Revenues of $3.6 billion
- $150 million in NIH Grants (includes CWRU)
- Total assets of $4.6 billion
- 2,180 staffed beds, 106,303 adult discharges
- U.S. News & World Report[(2)] ranked UHCMC among the top 50 hospitals in 8 specialties in 2015, including Ear, Nose & Throat (35), Gastroenterology & GI Surgery (No. 27), Orthopedics (No. 24), Cancer (No. 28), Urology (No. 39), Geriatrics (No. 41), Gynecology (No. 30), and Neurology & Neurosurgery (No. 47). Its 2016-17 ranking of "America's Best Children's Hospitals" ranked RB&C No. 4 in neonatology and No. 8 in pulmonology. RB&C earned rankings in each of the 10 specialties.

1. Highlights are as of and for the year ended December 31, 2015, with the exception of NIH grants, which are quoted on a July–June fiscal year. The highlights include Portage, St. John, and Samaritan with the exception of NIH Grants. Rankings are listed as of the most recent release date.
2. U.S. News & World Report includes 16 specialties, 4 of which are reputation oriented, 12 of which are methodology based
3. Includes Avon Rehabilitation Hospital

ORGANIZATIONAL STRUCTURE

The following table illustrates the System's principal lines of business:

Organizational Profile

	Principal Business	Registered Beds (a)	2015 Operating Revenues: Dollars in Thousands	Percent of Total
Members of the Obligated Group (c)				
University Hospitals Health System	Parent Holding Corp.	-	$ 66,583	1.9%
University Hospitals Case Medical Center	Academic Medical Center	1,032	1,597,299	44.8%
University Hospitals Elyria Medical Center (b)	Community Medical Center	342	212,847	6.0%
University Hospitals Ahuja Medical Center	Community Medical Center	144	198,613	5.6%
University Hospitals Parma Medical Center (b)	Community Medical Center	335	187,844	5.3%
University Hospitals St. John Medical Center (b)	Community Medical Center	204	156,755	4.4%
University Hospitals Geauga Medical Center	Community Medical Center	225	141,479	4.0%
Subtotal - Obligated Group		**2,282**	**2,561,420**	**72.0%**
Other University Hospitals Affiliates				
University Hospitals Portage Medical Center (b)	Community Medical Center	302	124,841	3.5%
UH Regional Hospitals - 2 campus locations	Community Medical Center	301	100,026	2.8%
University Hospitals Samaritan Medical Center (b)	Community Medical Center	110	74,894	2.1%
University Hospitals Geneva Medical Center	Community Medical Center	25	39,911	1.1%
University Hospitals Conneaut Medical Center	Community Medical Center	25	28,444	0.8%
University Hospitals Medical Practices (f)	Physician Practices	-	375,476	10.5%
University Hospitals Medical Group	Physician Faculty	-	323,778	9.1%
University Hospitals Home Care Services	Home Care Services	-	46,104	1.3%
Other University Hospitals Affiliates and Intercompany Eliminations		-	(111,327)	-3.2%
Subtotal - Non-obligated Affiliates		**763**	**1,002,147**	**28.0%**
Total Consolidated System		**3,045**	**$ 3,563,567**	**100.0%**
Joint Venture Hospitals				
Southwest General Health Center (d), (e)	Community Medical Center	346	328,471	94.9%
UH Rehabilitation Hospital (e)	Community Medical Center	50	17,725	5.1%
Total Joint Ventures		**396**	**$ 346,196**	**100.0%**

(a) Beds set forth in this column refer to registered beds. The utilization statistics and occupancy percentages, as well as other references to bed count are based on staffed beds. For the year ended December 31, 2015, the Obligated Group maintained 1,875 staffed beds.

(b) As of January 1, 2014, the Parent became the sole member of Parma Community General Hospital Association ("Parma"), n/k/a University Hospitals Parma Medical Center ("Parma") and Comprehensive Health Care of Ohio, Inc. , the corporate parent of EMH Regional Medical Center, n/k/a University Hospitals Elyria Medical Center ("Elyria"). On June 1, 2015 the Parent became the sole member of Robinson Health System, Inc., n/k/a University Hospitals Portage Medical Center ("Portage"). As of Novermber 2, 2015, the Parent became the sole member of St. John Medical Center ("St. John"), n/k/a University Hospitals St. John Medical Center. On November 12, 2015, the Parent became the sole member of Samaritan Regional Health System, n/k/a University Hospitals Samaritan Medical Center ("Samaritan"). Portage, St. John and Samaritan are included as of January 1, 2015. See "ORGANIZATIONAL STRUCTURE - Community Medical Centers" for additional information on these acquisitions.

(c) On July 1, 2014, Parma and Elyria became members of the Obligated Group. On December 1, 2015, St. John became a member of the Obligated Group. See "THE OBLIGATED GROUP" herein.

(d) Represents a partnering agreement whereby the Parent shares in 50% of the net income of Southwest, excluding certain items as outlined in the agreement, but has no specified ownership interest - (see "COMPONENTS OF THE SYSTEM - Joint Ventures - Southwest General Health Center").

(e) Represents 100% of the Joint Venture Hospitals revenue. The Parent reports its equity share in the Joint Venture Hospitals in other revenue. To be presented consistently, all Joint Ventures' operating revenues shown above exclude investment income.

(f) Affiliated physician groups of Parma and Elyria are included. The affiliated physician groups of Portage, St. John, and Samaritan are included as of January 1, 2015.

The organizational structure presented above is intended to provide only a basic outline of the System's structure and the principal business lines of the Parent and its affiliates and, thus, does not include certain other legal entities that operate under the System.

As of June 30, 2016, the Parent, UHCMC, University Hospitals Ahuja Medical Center, Inc. ("Ahuja"), University Hospitals Geauga Medical Center ("Geauga"), EMH Regional Medical Center d/b/a University Hospitals Elyria Medical Center ("Elyria"), Parma Community General Hospital Association d/b/a University Hospitals Parma Medical Center ("Parma"), and University Hospitals St. John Medical Center ("St. John") were the only components of the System that were members of the Obligated Group. On a combined basis, those Obligated Group members made up 71.2% of the total consolidated revenues of the System for the first half ended June 30, 2016. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION - OBLIGATED GROUP - Review of the Obligated Group Operating Results" herein.

University Hospitals

The Parent was originally founded in 1940 under the corporate name of "University Hospitals of Cleveland" in connection with the consolidation of four existing hospitals whose origins had extended as far back as 1866. As part of a corporate reorganization in January 1988, the Parent underwent a change of business name to University Hospitals Health System, Inc. and formed a new Ohio nonprofit subsidiary named University Hospitals of Cleveland. University Hospitals of Cleveland was later renamed University Hospitals Cleveland Medical Center and it operates the hospital facilities currently doing business as University Hospitals Case Medical Center.

In 1993, in response to developments in the healthcare market both locally and nationally, the Parent developed a strategy to transition from a traditional, single-site, academic medical center into a regional, integrated health care delivery system that provides, together with its Joint Venture Hospitals (as defined below), care to patients throughout Northeast Ohio.

University Hospitals Case Medical Center

In 2006, in order to better reflect the fact that University Hospitals Cleveland Medical Center is the primary affiliate of the Case Western Reserve University ("CWRU") School of Medicine, University Hospitals Cleveland Medical Center began doing business as University Hospitals Case Medical Center ("UHCMC").

The Parent is the sole corporate member of UHCMC, the main campus of which is located within the University Circle area of Cleveland, Ohio. UHCMC, through its affiliation with CWRU, is the System's acute-care teaching hospital and had 863 staffed beds in service as of June 30, 2016. For more information concerning UHCMC, see "THE OBLIGATED GROUP - University Hospitals Case Medical Center" herein.

Community Medical Centers

As of June 30, 2016, the Parent was the sole corporate member of eleven community medical center locations. Effective November 2, 2015 the Parent became the sole member of St. John and effective November 12, 2015 the Parent became the sole member of Samaritan Regional Health System ("Samaritan"), each as further described below.

Effective January 1, 2010, The Parent and The Sisters of Charity transferred St. John Medical Center ("St. John"), a 180-staffed bed hospital located in Westlake, Ohio, and its associated physician group to an acquiring entity in which the Parent and Sisters of Charity each had a 50% membership interest. On August 31, 2015, the Parent and the Sisters of Charity executed a Member Withdrawal Agreement pursuant to which (1) the Sisters of Charity agreed to withdraw as a member of the corporation that owned St. John (which corporation had been renamed "St. John Medical Center"), leaving the Parent with a 100% membership interest in St. John; (2) the Parent agreed to pay the Sisters of Charity various acquisition costs; (3) the Parent agreed to satisfy certain indebtedness of St. John, including (a) the $40.0 million Variable Rate Revenue Bonds, Series 2011A and Series 2011B (St. John Medical Center Project) issued by the Cleveland-Cuyahoga County Port Authority (the "Series 2011 Bonds") and (b) certain capital lease obligations.

On November 2, 2015 the Parent and Sisters of Charity completed the transaction contemplated in the Member Withdrawal Agreement as described above, with the exception that the Parent determined to leave the capital lease obligations in place. The Parent utilized its revolving lines of credit to redeem the St. John Series 2011 Bonds and make the required payment to the Sisters of Charity. The swaps associated with the St. John Series 2011 Bonds were terminated simultaneously. On December 18, 2015 the Parent refinanced the line of credit draws used to refund the St. John Series 2011 Bonds and its payment to the Sisters of Charity using proceeds of its Series 2015D and Series 2015E Bonds. See also "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – THE SYSTEM – Review of Consolidated System Financial Ratios.

At June 30, 2016, Geauga, located in Chardon, Ohio, had 158 staffed beds principally serving Geauga and eastern Cuyahoga Counties. Ahuja, located in Beachwood, Ohio had 138 staffed beds principally serving Cuyahoga County. University Hospitals Geneva Medical Center ("Geneva"), located in Geneva, Ohio, had 25 staffed beds principally serving eastern Lake and western Ashtabula Counties. University Hospitals Conneaut Medical Center ("Conneaut"), located in Conneaut, Ohio, had 25 staffed beds principally serving Ashtabula County. Geneva and Conneaut are designated as Critical Access Hospitals under the Medicare program. Effective January 1, 2012, the Parent merged University Hospitals Bedford Medical Center ("Bedford") and University Hospitals Richmond Medical Center, thereby creating UH Regional Hospitals. UH Regional Hospitals - Bedford Campus ("UHRH-Bedford"), located in Bedford, Ohio, had 43 staffed beds that principally serve southeastern Cuyahoga, northeastern Summit and northwestern Portage Counties. UH Regional Hospitals - Richmond Campus ("UHRH-Richmond"), located in Richmond Heights, Ohio, had 58 staffed beds that principally serve Cuyahoga County and Lake County.

On October 25, 2013, the Parent entered into a Member Substitution Agreement with Parma and Parma's subsidiary, the Parma Hospital Healthcare Foundation (the "Foundation"). On January 1, 2014, the Parent became the sole member of Parma, thereby making Parma a wholly-owned, nonprofit subsidiary of the Parent. Parma, located in Parma, Ohio, had 275 staffed beds at June 30, 2016 principally serving the southwestern communities of Cuyahoga County and northern Medina County.

On November 21, 2013, the Parent entered into a System Integration Agreement with Comprehensive Health Care of Ohio, Inc. ("CHC"), and its subsidiary, Elyria. On January 1, 2014, the Parent became the sole member of CHC, which owns Elyria as a wholly-owned, nonprofit subsidiary. Elyria, located in Elyria, Ohio, had 278 staffed beds at June 30, 2016 that principally serve Lorain County, and includes campuses in Amherst, Avon, Sheffield and North Ridgeville.

On March 31, 2015, the Parent entered into a Member Substitution Agreement with Robinson Health System, Inc. d/b/a University Hospitals Portage Medical Center ("Portage"), a 501(c)(3) nonprofit organization, and Robinson Memorial Hospital Foundation, a 509(a)(3) non-functionally integrated supporting organization of Portage. The Parent became sole member of Portage, thereby making Portage a wholly-owned, nonprofit subsidiary of the Parent on June 1, 2015. As of June 30, 2016, Portage is a 117-staffed bed hospital, located in Ravenna, Ohio, and operating provider-based sites throughout Portage County, Ohio. Portage has approximately 1,300 employees.

On August 28, 2015, the Parent entered into a Member Substitution Agreement with Samaritan Regional Health System ("Samaritan") and Samaritan's subsidiary, the Samaritan Hospital Foundation. The Member Substitution Agreement closed on November 12, 2015. Upon the closing of the Member Substitution Agreement, the Parent became the sole member of Samaritan. As of June 30, 2016, Samaritan, located in Ashland, Ohio, was a 39-staffed bed hospital with satellite offices. It principally serves Ashland and Richland counties.

On December 1, 2015, the Parent acquired Health Design Plus ("HDP") located in Hudson, Ohio and Mesa, Arizona. HDP is a third-party administrator of self-funded employer health benefit plans that provides integrated administrative and population health management services for mid-size to large companies. HDP provides customized solutions to meet clients' business needs using innovative, consultative and strategic approaches. This expands the System's ACO capabilities by providing additional administrative expertise in support of clinical care.

Joint Ventures

Southwest General Health Center. In April 1997, the Parent entered into a Partnering Agreement ("the Partnering Agreement") with Southwest Community Health System ("SCHS"), Southwest General Health Center ("SGHC"), and Southwest Community Health Services Corp. ("SCHSC"), which was subsequently merged into SGHC. All are Ohio nonprofit corporations. SCHS is the sole corporate member of SGHC, which owns and operates a 311-staffed bed comprehensive, acute care hospital in Middleburg Heights, Ohio, employs physicians through an affiliated nonprofit corporation, and owns and operates urgent care centers, outpatient facilities and other integrated health care services. SGHC provides a full range of inpatient medical and surgical services for adults and for children 14 years and older, adult and pediatric outpatient medical and surgical services, and a comprehensive range of mental health services for adults in southwestern Cuyahoga, northern Medina and eastern Lorain counties. Through the Partnering Agreement, the parties have affiliated to enhance the quality of care available in the SCHS service areas through joint investment, strategic planning, marketing, public relations, health care delivery and purchasing efforts. In November 2010, the parties revised various terms and extended the Partnering Agreement for an additional ten years, through the end of 2020.

Kindred Healthcare, Inc. and Centerre Healthcare Corporation. In 2011, University Hospitals Cleveland Medical Center formed a joint venture agreement with an affiliate of Centerre Healthcare to construct a 40-bed comprehensive inpatient rehabilitation facility, University Hospitals Rehabilitation Hospital ("Beachwood Rehab") in Beachwood, Ohio. Similarly, in 2014, the System formed a joint venture agreement with an affiliate of Centerre Healthcare to construct a 50-bed comprehensive inpatient rehabilitation facility, UH Avon Rehabilitation Hospital ("Avon Rehab") in Avon, OH. Beachwood Rehab was completed and opened to patients in April 2013, and the Avon Rehab hospital was completed and opened in January 2016. The UH Rehab

hospitals provide advanced inpatient physical, occupational and speech therapy for patients recovering from complex neurological, orthopedic, and cardiac conditions as well as traumatic injuries. The patient-centered environments include a dedicated brain injury unit and a specialized stroke program with a full range of clinical services. Kindred, headquartered in Louisville, Kentucky, is a national healthcare services company that operates hospitals, nursing centers, home health, hospice and non-medical home care locations and a contract rehabilitation services business. Kindred Healthcare, Inc. completed an acquisition of Centerre Healthcare on January 2, 2015.

The Joint Ventures discussed above are referred to collectively herein as the "Joint Venture Hospitals." The Joint Venture Hospitals are not members of the Obligated Group and are, therefore, not contractually obligated in any manner with respect to the Master Indenture or the Master Notes issued thereunder.

W. O. Walker Center. In 1996, the Parent and The Cleveland Clinic Foundation ("CCF") became equal members in a nonprofit corporation, W. O. Walker, Inc., which owns and operates the W. O. Walker Center (the "Walker Center") located in Cleveland, Ohio between the main hospital campuses of UHCMC and CCF. The Walker Center is used exclusively by CCF and the System. The System uses this facility for clinical, administrative, and other mission-related purposes.

Lake Health / University Hospitals Seidman Cancer Center. In 1997, UHCMC and Lake Health, an Ohio nonprofit corporation, formed, as equal owners, the Lake Health / University Hospitals Seidman Cancer Center ("LHUHSCC"). Through this joint venture, LHUHSCC operates an outpatient cancer facility in Mentor, Ohio, which brings the cancer treatment services of Seidman Cancer Center to residents of Lake, Geauga and eastern Cuyahoga Counties.

The Medical Center Company. The Parent is one of the two largest members of the nine member Medical Center Company ("MCCo") which is located adjacent to the main campus of UHCMC. MCCo was organized as a nonprofit Ohio corporation in 1932 to provide or arrange for various utility services, including electricity, chilled water and steam, for members of nonprofit institutions in the University Circle area of Cleveland. All of UHCMC's energy needs are met through MCCo at what the Obligated Group considers below market rates. UHCMC's energy costs are tied in part to MCCo's cost of capital on $73.2 million of outstanding debt at December 31, 2015; however, UHCMC is not obligated on any financing obligations of MCCo. In the event MCCo's cost of capital rises, or current banking arrangements can not be renewed on favorable terms, UHCMC's energy costs would be expected to rise. MCCo's current banking arrangement expires in 2024. UHCMC is not obligated on any indebtedness or financial obligations of MCCo. Further, MCCo is not a member of the Obligated Group and is not contractually obligated in any manner with respect to the Master Indenture or the Master Notes issued thereunder.

The Endoscopy Center at Bainbridge, L.L.C. In 2010, Cedar-Brainard Surgery Center, Inc. ("Cedar-Brainard"), a subsidiary of the Parent, entered into a pre-existing joint venture with Physicians Endoscopy, L.L.C. ("PE"), and USHC Gastroenterology, Ltd. ("USHC Gastro") for the purchase of a 15% interest in The Endoscopy Center at Bainbridge, L.L.C. ("ECB"). ECB provides all manner of endoscopic services out of its office in Bainbridge, Ohio. Along with the membership interest purchase, Cedar-Brainard entered into (1) an amendment to the pre-existing Development and Management Services Agreement between University Suburban Endoscopy Center, L.L.C. ("USEC") and PE; and (2) an amendment to the pre-existing Operating Agreement between ECB, USHC Gastro and PE. The Parent also entered into a License Agreement with ECB for the limited use of the UH name and logo.

Health Innovations Ohio, L.L.C. In September 2013, the Parent and three Ohio health systems created a new statewide collaboration aimed at transforming health care in ways that deliver superior quality, health and value for Ohioans. The new initiative, Health Innovations Ohio, L.L.C. ("HIO") includes the Parent and the following original equal members: Summa Health System in Akron, Ohio, Mount Carmel Health System in Columbus, Ohio, and Catholic Health Partners in Cincinnati, Ohio. Kettering Health System subsequently became a member on in May 2014. The member organizations will maintain their current ownership structures and continue to operate fully independently of one another. HIO intends to provide clinically integrated networks and opportunities to cooperate on advancing new patient-centered, value-driven and highly coordinated care strategies, and positions the System to respond effectively to new state insurance exchanges launched in 2014.

Subsidiaries and Other Initiatives

In 1994, the Parent formed a for-profit subsidiary, University Hospitals Holdings, Inc. ("UHHI"), which acts as the holding company for University Hospitals Physician Services, Inc. ("UHPS") and University Primary Care Practices, Inc. d/b/a University Hospitals Medical Practices ("UHMP"), both also formed in 1994. UHPS employees provide administrative and management services by contract to UHMP and other Parent subsidiaries. At December 31, 2015, UHMP included 708 primary and specialty care physicians and midlevel providers providing services at 356 locations. UHMP is an Ohio professional corporation. UHMP stock is held in trust for the benefit of UHHI, which wholly controls UHMP.

On December 21, 2001, UHHI became the holding company for UHHS Provider & Central Verification Organization, Inc. ("UH PCVO"), University Hospitals Health Care Enterprises, Inc. ("UHHCE"), and University Hospitals Health System MCO, Inc. ("University Hospitals CompCare"). UH PCVO was formed in 1999 to provide medical credentialing services within the System. University Hospitals CompCare is a managed care organization that provides medical management for work-related injuries. UHHCE was formed in 1986 to manage certain real estate interests of the System located off of the main campus of UHCMC, and oversee the operations of the home care line of business. On July 1, 2013, University Hospitals Home Care Services, Inc., ("Home Care"), a nonprofit corporation, became a direct subsidiary of the Parent, previously a subsidiary of UHHCE. Home Care operates a Medicare-certified program providing part-time, intermittent skilled nursing, home intravenous therapy, social service and aide services to patients who are home-bound due to physicians' orders. In September 2013, Home Care began providing hospice services, providing such services under the trade name of University Hospitals Hospice. University Hospitals Hospice administers a program of palliative and supportive services, including interdisciplinary care services to meet the physical, psychological, social and spiritual needs of terminally ill persons and their families.

On May 9, 2006, University Hospitals Medical Group, Inc. ("UHMG") was incorporated to serve as the vehicle through which the Parent employs full-time faculty physicians providing services at UHCMC. UHMG is a wholly-owned, nonprofit subsidiary of the Parent. UHMG employed 1,141 physicians and other healthcare providers as of December 31, 2015.

The subsidiaries discussed above are referred to collectively herein as the "Subsidiaries." The Subsidiaries are not members of the Obligated Group and are, therefore, not contractually obligated in any manner with respect to the Master Trust Indenture or the Master Notes issued thereunder.

University Hospitals Accountable Care Organization, Inc. (the "UHACO") was incorporated in 2010 as a subsidiary of the Parent to provide population health to the System's employee self-insured health plan by improving quality and access to appropriate healthcare services: (i) identifying and creating an optimal healthcare delivery network; (ii) enhancing coordination of care; and (iii) promoting wellness and prevention. A key component of the UHACO is delivering care through a selected network of providers and facilities that are committed to defined quality programs, using information technology to improve patient care, leveraging analytics which measure and inform health improvement activities, and working with patients to facilitate the appropriate care.

Effective July 1, 2012, UHACO's subsidiary, UH Coordinated Care Organization ("UHCCO") became a Medicare Accountable Care Organization authorized to participate in the Medicare Shared Savings Program by the Centers for Medicare and Medicaid Services. UHCCO provides the full continuum of patient-centered coordinated care to nearly 50,000 traditional Medicare beneficiaries, and is designated to deliver better population health management at a lower per-capita cost. The care coordination protocols, infrastructure, and data analytics developed for the UHACO are leveraged to improve the delivery of care for UHCCO beneficiaries.

In 2012 UHCMC received a federal Health Care Innovation Award of $12.7 million from the Center for Medicare and Medicaid Innovations ("CMMI") leading to the formation of University Hospitals Rainbow Care Connection ("UHRCC"). UHRCC was formed to ensure the sustainability of the physician extension team ("PET") program at UHCMC beyond the three-year term of a federal Health Care Innovation Award to facilitate the development of the pediatric network participating in the PET initiative. The goal of the program is to improve care, lower costs and improve the overall health and wellness of pediatric Medicaid recipients in Northeast Ohio via the PET program. The PET program created a pediatric ambulatory care program that provides case management, care coordination, and telehealth outreach services for children on Medicaid, particularly those with complex chronic conditions and behavioral health challenges. UHRCC is contracting with pediatricians with substantial Medicaid patients (the program includes 70,000 patients) to develop a network with quality goals, access requirements, and clinical protocols that are tied to incentives

As UHACO and UHCCO developed a sophisticated and effective infrastructure to improve the delivery of care and support patients between appointments and was to enter into ACO contracts with commercial payers for population health services, UH formed University Hospitals Accountable Care Organization, Inc. (UHACO, Inc.) a for profit subsidiary of UH Holdings, Inc. Through UHACO, Inc., UH's population health services are provided to members who receive insurance and third party administration through payers who contract with UHACO, Inc. Collectively, as of March 1, 2016, UHACO, UHCCO, UHRCC, and UHACO, Inc. exceed 300,000 members.

In October 2013, the Parent entered into an agreement with HealthSpan Integrated Care, an auxiliary organization of Cincinnati-based Catholic Health Partners, which acquired sole corporate membership in Kaiser Foundation Health Plan of Ohio. The agreement between the Parent and HealthSpan Integrated Care identifies which of the Parent's subsidiaries will provide care to approximately 74,819 members of HealthSpan Integrated Care. The Parent's hospitals have served as the primary community and tertiary hospital providers for HealthSpan Integrated Care members.

The primary physician group providing services to HealthSpan Integrated Care is HealthSpan Physicians, an affiliate of HealthSpan Integrated Care. HealthSpan Partners is the parent entity to both HealthSpan Physicians and HealthSpan Integrated Care. HealthSpan Physicians employs more than 150 physicians. In December 2015, HealthSpan Physicians announced plans to dissolve by April 1, 2016. In January 2016, MetroHealth System, a competitor of parent, announced it will employ 40 primary care physicians on April 1, 2016 and intends to employ 15 specialist physicians employed by HealthSpan Physicians. HealthSpan Physicians has also publically announced that Summa Health System is recruiting physician employees of HealthSpan Physicians. Nonetheless, the Parent's agreement with HealthSpan Integrated Care continues until January 1, 2017 irrespective of the impending dissolution of HealthSpan Physicians. The System is actively recruiting certain primary and specialty care physicians from HealthSpan Physicians. In early 2016, UH successfully recruited 19 Primary Care and 7 Specialty Care physicians that were formerly associated with HealthSpan.

Affiliations

Case Western Reserve University. The relationship between UHCMC and its academic partner, CWRU, dates back to 1895. In 2002, UHCMC and CWRU announced a 50-year affiliation, subject to renegotiation every 10 years, designed to create one of the top ranking university-teaching partnerships in the country focused on research, education and clinical care. In April 2006, UHCMC and CWRU announced a more refined affiliation built on the foundations laid by the 2002 agreement. The 2006 affiliation agreement provided further detail regarding a number of fundamental aspects of the affiliation, including the flow of funds between the institutions, the handling of intellectual property and the development of a unified faculty plan to employ all full-time faculty who provide clinical care at UHCMC. Additionally, the 2006 affiliation agreement created the UHCMC Oversight Committee comprised of board members and senior leadership from both institutions to oversee the implementation of the affiliation. In October 2006, CWRU and UHCMC agreed to a set of intellectual property principles as an addendum to the affiliation agreement that specifically articulate the ownership and sharing of intellectual property rights derived by shared faculty. Under the current agreement, the parties conduct a review of various aspects of the affiliation agreement every ten years. UHCMC and CWRU began this 10-year review in 2015 and are in the process of further jointly refining the affiliation to best serve both organization, their faculty physicians and the communities served thereby.

For more information concerning UHCMC's affiliation with CWRU, see "THE OBLIGATED GROUP - University Hospitals Case Medical Center—Research" herein.

Firelands Regional Medical Center. In 2007, the Parent established an affiliation with Firelands Regional Medical Center to provide pediatric and cancer services. Firelands Regional Medical Center operates a 243-bed hospital located in Sandusky, Ohio.

Mercy Regional Medical Center. In 2012, the Parent established an affiliation with Mercy Regional Medical Center to provide cancer services. Mercy Regional Medical Center operates a 328-bed hospital located in Lorain, Ohio

Nationwide Children's Hospital. On June 1st, 2015 UHCMC entered into an affiliation agreement with Nationwide Children's Hospital in Columbus, Ohio ("Nationwide"). The affiliation agreement provides that UHCMC's Rainbow Babies and Children's Hospital, a nationally recognized Center of Excellence, will collaborate with Nationwide, one of the largest and most comprehensive pediatric hospitals and research institutes in the United States, to develop

a comprehensive pediatric cardiac and cardiothoracic surgery program to further their shared mission of providing high quality pediatric and congenital heart services.

Market Dynamics

Management of the Parent is continually evaluating business opportunities that may involve the addition or acquisition of, or affiliation with, other organizations and enterprises, or the divestiture of enterprises that members of the Obligated Group or their affiliates currently own or operate or with which members of the Obligated Group or their affiliates are currently affiliated. The Parent is often in simultaneous discussions regarding potential combinations. Most discussions do not result in formal collaboration. The Parent does not typically disclose such discussions unless and until a definitive agreement is reached. All such transactions involving the members of the Obligated Group are required to comply with the terms of the Master Trust Indenture.

GOVERNANCE

The Parent is governed by a Board of Directors (the "Board"), pursuant to the current Code of Regulations (the "Code of Regulations") dated as of May 3, 2016. The Board may consist of up to 30 regular Directors; the Board also has ex-officio Directors. As of May 3, 2016, the Board consists of 27 Directors (regular and ex-officio fiduciary members). Directors are elected to serve staggered terms of three years in three separate groups; there is a four-term limit for regularly elected Directors. The term limits may be waived by the Member for good cause. As a result, approximately one-third (1/3) of the Directors of the Board are elected every year.

The functions of a traditional executive committee are carried out by the Strategic Committee of the Board. This committee is comprised of the Chairperson, Vice Chairperson and immediate past Chairperson of the Board, Chairperson of the UHCMC Board, Chairpersons of the other standing Board committees and several ad hoc members. Among its duties and responsibilities, this committee is authorized to act on behalf of the Board between meetings of the full Board.

Other standing committees of the Board include: Audit and Compliance Committee; Compensation Committee; Finance Committee; Governance and Community Benefits Committee; Investment Committee; and Life Sciences Committee. In addition to the aforementioned standing committees, there is one resource (non-fiduciary) committee of the Board.

The Parent has reserved powers for all members of the Obligated Group including the power to approve and control financial matters.

Board of Directors of University Hospitals

The following persons were members of the Board as of February 15, 2016. Their respective names, occupations and expiration dates of their current terms are as follows:

Board Member	Company and Title	Date Board Term Expires
Adelman, Sheldon G.	Adelman Capital, LLC Chairman	2019
Ahuja, Monte	MURA, LLC Chairman and CEO	2018

Board Member	Company and Title	Date Board Term Expires
Anton, Arthur F.	Swagelok Company President and CEO	2019
Arnold, Craig A.	Eaton President and Chief Operating Officer	2019
Asbeck, Katherine A.	The Cleveland Foundation Retired	2017
Banks, Andrew	Mid-America Consulting Group Chairman and CEO	2018
Clark, Paul	PNC Bank Regional President, Cleveland	2019
Connor, Christopher M.	The Sherwin-Williams Co. Executive Chairman	2018
Della Ratta, Ralph M., Jr.	Western Reserve Partners Managing Partner	2017
Ettinger, Heather R.	Fairport Asset Management, LLC Managing Partner	2018
Gorman, Christopher M.	Key Corporate Bank, President KeyBank, NA, Chairman and CEO	2018
Hall, Brian E.	JIT Services, LLC CEO	2017
Hardy, Kenneth	Bonnie Speed Delivery President and CEO	2018
Harlan, M. Ann	The JM Smucker Company Retired And Harlan Peterson Partners, LLC Co-CEO	2019
Haslam, Dee	RIVR Media, LLC CEO And Cleveland Browns Owner	2018
Hyland, Chris J.	Hyland Software, Inc. Chairman and Chief Financial Officer	2017

Board Member	**Company and Title**	**Date Board Term Expires**
Meyer III, Henry L.	KeyCorp Retired Chairman and CEO	2017
Novak Jr., Ernest J.	Ernst & Young Retired	2019
Pandrangi, M.D., Vasu	Southwest Community Health System Board Chair And Employed by University Hospitals Medical Practices (UHMP)	Ex-officio
Pianalto, Sandra Chair – UH Board	Federal Reserve Bank of Cleveland Retired President and CEO	2019
Pogue, Richard W.	Jones Day Senior Advisor	2016
Rankin Jr., Alfred M.	NACCO Industries, Inc. Chairman, President and CEO And Hyster-Yale Materials Handling, Inc. Chairman, President and CEO NACCO Industries, Inc. Chairman, President and CEO And Hyster-Yale Materials Handling, Inc. Chairman, President and CEO	2018 2018
Salata M.D., Robert A.	University Hospitals Cleveland Medical Center Interim Chair of the Department of Medicine And Case Western Reserve University Professor of Medicine, Epidemiology/ Biostatistics and International Health University Hospitals Cleveland Medical Center Interim Chair of the Department of Medicine And Case Western Reserve University Professor of Medicine, Epidemiology/ Biostatistics and International Health	2017 2016
Smith, Robert C.	Spero-Smith Investment Advisors Chairman and CEO	2019

Board Member	Company and Title	Date Board Term Expires
Thornton, Ph.D., Jerry Sue	Cuyahoga Community College Retired President	2017
Thornton, Ph.D., Jerry Sue	Cuyahoga Community College Retired President	2017
Zenty III, Thomas F.	University Hospitals Health System, Inc. Chief Executive Officer	Ex-officio

Conflicts of Interest Policy

The System has adopted three Conflict of Interest ("COI") policies that set forth guidelines for those entities that enter into transactions with Disqualified Persons (as defined in applicable federal regulation). The first policy relates to the Parent and all its subsidiaries and applies to all directors, officers, other disqualified persons, pursuant to the intermediate sanctions regulations. The second policy applies to System management and the third applies to physicians. The System regularly and consistently monitors and enforces compliance with the COI policies. All individuals to which the COI policies apply are required to complete annual disclosures and provide information regarding any interests that may be potential conflicts pursuant to the COI policies. Individuals covered by the policies are also required to provide, within a reasonable amount of time, any changes to or new disclosures should such occur. All disclosures and subsequent updates to disclosures are reviewed by the System's Compliance and Ethics Department. Board-level conflicts are reviewed and if appropriate, approved by the Audit and Compliance Committee of the UH Board. If a conflict exists with a director, certain restrictions may be imposed, such as excusing the director from voting with regard to a proposed transaction. The Audit and Compliance Committee will approve only those transactions that are reasonable in their entirety and, if the transaction involves property transfer or a compensation arrangement, are consistent with fair market value. Education regarding conflicts of interest is included in the periodic compliance training that includes all directors, employees and physicians.

System Management

Thomas F. Zenty III has been Chief Executive Officer of the System since March 2003. Under Mr. Zenty's leadership, the System has grown patient volume, augmented clinical research, expanded community-benefit contributions, and completed a $1.2 billion system-wide expansion.

Prior to assuming leadership of the System, Mr. Zenty was Executive Vice President for Clinical Care Services and Chief Operating Officer at Cedars-Sinai Health System in Los Angeles. He previously held leadership roles with health systems in Arizona, New Jersey and Connecticut.

Mr. Zenty earned his Bachelor of Science in Health Planning and Administration from Pennsylvania State University (State College); a Masters of Public Administration from New York University (New York City); and a Masters of Health Administration from Xavier University (Cincinnati). He completed Harvard University Business School (Boston) Executive Education programs in Competition and Strategy, and Audit Committees in the New Era of Governance. He holds an Honorary Doctorate of Laws degree.

Mr. Zenty's community and professional affiliations are many. He is as a former trustee of the American Hospital Association and chaired the Coalition to Protect America's Health Care. He has chaired the boards of the Health Research & Educational Trust, BioEnterprise, Invest in Children, and Western Reserve Assurance Co., Ltd., SPC. Mr. Zenty also served on the boards of Cuyahoga Community College Foundation, Greater Cleveland Partnership, the Urban League, Ohio Business Roundtable and United Way of Northeast Ohio.

Becker's Hospital Review includes Mr. Zenty in its list of the top 100 Non-Profit Hospital Health System CEOs to Know. He is a perennial among *Inside Business* magazine's Power 100 Leaders in Northeast Ohio, and is in the Northeast Ohio Business Hall of Fame. Recent honors include Global Institute for Leadership Development's Warren Bennis Award for Excellence in Leadership Award, B'nai B'rith International's National Healthcare Leadership Award and The Diversity Center of Northeast Ohio's Humanitarian Award. *Modern Healthcare* listed Mr. Zenty among the 100 Most Influential People in Healthcare.

Jeffrey H. Peters, MD, has been Chief Operating Officer/President of the System since January 2014. Prior to joining the System, Dr. Peters served as professor and chair of the department of surgery at Strong Memorial Hospital and the University of Rochester School of Medicine and Dentistry since 2004. He also served as surgeon-in-chief and chairman of numerous executive committees at Strong Memorial Hospital, and as chief of the division of general surgery at the University of Southern California. Dr. Peters is an internationally recognized expert in esophageal surgery and a pioneer in minimally invasive surgical techniques. His research interests include the development of cancer in patients with Barrett's esophagus and cellular mutations.

Dr. Peters earned his medical degree at The Ohio State University College of Medicine and completed his surgical residency at The Johns Hopkins Hospital. He completed a post-doctoral laboratory fellowship in immunology at Johns Hopkins University and a clinical esophageal fellowship at Creighton University School of Medicine in Omaha, Nebraska.

Dr. Peters is active in numerous local, national and international professional organizations. He is a fellow of the American College of Surgeons and American College of Gastroenterology. He is President elect of the International Society for Diseases of the Esophagus and served as president of the Society of American Gastrointestinal Endoscopic Surgeons and as associate editor of the Annals of Surgery.

Michael A. Szubski has been Chief Financial Officer of the System since October 2008 and in 2015 assumed leadership of the Information Technology & Solutions ("IT&S") department. Mr. Szubski joined University Hospitals in 2003, and has held several executive leadership roles, including Chief Financial Officer at UHCMC and Chief Operating Officer of all the owned acute care hospitals, including UHCMC.

Prior to joining UH, Mr. Szubski served as Executive Vice President and Chief Financial Officer at EMH Regional Healthcare System. Mr. Szubski served as Vice President of Operations at United Healthcare of Ohio, Inc. (Cleveland), a business unit of United Health Group, one of the nation's largest health care management services companies. Mr. Szubski also served as Assistant Vice President and Controller at Mt. Sinai Medical Center, and prior to that held several positions at Ernst & Young, LLP.

Mr. Szubski received his Bachelor of Arts Degree in Accounting and Political Science from Baldwin Wallace University and a Masters of Business Administration from Case Western

Reserve University. He is a Certified Public Accountant in Ohio and a Fellow of the Healthcare Financial Management Association.

Mr. Szubski is a member of the Boards of the Ohio Hospital Association, the UHACO, UHMG, UH Parma, UH Elyria, and Medical Center Company. He is an officer of and serves as a member of the board for Western Reserve Assurance Co., Ltd., SPC. Mr. Szubski has been recognized by Crain's Cleveland Business as "CFO of the Year" in 2010, and by Becker's Hospital Review as one of the "150 Hospital and Health System CFO's to know."

Daniel I. Simon, MD was appointed the new President of UHCMC effective January 1, 2016. Dr. Simon previously served as the President and Director of the UH Harrington Heart & Vascular Institute where he and his team executed strategies to enhance patient access, clinical integration, and quality outcomes. Additionally, he served as Chief of the Division of Cardiovascular Medicine at UHCMC and Professor of Medicine at CWRU School of Medicine. Prior to joining the System, Dr. Simon held a series of progressive clinical and academic appointments a Brigham and Women's Hospital and Harvard Medical School. Dr. Simon is board-certified in cardiovascular disease and interventional cardiology and remains a practicing physician.

Dr. Simon received his medical degree from Harvard Medical School. At Brigham and Women's Hospital, Dr. Simon completed an Internship and Residency in Internal Medicine and a Fellowship in Cardiovascular Disease. Dr. Simon also completed a Residency in Interventional Cardiology at Beth Israel Deaconess Medical Center.

Dr. Simon has been elected into the American Society for Clinical Investigation, Association of University Cardiologists, and the Association of American Physicians. He is also a Fellow of the American College of Cardiology, the American Heart Association, and the Society of Cardiac Angiography and Interventions.

Janet L. Miller has been the Chief Legal Officer and Secretary for the System and UHCMC since December 2001. In this role, she is responsible for all legal work in the System and manages the UH Law Department's three service lines: Corporate Legal Services, Claims, Litigation and Clinical Risk Management, and Health Sciences & Research and Internal Audit Department. Ms. Miller's responsibilities also include governance, immigration and enterprise risk management initiative.

Prior to joining the System, Ms. Miller was a partner in the law firm of Jones Day. Her practice focused on business and commercial litigation, with a concentration in product liability, toxic tort, and health and safety litigation. She served as the Cleveland Office Administrative Partner for Financial Matters and chair of the firm's Women's Business Development Task Force.

After receiving her Bachelor of Business Administration degree, with a focus on Accounting from the University of Michigan in 1976, Ms. Miller attended law school, receiving her Juris Doctor degree (magna cum laude) from the University of Notre Dame in 1979. She has been admitted to the Bar of the Supreme Court of Ohio, Supreme Court of the United States and several federal courts. She served as an arbitrator for the Cuyahoga County Common Pleas Court. A member of the Ohio and Cleveland Bar Associations, Ms. Miller has served as chairperson of the Ohio State Bar Association's Women in the Profession Section and as a member of the Judicial Administration and Legal Reform Committee.

During her tenure, corporate legal services has completed acquisitions of multiple physician practices; acquired and divested hospitals; acquired and divested joint ventures; constructed and operationalized two new hospitals; constructed multiple ambulatory sites; and, established a contract monitoring system for all system contracts. In 2013, the UH Law Department was named one of the ten Most Innovative Law Departments in the country by *Inside Counsel*. In 2015, the internal Audit Department attained its certification with the Institute of Internal Auditors. The departments benchmark key performance indicators demonstrating its value to management and overall savings.

Ms. Miller is the recipient of numerous professional and community awards. She is very active in the community and serves (or has served) on several non-profit Boards of Directors. She currently serves on the Board and is an officer of Western Reserve Assurance Co, Ltd., SPC. She also sits on the Boards of Ursuline College; the YWCA of Greater Cleveland; In Counsel With Women and St. John Jesuit High School and Academy. In 2015, she was the co-chair of the Cleveland Go Red for Women (which she founded) campaign, which reached a record goal of $1 million to fight heart disease. She is a member of, and holds a national leadership position with, the Sovereign Order of St. John of Jerusalem, Knights Hospitaller.

Paul G. Tait has been the Chief Strategic Planning Officer for the System since 1996. In his role, he has system-wide responsibilities for strategic planning and business development. He also works on strategic plans, business plans, major capital investments and integration initiatives with all the hospitals and joint ventures that are part of the System. Mr. Tait facilitated and led the development of the Vision 2010[1] strategic plan for the System. At the end of 2009, Mr. Tait completed the positive restructuring of UH's relationship with the Sisters of Charity Health System that included the Parent as the new Manager of St. John Medical Center and in 2015 led the transaction to purchase the Sisters of Charity Health System's interest in St. John Medical Center. In 2010, he negotiated the extension of UH's agreement with Southwest General Health Center. Mr. Tait also led the transactions that made UH Elyria, UH Parma, UH Portage, and UH Samaritan wholly owned entities in the UH System. Mr. Tait also manages several affiliation agreements that UH has with independent hospitals in the region.

Before joining the System in 1996, Mr. Tait held various positions of increasing responsibility in strategic planning, business development and marketing at two Fortune 500 companies. In 1989, he joined TRW, Inc. as a Director in one of the Automotive Divisions where he had responsibilities that included Planning, Worldwide Purchasing and Marketing. From 1993 to 1996, he was a Director of Planning and Business Development at TRW Corporate Headquarters in Cleveland. Prior to joining TRW, Mr. Tait spent nearly five years in Dallas, Texas at Frito-Lay, Inc. (part of Pepsico) in a number of strategic planning, finance and purchasing positions.

Mr. Tait has an undergraduate degree in Economics from Carleton College in Northfield, Minnesota and he received his Masters of Business Administration from the Harvard Business School. He currently serves on several hospital boards including Southwest General Health Center, UH St. John Medical Center, UH Parma Medical Center, UH Elyria Medical Center, UH Accountable Care Organization, and the UH Rehabilitation Hospital.

Richard A. Hanson joined the System in January 2010 as President of Community Hospitals and Ambulatory Network. In his role Mr. Hanson is responsible for all of the

[1] Vision 2010, launched in 2006, represented the System's five-year strategic capital renewal and reinvestment program totaling $1.2 billion.

community medical centers including Geauga, Ahuja, Conneaut, Geneva, UHRH-Bedford, and UHRH-Richmond, Portage, Parma, Elyria, Samaritan, and St. John comprising over $1 billion of annual revenue. In addition, he is responsible for the UH Rehabilitation joint venture, outpatient rehabilitation programs, UH Home Care, and Senior Services.

Mr. Hanson is a graduate of the University of Utah, where he earned his bachelor's degree in finance. He completed his education with an MHA from The Ohio State University. Upon completion of his residency from LDS Hospital in Salt Lake City, Utah, Mr. Hanson held the position of Corporate Vice President of clinical services with Sentara Health System where he spent 16 years. He also served as CEO of the Bon Secours Hampton Roads Health System, a regional health system within Bon Secours Health System. In 2008, he began functioning as Senior Vice President of performance management within BSHS.

Steven D. Standley has been the Chief Administrative Officer of the System since December 2009. In this role, he is responsible for system-wide master facilities planning, major construction projects, plant operations, biomedical engineering, sustainability programs, supply chain, shared services, marketing, government affairs, diversity and inclusion, nutrition and environmental services, laboratory, radiology, pharmacy and real estate for the System.

Prior to joining the System, Mr. Standley served in several roles for Columbia/HCA, including Vice President of Partnerships for Columbia/HCA hospitals in Canton and Cleveland, Ohio, and Columbia, South Carolina, Vice President of Materials Management for the Florida Group of Columbia/HCA, and Vice President of Materials Management for the Ohio Division. In addition, he has served as senior consultant of The Hunter Group, a unit of Navigant Consulting, Inc., providing performance improvement plans to organizations, including Mount Sinai – New York University, Henry Ford Health System, Johns Hopkins Medical Institutions, UCLA Health System, and Catholic Health East.

Mr. Standley received his Bachelor of Arts and Masters of Business Administration from Baldwin-Wallace College. He maintains many professional and community affiliations and has served as board member of several organizations including University Circle Incorporated, New Bridge-Cleveland Center for Arts & Technology, Southwest General Hospital, CSA UHHS, Inc., and the W.O. Walker Center. He serves on the City of Cleveland Mayor's Sustainable Cleveland 2019 Stewardship Council, and on several community economic development committees including the Greater University Circle Committee, Health Tech Corridor Steering Committee, Opportunity Corridor Coordinating Committee, Evergreen Cooperatives Corporation Board, Greater Cleveland Partnership Construction Diversity & Inclusion Committee, and is a board trustee and executive committee member of the MCCo.

Mr. Standley has received numerous professional and community awards. In 2015, Mr. Standley received the Joseph D. Pigott University Circle Leadership Award for continuing Mr. Pigott's legacy as a champion of collaboration and growth in University Circle. In 2014, he was awarded the Homer C. Wadsworth Award given annually to a local leader that demonstrates creativity, innovation, ingenuity, risk-taking, and good humor in a civic, volunteer, nonprofit or public sector role. In 2012, Mr. Standley was awarded the State of Ohio Multicultural Leadership Award for his efforts and leadership on inclusion and diversity with the recently completed Vision 2010 Projects. Under Mr. Standley's leadership, two Vision 2010 projects received awards in 2008. The Seidman Cancer Center received The American Architecture Award for design, and the Ahuja Medical Center received the pre-eminent award for healthcare design from Modern Healthcare.

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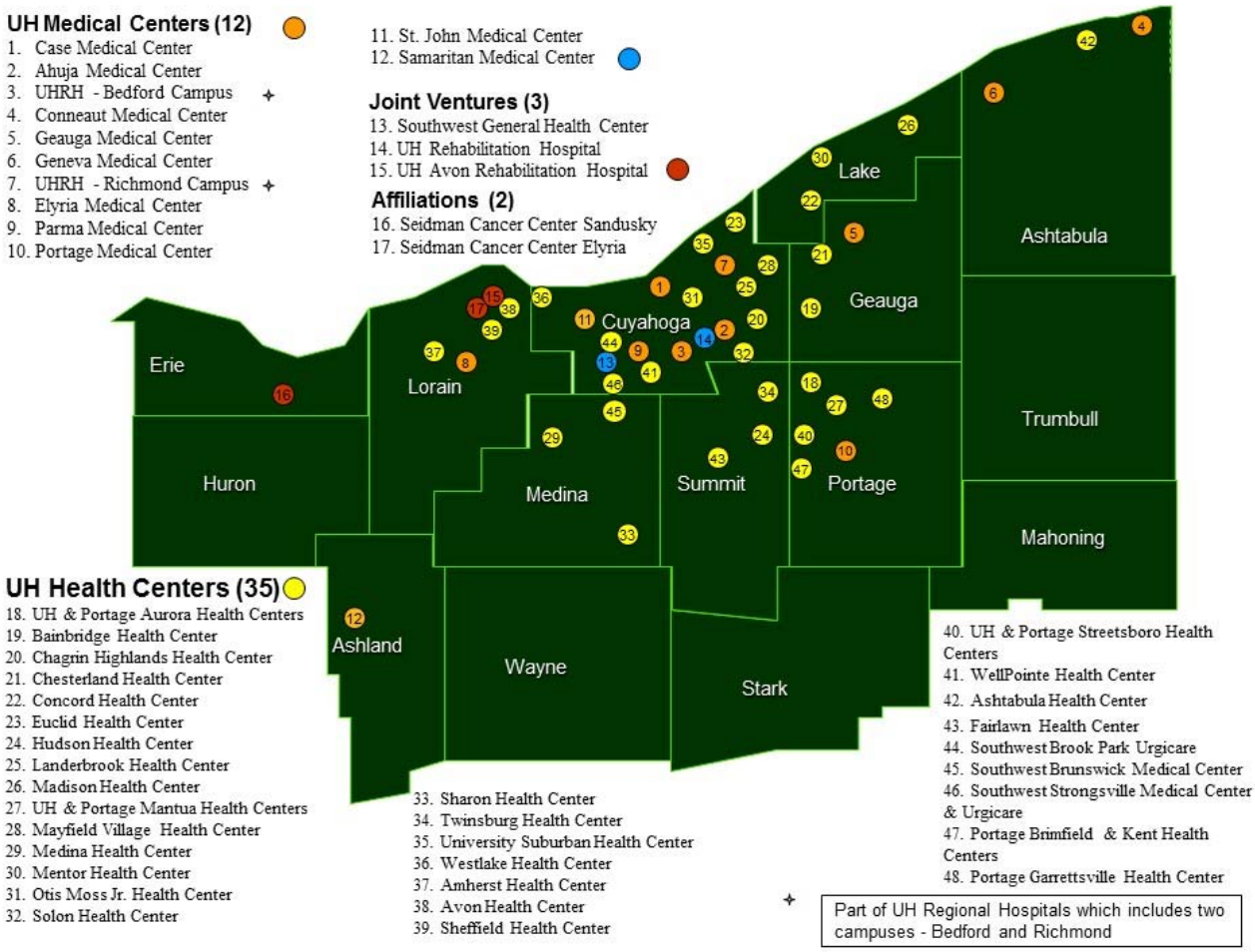
SERVICE AREA AND MARKET SHARE

The System has broad presence throughout Northeast Ohio, with special emphasis on areas such as Lorain, Cuyahoga, Geauga and the Lake/Ashtabula counties service area. The map below illustrates the breadth of the System's service area through its academic medical center, community medical centers, joint ventures, ambulatory health centers, and medical practices.



The approximately 4.0 million population of the Northeast Ohio market (15 counties total) is expected to decline slightly through 2019. However, there are significant population shifts occurring throughout the 15 county market with some zip codes declining and other zip codes growing. An anticipated growth shift in the aging local population, especially the 65+ age group, could result in greater demand for health care services.

The System has a broad presence throughout its 8 county primary service area in the Northeast Ohio market and is continuing to invest financial resources in zip codes where the population is growing.

The System's primary competitors are The Cleveland Clinic, Lake Health (f/k/a Lake Hospital System), MetroHealth Medical Center, St. Vincent Charity Hospital, Mercy Health, Summa Health System, and Akron General Health System ("Akron"). Over the past fifteen years, the Northeast Ohio market has been characterized by rapid consolidation among health care providers through mergers or other forms of affiliation. Akron was acquired by The Cleveland Clinic Health System in 2015.

Discharge Statistics

The following table depicts the number of adult discharges from the System's eight county primary service area for the year ended December 31, 2015.

Healthcare System	Discharges[(a)]	Market Share
UH Community Medical Centers [(b)]	57,711	17.5%
UH Case Medical Center	29,170	8.8%
UH Joint Ventures [(c)]	14,703	4.4%
University Hospitals Health System	101,584	30.7%
Other Cleveland Clinic Hospitals [(d)]	107,266	32.4%
Cleveland Clinic	28,403	8.6%
Cleveland Clinic Health System	135,669	41.0%
Summa Health System	35,862	10.8%
Other Hospitals	22,735	6.9%
MetroHealth System	18,437	5.6%
Lake Hospital System	16,387	5.0%
Total	330,674	100.0%

(a) Source: Ohio Hospital Association database for the year ended December 31, 2015, the latest available information. Represents adult discharges from residents in the System's 8 county primary service area and exludes discharges originated from outside the primary service area.

(b) Includes Elyria, Parma, Portage, and Samaritan.

(c) UH Joint Ventures include Southwest General and St. John Medical Center adult dischareges. UH Rehabilitation Hospital opened to patients in April, 2013. See "ORGANIZATIONAL STRUCTURE - Joint Ventures" herein for further details.

(d) Includes Akron General

COMMUNITY BENEFIT

Since its founding, the mission of the System has been to provide quality, compassionate care to all patients and improve the lives of people in the communities it serves. The System serves a unique role in its community by providing diverse populations throughout the Northeast Ohio region with comprehensive health care from primary care to highly specialized medical care for the most serious of health problems. It provides the same quality and compassionate service to all, regardless of their income, ability to pay or socioeconomic status. Care is provided for the well-insured, the underinsured and the uninsured; men, women and children from every community in the region; and from urban centers, small towns, rural areas and suburbs.

The System’s net community benefit contribution for fiscal year 2014 totaled $266 million, an increase of $26 million over the $240 million reported in fiscal year 2013. The 2014 community benefit consisted of charity care ($61 million), Medicaid shortfall ($90 million), research ($28 million), education and training ($56 million), and community health improvement services, programs and support ($45 million), less Hospital Care Assurance Program (“HCAP”) ($14 million). To measure and report community benefit, the System has followed the Internal Revenue Service guidelines. Information for 2014 and 2013 include offsets to various community benefit programs with related revenue received. For 2014 and 2013, this revenue offset was $31 million and $33 million, respectively.

In addition to charity care and insufficient funding from the Medicaid program, the System incurs significant losses related to self-pay patients who fail to make payment for services rendered or insured patients who fail to remit co-payments and deductibles as required under applicable health insurance arrangements. The provision for bad debt represents revenues for services provided that are deemed uncollectible. For the year ended December 31, 2015, the provision for bad debt was $77.0 million, which is up $15.2 million (24.6%) from the same period in 2014.

The community benefit information above is for the System as of December 31, 2014 and therefore, does not include information for the new acquisitions Portage, St. John, and Samaritan which joined the System during 2015. Updated information for the year ended December 31, 2015 is expected to be available during the third quarter 2016.

THE OBLIGATED GROUP

University Hospitals Case Medical Center

UHCMC is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

The facilities known as University Hospitals Case Medical Center constitute the primary teaching affiliate of the CWRU School of Medicine, whose campus is located adjacent to UHCMC. UHCMC provides primary through quaternary health care services to patients in the specialty fields of medicine, surgery, pediatrics, psychiatry, obstetrics-gynecology, neurology, anesthesiology, pathology, orthopedics, otolaryngology, dermatology, radiology, emergency medicine, genetics, neurosurgery, plastic surgery, urology, radiation medicine, ophthalmology and family medicine through a professional staff of 1,545 admitting physicians, a workforce of 7,857 full-time equivalents ("FTEs") and 847 staffed beds as of December 31, 2015. Nationally or regionally recognized Centers of Excellence and institutes include but are not limited to, (i) RB&C, (ii) MacDonald Women's Hospital, (iii) Seidman Cancer Center, (iv) The Harrington Heart & Vascular Institute, (v) Transplant Services, (vi) the Neurological Institute, (vii) Digestive Health Institute, (viii) Eye Institute, (ix) Urological Institute, (x) ENT Institute, and (xi) Respiratory Health Institute.

UHCMC with its 50-year primary affiliation agreement with CWRU School of Medicine is able to provide the academic environment and resources that enables both institutions to recruit outstanding physicians and to promote their careers as clinicians, educators and researchers. With the affiliation agreement, the research collaboration continues under "The Case Research Institute".

The main campus of UHCMC is situated on 32 acres of land consisting of 3,133,000 square feet of major patient care buildings in which inpatient and outpatient services are rendered, several buildings used primarily for administrative offices and five multi-level parking structures. The newest additions to the main campus including Seidman Cancer Center, the Center for Emergency Medicine, the NICU at RB&C, and an 800 car parking garage added 403,000 square feet of buildings and 277,000 square feet of visitor parking.

In U.S. News & World Report's 2015-16 "America's Best Hospitals" rankings, UHCMC was ranked among the top 50 hospitals in the nation in 8 specialties which include: Ear, Nose &

Throat (35), Gastroenterology & GI Surgery (27), Orthopedics (24), Cancer (28) Urology (39), Geriatrics (41), Gynecology (30), and Neurology & Neurosurgery (47). In its 2015-16 ranking of "America's Best Children's Hospitals", U.S. News & World Report recognized RB&C as one of the nation's top children's hospitals, ranking in all of the ten pediatric specialties.

Medical/Surgical Services

UHCMC provides a complete spectrum of specialized medical/surgical services to adults. The organizational structure of the Medical/Surgical Services management center focuses on integrated service lines from traditional department structures. These service lines include operative services, geriatrics, musculoskeletal, neurosciences, transplant, urology, gastrointestinal, and the Harrington Heart and Vascular Institute. Cancer patients are treated at Seidman Cancer Center which provides an extensive bone marrow transplant program. Advanced testing for AIDS via the Cleveland Special Immunology Unit ("SIU") at UHCMC is one of a national network of thirty centers undertaking research to develop new techniques for the treatment of AIDS patients. The SIU team consists of nurses and physicians specializing in HIV/AIDS treatment and management, as well as medical assistants, social workers, a dietician and on-site pharmacist to provide care for patients of all ages, their families and caregivers by offering the most comprehensive medical care and research for HIV/AIDS in the Cleveland area. UHCMC is considered a national leader in orthopedic care, especially in the areas of musculoskeletal procedures related to spine (along with neurosurgery) and joint replacement. The Medical/Surgical Services management center is also a leader in otolaryngology, laparoscopic surgery, prostate surgery, lithotripsy and plastic surgery. A comprehensive offering of other adult acute and intensive medical/surgical routine and subspecialty care is also available.

The Harrington Heart & Vascular Institute ("HHVI") cares for patients who are hemodynamically stable or unstable, inpatients, and patients transferred from other facilities, or outpatients who require prevention, diagnosis and/or treatment of known or suspected cardiovascular and/or cardiopulmonary disease. The HHVI takes an interdisciplinary approach involving nursing process, objective/subjective assessments, patient interviews, patient/family education, and multidisciplinary discharge assessment. The HHVI maintains high regards for following national benchmarks in delivering care as evidenced by accreditations in the Echocardiography and Vascular Labs across the system through the Intersocietal Commission for the Accreditation of Echocardiography and Vascular Laboratories respectively as well as Chest Pain Accreditation for all hospitals. UHCMC Cardiac Surgery received the highest ranking of 3 Stars from United HealthCare and STS for superior outcomes in addition to 2 and 3 Star Rankings for Coronary Artery Bypass Grafting and Valve Surgery.

In 2015, the HHVI began integrating services into the newly acquired hospital sites of Portage, St. John, and Samaritan, while branding the institute at Elyria and Parma. Out-patient growth reflects the strategic expansion of the current medical office sites to include oncology-cardiology services, podiatry services and cardiology pregnancy clinics for high risk women. New site planning was complete for Broadview Heights Medical Office Suite which will expand comprehensive office and testing services for a new demographic. This year marked a large growth in complex in-patient care with the restart of the heart and lung transplant programs for UHCMC and substantial growth of the cardiac surgery and ventricular assist device program

The Neurological Institute ("NI") is Ohio's first designated institute for the comprehensive care of people with neurological diseases (those that affect the brain and nervous system) and is specifically designed to offer the highest quality of medical care by using an interdisciplinary team approach. The NI has been designated as a Gold Center of Excellence

(COE) and featured as a top performing center by NeuStrategy, Inc., a Chicago consulting firm providing strategic support to neuroscience, oncology and orthopedic service providers. NeuStrategy's COE Survey is the only one of its kind in the neurosciences field and is the industry standard for evaluating program infrastructure. The NI was noted for its innovative, integrated and individualized care model which puts patient care at the forefront for the NI. The institute saw both the creation of new programs and continued development of existing services, which resulted in an increase in the number of patients served, extremely competitive market growth and an enhancement of the NI's reputation. In 2015, the NI ranked no. 42 in U.S. News & World Report for Neurology and Neurological Surgery.

The NI at UHCMC received Joint Commission Comprehensive Stroke Center ("CSC") re-certification in January 2015. CSC certification sets UHCMC apart from other stroke centers in the region by highlighting its advanced capabilities in caring for stroke patients; particularly those patients needing neuro-interventional and neurosurgical procedures. The Stroke Team successfully implemented initiatives to expand clinical care including tele-stroke capabilities, standardized education and achievement of consistent quality outcomes across the System. These efforts earned the AHA "Get with the Guidelines" Gold Plus Awards at UHCMC, Ahuja, Geauga, Parma, St. John, and Southwest. Elyria received the AHA GWTG Bronze Award. Additionally, AHA Target Stroke Honor Roll Elite Awards were achieved at Geauga, St. John's and Southwest and the AHA Target Stroke Honor Roll Elite Plus was given to UHCMC. The Stroke Team is also working to enhance capabilities at newly acquired hospitals including Portage and Samaritan.

The NI has created specialized centers to provide comprehensive care to patients with neurological diseases. The centers include; 1) the NI Epilepsy Center which is nationally recognized as one of the best in the country for treating seizure disorders in both adults and children and holds a Level IV designation awarded by the National Association of Epilepsy Centers ("NAEC"), the highest level of certification for its outstanding, advanced care of epilepsy patients, 2) the NI Neuromuscular Center operating as one of the top institutions in the country for treating a host of complex neuromuscular and autonomic disorders, 3) the NI Center for Functional and Restorative Neurosurgery ("CFRN") provides Neuromodulator programs and services to patients in coordination with referring physicians, in addition, the NI recently made history on October 25, 2015, as the National Geographic network broadcast a landmark television event to millions as it captured the drama of an awake deep brain stimulation surgery of a patient with Parkinson's disease, 4) the NI Brain Tumor & Neuro-Oncology Center offers the most advanced diagnostic and treatment services for adults and children with both benign and malignant brain tumors as the center's experts collaborate with specialists at Seidman Cancer Center and develop highly personalized treatment plans for every patient, 5) the NI Spinal Neurosurgery Center uses some of the most advanced techniques available to treat conditions affecting the spine such as back pain, arthritis, fractures, herniated discs, spinal tumors, scoliosis and spinal stenosis, and 6) the NI Traumatic Brain Injury (TBI) Center was established to provide a full spectrum of care from injury to rehabilitation to recovery recognizing that traumatic brain injuries are both unique and complex, and therefore using an integrated team approach that leverages the expertise of its nationally recognized specialists in neurosurgery, neurology, neuro-critical care, neuropsychology, and physical medicine and rehabilitation.

The Transplant Institute ("TI") consists of multi-disciplinary teams who care for patients suffering from diseases causing organ (heart, lung, kidney, liver, and pancreas) failure throughout all phases of transplantation. TI's transplant clinicians are leaders in the advancement of immunosuppressant therapy to prevent rejection of the transplanted organ and are recognized for surgical advancements in kidney and liver transplantation. Outreach education and transplant

evaluation appointments are available on main campus and two satellite locations (Akron and Westlake). Highlights of 2015 include the appointment of new institute leadership, an increase in the primary and secondary market share, an increase in case mix index as reflected by substantial growth in complex admissions for medical management prior to transplantation, and 61% increase in transplanted organs. Quality metrics, additional team members from cardiology and psychiatry, and additional staff to support coordination in care have been put in place to ensure superior clinical outcomes and growth.

The Urology Institute ("UI") provides state-of-the-art care for the full range of urologic conditions for adults and children with four clinical Centers of Excellence including the Urologic Oncology & Minimally Invasive Therapies Center, the Female Pelvic Medicine Surgery Center, and the new male genitourinary reconstruction and prosthetics service line. The UI was established in June 2010 with comprehensive and interdisciplinary programs for urologic oncology and chemoprevention, active surveillance, pediatric urology and female pelvic surgery. The UI features a growing range of robotic and minimally invasive surgeries to include a new state of the art DaVinci Xi robot and MRI fusion biopsy technology.

In order to focus on quality outcomes aligning with the ongoing changes in healthcare, a new center for clinical outcome quality, the first of its kind in Northeast Ohio, is being developed within the UI. The UI has expanded research programs and provides an environment that is optimal for developing and implementing the latest treatment options, technology, and research. The UI spans the Northeast Ohio region making nationally recognized expertise available to referring physicians and patients at over 17 UH medical and health centers. In 2015, it was ranked no. 33 for adults and no. 47 for pediatrics by U.S. News & World Report's Best Urology Programs.

The Ear, Nose & Throat Institute ("**ENTI**") is among the top Ear, Nose and Throat programs in the nation according to the 2015-2016 U.S. News & World Report Best Hospitals ranking at number 24. The ENTI subspecialties provide complete otolaryngology care for children and adults, including everything from inserting drainage tubes in the ears of a child, to complex surgery for the removal of a tumor at the base of the skull. The ENTI is one of the few centers in the U.S. to combine microsurgery, Gamma Knife and Cyber Knife® in management of acoustic neuromas and is the region's largest provider of cochlear implantation using a multidisciplinary team approach. The ENTI's Microvascular Oncology Service, is one of the top centers in the country performing high volume, free flap reconstructions for complex tumors involving the head and neck. The ENTI was the first site in NE Ohio to offer the Inspire® upper airway stimulation device for the treatment of sleep apnea and auditory brainstem implantation for profound deafness showcasing cutting edge mindset of the faculty. Continued growth remains the hallmark of the ENTI with the planned addition of four new faculty members in 2016 bringing the total to 30 faculty members in the NE region. The ENTI has an active Nose, Sinus and Allergy Center, and ambulatory Voice and Swallowing Center at the Chagrin Highlands location and now has busy practice sites in the Akron, Elyria and Parma markets.

The Digestive Health Institute ("DHI") at UHCMC, together with CWRU utilizes leading physician-scientists, strong NIH funding, and innovative translational research programs in minimally invasive and endoscopic digestive surgery, cancer, inflammatory bowel disease, liver disease and surgery.

The Gastroenterology Department, which is part of the DHI, is consistently ranked as one of the best in the country by U.S. News & World Report by innovating and pursuing new medical discoveries and providing the highest quality of care and the best patient experience. The DHI is

one of only 30 U.S. institutions offering the per-oral endoscopic myotomy ("POEM") procedure, a new alternative to the standard surgical care for achalasia, which is completed without a skin incision. The DHI is researching a new class of drugs that target specific pathogenic mechanisms of inflammatory bowel diseases ("IBD") to improve quality of life. There are state-of-the-art resources to treat hepatitis which includes the Chronic Hepatitis Antiviral Management Program ("CHAMP"), one of the largest programs in the region.

Barrett's esophagus genetic research, clinical trials and advanced endoscopic therapies including endoscopic submucosa dissection ("ESD") and cryotherapy are being performed. The DHI is the only center in Ohio to offer an integrated intraoperative radiation therapy (IORT) suite for rectal cancer and the only Northeast Ohio institution offering the LINX® Reflux Management system for severe gastro esophageal reflux disease (GERD). Other clinical research studies are taking place to improve hernia treatments, implantable biomaterials and novel meshes for hernia repair. The DHI has experience performing minimally invasive visional bariatric surgery procedures including revision of gastric bypass, gastric sleeve, vertical gastroplasty, and jejunoileal bypass. The newly developed and leading-edge cancer screening technology is also at the DHI.

The Eye Institute ("EI") offers expert physicians and clinicians specializing in the diagnosis and treatment of a variety of eye diseases. Services provided include routine eye examinations, medical and surgical care for simple and complex vision disorders, inpatient consultations, diagnostic testing, as well as simple and complex adult and pediatric contact lens fittings. The EI's nationally and recognized specialists work closely with their System colleagues at UHCMC, Seidman Cancer Center, and RB&C through five Centers of Excellence: Center for Anterior Segment Diseases and Surgery, Center for Pediatric Ophthalmology and Adult Strabismus, Center for Retina and Macular Diseases Surgery, Custom LASIK Center, and Center for Oculoplastics and Neuro-ophthalmology.

The EI is one of the few centers offering the complete array of treatment options for complex cataract, glaucoma, and cornea disease in the Midwest.

The Center for Geriatric Medicine and Palliative Care at UHCMC with the addition of geriatricians and nurse practitioners has provided significant growth for the geriatric and post-acute service lines. The Center continues to be a Nurses Improving Care to Health System Elders ("NICHE") hospital and utilizes acute care for the elderly ("ACE") protocols. In addition the center has grown the Palliative care program with the addition of physicians and nurse practitioners. The Palliative Care team developed and implemented a tool to systematically identify patients who can benefit from symptom management. The team also has developed an onboarding process to ensure standardized high quality service from its professionals and for disseminating to all UH sites. In 2015, the team also launched "Vital Talks," a program to train leaders in palliative care and to teach others in leading care discussions. Additionally, work has focused on expanding the palliative care presence in the community hospitals. The PRIDE program, initiated in 2014, was expanded in 2015. This program is a care model to Prevent Incident Delirium and functional decline of hospitalized older adults. Geriatrics also hired a new physician to begin a co-management inpatient service initially targeting orthopedic frailty fractures. Future co-management programs in the acute care settings are slated for 2016 including trauma and cardiac. On the ambulatory side, the Foley Elder Health Center provides comprehensive geriatric assessments by highly skilled interdisciplinary providers consisting of a behavioral neurologist, geriatricians, neurophysiologist, geriatric psychiatry, geriatric nurse practitioner, registered nurses and licensed independent social workers. The Otis Moss Clinic satellite site also has a geriatric

nurse practitioner to provide geriatric medicine in that community. This center works in conjunction with the Memory and Cognition Center of the Neurological Institute and is best known for its clinical trials for Alzheimer's and dementia research. In addition, the center provides a House Calls Program for frail, homebound elderly within a seven mile radius of the UHCMC main campus. This program allows the center's physicians and nurse practitioners to provide care to this often underserved patient population. The center also provides the medical services, both physicians and nurse practitioners for the Program for the All-inclusive Care for the Elderly (PACE). This Medicare Waiver program provides services to predominantly the dual eligible older adults in order to keep them in their home and avoid or delay a nursing home stay.

The Hanna House Skilled Nursing Center located on the main campus of UHCMC, transitions patients between hospital and home, and helps them regain their independence. The Center provides skilled nursing and rehabilitation for medically complex patients specializing in leading edge innovative rehabilitation therapy and palliative care services. Hanna House is a 5 star facility according to the Medicare Compare website. In 2015, the Skilled Nursing Center at Hanna House had a deficiency free clinical survey by the Ohio Department of Health. The team consists of board certified geriatricians, internal and family medicine physicians, and nurse practitioners work with specialty physicians and the interdisciplinary team of nurses, therapists, dietitians, and social workers at Hanna House to coordinate inpatient care and the transition to home for patients and their families.

Medical/Surgical Nursing Lerner Tower 6, the Center for Joint Replacement and Preservation, has been awarded a Gold Level Beacon Award by the American Association of Critical Care Nurses ("AACN"). AACN recently expanded the opportunity for general medical/surgical divisions to apply to this award. When awarded in January of 2014, Lerner Tower 6 was one of only three general medical/surgical divisions in the country to be designated as a Beacon division. Lerner Tower 6 has also received a Specialty Certification for Hip and Knee Replacement from the Joint Commission. This designation was first awarded in August 2012 and was renewed in January 2015.

UHCMC has been awarded NICHE (Nurses Improving Care for Health system Elders) "Exemplar" status in 2014 for providing excellent patient care to older patients. NICHE is the premier designation indicating a hospital's commitment to excellence in the care of patients 65-years-and-older.

Psychiatry Services at UHCMC provides comprehensive clinical services and research, leading-edge treatment and innovative programs in mood disorders, substance use disorders, child and adolescent psychiatry, community mental health, forensics, tele-psychiatry, and psychiatry and medicine. With more than 65 full-time faculty and nearly 200 clinical faculty volunteering services, the department has grown to be among one of the larger regional psychiatric programs. Psychiatry Services provided at UHCMC represent programs that span the full continuum of psychiatric care from outpatient mental health and addictions to intensive inpatient care covering the entire spectrum of life from child and adolescent through geriatric patients, and emergency services. The Child and Adolescent Inpatient Unit is a 14-bed unit located on the third floor of RB&C. Adult and Geriatric Inpatient Psychiatry Services and Electroconvulsive Therapy Services are located at the UHRH-Richmond campus. Adult, Geriatric and Pediatric Psychiatry core outpatient psychiatry services are located adjacent to the UHCMC main campus in the W.O. Walker building. UHCMC Psychiatry leads the UH Psychiatry Service Line, overseeing services at all UH wholly owned and UH affiliate entities, including inpatient services at Geauga (18 bed), Parma (14 bed), and Elyria (12 bed), and Southwest (36 bed).

The Department of Orthopedics was selected by the Cleveland Browns NFL football team to care for the musculoskeletal problems of their players and employees. The surgeons in the Orthopedic Department also serve as team physicians for three universities including Case Western Reserve and a dozen high school teams. Twenty-nine orthopedic surgeons, four sports medicine specialists and 12 scientists comprise the Department of Orthopedics. Fellowship-trained orthopedic surgeons offer a broad spectrum of surgical and nonsurgical treatments for patients of all ages with minor to major musculoskeletal problems resulting from trauma, infection, inflammation, arthritis, tumors and deformities. All surgeons serve as full-time faculty members at CWRU School of Medicine where they have the opportunity to influence and pioneer some of the medical industry's latest technological and procedural innovations. These physicians, surgeons and scientists have developed new devices to reconstruct joints, fix broken bones and care for congenital and developmental problems in children and adults. The department has contributed to major advancements within orthopedics. It was one of the first to perform joint replacement surgery in the United States, development of classic studies on the newer design and function of semi-constrained total knee replacement, one of the first departments to work with intra-operative spinal cord monitoring, which revolutionized the ability to do complex spine surgery, and to use decompression for patients with quadriplegic paralysis from anterior approach. The Department of Orthopedics has been consistently ranked by U.S. News & World Report as one of the top orthopedic programs in the United States for the past decade.

Operative Services consists of 46 operating rooms and 93 pre-op/recovery spaces in four surgical suites on main campus and 11 operating rooms, 4 procedure rooms, and 45 pre-op/recovery spaces in three ambulatory surgery centers located in Lyndhurst, Mentor, and Westlake. The department serves patients of all ages, both outpatient and inpatient, across all surgical specialties including pediatric trauma.

Level 1 Adult Trauma Program at UHCMC opened on December 1, 2015. This program complements with RBC Pediatric Level 1Trauma program and is designed to meet the trauma needs of the immediate community and of the Northeast Region of Ohio. With the opening of this second adult level 1 trauma center in Cleveland, was the establishment of the UH Trauma System which provides a system approach to the management and outcomes of trauma care throughout the System and the level 3 Trauma programs at St. John, Geauga, and Portage Medical Centers. Key physicians were recruited for the adult trauma program at UHCMC and are supported by the addition of 3 new operating rooms, expansion of the emergency room trauma bay, a six bed trauma ICU, and a dedicated trauma acute care division. The program has provisional verification by the American College of Surgeons and will seek full verification after one year of operations in January, 2017.

Cancer Services

Cancer services are provided at the Seidman Cancer Center (f/k/a Ireland Cancer Center) and at multiple community sites. The Seidman Cancer Center was recognized in 2014 by U.S News & World Report as one of the top 20 hospitals for cancer care in the country. It is the founding partner of the CWRU's Case Comprehensive Cancer Center, one of only 41 in the U.S. to be a National Cancer Institute ("NCI") designated comprehensive cancer center. This designation means that the Seidman Cancer Center has met standards of excellence established by NCI for research and clinical care. The combined clinical sites carrying the Seidman Cancer Center's name are the largest regional network providing cancer services in Northeast Ohio. Seidman Cancer Center offers cutting-edge treatments earlier than most other cancer centers. The affiliation with CWRU provides ongoing studies aimed at cancer treatment and prevention.

Patients receive skilled care through a multidisciplinary team approach. Experts in surgery, medical oncology, radiation therapy, pathology, nursing, radiology, social work, and psychology work together to create a personalized treatment plan designed to meet the physical, emotional and spiritual needs.

As part of the Case Comprehensive Cancer Center, the Seidman Cancer Center offers over 300 clinical trials. Patients have access to some of the most innovative, early-phase treatments, many of which have been developed by Seidman Cancer Center-based researchers.

The 120-bed, free-standing cancer center, located on UHCMC's main campus, comprises 385,000 square feet and triples the space previously dedicated to cancer services.

Pediatric Services

The Pediatric services are located in RB&C and enjoy a national reputation for care of neonates, children and adolescents. RB&C is the comprehensive full service children's hospital of Northeast Ohio and is a market leader in greater Cleveland. RB&C has a full complement of Pediatric, Medical and Surgical subspecialists. RB&C's reputation in pediatric services is built upon such programs as the Center for Cystic Fibrosis and Pulmonary Disease, which has been designated as one of only eight core research centers nationally by the National Cystic Fibrosis Foundation.

The Neonatal Intensive Care Program is a founding member of the NIH National Institute of Child Health and Human Development ("NICHD") Neonatal Research Network and one of only a few centers designated as Level IIIc in Northeast Ohio. A level IIIc NICU is equipped to handle the smallest and sickest newborns. The center is consistently recognized in national surveys as one of the highest ranking NICU's in the country for clinical outcomes and research. The Regional Pediatric Critical Care Transport program was first developed at RB&C. The Extracorporeal Membrane Oxygenation program serves as a regional referral resource for a multi-state area and was recently awarded national recognition by ELSO for clinical excellence. RB&C was also one of the pioneering hospitals in bone marrow transplantation.

Three specialties at RB&C were ranked within the top fifteen in the nation for the 2016-2017 ranking of "America's Best Children's Hospitals" by U.S. News & World Report as follows: neonatology (4), and pulmonology (8). RB&C earned rankings in a total each of the ten specialties which in addition to those previously mentioned, included the following: cancer (17), orthopedics (18), urology (19), nephrology (21), Diabetes & Endocrinology (22), neurology and neurosurgery (27), gastroenterology & GI surgery (31), Cardiology & Heart Surgery (50).

The RB&C Neonatal Intensive Care Unit is located in the Quentin & Elisabeth Alexander Neonatal Intensive Care Unit, a state-of-the-art NICU which includes many technological advances and neonatal firsts. The unit, which expanded the NICU space to 30,000 square feet, has single rooms for each baby, where parents can be with their newborn 24 hours a day. The facility also features the first surgical operating table developed for preemies and newborns designed by RB&C staff.

The Marcy R. Horvitz Pediatric Emergency Center moved to a new facility in July 2011 at UHCMC's Center for Emergency Medicine. The pediatric center offers enhanced privacy for young patients and their families, specialized pediatric care, and includes isolation and decontamination rooms for potential bioterrorism situations.

The Angie Fowler Adolescent & Young Adult Cancer Institute resides within RB&C. Angie's Institute was created and carefully designed to meet the unique needs of pediatric, adolescent and young adult patients diagnosed with cancer. It is integrated with Seidman Cancer Center and is recognized for basic, clinical and translational research.

Women's Services

UHCMC's Obstetrics/Gynecology services are located in MacDonald Women's Hospital, the only freestanding, full-service women's hospital in Ohio. Among the special services offered are: regionally recognized high risk obstetrics, which includes genetic testing and counseling and fetal imaging and diagnostics at three sites; a fertility center and invitro fertilization program with outstanding outcomes; pelvic floor disorders and urogynecology center; gynecologic and gynecological cancer; behavioral health; childbirth and parenting education over four counties; and midlife programming, such as osteoporosis prevention. Routine obstetrical and gynecological services are also offered. MacDonald Women's Hospital provides obstetrical services to over 5,000 families annually.

The CenteringPregnancy® Program (the "Pregnancy Program") was initiated at MacDonald Women's Hospital in 2010, and focuses on reducing preterm birth, decreasing the incidence of low-birth-weight babies, and increasing breastfeeding rates with the ultimate goal of decreasing infant mortality in the U.S. Since the inception of the Pregnancy Program in March, 2010, over 1,400 women have enrolled with demonstrated outstanding results. The Pregnancy Program enrollee pre-term birth rate from inception is approximately 9%.

The Centering Parenting Program (the "Parenting Program") was initiated at MacDonald Women's Hospital in May 2012. It is a MacDonald Women's Hospital and Family Medicine department collaboration to provide moms and babies group care for the first year of life. The Parenting Program provides well baby care, vaccinations, breastfeeding support, postpartum care, birth control visits and annual exams. The Parenting Program also includes a team of Pediatric dieticians and a literary specialist to assist participants. Forty-four percent of moms who go through the Pregnancy Program enroll in the Parenting Program. Since the Parenting Program's inception, approximately 200 dyads have been enrolled, and most of them have continued for a full year. Breastfeeding at 1 month is at 80%. At six months, 28% of Parenting Program dyads are still breastfeeding, and at 1 year 14% are still breastfeeding. Vaccination compliance at 6 months is 100%.

Imaging

UHCMC's Department of Radiology has continued to be a leader in the development of computerized tomography ("CT") technology and intervention. A new web-based protocol tool is also being utilized, providing all staff with explicit instruction for each patient undergoing CT, including techniques that adhere to the latest scanning guidelines. All UHCMC Radiology technologists are trained in the latest techniques using the most advanced CT equipment available. In 2014, all CT equipment at UHCMC and System medical centers were interfaced with a radiation dose monitoring system to track patient dose, enhancing patient safety. In addition, UHCMC became a member of the Lung Cancer Alliance and is a Lung Cancer Screening Center of Excellence.

UHCMC's Seidman Cancer Center was one of the first facilities in the nation to have PET/MRI capabilities. This resource for patients and clinicians enhances capabilities for improving the understanding of causes, effects and developments in disease processes such as

cancer. In February 2013, Mobile MRI services became available utilizing a new 1.5T MRI mobile unit which serves patients at the Medina, Twinsburg and Sharon Center locations with the potential for further expansion. Services also include 2 PET/CT's and an intraoperative 3T MRI ("iMRI"). The iMRI suite is one of the first in Ohio. Intraoperative MRI scans are used to track surgical progress in real time, integrating other state-of-the-art techniques, with the objective of allowing for the safest and least amount of surgery reasonably possible.

Housed in 9,000 square feet at UHCMC, the Small Animal Imaging Research Center has high-field MRI, micro-CT, micro-PET, micro-SPECT and bioluminescence equipment for small animal imaging as well as a high-field whole body human MRI. The Center is recognized nationally and internationally for its capabilities and imaging technology developments which are due partly to its close interdepartmental collaborations and interdisciplinary research.

The UHCMC Breen Breast Health Pavilion located on the UHCMC campus houses all UH Breast Health Center services. The UH Breast Health Center is home to a digital mammography environment, and the latest techniques such as tomosynthesis and elastography. The Breast Center is the first provider in Northern Ohio to offer tomosynthesis at the Breen Breast Health Pavilion and UH Chagrin Highlands Health Center. Having the breast imagers close to surgeons and other specialists enhances the already excellent care provided to patients.

The System's radiologist group consists of sub-specialty and community radiologists. The radiologist group provides 24/7 final readings for the System's community medical centers, ambulatory centers, and STAT radiology exams.

Research

Since the creation of the Global Advanced Imaging Innovation Center (the "Center") in 2010 there have been more than 46 sponsored projects. The Center operates collaboratively between UHCMC, Philips Healthcare, and CWRU with the goal of positioning Northeast Ohio as a worldwide hub for imaging technology. This Center is the result of funding from the Ohio Third Frontier Program and an investment from Philips Healthcare to develop next generation imaging technologies. The Center continues to create a forum for innovative technologies to be implemented more rapidly into patient care, with the goal of improved diagnoses of cancer, heart disease, and neurological conditions.

The Case Center for Imaging Research ("CCIR") is a comprehensive imaging research center housed within the Department of Radiology at CWRU and UHCMC. This center is comprised of basic science and clinical imaging research faculty as well as state-of-the-art facilities including cutting-edge preclinical and clinical imaging systems. The research programs in the CCIR combine the efforts of both Ph.D. and M.D. researchers at CWRU and UHCMC to allow for the development and rapid clinical translation of new, imaging technology in multiple important disease areas including cancer, diabetes, neurodegenerative diseases, and cystic fibrosis.

UHCMC and CWRU have a long-standing collaborative history in the field of medical imaging research. A new UH-CWRU PET Drug Research Program is now poised to launch in-house production of PET drugs for clinical and translational (first in human-use) research. It is anticipated that this new program will cultivate growth in scholarship by supporting clinical research by and between UH, CCIR, CWRU School of Medicine, the Case Comprehensive Cancer Center, Neurologic Institute, translational neuroscience, metabolic diseases, and many other stakeholders. Through industry collaboration and with support from the Ohio Research Scholars program, UHCMC is expected to enjoy the benefits of a new state-of-the-art cyclotron, as well as

current Good Manufacturing Practices (cGMP) compliant hot cells that will house new automated chemistry synthesis modules. UHCMC's new Radiopharmacy provides FDA compliant PET drugs for clinical research conducted by UH and CWRU investigators, having UH recognized IRB and investigational new drug (IND) approvals. In this manner, the new PET Drug Research Program will support transformative scientific discoveries from bench to bedside.

Laboratory Services

In 2015, the Department of Pathology performed in excess of 17.5 million individual laboratory tests. This was done in the context of the highest productivity levels UHCMC laboratory has experienced as a consequence of leveraging the latest laboratory diagnostic technology.

The Siemens Stream Lab Vista automation system, in conjunction with the Sysmex automated hematology track and the IRIS urinalysis automation, allow the Department of Pathology to continue to leverage technology against labor costs. Concurrently, the continued and expanded use of bar coding of specimens in anatomical pathology from receipt to result and full integration into operations ensures patient sample tracking and integrity through every step of the process. The driving factors in the laboratory are reducing costs, while maintaining high patient safety and improving the quality of the result.

The Histocompatibility & Immunogenetics Laboratory at UHCMC is one of only two laboratories in Northeast Ohio performing histocompatibility testing for the solid organ transplant programs and the hematopoietic stem cell transplant program of the Seidman Cancer Center.

The laboratory outreach program, University Hospital Laboratory Services Foundation ("UHLSF"), a wholly owned subsidiary of UHCMC, serves as a reference laboratory for the System and provides testing services for physician practices. It now constitutes 50% of the laboratories' total test volume. This volume strategy leveraged with automation drives down unit costs per test allowing the laboratories to be competitive in the laboratory testing arena. UHLSF is located on the UHCMC main campus, and is the laboratory's community arm. It has established 20 draw stations throughout Northeast Ohio and performs 2.5 million billable tests annually. Over 75 physicians and their offices provided lab services and are linked with a network of couriers that deliver specimens to the UHCMC main campus for processing. Testing is performed and results are generated and ready for all physicians by 6 a.m. the next day. UHLSF provides the same services as a commercial lab, allowing for custom requisitions based on the physician's need and an ASP electronic model for physician ordering that is interfaced with clinical systems.

A new addition to UHLSF has been the creation of University Hospitals Translational Laboratory ("UHTL"), which utilizes results from cutting edge research and adapts those methods to the daily diagnostic testing realm. The latest introduction is a novel way to identify the viral genotype of the HIV virus in infected patients. The genotype is then used to identify the most effective drugs for that patient.

Rehabilitation

The Department of Rehabilitation Services is comprised of Physical Therapy, Occupational Therapy and Speech-Language Pathology. Adult and pediatric inpatient services are provided at the UHCMC campus. Adult outpatient services are available at the main campus and 7 satellite offices, located in Cuyahoga, Lake and Summit Counties. Pediatric outpatient services are available at the main campus and three community based locations.

In alignment with the mission statement "To Heal, To Teach, To Discover". UHCMC served as a clinical affiliation site with staff providing clinical instruction and patient care supervision to students enrolled in academic programs ranging from Associate to Clinical Doctorate degrees.

Medical Staff

As of December 31, 2015, the Active, Courtesy, and Associate Medical Staff of UHCMC totaled 1,545, all of whom held faculty appointments at the CWRU School of Medicine. Of that total, 1,341 are Board Certified. The 104 Medical Staff Members that are not Board Certified are either not eligible to sit for the exam as they have not practiced for the required amount of time, or are qualified, but are still waiting to take the exam. The Medical Staff includes specialists, sub-specialists and primary care physicians that practice at other hospitals and health care facilities generally in the primary and secondary service areas of UHCMC.

The Clinical Council of UHCMC serves as the Medical Staff executive committee and is composed of the Chief Medical Officer, as chairman, all of the Clinical Chairmen, the President of RB&C/MacDonald Women's Hospital, the President of Seidman Cancer Center, the Medical Director of Seidman Cancer Center, the UH Chief Quality Officer, the President of UHPS, all of the UHCMC Chief Officers, and other members, including any member of the organized medical staff, of any discipline or specialty, as designated by the Chairman of Clinical Council. The Board of Directors designates one or two of its members who, with the Dean of the CWRU School of Medicine, are ex officio members of the Clinical Council. The President of UHCMC is an ex officio member, with voting rights, of Clinical Council. The Director of Medical Education is an ex officio member, without voting rights. The majority of voting Clinical Council members are fully licensed physicians actively practicing at UHCMC.

Certain matters pertaining to the professional conduct of UHCMC medical staff, the medical care and treatment of patients, the education of medical students, house staff and trainees, and research within the jurisdiction of UHCMC are addressed by the Clinical Council. Subject to Board approval, the Clinical Council adopts certain medical staff bylaws, rules and regulations for its own governance, for the professional conduct of UHCMC, for the medical care of patients, for the education of medical students, house staff and trainees, and for research. Questions of policy pertaining to these matters may be originated by the Clinical Council and submitted to the Board, together with its recommendation for action. Once signed by the President or the Chief Medical Officer of UHCMC, these policies are implemented.

The Clinical Council receives and acts on reports and recommendations from Medical Staff committees and clinical departments/services, including determining which privileges may be exercised within each clinical department, and what qualifications are needed for doing so. The Clinical Council makes recommendations for Medical Staff membership appointment and reappointment, recommendations for delineated clinical privileges for each eligible individual, as well as denial, limitation, or termination of privileges, recommendations for quality assurance activities of the Medical Staff, and is involved in fair-hearing procedures.

The table below lists the number of UHCMC Medical Staff Members as of December 31, 2015, by clinical department. Please note the total 1,545 Medical Staff Members include Active, Courtesy and Associate staff, and is also reflective of the 885 faculty that are part of the System's wholly-owned medial group (UHMG).

Anesthesiology	83
Dermatology	39
Emergency Medicine	30
Family Medicine	57
Medicine	383
Neurology	47
Neurosurgery	14
Obstetrics & Gynecology	74
Ophthalmology	34
Orthopedics	36
Otolaryngology	21
Pathology	45
Pediatrics	300
Plastic Surgery	7
Psychiatry	94
Radiation Oncology	19
Radiology	103
Surgery	140
Urology	19
Total	1,545

Employees

As of December 31, 2015, UHCMC employed 7,857 FTEs. Of these, 913 were residents and/or fellows in 80 accredited and non-accredited programs and the remaining FTEs were involved in nursing or other professional services, or in general support, finance and management functions.

UHCMC's relations with its employees have been good. None of UHCMC's employees are represented by any union for purposes of collective bargaining. UHCMC's management has developed a strategy to recruit and retain nurses in the current competitive labor market. At December 31, 2015, UHCMC's nursing vacancy rate is 10.0% and turnover rate is 13.0%.

UHCMC was awarded their third Magnet Designation in 2015 by the American Nurses. Original designation was in 2006, and redesignation in 2014. There are 426 (28 are in the State of Ohio) healthcare organizations in 49 states and the District of Columbia as well as three in Australia, two in Saudi Arabia, and one each in Lebanon and Canada with Magnet designation. The Magnet Recognition Program®, which recognizes quality patient care and nursing excellence, provides consumers with the ultimate benchmark to measure the quality of care that they can expect to receive. Magnet organizations focus on promoting quality in a setting that supports professional practice, identifying excellence in the delivery of nursing services to patients, and disseminating "best practices" in nursing services.

UHCMC's nurses participate yearly in the National Database Nursing Quality Indicators (NDNQI) national RN satisfaction survey. UHCMC had an 84% participation rate with overall scores outperforming the NDNQI national mean in the categories of Task, RN-RN Interactions, RN-MD Interactions, Decision-Making, Autonomy, Professional Status, Pay, and Nursing

Management. UHCMC (combined data for all inpatient units) outperforms the national mean in NDNQI nurse sensitive quality indicators with lower incidences of skin pressure ulcers, patient falls, ventilator and urinary infections, and use of restraints. In addition, UHCMC encompasses a highly educated nursing staff with 72% of direct care nurses holding a BSN, MSN, or Doctorate degree. Research has established a correlation between higher nurse educational levels and better patient outcomes in terms of decreased hospital mortality, surgical infections and failure to rescue. Thirty percent of UHCMC nurses hold one or more professional certifications. As a Magnet organization meeting Magnet requirements, nursing leaders at UHCMC hold a BSN as the minimum degree, with the majority holding a master degree in nursing or business related fields. There are over 250 Advanced Practice Nurses employed and providing direct care to patients as licensed independent practitioners, most with prescriptive authority. Five UHCMC intensive care units and the inpatient orthopedic unit have achieved Beacon Awards, presented by the American Association of Critical Care Nurses.

Research and Technology

University Hospitals is a national leader in breakthrough research and technology with a long history of medical firsts in its 150 year history. Today UHCMC, in affiliation with CWRU, operates one of the largest biomedical research centers in Ohio. This longstanding affiliation, which created the Case Research Institute ("CRI") in 2002, was refined in April 2006, under a 50-year affiliation agreement to leverage their individual and mutual strengths in research, education and clinical care. UHCMC provides the principal clinical base for translational researchers at the CRI, as well as a broad and well-characterized patient population for clinical trials involving the most innovative treatments and new technology. The parties are currently engaged in a scheduled ten year review under the affiliation and expect that various aspects of the affiliation may be modified to better facilitate the advancement of each party's mission and the collective goals of both organizations.

Total research funding in 2015 was $265 million (combining $105 million for UHCMC clinical departments with $101 million for CWRU basic science research and $59 million of UHCMC based clinical trials or clinical service funding). Of the research funding above, funding from the National Institutes of Health ("NIH") totaled $150 million. The funding amounts through CWRU are quoted on a July through June fiscal year whereas amounts for UHCMC clinical trials and clinical service grants are based on a January through December fiscal year.

In addition, University Hospitals continues to achieve success in an innovative program to advance medicine and society by enabling inventive physician-scientists to turn their discoveries into medicines that improve human health. The Harrington Discovery Institute (HDI) at University Hospitals — part of The Harrington Project for Discovery & Development — is a first-of-its-kind $250 million initiative, catalyzed and powered by a $50 million gift from the Harrington family. HDI develops collaborations and strategic partnerships with leading physician scientists, research institutions, universities, non-profit disease foundations and others to develop medicines to meet unmet patient needs. HDI was awarded a State of Ohio Third Frontier Technology Commercialization Center grant worth up to $25 million to support drug development companies located in Ohio and has successfully attracted new technology companies to support promising drug discoveries from across the nation.

Highlights for 2014/2015 research and technology initiatives covered a multitude of activities and disciplines which include the following:

2015 Clinical and Translational Research Highlights

- A landmark study showing that *aggressive* drug therapy for high blood pressure indeed saves far more lives than the current recommended blood pressure treatment levels. The trial showed that lowering systolic blood pressure (the top number in a BP reading) below 120 reduces the risk of a first heart attack, heart failure, stroke or death from heart disease by 30 percent and cuts risk of death from any cause by 25 percent compared to the widely accepted systolic standard of 140. Many experts believe the study may spur a new treatment guideline. An NIH grant to CWRU funded the study.

- A UH led team at UHCMC and CWRU received a three-year, $600,000 grant to discover why some cancers are more aggressive and more fatal in African Americans. The Stuart Scott Memorial Cancer Research Fund honors the memory of Stuart Scott, ESPN anchor and advocate cancer research focusing on minorities, who are disproportionately impacted by many cancers. The UH team's goal is to develop new research-based therapies to improve colon cancer outcomes among African Americans. The new fund made grants to only three institutions nationwide.

- Sudden unexpected death in epilepsy, or SUDEP, strikes one of every 1,000 people with epilepsy. The Epilepsy Center at the UH Neurological Institute is working with seven other top U.S. epilepsy centers to find explanations and treatments. A UH physician is leading this effort as the principal investigator.

- Researchers at Seidman Cancer Center have concluded that prostate-specific antigen (PSA) screening has reduced prostate cancer deaths, although the test is not completely specific for cancer and can lead to overdiagnosis and overtreatment. A UH Urologist and his colleagues exhaustively reviewed recent large-scale studies and assessed the impact of fluctuating PSA screening guidelines. The team's peer-reviewed article is published in the October issue of Surgical Clinics of North America.

- An oncologist at Seidman Cancer Center, is principal site investigator for a Phase I study to evaluate a new drug, REGN2810, that activates the immune system to kill cancer. UH will enroll patient volunteers with advanced malignancies who will be treated with the new medication either alone or with other anti-cancer therapies.

- A study developed and conducted at Seidman Cancer Center found that music therapy quells anxiety for women undergoing outpatient breast cancer surgery. The randomized trial, funded by the Cleveland-based Kulas Foundation, is the largest study of its kind to evaluate the benefits of live-music therapy in the surgical area. Study authors published their findings in the Journal of Clinical Oncology.

- RB&C played a pivotal role in the recent FDA approval of Orkambi, a new drug that addresses the genetic root cause of cystic fibrosis in nearly 50 percent of all patients.

- RB&C was one of the nation's highest-enrolling sites in the Phase III trial, led by a UH pediatric pulmonologist. The trial showed Orkambi to be six times more effective than a previously approved drug, which was also studied at Rainbow. Global biotechnology company Vertex Pharmaceuticals funded the clinical research.

- Clinical research on a new therapy for obstructive sleep apnea earned a Top 10 Clinical Research Achievement Award from the Clinical Research Forum. A UH sleep-medicine specialist and principal study investigator, co-authored the study published last year in the New England Journal of Medicine. UH Case Medical Center was the first hospital in Ohio to use the implantable, minimally invasive system the study highlighted.

- UHCMC is one of the highest-enrolling participants in the LEVO-CTS trial, a landmark national cardiac-surgery study that could transform treatment and outcomes. The trial is studying the potential heart-protective benefits of levosimendan in high-risk cardiac surgery patients. The FDA has fast-tracked it because of its importance.

- Seidman Cancer Center is initiating a first-of-its-kind clinical trial for treating patients with advanced melanoma, a skin cancer that claims more than 73,000 lives in the U.S. each year. Clinical researchers will activate patients' cancer-fighting lymph node T cells using a method developed at UHCMC and CWRU. UH, the Case Comprehensive Cancer Center-NIH and the Immunogene Therapy Fund are funding the study.

- A substance found in the spice turmeric increases certain protein levels in mesothelioma cells, according to new research at Seidman Cancer Center. These increased protein levels put a "brake" on a cancer-promoting cellular pathway, and the mesothelioma cells die. This research on crcumin, found in turmeric, adds to a growing body of knowledge on the cancer-fighting ability of the spice. A clinical trial is planned to determine whether these laboratory findings translate to similar effects in mesothelioma patients. Mesothelioma is a rare and deadly cancer that occurs in the thin tissue layer covering the internal organs.

- A common herpes drug that also fights HIV infection may be even more effective against HIV than previously thought, according to physician-researchers in the AIDS Clinical Trials Unit at UHCMC and CWRU. UH infectious disease specialists are part of an international team that studied the effectiveness of the drug Valtrex against the AIDS-causing HIV-1 virus. This discovery could broaden treatment options, and it suggests promising avenues for new anti-HIV drugs.

- RB&C is researching more effective options for preventing deep-vein blood clots and pulmonary embolisms (blood clots blocking an artery in the lung) in children. These life-threatening conditions have become increasingly common in children over the past 20 years. The RB&C Team is studying whether the drug Xarelto is more effective than the common blood-thinner heparin in preventing recurrent blood clots and reducing bleeding.

- New study findings here demonstrate that African-American colorectal-cancer patients have a unique molecular variant of the disease that may warrant treatment approaches different from those used to combat the cancer in patients from other racial and ethnic groups. African-Americans are disproportionately affected by colorectal cancer and this new information will help researchers develop treatments, says the study, by UHCMC, CWRU and Case Comprehensive Cancer Center. The prestigious Proceedings of the National Academy of Sciences published the study, authored by three UH physicians.

- A team of clinical researchers in the Division of Pediatric Neurology at RB&C are exploring whether an Alzheimer's disease drug called Memantine can improve memory in adolescents and young adults with Down syndrome.

- RB&C is leading the evaluation of a new drug that could target a significant unmet need in the treatment of cystic fibrosis, a chronic, life-threatening disease. A patient at UH RB&C was the first in Ohio to receive a dose of Resunab™. A UH specialist in pediatric pulmonary diseases is a principal investigator for the Phase 2 clinical study.

2015 Technology Highlights

- UH is the first in Ohio to offer two new treatments as part of clinical trials for patients with glaucoma, a disorder in which the optic nerve is damaged as the result of increased intraocular pressure. One patient had an investigational device implanted to release medication on a continuous basis. The other patient received the first minimally invasive surgical implant of a tiny stent to relieve pressure and reduce the need for medication.

- A multidisciplinary team at RB&C introduced an innovative process that reduced surgical blood loss and eliminated the need for transfusion for an infant with a cranial birth defect called craniosynostosis. Without skull-reconstruction surgery early in infancy, this fairly common condition can cause brain damage and developmental complications. However, surgery can cause significant blood loss in babies, and transfusion may be risky. The RB&C team's blood-conservation protocol is a first of its kind.

- In support of the significant need for additional trauma-care resources in our community, the Level 1 trauma center at UH Case Medical Center was activated Dec. 1. UH's comprehensive trauma system also includes the Level 1 Pediatric Trauma Center at RB&C and UH'S four Level 3 trauma centers: Geauga, Portage, St. John, and its joint venure, Southwest.

- The UH Harrington Heart & Vascular Institute introduced a new implantable pacemaker in November to regulate abnormal heart rates. It's called a subcutaneous implantable cardioverter-defibrillator, and it protects patients with arrhythmia from sudden cardiac arrest, which kills more than 325,000 Americans each year. The new device avoids the need for electrical leads in the blood stream, thereby reducing the rate of infection and lead dysfunction. Physicians at Ahuja and St. John medical centers implanted the systems just days apart.

- The UH Neurological Institute now offers a new, noninvasive neuromuscular ultrasound service to evaluate patients with conditions such as tingling or numbness in their arms and legs. The technology helps doctors precisely diagnose compressed nerves and similar disorders and pinpoint locations for procedures or biopsies.

- All UH hospitals that use UHCare, our electronic medical record, have adopted Knowledge-Based Charting (KBC) for clinical documentation. Before this transition, physicians charted in UHCare, while nurses and other health professionals wrote their patient notes in paper charts, resulting in a hybrid patient record. KBC simplifies communication among all members of the health care team, supporting the delivery of coordinated care to all patients as we move toward our goal of One Patient, One Record.

- Viewers in 171 countries representing 45 languages watched as a neurosurgery and neurology team at UHCMC perform a deep brain stimulation operation on a 49-year-old Parkinson's patient on October 25, 2015. The procedure, broadcast live on the National Geographic Channel with host Bryant Gumbel, successfully stopped the man's tremors. The two-hour "Brain Surgery Live" program was a television first. It generated unprecedented media coverage and social-media attention for UH.

- ZocDoc, a 24/7 online appointment-scheduling tool for a growing number of UH physicians, is quickly demonstrating its convenience and value to consumers across Northeast Ohio. Since ZocDoc's August internal launch and Sept. 15 public launch, UH patients are scheduling appointments at a rate more than three times that of a typical ZocDoc introduction in other health care markets. Access it at UHhospitals.org/ScheduleNow, or download the ZocDoc app for iPhone and Android.

- The radiation oncology team at Seidman Cancer Center at Geauga in April performed the nation's first-ever prostate cancer treatment using a newly approved device. The device, called SpaceOAR® (organ at risk) System, uses a temporary injectable gel that protects nearby healthy tissue in men undergoing radiation therapy for prostate cancer. SpaceOAR received FDA clearance on April 1.

- The UH Harrington Heart & Vascular Institute became the nation's first teaching site for transcatheter aortic valve replacement (TAVR) using conscious sedation and is one of just three hospitals in the country performing all TAVR cases while patients are awake and talking. The minimally invasive approach reduces length of stay, procedural complications and costs.

- Cardiologists and radiologists at the UH Harrington Heart & Vascular Institute were the first in the U.S. to use a breakthrough noninvasive imaging test that improves the diagnosis of coronary artery disease, the leading killer of men and women. For approved patients, the test is intended to replace exercise stress tests by providing detailed information about the extent of coronary artery blockage and whether the blockage is impeding blood flow. It promises to reduce unnecessary invasive procedures from false-positive stress tests, radiation exposure, complications and total costs. It is called FFR-CT (fractional flow reserve computed tomography) or HeartFlow.

- **Proton Therapy Center:** The Proton Therapy Center held its groundbreaking in September 2013 and was completed in June 2016. The center is designed to offer a more advanced form of external radiotherapy, which uses powerful beams of protons to precisely target and match treatment to the shape of a tumor with incredible accuracy. Proton beam radiation therapy can offer enhanced ability to deliver higher and more conformal radiation doses, while sparing healthy tissue in the body. This is the first such loc**a**tion in Ohio to offer cancer patients this precise and advanced cancer-fighting technology. The $34 million investment in proton therapy provides the safest and most effective treatment available to patients, especially children, who suffer from certain cancers. The center is supported by a $500,000 State of Ohio funding through the capital bill.

2015 Grant Awards

- **Clinical Translational Science Award (CTSA):** The CTSA is a multi-year $64 million grant funded by the National Center for Advancing Translational Sciences (NCATS) and the National Institutes of Health (NIH) through May 2017. The funding, one of the first 24 nationally, was awarded to CWRU for the collaborative efforts of CWRU, UHCMC, Cleveland Clinic, and MetroHealth Medical Center.

- **Department of Defense – Ohio Army National Guard Mental Health Initiative ("OHARNG MHI"):** The Department of Defense has awarded a total of $19.8 million to support this population based, clinical epidemiological research project of the Ohio Army National Guard ("ONG"). This initiative has completed five waves of data collection studying the pre, peri, and post deployment mental health of ONG soldiers through an annual telephone survey (of approximately 3,000 individuals). The project is currently enrolling in the sixth wave of the telephone survey and has received funding for 9 waves. In-person interviews were completed for a sub-sample and followed annually for the first 4 waves of data collection (approximately 500 individuals). To date, there are 3,578 ONG soldiers enrolled and 10,757 interviews have been completed. Through ancillary projects working with investigators with specialized expertise, the project is identifying genetic markers potentially associated with reactions to stress and the development of PTSD and developing an innovative mobile phone app-based + texting early intervention for alcohol misuse/abuse.

- **Center for Medicare and Medicaid Services (CMS) – Physician Extension Team (PET):** RB&C received a $12.7 million award from the Centers for Medicare and Medicaid Innovation (CMMI) in order to develop and implement a sustainable system that transforms pediatric ambulatory care by simultaneously improving care and quality of health care delivery, reducing costs, and improving the overall health of children. In 2015, this project was in its 3rd year and has been very successful in creating a system whereby a children's hospital provides multifaceted community health infrastructure through meaningful collaborations across primary care pediatric providers and other health professionals, patient, community organizations, and managed care plan. The PET project provides a novel approach to bring a multidisciplinary team of traditional and new health care professionals that bridges the PCP office, the home, and the hospital to improve the quality of ambulatory care, provide coordinated care for children with complex chronic conditions and children with behavioral problems, and reduce avoidable emergency visits and hospitalizations.

- **Center for Medicare and Medicaid Services (CMS) – Evidence-Conformant Oncology Care:** Seidman Cancer Center at UHCMC received a three year $4.69 Million grant in 2014 from the CMS which aims at improving experience of care for complex cancer patients and family caregivers, maintaining or improving quality of care, decreasing cost of care, and implementing an innovative payment model that aligns quality and patient experience with reimbursement. The project interventions are designed to improve the needs of complex cancer patients and their family caregivers in a coordinated, and therefore in a more effective and efficient manner. Additionally, the interventions include early and ongoing palliative care, frequent assessment of patient physical, emotional, and social well-being, personalized care plans that reflect patients' current goals of care, and improved

patient education and engagement. Nurse care coordinators will assist with coordination of care and collaboration with all members of the care team as well as offer an added layer of support for patients and their caregivers.

- **Ryan White Program at UHCMC to care for HIV patients:** UHCMC was awarded $1,745,250 in 2015 for the Ryan White Part A, C, and D Programs with $908,514 coming from the Cuyahoga County Board of Health as a pass through from the Health Resources and Services Administration ("HRSA"); $504,830 for Part C Early Intervention Services and $331,902 in Ryan White Part D funding directly from the HRSA HIV/AIDS Bureau. The programs help provide expert comprehensive and compassionate care to all HIV-infected persons regardless of their ability to pay while furthering progress in the fight against HIV disease through education and research. Through these programs, the SIU served over 1,200 individual patients in 2015. Ryan White Part C Early Intervention Services serves to provide primary medical care including specialty services and dental care for people living in Northeast Ohio. Ryan White Part D funding is specifically slated for providing expert comprehensive and compassionate care to HIV infected women, infants, children and youth under the age of 24.

- **Occupant Protection Regional Coordinator (OPRC):** Through a $49,000 grant from the Ohio Department of Health (funded by the Ohio Traffic Safety Office at the Ohio Department of Public Safety), the UH Rainbow Injury Prevention Center (RIPC) serves as the Region 6 coordinator for the Ohio Buckles Buckeyes (OBB) Program. The OBB Program provides child safety seats and booster seats to eligible low income families in all Ohio counties. The overall goal of this program is to increase the availability of child safety seats for families who could not otherwise afford them and to increase correct installation and proper use of child safety seats. As the Region 6 coordinator, the UH RIPC provides technical assistance, training and educational resources for a 15 county region, assisting local coordinators with implementation, coordination and evaluation of their distribution programs. The UH Rainbow Injury Prevention Center also coordinates car seat check-up events and establishes fitting station sites at the local level and conducts the 32-hour CPS technician certification courses throughout the region.

- **OVI Task Force (OVITF):** Through an Ohio Department of Public Safety grant of $225,000 in 2015, the UH Rainbow Injury Prevention Center is the lead agency for the Cuyahoga County DUI Task Force and the Speed, Reckless, and Aggressive Driving Reduction Task Force. Each are comprised of 45 local law enforcement agencies, judges, prosecutors, political leaders, businesses, schools and community members that work together to reduce drunk and drugged driving and improve traffic safety through a combination of community education and enforcement efforts. As lead agency for these coalitions, RB&C coordinates inter-agency law enforcement efforts, oversees program planning and promotion, and serves as an administrator of state funding for a wide array of traffic safety efforts in Cuyahoga County.

- **Safe Communities:** RB&C's Injury Prevention Center (RIPC) serves as the lead agency for the Cuyahoga County Safe Communities Coalition, managing a grant of $125,000 from the Ohio Traffic Safety Office for FFY 2015. The Safe Communities Coalition is a network of more than 300 individuals, community groups, health care providers, educators, emergency medical services personnel, and law enforcement agencies working together to improve traffic safety and decrease deaths and injuries from motor vehicle crashes. The Rainbow Injury Prevention Center develops programming and manages education and

outreach efforts of RIPC staff and coalition members on topics including the importance of seat belt use and the dangers of distracted driving and drinking and driving.

- **The LeRoy W. Matthews Cystic Fibrosis Center at RB&C and CWRU was established in 1957.** It continues to provide state-of-the-art treatment and develop new therapies for patients with cystic fibrosis, and train the next generation of CF physicians and physician-scientists. The Center has received $188,820 in grant funding from the Cystic Fibrosis Foundation and has received continuous support through the Foundation since its inception, Ongoing research at the Center, funded competitively since 1964 by the National Institutes of Health, Cystic Fibrosis Foundation, and other granting agencies, continues the effort to provide new information and promising therapies for CF. Goals of the Center are to provide optimal, individualized care to our patients, focusing on a comprehensive, family-centered treatment plan. Patients receive intensive education at the time of diagnosis, and are seen on a regular basis for routine follow-up, usually every 4 to 12 weeks, and more often when clinically indicated. Treatment is aimed at early detection of progression and at prevention of pulmonary, nutritional, and other complications of the disease. Education of fellows, residents and medical students by the pulmonary attending physicians and staff, and in-service education of other involved professionals, is an integral part of the program. Development and utilization of better therapeutic strategies through clinical and basic research is a major feature of our program.

- **ODH Regional Comprehensive Genetics Center:** The Center for Human Genetics at UHCMC has been awarded a $261,500 grant for a five year cycle to end in 2016. The award is to help subsidize the clinical services provided by the Center for Human Genetics to provide genetic services to patients of Northeast Ohio and the surrounding areas. Services are provided in the areas of pediatrics, prenatal, and cancer genetics, with additional specialty clinics in the treatment of metabolic disorders, Prader-Willi syndrome, Marfan syndrome, Neurogenetics, and cardiovascular genetics. While the current award is through 2016, The Center for Human Genetics has received funding from ODH since the 1990s and is expected to receive ongoing support by ODH.

Educational Programs

UHCMC is the primary affiliate of the CWRU School of Medicine for clinical training of its medical school students. The scope of UHCMC's residency and fellowship programs and the number of residents and fellows enrolled in those programs are significantly larger than any other hospital in the primary and secondary service areas of UHCMC. UHCMC programs train more than 900 residents and fellows annually in 80 ACGME accredited programs and four CODA (dental) accredited programs, as well as numerous non-accredited specialty board recognized programs.

Accreditations and Memberships

UHCMC has the following accreditations and memberships:

- Joint Commission
- American Medical Association
- College of American Pathologists
- American Association of Blood Banks
- Accreditation Council for Graduate Medical Education

- Association of American Medical Colleges
- Council of Teaching Hospitals
- American Hospital Association
- Ohio Hospital Association
- Ohio Children's Hospital Association (OCHA)
- National Association of Children's Hospitals and Related Institutions (NACHRI)
- The Center for Health Affairs/Greater Cleveland Hospital Association
- University Hospitals Consortium
- Clinical Laboratory Improvement Amendments (CLIA)
- United Network of Organ Sharing (UNOS)
- The Association for the Accreditation of Human Research Protection Programs, Inc. (AAHRPP)

Geauga Medical Center

Geauga is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

Geauga is located in Geauga County approximately 30 miles east of UHCMC's main campus. Geauga operates the only full service hospital in Geauga County. At December 31, 2015, it staffed 154 beds.

Medical Services

Geauga provides medical, surgical, and other professional services for adult, pediatric, and newborn patients that customarily are provided by acute care hospitals. In addition, Geauga provides an inpatient behavioral health unit (psychiatric center) for medical, adult and geriatric patients. A full range of outpatient services including surgery, pain management, cardiac catheterization, medical oncology, radiation oncology and emergency services for both adult and pediatric patients are also available.

Medical Staff Composition

Geauga's active Medical Staff is composed of over 300 physicians in 30 medical specialties.

Employees

As of December 31, 2015 Geauga employed 762 FTEs. Geauga's relations with its employees are good. None of its employees are represented by any union for purposes of collective bargaining.

Accreditations and Memberships

Geauga has the following accreditations and memberships:

- Joint Commission
- College of American Pathologists
- American College of Surgeons for the Bariatric Surgery Program
- Ohio State Medical Association for Continuing Medical Education
- The American Hospital Association
- The Ohio Hospital Association
- The Center for Health Affairs/The Greater Cleveland Hospital Association
- American College of Radiology for MRI Gold Standard, Breast MRI, CT, Mammography, Ultrasound and Nuclear Medicine
- Commission on Cancer for Cancer Program with Commendation
- Intersocietal Accreditation Commission for Adult Echocardiology
- National Accreditation Program for Breast Centers
- American Society of Health-System Pharmacist for Pharmacy Residency Program
- Certified Primary Stroke Center
- Certified Hip Joint Replacement Program
- Certified Knee Replacement Program
- Intersocietal Accreditation Commission for Vascular Testing
- American College of Surgeons verified Level III Trauma Center
- NICHE (Geriatrics)
- Emergency Medical Services for Children (EMSC)

Ahuja Medical Center

Ahuja is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

Ahuja is located in Cuyahoga County approximately 9 miles south of UHCMC's main campus. On its campus, which consists of the main hospital and an attached medical office building, Ahuja offers comprehensive patient-centered care, and a wide range of inpatient and outpatient services, including expert pediatric services. At December 31, 2015, it consisted of 144 staffed beds.

Medical Services

Ahuja provides medical, surgical, and other diagnostic services for patients that customarily are provided by acute care hospitals. State-of the art technology and strong medical staff alignment provide the opportunity for patients to obtain highly acute services such as open heart surgery in a community hospital setting. A full range of outpatient services including surgery, cardiac catheterization, interventional radiology, and emergency services for both adult and pediatric patients are also available. A complete range of imaging services are provided

including a 256 slice CT as well as a 3Tesla open MRI. In addition, Ahuja operates a 24 hour urgent care and emergency department in Twinsburg, 12 miles southeast of its main campus. Ahuja also manages satellite imaging services in neighboring cities of Solon, Aurora and Fairlawn.

Medical Staff Composition

Ahuja's active Medical Staff is composed of over 783 physicians in 46 medical specialties.

Employees

As of December 31, 2015, Ahuja employed 915 FTEs. Ahuja's relations with its employees are good. None of its employees are represented by any union for purposes of collective bargaining.

Accreditations and Memberships

Ahuja has the following accreditations and memberships:

- The Joint Commission
- 2014 Top Performer Award – The Joint Commission
- Gold Plus/Honor Role for Stroke Care – American Heart Association
- College of American Pathologists
- Society of Chest Pain Centers Chest Pain Accreditation with CPI
- American College of Radiology
- The American Hospital Association
- The Ohio Hospital Association
- The Center for Health Affairs/The Greater Cleveland Hospital Association
- American College of Radiology
- National Chest Pain Accreditation
- Primary Advanced Stroke Center Certification
- NICHE certification

Elyria Medical Center

Elyria is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

Elyria is located in Lorain County, approximately 30 miles west of UHCMC's main campus. It is one of three full service hospitals in Lorain County. At December 31, 2015, it consisted of a total of 269 staffed beds.

Medical Services

Elyria offers an array of clinical services, from general medical, surgery and emergency services to nationally-recognized cardiovascular and orthopedics programs. In addition, Elyria provides an inpatient behavioral health unit (psychiatric center) for medical, adult and geriatric patients. A full range of outpatient services including surgery, cardiac and pulmonary rehabilitation, cardiac catheterization, electrophysiology, occupational medicine and wound care are also available.

Medical Staff Composition

Elyria's medical staff is composed of more than 350 physicians in 45 medical specialties.

Employees

As of December 31, 2015, Elyria employed 1,319 FTEs. Elyria's relations with its employees are good. None of its employees are represented by any union for purposes of collective bargaining.

Accreditations and Memberships

Elyria has the following accreditations and memberships:

- Joint Commission
- College of American Pathologists
- CLIA Certificate – The Centers for Medicare and Medicaid Services
- The American Hospital Association
- The Ohio Hospital Association
- American College of Radiology for CT, MRI, Mammography, Ultrasound, Breast Ultrasound, and Nuclear Medicine
- Commission on Cancer with Commendation
- American Association of Cardiovascular and Pulmonary Rehabilitation
- Accreditation Commission for Health Care (ACHC)
- NICHE (Geriatrics)
- Society of Thoracic Surgeons

Parma Medical Center

Parma is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

Parma is located in Cuyahoga County approximately 15 miles southwest of UHCMC's main campus. The Parma campus consists of the main Hospital, three medical office buildings, an outpatient center and Cancer Center. The Hospital consisted of 281staffed beds at December 31, 2015.

Medical Services

Parma provides medical, surgical, and other professional services for adult, pediatric, and newborn patients that customarily are provided by acute care hospitals. In addition, Parma provides an inpatient behavioral health unit for geriatric patients, an acute rehabilitation unit, and a skilled nursing unit. A full range of outpatient services including surgery, pain management, cardiac catheterization, medical oncology, radiation oncology, emergency services for both adult and pediatric patients, home health, residential hospice, outpatient therapies, fitness and wellness programs, health screenings, adult day care, and child care are also available.

Medical Staff Composition

Parma's active Medical Staff is composed of over 465 physicians in 52 medical specialties.

Employees

As of December 31, 2015 Parma employed 1,180 FTEs. Parma's relations with its employees are good. None of its employees are represented by any union for purposes of collective bargaining.

Accreditations and Memberships

Parma has the following accreditations and memberships:

- Joint Commission
- Joint Commission Gold Seal of Approval for Joint Camp Program
- Joint Commission Certificate of Distinction for Primary Stroke Centers
- Certified Primary Stroke Center
- American Heart Association/American Stroke Association's Get With The Guidelines-Stroke Gold-Plus Quality Achievement Award
- Commission on Accreditation of Rehabilitation Facilities
- Commission on Cancer Accreditation
- Bariatric Surgery Center of Excellence by the American Society for Metabolic and Bariatric Surgery (ASMBS)
- Consumer Reports Highest Rating Possible For Knee Replacement Surgery
- Ohio Department of Public Safety Accreditation for EMS Education
- Aetna Institute of Quality
- Anthem Blue Distinction Center
- CIGNA Center of Excellence
- United Health Premium Designation Program
- American Association of Blood Banks
- CLIA
- College of American Pathologists
- Ohio Department of Health
- The American Hospital Association
- The Ohio Hospital Association
- The Center for Health Affairs/The Greater Cleveland Hospital Association
- Centers for Medicare and Medicaid Services
- American College of Radiology

St. John Medical Center

St. John Medical Center (St. John) is an Ohio nonprofit corporation that has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Services and Facilities

St. John is located in western Cuyahoga County, approximately 20 miles west of UHCMC's main campus. St. John provides services primarily to residents of western Cuyahoga and Eastern Lorain Counties. At December 31, 2015, the hospital had 180 staffed beds, including 19 nursery bassinets.

Medical Services

St. John is a general acute care hospital, providing medical, surgical, and other professional services for adult and newborn patients. In addition, St. John provides a wide range of outpatient services including outpatient surgery, pain management, advanced wound care services, cardiac catheterization, rehabilitation services (Cardiac Rehab/PT/OT/Speech), infusion therapy, and women's health services. St. John also provides emergency services for both pediatric and adult patients.

Medical Staff

St. John's active Medical Staff at December 31, 2015 was composed of 550 physicians in 37 medical specialties.

Employees

As of December 31, 2015 St. John had 848 FTEs. St. John maintains a good relationship with the hospitals employees. There are no employees represented by a union for purposes of collective bargaining.

***Accreditations* and Memberships**

- The Joint Commission
- College of American Pathologists
- American College of Radiology for MRI, CT, Mammography, Stereotactic, Ultrasound, Ultrasound Breast, Nuclear Medicine
- Mammography Quality Standards Act (MQSA)
- Society of Cardiovascular Patient Care – Accredited Chest Pain Center
- American Association of Cardiovascular and Pulmonary Rehab (AACVPR) – Certification for Cardiac Rehab
- American Association of Cardiovascular and Pulmonary Rehab (AACVPR) – Certification for Pulmonary Rehab
- Intersocietal Accreditation Commission (IAC) – Accredited for Echocardiography
- Intersocietal Accreditation Commission (IAC) – Accredited for Vascular Testing/ICAVL
- American Heart Association

- Commission on Cancer for Cancer Program
- Certified Primary Stroke Center
- American College of Surgeons verified for Level III Trauma Center
- NICHE (Geriatrics)
- The Ohio Department of Health Radiology Technology
- American College of Surgeons for Trauma
- The Ohio Hospital Association
- The Center for Health Affairs
- Catholic Health Association

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Growth from Acquisitions

Starting in 2014, the System entered into agreements to integrate multiple health systems in a concerted effort to expand its strategic footprint. The three most recent integrations occurred during 2015 and are listed below to highlight their impact to the System. Please note that the information provided below is as of and for the year ended December 31, 2015 representing the most recent annual financial statements available. The information presented below is for the entire year irrespective of their acquisition dates. Portage joined the System June 1, 2015, St. John joined the System November 2, 2015, and Samaritan joined the System November 12, 2015.

The acquisitions not only provide meaningful growth and expansion of the System's presence in the various regions of the market, but they also provide tertiary and quaternary referrals to UHCMC, the academic medical center. Furthermore, the System has the opportunity to improve the financial performance of these entities through economies of scale associated with capital and human intensive services (such as information technology systems) and growth in revenue from the UH Institutes and physician recruitment.

Growth from Acquisitions					
	UH Only	Portage	SJMC	Samaritan	Combined [(a)]
Year Ended December 31, 2015:					
Key Statistics					
Discharges	88,335	5,969	9,389	2,610	106,303
Surgeries	87,010	4,927	7,060	3,272	102,269
Emergency Room Visits	324,274	36,539	35,655	27,109	423,577
			$ in thousands		
Financial Information					
Revenue	3,156,275	137,051	180,717	85,911	3,559,954
Expense	3,064,150	132,998	175,998	90,299	3,463,445
Operating income (loss)	92,125	4,053	4,719	(4,388)	96,509
As of December 31, 2015:					
Assets	4,201,395	79,604	154,698	124,212	4,559,909
Liabilities	2,386,143	26,136	57,812	23,260	2,493,351
Net Assets	1,815,252	53,468	96,886	100,952	2,066,558

(a) Reflects combination of each health systems' historical financial information for the year ended December 31, 2015 without consideration of proforma adjustments.

Please note the discussions and tables presented below are for the System as of and for the six months ended June 30, 2016 and 2015. Results from Portage, St. John, and Samaritan are included as of their respective acquisition dates of June 1, 2015, November 2, 2015, and November 12, 2015, except where noted.

Payor Mix and Utilization Statistics – Consolidated System

Set forth in the tables below are the payor mix and utilization statistics for the System for the six month periods ended June 30, 2016 and June 30, 2015 as well as the years ended December 31, 2015, 2014, and 2013 and the Pro Forma year ended December 31, 2013. The System[1] includes entities that are not members of the Obligated Group and not contractually obligated in any manner with respect to the Master Trust Indenture or the Master Notes issued thereunder.

Payor Mix and Utilization Statistics
Consolidated System

	Six Months Ended		Years Ended			
	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (6) 31-Dec-13	Actual 31-Dec-13
Payor Mix % : (1), (7)						
Medicare (2)	30.3%	30.9%	30.8%	31.9%	31.0%	27.6%
Medicaid (2)	15.3%	16.0%	15.4%	15.1%	13.3%	15.1%
Commercial Managed Care	41.0%	43.2%	42.7%	41.6%	37.3%	39.8%
Self Pay	4.2%	4.1%	4.1%	5.7%	9.7%	9.3%
Other	9.2%	5.8%	7.0%	5.7%	8.7%	8.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
All Services (3), (8)						
Available beds (4)	2,019	1,955	2,180	1,790	1,758	1,236
Patient Days	255,358	231,464	472,256	446,241	434,362	323,562
Discharges (excluding newborn)	51,780	45,009	93,359	88,257	87,153	62,736
Observations (5)	17,026	11,768	26,760	21,855	18,912	11,273
Total Inpatient Activity	68,806	56,777	120,119	110,112	106,065	74,009
Surgical Cases:						
Inpatient	15,113	12,892	26,720	25,091	24,014	17,006
Outpatient	39,679	30,487	66,453	59,211	59,530	43,145
Total Surgical Cases	54,792	43,379	93,173	84,302	83,544	60,151
Outpatient procedures	5,047,411	4,220,891	8,930,807	8,017,981	7,723,987	5,778,197
Emergency cases	214,895	163,760	356,687	315,527	332,769	206,470
Clinic visits	64,796	65,138	137,076	142,970	148,159	148,159

(1) Payor Mix is based on Patient Service Revenue (net of contractual allowances and discounts).

(2) Includes a managed care component.

(3) Utilization statistics presented in this section include newborns, except where disclosed.

(4) Available beds represents the average staffed beds for the period reported.

(5) Excludes patients subsequently admitted during the same encounter.

(6) Proforma includes Parma and their affiliates and Elyria and their affiliates as if they were consolidated on January 1, 2013.

(7) Excludes Portage, St. John and Samaritan.

(8) Includes Portage, St. John, and Samaritan as of their respective 2015 acquisition dates of June 1, Nov. 2, and Nov. 12.

[1] On January 1, 2014, the System acquired Parma and Elyria. On June 1, 2015 the System acquired Portage. The System acquired St. John on November 2, 2015 and Samaritan on November 12, 2015. Please refer to the "Organizational Structure – Community Medical Centers" section of this report for further details surrounding these transactions.

Six Months Ended June 30, 2016 as Compared to the Six Months Ended June 30, 2015

For the six months ended June 30, 2016, the System reported total discharges of 51,780 representing an increase of 15.0% when compared to the same period in 2015. This growth was driven by the 2015 acquisitions. On a same-store basis, discharges declined by 3.6%. Despite the decline in discharges inpatient activity increased 8.8% on a same-store basis due to a 13.0% increase in observations. At UHCMC inpatient activity increased by 0.6% resulting from a 24.8% increase in observations. Medicare rules requiring enhanced documentation to qualify an inpatient stay have contributed to the growth in Observations. The System has enacted initiatives, including restructuring workflow, to improve clinical documentation to reverse this growth trend in Observations. The Community Medical Centers organic growth in inpatient activity was 2.2% resulting from a 10.2% increase in observations and a 3.9% decrease in discharges. The decrease in discharges at the Community Medical Centers was primarily driven by Parma and Elyria, with respective declines of 10.5% and 5.5%. The trends in discharges are consistent with the overall market and also driven by physician turnover at Parma and Elyria. A local market competitor will open a new hospital in 2017 to compete with Elyria and St. John Medical Centers. As this hospital nears completion, a migration of inpatient activity has been reported in the Elyria market. The System is recruiting physicians to the Elyria market to replace the lost volume associated with this competitive dynamic. Ahuja, after its opening in 2011, continues to experience growth from business plan investments, organic growth, and other physician groups, but has been adversely impacted by the loss of HealthSpan business early in 2016. For the first six months of 2016, Ahuja reported a decline of 127 (2.8%) adult discharges when compared to the same period in 2015. This entire decline can be attributed to the loss of HealthSpan business.

Overall, the System experienced an increase of 33.1% in surgical cases, reporting 54,792 total cases for the six months ended June 30, 2016. The organic growth (same store) in surgical cases over the same period was 1.4%. On a same-store basis, outpatient cases increased by 2.6% while inpatient surgeries declined 1.4%. UHCMC's inpatient surgical cases increased 1.8%. The outpatient surgical cases at UHCMC, including those at the Ambulatory Surgery Centers, increased 0.9%. At UHCMC, tertiary transfers from Parma and Elyria helped contribute to overall volume growth. Indeed, UHCMC showed continued growth in the acuity of its business with the Medicare Case-Mix index reported at 2.14, while the all-payor Acute reached a level of 1.71. Total surgical cases for the Community Medical Centers grew by 1.6% on a same-store basis, primarily due to notable growth at Geneva and UHRH-Bedford of 27.9%, and 15.6%, respectively. However, the Community Medical Centers continue to see a shift to outpatient surgical activity from traditional inpatient activity.

In the six months ended June 30, 2016, outpatient procedures for the System increased 19.6% when compared to the same period in 2015, 6.4% on a same store basis. UHCMC increased by 8.4% and the Community Medical Centers gained 6.8%. The increase at the Community Medical Centers resulted from increases of 11.8%, 8.4%, and 15.8% at Ahuja, Geauga, and Geneva, respectively.

Through the first six months of 2016, the System experienced a 31.2% increase in emergency cases driven by the inclusion of Portage, St. John and Samaritan emergency cases in the 2016 year to date results. Emergency cases increased 3.2% over the same period on a same store basis. Emergency cases at UHCMC increased 3.1% while the Community Medical Centers increased 6.2% organically. The growth at UHCMC can be somewhat attributed to its recent level 1 trauma center designation.

Twelve Months Ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

For the twelve months ended December 31, 2015, the System reported total discharges of 93,359 representing an increase of 5.8% when compared to the same period in 2014. The general market was flat, indicating continued growth in market share for the System. This growth was primarily driven by the 2015 acquisitions since organic growth (same store) in discharges was 0.1%. HealthSpan represented 3,217 or 3.4% of total discharges for the year ended December 31, 2015, and is considered part of the organic growth of the health system. For more information on HealthSpan, see "ORGANIZATIONAL STRUCTURE – Subsidiaries and Other Initiatives" section herein. The implementation of the "Two Midnight" rule continues to influence an industry-wide shift from inpatient to observation status. This ruling states that to be considered inpatient, Medicare patient stays must be medically necessary and need to cross "two midnights." The effects of this rule are evident with the moderate organic increase in discharges of 0.1%, versus the significant increase in observations, up 11.1% for the same population. UH continues to take action steps that are expected to reduce observations in the future. At UHCMC observations increased 15.8% and inpatient activity increased 1.3%. The Community Medical Centers organic growth in in inpatient activity was 3.1% resulting from a 9.3% increase in observations and a 0.9% increase in discharges. The increase in discharges at the Community Medical Centers was primarily driven by Ahuja, Geneva, and Conneaut, with respective gains of 4.8%, 12.7% and 8.0%.

Overall, the System experienced an increase of 10.5% in surgical cases, reporting 93,173 total cases for the twelve months ended December 31, 2015. The organic growth (same store) in surgical cases over the same period was 3.2%. HealthSpan represented 1,968 total cases or 2.1%. For more information on HealthSpan, see "ORGANIZATIONAL STRUCTURE – Subsidiaries and Other Initiatives" section herein. Outpatient cases increased by 12.2% while inpatient surgeries increased 6.5%. This 10.5% increase was above the market trend for this same period. UHCMC's surgical cases, both inpatient and outpatient, increased 5.5% and 5.8%, respectively in 2015. Total surgical cases for the Community Medical Centers grew organically by 1.7% primarily due to notable growth at Ahuja, Geauga, and UHRH-Richmond of 9.8%, 5.0%, and 5.1%, respectively.

In the twelve months of 2015, outpatient procedures for the System increased 11.4% when compared to the same period in 2014. For the same period, organic growth in outpatient procedures for the System was 6.3%. UHCMC increased by 7.3% and the Community Medical Centers gained 4.8% organically. The increase in outpatient procedures at UHCMC largely resulted from increases in Cardiology, Oncology, Pathology and Radiology procedures as well as Rehabilitation Services. Meanwhile, the increase at the Community Medical Centers resulted from increases of 23.5%, 7.3%, and 3.1% at Ahuja, Geauga, and Elyria, respectively.

Through the four quarters of 2015, the System experienced a 13.0% increase in emergency cases. The growth was fueled largely by the acquisitions of Portage, St. John and Samaritan. Organic growth in emergency cases over the same period was 2.8%, which was above the trend in northeastern Ohio. Emergency cases at UHCMC increased 2.5% while the Community Medical Centers reported organic growth of 2.9%. Clinic visits for the System declined by 4.1% during 2015.

Year Ended December 31, 2014 as Compared to the Pro Forma Year Ended December 31, 2013

For the year ended December 31, 2014, the System's discharges increased 1.3% when compared to the same Pro Forma period in 2013. The market in general experienced softening volume for this time period, indicating growth in market share for the System. The implementation of the "Two Midnight" rule was the primary factor that led to an industry-wide shift from inpatient to observation status. This ruling states that to be considered inpatient, Medicare patient stays must be medically necessary and need to cross "two midnights." The effects of this rule are evident with the modest increase in discharges versus the 15.6% increase in observations. At UHCMC the occupancy rate increased by 0.8% due to 25.3% increase in observations and a 4.8% increase in inpatient activity. The Community Medical Centers reported an increase in inpatient activity of 3.0%, which was also driven by a 12.1% increase in observations and a 0.2% increase in discharges. The increase in discharges at the Community Medical Centers was primarily driven by Ahuja, Geauga, Conneaut and Geneva with respective gains of 27.7%, 7.3%, 10.0% and 4.9%, respectively.

Overall, the System experienced a slight increase of 0.9% in surgical cases. Outpatient cases declined by 0.5%, but this was offset by a 4.5% increase in inpatient surgery. This 0.9% increase was slightly above the market trend for this same period. UHCMC's surgical cases, both inpatient and outpatient, increased 3.9% and 4.1%, respectively in 2014. Total surgical cases for the Community Medical Centers decreased 1.0% resulting from a decline in outpatient volumes that outweighed the increase in inpatient volumes. Ahuja and Geauga experienced growth in surgical cases of 11.7% and 1.6%, respectively. However, that growth was offset by declines reported at Elyria (10.9%), UHRH-Richmond (2.4%), Parma (6.3%) and UHRH-Bedford (1.2%).

Outpatient procedures for the System increased 3.8% in 2014. UHCMC increased by 4.7% and the Community Medical Centers gained 2.5%. The increase in outpatient procedures at UHCMC largely resulted from increases in Oncology, Pathology and Radiology procedures. Meanwhile, the increase at the Community Medical Centers resulted from increases of 21.6%, 12.0%, 8.2%, and 5.6% at Ahuja, UHRH-Bedford, UHRH-Richmond, and Geauga, respectively.

In 2014, the System experienced a 5.2% decrease in emergency cases. Emergency cases at UHCMC decreased 3.4% while the Community Medical Centers saw a decrease of 8.2%. Clinic visits for the System declined by 3.5% in 2014.

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Review of the Consolidated System Operating Results

Please note that for the discussions and tables presented below Portage, St. John, and Samaritan are included as of their respective acquisition dates of June 1, 2015, November 2, 2015, and November 12, 2015.

The following Statements of Operations for the System are prepared on a consistent basis with the audited consolidated financial statements except for special charges which have been shown as non-operating to facilitate analysis of the patient related activities of the System[1].

Consolidated System Statements of Operations
Dollars in Thousands

	Six Months Ended		Years Ended			
	Actual	Actual	UH Historical Results			
	30-Jun-16 (Unaudited)	30-Jun-15 (Unaudited)	31-Dec-15 (Audited) (2)	31-Dec-14 (Audited)	31-Dec-13 Pro Forma (1)	31-Dec-13 (Audited)
Unrestricted revenues:						
Patient service revenue (net of contractual allowances and discounts)	$ 1,801,355	$ 1,483,594	$ 3,176,364	$ 2,808,119	$ 2,653,178	$ 2,229,084
Provision for bad debts	(49,512)	(28,442)	(76,970)	(61,772)	(75,643)	(60,418)
Net patient service revenue (less provision for bad debts)	1,751,843	1,455,152	3,099,394	2,746,347	2,577,535	2,168,666
Other revenue	105,197	86,808	187,548	195,089	200,820	172,466
Total unrestricted revenues	1,857,040	1,541,960	3,286,942	2,941,436	2,778,355	2,341,132
Expenses:						
Salaries, wages and employee benefits	1,067,024	891,438	1,876,009	1,669,854	1,584,629	1,353,563
Purchased services	129,770	99,481	220,497	202,658	239,488	146,937
Patient care supplies	297,253	241,181	522,309	448,170	403,484	330,358
Other supplies	26,093	19,754	48,332	38,907	43,223	35,050
Insurance	21,422	16,114	40,342	34,421	29,755	25,915
Other expenses	171,463	148,195	313,376	285,196	235,960	223,573
Depreciation and amortization	68,491	57,038	121,460	121,994	123,315	101,276
Interest	24,265	22,099	46,761	47,785	44,860	39,904
Total Expenses	1,805,781	1,495,300	3,189,086	2,848,985	2,704,714	2,256,576
Net operating income	51,259	46,660	97,856	92,451	73,641	84,556
Nonoperating revenues (expenses):						
Special charges	58	(1,859)	(4,293)	(7,855)	(6,290)	(5,938)
Investment Income	3,836	28,168	43,055	59,615	97,124	80,545
Other-than-temporary decline in investments	(779)	(3,166)	(6,929)	(5,797)	(9,169)	(7,010)
Change in fair value of derivative instruments	(23,275)	460	(2,991)	(17,368)	28,720	21,999
Extraordinary gain (loss)	2,444	-	-	-	-	-
Loss on extinguishment of debt	(8,156)	-	(314)	(961)	(833)	(833)
Member Substitution	-	42,864	100,883	154,641	-	-
Total nonoperating revenues (expenses)	(25,872)	66,467	129,411	182,275	109,552	88,763
Excess of revenues over expenses	$ 25,387	$ 113,127	$ 227,267	$ 274,726	$ 183,193	$ 173,319

(1) Pro Forma includes Parma and affiliates and Elyria and affiliates as if the member substitution had occurred on January 1, 2013. Please refer to unaudited Pro Forma Consolidated System financial information provided herein.

(2) Includes Portage, St. John and Samaritan and their respective affiliates since their acquistion dates.

[1] On January 1, 2014, the System acquired Parma and Elyria. On June 1, 2015 the System acquired Portage. The System acquired St. John on November 2, 2015 and Samaritan on November 12, 2015. Please refer to the "Organizational Structure – Community Medical Centers" section of this report for further details surrounding these transactions.

Six months ended June 30, 2016 as Compared to the Six Months Ended June 30, 2015

Consolidated System Operating Income

For the six months ended June 30, 2016, the System's operating income of $51.3 million, represented an increase of $4.6 million (9.9%) from the same period in 2015. UHCMC reported operating income of $120.7 million, an increase of $5.3 million (4.6%), and the Community Medical Centers produced operating income of $53.6 million, an increase of $17.2 million (47.2%). A portion of the increase was due to improvements at Ahuja and Geauga, which increased operating income by $3.3 million (18.1%) and $3.4 million (62.7%), respectively. The addition of St. John and Samaritan, acquired in November 2015, provided additional operating income of $9.6 million and $3.8 million respectively to the Community Hospitals' results in the six months ended June 30, 2016. However, the strong results of the System were partially offset by increased losses at UHMP of $13.5 million (39.7%), driven primarily by recruitment, acquisition, and consolidation of new physicians and higher benefit costs held at the UHMP corporate level.

The System reported total unrestricted revenue of $1,857.0 million for the first half of 2016, up $315.1 million (20.4%) compared to the same period in 2015. UHCMC led the System's growth in operating revenue with an increase of $65.3 million (8.4%) followed by growth in unrestricted revenue at Ahuja and Geauga with respective increases of $9.7 million (10.3%) and $7.5 million (11.2%). The inclusion of St. John and Samaritan provided additional revenue of $84.0 million and $39.0 million respectively. Other notable growth was seen at both physician groups, UHMP and UHMG with respective revenue growth of $28.1 million (17.9%) and $21.4 million (13.6%) resulting from the growth in providers.

For the first six months of 2016, the System reported total net patient service revenue of $1,751.8 million, up $296.7 million (20.4%) as compared to level reported for the same period in 2015. UHCMC reported net patient service revenue of $789.4 million, up $60.6 million (8.3%) when compared to the same period in 2015. The Community Medical Centers reported net patient service revenue of $627.6 million, which was up $188.1 million (42.8%) when compared to the same period in 2015. Growth was noted at Ahuja of $9.4 million (10.1%), Geauga of $7.5 million (11.3%), and UHRH Bedford $3.8 million (17.6%). The 2015 acquisitions of Portage, St. John and Samaritan increased net patient service revenue by $45.7 million, $80.4 million, and $35.8 million, respectively, in the first half of 2016. The remaining growth in net patient service revenue was primarily due to modestly higher system-wide utilization, increased acuity, and price increases. The total system acuity measure of CMI increased from 1.52 in 2015 to 1.58 in 2016, which is a 3.3% increase. The provision for bad debt increased by $21 million (74.1%) for the first half of 2016 and was reported at $49.5 million. The increase was primarily due to provisions from the respective acquisitions of St. John ($7.1 million), Portage ($6.8 million), and Samaritan ($2.7 million). Bad debt expense at UHCMC was up a modest $0.2 million (2.9%) for the first six months of 2016 as compared to the same period in 2015.

The System reported other revenue of $105.2 million for the first half of 2016, representing an increase of $18.4 million (21.2%) from the same period in 2015. Other revenue is comprised primarily of the System's share of the reported earnings of its Joint Venture businesses, amounts released from restriction for research and other temporarily restricted revenue, and physician and lab services billing to outside organizations for services provided. The additions of St. John, Portage, and Samaritan boosted other revenue in the first six months of 2016 by $3.6 million, $1.5 million, and $3.2 million, respectively. Same store growth in other revenue ($10.1 million) was driven primarily by UHCMC and UHMG, with respective increases of $4.7 million (9.6%) and

$3.2 million (7.8%). These increases were impacted by a materially higher level of research and other temporarily restricted activity, which triggers a release from restriction offsetting the same amount of associated operating expenses and therefore has a neutral impact on the net operating earnings.

Through the first half of 2016, the System reported operating expenses of $1,805.8 million, an increase of $310.5 million (20.8%) from the same period in 2015. The addition of St. John, Portage, and Samaritan for this reporting period increased operating expenses for the System by $74.4 million, $46.7 million, and $35.2 million, respectively. Other facilities driving the growth in operating expenses included UHCMC, Ahuja, and Geauga which reported increases of $60.0 million (9.0%), $6.4 million (8.4%), and $4.1 million (6.7%), respectively. The physician groups, UHMP and UHMG contributed to the rise in operating expenses with increases of $41.6 million (21.8%) and $23.1 million (12.5%), respectively. The remaining entities within the System had moderate increases in operating expenses. Notable increases in operating expenses for the System include: (i) salaries, wages and employee benefits of $175.6 million (19.7%), (ii) patient care supplies of $56.1 million (23.2%), (iii) other expenses $23.3 million (15.7%), (iv) purchased services $30.3 million (30.4%), (v) other supplies $6.3 million (32.1%), and (vi) insurance $5.3 million (32.9%). Depreciation and interest expense experienced increases of $11.5 million (20.1%), and $2.2 million (9.8%), respectively.

The System reported growth in salaries, wages, and employee benefits of $175.6 million (19.7%) for the first half of 2016. Increases to labor costs were noted at UHCMC of $26.6 million (8.9%), Ahuja of $4.1 million (13.4%), UHMG of $22.8 million (15.6%) and UHMP of $33.2 million (24.4%). The integration of St. John, Portage, and Samaritan contributed an additional $36.7 million, $20.7 million, and $18.2 million, respectively, to the increase in salaries, wages, and employee benefits. Growth in labor costs for the System resulted primarily from increased staffing required to accommodate new surgical and outpatient volume, increased use of agency and overtime resulting from growth and turnover in nursing, and increased benefit costs related primarily to acquisition activity and the related changes in the retirement plan. The organic growth and the expansion of services at Ahuja drove the need for additional staffing, overtime and agency usage. Growth at UHMP is the result of consolidating the independent physician practices from Parma and Elyria along with the inclusion of Portage's, St. John's, and Samaritan's physician practices. Significant growth in UHMP providers was a planned System initiative to grow the base of Primary Care and better serve the needs of the community.

The System reported growth in patient care supplies expense of $56.1 million (23.2%), driven by increases of $19.1 million (13.7%), $2.1 million (14.7%), and $2.3 million (25.2%) at UHCMC, Geauga, and UHMP, respectively. The increase in supply expense resulted from the increased volume of procedures utilizing implantable devices coupled with the rising cost of pharmaceuticals. The addition of St. John, Portage, and Samaritan to the System increased supply costs by $15.5 million, $6.6 million, and $5.7 million, respectively.

Purchased services increased by $30.3 million (30.4%) when compared to the same period in 2015 resulting primarily from St. John, Portage, and Samaritan adding $8.0 million, $12.9 million, and $5.6 million to the System. Information technology services contributed $5.9 million to the increase in purchased services.

The System reported $21.4 million of insurance expense for the first half of 2016, which represents an increase of $5.3 million (32.9%) from June 30, 2015. This trend resulted primarily from the addition of St. John, Portage, and Samaritan.

Overall depreciation expense increased by $11.5 million (20.1%) associated with the addition of assets from the 2015 acquisitions of Portage, Samaritan and St. John.

Interest expense through June 30, 2016 was $24.3 million, a $2.2 million (9.8%) increase from the same period in the prior year resulting primarily from the additional debt related to the acquisition of St. John, Portage, and Samaritan, offset partially by interest savings from the Series 2016A bonds, which refunded the majority of the 2007A bonds, on March 31, 2016.

Consolidated System Non-Operating Income

For the six months ended June 30, 2016, the System reported non-operating expenses of $25.9 million representing a decrease of $92.3 million from the $68 million non-operating gain reported over the same period in 2015. The gain from member substitutions of $42.9 million recognized in the first half of 2015 did not repeat in 2016. Furthermore, resulting from lower interest rates, the market value of the System's swap portfolio declined by $23.3 million in the first six months of 2016, as compared relatively unchanged in the first six months of 2015. Finally, the System reported an $8.2 million loss associated with refunding its 2007A bonds in 2016, although the refunding transaction that will generate material interest savings over the life of the newly issued bonds.

Twelve months ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

Consolidated System Operating Income

For the year ended December 31, 2015, the System's operating income of $97.9 million, represented an increase of $5.4 million (5.8%) from the same period in 2014 and is consistent with budgeted expectations. The Parent recorded a $16 million charge to earnings in the second quarter of 2015 related to changes made to certain employee benefit plans. In addition, the Parent made changes to the Defined Benefit Plan, which included freezing the Final Average Pay formula. These changes are projected to provide over $100 million in financial benefit to the System over the next 10 years through reduced pension expense and required funding. UHCMC reported operating income of $231.0 million, an increase of $9.3 million (4.2%), and the Community Medical Centers produced operating income of $82.6 million, an increase of $25.2 million (44.0%). The increase was largely due to improvements at Ahuja, Geauga, and Elyria, which increased operating income by $8.9 million (29.5%), $3.4 million (33.0%), and $4.5 million (34.9%), respectively. The results of the System were positively impacted by a $6.6 million addition to operating income generated by Portage since June 1, 2015 along with the $2.5 million and $1.0 million in of operating income generated by St. John and Samaritan, respectively, since they joined the System. However, the strong results of the System were partially offset by increased losses at UHMP of $21.3 million (38.0%), driven primarily by recruitment and acquisition of new physicians and higher benefit costs held at the UHMP corporate level.

The System reported total unrestricted revenue of $3,286.9 million for 2015, up $345.5 million (11.7%) compared to the same period in 2014. Growth in revenue was System-wide. UHCMC led the System's growth in operating revenue with an increase of $125.1 million (8.4 %). The other members of the Obligated Group, Ahuja, Elyria, Geauga, and Parma, contributed to the growth as well with respective increases of $22.0 million (12.5%), $9.1 million (4.4%), $13.6 million (10.7%), and $13.9 million (8.1%). The inclusion of Portage for seven months provided an additional $74.9 million in revenue for the System. The System also benefitted from the revenue of $27.0 million and $12.8 million generated by St. John and Samaritan since their

respective additions to the System. Notable growth was seen at both physician groups, UHMP and UHMG with respective growth of $27.3 million (8.8%) and $19.5 million (6.4%).

For 2015, the System reported total net patient service revenue of $3,099.4 million, up $353.0 million (12.9%) as compared to level reported for the same period in 2014. UHCMC reported net patient service revenue of $1,503.7 million, up $116.4 million (8.4%) when compared to the same period in 2014. The Community Medical Centers combined reported net patient service revenue of $998.1 million, which was up $180.6 million (22.1%) when compared to 2014. Growth was noted at Ahuja of $21.8 million (12.4%), Geauga of $13.6 million (10.7%), Parma $17.2 million (10.5%), and Elyria $9.4 million (4.8%). The growth in net patient service revenue was primarily due to higher system-wide utilization, increased acuity, and price increases. The total system acuity measure of CMI increased from 1.49 in 2014 to 1.55 in 2015, which is a 4.0% increase. Net patient service revenue also increased due to the $73.9 million of revenue provided by Portage, the $25.7 million of revenue provided by St. John and the $12.0 million of revenue provided by Samaritan as of their integration into the System. Continued improvement in payor mix was also experienced in 2015 due to the Medicaid expansion in Ohio. The provision for bad debt increased by 24.6% for 2015 as reported at $77.0 million. The increase was primarily due to the $6.1 million and $2.2 million provisions from the respective acquisitions of Portage and St. John.

The System reported other revenue of $187.5 million for 2015, representing a decline of $7.5 million (3.9%) from the same period in 2014. Growth in other revenue was reported at UHMG, with an increase of $9.3 million (12.3%). UHCMC also reported an increase of $8.6 million (9.0%). Parma and Elyria both reported decreases in other revenue totaling $3.4 million (42.7%) and $0.3 million (4.2%), respectively. The decreases were due to the fact that Parma and Elyria included investment income from their self-insurance reserve funds in other income in the first quarter of 2014. However, during the second quarter of 2014 these funds were transferred to WRA, UH's offshore captive insurance company, along with the income generated by those investments.

For 2015, the System reported operating expenses of $3,189.1 million, an increase of $340.1 million (11.9%) from the same period in 2014. The primary facilities driving this growth in operating expenses for the System were UHCMC, Ahuja, Geauga, and Parma which reported increases of $115.7 million (9.2%), $13.1 million (9.0%), $10.2 million (8.7%), and $15.4 million (9.2%), respectively. Geneva reported an increase of $3.1 million (9.3%), and the physician groups, UHMP and UHMG contributed to the rise in operating expenses with increases of $48.7 million (13.2%) and $23.5 million (6.6%), respectively. The remaining entities within the System had moderate increases in operating expenses. The addition of Portage, St. John, and Samaritan for this reporting period increased operating expenses for the System by $68.3 million, $24.4 million, and $11.8 million, respectively. Notable increases in operating expenses for the System include: (i) salaries, wages and employee benefits of $206.2 million (12.3%), (ii) patient care supplies of $74.1 million (16.5%), (iii) other expenses $28.2 million (9.9%), (iv) purchased services $17.8 million (8.8%), (v) other supplies $9.4 million (24.2%), and (vi) insurance $5.9 million (17.2%). Depreciation and interest expense experienced declines of $0.5 million (0.4%), and $1.0 million (2.1%), respectively.

The System reported growth in salaries, wages, and employee benefits of $206.2 million (12.3%) for 2015. Increases to labor costs were noted at the Parent of $63.3 million (42.0%), UHCMC of $42.2 million (7.4%), Ahuja of $6.2 million (10.9%), Geauga of $5.2 million (10.0%) and UHMP of $28.8 million (10.7%). Portage, St. John, and Samaritan contributed an additional $35.5 million, $12.6 million, and $6.0 million, respectively, to the increase in salaries, wages, and

employee benefits. Growth in labor costs for the System is mostly the result of increased staffing required to accommodate new volume. The most notable growth in labor costs were at Ahuja and UHCMC, driven by the increased volume. At UHCMC, tertiary transfers from Parma and Elyria helped contribute to the volume growth. The organic growth and the expansion of services at Ahuja drove the need for additional staffing. Growth at UHMP is the result of consolidating the independent physician practices from Parma and Elyria along with the inclusion of Portage's physician practices, for reporting purposes, however, not all of the practices have been completely integrated into the UHMP physician model. The Parent continues to account for most of the growth in contract labor, reflecting investment in the information technology systems (IT). The goal of this investment is to increase efficiency, patient safety and quality of care along with making enhancements to meet meaningful use goals and requirements.

The System reported growth in patient care supplies expense of $74.1 million (16.5%). Growth in patient care supplies expense was driven by UHCMC, Ahuja, Geauga, and UHMP with increases of $34.6 million (13.4 %), $5.2 million (15.1 %), $3.3 million (11.9%), and $4.0 million (20.7%), respectively. The increase in supply expense resulted from the increased volume of procedures utilizing implantable devices and surgical supplies coupled with the unanticipated increase in the cost of pharmaceuticals. The addition of Portage, St. John, and Samaritan to the System increased supply costs by $10.1 million, $5.3 million, and $1.9 million, respectively. The System has seen significant increases in the per-unit cost of drugs related primarily to increased prices from the manufacturers. Consolidation in the pharmaceutical industry has led to increased pricing for certain commonly used agents. The System is responding to this trend by improving consistency with its formularies and rationalizing the use of certain medications, with patient safety as a top priority.

Purchased services increased by $17.8 million (8.8%) when compared to the same period in 2014 resulting primarily from Portage, St. John, and Samaritan adding $9.1 million, $2.6 million, and $1.8 million since their respective additions to the System.

The System reported $40.3 million of insurance expense for 2015, which represents an increase of $5.9 million (17.2%) from December 31, 2014.

Overall depreciation expense declined by $0.5 million (0.4%) associated with certain assets becoming fully depreciated.

Interest expense through December 31, 2015 was $46.8 million, a $1.0 million (2.1%) decrease from the same period in the prior year resulting primarily from the termination of three basis swaps for a gain of $2.4 million. The swaps had been producing positive cash flow for the System, thereby reducing interest expense. However, market conditions became extremely favorable, providing for an acceleration of the cash flow via termination. The System reported market gains in many of the basis swaps in its portfolio. The gains were offset by the additional interest expense related to the 2014 debt issuance as well as Portage's, St. John's, and Samaritan's refunded debt.

Consolidated System Non-Operating Income

For the year ended December 31, 2015, the System reported non-operating revenues of $129.4 million representing a decrease of $52.9 million over the same period in 2014. The member substitution of $154.6 million, realized in 2014, constitutes the primary factor behind this change. The non-operating income generated from member substitution resulted from the transfer of the net assets from the acquisitions of Parma and Elyria in 2014 which did not repeat in 2015. The

non-operating revenue mostly results from positive investment income of $43.1 million, and member substitution of $100.9 million that was offset by a $6.9 million other than temporary decline in investments and a $3.0 million decrease in the market value of swap. The member substitution resulted from the acquisitions of Portage, St. John, and Samaritan and the subsequent transfer of their net assets in 2015. In 2015, the market values of interest rate swaps decreased by $3.0 million compared to a loss in market value of $17.4 million for the same period in 2014. The impact to the market values of the System's interest swap portfolio is driven primarily by changes in interest rates including the relationship between tax-exempt (SIFMA) and taxable (LIBOR) swap rates. The System incurred $4.3 million in special charges for 2015 as compared to $7.9 million of special charges recorded for the same period in 2014.

Year ended December 31, 2014 as Compared to the Pro Forma Year Ended December 31, 2013

Consolidated System Operating Income

For the year ended December 31, 2014, the System's operating income of $92.5 million, represented an increase of $18.8 million (25.5%) from the Pro Forma period in 2013. The System's medical centers reported overall increases to operating income in 2014 when compared to the Pro Forma period. This included UHCMC reporting operating income of $221.7 million, an increase of $22.1 million (11.1%), and the Community Medical Centers producing operating income of $57.7 million, an increase of $21.8 million (60.7%). The increase was largely due to improvements at Parma and Elyria, which increased operating income by $4.3 million (303.1%) and $6.7 million (109%), respectively. The results of the System were also boosted by a $7.2 million (12.6%) decrease in losses at UHMG. However, the strong results of the System were partially offset by increased losses at the Parent and UHMP of $23.7 million (40.7%) and $9.2 million (19.5%), respectively.

For 2014, the System reported total operating revenue of $2,941.4 million, up $163.1 million (5.9%) compared to Pro Forma 2013. This growth can be attributed primarily to UHCMC, Ahuja, and Geauga reporting increases of $78.8 million (5.6%), $26.4 million (17.6%), $12.7 million (11.1%), respectively. The System's physician groups also reported gains to operating revenue for 2014 with an increase at UHMG of $14.0 million (4.8%), and UHMP, reported here to include Parma and Elyria physician groups, of $10.9 million (3.6%). The medical centers of Elyria, Conneaut, Geneva, UHRH-Bedford and UHRH-Richmond produced gains in 2014 of $5.7 million (2.9%), $1.9 million (7.2%), $3.6 million (10.8%), $2.9 million (7.2%), and $3.7 million (7.6%), respectively. The only medical center to experience a decrease in revenue in 2014 was Parma with a $4.8 million decline (2.7%).

In 2014, the System reported total net patient service revenue of $2,746.3 million, up $168.8 million (6.5%) as compared to the level reported for Pro Forma 2013. UHCMC reported net patient service revenue of $1,387.3 million, up $84.2 million (6.5%) from 2013. The Community Medical Centers combined reported net patient service revenue of $817.5 million, which was up $56.1 million (7.4%) when compared to the same period in 2013. Growth at Ahuja[1] of $26.8 million (18.1%), Geauga of $13.1 million (11.5%), Elyria of $6.2 million (3.2%),

[1] For the first three quarters of 2013, Ahuja reported $8.5 million of Medicare capital reimbursement as a component of net patient revenue, which did not repeat in 2014. CMS allocates additional capital reimbursement to hospitals in their first two years of existence; therefore the System does not expect further Medicare capital reimbursement for Ahuja in 2014 or going forward.

Conneaut of $1.9 million (7.2%), UHRH-Bedford of $3.2 million (8.3%), Geneva of $3.7 million (11.0%) and UHRH-Richmond of $3.7 million (8.1%) was offset by a decline of $2.5 million (1.5%) at Parma. The provision for bad debt decreased by 18.3 % in 2014 as reported at $61.8 million. Approximately 73% of the growth in net patient revenue resulted from volume and growth related to patient initiatives in addition to commercial rate increases. The remaining 27% of the growth in net patient revenue resulted from Medicaid expansion in the state of Ohio.

The System reported other revenue of $195.1 million for 2014, representing a decline of $5.7 million (2.9%) from Pro Forma 2013. Growth in other revenue was reported at both the Parent and UHMP with respective increases of $0.9 million (1.5%) and $1.1 million (3.1%). Meanwhile, UHCMC and Parma reported declines of $5.4 million (5.3%) and $2.3 million (17.8%), respectively, for the same period. In 2013, prior to the acquisition by the System, Parma and Elyria managed their respective self-insurance reserve funds independently. The investment earnings from these funds were reported in other revenue. In the second quarter of 2014, the System moved these funds to WRA, its off-shore captive insurance company. Therefore, Parma and Elyria only report investment earnings from self-insurance funds in other revenue for part of the year. Income for the Parent's equity share of its Joint Venture Hospitals' operations decreased $1.1 million (6.7%) for 2014 as compared to Pro Forma 2013.

In 2014, the System reported operating expenses of $2,849.0 million, an increase of $144.3 million (5.3%) from Pro Forma 2013. The primary drivers of growth in operating expenses for the System were UHCMC, the Parent and Ahuja reporting increases of $56.7 million (4.7%), $24.4 million (20.2%), and $22.2 million (17.8%), respectively. Geauga reported an increase of $11.2 million (10.6%), and UHMP, reported here including Parma and Elyria physician groups, contributed to the increase with an increase of $20.1 million (5.8%). The remaining entities within the System had moderate increases in operating expenses with the exception of Parma and Elyria, which decreased operating expenses in 2014 by $9.0 million (5.1%) and $1.0 million (0.5%), respectively. Notable increases in operating expenses for the System include: (i) salaries, wages and employee benefits of $85.2 million (5.4%), (ii) patient care supplies of $44.7 million (11.1%), (iii) insurance of $4.7 million (15.7%) and (iv) other expenses of $49.2 million (20.9%). Purchased services, other supplies, and depreciation experienced declines of $36.8 million (15.4%), $4.3 million (10.0%) and $1.3 million (1.1%), respectively.

The System reported growth in salaries, wages, and employee benefits of $85.2 million (5.4%) in 2014. Increases to labor costs were noted at UHCMC of $27.7 million (5.1%), Ahuja of $10.8 million (23.3%), Geauga of $4.0 million (8.5%) and UHMP of $31.0 million (13.0%). Growth in labor costs for the System is mostly the result of increased staffing required to accommodate new volume. The most notable growth in labor costs were at Ahuja and UHCMC, driven by the increased volume created by tertiary transfers from Parma and Elyria to UHCMC, organic growth and HealthSpan. Growth at UHMP is the result of consolidating the independent physician practices from Parma and Elyria.

The System reported growth in patient care supplies expense of $44.7 million (11.1%). Growth in patient care supplies expense was driven by UHCMC, Ahuja and Geauga, with increases of $27.7 million (12.0%), $8.5 million (32.9%) and $4.2 million (18.0%), respectively. The increase in supply expense resulted from the increased volume of procedures utilizing implantable devices, radiology and pharmaceuticals.

A decline in purchased services of $36.8 million (15.4%) was reported for 2014 at $202.7 million resulting primarily from decreases at Elyria, Parma, UHMP and the Parent of $13.7 million (45.2%), $14.6 million (47.0%), $12.1 million (21.9%) and $6.6 million (5.1%), respectively.

The System reported $34.4 million of insurance expense for the year ended December 31, 2014, which represents an increase of $4.7 million (15.7%) from the Pro Forma year ended December 31, 2013.

Overall depreciation expense declined by $1.3 million (1.1%) as a result of certain assets becoming fully depreciated.

Interest expense for 2014 was $47.8 million, up $2.9 million (6.5%) from the prior Pro Forma year. The increase resulted from the issuance of $130 million of new debt and refunding of $121 million of tax-exempt floating rate debt in December 2013. Proceeds from the new debt were used to accelerate the funding of the Pension plan, lowering funding requirements and pension expense. The System also refunded tax-exempt floating rate debt with tax-exempt fixed rate debt, which caused a modest increase to the cost of tax-exempt debt while reducing bank renewal risk and exposure to rising interest rates.

Consolidated System Non-Operating Income

For the year ended December 31, 2014, the System reported non-operating income of $182.3 million representing an increase of $72.7 million over the same pro forma period in 2013. The member substitution of $154.6 million constitutes the primary factor behind this change. The non-operating income generated from member substitution resulted from the transfer of the net assets from the acquisitions of Parma and Elyria. The benefit from the member substitution was offset by a $37.5 million decline in investment income and a $17.4 million decrease in the market values of interest rate swaps. In 2014, the market values of interest rate swaps declined by $17.4 million compared to a gain in market value of $28.7 million for the same Pro Forma period in 2013. The impact to the market values of the System's interest swap portfolio is driven primarily by changes in interest rates including the relationship between tax-exempt (SIFMA) and taxable (LIBOR) swap rates. For 2014, the System has incurred $7.9 million in special charges as compared to $6.3 million of special charges recorded for the same Pro Forma period in 2013.

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Review of the Consolidated System Financial Ratios

The table below sets forth the liquidity position (cash and board designated investments) for the Pro Forma rolling twelve months ended June 30, 2016 and the Pro Forma year ended December 31, 2013, as well as the rolling twelve months ended June 30, 2016 and June 30, 2015 and the actual years ended December 31, 2015, 2014, and 2013. The Pro Forma June 30, 2016 period includes the effect of St. John, and Samaritan on System ratios as if they had joined the System on January 1, 2015 including the $78.9 million of additional indebtedness that was issued in October, 2015 and $91 million of additional indebtedness that was issued in December 2015.

Liquidity Position - Consolidated System
Dollars in Thousands

	Pro Forma (e) 30-Jun-16	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (d) 31-Dec-13	Actual 31-Dec-13
Cash and cash equivalents	148,537	148,537	208,938	201,457	175,868	212,885 (b)	193,505
Unrestricted investments	1,253,348	1,253,348	1,156,820	1,262,873	1,102,831	963,487	812,811
Total cash and unrestricted investments	1,401,885	1,401,885	1,365,758	1,464,330	1,278,699	1,176,372	1,006,316
Operating expenses	3,584,691	3,499,567	2,957,998	3,189,086	2,848,985	2,704,714 (c)	2,256,576
Less: Depreciation and amortization	140,797	132,913	119,701	121,460	121,994	123,315 (c)	101,276
Cash expenses (a)	3,443,894	3,366,654	2,838,297	3,067,626	2,726,991	2,581,399 (c)	2,155,300
Days of cash on hand	149	152	176	174	171	166	170

(a) Cash expenses consist of operatings expenses less depreciation and amortization. Non-operating expenses, such as special charges, other-than-temporary decline in investments, changes in fair value of derivative instruments and loss on early extinguishment of debt are typically either one-time related charges or not cash oriented.

(b) Cash and cash equivalents was reduced by $3.5 million for Pro Forma year ended December 31, 2013 from historical amounts to reflect assets not acquired in the member substitutions.

(c) Please refer to unaudited Pro Forma Consolidated System financial information provided herein.

(d) Includes Parma and their affiliates and Elyria and their affiliates as if they were consolidated on January 1, 2013.

(e) Pro forma considers the impact of including Portage, St. John, and Samaritan as of January 1, 2015.

At June 30, 2016, the System reported 152 days of cash on hand, which is down 22 days from the level reported at December 31, 2015. Liquidity decreased by $62.4 million driven primarily by a decrease in accounts payable (-$50.4 million), a growth in account receivables (-$65.3 million), capital spending (-$85.0 million), interest expense (-$24.3 million), and net debt repayment of (-$9.0 million). This was offset by operating EBITDA (+$144.0million), investment income of ($23.1 million), and other favorable balance sheet adjustments of (+$4.5 million). Please note that the cash expenses for St. John and Samaritan are included as of their respective acquisition dates of November 2, 2015 and November 12, 2015. The days cash on hand ratio would have been reported at 149 if twelve months of cash expenses were included for all three entities as shown in the Pro-Forma June 2016 column. Please see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – CONSOLIDATED SYSTEM – Review of the Consolidated System Operating Results" for further discussion surrounding cash expenses.

At December 31, 2015, the System reported 174 days of cash on hand, which is up 3 days from the level reported at December 31, 2014. Liquidity increased by $185.6 million driven primarily by operating EBITDA (+$266.1 million), cash and unrestricted investments from Portage, St. John, and Samaritan (+$71.9 million), an increase in accounts payable (+$25.5 million), net proceeds from debt issuance (+$61.2 million) (see leverage position for further discussion) and other favorable balance sheet changes (+$39.7 million). This was offset by growth in account receivables (-$86.7 million), capital spending (-$140.8 million), interest expense (-$46.8 million), and investment loss (-$4.5 million). Please note that due to the June 1, 2015 acquisition of Portage only seven months of cash expenses (June 1, 2015 through December 31, 2015) are included in the days of cash on hand calculation. Further the cash expenses for St. John

and Samaritan are included as of their respective acquisition dates of November 2, 2015 and November 12, 2015. The days of cash on hand ratio would have been lower by 14 days if twelve months of cash expenses were included for all three entities. Please see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – CONSOLIDATED SYSTEM – Review of the Consolidated System Operating Results" for further discussion surrounding cash expenses.

At December 31, 2014, the System reported 171 days of cash on hand, which is up 5 days from the Pro Forma level reported at December 31, 2013. Liquidity grew by $102.3 million driven primarily through gains in operating EBITDA (+$262.2 million), investment returns (+$34.4 million), growth in accounts payable (+$17.7 million) and favorable working capital changes (+$10.9 million). The gains were offset by capital spending (-$110.9 million), growth in account receivables (-$1.5 million), net debt repayments (-$62.7 million), and interest expense (-$47.8 million). The debt repayment cash flow of -$62.7 million includes $40 million payoff of the previous year's revolving line of credit balance. The modest growth in patient accounts receivable despite a $168.8 million (6.5%) increase in net patient revenue, resulted from extraordinary collection efforts, which caused days in patient accounts receivable to decline to 49 days at December 31, 2014 from 52 days at December 31, 2013.

At December 31, 2013 (historical), the System reported 170 days of cash on hand, which was up 29 days from the level reported at December 31, 2012. The liquidity position (cash and unrestricted investments) increased by $195.9 million (24.2%) in 2013. This increase was driven primarily by bond proceeds from the 2013 issuance (+$267.0 million), operating EBITDA (+$225.7 million), investment return (+$71.7 million), increase in accounts payable (+$56.3 million), proceeds from short-term borrowing (+$20.0 million), and other favorable working capital changes (+$10.0 million) offset by pension plan funding (-$199.0 million), growth in patient receivables (-$31.7 million), capital spending (-$76.8 million), and repayment of long-term debt ($147.3 million). The pension plan funding amount impacts both operating EBITDA and other working capital changes. The $267.0 million received from bond proceeds was utilized to fund the pension plan, refund remaining Series 2008B, D, and E outstanding debt, and included $7.9 million from Series 2012D bonds which had a forward starting mode. The repayment of long-term debt of $147.3 million included refunding of the remaining Series 2008B, D, and E bonds previously mentioned and normal recurring principal and interest payments on long-term debt. Cash expenses for the year ended December 31, 2013, grew by $61.9 million (3.0%).

Unrestricted investments listed above include alternative investments of private equity, hedge funds, private real estate, long/short equity, commodities, and distressed debt limited partnerships. Some of the limited partnership investments require estimates of fair market value. Also, some of these investments contain contractual liquidity constraints; however, recognized secondary markets often exist for these alternative investments. Alternative investments included in unrestricted investments totaled $213.0 million at June 30, 2016 which is up $0.9 million from December 31, 2015. The System manages two distinct investment pools organized by the purpose for which they serve. A "Protection Pool" is utilized to preserve balance sheet liquidity, even during times of severe market declines, and an "Opportunity Pool" for which longer term investments are invested in less liquid and potentially higher returning alternative asset classes. This structure exists to improve unrestricted liquidity and provide for protection of unrestricted investments from market volatility.

Charts 1 and 2 below display the asset allocation and liquidity structure of the unrestricted cash and investments that comprise the days cash on hand ratio, and illustrate the liquidity and safety of the investments at June 30, 2016.

Chart 1 (Asset Allocation)

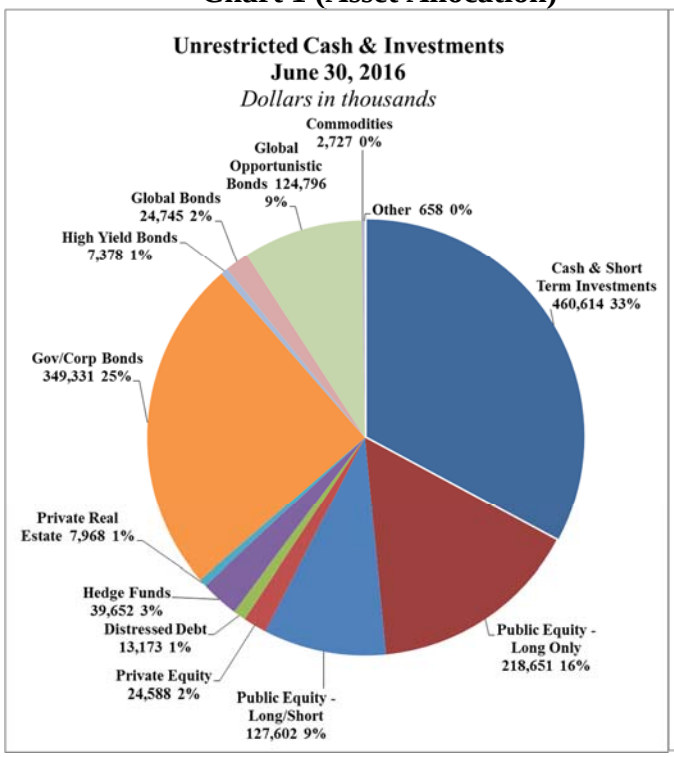
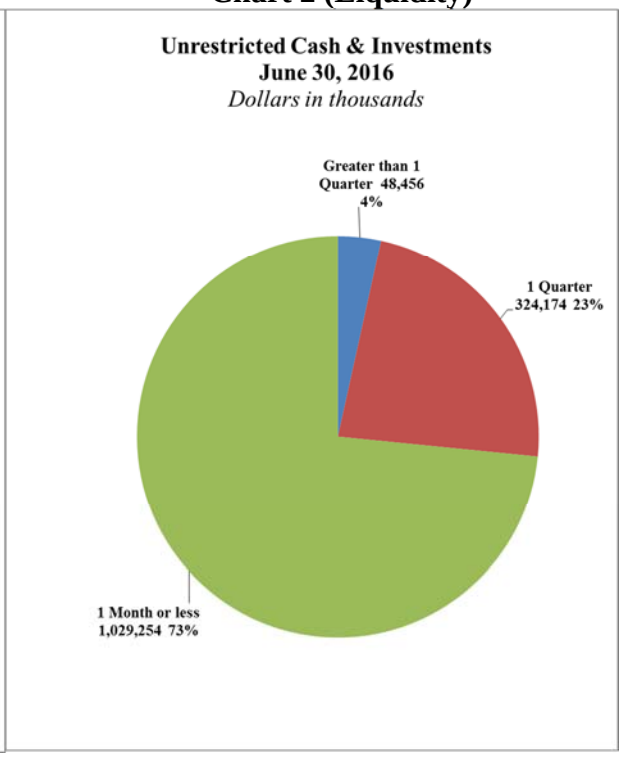


Chart 2 (Liquidity)



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The table below sets forth the leverage position (debt-to-unrestricted capitalization) at June 30, 2016 and June 30, 2015 and Pro Forma December 31, 2013, as well as the actual years ended December 31, 2015, 2014, and 2013.

Leverage Position - Consolidated System
Dollars in Thousands

	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (c) 31-Dec-13	Actual 31-Dec-13
Current installments of long-term debt (a)	25,146	23,098	24,827	19,364	17,595	17,595
Short-term borrowing	-	57,294	-	-	-	-
Revolving credit borrowing	-	-	-	-	40,000	40,000
Long-term debt, less current installments (a)	1,284,057	1,125,854	1,294,373	1,148,091	1,172,521	1,068,719
Total debt	1,309,203	1,206,246	1,319,200	1,167,455	1,230,116	1,126,314
Unrestricted net assets	1,420,552	1,252,626	1,372,564	1,138,737	1,237,861 (b)	1,076,431
Total unrestricted capitalization	2,729,755	2,458,872	2,691,764	2,306,192	2,467,977	2,202,745
Debt-to-unrestricted capitalization	48.0%	49.1%	49.0%	50.6%	49.8%	51.1%

(a) For Pro Forma year ended December 31, 2013, historical current installments of long-term debt of $68.0 million were reclassified to long-term debt to reflect oustanding debt as if the member substitution had occurred on January 1, 2013.

(b) For Pro Forma year ended December 31, 2013, historical unrestricted net assets have been reduced by $35.3 million to reflect write down of long term assets to fair value and assets not acquired in the member substitutions.

(c) Includes Parma and their affiliates and Elyria and their affiliates as if they were consolidated on January 1, 2013.

The leverage position for the System as represented by the debt-to-unrestricted capitalization ratio at June 30, 2016 decreased to 48.0% when compared to December 31, 2015 ratio of 49.0%. The decline in the debt-to-unrestricted capitalization ratio resulted from an increase in unrestricted net assets of $48.0 million (3.5%) and a decrease in total debt of $10.0 million (0.8%). The increase of unrestricted net assets was comprised of $20.1 million change in unrealized gains on other-than-trading securities, and $25.4 million of excess revenues over expenses. The decrease in total debt resulted primarily from annual principal payments.

In March 2016, the System issued series 2016A with a par value of $229.7 million. The proceeds were placed in escrow to defease $237.0 million of the 2007A series that is callable in January 2017. The 2016A series is tax-exempt fixed-rate debt with serial maturities. The System took this action to capture a low interest rate environment and achieve material interest cost savings over the life of the bonds.

The leverage position for the System as represented by the debt-to-unrestricted capitalization ratio at December 31, 2015 decreased to 49.0% when compared to December 31, 2014 ratio of 50.6%. The decline in the debt-to-unrestricted capitalization ratio resulted from an increase in unrestricted net assets of $233.8 million (20.5%) offset by an increase in total debt of $151.7 million (13.0%). The increase to unrestricted net assets was comprised of $227.3 million from excess revenues over expenses, favorable pension liability adjustment of $39.9 million, and $7.2 million from net assets released from restriction for acquisition of property, plant and equipment, offset by $40.6 million in unrealized losses on securities. The increase in total debt resulted from the June 1, 2015 acquisition of Portage and the November acquisitions of St. John and Samaritan. The Portage acquisition added $42.3 million to the System's total debt. The debt was refunded with taxable revolving lines of credit that remained outstanding until the System accessed capital markets with a bond offering in October, 2015. In October 2015, UH replaced the $230 million of committed credit facilities with a new $180 million syndicated revolving line of credit. The acquisitions of St. John and Samaritan added $91.0 million to the System's total debt.

In October 2015, the System issued series 2015A, 2015B, and 2015C totaling $100.0 million. The proceeds from the bonds paid down $40.2 million drawn on the taxable revolving lines of credit, $21.1 million was used to refund a portion of the 2010B bonds, and the remainder was used to fund new projects. All three series are variable rate bonds whose rates are determined by a remarketing agent on either a daily or weekly basis. Two months later in December 2015, the System issued series 2015D and 2015E totaling $91.0 million. The proceeds were used to pay acquisition costs of St. John and Samaritan, which includes the refunding of their outstanding debt. Both series were variable rate direct placement bonds.

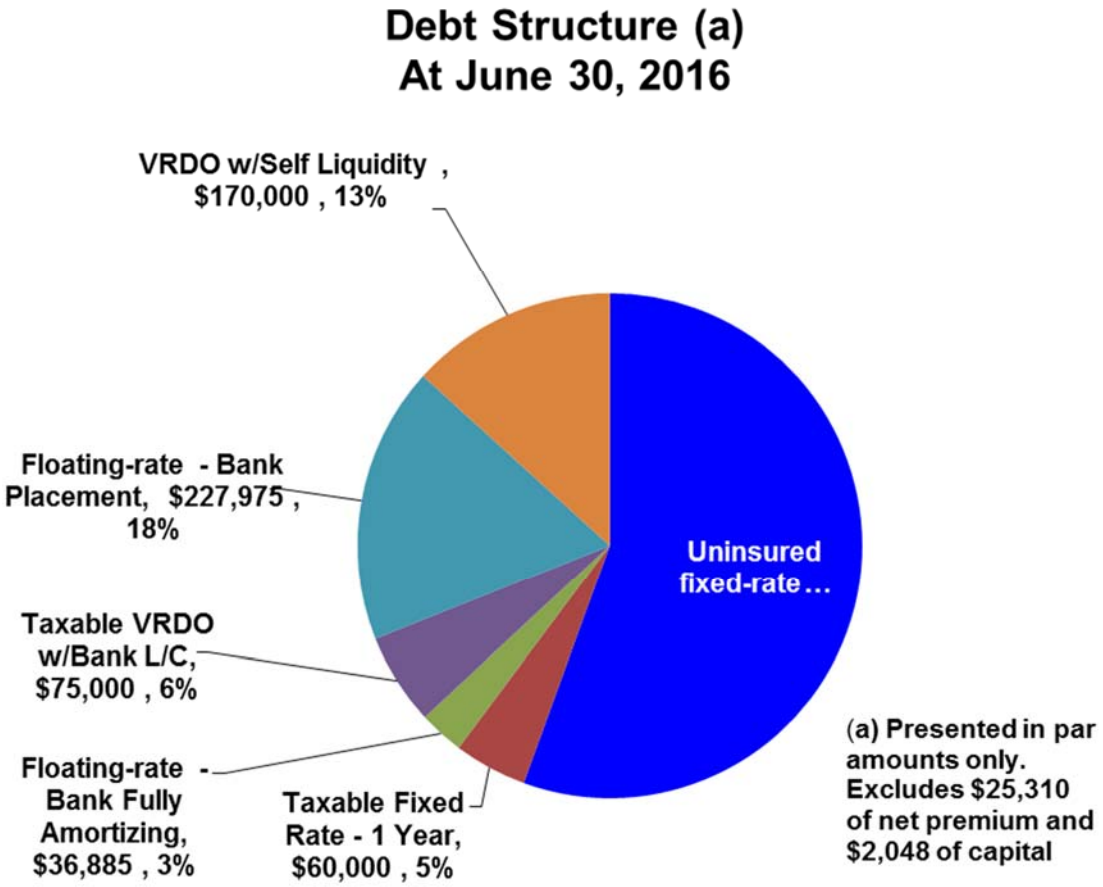
The leverage position for the System as represented by the debt-to-unrestricted capitalization ratio increased at December 31, 2014 to 50.6% when compared to the Pro Forma December 31, 2013 ratio of 49.8%. The increase in the debt-to-unrestricted capitalization ratio resulted from a decrease in total unrestricted net assets of $99.1 million (8.0%), a large component of which involved an adjustment to pension liability of $208.0 million. The adjustment to the pension liability resulted from i) declining interest rates in 2014 and ii) the adoption of the new mortality estimates produced by the Society of Actuaries. In response to the continued adverse trends in the pension liability, the System suspended the Final Average Pay formula of its pension plan and migrated all remaining employees to a cash balance plan effective April 1, 2015. This action is expected to reduce pension expense and funding over the next 5-10 years relative to the Final Average Pay formula. Total debt declined by $62.7 million (5.1%) at December 31, 2014 as compared to the December 31, 2013 Pro Forma. This decrease was driven by the repayment of $40 million of revolving credit borrowings, the repayment of $11 million of Parma's taxable debt and annual principal debt service payments. The November 2014 bond issuance provided the System the ability to repay $89.1 million outstanding on the taxable revolving lines of credit which were utilized in April 2014 to refund the Parma and Elyria tax exempt debt. The System had no amounts drawn against its $230 million of committed credit facilities at December 31, 2014.

In November 2014, the System issued $101.1 million of Series 2014A, 2014B and 2014C Bonds. The proceeds from the bonds paid down $89.1 million outstanding on the revolving line of credit relating to the refunding of Parma and Elyria tax exempt debt. The remaining proceeds were set aside to fund new projects. Series 2014A comprises $56.1 million of the issuance, $10.0 million of that amount is comprised of a step up coupon bond with a 5-year par call. The remaining $46.1 million is fixed rate debt with a serial maturity. Series 2014B bonds were issued as Variable Rate Remarketed Obligations (or "VROs") in the amount of $30 million. The final series, 2014C, was a variable rate direct placement issued in the amount of $15 million.

Historically, the leverage position for the System as represented by the debt-to-unrestricted capitalization ratio declined at December 31, 2013 to 51.1% from 54.4% at December 31, 2012. The decline in the debt-to-unrestricted capitalization ratio resulted from an increase in total unrestricted net assets of $249.1 million (30.1%). Total debt increased by $139.8 million (14.2%) at December 31, 2013 as compared to December 31, 2012. The increase was driven by the net issuance of $119.8 million of long-term debt and increased borrowings on credit facilities of $20.0 million offset by normal recurring principal payments on debt.

Chart 3 below displays the structure of the System's debt at June 30, 2016. The System maintains certain policies that apply to its debt structure that require constant monitoring of the risk profile and reporting to the Finance Committee of the Board. As the chart below illustrates, the capital structure of UH is concentrated in fixed rate debt. The risks associated with market trading of UH bonds and bank renewals are limited to 37% of the total outstanding debt at June 30, 2016.

Chart 3



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The table below sets forth the maximum annual debt service coverage for the for the Pro Forma rolling twelve months ended June 30, 2016 and the Pro Forma year ended December 31, 2013, as well as the rolling twelve months ended June 30, 2016 and June 30, 2015 and the actual years ended December 31, 2015, 2014, and 2013. The Pro Forma June 30, 2016 period includes the effect of St. John, and Samaritan on System ratios as if they had joined the System on January 1, 2015, this includes the $78.9 million of additional indebtedness that was issued in October, 2015 and $91 million of additional indebtedness that was issued in December 2015.

Debt Service 'MADS' Coverage (a) - Consolidated System
Dollars in Thousands

	Pro Forma (e) 30-Jun-16	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (d) 31-Dec-13	Actual 31-Dec-13
Income available to cover debt service (b)	305,075	303,018	336,014	309,132	321,845	338,940 (c)	306,281
MADS	71,038	71,038	68,986	72,526	68,735	76,400	65,197
MADS Coverage (x-times)	4.3	4.3	4.9	4.3	4.7	4.4	4.7

(a) Defined as maximum annual debt service.

(b) Defined as excess revenues over expenses + interest expense + depreciation expense + special charges +swap valuation adjustments +other-than-temporary decline in investments + loss on early extingishment of debt + loss on disposal of equity investments - member substitution

(c) Please refer to unaudited Pro Forma Consolidated System financial information provided herein.

(d) Includes Parma and their affiliates and Elyria and their affiliates as if they were consolidated on January 1, 2013.

(e) Pro forma considers the impact of including Portage, St. John, and Samaritan as of January 1, 2015.

MADS coverage was unchanged at 4.3 times for the rolling twelve months ended June 30, 2016 when compared to December 31, 2015 MADS coverage of 4.3 times. This resulted from a decrease in income available to cover debt service of $6.1 million (2.0%) that was offset by a $1.5 million (2.1%) decrease in MADS resulting from the refunding transaction previously discussed.

MADS coverage decreased to 4.3 times for the twelve months ended December 31, 2015 when compared to the December 31, 2014 MADS coverage of 4.7 times. This resulted from a decrease in income available to cover debt service of $12.7 million (4.0%) and a $3.8 million (5.5%) increase in MADS.

MADS coverage increased to 4.7 times for the twelve months ended December 31, 2014 when compared to the pro forma December 31, 2013 MADS coverage of 4.4 times. This resulted from a decline in income available to cover debt service of $17.1 million (5.0%) offset by a decrease in MADS of $7.7 million (10.0%). The decrease in MADS was the result of refunding the debt of both Parma and Elyria with the November 2014 bond issuance, while income available to cover debt service declined primarily as a result of the additions of Parma and Elyria to System performance.

Historically, MADS coverage increased to 4.7 times for the year ended December 31, 2013 when compared to the year ended December 31, 2012 of 4.4 times as a result of growth in income available to cover debt service of $54.3 million (21.6%). This was partially offset by MADS increasing to $65.2 million from $57.6 million in 2012.

Please refer to the section, “MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – CONSOLIDATED SYSTEM – Review of the System’s Operating Results,” for further discussion regarding income available to cover debt service for the twelve months ended December 31, 2015 and for the years ended December 31, 2014, and 2013.

Results of Selected Non-Obligated Group Controlled Affiliates of the System

University Hospitals Physician Services

The Parent has restructured its physician organization to improve integration, alignment, leadership and financial reporting. This action grouped UHMP, UHMG and UHPS, the management services organization, under a single leader, naming a President of all three entities, the "Physician President". Please refer to sections, "ORGANIZATIONAL STRUCTURE – Subsidiaries and Other Initiatives", and "MANAGEMENT CHANGES AND OTHER INFORMATION – Management Changes in 2015," for further details.

In early 2015, the Parent further consolidated the corporate functions of UHPS into the System's corporate management. In conjunction with the acquisitions of Parma and Elyria, the System also acquired 4 physician groups that are being led by the Physician President.

System management is continuously working on several initiatives to reduce the losses including (i) improving clinical productivity and access, (ii) enhancing clinical integration, and (iii) reducing administrative costs for operating the practices. The two primary physician groups are discussed further below.

University Hospitals Medical Group

UHMG constitutes the academic medicine business of the System in partnership with the CWRU School of Medicine, involving 1,045 physicians and other providers that teach, conduct research and practice medicine. While this business line produces operating losses viewed independently, it is an integral component of the hospital system and responsible for a majority of the net patient service revenue reported at UHCMC. System management reports this business unit separately to better facilitate management of costs.

For the six months ended June 30, 2016 UHMG reported an operating loss of $28.1 million representing an increase of $1.6 million (6.1%) in the operating loss for the same period in 2015. UHMG reported operating revenue of $179.5 million for the first half of 2016, representing an increase of $21.4 million (13.6%) from the same period in 2015. Through June 30, 2016, net patient service revenue less the provision for bad debt was $135.2 million, an increase of $18.2 million (15.6%) resulting from provider and volume growth. The provision for bad debt increased $0.7 million (21.5%) while other revenue increased $3.2 million (7.8%) over the same period in the prior year. Operating expenses increased by $23.1 million (12.5%), for total operating expenses of $207.5 million. The increase in operating expenses resulted from increases in salary, wages and benefits $22.8 million (15.6%), purchased services $1.6 million (8.4%), and patient care supplies $0.5 million (21.3%). UHMG was successful in recruiting new providers, which grew its revenue and labor costs.

For the twelve months ended December 31, 2015, UHMG reported an operating loss of $54.2 million which is an increase in the loss of $4.0 million (8.0%) when compared to the same period in 2014. UHMG reported operating revenue of $323.8 million for 2015, representing an increase of $19.5 million (6.4%) from the same period in 2014. Through December 31, 2015, net patient service revenue less the provision for bad debt was $238.5 million, an increase of $10.2 million (4.5%). The provision for bad debt decreased $2.5 million (26.7%) while other revenue increased $9.3 million (12.3%) over the same period in the prior year. Operating expenses increased by $23.5 million (6.6%), for total operating expenses of $377.9 million. The increase in operating expenses resulted from increases in salary, wages and benefits $12.1 million (4.2%) and purchased services $12.8 million (46.7%). The large increase in purchased services stems from

moving all corporate functions of UHMG to the Parent. The expenses the Parent incurs from these functions are then charged back to UHMG via corporate allocations, which are considered purchased services.

For the twelve months ended December 31, 2014, UHMG reported an operating loss of $50.1 million which is a decrease in the loss of $7.2 million (12.6%) when compared to the same period in 2013. UHMG reported operating revenue of $304.3 million for 2014, representing an increase of $14.0 million (4.8%) from the same period in 2013. In 2014, net patient service revenue less the provision for bad debt was $228.3 million, an increase of $14.5 million (6.8%). The provision for bad debt was relatively flat increasing $0.3 million while other revenue showed a slight decline of $0.6 million (0.8%) over the prior year. Operating expenses increased for 2014 by $6.7 million (1.9%), for total operating expenses of $354.4 million.

For the year ended December 31, 2013, UHMG reported an operating loss of $57.4 million which is an increase in the loss of $9.1 million (18.8%) when compared to the same period in 2012. UHMG reported operating revenue of $290.3 million for all of 2013, representing a decline of $1.1 million (0.4%) from the same period in 2012. In 2013, net patient service revenue before the provision for bad debt was $222.8 million, representing a slight increase of $3.9 million (1.8%). The provision for bad debt decreased by $0.6 million (6.5%) in 2013. Other revenue declined for the current period by $5.6 million (6.8%), resulting from less support provided to UHCMC from UHMG medical directors. Operating expenses of $347.7 million were reported for 2013 represented an increase of $8.0 million (2.4%) over the level reported in 2012. This increase was primarily driven by increases in salaries, wages and employee benefits and purchased services of $5.2 million (1.8%) and $3.4 million (16.7%) respectively.

University Hospitals Medical Practices

At June 30, 2016, UHMP employed 758 primary providers at 363 locations. UHMP is a business that is critical to the strategy of the System and has operated at industry best practices in terms of loss per physician. Greater than 50% of the patient activity at the System's hospitals and diagnostic units can be attributable to UHMP. For the periods ended June 30, 2016, June 30, 2015, December 31, 2015 and 2014, the financial performance of Parma and Elyria physician groups have been consolidated and reported herein with the financial performance of UHMP below. The financial performance of Portage's, St. John's and Samaritan's physician groups were consolidated and reported within the UHMP financial performance as of June 1, 2015, November 2, 2015 and November 12, 2015, respectively. For more information regarding Parma, Elyria, Portage, St. John, and Samaritan physician groups, see "ORGANIZATIONAL STRUCTURE – Community Medical Centers" herein.

For the first half of 2016, UHMP reported an operating loss of $47.5 million, reflecting an increase in loss of $13.5 million (39.7%) when compared to the loss for the same period in 2015. This is primarily driven by the inclusion of St. John, Portage, and Samaritan physician groups in the 2016 results and the financial performance of the Parma and Elyria physician groups, which have not been fully converted to the UHMP business model. UHMP reported operating revenue of $184.7 million for the first half of 2016, up $28.1 million (17.9%). The provision for bad debt increased by $1.1 million (20.5%) from the same period in 2015. Other revenue increased $1.0 million (5.9%) in the first half of 2016. UHMP reported total operating expenses of $232.2 million through June 30, 2016 as compared to $190.6 million for June 30, 2015. The growth in operating expenses of $41.6 million (21.8%) resulted from a $33.2 million (24.4%) increase to salaries, wages and employee benefits, an increase in patient care supplies of $2.3 million (25.2%), and an increase in other expenses of $3.0 million (24.1%). The increase in salaries, wages and benefits is

primarily attributable to the increase in the number of providers. The increase in patient care supplies resulted primarily from growth in activity. The increase in purchased services expense and other expenses is largely due to the inclusion of the physician groups acquired in 2015.

For the twelve months of 2015, UHMP reported an operating loss of $77.4 million, reflecting an increase in loss of $21.3 million (38.0%) when compared to the loss for the same period in 2014. This is primarily driven by the financial performance of the Parma and Elyria physician groups, which have not been fully converted to the UHMP business model. UHMP reported operating revenue of $339.2 million for 2015, up $27.3 million (8.8%). The provision for bad debt increased by $1.6 million (15.1%) from the same period in 2014. Other revenue decreased $0.1 million (0.3%) in 2015. UHMP reported total operating expenses of $416.6 million through December 31, 2015 as compared to $367.9 million for December 31, 2014. The growth in operating expenses of $48.7 million (13.2%) resulted from a $28.8 million (10.7%) increase to salaries, wages and employee benefits and an increase in purchased services of $12.0 million (27.6%). The increase in salaries, wages and benefits is primarily attributable to the increase in the number of providers. The increase in purchased services results from the movement of corporate functions to the Parent, which charges the expenses from those functions back to UHMP via corporate allocations, a purchased services expense.

Through the year ended December 31, 2014, UHMP reported an operating loss of $56.1 million, reflecting an increase in loss of $9.2 million (19.5%) when compared to the loss for Pro Forma 2013. This is primarily driven by the financial performance of the Parma and Elyria physician groups, which have not been fully converted to the UHMP business model. UHMP reported operating revenue of $311.8 million for 2014, up $10.9 million (3.6%) from the level reported for Pro Forma 2013. The provision for bad debt increased slightly by $0.6 million (6.1%) from the same period in Pro Forma 2013. Other revenue increased $1.1 million in 2014 (3.1%). UHMP reported total operating expenses of $367.9 million through December 31, 2014 as compared to $347.8 million for Pro Forma 2013. The growth in operating expenses of $20.1 million (5.8%) resulted from a $31.0 million (13.0%) increase to salaries, wages and employee benefits that was partially offset by a decrease in purchased services of $12.1 million (21.9%). The growth in labor costs was directly attributed to the addition of 73 physicians practicing with the UHMP organization.

Unaudited Pro Forma Financial Information – Consolidated System

On October 2, 2013 and November 21, 2013 the Parent entered into Member Substitution Agreements with Parma and CHC, respectively. CHC is the sole member of Elyria. On January 1, 2014, the Parent became the sole member of Parma and CHC. Please refer to the "Organizational Structure – Community Medical Centers" section of this report for further details surrounding these transactions. The financial results of Parma and Elyria are included in the financial results of the System beginning January 1, 2014.

The following unaudited Pro Forma financial information is based on and derived from the separate historical financial statements of the System, Parma, and Elyria after giving effect to the member substitutions and gives effect to the Pro Forma adjustments described in the accompanying notes to the unaudited Pro Forma financial statements. The unaudited Pro Forma Statement of Operations for the year ended December 31, 2013 was adjusted to give effect to the effects of the member substitutions as if they had occurred on January 1, 2013. The unaudited Pro Forma Statement of Operations have also been adjusted to only give effect to Pro Forma events that are expected to have a continuing impact on the combined results.

The unaudited Pro Forma financial information giving effect to the member substitutions was prepared using the acquisition method of accounting. Accordingly, the assets and liabilities of Parma and Elyria have been adjusted to their estimated fair values.

The unaudited Pro Forma financial information is provided for informational purposes only. The unaudited Pro Forma financial information is not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the member substitutions been completed as of January 1, 2013 or that may have been achieved in the future and should not be taken as representative of future consolidated results of operations of the System.

Pro Forma Consolidated System - Statement of Operations
Dollars in Thousands

	Year ended December 31, 2013				
	UH Audited	Parma Audited (d)	Elyria Audited (d)	Adjustments	UH ProForma (c) Unaudited
Unrestricted revenues:					
Patient service revenue (net of contractual allowances and discounts)	$2,229,084	$ 190,259	$ 233,835	$ -	$ 2,653,178
Provision for bad debts	(60,418)	(5,794)	(9,431)	-	(75,643)
Net patient service revenue less provision for bad debts	2,168,666	184,465	224,404	-	2,577,535
Other revenue	172,466	13,198	15,156	-	200,820
Total unrestricted revenues	2,341,132	197,663	239,560	-	2,778,355
Expenses:					
Salaries, wages and employee benefits	1,353,563	102,054	134,512	(5,500) (a)	1,584,629
Purchased services	146,937	48,150	44,401	-	239,488
Patient care supplies	330,358	35,916	37,210	-	403,484
Other supplies	35,050	2,695	5,478	-	43,223
Insurance	25,915	-	3,840	-	29,755
Other expenses	223,573	5,599	6,788	-	235,960
Depreciation and amortization	101,276	12,178	13,589	(3,728) (b)	123,315
Interest	39,904	3,262	1,694	-	44,860
	2,256,576	209,854	247,512	(9,228)	2,704,714
Net operating income (loss)	84,556	(12,191)	(7,952)	9,228	73,641
Nonoperating revenues (expenses):					
Special charges	(5,938)	(352)	-	-	(6,290)
Investment income	80,545	5,397	11,182	-	97,124
Other-than-temporary decline in investments	(7,010)	(2,159)	-	-	(9,169)
Change in fair value of derivative instruments	21,999	4,765	1,956	-	28,720
Loss on extinguishment of debt	(833)	-	-	-	(833)
Excess (deficiency) of revenues over expenses	$ 173,319	$ (4,540)	$ 5,186	$ 9,228	$ 183,193

(a) Reflects the reduction in pension expense for Parma and affiliates and Elyria and affiliates due to elimination of amortization in unrecognized actuarial losses.

(b) Reflects the reduction in depreciation expense resulting from the write down of long lived assets to fair value for Parma and affiliates and Elyria and affiliates.

(c) Adjusted to include Parma and affiliates and Elyria and affiliates as if the member substitution had occurred on January 1, 2013.

(d) Expenses for Parma and affiliates and Elyria and affiliates have been reclassified to conform to UH presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – OBLIGATED GROUP

Payor Mix and Utilization Statistics of the Obligated Group

Set forth in the tables below are the payor mix and utilization statistics for the members of the Obligated Group for the six months ended June 30, 2016 and June 30, 2015 as well as the years ended December 31, 2015, 2014, and 2013, and for the Pro Forma year ended December 31, 2013. As of December 1, 2015, the Obligated Group consists of the Parent, UHCMC, Geauga, Ahuja, Parma, Elyria, and St. John. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" section herein.

Payor Mix and Utilization Statistics
Obligated Group

	Six Months Ended		Years Ended			
	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (6) 31-Dec-13	Actual 31-Dec-13
Payor Mix % : (1), (7)						
Medicare (2)	29.4%	30.0%	29.7%	31.0%	30.3%	26.4%
Medicaid (2)	16.0%	16.3%	15.7%	15.4%	13.6%	15.6%
Commercial Managed Care	42.8%	44.0%	43.7%	42.5%	38.2%	41.2%
Self Pay	3.8%	3.9%	3.9%	5.4%	9.1%	8.5%
Other	8.0%	5.8%	7.0%	5.7%	8.8%	8.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
All Services (3), (8)						
Available beds (4)	1,712	1,687	1,875	1,639	1,607	1,085
Patient Days	226,177	215,171	430,368	419,081	406,099	295,299
Discharges (excluding newborn)	44,436	41,229	83,360	81,864	80,222	55,805
Observations (5)	13,663	10,329	22,212	19,107	16,422	8,783
Total Inpatient Activity	58,099	51,558	105,572	100,971	96,644	64,588
Surgical Cases:						
Inpatient	13,477	11,926	24,191	23,315	22,279	15,271
Outpatient	31,634	26,829	55,605	52,068	52,176	35,791
Total Surgical Cases	45,111	38,755	79,796	75,383	74,455	51,062
Outpatient procedures	4,386,876	3,840,682	7,869,900	7,372,448	7,110,699	5,164,909
Emergency cases	148,453	126,540	261,316	245,728	265,716	139,417
Clinic visits	64,796	65,138	137,076	142,970	148,159	148,159

(1) Payor Mix is based on Patient Service Revenue (net of contractual allowances and discounts).

(2) Includes a managed care component.

(3) Utilization statistics presented in this section include newborns, except where disclosed.

(4) Available beds represents the average staffed beds for the period reported.

(5) Excludes patients subsequently admitted during the same encounter.

(6) Proforma includes Parma and Elyria as members of the obligated group on January 1, 2013

(7) Excludes St. John.

(8) Includes St. John as of their acquisition on November 2, 2015.

The utilization trends of the Obligated Group are significantly influenced by the trends of UHCMC. For example, UHCMC accounted for 46.4% of the discharges and 39.0% of the total surgical cases of the Obligated Group for the six months ended June 30, 2016. UHCMC accounted

for 51.7% of the discharges and 44.9% of the total surgical cases of the Obligated Group for the six months ended June 30, 2015.

The Obligated Group represents the majority of the Consolidated System activities. For the six months ended June 30, 2016, the Obligated Group comprised 85.8% of the reported System discharges and 82.3% of the reported System surgeries.

The utilization trends of the Obligated Group are significantly influenced by the trends of UHCMC. For example, UHCMC accounted for 50.8% of the discharges and 43.4% of the total surgical cases of the Obligated Group for the twelve months ended December 31, 2015. UHCMC accounted for 51.7% of the discharges and 44.8% of the total surgical cases of the Obligated Group for the year ended December 31, 2014.

The Obligated Group represents the majority of the Consolidated System activities. For the twelve months ended December 31, 2015, the Obligated Group comprised 89.3% of the reported System discharges and 85.6% of the reported System surgeries. For the year ended December 31, 2014, the Obligated Group comprised 92.8% of the reported System discharges and 89.4% of the reported System surgeries.

For the historical years then ended December 31, 2014 and 2013, the Obligated Group comprised 92.8% and 89.0% of the reported System discharges, respectively and 89.4% and 84.9% of the reported System surgeries, respectively.

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Review of the Obligated Group Operating Results

The following Statements of Operations for the Obligated Group are prepared on a consistent basis with the audited consolidated financial statements, except for special charges, which have been shown as non-operating to facilitate analysis of the patient related activities of the Obligated Group. Beginning December 1, 2015, the Obligated Group consists of the Parent, UHCMC, Geauga, Ahuja, Parma, Elyria, and St. John. As St. John did not become a member of the Obligated Group until the reporting period ended, the results of St. John are not depicted in the information provided below unless otherwise noted. See "THE OBLIGATED GROUP" section herein. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" section herein. The Statements of Operations for the periods shown below are reflective of these changes.

Obligated Group Statements of Operations
Dollars in Thousands

	Six Months Ended		Years Ended			
	Actual	Actual	UH Historical Results			
	30-Jun-16 (Unaudited)	30-Jun-15 (Unaudited)	31-Dec-15 (Audited) (2)	31-Dec-14 (Audited)	31-Dec-13 Pro Forma (1)	31-Dec-13 (Audited)
Unrestricted revenues:						
Patient service revenue (net of contractual allowances and discounts)	$ 1,263,085	$ 1,102,327	$ 2,308,844	$ 2,086,878	$ 1,971,045	$ 1,600,682
Provision for bad debts	(25,177)	(16,142)	(44,497)	(36,828)	(48,602)	(33,919)
Net patient service revenue (less provision for bad debts)	1,237,908	1,086,185	2,264,347	2,050,050	1,922,443	1,566,763
Other revenue	84,371	79,638	168,771	169,310	177,766	156,304
Total unrestricted revenues	1,322,279	1,165,823	2,433,118	2,219,360	2,100,209	1,723,067
Expenses:						
Salaries, wages and employee benefits	624,392	555,952	1,139,066	1,021,654	970,137	777,683
Purchased services	78,778	71,042	158,347	163,092	190,387	128,961
Patient care supplies	247,974	209,671	445,608	394,003	352,542	280,766
Other supplies	19,138	15,802	37,613	31,337	33,889	27,927
Insurance	11,842	10,205	23,484	15,535	14,863	11,138
Other expenses	138,720	122,171	248,583	233,408	195,352	187,375
Depreciation and amortization	60,964	53,281	111,486	114,151	114,906	93,416
Interest	24,259	22,099	46,686	47,631	44,704	39,905
Total Expenses	1,206,067	1,060,223	2,210,873	2,020,811	1,916,780	1,547,171
Net operating income	116,212	105,600	222,245	198,549	183,429	175,896
Nonoperating revenues (expenses):						
Special charges	160	(428)	(2,800)	(7,218)	(3,684)	(3,332)
Investment Income	3,870	28,106	43,073	59,572	97,083	80,504
Other-than-temporary decline in investments	(695)	(2,964)	(6,369)	(5,396)	(8,250)	(6,091)
Change in fair value of derivative instruments	(23,275)	460	(2,991)	(17,368)	28,720	21,999
Extraordinary gain (loss)	2,444	-	-	-	-	-
Loss on extinguishment of debt	(8,156)	-	(314)	(961)	(833)	(833)
Member Substitution	-	-	9,890	201,583	-	-
Total nonoperating revenues (expenses)	(25,652)	25,174	40,489	230,212	113,036	92,247
Excess of revenues over expenses	$ 90,560	$ 130,774	$ 262,734	$ 428,761	$ 296,465	$ 268,143

(1) Includes Parma and Elyria as if they were members of the Obligated Group as of January 1, 2013. Please refer to unaudited Pro Forma Obligated Group financial information provided herein.

(2) Includes St. John as of its November 2, 2015 acquisition date.

The Obligated Group operating results for each period reported are significantly impacted by the trends at UHCMC. For example, UHCMC comprises 63.8% of the total unrestricted operating revenues and 59.9% of the operating expenses reported by the Obligated Group for the six months ended June 30, 2016. For the twelve months ended December 31, 2015 UHCMC accounted for 66.1% of the total unrestricted operating revenues and 62.3% of the operating expenses reported by the Obligated Group. UHCMC comprised 66.8% of the total unrestricted

operating revenues and 62.4% of the operating expenses reported by the Obligated Group for the year ended December 31, 2014. UHCMC comprised 66.9% of the total unrestricted operating revenues and 62.8% of the operating expenses for the Pro Forma year ended December 31, 2013. The ratios discussed above reflect the impact of the additions of Parma and Elyria to the trends of UHCMC on the Obligated Group. Prior to the addition of Parma and Elyria, UHCMC comprised 81.5% of the total unrestricted operating revenues and 77.9% of the operating expenses reported by the Obligated Group for the year ended December 31, 2013.

The Obligated Group represents the majority of the Consolidated System activities. At June 30, 2016and for the six -months ended, the Obligated Group, comprised 94.7% of the reported System assets and 71.2% of the reported System unrestricted revenue. At December 31, 2015 and for the year-ended, the Obligated Group, comprised 93.1% of the reported System assets and 74.0% of the reported System unrestricted revenue. For the December 31, 2014 and pro forma December 31, 2013 and the year ended December 31, 2013 , the Obligated Group comprised 96.1%, 96.7%, and 96.5% of the reported System assets and 75.5%, 75.6%, and 73.6% of the reported System unrestricted revenue, respectively.

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Review of the Obligated Group Financial Ratios

The table below sets forth the liquidity position (cash and board designated investments) for the Obligated Group for the Pro Forma rolling twelve months ended June 30, 2016 and the Pro Forma year ended December 31, 2013, as well as the rolling twelve months endedJune 30, 2016 and June 30, 2015 and the actual years ended December 31, 2015, 2014, and 2013. The Pro FormaJ une 30, 2016 period includes St. John as if it was a member of the Obligated Group as of January 1, 2015 and considers the $78.9 million of additional indebtedness that was issued in October, 2015 and $91 million of additional indebtedness that was issued in December 2015. As of December 1, 2015 the Obligated Group consists of the Parent, UHCMC, Geauga, Ahuja, Parma, Elyria, and St. John. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" section herein.

Liquidity Position - Obligated Group
Dollars in Thousands

	Pro Forma (e) 30-Jun-16	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (d) 31-Dec-13		Actual 31-Dec-13
Cash and cash equivalents	108,332	108,332	189,890	169,912	165,991	207,142	(b)	190,695
Unrestricted investments	1,172,496	1,172,496	1,085,023	1,184,485	1,033,366	884,729		759,459
Total cash and unrestricted investments	1,280,828	1,280,828	1,274,913	1,354,397	1,199,357	1,091,871		950,154
Operating expenses	2,408,654	2,356,717	2,095,425	2,210,873	2,020,811	1,916,780	(c)	1,547,171
Less: Depreciation and amortization	122,613	119,169	111,989	111,486	114,151	114,906	(c)	93,416
Cash expenses (a)	2,286,041	2,237,548	1,983,436	2,099,387	1,906,660	1,801,874	(c)	1,453,755
Days of cash on hand	205	209	235	235	230	221		239

(a) Cash expenses consist of operatings expenses less depreciation and amortization. Non-operating expenses, such as special charges, other-than-temporary decline in investments, changes in fair value of derivative instruments and loss on early extinguishment of debt are typically either one-time related charges or not cash oriented.

(b) Cash and cash equivalents was reduced by $3.5 million for Pro Forma year ended December 31, 2013 from historical amounts to reflect assets not acquired in the member substitutions.

(c) Please refer to unaudited Obligated Group and Pro Forma Obligated Group financial information provided herein.

(d) Includes Parma and Elyria as members of the Obligated Group as of January 1, 2013.

(e) Pro forma considers the impact of including St. John in the Obligated Group as of January 1, 2015.

For the rolling twelve months ended June 30, 2016, the Obligated Group had 209 days of cash on hand as compared to 235 days of cash on hand for the rolling twelve months ended June 30, 2015. The Obligated Group had 235 days of cash on hand for the year ended December 31, 2015 as compared to 230 days and 221 days for the year ended December 31, 2014 and the Pro Forma year ended December 31, 2013, respectively. Please refer to the section, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – THE SYSTEM – Review of the Consolidated System Financial Ratios" for further details surrounding the factors driving changes noted in this ratio.

The Obligated Group has a covenant in its Master Trust Indenture that requires it to maintain a minimum of 90 days of cash on hand. The Obligated Group was in compliance with this covenant as of June 30, 2016 and 2015 and the years ended December 31, 2015, 2014, and 2013.

The table below sets forth the leverage position (debt-to-unrestricted capitalization) for the Obligated Group at June 30, 2016, June 30, 2015 and Pro Forma December 31, 2013, as well as of December 31, 2015, 2014 and 2013. As of December 1, 2015 the Obligated Group consists of the Parent, UHCMC, Geauga, Ahuja, Parma, Elyria, and St. John. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" section herein.

Leverage Position - Obligated Group
Dollars in Thousands

	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (c) 31-Dec-13	Actual 31-Dec-13
Current installments of long-term debt (a)	25,090	23,098	24,701	19,364	17,595	17,595
Short-term borrowing	-	57,294	-	-	-	-
Revolving credit borrowing	-	-	-	-	40,000	40,000
Long-term debt, less current installments (a)	1,283,815	1,125,854	1,294,130	1,148,091	1,172,521	1,068,719
Total debt	1,308,905	1,206,246	1,318,831	1,167,455	1,230,116	1,126,314
Unrestricted net assets	1,420,552	1,252,626	1,372,564	1,138,737	1,237,861 (b)	1,076,431
Total unrestricted capitalization	2,729,457	2,458,872	2,691,395	2,306,192	2,467,977	2,202,745
Debt-to-unrestricted capitalization	48.0%	49.1%	49.0%	50.6%	49.8%	51.1%

(a) For Pro Forma year ended December 31, 2013, historical current installments of long-term debt of $68.0 million were reclassified to long-term debt to reflect oustanding debt as if the member substitution had occurred on January 1, 2013.

(b) For Pro Forma year ended December 31, 2013, historical unrestricted net assets have been reduced by $25.8 million to reflect write down of long term assets to fair value and assets not acquired in the member substitutions.

(c) Includes Parma and Elyria as members of the Obligated Group as of January 1, 2013.

(d) Pro forma considers the impact of including Portage, St. John, and Samaritan as of January 1, 2015.

The leverage position for the Obligated Group, as represented by the debt-to-unrestricted capitalization ratio, decreased to 48.0% when compared to the year ended December 31, 2015 ratio of 49.0%. Historically, the leverage position for the Obligated Group decreased to 50.6% at December 31, 2014 as compared to 51.1% at December 31, 2013. Please refer to the section, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – THE SYSTEM – Review of the Consolidated System Financial Ratios" for further details surrounding the factors driving changes noted in this ratio.

The Obligated Group has a covenant in its Master Trust Indenture that requires it to maintain a leverage ratio of not greater than 70.0%, and prohibits the issuance of new debt if this ratio exceeds 66.7%. The Obligated Group was in compliance with this covenant for the six months ended June 30, 2016 and 2015 and the years ended December 31, 2015, 2014, and 2013.

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The table below sets forth the maximum annual debt service coverage for the Obligated Group for the Pro Forma rolling twelve months ended twelve months ended June 30, 2016 and the Pro Forma year ended December 31, 2013, as well as the rolling twelve months ended June 30, 2016 and June 30, 2015 and the actual years ended December 31, 2015, 2014, and 2013. The Pro Forma June 30, 2016 period includes St. John as if it was a member of the Obligated Group as of January 1, 2015, the $78.9 million of additional indebtedness that was issued in October, 2015 and the $91 million of additional indebtedness that was issued in December 2015. Effective December 1, 2015 the Obligated Group consists of the Parent, UHCMC, Geauga, Ahuja, Parma, Elyria, and St. John. For more information concerning the members of the Obligated Group, see "THE OBLIGATED GROUP" section herein.

Debt Service 'MADS' Coverage (a) - Obligated Group
Dollars in Thousands

	Pro Forma (e) 30-Jun-16	Actual 30-Jun-16	Actual 30-Jun-15	Actual 31-Dec-15	Actual 31-Dec-14	Pro Forma (d) 31-Dec-13	Actual 31-Dec-13
Income available to cover debt service (b)	426,630	419,709	439,970	423,490	419,903	440,122 (c)	389,721
MADS	71,038	71,038	68,986	72,526	68,735	76,400	65,197
MADS Coverage (x-times)	6.0	5.9	6.4	5.8	6.1	5.8	6.0

(a) Defined as maximum annual debt service.
(b) Defined as excess revenues over expenses + interest expense + depreciation expense + special charges +swap valuation adjustments +other-than-temporary decline in investments + loss on early extingishment of debt + loss on disposal of equity investments - member substitution
(c) Please refer to unaudited Pro Forma Obligated Group financial information provided herein.
(d) Includes Parma and Elyria as if they were members of the Obligated Group as of January 1, 2013.
(e) Pro forma considers the impact of including St. John in the Obligated Group as of January 1, 2015.

MADS coverage was 6.0 for the twelve months ended June 30, 2016 as compared to 5.8 for the year ended December 31, 2015. The increase in MADS coverage for the rolling twelve months ended June 30, 2016 resulted from a $1.5 million (2.1%) decrease in MADS and a decrease in income available to cover debt service of $3.8 million (0.9%).

MADS coverage was 5.8 for the twelve months ended December 31, 2015 as compared to 6.1 for the year ended December 31, 2014. The increase in MADS coverage for 2015 resulted from a $3.6 million (0.9%) increase in income available to cover debt service and a $3.8 million (5.5%) increase in MADS.

Historically, MADS coverage was 6.1 for the year ended December 31, 2014 as compared to 6.0 the year ended December 31, 2013. Growth in MADS coverage for 2014 resulted from a $30.2 million (7.7%) increase in income available to cover debt service that was partially offset by a $3.5 million (5.4%) increase in MADS.

Please refer to the section, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL POSITION – THE SYSTEM – Review of the Consolidated System Financial Ratios" for further details surrounding the factors driving changes noted in this ratio in 2015, 2014, and 2013.

The Obligated Group has a rate covenant in its Master Trust Indenture that requires it to maintain a minimum of 1.20x annual debt service coverage. For the purposes of the covenant measure, annual debt service is used instead of MADS. The Obligated Group was in compliance with this covenant for the quarters ended June 30, 2016 and 2015 and the years ended December 31, 2015, 2014, and 2013.

Unaudited Pro Forma Financial Information – Obligated Group

The supplemental table presented below provides unaudited Pro Forma Statements of Operations of the Obligated Group to reflect the effect of the member substitutions of Parma and Elyria as of January 1, 2013 and the addition of Parma and Elyria to the Obligated Group. See also unaudited Pro Forma Consolidated System financial information presented elsewhere herein.

Pro Forma Obligated Group - Statement of Operations
Dollars in Thousands

	Year ended December 31, 2013				
	UH Obligated Group Audited	Parma Unaudited	Elyria Unaudited	Adjustments	UH Obligated Group Pro Forma (c) Unaudited
Unrestricted revenues:					
Patient service revenue (net of contractual allowances and discounts)	$ 1,600,682	$ 171,521	$ 198,842	$ -	$ 1,971,045
Provision for bad debts	(33,919)	(5,355)	(9,328)	-	(48,602)
Net patient service revenue less provision for bad debts	1,566,763	166,166	189,514	-	1,922,443
Other revenue	156,304	12,894	8,568	-	177,766
Total unrestricted revenues	1,723,067	179,060	198,082	-	2,100,209
Expenses:					
Salaries, wages and employee benefits	777,683	95,255	102,699	(5,500) (a)	970,137
Purchased services	128,961	31,030	30,396	-	190,387
Patient care supplies	280,766	35,450	36,326	-	352,542
Other supplies	27,927	2,639	3,323	-	33,889
Insurance	11,138	-	3,725	-	14,863
Other expenses	187,375	4,939	3,038	-	195,352
Depreciation and amortization	93,416	11,969	13,249	(3,728) (b)	114,906
Interest	39,905	3,262	1,537	-	44,704
	1,547,171	184,544	194,293	(9,228)	1,916,780
Net operating income (loss)	175,896	(5,484)	3,789	9,228	183,429
Nonoperating revenues (expenses):					
Special charges	(3,332)	(352)		-	(3,684)
Investment income	80,504	5,397	11,182	-	97,083
Other-than-temporary decline in investments	(6,091)	(2,159)	-	-	(8,250)
Change in fair value of derivative instruments	21,999	4,765	1,956	-	28,720
Loss on extinguishment of debt	(833)	-	-	-	(833)
Excess (deficiency) of revenues over expenses	$ 268,143	$ 2,167	$ 16,927	$ 9,228	$ 296,465

(a) Reflects the reduction in pension expense for Parma and Elyria due to elimination of amortization in unrecognized actuarial losses.

(b) Reflects the reduction in depreciation expense resulting from the write down of long lived assets to fair value for Parma and Elyria.

(c) Adjusted to include Parma and Elyria as if the member substitution had occurred on January 1, 2013, and they became members of the Obligated Group on January 1, 2013.

INSURANCE

Western Reserve Assurance Co., Ltd., SPC ("Western Reserve"), a wholly-owned subsidiary of the Parent, commenced operations on July 1, 2002 to provide primary professional liability, and primary general liability insurance coverage on a claims-made basis for substantially all of the System. The Parent purchases commercial insurance policies for automobile liability; non-owned aircraft liability; heliport operations liability; and employers' liability. Each of these policies is subject to various limits, deductibles, retentions and sub-limits. Western Reserve provides excess liability for the above risks through reinsurance agreements in place with unrelated commercial insurance companies.

In addition to policies provided by Western Reserve, the Parent also purchases commercial insurance policies for directors and officers liability; environmental liability; commercial crime; and all-risk property, including business interruption, cyber liability, and excess workers ' compensation, among others, in which Western Reserve does not participate. Each policy is subject to certain limits, sub-limits and deductibles.

Various claimants have asserted professional liability, general liability, automobile liability and workers' compensation and other claims against the System. These claims are in various stages of processing or litigation. In addition to these known incidents, there may be unknown (incurred but not reported) incidents, which have yet to be asserted against the System. The System has therefore accrued amounts for both asserted and unasserted losses.

LITIGATION

No litigation or proceedings are pending or, to the knowledge of the members of the Obligated Group, threatened against any member of the Obligated Group except (i) litigation involving claims for hospital professional liability in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of the members of the Obligated Group, will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or within the applicable self-insurance reserves of the members of the Obligated Group and (ii) litigation involving other types of claims which if adversely determined would not, in the opinion of the members of the Obligated Group, materially and adversely affect the financial condition of the members of the Obligated Group or the operations of the members of the Obligated Group.

MANAGEMENT CHANGES AND OTHER INFORMATION

Clinical Leadership Changes in 2016:

Nicholas Bambakidis, MD, the Director of Cerebrovascular and Skull Base Surgery, was appointed Director of UH Neurological Institute. He will be responsible for the development and implementation of new clinical operations strategy.

Christopher N. Miller, MD, MS, was appointed Chairman of the Department of Emergency Medicine. He previously served as the Vice Chairman of the Department of Emergency Medicine and Medical Director of the Center for Emergency Care at the University of Cincinnati College of Medicine.

Goutham Rao, MD, CM, was appointed Chairman of Family Medicine. He previously served as the Director of the Ambulatory Primary Care Innovations Group of the NorthShore University HealthSystem.

Management Changes in 2016

Jean Barrett Blake, RN, BSN, MJ, was appointed Chief Nursing Officer in early 2016. She will be responsible for managing nursing practice, education, professional development, research, administration and clinical services

.

Marco A. Costa, MD, PhD, MBA, was appointed President of University Hospitals Harrington Heart & Vascular Institute. He will be responsible for leading clinical, educational, research, and administrative programs along with enhancing quality and safety standards. He will continue his role as Chief Innovation Officer.

Brian S. Monter, MSN, RN, MBA, was appointed President of University Hospitals Bedford and Richmond Medical Centers. He will be responsible for enhancing physician recruitment, patient care and experience, and employee and physician engagement.

Jonathan Stamler, MD, was appointed President of Harrington Discovery Institute at University Hospitals. He will be responsible for the expansion of Harrington Discovery Institute and The Harrington Project along with continuing his role as Director, Institute for Transformative Molecular Medicine at UH Case Medical Center and Case Western Reserve University School of Medicine.

Other information 2016:

On January 26, 2016 the System opened UH Avon Rehabilitation Hospital – a joint venture with Kindred Healthcare, Inc.

UH was recognized by Training Magazine as one of the 125 best organizations worldwide for employee training and workforce development. UH ranked 69th.

UH Rainbow Babies & Children's Hospital earned the Top Children's Hospital distinction from the Leapfrog Group along with eleven other children's hospitals in the United States and was the only one in Ohio.

UHCMC received a 2016 Distinguished Hospital Award for Clinical Excellence from Healthgrades. An honor reserved for the top 5% of hospitals nationally and the only one in Northeast Ohio. The award recognizes hospitals with the lowest risk-adjusted mortality and complication rates across common conditions and procedures.

The System has earned a place on the Ethisphere Institute's 2016 list of The World's Most Ethical Companies. This is the fourth time UH has appeared on this list as it did so in 2015, 2014 and in 2012. UH is one of only 7 health systems worldwide to be named to this year's list. The institute conducts research and propagates codes of conduct and best practices in corporate ethics, governance and compliance through consulting, education and its Ethisphere Magazine.

UH received the Booker T. Washington Award for "outstanding contribution to the promotion of wellness in minority communities." The American Hospital Association nominated UH for the honor that was presented at the annual meeting of The National Minority Quality Forum and the Congressional Black Caucus in Washington.

UH Conneaut and UH Geneva medical centers each received a five star rating for patient experience, according to the Centers for Medicare & Medicaid Services' (CMS) new summary rating system. Only seven hospitals in Ohio earned five stars, the highest-available rating.

UH Elyria received it largest gift in the hospital's 107-year history. The $10.6 million gift from the Hampson Family Foundation will support programs that address high-priority needs such as obesity, heart disease, stroke, diabetes, and cancer.

UH received the 2015 Melvin Creeley Environmental Leadership Award. The award acknowledges commitment to environmental preservation and leadership in conserving the health of our communities and planet.

UNAUDITED

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

Consolidated Balance Sheets

June 30, 2016 and December 31, 2015
(In thousands of dollars)

Assets	June 30, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	$ 148,537	201,457
Patient accounts receivable, net	522,739	457,431
Other receivables	66,093	91,419
Other current assets	148,425	145,943
Total current assets	885,794	896,250
Investments	1,489,236	1,485,826
Property, plant and equipment, net	1,597,673	1,581,143
Other assets:		
Investments in affiliates	84,306	84,666
Beneficial interest in Foundation	153,877	153,285
Perpetual trusts	186,813	188,822
Other	169,032	169,917
Total other assets	594,028	596,690
Total assets	$ 4,566,731	4,559,909

UNAUDITED

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

Consolidated Balance Sheets

June 30, 2016 and December 31, 2015
(In thousands of dollars)

Liabilities and Net Assets	June 30, 2016	December 31, 2015
Current liabilities:		
Current installments of long-term debt	$ 25,146	24,827
Accounts payable and accrued expenses	355,937	406,334
Other current liabilities	74,058	103,465
Estimated amounts due to third-party payors	28,537	31,165
Total current liabilities	483,678	565,791
Long-term debt, less current installments	1,284,057	1,294,373
Other liabilities	690,092	633,187
Total liabilities	2,457,827	2,493,351
Net assets:		
Unrestricted	1,420,552	1,372,564
Temporarily restricted	329,603	334,026
Permanently restricted	358,749	359,968
Total net assets	2,108,904	2,066,558
Total liabilities and net assets	$ 4,566,731	4,559,909

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

Consolidated Statements of Operations and Changes in Net Assets

For the six months ended June 30, 2016 and 2015

(In thousands of dollars)

UNAUDITED

	2016	2015
Unrestricted revenues:		
Net patient service revenue	$ 1,801,355	1,483,594
Provision for bad debts	(49,512)	(28,442)
Net patient service revenue less provision for bad debts	1,751,843	1,455,152
Other revenue	105,197	86,808
Total unrestricted revenues	1,857,040	1,541,960
Expenses:		
Salaries, wages, and employee benefits	1,067,024	891,438
Purchased services	129,770	99,481
Patient care supplies	297,253	241,181
Other supplies	26,093	19,754
Insurance	21,422	16,114
Other expenses	171,463	148,195
Depreciation and amortization	68,491	57,038
Interest	24,265	22,099
Special charges	(58)	1,859
	1,805,723	1,497,159
Net operating income	51,317	44,801
Nonoperating revenues (expenses):		
Investment income	3,836	28,168
Other-than-temporary decline in investments	(779)	(3,166)
Change in fair value of derivative instruments	(23,275)	460
Loss on extinguishment of debt	(8,156)	-
Disposition of Business Unit	2,444	-
Member substitution	-	42,864
Excess of revenues over expenses	$ 25,387	113,127

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

UNAUDITED

Consolidated Statements of Changes in Net Assets

For the six months ended June 30, 2016 and year ended December 31, 2015

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at December 31, 2014	$ 1,138,737	265,566	355,959	1,760,262
Excess of revenues over expenses	227,267	—	—	227,267
Investment income	—	8,764	—	8,764
Other support and revenue	—	36,998	7,455	44,453
Change in beneficial interest in Foundations and perpetual trusts	—	755	(8,837)	(8,082)
Net assets released from restrictions used for operations	—	(29,898)	—	(29,898)
Change in net unrealized gains and (losses) on other-than-trading securities	(40,632)	(344)	—	(40,976)
Change in joint venture unrestricted net assets	(66)	—	—	(66)
Pension liability adjustment	39,867	—	—	39,867
Net assets released from restrictions for acquisition of property and equipment	7,276	(7,276)	—	—
Contributed capital	115	—	—	115
Member substitutions with restrictions	—	59,461	5,391	64,852
Increase in net assets	233,827	68,460	4,009	306,296
Net assets at December 31, 2015	1,372,564	334,026	359,968	2,066,558
Excess of revenues over expenses	25,387	—	—	25,387
Investment income	—	986	—	986
Other support and revenue	—	12,407	774	13,181
Change in beneficial interest in Foundations and perpetual trusts	—	593	(1,993)	(1,400)
Net assets released from restrictions used for operations	—	(16,133)	—	(16,133)
Change in net unrealized gains and (losses) on other-than-trading securities	20,061	129	—	20,190
Net assets released from restrictions for acquisition of property and equipment	2,405	(2,405)	—	—
Contributed capital	135	—	—	135
Increase in net assets	47,988	(4,423)	(1,219)	42,346
Net assets at June 30, 2016	$ 1,420,552	329,603	358,749	2,108,904

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

UNAUDITED

Consolidated Statements of Cash Flows

For the six months ended June 30, 2016 and 2015
(In thousands of dollars)

	2016	2015
Operating activities:		
Increase in net assets	$ 42,346	124,094
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	68,489	57,036
Provision for bad debts	49,512	28,442
Loss on extinguishment of debt	8,156	—
Other than temporary decline in investments	779	3,166
Change in beneficial interest in Foundations and perpetual trusts	1,417	(5,674)
Change in net unrealized investment gains and losses	(20,190)	5,072
Net change attributable to investments in joint ventures	360	869
Net change in restricted net assets received	(3,031)	(4,848)
Net change in patient accounts receivable	(114,820)	(60,956)
Net change in other current assets	22,290	8,513
Net change in other current liabilities	(76,650)	(27,875)
Net change in operating assets and liabilities	46,529	54,484
Member substitutions	—	(49,663)
Net cash provided by operating activities	25,187	132,660
Investing activities:		
Acquisition of property, plant and equipment	(85,019)	(50,506)
Proceeds from sales of investments	1,914,491	982,351
Purchases of investments	(1,898,582)	(1,022,809)
Member substitution cash contributions	—	4,665
Net cash used in investing activities	(69,110)	(86,299)
Financing activities:		
Proceeds from restricted revenue and investment income	3,031	4,848
Repayment of long-term debt	(239,722)	(72,582)
Proceeds from issuance of long-term debt	230,756	413
Bond issuance costs	92	1,246
Proceeds from short-term borrowings	—	57,294
Decrease in treasury service agreement	(3,154)	(4,510)
Net cash used in financing activities	(8,997)	(13,291)
(Decrease) increase in cash and cash equivalents	(52,920)	33,070
Cash and cash equivalents at beginning of year	201,457	175,868
Cash and cash equivalents at end of period	$ 148,537	208,938

UNIVERSITY HOSPITALS HEALTH SYSTEMS, INC.

Supplementary Information - Balance Sheet UNAUDITED

June 30, 2016
(In thousands of dollars)

	Obligated Group	Nonobligated Group	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 108,332	40,205	-	148,537
Patient accounts receivable, net	390,103	132,636	-	522,739
Other receivables	31,172	18,085	16,836	66,093
Other current assets	120,795	27,630	-	148,425
Total current assets	650,402	218,556	16,836	885,794
Investments	1,408,380	80,856	-	1,489,236
Property, plant and equipment, net	1,480,470	117,203	-	1,597,673
Other assets:				
Investments in affiliates	347,479	4,094	(267,267)	84,306
Beneficial interest in Foundation	94,926	58,951	-	153,877
Perpetual trusts	185,722	1,091	-	186,813
Other	156,005	13,027	-	169,032
Total other assets	784,132	77,163	(267,267)	594,028
Total assets	$ 4,323,384	493,778	(250,431)	4,566,731
Liabilities and Net Assets				
Current liabilities:				
Current installments of long-term debt	$ 25,090	56	-	25,146
Accounts payable and accrued expenses	309,434	46,503	-	355,937
Other current liabilities	34,580	22,642	16,836	74,058
Estimated amounts due to third party payors	25,047	3,490	-	28,537
Total current liabilities	394,151	72,691	16,836	483,678
Long-term debt, less current installments	1,283,815	242	-	1,284,057
Other liabilities	597,903	92,189	-	690,092
Total liabilities	2,275,869	165,122	16,836	2,457,827
Net assets:				
Unrestricted	1,420,552	267,267	(267,267)	1,420,552
Temporarily restricted	269,706	59,897	-	329,603
Permanently restricted	357,257	1,492	-	358,749
Total net assets	2,047,515	328,656	(267,267)	2,108,904
Total liabilities and net assets	$ 4,323,384	493,778	(250,431)	4,566,731

UNIVERSITY HOSPITALS HEALTH SYSTEMS, INC.

Supplementary Information - Schedule of Operations

UNAUDITED

For the six months ended June 30, 2016
(In thousands of dollars)

	Obligated Group	Nonobligated Group	Eliminations	Consolidated
Unrestricted revenues:				
Patient service revenue (net of contractual allowances and discounts)	$ 1,263,085	538,270	-	1,801,355
Provision for bad debts	(25,177)	(24,335)	-	(49,512)
Net patient service revenue less provision for bad debts	1,237,908	513,935	-	1,751,843
Other revenue	84,371	92,291	(71,465)	105,197
Total unrestricted revenues	1,322,279	606,226	(71,465)	1,857,040
Expenses:				
Salaries, wages and employee benefits	624,392	446,803	(4,171)	1,067,024
Purchased services	78,778	94,883	(43,891)	129,770
Patient care supplies	247,974	49,279	-	297,253
Other supplies	19,138	6,955	-	26,093
Insurance	11,842	23,728	(14,148)	21,422
Other expenses	138,720	41,998	(9,255)	171,463
Depreciation and amortization	60,964	7,527	-	68,491
Interest	24,259	6	-	24,265
Special charges	(160)	102	-	(58)
	1,205,907	671,281	(71,465)	1,805,723
Net operating income (loss)	116,372	(65,055)	-	51,317
Nonoperating revenues (expenses):				
Investment income	3,870	(34)	-	3,836
Other-than-temporary decline in investments	(695)	(84)	-	(779)
Change in fair value of derivative instruments	(23,275)	-	-	(23,275)
Disposition of Business Unit	2,444	-	-	2,444
Loss on extinguishment of debt	(8,156)	-	-	(8,156)
Excess (deficiency) of revenues over expenses	$ 90,560	(65,173)	-	25,387

UNIVERSITY HOSPITALS HEALTH SYSTEMS, INC.

Supplementary Information - Schedule of Operations

UNAUDITED

For the six months ended June 30, 2015
(In thousands of dollars)

	Obligated Group	Nonobligated Group	Eliminations	Consolidated
Unrestricted revenues:				
Patient service revenue (net of contractual allowances and discounts)	$ 1,102,327	381,267	-	1,483,594
Provision for bad debts	(16,142)	(12,300)	-	(28,442)
Net patient service revenue less provision for bad debts	1,086,185	368,967	-	1,455,152
Other revenue	79,638	69,492	(62,322)	86,808
Total unrestricted revenues	1,165,823	438,459	(62,322)	1,541,960
Expenses:				
Salaries, wages and employee benefits	555,952	339,641	(4,155)	891,438
Purchased services	71,042	71,823	(43,384)	99,481
Patient care supplies	209,671	31,510	-	241,181
Other supplies	15,802	3,952	-	19,754
Insurance	10,205	12,055	(6,146)	16,114
Other expenses	122,171	34,661	(8,637)	148,195
Depreciation and amortization	53,281	3,757	-	57,038
Interest	22,099	-	-	22,099
Special charges	428	1,431	-	1,859
	1,060,651	498,830	(62,322)	1,497,159
Net operating income (loss)	105,172	(60,371)	-	44,801
Nonoperating revenues (expenses):				
Investment income	28,106	62	-	28,168
Other-than-temporary decline in investments	(2,964)	(202)	-	(3,166)
Change in fair value of derivative instruments	460	-	-	460
Member substitution	-	42,864	-	42,864
Excess (deficiency) of revenues over expenses	$ 130,774	(17,647)	-	113,127