CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors

Parkview Health System, Inc. and subsidiaries
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Consolidated Financial Statements and
Other Financial Information

Years Ended December 31, 2007 and 2006

Contents

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Report of Independent Auditors

The Board of Directors
Parkview Health System, Inc.

We have audited the accompanying consolidated balance sheets of Parkview Health System, Inc. and subsidiaries (the Corporation) as of December 31, 2007 and 2006, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Parkview Health System, Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3, Parkview Health System, Inc. has restated its 2006 consolidated financial statements to more accurately classify their investments.

As discussed in Note 8, at December 31, 2006, Parkview Health System, Inc. early adopted Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an Amendment of FASB Statements No. 87, 88, 106, and 132(R).*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying details of the consolidated balance sheets as of December 31, 2007 and 2006, and the consolidated statements of operations and changes in net assets for the years then ended are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

April 16, 2008

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2007	**2006**
Assets		
Current assets:		
Cash and cash equivalents	$ **42,843**	$ 26,059
Patient accounts receivable, less allowances for bad debts of $22,767 and $16,086 in 2007 and 2006, respectively	**104,071**	97,584
Inventories	**11,938**	10,567
Prepaid expenses and other current assets	**27,023**	12,831
Estimated third-party payor settlements *(Note 4)*	**27,809**	22,691
Collateral from securities lending agreement *(Note 5)*	**27,017**	87,105
Total current assets	**240,701**	256,837
Investments *(Note 5)* :		
Board-designated debt reserve and capital replacement funds	**746,225**	618,159
Securities pledged	**26,817**	84,682
Other investments	**137**	121
	773,179	702,962
Property and equipment *(Note 6)*:		
Cost	**736,279**	663,089
Less accumulated depreciation and amortization	**367,871**	330,891
	368,408	332,198
Other assets:		
Interest rate swaps	**6,452**	9,157
Deferred financing costs	**8,274**	8,484
Investments in joint ventures	**4,293**	3,837
Goodwill and intangible assets	**13,439**	6,050
Other assets	**7,634**	6,834
	40,092	34,362
Total assets	**$ 1,422,380**	$1,326,359

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	December 31 2007	December 31 2006
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	$ **58,303**	$ 33,793
Salaries, wages, and related liabilities	**33,619**	37,396
Accrued interest	**1,149**	1,058
Payable under securities lending agreement *(Note 5)*	**27,017**	87,105
Current portion of long-term debt *(Note 7)*	**15,686**	13,889
Total current liabilities	**135,774**	173,241
Noncurrent liabilities:		
Long-term debt, less current portion *(Note 7)*	**466,118**	454,841
Interest rate swaps	**15,939**	3,114
Accrued pension obligations *(Note 8)*	**17,358**	28,860
Other	**11,938**	11,056
	511,353	497,871
Minority interest	**9,388**	–
Net assets:		
Unrestricted net assets	**761,821**	651,186
Temporarily restricted net assets	**3,271**	3,291
Permanently restricted net assets	**773**	770
Total net assets	**765,865**	655,247
Total liabilities and net assets	$ **1,422,380**	$ 1,326,359

See accompanying notes.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets

(In Thousands)

	Year Ended December 31 2007	2006
		(Restated)
Revenues:		
Net patient care service revenue, excluding charity care revenue foregone *(Note 4)*	**$ 693,471**	$ 663,053
Other revenue	**45,236**	45,557
	738,707	708,610
Expenses:		
Salaries and benefits	**316,921**	305,057
Supplies	**102,043**	96,983
Purchased services	**92,886**	86,646
Utilities, repairs, and maintenance	**27,689**	26,203
Depreciation and amortization	**47,832**	45,376
Provision for bad debts	**55,826**	51,749
Other	**13,471**	20,118
	656,668	632,132
Net operating income	**82,039**	76,478
Other income (expense):		
Interest, dividends, and realized gains on sales of investments *(Note 5)*	**110,580**	37,772
Unrealized (losses) gains on investments, net	**(51,005)**	24,899
Interest expense	**(18,085)**	(19,510)
(Loss) gain on fair value of interest rate swaps	**(15,542)**	14,835
Impairment of long-lived assets and other *(Note 2)*	**(1,568)**	(990)
Excess of revenues over expenses	**106,419**	133,484

Continued on next page.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

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

(In Thousands)

	Year Ended December 31 2007	2006 *(Restated)*
Unrestricted net assets		
Excess of revenues over expenses	**$ 106,419**	$ 133,484
Pension-related changes other than net periodic pension cost	**3,869**	–
Change in minimum pension obligations	–	5,849
Additional pension obligation as a result of adoption of new pension accounting standard	–	(25,516)
Other	**347**	(901)
Increase in net assets	**110,635**	112,916
Temporarily restricted net assets		
Contributions	**583**	975
Investment income	**24**	28
Net assets released from restrictions	**(142)**	(106)
Other	**(485)**	172
(Decrease) increase in temporarily restricted net assets	**(20)**	1,069
Permanently restricted net assets		
Contributions for endowment funds	**3**	91
Increase in permanently restricted net assets	**3**	91
Increase in net assets	**110,618**	114,076
Net assets at beginning of year	**655,247**	541,171
Net assets at end of year	**$ 765,865**	$ 655,247

See accompanying notes.

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31 2007	2006 *(Restated)*
Operating activities		
Increase in net assets	$ 110,618	$ 114,076
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts	55,826	51,749
Depreciation and amortization	47,832	45,376
Change in interest rate swaps	15,530	(14,977)
Amortization of deferred financing costs and discount	647	381
Loss from disposal of property and equipment	639	–
Pension-related changes other than net periodic pension cost	(3,869)	(5,849)
Change due to adoption of new pension accounting standard	–	25,516
Changes in operating assets and liabilities:		
Patient accounts receivable	(62,313)	(54,725)
Inventories	(1,371)	(259)
Prepaid expenses and other current assets	(14,192)	379
Trading securities	(70,217)	(91,283)
Accounts payable, accrued expenses, and other current liabilities	21,706	8,456
Estimated third-party payor settlements	(5,118)	(20,425)
Accrued pension obligation	(7,633)	(13,388)
Other	318	6,118
Net cash provided by operating activities	88,403	51,145
Investing activities		
Property and equipment additions, net	(84,361)	(43,034)
Proceeds from sale of property and equipment	2,430	464
Net cash used in investing activities	(81,931)	(42,570)
Financing activities		
Issuance of long-term debt	24,562	9,905
Repayments of long-term debt	(14,250)	(15,566)
Net cash provided by (used in) financing activities	10,312	(5,661)
Increase in cash and cash equivalents	16,784	2,914
Cash and cash equivalents at beginning of year	26,059	23,145
Cash and cash equivalents at end of year	$ 42,843	$ 26,059

Supplemental disclosures of cash flow information

The Corporation entered into capital lease obligations in the amount of $2,325 and $9,905 for new equipment in 2007 and 2006, respectively.

See accompanying notes.

1. Organization

Nature of Operations

Parkview Health System, Inc., d/b/a Parkview Health (PH or the Corporation), is a healthcare system that provides services in Northeast Indiana. PH's mission is to provide quality healthcare services to all who entrust their care to PH and to improve the health of the community. Services provided by PH include: acute, nonacute, and tertiary care services on an inpatient, outpatient, and emergency basis; healthcare diagnostics and treatment services for individuals and families; home healthcare; and behavioral healthcare. The principal operating activities of PH are conducted by wholly owned or controlled affiliates and subsidiaries.

PH is the sole corporate member of Parkview Hospital, Inc. (PVH), which operates Parkview Hospital, a 587-bed acute care hospital located in Fort Wayne, Indiana. PVH also operates Parkview North Hospital, a 38-bed acute care hospital, located on the north side of Fort Wayne. In addition, PH is the sole corporate member of Huntington Memorial Hospital, Inc., Whitley Memorial Hospital, Inc., Community Hospital of Noble County, Inc., and Community Hospital of LaGrange County, Inc., each of which operates an acute care community hospital and related facilities in the northeast region of Indiana. These hospitals are collectively the "Hospital Affiliates."

PH and PVH are the corporate members of Managed Care Services, LLC, which provides managed care network access for the Hospital Affiliates. PH also owns and operates several physician offices and a managed care organization, Signature Care PPO.

1. Organization (continued)

The legal entity names, marketing brand names, and the acronyms for each significant entity within PH are as follows:

Legal Name	Marketing Brand (d/b/a) Name	Acronym
Parkview Health System, Inc.	Parkview Health	PH
Parkview Hospital, Inc.	Parkview Hospital	PVH
Huntington Memorial Hospital	Parkview Huntington Hospital	PHH
Whitley Memorial Hospital, Inc.	Parkview Whitley Hospital	PWH
Community Hospital of Noble County, Inc.	Parkview Noble Hospital	PNH
Community Hospital of LaGrange County, Inc.	Parkview LaGrange Hospital	PLH
Managed Care Services, LLC	Managed Care Services	MCS
Parkview Occupational Health Center, Inc.	Parkview Occupational Health	POHCI
Parkview Foundation, Inc.	Parkview Foundation	PVHF
Whitley Memorial Hospital Foundation, Inc.	Parkview Whitley Hospital Foundation	PWHF
Community Hospital of Noble County Foundation, Inc.	Parkview Noble Hospital Foundation	PNHF
Huntington Memorial Hospital Foundation, Inc.	Parkview Huntington Hospital Foundation	PHHF

Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as net patient care service revenue. Other transactions are included with other revenue. Other revenue includes rentals of medical office buildings and equity income of unconsolidated subsidiaries and joint ventures.

Community Benefits and Charity Care

The Corporation provides programs and services to address the needs of those in the communities it serves with limited financial resources, generally at no, or low, cost to those being served. Additional services are provided to beneficiaries of governmental programs (principally those relating to the Medicare and Medicaid programs) at substantial discounts from established rates and are considered part of the Corporation's benefit to the communities.

1. Organization (continued)

Assistance is also provided as needed to patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The costs of providing these programs and services are included in expenses.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Patients who meet certain criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided at the amount of standard charges foregone for services and supplies furnished.

As of January 1, 1999, PVHF began to administer hospital community benefit programs for the area served by PVH. PVH provided board-designated funds of $5,000 to PVHF in 1998 which will be used to fund PVHF's operating expenses and fund these programs. In addition, annual transfers of 10% of PVH's excess of revenues over expenses or a minimum of $3,000 are expected to be provided by PVH to PVHF to fund current and new community benefit programs. At PHH, PWH, and PNH, a commitment has been made to fund current and new community benefit programs at 10% of the excess of revenues over expenses or a minimum of $50 for each respective hospital.

The Corporation and its subsidiaries have a commitment to improving the health of the citizens of the communities served. In all locations, PH has made a concerted effort to identify opportunities to partner with local organizations and to develop initiatives to improve the health of these communities. Health fairs and screenings are common efforts to identify problems before they become serious or life-threatening. Affiliates often partner with local organizations for community education, including the Minority Health Coalition, American Lung Association, SuperShot, YMCA, YWCA, Health Information Link, and American Heart Association. Associations with local school corporations have provided nurses, dental care, and physicals to needy children. Efforts have helped provide healthcare to the medically under-served through support of the Neighborhood Health Clinic and Matthew 25. PH affiliates have supported homeless shelters, women's crisis shelters, safety councils, senior transportation programs, and poison control programs. Awareness and prevention programs dealing with safety, trauma, drugs, and alcohol are projects of PH.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of PH and all majority owned or controlled subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for investments in joint ventures, partnerships, and companies where control or ownership is 20% to 50%. The cost method of accounting is used for investments in affiliated entities of less than 20%. For the years ended December 31, 2007 and 2006, PH's share of income (loss) recorded using the equity method approximated $1,821 and $1,546, respectively, and is recorded as other revenue in the consolidated statements of operations and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, patient and other accounts receivable, board-designated investments, accounts payable and accrued expenses, estimated third-party payor settlements, long-term debt, derivative financial instruments (i.e., interest rate swaps), and certain other current assets and liabilities. The fair values for cash and cash equivalents, patient and other accounts receivable, accounts payable and accrued expenses, estimated third-party payor settlements, and certain other current assets and liabilities approximate the carrying amounts reported in the consolidated balance sheets, and in the opinion of management, represent highly liquid assets or short-term obligations not subject to being discounted. The fair values for board-designated investments, derivative financial instruments, and long-term debt are described in Notes 5 and 7.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified with board-designated investments, are considered cash equivalents. The Corporation routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Patient Accounts Receivable, Estimated Third-Party Payor Settlements, and Net Patient Care Service Revenue

Patient accounts receivable and net patient care service revenue are reported at the estimated net realizable amounts due from patients, third-party payors (including insurers), and others for services rendered and include estimated retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are settled and are no longer subject to such audits, reviews, and investigations.

The Corporation grants credit to patients and does not require collateral or other security for the delivery of healthcare services. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

Allowances for Bad Debts

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for bad debts based upon these indicators and accounts receivable payor composition and aging, and considering historical write-off experience by payor category and aging. The results of this review are then used to make any modifications to the provision for bad debt and to establish an appropriate allowance for bad debts. In addition, PH follows established guidelines for placing certain past-due patient balances with collection agencies.

2. Significant Accounting Policies (continued)

Inventories

Inventories, determined by physical count, consist primarily of drugs and supplies and are stated at cost, which is not in excess of market, and are valued using the average cost method.

Investments

The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (see Note 5). With respect to hedge funds, these investments are recorded under the equity method of accounting, which reflects the current market values where determinable and the partner's contributed capital, as well as the partner's share of the underlying limited partnership's realized and unrealized gains and losses. The market value of investments held by the underlying limited partnerships is determined by the respective general partners.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on investments, and changes in the carrying value of hedge funds) is reported as other income unless the income is restricted by donor or law. The cost of securities sold is based on the specific identification method.

Board-designated funds represent certain funds from operations and other sources designated by the Board of Directors (the Board) to be used for future capital asset replacements, for the retirement of long-term debt, and for other purposes. The Board retains control over these investments and may, at its discretion, subsequently designate the use of these investments for other purposes. Funds are invested in accordance with Board-approved policies which, among other matters, require diversification of the investment portfolio, establish credit risk parameters, and limit the amount of investment in any single organization. Substantially all investment transactions are managed by professional investment managers and are held in custody at a financial institution. All Board-designated funds are classified as trading securities.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at date of donation. Interest costs incurred as part of the related construction are capitalized during the period of construction. Depreciation is provided on a straight-line basis over the expected useful lives of the various classes of assets. Estimated useful lives used for land improvements range from five to twenty-five years, five to forty years for buildings, and three to fifteen years for equipment. Amortization of capital leases is included within depreciation expense.

Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it relates to its legal obligation to perform asset retirement activities on its existing properties. Management determined the liability related to these asset retirement activities is not significant as of December 31, 2007 and 2006.

Derivative Financial Instruments

As part of its debt management program, the Corporation has entered into an interest rate swap program. Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that derivative instruments be recognized as either assets or liabilities in the consolidated balance sheets at fair value. The Corporation does not account for any of its interest rate swap agreements as hedges, and accordingly, changes in the fair value of interest rate swap agreements are recorded in the consolidated statements of operations and changes in net assets as other income (expense).

Effective January 1, 2006, management elected to de-designate those derivative instruments that had previously qualified and been reported as hedging instruments. At the point of de-designation, there existed a balance of accumulated gains in net assets totaling $6,141. Pursuant to paragraphs 24 and 25 of SFAS No. 133, this accumulated gain is being reclassified to other income over the period that the instrument impacts income (i.e., when interest expense on the hedged debt is incurred.) This amortization will occur through 2029 and resulted in the reclassification of approximately $257 to the consolidated statement of operations and changes in net assets for each of the years ending 2007 and 2006. Approximately $5,627 and $5,884 were accumulated as a component of net assets at December 31, 2007 and 2006, respectively.

2. Significant Accounting Policies (continued)

Pension Plans

PH's retirement program, called Trusted Choices Retirement Program, offers a defined-contribution plan. Contributions to the defined-contribution plan are based upon benefit service points and a combination of age and years of benefit service. Contributions are calculated as a percentage of eligible pay. In addition, active employees at December 31, 2004, were provided a one-time choice to remain in PH's defined-benefit plan or freeze their defined-benefit plan benefits and move to the employer funded defined-contribution plan. Definitions of eligibility, pay, benefit service, and vesting under the defined-benefit plan are the same as the defined-contribution plan. Contributions to these plans include amortization of prior service costs plus interest thereon and are funded currently.

In addition to participation in the defined-contribution plan and/or defined-benefit plan, eligible employees are provided a voluntary opportunity to participate in a 403(b) or a 401(k) plan, based upon the tax status of the employing corporation. The 403(b) and 401(k) plans have match provisions. Benefits for eligible employees are based on the employee's compensation.

Malpractice Insurance

The Corporation is subject to pending and threatened legal actions which arise in the normal course of its activities. Medical malpractice coverage is provided through a program of self-insurance and commercial insurance and considers limitations imposed by the Indiana Medical Malpractice Act, as amended (the Act). The Act limits the amount of individual claims to $1,250 (effective July 1, 1999), of which $1,000 would be paid by the State of Indiana Patient Compensation Fund and $250 by the Corporation or by its commercial insurer, Lexington Insurance Company (AIG).

Malpractice claims for incidents that may give rise to litigation have been asserted against the Corporation by various claimants. The claims are in various stages of resolution, and some may ultimately be brought to trial. There are also reported incidents that have occurred through December 31, 2007, that may result in the assertion of additional claims. At December 31, 2007 and 2006, management has accrued its best estimate of these contingent losses as a liability on its consolidated balance sheets ($3,470 and $3,117, respectively) to the extent the incidents fall within the limits of the Corporation's self-insurance program.

2. Significant Accounting Policies (continued)

There may be other claims from unreported incidents arising from services provided to patients. The reserve for medical malpractice includes amounts for claims and related legal expenses for these incurred but not reported incidents. This reserve is actuarially determined by combining industry data and the Corporation's historical experience. Accrued malpractice losses have been discounted at 5% in both 2007 and 2006 and, in management's opinion, provide adequate reserve for loss contingencies.

The Corporation established an irrevocable trust for claims not covered by commercial insurance for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice and general liability losses, related expenses, and the cost of administering the trust. The balance of the trust was $3,483 and $2,958 at December 31, 2007 and 2006, respectively. The trust is included in board-designated debt reserve and capital replacement funds in the accompanying consolidated balance sheets.

Income Taxes

The Internal Revenue Service has determined that the Corporation and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

In June 2006, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, *Accounting for Income Taxes* (FIN 48), was issued. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure, and transition. This standard became effective for PH during the year ended December 31, 2007. Compliance with this standard did not have a material impact on the consolidated financial statements of PH.

2. Significant Accounting Policies (continued)

Operating Indicator

Net operating income as reflected in the accompanying consolidated statements of operations and changes in net assets includes all unrestricted revenue, gains, and other support, equity income of unconsolidated health care subsidiaries, and expenses directly related to the recurring and ongoing healthcare operations during the reporting period. The operating indicator excludes investment income on board-designated investments (including changes in unrealized gains and losses), interest expense, changes in the fair value of interest rate swaps, minority interest, and gains and losses deemed by management not to be directly related to providing healthcare services.

Performance Indicator

Excess of revenues over expenses as reflected in the accompanying consolidated statements of operations and changes in net assets includes operating income and nonoperating income. Contributions of long-lived assets and any other pension-related changes (including the adoption of the new pension accounting standard) are excluded from the excess of revenues over expenses.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation 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 the Corporation in perpetuity. Investment return is allocated to unrestricted and temporarily restricted net assets based on the respective net asset balances and the wishes of the donor. The net assets are generally restricted for indigent and other patient services, medical education and research programs, facilities, and medical supplies and equipment.

Reclassifications

Certain 2006 amounts were reclassified to conform to the 2007 presentation. Such reclassifications had no effect on previously reported excess of revenues over expenses or net assets.

2. Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

In 2006, construction began for a replacement hospital for PLH. The existing hospital will be demolished as part of the construction process. The existing hospital was written down $1,055 to a net book value of $7,109 at December 31, 2006. This impairment is included in the consolidated statements of operations and changes in net assets.

Goodwill and Intangible Assets

In May 2005, PH purchased PLH, a 25-bed critical access hospital in LaGrange, Indiana. This hospital was acquired for $10,810, and the business combination was recorded using the purchase method. Goodwill of $6,536 related to the purchase of PLH, is being amortized over 20 years. At December 31, 2007 and 2006, accumulated amortization was $327 and $447, respectively. Annual amortization of approximately $330 is expected for each of the next five years.

On November 8, 2007, PH transferred the business of its orthopedic hospital to Orthopedic Hospital at Parkview North, LLC (OHPN) and sold a minority interest. The owners of OHPN are PH and Northeast Orthopedics Hospital Investors, LLC, with ownership of 70% and 30%, respectively. From a consolidated perspective, the result of the transactions was the recognition of $7,813 of intangible assets at the point of sale.

Recent Accounting Standards Not Required for 2007

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, with earlier adoption encouraged, as a cumulative effect adjustment will be recorded to the opening balance of the unrestricted net assets in the year of adoption. PH has not determined what effect, if any, the adoption will have on PH's consolidated financial position or consolidated results of operations.

2. Significant Accounting Policies (continued)

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits companies to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. PH has not determined what effect, if any, the adoption will have on PH's consolidated financial position or consolidated results of operations.

3. Restatement of Consolidated Financial Statements

The accompanying consolidated financial statements for the year ended December 31, 2006, have been restated to reflect a correction in the classification of unrealized gains and losses on investments. In previous years, all of the Corporation's investments were classified as other than trading. As such, unrealized gains, as well as unrealized losses that were considered temporary, were excluded from the excess of revenues over expenses. During 2007, the Corporation determined that substantially all of its investment portfolio was more accurately classified as trading, with unrealized gains and losses included in the determination of the excess of revenues over expenses. Therefore, the consolidated financial statements have been restated to reflect the unrealized gain on investments during the year ended December 31, 2006, as a component of the excess of revenues over expenses.

The result of the restatement increased the excess of revenues over expenses by $24,899 for the year ended December 31, 2006, and had no impact on the balance of unrestricted net assets. In connection with the restatement, the consolidated statement of cash flows reflects a decrease of $66,384 to operating cash flows and an offsetting increase to investing cash flows.

(In Thousands)

4. Net Patient Care Service Revenue

Certain agreements with third-party payors provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Certain inpatient care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are reimbursed based upon established fee schedules. Outpatient services are reimbursed utilizing prospectively determined rates.

Medicaid: Reimbursement for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Differences between established rates and payment under these agreements are reflected as contractual allowances. A reconciliation of patient service revenue at established rates to net patient care service revenue as presented in the consolidated statements of operations and changes in net assets is as follows:

	Year Ended December 31	
	2007	**2006**
Inpatient services	**$ 729,309**	$ 682,454
Outpatient and ambulatory care services	**607,441**	558,970
Charges at established rates	**1,336,750**	1,241,424
Less charity care revenue foregone	**31,735**	27,158
Charges at established rates	**1,305,015**	1,214,266
Less contractual allowances	**644,089**	571,920
Indiana Medicaid disproportionate share *(Note 11)*	**32,545**	20,707
Net patient care service revenue	**$ 693,471**	$ 663,053

(In Thousands)

4. Net Patient Care Service Revenue (continued)

Medicare and Medicaid revenue accounted for approximately 43% and 12%, respectively, of charges at established rates in 2007 and 42% and 12%, respectively, in 2006. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Corporation believes that it is in substantial compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with healthcare industry laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimated settlements could change. It is also reasonably possible that recorded settlements could change by a material amount in the near term. PH received Medicare and Medicaid settlements and resolutions on prior year filed and appealed cost reports and other matters, which decreased the excess of revenues over expenses by $846 in 2007 and increased the excess of revenues over expenses by $1,398 in 2006.

Components of accounts receivable at established rates at December 31, 2007 and 2006, respectively, include Medicare, 31% and 30%; Medicaid, 11% and 13%; commercial insurers, 46% and 40%; and other, 12% and 17%. One managed care provider, Wellpoint, Inc., represented 14% and 11% of patient accounts receivables in 2007 and 2006, respectively.

5. Investments

The composition of investments is as follows:

	December 31	
	2007	**2006**
Cash and short-term investments	**$122,717**	$ 86,554
U.S. government and agency obligations	**97,133**	84,967
Corporate and other bonds	**52,806**	40,968
Hedge funds	**72,844**	68,825
Mutual funds and other marketable equity securities	**409,028**	405,291
Real estate held for investment	**18,651**	16,357
	$773,179	$702,962

(In Thousands)

5. Investments (continued)

Hedge funds are not necessarily readily marketable and may include short sales on securities and trading on future contracts, options, foreign currency contracts, other derivative instruments, and private equity investments, and the composition of the individual investments within these funds is not readily determinable. The hedge fund investments are partnership interests in limited partnerships. These investments are not publicly traded, and the value is determined based upon the partner's contributed capital and ownership interest in the realized and unrealized gains and losses of the limited partnership.

The composition of investment return recognized in the consolidated statements of operations and changes in net assets is as follows:

	Year Ended December 31	
	2007	**2006**
Investment income:		
Unrealized (losses) gains on investments, net	**$ (51,005)**	$ 24,899
Dividend and interest income	**33,000**	23,912
Net gains on hedge funds	**7,569**	4,904
Net realized gain on the sale of investments	**70,011**	8,956
	110,580	37,772
	$ 59,575	$ 62,671

(In Thousands)

5. Investments (continued)

Securities Lending

The Corporation participates in securities lending transactions whereby a portion of its investments are loaned to a broker in return for cash, letters of credit, or U.S. government securities from the broker as collateral for securities loaned. The Corporation earns income on the collateral pledged while related securities are outstanding. In the accompanying consolidated balance sheets, the cash collateral held for loaned marketable securities ($27,017 and $87,105 at December 31, 2007 and 2006, respectively) is reported as other current assets, and a corresponding payable for repayment of such collateral upon settlement of the lending arrangement is reported as other current liabilities. At December 31, 2007 and 2006, the market value of the marketable securities on loan was $26,817 and $84,682, respectively.

6. Property and Equipment

The costs of property and equipment consist of the following:

	December 31	
	2007	**2006**
Land and improvements	**$ 40,062**	$ 39,521
Buildings	**322,580**	317,156
Equipment	**338,193**	301,679
Construction in progress	**35,444**	4,733
	$ 736,279	$ 663,089

Cost of commitments to complete construction-in-progress projects is estimated to be $42,660.

(In Thousands)

7. Long-Term Debt

Long-term debt consists principally of tax-exempt bonds as follows:

Description	Interest Rates	December 31 2007	2006
Tax-exempt, variable rate demand bonds:			
Series 2007	3.12% to 4.03%	**$ 24,930**	$ –
Series 2005	3.57% to 3.85%	**189,620**	192,045
Series 2001	3.45% to 4.8%	**201,425**	206,350
Tax-exempt, fixed rate serial and term bonds:			
Series 1998	4.5% to 5.4%	**60,190**	62,775
Capital leases	Various	**8,344**	10,322
		484,509	471,492
Less unamortized original issue discount		**2,705**	2,762
		481,804	468,730
Less current portion		**15,686**	13,889
		$466,118	$454,841

The carrying value of the Corporation's tax-exempt, variable rate and other debt approximates fair value. The fair value of the fixed rate debt (all of which is tax-exempt) is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Corporation's tax-exempt, fixed rate debt at December 31, 2007, was approximately $62,242.

(In Thousands)

7. Long-Term Debt (continued)

The scheduled maturities and mandatory redemptions of long-term debt are as follows:

Year Ending December 31:	
2008	$ 15,715
2009	13,422
2010	13,211
2011	12,749
2012	12,992
Thereafter	416,420
	$ 484,509

Total interest paid was approximately $19,070 in 2007 and $19,813 in 2006. Interest cost of $1,076 in 2007 and $74 in 2006 was capitalized as part of the cost of construction.

Obligations Through Use of Master Indenture

PH and PVH have issued tax-exempt revenue, revenue refunding, and variable rate demand bonds through the use of a Master Indenture, as amended and supplemented. The various agreements require PH and PVH not to incur indebtedness secured by an encumbrance and not to mortgage certain facilities except under certain circumstances. The agreements require the maintenance of debt service coverage ratios and contain certain other restrictive covenants.

7. Long-Term Debt (continued)

Fixed Rate Debt

In November 1998, PH and PVH issued $144,610 of fixed rate, tax-exempt revenue bonds (the Series 1998 Bonds) using the Master Indenture through the Hospital Authority of the City of Fort Wayne, Indiana. The proceeds of the Series 1998 Bonds and certain other funds of the Corporation were used to advance refund (primarily through an in-substance defeasance) the Series 1989A Bonds and Series 1992 Bonds then outstanding, to finance or reimburse PH and PVH for a portion of the cost of the acquisition and construction of certain capital improvements, and to pay financing costs. The Series 1998 Bonds consist of serial and term bonds and require annual principal or mandatory sinking fund redemption, with interest payable semiannually. A portion ($64,125) of the Series 1998 Bonds was advance refunded (primarily through an in-substance defeasance) with the Series 2005 Bonds.

Variable Rate Bonds

In November 2001, PH and PVH issued $220,000 of variable rate, tax-exempt auction revenue bonds (the Series 2001 Bonds) using the Master Indenture and through the Indiana Health Facility Financing Authority. The proceeds of the Series 2001 Bonds and certain other funds of the Corporation were used to advance refund (primarily though an in-substance defeasance) the Series 1989B and 1985BCD Bonds outstanding (of which principal aggregating $69,500 related to PH), to finance or reimburse PH and PVH for a portion of the cost of the acquisition and construction of certain capital improvements, and to pay financing costs. These Series 2001 Bonds auction every 28 days. If the auction fails, the interest rate for the next 28-day cycle is the 7-Day AA Composite Commercial Paper Rate times 125%. The bonds have a maximum rate of 15%. In November 2001, the Corporation entered into three fixed-for-variable interest rate swap agreements. The objective of these swap agreements is to mitigate interest rate fluctuations and fix the interest rate of these bonds. The terms of the swap agreements require the Corporation to pay a fixed interest rate between 3.47% and 3.71% on the notional amount of $220,000 and the Corporation to receive a variable interest rate payment based on the LIBOR Index on the same notional amount. The notional amount declines annually and expires during May 2031.

7. Long-Term Debt (continued)

Interest rate fluctuations impact the fair value of the variable rate bonds, which will be offset by corresponding changes in the fair value of the interest rate swap agreements. As of December 31, 2007 and 2006, the market value of the swaps is included in the investment section of the consolidated balance sheets.

In July 2005, PH and PVH issued $194,930 of variable rate, tax-exempt revenue demand bonds (the Series 2005 Bonds) using the Master Indenture and through the Indiana Health and Education Facility Financing Authority. The proceeds of the Series 2005 Bonds and certain other funds of the Corporation were used to advance refund (primarily though an in-substance defeasance) a portion of the Series 1998 Bonds outstanding (of which principal aggregating $64,125 related to PH), to finance or reimburse PH and PVH for a portion of the cost of the acquisition and construction of certain capital improvements, and to pay financing costs. These Series 2005 Bonds bear interest at a weekly rate, and interest is paid monthly. The bonds are backed by a Standby Bond Purchase Agreement written by JP Morgan Chase Bank, which expires on July 28, 2010. The bond issue has a maximum rate of 12%. In July 2005, the Corporation entered into two fixed-for-variable interest rate swap agreements. The objective of these swap agreements is to mitigate interest rate fluctuations and fix the interest rate of these bonds. The terms of the swap agreements require the Corporation to pay a fixed interest rate between 3.256% and 3.480% on the notional amount of $194,930 and the Corporation to receive a variable interest rate payment based on the LIBOR Index on the same notional amount. The notional amount declines annually and expires during November 2033. Interest rate fluctuations impact the fair value of the variable rate bonds, which will be offset by corresponding changes in the fair value of the interest rate swap agreements. At December 31, 2007 and 2006, the market value of the swaps is included in the other asset and noncurrent liability captions of the consolidated balance sheets.

On March 15, 2007, PLH issued $24,930 of adjustable rate, tax-exempt revenue bonds. The bonds were issued through the Indiana Health and Education Facility Financing Authority. The proceeds of the Series 2007 Bonds and certain other funds of PLH are being used to finance the construction and furnishing of a new hospital facility and to pay financing costs. These Series 2007 Bonds bear interest at a weekly rate, and interest is paid monthly. These bonds have a full line of credit backed by National City Bank, which expires on March 16, 2012. This bond issue has a maximum rate of 15%. PH has guaranteed the payment of interest and principle on the Series 2007 Bonds. The borrower's obligations under the bond documents are secured by a security interest in and lien upon all of the borrower's real and personal property.

7. Long-Term Debt (continued)

Debt Guarantee

At December 31, 2007, the Corporation has guaranteed approximately $290 of certain outstanding debt obligations of an unconsolidated entity. This obligation provides for a 7.69% fixed rate for ten years. If the unconsolidated entity defaults on its debt obligation, the Corporation would then be responsible for the obligation.

8. Pension Plans

Defined-Benefit Pension Plan

The Corporation sponsors a noncontributory, defined-benefit pension plan (the Plan) covering eligible employees employed prior to January 2005. Plan benefits are based on years of service and an employee's compensation during a consecutive five-year term of employment within the ten years prior to benefit determination, which results in the highest earnings. An employee becomes a Plan participant upon reaching age 21 and completing at least one year of eligible service. A year of eligible service is credited to an employee upon the completion of at least 1,000 hours of service in a calendar year. The Corporation's funding policy is to contribute annually the amount necessary to fully fund the Plan's Accumulated Benefit Obligation (ABO). This amount exceeds the minimum contribution required to comply with Employee Retirement Income Security Act of 1974 regulations.

(In Thousands)

8. Pension Plans (continued)

	December 31 2007	December 31 2006
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 207,487	$ 193,513
Service cost	7,667	7,716
Interest cost	12,495	11,528
Actuarial (gain) loss	(1,506)	(1,282)
Benefits paid	(4,804)	(4,218)
Plan amendments	–	230
Projected benefit obligation at end of year	221,339	207,487
Change in plan assets		
Plan assets at fair value at beginning of year	178,627	145,142
Actual gain on plan assets	15,158	16,703
Corporation and subsidiary contributions	15,000	21,000
Benefits paid	(4,804)	(4,218)
Plan assets at fair value at end of year	203,981	178,627
Funded status of the Plan	$ (17,358)	$ (28,860)
Items not yet recognized as a component of net periodic pension cost		
Net actuarial loss	$ 37,725	$ 41,418
Prior service cost	979	1,155
	$ 38,704	$ 42,573

(In Thousands)

8. Pension Plans (continued)

Effective December 31, 2006, PH adopted the recognition and disclosure requirements of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirements Plans – an Amendment of FASB Statements No. 87, 88, 106, and 132(R).* Adjustments to pension liability to reflect funded status are charged or credited to unrestricted net assets.

Incremental Effect of Applying SFAS No. 158
on Individual Line Items in the Balance Sheet
December 31, 2006

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Intangible pension asset	$ 1,155	$ (1,155)	$ –
Accrued pension liability	(4,499)	(24,361)	(28,860)
Accumulated other comprehensive income	17,057	25,516	42,573
Net asset held in balance sheet	$ 13,713	$ –	$ 13,713

The effect of adopting SFAS No. 158 increased the accrued pension obligation by $24,361, decreased the intangible assets by $1,155, and decreased unrestricted net assets in the amount of $25,516 at December 31, 2006.

	Year Ended December 31	
	2007	**2006**
Periodic benefit cost		
Service cost	**$ 7,667**	$ 7,716
Interest cost	**12,495**	11,528
Expected return on plan assets	**(15,085)**	(13,379)
Amortization of unrecognized net loss	**2,114**	2,672
Amortization of unrecognized prior service cost	**176**	176
Net periodic benefit cost	**$ 7,367**	$ 8,713

(In Thousands)

8. Pension Plans (continued)

	Year Ended December 31	
	2007	**2006**
Accumulated benefit obligation	**$ 196,887**	$ 183,126
Plan assets at fair market value	**203,981**	178,627
Accumulated benefit obligation greater than plan assets at fair market value	**$ (7,094)**	$ (4,499)

The weighted-average assumptions used to determine benefit obligations at December 31 and net periodic benefit costs for the years then ended are as follows:

	2007	2006
Assumptions – benefit obligations		
Discount rate	**6.14%**	6.12%
Expected return on plan assets	**8.25%**	8.75%
Rate of compensation increase	**3.50%**	3.50%
Assumptions – net periodic benefit cost		
Discount rate	**6.12%**	6.00%
Expected return on plan assets	**8.25%**	8.25%
Rate of compensation increase	**3.50%**	3.25%

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

(In Thousands)

8. Pension Plans (continued)

The principal long-term determinant of a portfolio's investment return is its asset allocation. The plan allocation is weighted toward growth assets (57%) versus fixed income (43%). In addition, management believes its active strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the Plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The Plan's weighted-average asset allocations at December 31, 2007 and 2006, by asset category, are as follows:

	2007	**2006**
Equity securities	**57%**	56%
Debt securities	**38%**	35%
Short-term investments	**5%**	9%
Total	**100%**	100%

The allocation strategy for the Plan currently comprises approximately 40% to 70% growth investments and 30% to 60% fixed-income investments. Within the growth investment classification, the Plan's asset strategy encompasses equity and equity-like instruments that are of both public and private market investments. These equity and equity-like instruments are public equity securities that are well diversified and invested in U.S. and international companies.

Estimated future benefit payments:	
2008	$ 5,544
2009	5,325
2010	7,005
2011	7,805
2012	8,635
2013–2017	58,634

The Corporation expects to contribute $26,000 to its pension plan in 2008.

(In Thousands)

8. Pension Plans (continued)

Contributions to the tax-sheltered annuity and 401(k) plans are based on a percentage of eligible employee salaries, as defined. The contributions for the tax-shelter annuity and 401(k) plans were $4,784 in 2007 and $4,503 in 2006.

Defined-Contribution Pension Plan

Eligible employees hired after December 31, 2004, and employees who were active at December 31, 2004, and elected at that time to participate in the defined-contribution plan and freeze their benefits in the defined-benefit plan, participate in the defined-contribution plan. The accrued liability for the defined-contribution pension plan is $5,161 and $4,764 at December 31, 2007 and 2006, respectively, and is recorded as a current liability on the consolidated balance sheets. During 2007 and 2006, expense for this plan totaled $5,121 and $5,130, respectively.

9. Commitments and Contingencies

Certain property and equipment is leased using noncancelable operating lease arrangements. The leases expire in various years through 2020. Future minimum lease payments required under noncancelable operating leases for property and equipment as of December 31, 2007, are as follows:

Year ending December 31	Operating Leases	Capital Leases
2008	$ 1,597	$ 4,979
2009	1,545	2,149
2010	1,464	1,301
2011	1,445	498
2012	1,445	160
Thereafter	12,637	–
Total minimum lease payments	$ 20,133	9,087
Less amount representing interest		743
Present value of net minimum lease payments		$ 8,344

10. Functional Expenses

The Corporation, as an integrated healthcare delivery system, provides and manages the healthcare needs of its patients and members. Aggregate direct expenses for these services as a percent of total expenses were approximately 87% for the years ended December 31, 2007 and 2006.

11. Indiana Medicaid Disproportionate Share

Under Indiana law (HEA 1095, Public Law 27-1992), healthcare providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (State DSH) payments. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. DSH payments by the state of Indiana are paid according to the fiscal year of the state, which ends June 30th of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year. State DSH payments are recorded when payments are probable and reasonably estimatable.

Parkview Huntington and Parkview Hospital have qualified as DSH providers in recent years. In January 2008, the state of Indiana provided notice to Parkview Huntington and Parkview Hospital of their State DSH program participation eligibility for the state fiscal years 2006 and 2007. Management estimated reimbursement for State DSH for the state's fiscal years 2006 and 2007, which it recorded in December 31, 2007, of $28,491 and $4,054 for Parkview Hospital and Parkview Huntington, respectively. During 2006, the state of Indiana finalized program participation for the state fiscal years 2004 and 2005, which resulted in estimated reimbursement to PH for 2006 of $16,499 and $4,208 for Parkview Hospital and Parkview Huntington, respectively. The change in estimate for prior years, which increased the excess of revenues over expenses related to these settlements, was $22,295 and $19,276 in 2007 and 2006, respectively.

(In Thousands)

11. Indiana Medicaid Disproportionate Share (continued)

The State DSH payments to Parkview Huntington and Parkview Hospital are included in the consolidated statements of operations and changes in net assets when notified by the state of Indiana and applied to the most recent year for which audited financial statements have not been issued. The following summary of Parkview Health gives effect to using historical information to report the State DSH revenue recognized by Parkview Health and the state fiscal year to which the revenue relates.

	Year Ended December 31			
	2004	**2005**	**2006**	**2007**
Net operating income, excluding State DSH revenue	$36,377	$48,672	$55,771	**$49,494**
State DSH revenue relating to state fiscal year:				
2002	1,292	–	–	–
2003	–	1,299	–	–
2004	–	–	10,086	–
2005	–	–	10,621	–
2006	–	–	–	**20,058**
2007	–	–	–	**12,487**
Net operating income, as reported	$37,669	$49,971	$76,478	**$82,039**

At December 31, 2007 and 2006, PH recorded State DSH payments receivable of $30,327 and $18,639, respectively.

Other Financial Information

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet

December 31, 2007
(In Thousands)

	Parkview Hospital	Parkview Health System	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital	Managed Care Services	Parkview Occupational Health	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Hospital Foundation	Parkview Huntington Hospital Foundation	Eliminations	Consolidated
Assets														
Current assets														
Cash and cash equivalents	$ 307	$ 41,643	$ 439	$ 39	$ 30	$ 30	$ -	$ (83)	$ 226	$ 32	$ 86	$ 94	$ -	$ 42,843
Patient accounts receivable, net	75,430	9,919	4,215	5,338	4,881	3,284	-	1,004	-	-	-	-	-	104,071
Inventories	10,907	162	239	201	193	236	-	-	-	-	-	-	-	11,938
Prepaid expenses and other current assets	39,240	(22,059)	3,732	2,339	2,280	(278)	733	606	(201)	79	151	401	-	27,023
Collateral from securities lending agreement	-	27,017	-	-	-	-	-	-	-	-	-	-	-	27,017
Estimated third-party payor settlements	26,974	-	1,165	163	(293)	(200)	-	-	-	-	-	-	-	27,809
Total current assets	152,858	56,682	9,790	8,080	7,091	3,072	733	1,527	25	111	237	495	-	240,701
Investments:														
Board designated debt reserve and capital replacement funds	16,829	627,430	29,253	34,625	-	18,641	-	-	15,700	1,566	1,428	753	-	746,225
Securities pledged	-	26,817	-	-	-	-	-	-	-	-	-	-	-	26,817
Other investments	-	-	-	-	-	-	-	-	-	137	-	-	-	137
	16,829	654,247	29,253	34,625	-	18,641	-	-	15,700	1,703	1,428	753	-	773,179
Property and equipment:														
Cost	392,974	266,695	11,585	36,102	10,159	16,821	797	1,065	66	10	5	-	-	736,279
Less accumulated depreciation and amortization	225,412	100,217	5,858	25,077	6,143	3,655	649	805	44	10	1	-	-	367,871
	167,562	166,478	5,727	11,025	4,016	13,166	148	260	22	-	4	-	-	368,408
Other assets:														
Interest rate swaps	-	6,452	-	-	-	-	-	-	-	-	-	-	-	6,452
Deferred financing costs	-	8,087	-	-	-	187	-	-	-	-	-	-	-	8,274
Goodwill and intangible assets	48	7,726	-	-	-	5,665	-	-	-	-	-	-	-	13,439
Other assets	17,640	4,397	40	47	508	-	-	-	-	-	-	-	(10,705)	11,927
	17,688	26,662	40	47	508	5,852	-	-	-	-	-	-	(10,705)	40,092
Total assets	$ 354,937	$ 904,069	$ 44,810	$ 53,777	$ 11,615	$ 40,731	$ 881	$ 1,787	$ 15,747	$ 1,814	$ 1,669	$ 1,248	$ (10,705)	$ 1,422,380
Liabilities and net assets														
Current liabilities:														
Accounts payable and accrued expenses	$ 39,620	$ 15,749	$ 1,104	$ 683	$ 328	$ 665	$ 44	$ 96	$ 3	$ -	$ 11	$ -	$ -	$ 58,303
Salaries, wages, and related liabilities	8,904	21,949	616	804	639	403	85	219	-	-	-	-	-	33,619
Accrued interest	-	1,149	-	-	-	-	-	-	-	-	-	-	-	1,149
Payable under securities lending agreement	-	27,017	-	-	-	-	-	-	-	-	-	-	-	27,017
Current portion of long-term debt	1,985	12,913	124	11	20	633	-	-	-	-	-	-	-	15,686
Total current liabilities	50,509	78,777	1,844	1,498	987	1,701	129	315	3	-	11	-	-	135,774
Noncurrent liabilities:														
Long-term debt, less current portion	2,664	438,903	28	28	57	24,438	-	-	-	-	-	-	-	466,118
Interest rate swaps	-	15,939	-	-	-	-	-	-	-	-	-	-	-	15,939
Accrued pension obligations	-	17,358	-	-	-	-	-	-	-	-	-	-	-	17,358
Other	271	5,104	1,035	1,460	264	14,472	-	4	33	-	-	-	(10,705)	11,938
	2,935	477,304	1,063	1,488	321	38,910	-	4	33	-	-	-	(10,705)	511,353
Minority interest	-	9,388	-	-	-	-	-	-	-	-	-	-	-	9,388
Net assets														
Unrestricted net assets	301,493	338,600	41,903	50,791	10,307	120	752	1,468	12,214	1,603	1,445	1,125	-	761,821
Temporarily restricted net assets	-	-	-	-	-	-	-	-	2,815	120	213	123	-	3,271
Permanently restricted net assets	-	-	-	-	-	-	-	-	682	91	-	-	-	773
Total net assets	301,493	338,600	41,903	50,791	10,307	120	752	1,468	15,711	1,814	1,658	1,248	-	765,865
Total liabilities and net assets	$ 354,937	$ 904,069	$ 44,810	$ 53,777	$ 11,615	$ 40,731	$ 881	$ 1,787	$ 15,747	$ 1,814	$ 1,669	$ 1,248	$ (10,705)	$ 1,422,380

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Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet

December 31, 2006
(In Thousands)

	Parkview Hospital	Parkview Health System	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital	Managed Care Services	Parkview Occupational Health	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Hospital Foundation	Parkview Huntington Hospital Foundation	Eliminations	Consolidated
Assets														
Current assets:														
Cash and cash equivalents	$ (802)	$ 25,964	$ (99)	$ 71	$ 26	$ 7	$ 192	$ 20	$ 277	$ 48	$ 150	$ 205	$ -	$ 26,059
Patient accounts receivable, net	75,258	1,936	5,071	5,927	5,417	2,966	-	1,009	-	-	-	-	-	97,584
Inventories	9,538	135	235	224	226	209	-	-	-	-	-	-	-	10,567
Prepaid expenses and other current assets	36,209	(26,460)	736	1,344	763	(2,041)	194	(231)	1,268	255	296	498	-	12,831
Collateral from securities lending agreement	-	87,105	-	-	-	-	-	-	-	-	-	-	-	87,105
Estimated third-party payor settlements	19,851	-	1,180	(40)	(629)	2,329	-	-	-	-	-	-	-	22,691
Total current assets	140,054	88,680	7,123	7,526	5,803	3,470	386	798	1,545	303	446	703	-	256,837
Investments:														
Board-designated debt reserve and capital replacement funds	13,910	534,464	23,051	31,076	-	-	-	-	13,053	1,158	949	498	-	618,159
Securities pledged	-	84,682	-	-	-	-	-	-	-	-	-	-	-	84,682
Other investments	-	-	-	-	-	-	-	-	-	121	-	-	-	121
	13,910	619,146	23,051	31,076	-	-	-	-	13,053	1,279	949	498	-	702,962
Property and equipment:														
Cost	371,082	225,418	9,621	35,488	9,708	9,230	1,436	1,023	68	10	5	-	-	663,089
Less accumulated depreciation and amortization	212,223	79,656	5,655	24,537	5,120	2,129	787	731	42	10	1	-	-	330,891
	158,859	145,762	3,966	10,951	4,588	7,101	649	292	26	-	4	-	-	332,198
Other assets:														
Interest rate swap	-	9,157	-	-	-	-	-	-	-	-	-	-	-	9,157
Deferred financing costs	-	8,476	-	-	-	8	-	-	-	-	-	-	-	8,484
Goodwill	58	-	-	-	-	5,992	-	-	-	-	-	-	-	6,050
Other assets	1,175	22,237	53	38	610	-	-	-	-	-	-	-	(13,442)	10,671
	1,233	39,870	53	38	610	6,000	-	-	-	-	-	-	(13,442)	34,362
Total assets	$ 314,056	$ 893,458	$ 34,193	$ 49,591	$ 11,001	$ 16,571	$ 1,035	$ 1,090	$ 14,624	$ 1,582	$ 1,399	$ 1,201	$ (13,442)	$ 1,326,359
Liabilities and net assets														
Current liabilities:														
Accounts payable and accrued expenses	$ 13,050	$ 18,408	$ 363	$ 800	$ 615	$ 383	$ 67	$ 69	$ 38	$ -	$ -	$ -	$ -	$ 33,793
Salaries, wages, and related liabilities	10,325	24,115	661	806	656	438	156	239	-	-	-	-	-	37,396
Accrued interest	-	1,058	-	-	-	-	-	-	-	-	-	-	-	1,058
Payable under securities lending agreement	-	87,105	-	-	-	-	-	-	-	-	-	-	-	87,105
Current portion of long-term debt	2,066	11,759	3	3	6	52	-	-	-	-	-	-	-	13,889
Total current liabilities	25,441	142,445	1,027	1,609	1,277	873	223	308	38	-	-	-	-	173,241
Noncurrent liabilities:														
Long-term debt, less current portion	4,148	450,500	5	4	8	176	-	-	-	-	-	-	-	454,841
Interest rate swap	-	3,114	-	-	-	-	-	-	-	-	-	-	-	3,114
Accrued pension obligations	-	28,860	-	-	-	-	-	-	-	-	-	-	-	28,860
Other	235	4,781	55	1,260	2,858	15,060	201	12	36	-	-	-	(13,442)	11,056
	4,383	487,255	60	1,264	2,866	15,236	201	12	36	-	-	-	(13,442)	497,871
Net assets:														
Unrestricted net assets	284,232	263,758	33,106	46,718	6,858	462	611	770	11,115	1,387	1,077	1,092	-	651,186
Temporarily restricted net assets	-	-	-	-	-	-	-	-	2,756	104	322	109	-	3,291
Permanently restricted net assets	-	-	-	-	-	-	-	-	679	91	-	-	-	770
Total net assets	284,232	263,758	33,106	46,718	6,858	462	611	770	14,550	1,582	1,399	1,201	-	655,247
Total liabilities and net assets	$ 314,056	$ 893,458	$ 34,193	$ 49,591	$ 11,001	$ 16,571	$ 1,035	$ 1,090	$ 14,624	$ 1,582	$ 1,399	$ 1,201	$ (13,442)	$ 1,326,359

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Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended December 31, 2007
(In Thousands)

	Parkview Hospital	Parkview Health System	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital	Managed Care Services	Parkview Occupational Health	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Hospital Foundation	Parkview Huntington Hospital Foundation	Eliminations	Consolidated
Revenues														
Net patient care service revenue	$ 542,000	$ 27,184	$ 43,028	$ 37,701	$ 39,457	$ 22,685	$ -	$ 6,873	$ -	$ -	$ -	$ -	$ (25,457)	$ 693,471
Other revenue	10,997	36,613	1,135	2,369	689	385	4,883	1,327	6,555	570	717	986	(21,990)	45,236
	552,997	63,797	44,163	40,070	40,146	23,070	4,883	8,200	6,555	570	717	986	(47,447)	738,707
Expenses														
Salaries and benefits	226,060	74,249	16,765	19,109	16,724	10,836	2,638	4,946	412	36	83	14	(54,951)	316,921
Supplies	84,580	5,929	3,320	3,259	2,874	1,449	71	543	15	1	1	1	-	102,043
Purchased services	94,187	39,940	6,135	7,091	6,265	4,849	1,410	1,524	39	5	5	5	(68,569)	92,886
Utilities, repairs, and maintenance	11,192	12,316	982	1,479	1,108	507	50	53	2	-	-	-	-	27,689
Depreciation and amortization	21,459	20,695	1,247	1,724	1,463	1,067	101	73	3	-	-	-	-	47,832
Provision for bad debts	38,220	1,073	4,626	3,672	5,375	2,766	-	94	-	-	-	-	-	55,826
Other	11,638	(89,389)	3,666	1,216	2,938	739	445	269	4,544	265	167	900	76,073	13,471
	487,336	64,813	36,741	37,550	36,747	22,213	4,715	7,502	5,015	307	256	920	(47,447)	656,668
Net operating income (loss)	65,661	(1,016)	7,422	2,520	3,399	857	168	698	1,540	263	461	66	-	82,039
Investment income	3,003	53,793	1,209	1,459	4	703	-	-	-	-	-	-	(596)	59,575
Other nonoperating	(207)	(338)	42	114	44	(1,196)	(27)	-	-	-	-	-	-	(1,568)
Interest expense	(1)	(17,962)	-	-	(13)	(705)	-	-	-	-	-	-	596	(18,085)
Fair value swaps gain/loss	-	(15,542)	-	-	-	-	-	-	-	-	-	-	-	(15,542)
Loss on advance refunding of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess of revenues over expenses	68,456	18,935	8,673	4,093	3,434	(341)	141	698	1,540	263	461	66	-	106,419
Other changes in net assets,														
Pension-related changes	-	3,869	-	-	-	-	-	-	-	-	-	-	-	3,869
Other	(51,195)	52,038	124	(20)	15	(1)	-	-	(379)	(31)	(202)	(19)	-	330
Increase (decrease) in net assets	17,261	74,842	8,797	4,073	3,449	(342)	141	698	1,161	232	259	47	-	110,618
Net assets at beginning of year	284,232	263,758	33,106	46,718	6,858	462	611	770	14,550	1,582	1,399	1,201	-	655,247
Net assets at end of year	$ 301,493	$ 338,600	$ 41,903	$ 50,791	$ 10,307	$ 120	$ 752	$ 1,468	$ 15,711	$ 1,814	$ 1,658	$ 1,248	$ -	$ 765,865

Parkview Health System, Inc. and subsidiaries
d/b/a Parkview Health

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended December 31, 2006 (Restated)
(In Thousands)

	Parkview Hospital	Parkview Health System	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital	Managed Care Services	Parkview Occupational Health	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Hospital Foundation	Parkview Huntington Hospital Foundation	Eliminations	Consolidated
Revenues:														
Net patient care service revenue	$ 527,268	$ 14,239	$ 42,101	$ 37,304	$ 37,081	$ 21,031	$ -	$ 5,822	$ -	$ -	$ -	$ -	$ (21,793)	$ 663,053
Other revenue	11,143	38,010	1,154	2,213	683	335	5,104	827	7,336	826	727	1,121	(23,922)	45,557
	538,411	52,249	43,255	39,517	37,764	21,366	5,104	6,649	7,336	826	727	1,121	(45,715)	708,610
Expenses:														
Salaries and benefits	210,855	68,008	16,376	18,606	15,765	10,134	2,767	4,529	403	83	79	73	(42,621)	305,057
Food and supplies	83,003	2,504	3,451	2,944	2,966	1,521	90	493	11	-	-	-	-	96,983
Purchased services	83,243	39,899	4,423	4,738	4,072	3,765	1,004	1,583	26	2	2	2	(56,113)	86,646
Utilities, repairs, and maintenance	10,339	11,437	1,151	1,398	1,081	570	100	127	-	-	-	-	-	26,203
Depreciation and amortization	21,397	18,404	1,003	1,702	1,466	1,184	118	82	20	-	-	-	-	45,376
Provision for bad debts	36,199	303	4,685	3,304	4,846	2,326	-	86	-	-	-	-	-	51,749
Other	13,477	(62,588)	4,143	2,327	3,481	689	407	283	4,283	229	188	181	53,018	20,118
	458,513	77,967	35,232	35,019	33,677	20,189	4,486	7,183	4,743	314	269	256	(45,716)	632,132
Net operating income (loss)	79,898	(25,718)	8,023	4,498	4,087	1,177	618	(534)	2,593	512	458	865	1	76,478
Investment income	1,836	58,802	952	1,350	82	48	-	10	259	34	35	12	(749)	62,671
Impairment of long-lived assets and other	854	(392)	(21)	(158)	(49)	(1,082)	-	(142)	-	-	-	-	-	(990)
Interest expense	-	(19,510)	-	-	(165)	(583)	-	-	-	-	-	-	748	(19,510)
Gain on fair value of interest rate swaps	-	14,835	-	-	-	-	-	-	-	-	-	-	-	14,835
Loss on advance refunding of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess of revenues over expense (loss)	82,588	28,017	8,954	5,690	3,955	(440)	618	(666)	2,852	546	493	877	-	133,484
Other changes in net assets:														
Pension-related changes	-	5,849	-	-	-	-	-	-	-	-	-	-	-	5,849
Other	(335,737)	310,928	(60)	(116)	50	(53)	-	10	103	(14)	(342)	(26)	-	(25,257)
Decrease (increase) in net assets	(253,149)	344,794	8,894	5,574	4,005	(493)	618	(656)	2,955	532	151	851	-	114,076
Net assets (deficit) at beginning of year	537,381	(81,036)	24,212	41,144	2,853	955	(7)	1,426	11,595	1,050	1,248	350	-	541,171
Net assets at end of year	$ 284,232	$ 263,758	$ 33,106	$ 46,718	$ 6,858	$ 462	$ 611	$ 770	$ 14,550	$ 1,582	$ 1,399	$ 1,201	$ -	$ 655,247

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