Hospital Sisters
HEALTH SYSTEM

Annual Report and Audit

June 30, 2013

Hospital Sisters Services, Inc.

This report is delivered in satisfaction of the obligations created by the Disclosure Agreement dated October 1, 2012 (the "Master Agreement") and, executed and delivered by Hospital Sisters Services, Inc. (the "Corporation") in connection with the issuance of the Bonds listed on Exhibit C. Terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Disclosure Agreement.

Section 2 of the Disclosure Certificate requires the Corporation to provide an Annual Report which updates certain information which was originally provided in its Official Statement dated September 21, 2012 (the "Official Statement") relating to the issuance of the Bonds.

FINANICAL INFORMATION

Attached to this Annual Report as EXHIBIT A are the audited consolidated financial statements of the Corporation for the fiscal years ended 2012 and 2013 which have been prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board, and have been audited by the accounting firm, KPMG, LLP.

INFORMATION REGARDING THE CORPORATION AND RESULTS FROM OPERATIONS

Attached to this Annual Report as EXHIBIT B is the following information, substantially similar in form and scope to the financial information and operating data originally set forth in Appendix A to the Official Statement under the captions

(i) List of Obligated Group

(ii) List of Affiliates of the Corporation

(iii) Total licensed and staffed beds of Obligated Group

(iv) Updated tables provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Condensed Consolidated Balance Sheet of Hospital Sisters Health System";

(v) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Consolidated Summary Statements of Operations of Hospital Sisters Health System";

(vi) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Obligated Group Relative to HSHS";

(vii) Updated Income Available for Debt Service table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Coverage of Historical and Pro Forma Historical Maximum Annual Debt Service" (Historical Maximum Annual only) for the most recent fiscal year;

(viii) Updated information provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Outstanding Indebtedness of the Obligated Group;

(ix) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Historical and Pro Forma Capitalization" (Historical Only);

(x) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Liquidity and Investments";

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An Affiliate of Hospital Sisters Health System

(xi) Updated asset allocation table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION - Investment Policy";

The information provided in the attached Exhibit B is true and correct as of the date of this Annual Report.

IN WITNESS WHEREOF the undersigned has executed and delivered the Annual Report to the Dissemination Agent, for distribution for the benefit of Holders of the Bonds, all as of this 28th day of October, 2013.

HOSPITALSISTERS SERVICES, INC.

By: Ann M. Carr

Ann M. Carr

Its: Obligated Group Agent

KPMG

Exhibit A

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Financial Statements and Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Hospital Sisters Health System:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hospital Sisters Health System and Subsidiaries (HSHS), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hospital Sisters Health System as of June 30, 2013 and 2012, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As described in note 2(n) to the consolidated financial statements, HSHS adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities,* for the year ended June 30, 2012. As a result of this adoption, HSHS has presented on a separate line the provision for uncollectible accounts as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. Our opinion is not modified with respect to the matter emphasized.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 28, 2013

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Balance Sheets

June 30, 2013 and 2012

(Dollars in thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	81,110	90,514
Receivables:			
Patients' accounts, less allowance for uncollectible accounts of $129,300 in 2013 and $107,196 in 2012		294,578	307,814
Due from third-party reimbursement programs		2,813	4,497
Other		23,635	22,088
Total receivables		321,026	334,399
Current portion of assets whose use is limited or restricted		284,142	201,738
Inventories		40,051	40,230
Prepaid expenses		20,305	16,376
Total current assets		746,634	683,257
Assets whose use is limited or restricted, net of current portion		1,523,707	1,446,720
Property, plant, and equipment, net		1,257,517	1,152,063
Other assets		68,208	73,657
Total assets	$	3,596,066	3,355,697
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	17,909	28,517
Long-term debt subject to short-term remarketing agreements		169,508	158,047
Accounts payable		114,093	100,336
Accrued liabilities		133,937	125,848
Estimated payables under third-party reimbursement programs		43,637	41,554
Total current liabilities		479,084	454,302
Long-term debt, excluding current installments		430,669	379,378
Estimated self-insurance liabilities		94,173	81,124
Derivative instruments		41,831	64,437
Accrued benefit liability		251,894	410,039
Other noncurrent liabilities		46,906	47,194
Total liabilities		1,344,557	1,436,474
Net assets:			
Unrestricted		2,202,951	1,875,690
Temporarily restricted		25,487	20,783
Permanently restricted		23,071	22,750
Total net assets		2,251,509	1,919,223
Total liabilities and net assets	$	3,596,066	3,355,697

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(Dollars in thousands)

		2013	2012
Net patient service revenues	$	2,012,108	1,981,070
Provision for uncollectible accounts		(107,131)	(111,142)
Net patient service revenue less provision for uncollectible accounts		1,904,977	1,869,928
Other revenues:			
Investment income		2,751	786
Net assets released from restrictions used for operations		1,513	1,702
Other		98,325	57,458
Total revenues		2,007,566	1,929,874
Expenses:			
Sisters' services		1,275	1,155
Salaries and wages		740,688	722,856
Employee benefits		242,056	205,171
Professional fees		113,362	114,690
Supplies		275,961	275,291
Depreciation and amortization		135,871	143,523
Interest		7,247	6,313
Other		469,542	460,584
Total expenses		1,986,002	1,929,583
Income from operations		21,564	291
Nonoperating gains (losses):			
Investment income		128,782	23,565
Change in fair value of interest rate swaps		22,606	(35,799)
Loss on conversion and early extinguishment of debt		(5,073)	—
Revenues and gains (losses) in excess (deficient) of expenses		167,879	(11,943)
Other changes in unrestricted net assets:			
Net assets released from restrictions used for the purchase of property, plant, and equipment		1,237	7,369
Reversal (recognition) of change in pension funded status		158,145	(160,928)
Change in unrestricted net assets	$	327,261	(165,502)

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

(Dollars in thousands)

		2013	2012
Unrestricted net assets:			
Revenues and gains (losses) in excess (deficient) of expenses	$	167,879	(11,943)
Other changes in unrestricted net assets:			
Net assets released from restrictions used for the purchase of property, plant, and equipment		1,237	7,369
Reversal (recognition) of change in pension funded status		158,145	(160,928)
Change in unrestricted net assets		327,261	(165,502)
Temporarily restricted net assets:			
Investment income		1,182	308
Contributions		6,272	8,630
Net assets released from restrictions		(2,750)	(9,071)
Change in temporarily restricted net assets		4,704	(133)
Permanently restricted net assets:			
Investment income (loss)		(9)	28
Contributions		330	393
Change in permanently restricted net assets		321	421
Change in net assets		332,286	(165,214)
Net assets at beginning of year		1,919,223	2,084,437
Net assets at end of year	$	2,251,509	1,919,223

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	332,286	(165,214)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Loss on conversion and early extinguishment of debt		5,073	—
Recognition (reversal) of change in pension funded status		(158,145)	160,928
Income from equity basis investments		(4,158)	(5,241)
Cash received from equity basis investments, net		4,230	3,944
Net assets released from restrictions and used for operations		1,513	1,702
Restricted contributions and investment return		(7,775)	(9,359)
Amortization of bond issuance costs, included in interest expense		244	197
Depreciation and amortization		135,871	143,523
Provision for uncollectible accounts		107,131	111,142
Change in net unrealized gain and losses on investments		(69,286)	63,563
Net realized gains on sale of investments		(40,538)	(58,743)
Change in the fair value of derivative instruments		(22,606)	35,799
Changes in assets and liabilities:			
Patients' accounts receivable		(93,895)	(141,257)
Other receivables		(1,547)	4,488
Inventories		179	(179)
Prepaid expenses		(3,929)	1,642
Net amounts due to third-party reimbursement programs		3,767	6,328
Accounts payable and accrued liabilities		21,846	18,424
Estimated self-insurance liabilities and other noncurrent liabilities		12,761	6,291
Net cash provided by operating activities		223,022	177,978
Cash flows from investing activities:			
Acquisition of property, plant, and equipment		(242,210)	(192,020)
Gross purchases of investments		(1,917,036)	(1,828,882)
Gross proceeds from sale or maturity of investments		1,867,469	1,874,143
Change in other assets		5,133	2,908
Net cash used in investing activities		(286,644)	(143,851)
Cash flows from financing activities:			
Repayment of long-term debt		(468,900)	(22,130)
Proceeds from issuance of debt		520,720	10,000
Payment of bond issuance cost		(3,864)	—
Net assets released from restrictions and used for operations		(1,513)	(1,702)
Restricted contributions and investment return		7,775	9,359
Net cash provided by (used in) financing activities		54,218	(4,473)
Change in cash and cash equivalents		(9,404)	29,654
Cash and cash equivalents at beginning of year		90,514	60,860
Cash and cash equivalents at end of year	$	81,110	90,514
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	7,085	4,137
Supplemental disclosure of noncash transactions:			
Assets acquired under capital lease	$	885	24,332

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include the accounts of HSHS and its subsidiaries. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the accompanying consolidated financial statements include Hospital Sisters Services, Inc. (HSSI), HSHS System Services Center (the SSC), Hospital Sisters of St. Francis Foundation, Inc. (the Foundation), and Kiara, Inc.

HSSI, an Illinois not-for-profit holding company, is the sole member of 13 hospitals in Illinois and Wisconsin (collectively referred to as the Obligated Group), Hospital Sisters Healthcare – West, Inc. (HCW), HSHS Medical Group, Inc., and HSHS Wisconsin Medical Group, Inc. (collectively referred to as the Medical Group), Unity Limited Partnership, Kiara Clinical Integration Network (KCIN), and Renaissance Quality Insurance, Ltd. (RQIL). HSSI and the 13 hospitals have formed an Obligated Group for debt financing purposes through the use of a Master Trust Indenture (MTI) (note 11). The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services. HSSI formed the Medical Group for the purpose of affiliating with physicians. RQIL is a captive insurance company incorporated in the Cayman Islands to provide professional and general liability insurance coverage to HSSI and affiliates. HCW, the Medical Group, Unity Limited Partnership, KCIN, and RQIL are not members of the Obligated Group.

The 13 hospitals who are members of the Obligated Group, along with HSSI, are as follows:

Hospital	Location
	Illinois:
St. Elizabeth's Hospital	Belleville
St. Joseph's Hospital	Breese
St. Mary's Hospital	Decatur
St. Anthony's Memorial Hospital	Effingham
St. Joseph's Hospital	Highland
St. Francis Hospital	Litchfield
St. John's Hospital	Springfield
St. Mary's Hospital	Streator
	Wisconsin:
St. Joseph's Hospital	Chippewa Falls
Sacred Heart Hospital	Eau Claire
St. Mary's Hospital Medical Center	Green Bay
St. Vincent Hospital	Green Bay
St. Nicholas Hospital	Sheboygan

The SSC administers the Workers Compensation Fund, Health Care Trust Fund, and Flex Plan. The SSC is supported by annual fees paid by the HSHS affiliated hospitals and certain other HSHS controlled entities to the SSC. The SSC utilizes these funds to provide centralized management and information services to the 13 affiliated hospitals, workers' compensation, and employee health administration. In addition, the SSC administers a centralized investment program and defined contribution pension plan on behalf of all HSHS entities.

The Foundation, an Illinois not-for-profit corporation, is an entity whose purpose is to solicit and administer philanthropic funds. The Foundation is structured into 14 separate divisions to administer restricted and unrestricted gifts and bequests at each of the respective hospital locations and the SSC.

Kiara, Inc., an Illinois for-profit corporation, provides a vehicle for joint ventures with physicians and an entry into those health related services, which do not qualify as tax-exempt services, such as pharmacy, durable medical equipment, nonaffiliate electronic health records (EHR) implementations, and real estate holdings. Kiara, Inc. is the holding company of three subsidiary corporations in which it is the sole stockholder, LaSante, Inc., LaSante Wisconsin, Inc., and Prairie Cardiovascular Consultants, Inc. (PCC). The operations of these three wholly owned subsidiaries are consolidated into the financial statements of Kiara, Inc. In connection with the acquisition of PCC, $3,372 and $5,059 is still payable at June 30, 2013 and 2012, respectively, and is a component of other noncurrent liabilities in the accompanying consolidated balance sheets.

All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The significant accounting policies of HSHS are as follows:

(a) Presentation

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses. Nonoperating gains or losses include investment income, other than that which is associated with self-insurance programs, or funds held by trustee under indenture agreements, settlements on derivative instruments, loss on conversion and early extinguishment of debt, and the change in fair value of the interest rate swap agreements.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for contractual allowances and bad debts, third-party payor settlements, valuation of investments, recoverability of property, plant, and equipment, self-insurance liabilities, derivative instruments, accrued benefit liability, and other liabilities. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included as assets whose use is limited or restricted.

(d) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the board of directors for future capital improvements, over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by third-party trustees under indenture agreements; and funds temporarily or permanently restricted by donors. Management classifies the current portion of assets whose use is limited or restricted based on the approximate amount of the current portion of long-term debt.

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income on assets associated with self-insurance programs or assets deposited in funds held by trustee under indenture agreements is reported as other revenues. Investment income from all other investments is reported as nonoperating gains – investment income, unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are included in revenues and gains (losses) in excess (deficient) of expenses and losses as all investments are considered to be trading securities.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(f) Property, Plant, and Equipment

Property, plant, and equipment additions are stated at cost or fair value at the date of acquisition or donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of accounting. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project specific borrowings.

(g) Long-Lived Assets

Long-lived assets (including property, plant, and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which HSHS operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended June 30, 2013 and 2012.

(h) Other Assets – Joint Ventures

HSHS invests in various organizations that are not wholly owned or controlled by HSHS. Investments in affiliates in which HSHS has significant influence but does not control are reported on the equity method of accounting, which represents HSHS' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to zero unless HSHS has guaranteed the obligations of the organization or is committed to provide additional capital support. There were no existing guarantees at June 30, 2013 or 2012.

(i) Loss Reserves

HSHS is self-insured for professional and general liability, workers' compensation, and employee health claims. The provisions for loss reserves include the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates.

The liability for loss reserves represents an estimate of the ultimate net cost of all such amounts that are unpaid at the consolidated balance sheet dates. The liability is based on projections and the historical claim experience of HSHS and gives effect to estimates of trends. Although management believes that the estimate of the liability for claims is reasonable, it is possible that HSHS' actual incurred claims will not conform to the assumptions' inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(j) Derivative Instruments

HSHS accounts for derivatives and hedging activities in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. HSHS is involved in various interest rate swaps. The fair value of the interest rate swap programs is included as derivative instruments in the accompanying consolidated balance sheets. For HSHS, the derivatives are not designated as hedge instruments, and therefore, settlements on derivative instruments and the change in fair values of the interest rate swap agreements are recognized in the consolidated statements of operations as a component of nonoperating gains (losses).

(k) Asbestos Removal Costs

HSHS accounts for asbestos removal costs in accordance with ASC Subtopic 410-20, *Accounting for Conditional Asset Retirement Obligations*. ASC Subtopic 410-20 requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the entity. ASC Subtopic 410-20 requires an ARO liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived

(Continued)

asset is depreciated over the corresponding long-lived asset's remaining useful life. HSHS is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing hospital buildings. The estimated asbestos removal cost at June 30, 2013 and 2012 is $28,957 and $28,786, respectively, and is included within other noncurrent liabilities in the accompanying consolidated balance sheets. The net book value of the ARO long-lived asset at June 30, 2013 and 2012 is $553 and $742, respectively, and is included within other assets in the accompanying consolidated balance sheets.

(l) Donor-Restricted Net Assets

Net assets and activities are classified into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets represent those net assets whose use by HSHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by HSHS in perpetuity.

HSHS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by HSHS.

HSHS has established a spending policy, which is evaluated and approved by the Foundation board every year. The approved spending rate for fiscal year 2013 and 2012 was 2.30% and 3.45%, respectively. In establishing this policy, the long-term expected return on the endowment is considered. This is consistent with HSHS' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Endowment funds are commingled with the pooled investment fund administered by HSHS. HSHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSHS targets a diversified asset allocation of 40.5% fixed income, 44.5% equities, and 15% custom hedge funds to achieve its long-term return objectives within prudent risk constraints.

(m) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues.

(Continued)

Gifts of long-lived assets such as property, plant, and equipment are reported as unrestricted gifts and bequests and are excluded from revenues and gains (losses) in excess (deficient) of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(n) Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and amounts received under the Medicaid assessment tax programs. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Effective July 1, 2012, HSHS adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. The provision for uncollectible accounts on the accompanying consolidated statements of operations for the years ended June 30, 2013 and 2012 has been presented on a separate line as a deduction from net patient service revenue.

(o) Charity Care

HSHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenues, since HSHS does not pursue collection of such amounts.

(p) Revenues and Gains (Losses) in Excess (Deficient) of Expenses

The consolidated statements of operations include revenues and gains (losses) in excess (deficient) of expenses. Changes in unrestricted net assets that are excluded from revenues and gains (losses) in excess (deficient) of expenses, consistent with industry practice, include: contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets); nonreciprocal transfer to affiliate for other than goods and services; and (recognition) reversal of change in pension funded status.

(q) Income Taxes

HSHS and the Foundation are Illinois not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Kiara, Inc. is an Illinois for-profit corporation that recognizes income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

HSHS has adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*. ASC Subtopic 740-10 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, HSHS must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2013 and 2012, HSHS does not have an asset or liability for unrecognized tax benefits.

(r) Fair Value

HSHS has adopted the provisions of ASC Topic 820, *Fair Value Measurements,* for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In conjunction with the adoption of ASC Topic 820, HSHS adopted the measurement provisions of ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent.

(Dollars in thousands)

(s) EHR Incentive Program

The EHR Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. HSHS accounts for the Program using the grant model. HSHS applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once a "reasonable assurance" income recognition threshold is met. For the years ended June 30, 2013 and 2012, HSHS recognized $31,800 and $4,181, respectively, as other revenue related to EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for year 1 and year 2 payments.

(3) Community Benefit

Consistent with its mission, HSHS provides medical care to all patients regardless of their ability to pay. In addition, HSHS provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy document, *A Guide for Planning and Reporting Community Benefit*, released in May 2006. HSHS uses a cost-to-charge ratio to calculate the cost of charity care and the unpaid cost of Medicaid. The amounts in the following table reflect the quantifiable costs of HSHS' community benefit for the years ended June 30, 2013 and 2012:

		2013	2012
Benefits for the poor:			
Charity care at cost	$	45,974	43,076
Unpaid cost of Medicaid and other public programs		104,232	97,878
Community health services		1,657	1,322
Other		1,798	766
		153,661	143,042
Benefits for the broader community:			
Community health services		4,451	4,443
Health professions education		15,558	15,895
Other		13,083	10,772
		33,092	31,110
Total community benefit	$	186,753	174,152

Benefits for the poor represent the cost of services provided to persons who cannot afford healthcare because of inadequate resources and who are uninsured or underinsured.

Benefits for the broader community represent the cost of services provided to other needy populations that may not qualify as poor, but that need special services and support. It also includes the cost of services for the general benefit of the communities in which HSHS operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with HSHS' established policies.

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services. (See note 4 for an explanation of changes to the Medicaid reimbursement from the State of Illinois and the State of Wisconsin.)

Community health services are activities and services for which no patient bill exist although there may be nominal patient fees. These services are not expected to be financially self-supporting although some may be partially supported by outside grants or funding.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students, in allied health professions.

Other benefits include subsidized health services, in-kind donations, and other benefits.

In addition to the amounts reported above, HSHS committed significant resources in serving the Medicare population. The cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments, was $152,293 and $160,570 for the years ended June 30, 2013 and 2012, respectively.

A related organization, the Foundation, funded $5,885 and $15,948 for charity care or other operating expenses on behalf of the hospitals during the years ended June 30, 2013 and 2012, respectively. The community benefits reported above are net of the contributions from the Foundation for such benefits.

HSHS also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations as a provision for uncollectible accounts. Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care.

(4) Net Patient Service Revenues

HSHS has agreements with third-party payors that provide for payment at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based upon a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits by the Medicare fiscal intermediary. Certain outpatient services performed by the hospitals are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification. Home health services performed by the hospitals are reimbursed at a prospectively determined rate per episodic treatment.

As of June 30, 2013, Medicare cost reports have been audited and final settled through June 30, 2009.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon per visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to state Medicaid programs. As of June 30, 2013 and 2012, Medicaid receivables aggregate to $24,764 and $59,271, respectively, and are valued using historical collection percentages of enacted rates.

HSHS participates in the State of Illinois (the State) provider assessment program that assists in the financing of its Medicaid program. The program has been renewed by the State since its inception in 2004 and was renewed again on December 4, 2008 for the State's fiscal years ending June 30, 2009 through June 30, 2013. Renewal for the period July 1, 2013 to December 31, 2014 has been approved by the State. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS).

The hospitals have included their related prorated assessments of $26,772 and $26,823 in 2013 and 2012, respectively, within other expenses in the accompanying consolidated statements of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The hospitals have included their additional related prorated reimbursement of $45,564 and $47,108 in 2013 and 2012, respectively, within net patient service revenues in the accompanying consolidated statements of operations.

(Continued)

(Dollars in thousands)

During 2009, the State of Wisconsin enacted an assessment tax on the gross revenues of all Wisconsin hospitals retroactive to July 1, 2008, which is used to increase reimbursements made under its Medicaid program. During the years ended June 30, 2013 and 2012, the HSHS Wisconsin hospitals were assessed $21,118 and $20,210, respectively, related to this tax, which is included as a component of other expenses in the accompanying consolidated statements of operations, and received $24,198 and $26,513, respectively, in supplemental Medicaid reimbursement, which is included as a component of net patient service revenues in the accompanying consolidated statements of operations.

Other – HSHS has also entered into payment agreements with Blue Cross, certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

A summary of gross and net patient service revenues for the years ended June 30, 2013 and 2012 is as follows:

		2013	2012
Inpatient revenues	$	2,400,777	2,296,455
Outpatient revenues		2,940,995	2,791,571
Less provisions for estimated contractual adjustments under third-party reimbursement programs		3,329,664	3,106,956
Net patient service revenues	$	2,012,108	1,981,070

Net patient service revenues for the years ended June 30, 2013 and 2012 include $8,591 and $995, respectively, of favorable retrospectively determined prior year settlements with third-party payors. In addition, net patient service revenues include $15,547 for the year ended June 30, 2012, from Medicare for fiscal years 2007–2011 as settlement of the Rural Floor Budget Neutrality Adjustment Appeal. Additionally, professional fees expense includes $3,997 for the year ended June 30, 2012, of settlement fees paid as part of the Rural Floor Budget Neutrality Adjustment Appeal.

A summary of Medicare, Medicaid, and managed care/contracted payor utilization percentages, based upon gross patient service revenues, is as follows:

	2013	2012
Medicare	47%	46%
Medicaid	14	14
Managed care/contracted payor	32	32
Self-pay	4	5
Other	3	3

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, HSHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, HSHS analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and co-payments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), HSHS records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

HSHS' allowance for uncollectible accounts for self-pay patients increased from 81.0% of self-pay accounts receivable at June 30, 2012, to 81.7% of self-pay accounts receivable at June 30, 2013. In addition, HSHS' self-pay write-offs decreased $13,604 from $98,642 for fiscal year 2012 to $85,038 for fiscal year 2013. Both changes were the result of current trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. HSHS has not substantially changed its charity care or uninsured discount policies during fiscal years 2012 or 2013. HSHS does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

(Dollars in thousands)

HSHS recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, HSHS recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of HSHS' uninsured patients will be unable or unwilling to pay for the services provided. Thus, HSHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), is recognized in the period from these major payor sources, as follows:

	2013	2012
Medicare	$ 709,095	693,335
Medicaid	205,618	213,011
Managed care/contracted payor	935,800	893,712
Self-pay	104,459	111,130
Other	57,136	69,882
Net patient service revenues	$ 2,012,108	1,981,070

(5) Concentration of Credit Risk

HSHS provides healthcare services through their inpatient and outpatient facilities located in Illinois and Wisconsin. HSHS grants credit to patients, substantially all of whom are local residents. HSHS does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

The mix of net receivables from patients and third-party payors as of June 30, 2013 and 2012 is as follows:

	2013	2012
Medicare	26%	22%
Medicaid	8	19
Managed care/contracted payor	48	42
Self-pay	10	8
Other	8	8

(6) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of HSHS is to invest its assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside protection. HSHS' invested assets will maintain sufficient liquidity to fund a portion of HSHS' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. HSHS diversifies its investments among various asset classes incorporating multiple strategies and managers. The HSHS board approves the investment policy statement. The Investment Subcommittee oversees the investment program in accordance with investment policy statement.

(b) Allocation of Investment Strategies

To manage risk, HSHS invests in fixed income, domestic equities, international equities, and custom hedge funds. HSHS engages outside portfolio managers as follows: 5 fixed income mangers, 15 domestic equity managers, 5 international managers, and 2 custom hedge fund portfolio managers. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

(c) Basis of Reporting

Assets whose use is limited or restricted are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in common and preferred stock and fixed income are based on share prices reported by the funds as of the last business day of the fiscal year. HSHS' interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the HSHS' interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2013, HSHS had no plans or intentions to sell investments at amounts different from NAV.

(d) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, receivables, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of HSHS' investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank except for the carrying value of pledges receivable and other, which equals fair value. Fair value for cash and cash equivalents, corporate and preferred stocks, foreign securities, U.S. government securities, corporate bonds, municipal bonds, and commingled mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- HSHS has two hedge fund investments for which quoted market prices are not available. The two hedge fund investments are K2 multistrategy fund and Mesirow multistrategy fund. The

(Dollars in thousands)

estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.

The investment objective of the K2 multistrategy fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies.

The investment objective of the Mesirow multistrategy fund is to achieve positive returns with low volatility and risk. This is achieved through a multimanager, multistrategy, and diversified investment approach.

- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to HSHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon HSHS' current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data by financial advisers. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and HSHS. The carrying value equals fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HSHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the carrying amounts and estimated fair values of HSHS' financial instruments not carried at fair value at June 30, 2013:

		2013		2012	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt	$	618,086	615,920	565,942	571,456

(e) Fair Value Hierarchy

HSHS has adopted ASC Topic 820 for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that HSHS has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal years ended June 30, 2013 and 2012.

(Continued)

(Dollars in thousands)

The following table summarizes HSHS' cash and cash equivalents and assets whose use is limited or restricted by major category in the fair value hierarchy as of June 30, 2013, as well as related strategy, liquidity, and funding commitments:

	June 30, 2013				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	$ 81,110	—	—	81,110	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of $4,491 and pledges receivable and other of $28,248:						
Cash and cash equivalents	$ 93,530	—	—	93,530	Daily	One
Common stocks	525,568	—	—	525,568	Daily	Three
U.S. government securities	—	162,032	—	162,032	Daily	One
Municipal bonds	—	33,890	—	33,890	Daily	Two
Corporate bonds	—	269,256	—	269,256	Daily	Two
Foreign securities	259,087	25,276	—	284,363	Daily	Three
Commingled mutual funds	—	154,378	—	154,378	Daily	Three
Hedge funds:						
K2 multistrategy fund	—	—	196,551	196,551	Monthly	Thirty
Mesirow multifund	—	—	55,542	55,542	Monthly	Thirty
Total financial assets	$ 878,185	644,832	252,093	1,775,110		
Liabilities:						
Derivative instruments	$ —	41,831	—	41,831		

The table below sets forth a summary of changes in the fair value of the HSHS' Level 3 assets for the year ended June 30, 2013:

	Level 3 assets, year ended June 30, 2013		
	K2 fund	Mesirow fund	Total funds
Balance, beginning of year	$ 165,890	43,413	209,303
Purchases	11,607	7,738	19,345
Sales	—	—	—
Total net gains	19,054	4,391	23,445
Balance, end of year	$ 196,551	55,542	252,093

(Dollars in thousands)

The following table summarizes HSHS' cash and cash equivalents and assets whose use is limited or restricted by major category in the fair value hierarchy as of June 30, 2012, as well as related strategy, liquidity, and funding commitments:

		June 30, 2012				Redemption	Days'
		Level 1	Level 2	Level 3	Total	or liquidation	notice
Cash and cash equivalents	$	90,514	—	—	90,514	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of $8,666 and pledges receivable and other of $22,127:							
Cash and cash equivalents	$	114,831	—	—	114,831	Daily	One
Common stocks		443,162	—	—	443,162	Daily	Three
U.S. government securities		—	296,522	—	296,522	Daily	One
Municipal bonds		—	33,879	—	33,879	Daily	Two
Corporate bonds		—	121,931	—	121,931	Daily	Two
Foreign securities		217,740	27,460	—	245,200	Daily	Three
Commingled mutual funds		—	152,837	—	152,837	Daily	Three
Hedge funds:							
K2 multistrategy fund		—	—	165,890	165,890	Monthly	Thirty
Mesirow multifund		—	—	43,413	43,413	Monthly	Thirty
Total financial assets	$	775,733	632,629	209,303	1,617,665		
Liabilities:							
Derivative instruments	$	—	64,437	—	64,437		

The table below sets forth a summary of changes in the fair value of the HSHS' Level 3 assets for the year ended June 30, 2012:

		Level 3 assets, year ended June 30, 2012		
		K2 fund	Mesirow fund	Total funds
Balance, beginning of year	$	—	—	—
Purchases		166,400	41,600	208,000
Total net gains (losses)		(510)	1,813	1,303
Sales		—	—	—
Balance, end of year	$	165,890	43,413	209,303

(Dollars in thousands)

A summary of assets whose use is limited or restricted as of June 30, 2013 and 2012 is as follows:

		2013	2012
Assets whose use is limited or restricted:			
By the board for capital improvements	$	1,547,405	1,375,077
Funds held by trustee under indenture agreements		—	34,723
Funds held by trustee for self-insurance		90,251	83,710
Funds held by RQIL		73,541	64,051
Funds temporarily restricted by donors		463	425
Investments held at the Foundation		96,189	90,472
Total assets whose use is limited or restricted	$	1,807,849	1,648,458

The composition of investment return for the years ended June 30, 2013 and 2012 is as follows:

		2013	2012
Investment return:			
Interest and dividend income	$	22,883	29,548
Net realized gains on sale of investments		40,538	58,743
Change in net unrealized gains and losses		69,286	(63,563)
Total investment return	$	132,707	24,728

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2013 and 2012 as follows:

		2013	2012
Other revenues – investment income	$	2,751	786
Nonoperating gains – investment income		128,782	23,565
Temporarily restricted net assets – investment income		1,182	308
Permanently restricted net assets – investment income (loss)		(9)	28
Interest income capitalized as part of construction in progress		1	41
Total investment return	$	132,707	24,728

(Continued)

(7) Derivative Instruments

HSHS has interest-rate related derivative instruments to manage its exposure on its debt instruments. HSHS does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and HSHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, HSHS exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes HSHS, which creates credit risk for HSHS. When the fair value of a derivative contract is negative, HSHS owes the counterparty, and therefore, it does not possess credit risk. HSHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Tax risk is the adverse effect that HSHS takes on to the extent tax law changes impact the rates paid to a variable rate bondholder (either positively or negatively) that would affect the variable rate received from the counterparty under a LIBOR-based swap that may not match the tax-exempt equivalent rate being paid. HSHS minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves to handle potential tax law changes.

Market risk is the adverse effect on the value of the derivative instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

HSHS is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the years ended June 30, 2013 and 2012, HSHS was not required to post collateral.

HSHS maintains interest rate swap agreements, which effectively change the interest rate exposure on a portion of its variable rate bonds to a fixed rate. HSHS receives the SIFMA Index variable rate and pays a fixed rate of 4.02% and 3.47%. The interest rate swap agreements have notional amounts of $218,475 at both June 30, 2013 and 2012, which will amortize through March 2036.

HSHS also entered into a fixed spread basis swap in fiscal year 2008 that removes the tax risk from the bondholders and transfers the risk to HSHS. The premium that HSHS receives for taking on this risk is 67.00% of the one-month LIBOR plus a fixed spread of 48 basis points less the SIFMA Index rate. The fixed spread basis swap has a notional amount of $150,000 with a final maturity in May 2033.

(Dollars in thousands)

The following is a summary of the swaps as of June 30, 2013:

Type of interest swap		Notional amount		Settlement value	Fair value
Fixed payor	$	76,750		(13,409)	(12,627)
Fixed spread basis		150,000		(4,705)	(3,633)
Fixed payor		41,300		(8,011)	(7,448)
Fixed payor		100,425		(19,495)	(18,123)
			$	(45,620)	(41,831)

The following is a summary of the swaps as of June 30, 2012:

Type of interest swap		Notional amount		Settlement value	Fair value
Fixed payor	$	76,750		(25,211)	(22,536)
Fixed spread basis		150,000		(3,781)	(2,302)
Fixed payor		41,300		(13,145)	(11,533)
Fixed payor		100,425		(31,996)	(28,066)
			$	(74,133)	(64,437)

(8) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2013 and 2012 is as follows:

		2013	2012
Land	$	49,952	47,294
Land improvements		38,184	37,113
Buildings and permanent fixtures		1,296,440	1,246,834
Equipment and furnishings		1,193,187	1,142,086
		2,577,763	2,473,327
Less accumulated depreciation		1,509,277	1,433,133
		1,068,486	1,040,194
Construction in progress		189,031	111,869
	$	1,257,517	1,152,063

(Dollars in thousands)

As of June 30, 2013, construction in progress represents various building and remodeling projects. These projects, which have remaining contracted costs at June 30, 2013 of approximately $84,973, will be financed with board-designated assets or from operations.

A reconciliation of total interest costs, as reported in the accompanying consolidated statements of operations for 2013 and 2012, is as follows:

		2013	2012
Interest cost capitalized	$	3,238	3,997
Interest cost charged to expense		7,247	6,316
Total interest cost	$	10,485	10,313
Interest income capitalized	$	1	41

(9) Self-Insurance

(a) Professional and General Liability

Under the System's professional and general liability self-insurance program through RQIL, claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. At June 30, 2013 and 2012, funds held by RQIL were $73,541 and $64,051, respectively. The related estimated self-insurance liabilities for June 30, 2013 and 2012 were $66,881 and $51,488, respectively. At June 30, 2013 and 2012, RQIL's estimated self-insurance liability for all future claims payments reflects the actuarially determined outstanding losses at the undiscounted/expected level. The amount included in expenses for professional and general liability insurance by RQIL for 2013 and 2012 was $19,099 and $14,267, respectively, and is included in other expense in the consolidated statements of operations. These calculations take into consideration any liability that may be covered under an extended reporting endorsement and considered "tail" liability.

HSHS is involved in litigation arising in the ordinary course of business. Reported claims are in various stages of litigation. Additional claims may be asserted against HSHS arising from services through June 30, 2013. It is the opinion of management that the estimated malpractice liabilities accrued at June 30, 2013 are adequate to provide for potential losses resulting from pending or threatened litigation.

(b) Workers' Compensation and Employee Health

The HSHS self-insurance program provides workers' compensation insurance and health insurance for employees. An independent actuary has been retained to assist management in determining funding requirements for workers' compensation insurance. For health insurance claims, HSHS has developed internal techniques for estimating the ultimate costs. The amounts funded for each program have been placed in separate accounts that are administered by the trustee.

(Continued)

At June 30, 2013 and 2012, funds held by the trustee and critical access hospitals for workers' compensation liability self-insurance are $28,790 and $25,237, respectively, and related estimated self-insurance liabilities are $15,274 and $13,005, respectively. The discount rate used to compute the estimated self-insurance liability at June 30, 2013 and 2012 was 4%, for all future claim payments. The amount included in employee benefits for 2013 and 2012 was $8,256 and $5,599, respectively, and is included in other expense in the consolidated statements of operations. Subsequently, in July 2013, the estimated workers' compensation liability of $15,274 was transferred to RQIL to begin to administer this risk program.

At June 30, 2013 and 2012, funds held by the trustee for health insurance liability for employees' self-insurance are $61,461 and $58,473, respectively, and are included in assets whose use is limited or restricted. At June 30, 2013 and 2012, related estimated self-insurance liabilities are $12,018 and $10,518, respectively.

(10) Pension

HSHS employees participate in The Hospitals Sisters Health System Employees Pension Plan (the Plan). This noncontributory defined benefit pension plan covers substantially all employees of the System who have completed 1,000 hours of employment during any calendar year subsequent to the commencement of employment. The Plan recognizes and funds the costs related to employee service using the projected unit credit actuarial cost method. The information below represents the aggregation of HSHS' pension financial status, which is determined by the consulting actuaries on a member-specific basis.

(Dollars in thousands)

The following table sets forth the Plan's funded status, amounts recognized in HSHS' consolidated financial statements, and assumptions at June 30, 2013 and 2012:

		2013	2012
Change in benefit obligation:			
Benefit obligation at beginning of year	$	1,293,236	1,057,227
Service cost		49,622	40,998
Interest cost		60,884	58,154
Actuarial loss (gain)		(6,623)	161,114
Expected expenses		(102,258)	(6,061)
Benefits paid		(23,091)	(18,196)
Benefit obligation at end of year	$	1,271,770	1,293,236
Change in plan assets:			
Fair value of plan assets at beginning of year	$	883,197	808,116
Actual gain on plan assets		92,864	52,814
Employer contributions		66,906	40,463
Benefits paid		(23,091)	(18,196)
Fair value of plan assets at end of year	$	1,019,876	883,197
Reconciliation of funded status:			
Funded status	$	(251,894)	(410,039)
Amounts recognized in the accompanying consolidated balance sheets:			
Accrued benefit liability		(251,894)	(410,039)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:			
Prior service cost	$	(2,495)	(3,070)
Actuarial loss		(249,399)	(406,969)
	$	(251,894)	(410,039)

(Dollars in thousands)

		2013	2012
Changes recognized in unrestricted net assets:			
Net loss (gain) arising during the period	$	(128,269)	170,762
Amortization of prior service credit		(575)	303
Amortization or settlement recognition of net loss		(29,301)	(10,137)
Total recognized in unrestricted net assets	$	(158,145)	160,928
Total recognized in net periodic pension cost and unrestricted net assets	$	(91,239)	201,392
Estimated amounts that will be amortized from unrestricted net assets over the next fiscal year:			
Prior service credit		(575)	(575)
Net loss		(16,866)	(28,876)
Accumulated benefit obligation		1,169,337	1,172,307
Components of net periodic benefit cost:			
Service cost	$	49,622	40,998
Interest cost		60,884	58,154
Expected return on plan assets		(73,476)	(68,522)
Amortization of prior service cost		575	(303)
Amortization of net loss		29,301	10,137
Net periodic benefit cost	$	66,906	40,464

	2013	2012
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	5.24%	4.75%
Average rate of compensation increase	3.00	3.00
Measurement date	6/30/2013	6/30/2012
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	4.75%	5.69%
Expected long-term return on plan assets	8.25	8.25
Average rate of compensation increase	3.00	3.00
Measurement date	6/30/2012	6/30/2011

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustments.

As of June 30, 2013 and 2012, the Mercer Bond Model was used to determine the discount rate used to measure liabilities of the Plan. HSHS concluded the Mercer Bond Model provided the best estimate of the interest rates at which the pension benefits could be effectively settled in accordance with ASC Section 715-30-55-25. The Mercer Bond Model discounts the Plan's cash flow and calculates the Plan's appropriate equivalent single discount rate for the given cash flow based on a hypothetical bond portfolio whose cash flows from coupons and maturities match year-by-year the projected liability benefit payments from the Plan.

(Dollars in thousands)

HSHS expects to contribute to its pension plan for the 2014 fiscal year the following amount	$	49,908
The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:		
2014	$	30,401
2015		36,236
2016		42,432
2017		49,385
2018		56,541
2019–2023		384,527

The expected benefits are based on the same assumptions used to measure HSHS' benefit obligation at June 30, 2013 and include estimated future employee service.

The Plan has developed a Pension Plan Investment Policy Statement (the IPS), which is reviewed and approved by the HSHS board of directors. The IPS established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications, as well as specific investment manager guidelines. The IPS dictates that assets should be rebalanced back to target allocation on a quarterly basis. Investments are managed by independent advisers. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2013 and 2012:

Asset	Target allocation	Acceptable range	Actual allocation at June 30 2013	2012
Equities	57%	30%–70%	58%	55%
Debt securities	30	20–70	26	29
Alternative investments	13	0–15	13	12
Cash and cash equivalents	—	0–6	3	4

(a) Overall Investment Objective

The overall investment objective of the Plan is to invest the Plan's assets in a prudent manner to best serve the participants of the Plan. Plan investment assets are to produce investment results that achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist HSHS in meeting the obligations to the Plan's participants, manage risk exposures, focus on downside protection, and to maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns. Major investment decisions are authorized by the Board's Retirement Committee, which oversees the Plan's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic and international equity stocks to achieve the expected rate of return. To manage risk exposure, up to 30% of the Plans' assets are invested in a liability driven investment strategy.

(c) Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year. The Plan's interests in alternative investment funds are generally reported at the net asset value reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Plan's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from net asset value. As of June 30, 2013, the Plan had no plans or intentions to sell investments at amounts different from net asset value.

(Dollars in thousands)

The fair values of HSHS' pension plan assets at June 30, 2013, by asset category class, are as follows:

	June 30, 2013				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
Pension plan assets excluding accrued interest of $2,084:						
Cash and cash equivalents	$ 56,421			56,421	Daily	One
Common stocks	409,767	—	—	409,767	Daily	Three
U.S. government securities	—	105,915	—	105,915	Daily	One
Commingled mutual funds	—	143,194	—	143,194	Daily	One
Municipal bonds	—	2,688	—	2,688	Daily	Two
Corporate bonds, notes, and debentures	—	5,794	—	5,794	Daily	Two
Foreign securities	154,366	5,092	—	159,458	Daily	Three
Hedge funds:						
K2 multistrategy fund	—	—	29,679	29,679	Monthly	Thirty
Mesirow multistrategy fund	—	—	104,876	104,876	Monthly	Thirty
Total assets at fair value	$ 620,554	262,683	134,555	1,017,792		

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2013:

	Level 3 assets, year ended June 30, 2013		
	K2 fund	Escrow fund	Total funds
Balance, beginning of year	$ 20,537	86,305	106,842
Purchases	6,657	9,986	16,643
Total net gains	2,485	8,585	11,070
Sales	—	—	—
Balance, end of year	$ 29,679	104,876	134,555

(Dollars in thousands)

The fair values of the HSHS' pension plan assets at June 30, 2012, by asset category class, are as follows:

	June 30, 2012 Level 1	Level 2	Level 3	Total	Redemption or liquidation	Days' notice
Pension plan assets excluding accrued interest of $2,017:						
Cash and cash equivalents	$ 31,627	—	—	31,627	Daily	One
Common stocks	342,927	—	—	342,927	Daily	Three
U.S. government securities	—	108,654	—	108,654	Daily	One
Commingled mutual funds	—	142,355	—	142,355	Daily	One
Municipal bonds	—	2,917	—	2,917	Daily	Two
Corporate bonds, notes, and debentures	—	11,893	—	11,893	Daily	Two
Foreign securities	129,130	4,835	—	133,965	Daily	Three
Hedge funds:						
K2 multistrategy fund	—	—	20,537	20,537	Monthly	Thirty
Mesirow multistrategy fund	—	—	86,305	86,305	Monthly	Thirty
Total assets at fair value	$ 503,684	270,654	106,842	881,180		

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2012:

	Level 3 assets, year ended June 30, 2012 K2 fund	Mesirow fund	Total funds
Balance, beginning of year	$ —	—	—
Purchases	20,600	82,700	103,300
Total net gains (losses)	(63)	3,605	3,542
Sales	—	—	—
Balance, end of year	$ 20,537	86,305	106,842

(d) *Fair Value of Financial Instruments*

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, commingled mutual funds, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.

- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The Plan has certain hedge fund investments for which quoted market prices are not available. The estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(e) Fair Value Hierarchy

The Plan has adopted ASC Subtopic 715-20-50, *Compensation – Retirement Benefits: Defined Benefit Plans – General: Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(11) Long-Term Debt

HSSI and its 13 hospital affiliates are included in the HSSI Obligated Group. Under the terms of the Obligated Group MTI, each member of the Obligated Group is jointly and severally liable for all obligations issued thereunder. Bonds issued are unsecured general obligations, but carry covenants regarding withdrawals from the Obligated Group, issuance of additional debt, and creations of liens on property. Obligations outstanding under the Obligated Group MTI are issued through state health facility authorities and comprise both serial and term bonds with varying maturities.

(Dollars in thousands)

As of June 30, 2013, long-term debt consisted of the following:

Series	Interest rates	Final maturity dates		2013
Fixed interest rate issues:				
2007A	5.00%	March 15, 2028	$	72,035
2012B	2.00% to 5.00%	August 15, 2021		76,880
2012C	2.00% to 5.00%	August 15, 2021		68,785
Variable interest rate issues:				
2012A	Variable 0.88% at June 30, 2013	June 30, 2041		20,300
2012D	Variable 0.05% at June 30, 2013	August 1, 2040		61,050
2012E	Variable 0.05% at June 30, 2013	August 1, 2040		41,550
2012F	Variable 0.07% at June 30, 2013	August 1, 2040		31,645
2012G	Variable 0.07% at June 30, 2013	August 1, 2040		31,645
2012H	Variable 0.15% and 0.16% at June 30, 2013	August 1, 2040		65,885
2012I	Variable 0.13% to 0.17% at June 30, 2013	August 1, 2040		89,460
2012J	Variable 0.16% at June 30, 2013	August 1, 2040		14,160
Total fixed and variable interest debt				573,395
Other long-term debt				23,974
Plus unamortized bond issue premiums				20,717
Total debt				618,086
Less current installments				17,909
Less long-term debt subject to short-term remarketing agreements				169,508
Total long-term debt, excluding current installments			$	430,669

(Continued)

(Dollars in thousands)

As of June 30, 2012, long-term debt consisted of the following:

Series	Interest rates	Final maturity dates		2012
Fixed interest rate issues:				
2007A	5.00%	March 15, 2028	$	72,035
Variable interest rate issues:				
2003A	Variable 0.50% at June 30, 2012	December 1, 2023		65,550
2003B	Variable 0.25% to 0.37% at June 30, 2012	December 1, 2023		69,850
2007B-1	Variable 0.35% at June 30, 2012	March 15, 2036		76,750
2007B-2	Variable 0.50% at June 30, 2012	March 15, 2036		41,300
2007C	Variable 0.50% at June 30, 2012	March 15, 2036		100,425
2008A	Variable 0.15% to 0.19% at June 30, 2012	June 1, 2029		89,005
2008B	Variable 0.17% to 0.18% at June 30, 2012	June 1, 2029		14,090
				529,005
Other long-term debt				34,318
				563,323
Plus unamortized bond issue premiums				2,619
Total debt				565,942
Less current installments				28,517
Less long-term debt subject to short-term remarketing agreements				158,047
Total long-term debt, excluding current installments			$	379,378

(Continued)

(Dollars in thousands)

The Obligated Group's effective interest rates for variable debt for the years ended June 30, 2013 and 2012 are as follows:

	2013
Variable interest rate issues:	
2012A	0.06%
2012D	0.05
2012E	0.05
2012F	0.07
2012G	0.07
2012H	0.16
2012I	0.15
2012J	0.16

	2012
Variable interest rate issues:	
2003A	0.26%
2003B	0.32
2007B-1	0.19
2007B-2	0.26
2007C	0.27
2008A	0.16
2008B	0.15

Bond issue premiums and costs are amortized over the term of the related bonds using the bonds outstanding method. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated balance sheets.

HSSI has variable rate bonds, a portion of which have a put option available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying direct pay letter of credit, if available. Self-liquidity bonds are backed by the financial assets of HSSI. The bond series and the underlying credit facility terms are described as follows as of June 30, 2013:

Series	Term
Series 2012 D, E, F, and G	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the third anniversary of the purchase date
Series 2012 H, I, and J	Self-liquidity – 270 days

(Dollars in thousands)

On October 1, 2012, HSSI issued $601,475 of Series 2012 bonds of which $100,115 remain held as bank bonds as of June 30, 2013. HSSI received a bond premium of $19,360 related to this issuance as part of the proceeds. The proceeds of $520,720 were used to refund prior outstanding bonds and issue new bonds. As part of this issuance, $160,415 was issued as new bonds of which $100,115 remain held as bank bonds. The remaining part of the issuance of $441,060 was issued as bonds refunding prior outstanding bonds. As a result of this issuance, HSSI incurred a non-cash loss of $5,073 for previously unamortized bond issue costs.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to HSHS and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:		
2014	$	187,417
2015		72,872
2016		71,769
2017		71,649
2018		16,919
Thereafter		176,743
	$	597,369

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Obligated Group MTI are as follows:

Year ending June 30:		
2014	$	17,909
2015		17,575
2016		16,473
2017		16,353
2018		16,919
Thereafter		512,140
	$	597,369

(Dollars in thousands)

(12) Capital Leases

HSHS leases certain equipment under capital leases. Included with property, plant, and equipment are $25,184 of assets held under capital leases and $8,317 of related accumulated amortization at June 30, 2013. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2013 is as follows:

		Amount
Year:		
2014	$	4,606
2015		3,805
2016		2,251
2017		1,381
2018		1,189
Thereafter		9,882
Total future minimum lease payments		23,114
Less amount representing interest at rates ranging from 5.0% to 6.5%		5,535
Present value of future minimum lease payments		17,579
Less current portion of obligations under capital leases included in current installments of long-term debt		3,684
Obligations under capital leases, excluding current portion included in long-term debt, excluding current installments	$	13,895

(13) Functional Expenses

HSHS provides general healthcare services to residents within its respective geographic regions. Expenses related to providing these services for the years ended June 30, 2013 and 2012 are as follows:

		2013	2012
Healthcare services	$	1,545,042	1,506,246
General and administrative services		440,960	423,337
	$	1,986,002	1,929,583

(14) Prevea

St. Vincent Hospital (St. Vincent) and St. Mary's Hospital Medical Center (St. Mary's) (collectively referred to as the Green Bay Hospitals), two members of the Obligated Group located in Green Bay, Wisconsin, each have a 25% interest in Prevea Health Systems, Inc. (Prevea). The Green Bay Hospitals held $21,989 (21,989 shares), at June 30, 2013 and 2012, of Prevea preferred stock. Prevea has

9,000 shares of authorized stock consisting of 900 shares of Class P voting common stock, 3,600 shares of Class P nonvoting, and 4,500 shares of Class H common stock.

With respect to all matters upon which shareholders are entitled to vote or give consent, the outstanding shares of Class P voting common stock constitute one voting group and the holders of outstanding shares of Class H common stock constitute a separate voting group. Each voting group gets 50% of the total voting privileges (with each entitled to elect one-half of the total authorized number of directors of the corporation). Based on Prevea numbers as of June 30, there are 100 voting shares for the Hospitals (Class H), 146 voting shares for Physicians (Class P). There are 457 nonvoting shares. The preferred stockholders of Prevea have liquidation preferences to common stockholders, as defined in the Articles of Incorporation of Prevea. The preferred stock entitles the Green Bay Hospitals to receive dividends equal to 7% of the face value of the preferred stock. Additionally, preferred stock dividends are cumulative. The Green Bay Hospitals' policy is to recognize preferred stock dividends when the dividends are declared. Dividends were declared and paid by Prevea totaling $0 in 2013 and $500 in 2012. The investment in Prevea is accounted for using the equity method. The carrying value of the Green Bay Hospitals' investment in Prevea, inclusive of preferred stock holdings, is reported as other assets in the accompanying consolidated balance sheets.

Prevea formed a wholly owned subsidiary, Prevea Clinic, Inc. (the Clinic). The Clinic started operations in 1995. The Clinic consists of several medical clinic locations throughout the Green Bay and Sheboygan area with approximately 296 physicians and midlevel providers.

Prevea formed Prevea Regional Services, Inc. (Prevea Regional) in 1997 to develop a regional clinic system throughout the outlying areas of Green Bay. Prevea held all of the voting common stock of Prevea Regional on June 30, 2009. The Green Bay Hospitals held $5,550 (1,110 shares) at June 30, 2009 of nonvoting preferred stock in Prevea Regional. In August 2009, Prevea Regional was merged into the Clinic by Prevea. Also in August 2009, the Green Bay Hospitals' preferred stock shares of $5,550 (1,110 shares) in Prevea Regional were exchanged for preferred shares of equal value in Prevea Health Services, Inc.

In September 2009, the Clinic entered into several transactions with St. Vincent. They are summarized as follows:

- Certain assets of the Clinic were sold, transferred, and assigned in the amount of $31,370 in exchange for the redemption of the appropriate number of shares of preferred stock owned by St. Vincent having the same value.
- Lease arrangements – St. Vincent leased all real property, equipment, furnishings, and other personal property and intellectual property from the Clinic for use in the operations of the Clinic.
- Physician services agreement – St. Vincent entered into physician services agreement with the Clinic whereby the Clinic provides certain professional medical services in connection with the operations of the clinic.
- Managed and staff services agreement – St. Vincent entered into a management and nonphysician staff services agreement with the Clinic in connection with the operations of the clinics whereby the

(Dollars in thousands)

Clinic provides certain management and nonphysician staff services in connection with the operations of the Clinic.

Since September 2009, St. Vincent, with the completion of these transactions, has assumed operations of the Clinic's medical clinic locations, and it is now operating these sites as St. Vincent doing business as Prevea Health receiving all of the Clinic's patient revenues and responsible for all of the operating expenses. The expenses directly related to Prevea Health, mainly for the leasing of all employees and doctors, for the years ended June 30, 2013 and 2012 are $184,806 and $178,214, respectively, included in other expenses in the consolidated statements of operations.

During the years ended June 30, 2013 and 2012, the Green Bay Hospitals have $906 and $930, respectively, of notes receivable for cash advances to Prevea.

The following are Prevea's condensed unaudited financial statement data as of and for the years ended June 30, 2013 and 2012:

		2013	2012
Total assets	$	86,283	83,914
Total liabilities		50,347	50,458
Total equity		35,935	33,456
Total net revenue		198,779	182,007
Net income		2,682	2,220

The Green Bay Hospitals' equity portion in Prevea at June 30, 2013 and 2012 increased by $774 and $1,595, respectively, and is included in other operating income in the accompanying consolidated statements of operations.

During fiscal year 2010, the Obligated Group replaced the St. Vincent guarantee whereby the Obligated Group agrees to guarantee the lesser of $10,500, or 39.92%, of the outstanding notes. The Obligated Group will be paid 1.25% of the lesser of 39.92% of the average outstanding principal amount of $10,500 the outstanding notes. Included in the guarantee executed in December 2009 are $2,920 taxable variable rate demand notes of PHP Insurance Plan, Inc. (PHP). PHP, a former health maintenance organization, sold its insurance license, changed its corporate structure, and became Prevea Ventures, LLC (PV). Prevea is the sole corporate member of PV. At June 30, 2013 and 2012, the Clinic has notes outstanding with balances of $21,291 and $22,555, respectively. At June 30, 2013 and 2012, PV has notes outstanding of $2,364 and $2,505, respectively.

(Dollars in thousands)

(15) Joint Ventures

Joint ventures are accounted for using the equity method of accounting and represent $14,925 and $18,002 of other long-term assets in the accompanying consolidated balance sheets at June 30, 2013 and 2012, respectively. The most significant of these investments, excluding Prevea (note 14), include:

- Protestant Memorial Medical Center and St. Elizabeth's Healthcare Services, LLP (held by St. Elizabeth's Hospital) – 50% ownership interest
- Northeast Wisconsin Radiation Therapy Services, LLC (held by St. Vincent and St. Mary's, Green Bay) – each hospital has a 25% ownership interest
- Pain Center of Wisconsin (held by St. Vincent) – 50% ownership interest
- Surgery Center of Sheboygan, LLC (held by St. Nicholas Hospital) – 50% ownership interest
- Orange Cross Ambulance, Inc. (held by St. Nicholas Hospital) – 50% ownership interest
- Holy Family (held by St. Vincent) – 50% ownership interest
- Wisconsin Upper Peninsula Oncology Management Services, Inc. (held by St. Vincent) – 50% ownership interest
- Community Memorial Hospital – (held by St. Vincent (70%) and St. Mary's, Green Bay (30%)) – 24% ownership interest overall, beginning May 17, 2011.

For the years ended June 30, 2013 and 2012, HSHS recognized income of $3,384 and $4,131, respectively, in investments in affiliated companies. This activity is included as a component of other revenue in the accompanying consolidated statements of operations. During 2013 and 2012, HSHS received cash distributions of $4,230 and $4,039, respectively, from the joint ventures. During 2012, HSHS also contributed cash of $95 to the joint ventures.

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of HSHS as of June 30, 2013 and 2012:

	2013	2012
Total assets	$ 51,504	52,613
Total liabilities	17,143	18,411
Total equity	34,361	34,202
Total net revenue	33,489	35,030
Net income	6,590	7,886

(Dollars in thousands)

(16) Pledges Receivable

Pledges, net of a present value discount rate, determined in the year the pledge is made, and an allowance for uncollectible pledges are recorded as a component of assets whose use is limited or restricted in the accompanying consolidated financial statements based on their expected collection date.

Included in assets whose use is limited or restricted at June 30, 2013 and 2012 are the following unconditional promises to give:

		2013	2012
Unconditional promises to give	$	7,103	8,291
Less unamortized discount		158	419
		6,945	7,872
Less allowance for uncollectible pledges		260	286
Net pledges receivable	$	6,685	7,586
Amounts due in:			
Less than one year	$	2,487	2,553
One to five years		4,413	4,751
More than five years		203	987
Total	$	7,103	8,291

(17) Temporarily and Permanently Restricted Assets

Temporarily restricted assets are available for the following purposes or periods at June 30, 2013 and 2012:

		2013	2012
Healthcare services	$	11,916	9,475
Capital expenditures		13,109	10,883
Catholic Radio		207	221
College of nursing		255	204
	$	25,487	20,783

(Dollars in thousands)

As of June 30, 2013 and 2012, HSHS has permanently restricted endowments as follows:

		2013	2012
Assets to be held in perpetuity, the income from which is expendable to support nursing schools	$	2,430	2,300
Assets to be held in perpetuity, the income from which is expendable to support specific operations of HSHS facilities		20,641	20,450
	$	23,071	22,750

As of June 30, 2013 and 2012, HSHS has unrestricted and temporarily restricted funds that represent the unspent accumulation of earnings for endowment funds as follows:

		2013	2012
Unspent income from which is expendable to support nursing schools	$	324	241
Unspent income from which is expendable to support specific operations of HSHS facilities		8,673	7,334
	$	8,997	7,575

(18) Commitments and Contingencies

(a) Operating Leases

HSHS occupies space in certain facilities and leases various pieces of equipment under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2013 and 2012 were $29,053 and $28,552, respectively.

The following is a schedule by year of future minimum lease payments to be made under operating leases as of June 30, 2013 that have initial or remaining lease terms in excess of one year:

		Amount
Year ending June 30:		
2014	$	23,278
2015		17,936
2016		15,785
2017		14,600
2018		14,102
Thereafter		17,651

(b) Legal, Regulatory, and Other Contingencies and Commitments

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for HSHS and other healthcare organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. HSHS maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) Litigation

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

(d) Unemployment

The Wisconsin hospitals of HSHS pledged a U.S. Treasury note as collateral for any unpaid unemployment compensation claims with a face value of $4,000 for 2013 and 2012 to the Wisconsin Unemployment Reserve Fund. The pledged U.S. Treasury note remained unused at June 30, 2013 and 2012.

(e) The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act or the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

On May 6, 2011, CMS issued a final rule establishing a value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, incentive payments will be made based on achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. HSHS continues to monitor the impact of this ruling as regulations become finalized.

(f) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the Governor of Illinois signed into law, *Public Act 97-0688*, which creates new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. HSHS certified in 2013 and has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(g) Investment Risk and Uncertainties

HSHS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

(19) Subsequent Events

HSHS evaluated events and transactions through October 28, 2013, the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

Assets	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Current assets:					
Cash and cash equivalents	$ 55,473	—	3,693	1,666	106
Receivables:					
Patients' accounts, less allowance for uncollectible accounts of $129,300	276,021	—	1,932	—	—
Due from third-party reimbursement programs	2,813	—	—	—	—
Other	18,702	—	26	380	—
Total receivables	297,536	—	1,958	380	—
Current portion of assets whose use is limited or restricted	156,825	—	4,048	—	—
Inventories	38,875	—	—	—	—
Prepaid expenses	9,691	—	—	438	—
Total current assets	558,400	—	9,699	2,484	106
Assets whose use is limited or restricted	1,552,282	73,541	317	—	8,571
Property, plant, and equipment, net	1,058,097	—	5,216	7,495	1,971
Other assets	71,232	—	—	—	—
Total assets	$ 3,240,011	73,541	15,232	9,979	10,648
Liabilities and Net Assets					
Current liabilities:					
Current installments of long-term debt	$ 14,481	—	—	—	—
Long-term debt subject to short-term remarketing agreements	169,508	—	—	—	—
Accounts payable	96,058	—	1,319	3,005	78
Accrued liabilities	96,804	475	43	721	12
Estimated payables under third-party reimbursement programs	43,637	—	—	—	—
Total current liabilities	420,488	475	1,362	3,726	90
Long-term debt, excluding current installments	474,091	—	—	5,000	—
Estimated self-insurance liabilities	15,274	66,881	—	—	—
Derivative instruments	41,831	—	—	—	—
Accrued benefit liability	232,510	—	—	—	—
Other noncurrent liabilities	30,041	—	6,242	—	411
Total liabilities	1,214,235	67,356	7,604	8,726	501
Net assets:					
Unrestricted	1,929,884	6,185	7,628	1,253	10,147
Temporarily restricted	72,821	—	—	—	—
Permanently restricted	23,071	—	—	—	—
Total net assets	2,025,776	6,185	7,628	1,253	10,147
Stockholder's equity	—	—	—	—	—
Total liabilities and net assets	$ 3,240,011	73,541	15,232	9,979	10,648

See accompanying independent auditors' report.

System Office	HSHS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Kiara	Eliminations	Total
6,381	7,733	—	762	2,717	5,296	(2,717)	81,110
—	7,829	—	—	—	8,796	—	294,578
—	—	—	—	—	—	—	2,813
14,430	4,588	—	1,983	6,685	4,838	(27,997)	23,635
14,430	12,417	—	1,983	6,685	13,634	(27,997)	321,026
108,645	6,599	—	—	—	8,025	—	284,142
41	—	—	—	—	1,135	—	40,051
9,034	659	—	—	—	483	—	20,305
138,531	27,408	—	2,745	9,402	28,573	(30,714)	746,634
760	—	61,461	—	87,931	—	(261,156)	1,523,707
173,657	6,132	—	—	—	4,949	—	1,257,517
28,223	—	—	—	918	9,989	(42,154)	68,208
341,171	33,540	61,461	2,745	98,251	43,511	(334,024)	3,596,066
3,199	—	—	—	—	229	—	17,909
—	—	—	—	—	—	—	169,508
9,007	1,948	20,558	2,557	—	875	(21,312)	114,093
14,193	10,795	3,351	—	98,251	7,755	(98,463)	133,937
—	—	—	—	—	—	—	43,637
26,399	12,743	23,909	2,557	98,251	8,859	(119,775)	479,084
121,836	—	—	—	—	7,755	(178,013)	430,669
—	—	12,018	—	—	—	—	94,173
—	—	—	—	—	—	—	41,831
15,480	3,405	—	—	—	499	—	251,894
6,237	—	—	—	—	3,975	—	46,906
169,952	16,148	35,927	2,557	98,251	21,088	(297,788)	1,344,557
170,459	17,392	25,534	188	—	—	34,281	2,202,951
760	—	—	—	—	—	(48,094)	25,487
—	—	—	—	—	—	—	23,071
171,219	17,392	25,534	188	—	—	(13,813)	2,251,509
—	—	—	—	—	22,423	(22,423)	—
341,171	33,540	61,461	2,745	98,251	43,511	(334,024)	3,596,066

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Operations Information

Year ended June 30, 2013

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Net patient service revenues	$ 1,902,152	—	19,777	—	—
Provision for uncollectible accounts	(100,341)	—	—	—	—
Net patient service revenue less provision for uncollectible accounts	1,801,811	—	19,777	—	—
Other revenues:					
Investment income	2,036	4,789	—	—	—
Net assets released from restrictions used for operations	1,933	—	—	—	—
Other	65,763	14,310	617	6,922	885
Total revenues and other support	1,871,543	19,099	20,394	6,922	885
Expenses:					
Sisters' services	244	—	—	—	—
Salaries and wages	550,241	—	9,649	—	—
Employee benefits	208,683	—	4,094	—	—
Professional fees	96,221	—	211	95	7
Supplies	275,015	—	217	19	44
Depreciation and amortization	102,209	—	430	1,908	322
Interest	7,881	—	—	99	—
Other	570,069	19,099	5,226	9,218	306
Total expenses	1,810,563	19,099	19,827	11,339	679
Income (loss) from operations	60,980	—	567	(4,417)	206
Nonoperating gains (losses):					
Investment income	110,721	—	(26)	4	573
Change in fair value of interest rate swaps	22,606	—	—	—	—
Loss on conversion and early extinguishment of debt	(5,073)	—	—	—	—
Revenues and gains (losses) in excess (deficient) of expenses	189,234	—	541	(4,413)	779
Other changes in unrestricted net assets:					
Net assets released from restrictions used for the purchase of property, plant, and equipment	4,218	—	—	—	—
Reversal of change in pension funded status	150,522	—	—	—	—
Transfers from (to) affiliates	(47,095)	—	—	1,500	—
Change in unrestricted net assets	$ 296,879	—	541	(2,913)	779

See accompanying independent auditors' report.

Schedule 2

System Office	HSHS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Kiara	Eliminations	Total
—	55,862	—	—	—	34,317	—	2,012,108
—	(6,597)	—	—	—	(193)	—	(107,131)
—	49,265	—	—	—	34,124	—	1,904,977
—	—	2,737	1	—	814	(7,626)	2,751
—	—	—	—	2,483	—	(2,903)	1,513
118,304	46,117	140,121	160	2,056	29,745	(326,675)	98,325
118,304	95,382	142,858	161	4,539	64,683	(337,204)	2,007,566
1,031	—	—	—	—	—	—	1,275
48,866	71,081	—	—	—	60,848	3	740,688
13,301	11,200	139,649	126	—	8,054	(143,051)	242,056
7,447	8,417	—	—	—	964	—	113,362
228	3,228	—	—	—	1,148	(3,938)	275,961
28,098	1,211	—	—	—	1,693	—	135,871
3,305	—	—	—	—	256	(4,294)	7,247
38,656	16,599	—	—	9,493	8,631	(207,755)	469,542
140,932	111,736	139,649	126	9,493	81,594	(359,035)	1,986,002
(22,628)	(16,354)	3,209	35	(4,954)	(16,911)	21,831	21,564
15,411	606	—	—	5,683	—	(4,190)	128,782
—	—	—	—	—	—	—	22,606
—	—	—	—	—	—	—	(5,073)
(7,217)	(15,748)	3,209	35	729	(16,911)	17,641	167,879
—	—	—	—	—	—	(2,981)	1,237
4,643	1,264	—	—	—	1,716	—	158,145
28,737	16,858	—	—	(729)	15,195	(14,466)	—
26,163	2,374	3,209	35	—	—	194	327,261

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2013

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Unrestricted net assets:					
Revenues and gains (losses) in excess (deficient) of expenses	$ 189,234	—	541	(4,413)	779
Other changes in unrestricted net assets:					
Net assets released from restrictions use for the purchase of property, plant, and equipment	4,218	—	—	—	—
Reversal of change in pension funded status	150,522	—	—	—	—
Transfers from (to) affiliates	(47,095)	—	—	1,500	—
Change in unrestricted net assets	296,879	—	541	(2,913)	779
Temporarily restricted net assets:					
Investment income	6,118	—	—	—	—
Contributions	5,423	—	—	—	—
Transfers from (to) affiliates	—	—	—	—	—
Net assets released from restrictions	(6,151)	—	—	—	—
Change in temporarily restricted net assets	5,390	—	—	—	—
Permanently restricted net assets:					
Investment income (loss)	(9)	—	—	—	—
Contributions	330	—	—	—	—
Transfers from (to) affiliates	—	—	—	—	—
Change in permanently restricted net assets	321	—	—	—	—
Change in net assets	302,590	—	541	(2,913)	779
Net assets at beginning of year	1,723,186	6,185	7,087	4,166	9,368
Net assets at end of year	$ 2,025,776	6,185	7,628	1,253	10,147

See accompanying independent auditors' report.

System Office	HSHS Medical Group	Health Care Trust Fund	Flex Plan	Foundation	Klara	Eliminations	Total
(7,217)	(15,748)	3,209	35	729	(16,911)	17,641	167,879
—	—	—	—	—	—	(2,981)	1,237
4,643	1,264	—	—	—	1,716	—	158,145
28,737	16,858	—	—	(729)	15,195	(14,466)	—
26,163	2,374	3,209	35	—	—	194	327,261
752	—	—	—	1,182	—	(6,870)	1,182
(703)	—	—	—	5,967	—	(4,415)	6,272
—	—	—	—	(4,666)	—	4,666	—
—	—	—	—	(2,483)	—	5,884	(2,750)
49	—	—	—	—	—	(735)	4,704
—	—	—	—	(9)	—	9	(9)
—	—	—	—	329	—	(329)	330
—	—	—	—	(320)	—	320	—
—	—	—	—	—	—	—	321
26,212	2,374	3,209	35	—	—	(541)	332,286
145,007	15,018	22,325	153	—	—	(13,272)	1,919,223
171,219	17,392	25,534	188	—	—	(13,813)	2,251,509

HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2013

(Dollars in thousands)

Assets	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Current assets:						
Cash and cash equivalents	$ 2,288	3,546	4,395	5,922	(1,682)	2,382
Receivables:						
Patients' accounts, less allowance for uncollectible accounts	24,507	7,729	20,536	18,340	4,116	2,003
Due from third-party reimbursement programs	1,129	—	842	(49)	1	(6)
Other	1,958	35	2,209	479	231	157
Total receivables	27,594	7,764	23,587	18,770	4,348	2,154
Current portion of assets whose use is limited or restricted	3,266	2,572	2,241	8,054	2,385	1,307
Inventories	2,421	628	3,137	4,788	468	387
Prepaid expenses	679	241	712	239	177	298
Total current assets	36,248	14,751	34,072	37,773	5,696	6,528
Assets whose use is limited or restricted, net of current portion	12,708	87,228	10,548	256,257	5,463	22,229
Property, plant, and equipment, net	60,264	22,084	98,543	60,040	42,263	22,542
Other assets	4,549	166	219	153	340	66
Total assets	$ 113,769	124,229	143,382	354,223	53,762	51,365
Liabilities and Net Assets						
Current liabilities:						
Current installments of long-term debt	$ 810	191	688	948	1,125	97
Long-term debt subject to short-term remarketing agreements	10,080	2,381	8,565	7,106	14,002	1,210
Accounts payable	6,153	1,199	6,647	5,548	2,158	1,083
Accrued liabilities	6,891	2,361	4,930	4,625	1,118	1,487
Estimated payables under third-party reimbursement programs	2,822	3,078	6,752	8,387	825	1,423
Total current liabilities	26,756	9,210	27,582	26,614	19,228	5,300
Long-term debt, excluding current installments	57,546	6,132	32,293	21,338	30,570	8,879
Estimated self-insurance liabilities	3,343	125	1,768	300	468	599
Derivative instruments	34	2,402	12	7,007	9	535
Accrued benefit liability	21,639	4,682	17,863	9,468	3,558	6,117
Other noncurrent liabilities	8,488	2,501	1,806	687	1,025	868
Total liabilities	117,806	25,052	81,324	65,414	54,858	22,298
Net assets:						
Unrestricted	(10,927)	97,531	55,077	286,716	(6,543)	26,066
Temporarily restricted	6,798	1,646	5,780	1,981	5,447	2,378
Permanently restricted	92	—	1,201	112	—	623
Total net assets	(4,037)	99,177	62,058	288,809	(1,096)	29,067
Total liabilities and net assets	$ 113,769	124,229	143,382	354,223	53,762	51,365

See accompanying independent auditors' report.

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
2,201	(507)	637	858	6,598	19,204	6,211	3,420	—	55,473
90,001	7,078	6,406	23,582	11,839	49,664	10,220	—	—	276,021
—	101	—	—	295	198	302	—	—	2,813
3,359	457	127	715	613	9,004	647	149	(1,438)	18,702
93,360	7,636	6,533	24,297	12,747	58,866	11,169	149	(1,438)	297,536
72,599	3,747	4,674	17,669	9,793	22,970	4,848	700	—	156,825
10,975	922	391	5,100	2,780	5,267	1,611	—	—	38,875
3,608	351	59	677	205	2,305	140	—	—	9,691
182,743	12,149	12,294	48,601	32,123	108,612	23,979	4,269	(1,438)	558,400
273,858	31,509	92,615	342,836	56,429	320,129	40,473	—	—	1,552,282
331,112	37,618	24,610	103,424	74,994	131,919	48,684	—	—	1,058,097
4,857	460	93	352	10,355	41,347	1,449	6,826	—	71,232
792,570	81,736	129,612	495,213	173,901	602,007	114,585	11,095	(1,438)	3,240,011
5,399	279	348	1,314	728	1,958	596	—	—	14,481
67,200	3,468	4,326	16,355	9,065	21,262	4,488	—	—	169,508
25,664	2,066	2,963	11,682	5,439	18,338	4,978	3,578	(1,438)	96,058
21,244	2,180	3,583	7,705	3,798	30,898	2,565	3,419	—	96,804
10,394	2,886	1,033	5,321	96	620	—	—	—	43,637
129,901	10,879	12,253	42,377	19,126	73,076	12,627	6,997	(1,438)	420,488
155,455	8,933	11,144	42,129	23,350	60,155	16,167	—	—	474,091
6,461	433	170	870	97	352	288	—	—	15,274
8,092	840	2,271	9,424	1,542	8,614	1,049	—	—	41,831
51,999	9,418	13,966	23,967	15,828	47,025	6,980	—	—	232,510
10,203	1,855	—	500	231	654	582	641	—	30,041
362,111	32,358	39,804	119,267	60,174	189,876	37,693	7,638	(1,438)	1,214,235
402,509	46,957	79,994	368,796	106,744	404,059	69,448	3,457	—	1,929,884
25,458	2,339	3,464	1,813	4,684	5,240	5,793	—	—	72,821
2,492	82	6,350	5,337	2,299	2,832	1,651	—	—	23,071
430,459	49,378	89,808	375,946	113,727	412,131	76,892	3,457	—	2,025,776
792,570	81,736	129,612	495,213	173,901	602,007	114,585	11,095	(1,438)	3,240,011

HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois

Consolidating Statement of Operations Information

Year ended June 30, 2013

(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Net patient service revenues	$ 158,547	48,566	137,909	118,705	25,655	33,943
Provision for uncollectible accounts	(17,624)	(785)	(10,770)	(5,239)	(955)	(2,569)
Net patient service revenue less provision for uncollectible accounts	140,923	47,781	127,139	113,466	24,700	31,374
Other revenues:						
Investment income	395	25	253	71	6	62
Net assets released from restrictions used for operations	—	9	—	—	—	—
Other	6,512	2,396	6,540	5,446	442	1,193
Total revenues	147,830	50,211	133,932	118,983	25,148	32,629
Expenses:						
Sisters' services	2	—	2	—	24	—
Salaries and wages	53,068	16,962	42,169	32,491	8,466	10,716
Employee benefits	19,287	6,607	16,384	14,030	4,261	4,372
Professional fees	4,996	3,012	7,362	6,039	2,525	2,944
Supplies	21,496	4,022	18,971	17,360	2,462	2,651
Depreciation and amortization	9,395	3,316	8,044	6,247	1,005	1,429
Interest	857	135	645	511	136	11
Other	54,644	9,271	39,046	24,730	6,980	7,746
Total expenses	163,745	43,325	132,623	101,408	25,859	29,869
Income (loss) from operations	(15,915)	6,886	1,309	17,575	(711)	2,760
Nonoperating gains (loss):						
Investment income (loss)	23	6,156	(281)	18,582	(129)	1,516
Change in fair value of interest rate swap	5,673	(1,067)	3,409	(3,793)	460	910
Loss on conversion and early extinguishment of debt	(370)	(101)	(368)	(239)	(5)	(51)
Revenues and gains (losses) in excess (deficient) of expenses	(10,589)	11,874	4,069	32,125	(385)	5,135
Other changes in unrestricted net assets:						
Net assets released from restrictions used for the purchase of property, plant, and equipment	444	—	81	275	115	—
Transfers to affiliate	(6,382)	(1,084)	(4,929)	(2,990)	(765)	(2,368)
Reversal of changes in pension funded status	16,928	3,001	10,720	7,387	2,979	3,599
Change in unrestricted net assets	$ 401	13,791	9,941	36,797	1,944	6,366

See accompanying independent auditors' report

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
440,166	48,050	68,622	215,929	123,136	415,744	67,180	—	—	1,902,152
(37,485)	(1,816)	(952)	(5,007)	(4,912)	(9,743)	(2,484)	—	—	(100,341)
402,681	46,234	67,670	210,922	118,224	406,001	64,696	—	—	1,801,811
819	99	18	70	21	126	71	—	—	2,036
1,924	—	—	—	—	—	—	—		1,933
20,047	2,532	2,401	5,856	6,086	7,293	4,311	235	(5,527)	65,763
425,471	48,865	70,089	216,848	124,331	413,420	69,078	235	(5,527)	1,871,543
57	—	—	—	—	159	—	—	—	244
138,423	16,037	27,605	72,264	34,141	77,894	20,005	—	—	550,241
50,495	6,549	10,428	24,785	13,692	30,459	7,334	—	—	208,683
41,392	5,370	3,467	5,452	3,099	12,347	984	(200)	(2,568)	96,221
81,948	4,834	4,695	32,579	18,493	55,839	9,665	—	—	275,015
26,013	3,739	2,931	12,812	6,483	16,212	4,583	—	—	102,209
2,413	155	226	863	537	1,183	209	—	—	7,881
95,757	13,865	14,975	39,799	35,609	205,809	23,925	872	(2,959)	570,069
436,498	50,549	64,327	188,554	112,054	399,902	66,705	672	(5,527)	1,810,563
(11,027)	(1,684)	5,762	28,294	12,277	13,518	2,373	(437)	—	60,980
23,280	2,273	6,025	23,803	3,755	23,433	2,243	42	—	110,721
14,771	692	(372)	(2,224)	2,446	765	936			22,606
(1,351)	(141)	(186)	(694)	(421)	(957)	(189)	—	—	(5,073)
25,673	1,140	11,229	49,179	18,057	36,759	5,363	(395)	—	189,234
41	66	512	734	494	555	901	—	—	4,218
(18,149)	(1,797)	(1,265)	(2,001)	(1,097)	(3,645)	(623)	—	—	(47,095)
37,387	6,714	6,513	13,523	9,368	26,284	6,119	—	—	150,522
44,952	6,123	16,989	61,435	26,822	59,953	11,760	(395)	—	296,879

HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2013

(Dollars in thousands)

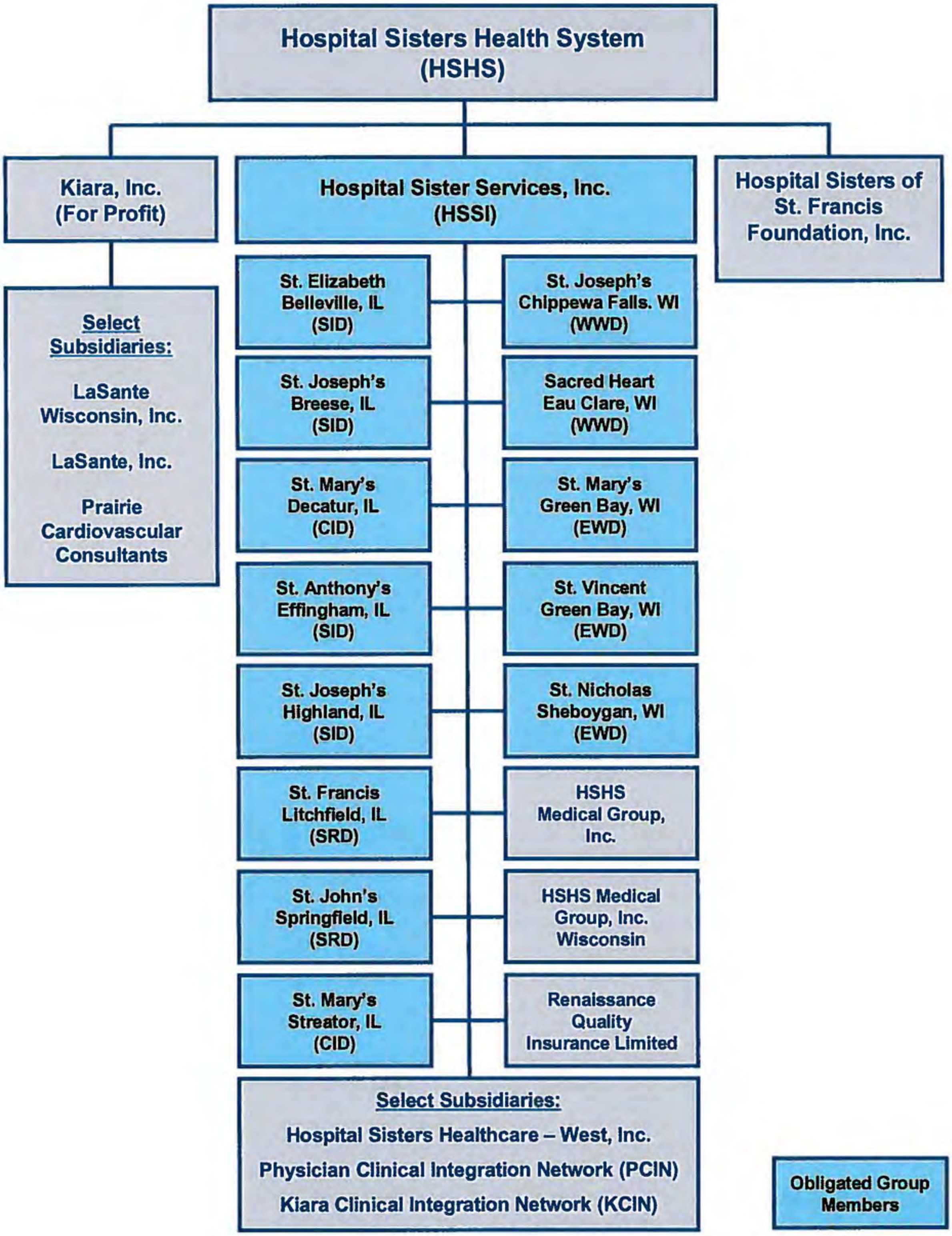
	St. Elizabeth's Belleville, Illinois	St. Joseph's Breese, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Unrestricted net assets:						
Revenues and gains (losses) in excess (deficient) of expenses	$ (10,589)	11,874	4,069	32,125	(385)	5,135
Other changes in unrestricted net assets:						
Net assets released from restrictions used for the purchase of property, plant, and equipment	444	—	81	275	115	—
Transfers to affiliate	(6,382)	(1,084)	(4,929)	(2,990)	(765)	(2,368)
Reversal of changes in pension funded status	16,928	3,001	10,720	7,387	2,979	3,599
Change in unrestricted net assets	401	13,791	9,941	36,797	1,944	6,366
Temporarily restricted net assets:						
Investment income	428	103	307	138	198	165
Contributions	588	5	552	7	1,157	198
Net assets released from restrictions	(444)	(9)	(81)	(275)	(115)	—
Change in temporarily restricted net assets	572	99	778	(130)	1,240	363
Permanently restricted net assets:						
Investment loss	—	—	—	—	—	—
Contributions	18	—	—	—	—	—
Change in permanently restricted net assets	18	—	—	—	—	—
Change in net assets	991	13,890	10,719	36,667	3,184	6,729
Net assets at beginning of year	(5,028)	85,287	51,339	252,142	(4,280)	22,338
Net assets at end of year	$ (4,037)	99,177	62,058	288,809	(1,096)	29,067

See accompanying independent auditors' report.

St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
25,673	1,140	11,229	49,179	18,057	36,759	5,363	(395)	—	189,234
41	66	512	734	494	555	901	—	—	4,218
(18,149)	(1,797)	(1,265)	(2,001)	(1,097)	(3,645)	(623)	—	—	(47,095)
37,387	6,714	6,513	13,523	9,368	26,284	6,119	—	—	150,522
44,952	6,123	16,989	61,435	26,822	59,953	11,760	(395)	—	296,879
1,926	164	670	503	481	473	562	—	—	6,118
947	57	236	160	(7)	1,455	68	—	—	5,423
(1,965)	(66)	(512)	(734)	(494)	(555)	(901)	—	—	(6,151)
908	155	394	(71)	(20)	1,373	(271)	—	—	5,390
—	—	—	(9)	—	—	—	—	—	(9)
15	1	19	237	2	28	10	—	—	330
15	1	19	228	2	28	10	—	—	321
45,875	6,279	17,402	61,592	26,804	61,354	11,499	(395)	—	302,590
384,584	43,099	72,406	314,354	86,923	350,777	65,393	3,852	—	1,723,186
430,459	49,378	89,808	375,946	113,727	412,131	76,892	3,457	—	2,025,776

Exhibit B

HSHS Organization Chart



The Hospital Affiliates

The following is a list of the Hospital Affiliates and the location of the primary facilities separated by Division.

Springfield(Illinois) Referral Division	**Description of Facility**	**Number of Licensed Beds**	**Number of Staffed Beds**	**Location**
St. Francis Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Francis")	Acute, Critical Access Hospital	36	25	Litchfield
St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. John's")	Acute, Heart Institute, and Women's and Children's Hospital	439	430	Springfield
Southern Illinois Division				
St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Elizabeth's")	Acute, Psychiatric	338	260	Belleville
St. Joseph's Hospital, Breese, of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Breese")	Acute	72	46	Breese
St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Anthony's")	Acute	146	146	Effingham
St. Joseph's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Highland")	Acute, Critical Access Hospital	25	25	Highland
Central Illinois Division				
St. Mary's Hospital, Streator, of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Mary's-Streator")	Acute	97	68	Streator
St. Mary's Hospital, Decatur, of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Mary's-Decatur")	Acute	355	231	Decatur

Western Wisconsin Division	Description of Facility	Number of Approved Beds	Number of Staffed Beds	Location
St. Joseph's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Chippewa Falls")	Acute	217	126	Chippewa Falls
Sacred Heart Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "Sacred Heart")	Acute	344	217	Eau Claire
Eastern Wisconsin Division				
St. Mary's Hospital Medical Center of Green Bay, Inc. (referred to as "St. Mary's-Green Bay")	Acute	158	83	Green Bay
St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Vincent")	Acute	517	255	Green Bay
St. Nicholas Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Nicholas")	Acute	185	53	Sheboygan

The Corporation and each of the Hospital Affiliates are exempt from federal income taxation under Section 501(a) of the Code, as organizations described in Section 501(c)(3) of the Code, and are not "private foundations" within the meaning of Section 509(a) of the Code.

THE HOSPITAL FACILITIES

Bed Complement

The Hospital Facilities located in Illinois had an aggregate of 1,508 licensed beds and 1,231 staffed beds as of June 30, 2013. The Hospital Facilities located in Wisconsin had an aggregate of 1,421 approved beds and 734 staffed beds as of June 30, 2013.

Summary of Certain Operating Statistics of the Obligated Group and Financial Data of HSHS

The following tables set forth certain operating statistics for the Obligated Group and financial information for HSHS for the fiscal years ended June 30, 2010, 2011, 2012, and 2013. The financial data was derived from the audited consolidated financial statements of HSHS for the fiscal years ended June 30, 2010, 2011, 2012, and 2013. For more detailed information regarding the financial results of HSHS, see the information under the caption "Condensed Consolidated Summary Statements of Operations of HSHS" herein and the audited consolidated statements of operations of HSHS for the fiscal years ended June 30, 2012 and 2013 attached as Exhibit A.

Summary of Certain Operating Statistics of the Obligated Group

	Fiscal Year Ended June 30			
	2010	**2011**	**2012**	**2013**
Number of Licensed/Approved Beds	3,286	3,103	3,062	2,929
Number of Staffed Beds	2,064	2,069	1,996	1,965
Admissions	85,707	83,135	83,062	82,681
Average Length of Stay	4.55	4.63	4.49	4.43
Average Daily Census	1,067.9	1,055.7	1,019.95	1,003.96
Patient Days	389,783	385,327	373,302	366,445
Outpatient Registrations	1,322,975	1,402,441	1,480,542	1,440,323
Total Patients	1,712,758	1,787,768	1,853,844	1,806,768
Inpatient Surgical Cases	22,150	21,847	21,105	19,461
Outpatient Surgical Cases	44,685	43,372	43,981	41,639
Total Surgeries	66,835	65,219	65,086	61,100
Emergency Room Visits	318,570	309,030	300,915	296,655

Summary of Certain Financial Data of HSHS

	Fiscal Year Ended June 30 (dollars in thousands)			
	2010	**2011**	**2012**	**2013**
Net Patient Service Revenues less Provision for Uncollectible Accounts	$1,729,142	$1,829,091	$1,869,928	$1,904,977
Income (Loss) from Operations	$ 26,809	$ (38,886)	$ 291	$ 21,564
Revenues and Gains in Excess (Deficient) of Expenses	$126,490	$ 190,611	$ (11,943)	$ 167,879

Utilization Statistics

The following tables provide selected utilization statistics for the System Divisions.

Illinois Hospitals

Springfield Referral Division	**Fiscal Year Ended June 30**			
	2010	**2011**	**2012**	**2013**
Admissions	21,111	20,994	20,905	21,889
Average Length of Stay:				
St. John's Springfield	5.23	5.24	5.26	5.12
St. Francis Litchfield	3.29	3.51	3.53	3.34
Average Daily Census	294.35	294.39	293.91	300.52
Patient Days	107,435	107,451	107,572	109,967
Outpatient Registrations	296,716	292,186	294,353	292,384
Total Patients	404,151	399,637	401,925	402,351
Inpatient Surgical Cases	5,581	5,427	5,469	5,231
Outpatient Surgical Cases	12,619	11,547	11,448	10,440
Total Surgical Cases	18,200	16,974	16,917	15,671
Emergency Room Visits	69,305	68,355	65,077	65,051
Medicare Case Mix:				
St. John's Springfield	1.77	1.75	1.80	1.86
St. Francis Litchfield	1.02	1.02	1.00	0.96

Southern Illinois Division	**Fiscal Year Ended June 30**			
	2010	**2011**	**2012**	**2013**
Admissions	23,375	21,609	20,896	18,942
Average Length of Stay:				
St. Elizabeth's Belleville	4.24	4.27	4.04	4.07
St. Joseph's Breese	3.31	2.98	2.70	2.43
St. Anthony's Effingham	3.77	3.80	3.67	3.84
St. Joseph's Highland	4.74	4.64	4.19	4.28
Average Daily Census	258.87	238.99	218.67	201.29
Patient Days	94,488	87,230	80,037	73,469
Outpatient Registrations	394,781	412,023	430,269	405,531
Total Patients	489,269	499,253	510,306	510,306
Inpatient Surgical Cases	4,921	4,857	4,532	4,011
Outpatient Surgical Cases	12,843	11,194	11,442	10,736
Total Surgical Cases	17,764	16,051	15,974	14,747
Emergency Room Visits	74,775	75,580	77,062	73,276
Medicare Case Mix:				
St. Elizabeth's Belleville	1.64	1.61	1.67	1.62
St. Joseph's Breese	1.31	1.27	1.24	1.21
St. Anthony's Effingham	1.26	1.43	1.38	1.38
St. Joseph's Highland	1.06	1.17	1.14	1.20

Central Illinois Division	**Fiscal Year Ended June 30**			
	2010	**2011**	**2011**	**2013**
Admissions	10,724	10,309	10,467	10,084
Average Length of Stay:				
St. Mary's Decatur	4.98	5.02	5.23	5.34
St. Mary's Streator	5.16	5.27	3.72	3.60
Average Daily Census	147.91	143.77	140.68	138.77
Patient Days	53,990	52,479	51,488	50,652
Outpatient Registrations	193,321	245,004	254,160	242,329
Total Patients	247,311	297,483	305,648	292,981
Inpatient Surgical Cases	2,318	2,160	2,023	1,454
Outpatient Surgical Cases	4,914	4,823	4,783	4,047
Total Surgical Cases	7,232	6,983	6,761	5,501
Emergency Room Visits	45,416	43,547	45,269	48,444
Medicare Case Mix:				
St. Mary's Decatur	1.26	1.46	1.43	1.44
St. Mary's Streator	1.25	1.29	1.36	1.37

Wisconsin Hospitals

Eastern Wisconsin Division	Fiscal Year Ended June 30			
	2010	2011	2012	2013
Admissions	17,875	16,937	17,304	18,667
Average Length of Stay:				
St. Mary's Green Bay	3.38	3.49	3.48	2.90
St. Vincent Green Bay	4.90	5.26	4.75	4.47
St. Nicholas Sheboygan	3.81	3.58	3.27	3.16
Average Daily Census	211.18	208.67	197.86	195.12
Patient Days	77,079	76,165	72,416	71,215
Outpatient Registrations	274,410	278,072	307,651	308,505
Total Patients	351,489	354,237	380,067	379,720
Inpatient Surgical Cases	5,840	5,630	5,369	5,367
Outpatient Surgical Cases	11,206	11,518	11,951	11,718
Total Surgical Cases	17,046	17,148	17,320	17,085
Emergency Room Visits	91,743	87,168	85,026	81,857
Medicare Case Mix:				
St. Mary's Green Bay	1.52	1.56	1.52	1.55
St. Vincent Green Bay	1.85	1.96	1.92	1.91
St. Nicholas Sheboygan	1.60	1.59	1.50	1.55

Western Wisconsin Division	Fiscal Year Ended June 30			
	2010	2011	2012	2013
Admissions	12,622	13,286	13,490	13,099
Average Length of Stay:				
St. Joseph's Chippewa Falls	4.29	4.59	4.40	4.54
Sacred Heart Eau Claire	4.57	4.69	4.64	4.74
Average Daily Census	155.59	169,.87	168.82	145.56
Patient Days	56,791	62,002	61,789	51,131
Outpatient Registrations	163,747	175,156	194,109	191,574
Total Patients	220,538	237,158	255,898	242,705
Inpatient Surgical Cases	3,554	3,773	3,712	3,712
Outpatient Surgical Cases	4,406	4,290	4,402	4,402
Total Surgical Cases	7,960	8,063	8,114	8,114
Emergency Room Visits	36,028	34,380	28,481	28,027
Medicare Case Mix:				
St. Joseph's Chippewa Falls	1.09	1.16	1.18	1.20
Sacred Heart Eau Claire	1.68	1.63	1.76	1.75

Inpatient Market Share

The tables below reflect the total inpatient market share by discharge for the three largest Obligated Group Member's markets and those of the entities that are its main competitors in each respective market. The information includes both the primary service area (PSA) and secondary service area (SSA). In Illinois, the market share for 2012 represents the first nine months of HSHS's fiscal year. In Wisconsin the market share for 2013 represents the first six months of HSHS's fiscal year.

St. Elizabeth's Hospital - Belleville (PSA/SSA)

	2010	2011	2012	2013
St. Elizabeth's - Belleville	22.4%	20.0%	19.8%	19.9%
Memorial Belleville	27.3%	28.5%	30.2%	30.1%
Outmigration Greater St. Louis, Missouri Hospitals	30.3%	31.4%	31.8%	31.9%
Other Illinois Hospitals	20.0%	20.1%	18.2%	18.1%

St. John's Hospital- Springfield (PSA/SSA)

	2010	2011	2012	2013
St. John's-Springfield/ St. Mary's-Decatur/ St. Francis-Litchfield	33.5%	32.5%	32.8%	33.6%
Memorial Springfield	34.6%	34.6%	33.6%	44.3%
Others	31.9%	32.9%	33.6%	22.1%

2013

	2010	2011	2012	2013
St. Vincent-Green Bay/ St. Mary's-Green Bay	43.0%	42.5%	43.1%	44.3%
Bellin Hospital	21.1%	217%	21.6%	22.1%
Others	35.9%	35.8%	35.3%	33.6%

(1) Source: Illinois Hospitals- IHA Compdata, DataBay 2013. Wisconsin Hospitals- WHA, DataBay 2013

SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION

The selected consolidated summary financial information of HSHS for the fiscal years ended June 30, 2010, 2011, 2012, and 2013 which is presented below under the subcaptions "Summary of Certain Operating and Financial Data" and "Condensed Consolidated Summary Statements of Operations of the Hospital Sisters Health System" was derived from, and should be read in conjunction with, the audited consolidated financial statements of HSHS as of and for the fiscal years then ended. The audited consolidated financial statements of Hospital Sisters Health System as of and for the fiscal years ended June 30, 2012 and 2013 are attached as Exhibit A. See footnote (2) to such audited consolidated financial statements for a summary of HSHS's significant accounting policies. The selected summary financial information of HSHS for the fiscal year ended June 30, 2013, which is presented below under the subcaptions "Summary of Certain Operating and Financial Data" and "Condensed Consolidated Summary Statements of Operations of Hospital Sisters Health System" was derived from the unaudited consolidated financial statements of HSHS as of June 30, 2013.

Unless otherwise noted herein, financial information as and for fiscal years 2010, 2011, 2012, and 2013 refers to the consolidated financial statements of HSHS, of which the Obligated Group is a part. As noted here, HSHS is not a Member of the Obligated Group. Unless otherwise noted herein, operational information is limited to the operations of the Obligated Group.

Condensed Consolidated Balance Sheet of Hospital Sisters Health System

The following table presents the condensed consolidated summary balance sheet of HSHS for the fiscal years June 30, 2010, 2011, 2012 and 2013 as derived from the audited consolidated financial statements of HSHS for such fiscal years. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System for the fiscal years ended June 30, 2012 and 2013 attached as Exhibit A.

	Fiscal Year Ended June 30 (Dollars in thousands)			
	2010	**2011**	**2012**	**2013**
Current assets:				
Cash and cash equivalents	$58,436	$60,860	$90,514	$81,110
Patient receivables and other	285,019	307,784	334,399	321,026
Current portion of assets whose use is limited or restricted	195,756	185,733	201,738	284,142
Other current assets	62,197	58,069	56,606	60,356
Total current assets	601,408	612,446	683,257	746,634
Assets whose use is limited or restricted, net of current portion	1,421,051	1,512,806	1,446,720	1,523,707
Property, plant, and equipment, net	975,715	1,071,432	1,152,063	1,257,517
Other assets	122,592	83,267	73,657	68,208
Total Assets	$3,120,766	$3,279,951	$3,355,697	$3596,066
Liabilities and Net Assets				
Current liabilities:				
Current installments of long-term debt	$202,215	$187,876	$186,564	$187,417
Accounts payable/accrued liabilities	223,911	241,998	267,738	291,667
Total current liabilities	426,126	429,874	454,302	479,084
Long-term debt, excluding current installments	366,929	365,864	379,378	430,669
Accrued benefit liability	362,860	249,111	410,039	251,894
Other noncurrent liabilities	147,946	150,665	192,755	182,910
Total liabilities	1,303,861	1,195,514	1,436,474	1,344,557
Net assets:				
Unrestricted	1,773,866	2,041,192	1,875,690	2,202,951
Temporarily restricted	22,0580	20,916	20,783	25,487
Permanently restricted	20,981	22,329	22,750	23,071
Total net assets	1,816,905	2,084,437	1,919,223	2,251,509
	$3,120,766	$3,279,951	$3,355697	$3,596,066

Condensed Consolidated Summary Statements of Operations of Hospital Sisters Health System

The following table presents condensed consolidated summary statements of operations of HSHS for the fiscal years ended June 30, 2010, 2011, 2012, and 2013 as derived from the audited consolidated financial statements of HSHS for such fiscal years. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System for the fiscal years ended June 30, 2012 and 2013 attached as Exhibit A.

	Fiscal Year Ended June 30 (Dollars in thousands)			
	2010	2011	2012	2013
REVENUES				
Net patient service revenues	$1,824,139	$1,933,034	$1,981,070	$2,012,108
Provision for uncollectible accounts	(94,997)	(103,943)	(111,142)	(107,131)
Other revenues	75,382	64,799	59,946	102,589
Total revenues	1,804,524	1,893,890	1,929,874	2,007,566
EXPENSES				
Salaries, wages, and benefits	851,349	923,626	929,182	984,019
Supplies, professional fees and other	808,027	881,154	850,565	858,865
Depreciation and amortization	113,239	120,803	143,523	135,871
Interest	5,100	6,693	6,313	7,247
Total expenses	1,777,715	1,932,276	1,929,583	1,986,002
Income (loss)from operations	26,809	(38,386)	291	21,564
Nonoperating gains (losses)	99,681	228,997	(12,234)	146,315
Revenues and gains in excess (deficient) of expenses and losses	126,490	$190,611	$(11,943)	$167,879

Obligated Group Relative to HSHS

The consolidated financial information of HSHS includes the accounts and activities of the Obligated Group. Shown in the table below is the Obligated Group's portion relative to HSHS of various balance sheet and revenue indicators, for the fiscal years ended June 30, 2010, 2011, 2012 and 2013, as derived from the audited consolidated financial statements of HSHS for such fiscal. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System for the fiscal years ended June 30, 2012 and 2013 attached as Exhibit A.

Obligated Group as a Percentage of HSHS	Fiscal Year Ended June 30 2010	2011	2012	2013
Total Revenue	96.0%	94.3%	93.7%	93.2%
Unrestricted Cash and Investments	101.2%	99.8%	101.5%	100.78%
Revenues in Excess of Expenses	95.0%	98.8%	109.0%	112.7%
Total Assets	91.7%	90.6%	88.2%	90.1%

Significant Third Party Reimbursement Programs

The Obligated Group derives a substantial portion of their operating revenues from federal and state programs and insurance (e.g., Blue Cross) plans that pay for all or a portion of the health care services provided to a patient. As a consequence, the operating revenues of the Obligated Group depend to a great extent upon the availability and level of reimbursement or payment under such programs and plans. The following table sets forth the percentages of gross patient revenues for the Obligated Group applicable to each of the different programs and plans for the fiscal years ended June 30, 2010, 2011, 2012, and 2013.

	Fiscal Year Ended June 30 2010	2011	2012	2013
Medicare	45.0%	46.0%	46.0%	47.0%
Medicaid	14.0%	15.0%	15.0%	14.0%
Blue Cross/Managed Care[1]	32.0%	31.0%	30.0%	32.0%
Commercial/Other	9.0%	8.0%	9.0%	7.0%
Total	100.0%	100.0%	100.0%	100.0%

(1) Includes health maintenance organizations and preferred provider organizations.

Coverage of Historical and Pro Forma Historical Maximum Annual Debt Service Requirements

The table below sets forth the coverage by HSHS of (i) the Historical Maximum Annual Debt Service Requirement on indebtedness for fiscal years 2010, 2011, 2012 and 2013.

	Fiscal Year Ended June 30 (Dollars in thousands) 2010	2011	2012	2013
Revenues and gains in excess (deficient) of expenses and losses	$126,490	$190,611	$(11,943)	167,879
Less: Change in unrealized gains and losses included in investment returns[1]	66,313	131,467	(99,362)	91,892
Plus: Depreciation and amortization	113,239	120,803	143,523	135,871
Plus: Interest expense	5,100	6,693	6,313	7,247
Income Available for Debt Service	$ 178,516	$186,640	$237,255	$219,105
Historical Maximum Annual Debt Service Requirement[2][3]	34,041	34,041	34,041	36,044
Historical Maximum Annual Debt Service Coverage Ratio[2][3]	5.2	5.2	7.0	6.1

[1] Includes an adjustment for unrealized gains and losses on investments and swap mark to market, in accordance with the adjustments allowed under the Master Indenture for earnings or losses due to a revaluation of assets.
[2] The foregoing assumptions are different than the assumptions which will be made by the Obligated Group in making certain calculations pursuant to the Master Indenture.
[3] Excludes capitalized lease payments, and indebtedness that is not secured by an Obligation.

Outstanding Indebtedness of the Obligated Group

As of June 30, 2013 Obligations in the aggregate principal amount of $673.5 million were outstanding under the Master Indenture.

The Obligated Group also issued an Obligation to secure the obligations of the Corporation under the Limited Guaranty Agreement dated as of November 26, 2012 delivered by the Corporation to US Bank, related to the sums owed by Prevea Clinic pursuant to the Prevea Clinic notes and Prevea Clinic Bank Agreement (as such terms are defined in the Second Supplemental Master Trust Indenture dated as of November 1, 2012, among the Obligated Group and the Master Trustee).

In addition, the Obligated Group has incurred long-term debt not secured by Obligations outstanding as of June 30, 2013 in the principal amount of $34.3 million. For information regarding St. Vincent Hospital and St. Mary's Medical Center's investment in Prevea Health Systems, Inc., see note 14 to the Obligated Group's audited consolidated financial statements as of and for the two fiscal years ended June 30, 2012 and 2013, which are attached hereto as Exhibit A.

Historical Capitalization

The table below sets forth (i) the Historical Capitalization of HSHS on indebtedness for fiscal years 2010, 2011, 2012, and 2013.

	Fiscal Year Ended June 30 (Dollars in thousands)			
	2010	2011	2012	2013
Current and Long-Term Debt	$ 566,096	$ 550,924	$ 563,323	$ 618,086
Unrestricted Net Assets	1,773,866	2,041,192	1,875,690	2,202,951
Total Capitalization	$2,339,962	$2,592,116	$2,439,013	$2,821,037
Percent of Current and Long-Term Debt to Capitalization	24.2%	21.3%	23.1%	22.0%

Liquidity and Investments

Current Self-Liquidity Obligations. $169.5 million, in aggregate principal amount of revenue bonds are subject to optional or mandatory tender or not otherwise secured by a dedicated liquidity facility. The obligations of HSSI to pay debt service, including purchase price, on these revenue bonds are secured by Obligations issued under the Master Indenture. Pursuant to the Obligations issued to secure these revenue bonds, HSSI is also obligated to provide funds for the purchase of these revenue bonds that are tendered for purchase and not remarketed.

The sources of liquidity for such debt service and purchase obligations are described below. Presently, HSSI has no external liquidity facilities or commercial paper programs available designated to such debt service and purchase price. HSSI does not have any specific groups or pools of assets set aside or otherwise dedicated to such payments.

Sources of Self-Liquidity. Policy and procedures have been established by HSSI to provide self- liquidity for a portion of outstanding variable rate bonds totaling $169.5 million. HSSI has identified and documented available sources of same-day and next-day liquidity, contact information for HSSI officials responsible for activating procedures to provide sufficient cash, and enumerated specific procedures (and the timing for such) to be followed in the event of a failed remarketing.

The following table represents the internal funding sources available for same-day, next-day and up to three day liquidity as of June 30, 2013.

	Fiscal Year Ended June 30, 2013 (Dollars in thousands)[1]
Same Day Settlement	$220,731
Next Day Settlement	339,470
Line of Credit	0
Three Day Settlement	164,200
Total Available for Internal Funding	$724,401

[1] Includes mutual funds, cash and cash equivalents and debt securities.

Investment Policy

Hospital Sisters Health System has and Investment Subcommittee comprised of individuals experienced in investments and individuals who serve on the Board of Directors. The Subcommittee, management, and the investment consultant develop investment policies, recommends asset allocation and investment manager changes, monitors and reviews investment performance, risk, and adherence to guidelines. The Board of Directors approves the investment policy statement. The current asset allocation for investments is summarized in the table below:

All Cap Equity	4.0%
Large Cap Equity	20.6%
Small/Mid Cap Equity	7.8%
Foreign Equity	12.0%
Emerging Market Equity	2.7%
Fixed Income	37.3%
Hedge Funds	15.6%
Total	100.0%

To achieve the objectives of the investment policy, Hospital Sisters Health System seeks to engage the best investment managers for the respective sub-class. HSHS currently engages 15 equity managers 5 international equity managers 5 fixed income managers and 2 custom hedge fund of fund managers.

Cash and Board Designated Funds

The following table presents the operating cash, board designated funds for capital improvements (funded depreciation) and other board designated funds (referred to as liquid funds) of Hospital Sisters Health System as of June 30, 2010, 2011, 2012, and 2013. Excluded from Hospital Sisters Health System's liquid funds for this purpose are temporarily or permanently restricted assets, trustee-held bond funds, and self-insurance trusts. The table also presents Hospital Sisters Health System days cash on hand ratio for the fiscal years ended June 30, 2010, 2011, 2012, and 2013. The days cash on hand ratio for each such period is calculated by dividing such liquid funds, as shown on the audited consolidated financial statements of Hospital Sisters Health System for such period, by the amount determined by dividing (i) the expenses of the Hospital Sisters Health System (excluding depreciation and amortization), as shown on such audited consolidated financial statements for such fiscal year, by (ii) 365.

	Fiscal Year Ended June 30 (Dollars in thousands)			
	2010	**2011**	**2012**	**2013**
Cash and cash equivalents	$ 58,436	$ 60,860	$ 90,514	$ 81,110
Board-designated funds for capital improvements	1,185,317	1,370,367	1,375,077	1,547,405
Total	$1,245,753	$1,431,227	$1,465,591	$1,628,515
Cash Expenses per day[1]	$ 4,559	$ 4, 964	$ 4,890	$ 5,068
Days cash on hand ratio	273	288	300	321

[1] Total expenses less amortization and depreciation divided by number of days in applicable period.

Sources of Investment Income

Investment income is a significant source of additional revenue for the Obligated Group, and is included in both operating revenue and other (non-operating) income. Investment return for HSHS for the fiscal years ended 2010, 2011, 2012, and 2013 is summarized in the table below.

The System's ability to generate investment income and realized gains on investments is dependent in large measure on market conditions. The market value of HSHS centralized investment portfolio, as well as the HSHS's investment income, has fluctuated significantly in the past and may continue to fluctuate in the future. Investments are recorded at market value, with changes in market value recorded as investment income (losses) and included, together with realized investment income (losses), in revenues and gains in excess (deficient) of expenses. Given the size of its centralized investment program, the Obligated Group anticipates that changes in levels of realized and unrealized returns on its investment portfolio are likely to continue to have a significant impact on the Obligated Group's revenues and gains in excess (deficient) of expenses.

	Fiscal Year Ended June 30 (Dollars in thousands)			
	2010	2011	2012	2013
Investment return:				
Interest and dividend income	$46,549	$45,477	$29,548	$22,883
Net realized gains (losses) on sale of investments	3,828	61,819	58,743	40,538
Change in net unrealized gains and losses	78,037	124,092	(63,563)	69,286
Non-cash change in fair value of the interest rate swaps	(11,724)	7,375	(35,799)	22,606
Total investment return	$116,690	$238,763	$(11,071)	$155,313

Interest Rate Payment Exchange Transactions

The Corporation periodically utilizes various financial instruments (e.g. options, caps, and swaps) to hedge interest rate and other exposures in its investment portfolios. As of June 30, 2013, the Corporation is involved in four derivatives transactions, each with Merrill Lynch Capital Services, Inc., as counterparty (the "Counterparty"). The Corporation records its derivative financial instruments at fair market value on its consolidated balance sheet and records the changes in fair market value for these derivatives in the changes in non-operating gains-investment income in the consolidated statement of operations and changes in net assets. The total notional amount of swaps outstanding at June 30, 2013 is $368.5 million, and the transactions have a negative fair market value of $45.6 million. See Note 7 in APPENDIX B hereto for additional information concerning derivative instruments of the Corporation.

There are no collateral postings by either party as of June 30, 2013. If the Counterparty or the Corporation terminates the existing swap transactions when such swap transactions have a negative valuation, the Corporation may be required to make a termination payment to the Counterparty, which termination payment may be on a parity with all other payment obligations required by the Obligated Group under the Master Indenture, and such payment could be material.

CERTAIN INFORMATION REGARDING OUTSTANDING DERIVATIVE TRANSACTIONS

(000's omitted) Notional Amount	Maturity	HSHS Pays	HSHS Receives	Guarantor	Fair Market Value at June 30, 2013
$150,000	3-May-33	SIFMA	67% of one month LIBOR + 48 bps	Merrill Lynch Derivative Products AG	($4,705)
$41,300	17-Mar-36	3.4730	67% of one month LIBOR	Merrill Lynch Derivative Products AG	($8,011)
$100,425	17-Mar-36	3.4730	67% of one month LIBOR	Merrill Lynch Derivative Products AG	($19,495)
$76,750	17-Mar-36	4.0223	86.1% of one month LIBOR	Assured Guaranty Municipal Corp	($13,409)

Management's Discussion and Analysis of Financial Performance

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements. The System considers critical accounting policies to be those that require significant judgment and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, reserve for losses and expenses related to health care professional and general liability risks, and risks and assumptions for measurement of pension liabilities. The System's management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ from those estimates.

Historical Performance: Twelve Month Period Ending June 30, 2013

Consolidated Statements of Operations

Operating Results. For the twelve month period ending June 30, 2013, HSHS's income from operations was $21.5 million and its operating margin improved to 1.07% from 0.2% over the comparable period ending June 30, 2012.

Total revenues increased $77.7 million or 1.04% during this period. Contributing to the change in HSHS's revenues over the comparable period was the receipt of $31.8 million for Electronic Health Record meaningful use for the Medicaid program. Current year reimbursement from State and Federal payers are influenced by provisions of Healthcare reform and state budget constraints.

Total recurring operating expenses for the twelve month period ending June 30, 2013 of $1.9 billion increased $.6 million or 2.84% compared to the June 30, 2012 operating expenses. Salaries and benefits increased $54.8 million or 5.6%, primarily due to wage and pension increases. These were partially offset by reduced employee healthcare costs. Salaries, wages and benefits remain a near constant percentage of total expense during this period (49.5% in 2013 and 48.1% in 2012). Supplies, professional fees and other increased $8.3 million or 1.0%. This is the result of the Corporation management's continued focus on reducing variable costs. Depreciation and amortization have decreased $7.6 million or 5.3%. This is due to the impairment of an asset in fiscal 2012.

Non-operating gains (losses). For the twelve months ending June 30, 2013, other income increased $166.3 million as compared to fiscal year 2012. This increase primarily relates to the favorable financial markets, with the Corporation recognizing $69.3 million in unrealized gains on trading securities for fiscal year 2013 versus an unrealized loss of ($63.6) million that was experienced for fiscal year 2012. The negative value of the Corporation's interest rate swap contracts have decreased during the twelve month period ending June 30, 2013, with the Corporation recording $22.6 million as the net unrealized gain and periodic settlements on the interest rate swap contracts compared to a net realized loss of ($35.8) million for fiscal year 2012.

Revenue in excess (deficit) of expenses and non-operating income (loss). Excess of revenue over expenses for the twelve month period ending June 30, 2013 increased by $179.8 million as compared to June 30, 2012, primarily due to the unrealized gain on trading securities and the mark to market on interest rate swap contracts.

Historical Performance: Consolidated Balance Sheets (2012-2013)

The System's cash and investments increased by $149.9 million, or 8.6% at June 30, 2013 to $1.889 billion compared to the balance of $1.739 billion at June 30, 2012. At June 30, 2013 $1.547 billion funds are available for capital improvements; $163.7 million of assets held for estimated self insurance liabilities; and $96.6 million of other restricted investments.

Patient Accounts Receivable and other. Patient accounts receivable and other have decreased $13.2 million or 10.8% from $307.8 million at June 30, 2012 to $294.5 million at June 30, 2013. Net days in accounts receivable decreased from 56.3 days at June 30, 2012 to 47.0 days as of June 30, 2013. The changes in accounts receivable are due to the paydown of the receivable balance for the State of Illinois Medicaid program.

Change in Net Assets. Unrestricted net assets increased $327.2 million from $1.876 billion at June 30, 2012 to $2.20 billion at June 30, 2013. These changes reflect the total operating performance of HSHS over this historical period. The accrued benefit liability decreased $158.1 million from $410.0 million at June 30, 2012 to $251.9 million at June 30, 2013. The changes are a result of a change in discount rates used to determine the projected benefit obligations of the System's retirement plan.

EXHIBIT C

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Wisconsin Health and Educational Facilities Authority and Illinois Finance Authority
Obligated Person(s)	Hospital Sister Services, Inc. and the Members of the Obligated Group
Name of Bond Issue(s):	Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2012B 2012D, 2012E, and 2012J (Hospital Sister Services, Inc. – Obligated Group) Illinois Finance Authority Revenue Bonds, Series 2007A (Hospital Sisters Services, Inc. – Obligated Group)
Date of Bond Issue(s):	March 6, 2007
Date of Official Statement	March 1, 2007
CUSIP Number:	Series 2007A Bonds: 45200BW87
	Illinois Finance Authority Revenue Bonds, Series 2012C Revenue Refunding Bonds, Series 2012F, 2012G, 2012H, and 2012I (Hospital Sisters Services, Inc. – Obligated Group)
Date of Issuance:	October 1, 2012
Date of Official Statement	September 21, 2012

CUSIP Number:

Series 2012B Bonds	Series 2012C Bonds	Series 2012D Bonds
97710B4D1	45203HLJ9	97710B5J7
97710B4E9	45203HLK6	
97710B4F6	45203HLL4	
97710B4G4	45203HLM2	
97710B4H2	45203HLN0	
97710B4J8	45203HLP5	
97710BK5	45203HLQ3	
97710B4L3	45203HLR1	
97710B4M1	45203HLS9	

Series 2012E Bonds	Series 2012F Bonds	Series 2012G Bonds
97710B5L2	45203HLZ3	45203HMB5

Series 2012H Bonds	Series 2012I Bonds	Series 2012J Bonds
45203HLX8	45203HLY6	97710B5H1