

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

February 2, 2011

7:30a.m.

AGENDA

- | | | |
|--------------|---|---|
| I. | Open Meeting and Establish a Quorum | Ralph Rosenberg |
| II. | Approval of the Agenda | Ralph Rosenberg |
| III. | Welcome New Authority Members | Ralph Rosenberg |
| IV. | Approval of Minutes of Prior meetings | Ralph Rosenberg |
| V. | Election of Officers | Ralph Rosenberg |
| VI. | Finance <ul style="list-style-type: none">❖ Authority Audit❖ PPMH Audit | Kerry Loudermilk
Lin Harris
Kerry Loudermilk |
| VII. | Status of Purchase of Palmyra Park Hospital, Inc. Assets | Joel Wernick |
| VIII. | <u>Proposed Resolutions Pertaining to</u>
Amendment of Asset Purchase Agreement
and Financing of Purchase | Jay Reynolds |
| VIII. | <u>New Business:</u> | Ralph Rosenberg |
| IX. | Adjournment | Ralph Rosenberg |

**MINUTES OF
HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY
MEETING
February 2, 2011**

Attendees: Authority board Members: Ralph Rosenberg, Lamar Reese, Charles Lingle, DVM, John Inman, Jr. M.D., Rev. H.B. Johnson, Fred Ghiglieri, Rev. Eugene Sherman, John Hayes, Steven Wolinsky, D.O. Among those also present were Joel Wernick, Kerry Loudermilk, Joe Austin, Tommy Chambless, Annette Allen (recorder), Authority's Auditor, Lin Harris, regular legal counsel to the Authority, James Reynolds

Called To Order: The meeting was called to order by Chairman, Rosenberg at 7:33 a.m. in the Willson Board Room of Phoebe Putney Memorial Hospital

Topic/Discussion	Conclusion/Evaluation	Recommendation/Action	Follow-Up
Open Meeting and Establish a Quorum Mr. Rosenberg welcomed the Authority and established that a quorum was present.			
Approval of the Agenda The agenda was reviewed and approved.			
Welcome new Authority Members: Mr. Rosenberg welcomed newly appointed Authority members: Commissioner, John Hayes and Dr. Steven Wolinsky.			
Approval of the Minutes		The minutes of the regular meeting of November 4, 2010 and the special called meeting of December 21, 2010 were presented for approval. Rev. Sherman asked that the	

Topic/Discussion	Conclusion/Evaluation	Recommendation/Action	Follow-Up
<p>Election of Officers: Mr. Rosenberg asked for 2011 Authority Officer Nominations from the Board, beginning with the office of Chairman.</p>		<p>December 21st minutes be revised to indicate he had an excused absence (due to being out of town) and indicated he met with Chairman Rosenberg prior to the meeting, so that while he could not submit a proxy vote he was in favor of the action to purchase Palmyra Park Hospital. A motion was made and seconded to approve the minutes with the aforementioned revision to the minutes of the December 21, 2010 meeting. The motion passed unanimously.</p> <p>Mr. Reese nominated Ralph Rosenberg as Chairman and Dr. Sherman Seconded. The Motion passed unanimously.</p> <p>Dr. Inman nominated Dr. Charles Lingle as Vice Chairman and Dr. Sherman Seconded. The Motion passed unanimously.</p> <p>Dr. Inman nominated Rev. Eugene Sherman as secretary and Rev. Johnson Seconded. The Motion passed unanimously.</p>	

Topic/Discussion	Conclusion/Evaluation	Recommendation/Action	Follow-Up
<p>Finance Reports:</p> <p><u>Audited Statements of the Authority for FYE July 31, 2010:</u> Mr. Lin Harris, CPA of Draffin & Tucker, reviewed in detail the most recent audited financial statements (attached) of the Hospital Authority of Albany-Dougherty County, Georgia. Mr. Harris responded to questions of the Authority.</p>		<p>Rev. Sherman nominated Dr. John Inman as Assistant Secretary and Mr. Reese Seconded. The Motion passed unanimously.</p>	
<p>PPMH Audit: Mr. Loudermilk presented copies of Phoebe Putney's FY2009-2010 Audit for review (copy attached). In his presentation, Mr. Loudermilk stated the Hospital has not had a price increase during the last two fiscal years.</p>		<p>A motion was made and seconded to approve the Audit as presented. The motion passed unanimously.</p>	
<p>Status of Purchase of Palmyra Park Hospital, Inc. Assets: Mr. Wernick updated the Authority on the progress of the acquisition including an explanation of the need to extend the closing date in order to have time to meet the required transfer and analysis of</p>	<p>He concluded by stating the closing is now slated to be March 1, 2011</p>	<p>As part of the ensuing discussions, it was agreed that the Authority would engage an independent party to analyze pricing to be certain that the requirements of the Hospital Authority act and the Lease are being complied with.</p>	

Topic/Discussion	Conclusion/Evaluation	Recommendation/Action	Follow-Up
<p>information and to comply with and obtain required regulatory filings and approvals. Mr. Wernick also addressed the matter of employment of Palmyra personnel. Per the Agreement Palmyra provided its list of all employees and Phoebe's Human Resource department identified the 22 Palmyra employees who are not eligible for re-hire.</p>			
<p>Dorminy Medical Center: Mr. Wernick informed the Authority that the Hospital Authority of Ben Hill County authorized the lease document with Phoebe on Jan 25, 2011. Attorney General will start its 90-day review of the lease agreement after a filing is made.</p>	<p>He concluded by stating he will keep the Authority updated as developments occur.</p>		
<p>Resolution: Pertaining to Amendment of Asset Purchase Agreement and Financing of Purchase : At the request of Mr. Rosenberg, Mr. Reynolds presented and reviewed in detail, for consideration by the Authority certain Resolutions(attached) entitled: Resolutions of the Hospital Authority of Albany- Dougherty County, Georgia Relating to Funding of Authority Obligations Under the Asset Purchase Agreement, Development of A Lease and Amendment of Asset Purchase Agreement.</p>		<p>Rev. Eugene Sherman made the motion to adopt and approve the aforementioned Resolution (attached to the permanent minutes). Dr. Lingle seconded the motion. The motion was seconded and passed unanimously.</p>	

Topic/Discussion	Conclusion/Evaluation	Recommendation/Action	Follow-Up
<p><u>Closing Remarks</u> Mr. Rosenberg stated the 2011 meeting schedule is in the binder and asked the Authority to take the schedule. The calendar of quarterly meetings will be mailed. He also congratulated Mr. Wernick on being included Georgia Trend's 2011 - 100 most Influential Georgians.</p>			
<p><u>Adjournment</u></p>		<p>With there being no further business, the meeting, adjourned at 8:41a.m.</p>	



 Annette Allen, Recorder

**RESOLUTIONS OF THE HOSPITAL AUTHORITY OF
ALBANY-DOUGHERTY COUNTY, GEORGIA RELATING
TO FUNDING OF AUTHORITY OBLIGATIONS UNDER
THE ASSET PURCHASE AGREEMENT, DEVELOPMENT OF
A LEASE AND AMENDMENT
OF ASSET PURCHASE AGREEMENT**

WHEREAS, at its meeting held on December 21, 2010, the Authority adopted Resolutions approving a certain Asset Purchase Agreement (the "APA") to acquire certain assets (the "Purchased Assets") and to assume certain obligations of Palmyra Park Hospital, Inc. and authorizing the Authority's proper officers to execute and deliver the APA on behalf of the Authority; and

WHEREAS, on December 21, 2010, the proper officers of the Authority did in fact execute and deliver the APA on behalf of the Authority, and the APA is currently in full force and effect, the same having been properly executed by all parties thereto; and

WHEREAS, Phoebe Putney Health System, Inc. ("PPHS") joined the Authority as a party to the APA, in part to provide assurances as to the fulfillment of the financial obligations and undertakings of the Authority thereunder; and

WHEREAS, under the terms of the Lease and Transfer Agreement, dated as of December 11, 1990 (as subsequently amended, the "Lease") between the Authority and Phoebe Putney Memorial Hospital, Inc. ("PPMH"), the Authority has a reversion interest upon expiration or termination of the Lease in all assets of PPMH and any affiliate of PPMH including PPHS, including cash and cash investments; and

WHEREAS, the officials of PPHS, upon advice of its financial and legal advisors, have recommended to the Authority that in providing the necessary funds for the Authority to fulfill its obligations and undertakings under the APA, PPHS or one or more of its subsidiaries will transfer to the Authority \$100,000,000 as a loan, to be repaid by the sale of the Authority's tax exempt bonds, and the balance of the funds needed by the Authority, up to an additional \$100,000,000, will be transferred from PPHS or its subsidiaries, to the Authority as an early reversion of assets under the Lease, without expiration or termination of the Lease; and

WHEREAS, the Authority's intent is to develop a lease of the Purchased Assets to PPMH, under which, among other things, the Authority will receive sufficient funds to repay the \$100,000,000 tax exempt financing referred to above; and

WHEREAS, the parties to the APA have found it was not feasible to meet the original time limits and dates for the delivery of schedules and information within the time frames originally agreed by the parties to the APA and accordingly, it was not reasonable and feasible to have a proper Closing within the time originally specified in the APA; and

WHEREAS, the parties to the APA amended certain provisions of the APA, including,

but not limited to, an amendment of those provisions which relate to the dates for Closing and for termination or optional termination, all of which is set forth in the First Amendment to the Asset Purchase Agreement, which Amendment has been presented to the Authority and is in the form attached hereto as Exhibit 1; and

WHEREAS, as the Authority with the assistance of PPHS continues to perform due diligence upon the operations and assets of Palmyra Park Hospital, Inc. prior to Closing, it may further develop that a better course of action will be to have PPMH substituted for Phoebe North Inc. ("PNI"), as both the employer at Closing of Palmyra Park Hospital, Inc.'s employees and the manager of Palmyra Medical Center while the Authority is both owner and operator of Palmyra Medical Center, and if such course of action is determined to be the better course, a further amendment of the APA will be required to substitute PPMH for PNI as a party to the APA.

NOW THEREFORE, the Authority hereby adopts the following Resolutions in connection with the foregoing, all in furtherance of the findings and Resolutions pertaining to the APA, as adopted and approved in the Authority's December 21, 2010 meeting:

Resolution 1: BE IT RESOLVED, that the Authority's Chairman, or in his absence, the Vice-Chairman, is hereby authorized and directed to promptly contact officials of PPHS with the request that it cause to be transferred to the Authority up to \$200,000,000 for the Authority's use in funding its contractual obligations and undertakings as set forth in the APA, \$100,000,000 of which is to be advanced from PPHS or its subsidiaries as a term loan ("Loan"), which Loan shall bear interest at a rate not to exceed 2% per annum and shall be paid as the limited obligation of the Authority payable only from either proceeds of the tax exempt bond financing described above or from other revenue actually received by the Authority under the Lease, and which Loan shall be paid as the Authority has funds to be able to do so. The Promissory Note (the "Note") evidencing the Loan shall so establish the limited obligation of the Authority. The Note evidencing the Loan is to be executed and delivered on behalf of the Authority by its Chairman and the form of the Note shall be developed by the Authority's legal counsel in consultation with the Chairman. The Chairman's execution of the Note shall be conclusive evidence of the validity and effectiveness of the terms of the Note, and the Note as so executed shall constitute the valid and binding limited obligation of the Authority in accordance with its terms. The balance of the funds transferred to the Authority from PPHS or its subsidiaries shall constitute an early reversion of assets under the Lease, but shall not constitute or be construed as requiring a termination or expiration of the Lease; it in fact being the resolution and intent of the Authority that the Lease, as amended, shall remain in full force and effect in accordance with its terms and conditions even though an early partial reversion of up to \$100,000,000 of assets is occurring.

Resolution 2: BE IT FURTHER RESOLVED, that counsel for the Authority develop a proposed lease of the Purchased Assets to PPMH, to be brought to the Authority for its consideration, said lease, among other things, to provide for payments to the Authority sufficient to fully pay when due, the obligations of the Authority as respects the \$100,000,000 tax exempt financing referred to above.

Resolution 3. BE IT FURTHER RESOLVED, that the Authority approves of the First Amendment to the APA in the form attached hereto as Exhibit 1 and it hereby approves and ratifies the prior execution and delivery of such Amendment on behalf of the Authority by its Chairman and it likewise approves and ratifies the Chairman's prior execution and delivery of the letter dated January 27, 2011, and attached hereto as Exhibit 2.

Resolution 4. BE IT FURTHER RESOLVED, that the Authority's Chairman, or in his absence, the Vice-Chairman, is authorized, but not required, upon the advice and consultation of PPHS, to enter into a further amendment of the APA, the form of which shall be approved by the Authority's legal counsel in consultation with the Chairman, amending the APA to substitute or add PPMH as a part to the APA for the purpose of employing Palmyra Park Hospital, Inc.'s employees at Closing; and further the Authority's Chairman, or in his absence, the Vice-Chairman, is authorized upon the advice and consultation of PPHS, to substitute PPMH for PNI as the manager of the Purchased Assets under substantially the same terms as are contained in the Management Agreement previously presented and approved by this Authority on December 21, 2010.

Resolution 5: BE IT FURTHER RESOLVED, that the appropriate officers of the Authority are and continue to be authorized and directed to take any and all action as may be reasonably necessary, desirable or appropriate to complete and fulfill the Authority's obligations under the APA and to move to consummate the purchase and sale as contemplated therein.

SO APPROVED AND ADOPTED this 2nd day of February, 2011.

HOSPITAL AUTHORITY OF ALBANY-
DOUGHERTY COUNTY, GEORGIA

BY: 
RALPH S. ROSENBERG, CHAIRMAN

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT ("Amendment") is made and entered into as of _____, 2011 by and among the HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, a hospital authority organized and existing pursuant to Georgia Code Annotated §§ 31-7-70 *et seq.* ("Buyer"), PALMYRA PARK HOSPITAL, INC., a Georgia corporation ("Seller"), PHOEBE PUTNEY HEALTH SYSTEM, INC., a Georgia nonprofit corporation ("PPHS"), and PHOEBE NORTH, INC., a Georgia nonprofit corporation ("PNI").

WITNESSETH:

WHEREAS, Buyer, Seller, PPHS and PNI entered into that certain Asset Purchase Agreement dated December 21, 2010 with respect to the purchase and sale of certain assets and the assignment and assumption of certain liabilities relating to Palmyra Medical Center (the "Agreement") (all capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement); and

WHEREAS, Buyer, Seller, PPHS and PNI desire to amend certain provisions of the Agreement which relate to the Closing or to termination rights and obligations of the parties.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Amendment.

a. Delete Section 3.1 of the Agreement in its entirety and insert in its place the following:

3.1 Closing. Subject to the satisfaction or waiver by the appropriate party of all the conditions precedent to Closing specified in Sections 7 and 8 hereof, the consummation of the sale and purchase of the Purchased Assets and the other transactions contemplated by and described in this Agreement (the "Closing") shall take place at the offices of the Authority at 10:00 a.m. not later than the fifth business day after the conditions set forth in Sections 7 and 8 have been satisfied or waived or at such other date and/or at such other location as the parties hereto may mutually designate in writing (the "Closing Date"). The parties shall use commercially reasonable efforts to cause the conditions set forth in Sections 7 and 8 to be satisfied so that the Closing will occur on or before March 1, 2011.

b. Delete Section 7.5 of the Agreement in its entirety and insert in its place the following:

(a) Buyer shall have received from an agent of its choice a commitment from Old Republic National Title Insurance Company to issue as of the Closing Date a standard ALTA 06-17-06 owner's policy of title insurance, in the customary form prescribed for use in the State of Georgia, with standard exceptions deleted and with the following endorsements: ALTA 3 Zoning, ALTA 9 Comprehensive, ALTA 17 Access, ALTA 18 Single Tax Parcel, CLTA 116 Same as Survey and CLTA 116.4 Contiguity (the "Endorsements"), for the Main Hospital Parcel (as defined in Exhibit D-1 attached hereto), together with improvements, buildings and fixtures thereon, in an amount equal to the reasonable value assigned to and agreed upon for such Main Hospital Parcel by

Buyer and Seller and in the customary form prescribed for use in the State of Georgia, but with any mandatory arbitration provision deleted therefrom (the "Deletions"). The commitment shall provide for the issuance of such policy (or policies) to Buyer as of Closing and shall insure fee simple title to that portion of the Main Hospital Parcel owned by Seller with the required Endorsements and Deletions subject only to Permitted Encumbrances. Buyer shall cause the title agent and the surveyor described below to deliver the title commitment and the Survey contemplated by this Section 7.5(a) by February 8, 2011. Buyer shall, within seven (7) days from the date Buyer receives the later of (i) the title commitment for the Main Hospital Parcel or (ii) the Survey (as defined below) for the Main Hospital Parcel, notify Seller in writing of any title exceptions or defects pertaining to the Main Hospital Parcel which are not Permitted Encumbrances (as defined in clause (a) of the definition of the term "Permitted Encumbrance") and which would result in the inability of Buyer to receive a title policy sufficient to satisfy this Section 7.5. Not less than six (6) days after receiving Buyer's notice, Seller shall notify Buyer in writing of any such exceptions to title or defects in title which Seller is unable or unwilling to cause to be removed, insured against by the title insurance company or indemnified over by Seller at or prior to or at Closing. If any such exceptions or defects which Seller is unable or unwilling to cause to be removed, insured against by the title insurance company or indemnified over by Seller at or prior to or at Closing would have the result of Buyer being unable to operate the Hospital in a manner consistent with the current use thereof by Seller or its Affiliates, then Buyer shall elect, by giving written notice to Seller within two (2) business days thereafter, whether to (1) terminate this Agreement or (2) consummate the Closing with respect to all Purchased Assets and Assumed Liabilities without waiving any rights to indemnification with respect to such exceptions and defects. Seller agrees to deliver any information, consistent with a limited warranty of title as to the Main Hospital Parcel and the Permitted Encumbrances, as may be reasonably required by the title insurance company under the requirements section of the title insurance commitment or otherwise in connection with the issuance of Buyer's title insurance policy. Seller also agrees to provide an affidavit of title and/or such other information, consistent with a limited warranty of title as to the Main Hospital Parcel and the Permitted Encumbrances, as the title insurance company may reasonably require in order for the title insurance company to insure title to such Main Hospital Parcel and cause the title insurance company to delete all standard exceptions (expressly excluding the survey exception, which may only be deleted if Buyer obtains a current survey acceptable to the title insurance company) from the final title insurance policy. Buyer shall also have received a current survey of the Main Hospital Parcel (the "Survey") from Lanier Engineering Company, a surveying company licensed under the laws of the State of Georgia, or other Georgia licensed surveyor selected by Buyer reflecting all boundaries and improvements visible on the grounds, and all easements and rights of way of record or on the grounds, and indicating whether or not the property appears on any U.S. Department of H.U.D. Flood Insurance Boundary Map and, if so, further indicating the map number and whether the property appears in the "Flood Hazard" shown on the map. Any exceptions or encroachments shown on the Survey other than Permitted Encumbrances (as defined in clause (a) of the definition of the term "Permitted Encumbrance") to which Buyer objects in writing as set forth above shall be treated as exceptions to title or defects as above described in this Section 7.5. The Survey shall be certified to Buyer, Seller and to the title insurance company. The costs of such title policy (including without limitation, costs of the Deletions and Endorsements) and Survey shall be borne by Buyer. It is the intent of the parties that Buyer take the lead role in satisfying this condition, with the cooperation and assistance of Seller.

(b) With respect to all Real Property other than the Main Hospital Parcel, Buyer may elect to (i) obtain from an agent of its choice commitments from Old Republic National Title Insurance Company to issue as of the Closing Date a standard ALTA 06-17-06 owner's policy of title insurance, in the customary form prescribed for use in the State of Georgia, with standard exceptions deleted and with the Endorsements for such Real Property (including leasehold policies with respect to those portions of the Real Property leased by Seller that are ground leases, leases of entire buildings or condominium units for which short forms or memoranda of leases have been recorded (such portions of the Leased Real Property being referred to herein as the "Insurable Leaseholds")) and (b) a Survey for such Real Property; provided, however, that (i) obtaining such title commitment or issuance of a policy of title insurance for such Real Property or obtaining a Survey for such Real Property or Buyer's approval of the form and content of such commitment, policy of title insurance or Survey shall not be a condition precedent to Buyer's obligation to purchase the Main Hospital Parcel or any other Real Property; and (ii) Buyer acknowledges that the deletion of the survey exception and the issuance of certain of the Endorsements for any portion of the Real Property will require Buyer to obtain a current survey for such portion of the Real Property, and that Buyer may elect to not obtain a survey for any portion of the Real Property subject to this Section 7.5(b). Should Buyer elect to secure title commitments for such Real Property, Seller agrees to deliver any information, consistent with a limited warranty of title as to such Real Property, as may be reasonably required by the title insurance company under the requirements section of the title insurance commitment or otherwise in connection with the issuance of Buyer's title insurance policy. Seller also agrees to provide an affidavit of title and/or such other information, consistent with a limited warranty of title as to such Real Property as the title insurance company may reasonably require in order for the title insurance company to insure title to such Real Property and cause the title insurance company to delete all standard exceptions (expressly excluding the survey exception, which may only be deleted if Buyer obtains a current survey acceptable to the title insurance company) from the final title insurance policy. The costs of such title policy (including without limitation, costs of the Deletions and Endorsements) and Survey shall be borne by Buyer. It is the intent of the parties that Buyer take the lead role in obtaining title commitments or Surveys pursuant to this Section 7.5(b), with the cooperation and assistance of Seller. Buyer's failure or inability to obtain a title commitment with respect to any Real Property other than the Main Hospital Parcel as contemplated by this Section 7.5(b) shall not limit Buyer's right to seek indemnification following the Closing for a breach by Seller of any of the representations or warranties with respect to Seller's title to such Real Property. Additionally, to the extent Buyer seeks a title commitment with respect to any Real Property other than the Main Hospital Parcel but is either unable to obtain such title commitment or such title commitment includes an Encumbrance other than a Permitted Encumbrance (including any such Encumbrance not insured over by the title insurance company or indemnified by Buyer), Seller agrees that the Basket Amount under Section 11.3(b) will not apply to Buyer's right to indemnification for such Encumbrances.

c. Delete Section 10.1(a)(i) of the Agreement in its entirety and insert in its place the following:

(i) PPHS shall pay Seller thirty-five million dollars (\$35,000,000.00) (the "Break-Up Fee") in the event that either Buyer or Seller terminates this Agreement prior to the Closing in accordance with Section 10.3(a)(ii), (iii), (iv) or (v); provided, however,

that if Buyer terminates this Agreement in accordance with Section 10.3(a)(ii) or (iii) because one or more of the conditions set forth in Section 7.1, 7.2, 7.5 or 7.6 are not satisfied as of June 1, 2011 (or, if the optional termination date provided for in Section 10.3(a)(ii) shall have been extended to November 1, 2011 in accordance with Section 10.3(a)(ii), as of November 1, 2011), PPHS shall not be required to pay Seller the Break-Up Fee pursuant to this Section 10.1(a).

d. Delete Section 10.3(a) of the Agreement in its entirety and insert in its place the following:

(a) Notwithstanding anything in this Agreement to the contrary, this Agreement and the transactions contemplated by this Agreement may not be terminated, except prior to the Closing as follows: (i) by mutual consent in writing of Buyer and Seller; (ii) by Seller or Buyer at any time after June 1, 2011 if the Closing shall not have occurred by such date; provided, that the right to terminate this Agreement under this Section 10.3(a)(ii) shall not be available to any party whose failure to fulfill any obligation under this Agreement or whose failure to use commercially reasonable efforts to cause the satisfaction of the conditions under Sections 7 and 8 prior to the date of such intended termination has been the cause of, or resulted in, the failure of the Closing to occur by such date; and provided further, that if a court or other Governmental Entity of competent jurisdiction (other than Buyer or its Affiliates) shall have issued an order, decree or ruling or taken any other action enjoining, restraining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement that remains outstanding and effective as June 1, 2011, the date provided for in this Section 10.3(a)(ii) shall be extended to November 1, 2011; (iii) by Buyer by written notice to Seller if any event occurs or condition exists which causes Seller to be unable to satisfy one or more obligations of Seller that is a condition to the obligation of Buyer to consummate the transactions contemplated by this Agreement as set forth in Section 7; (iv) by Seller by written notice to Buyer if any event occurs or condition exists which causes Buyer to be unable to satisfy one or more obligations of Buyer that is a condition to the obligation of Seller to consummate the transactions contemplated by this Agreement as set forth in Section 8; or (v) by Buyer or Seller in the event that any court or other Governmental Authority of competent jurisdiction (other than Buyer or its Affiliates) shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable.

e. Delete Section 12.5 of the Agreement in its entirety and insert in its place the following:

12.5 Accounting Date. The Closing of the transactions contemplated hereby shall be deemed to be effective for accounting purposes as of 12:01 a.m. on the Closing Date, unless otherwise agreed in writing by Seller and Buyer. The parties will use commercially reasonable efforts to cause the Closing to be effective as of a month end, with equitable adjustments made to the Purchase Price necessary to give effect to the foregoing. For purposes of allocating and prorating the liabilities, revenues, benefits and burdens associated with the Purchased Assets hereunder (including, by way of illustration and not limitation, the determination of the Price Adjustment Amounts, the preparation of the Closing Balance Sheet, the allocation of PIP payments, Transition Patient Receivables and other revenues under Section 9.1 and the determination of responsibility for a potentially indemnifiable act), all references to the "Closing" and the "Closing Date"

shall be deemed to refer to the effective time of the Closing and not the time at which the Closing takes place or the day on which the Closing takes place.

2. Miscellaneous. Except as amended herein, the Agreement shall remain in full force and effect, enforceable in accordance with its terms.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

BUYER:

HOSPITAL AUTHORITY OF ALBANY-
DOUGHERTY COUNTY

By: *Ralph S. Rosenberg* ←
Ralph Rosenberg
Chairman

PPHS:

PHOEBE PUTNEY HEALTH SYSTEM, INC.

By: *Lemuel V. Griffin* ←
Lemuel V. Griffin
Chairman

PHOEBE NORTH, INC. :

PHOEBE NORTH, INC.

By: *Joel Wernick* ←
Joel Wernick
President and CEO

SELLER:

PALMYRA PARK HOSPITAL, INC.

By: _____
Gregg Gerken
Vice President

January 27, 2011

Hospital Authority of Albany-Dougherty County,
Phoebe Putney Health System, Inc., and
Phoebe North, Inc.
417 Third Avenue
P.O. Box 1828
Albany, GA 31702

Palmyra Park Hospital, Inc.
c/o HCA Inc.
One Park Plaza
Nashville, TN 37023

Re: Acquisition of the Assets of Palmyra Medical Center by the Hospital Authority of Albany-Dougherty County

Ladies and Gentlemen:

In connection with the consummation of the transactions contemplated by that certain Asset Purchase Agreement (the "Purchase Agreement") dated as of December 21, 2010, by and among the Hospital Authority of Albany-Dougherty County, a hospital authority organized and existing pursuant to Georgia Code Annotated §§ 31-7-70 et seq. ("Buyer") and Palmyra Park Hospital, Inc., a Georgia corporation ("Seller"), to which Phoebe Putney Health System, Inc., a Georgia nonprofit corporation ("PPHS"), and Phoebe North, Inc., a Georgia nonprofit corporation ("PNI") are parties for the purposes stated in the Purchase Agreement (Buyer, Seller, PPHS and PNI to be referred to herein collectively as the "Parties"), the Parties desire to confirm their amendment of the dates set forth in the Purchase Agreement for the delivery of certain information and documents and for taking certain other actions as follows:

1. With respect to any Schedule required to be delivered by Seller to Buyer pursuant to Section 6.1(a), Seller shall (a) deliver drafts of such Schedules by no later than January 21, 2011, and (b) have the right to supplement or amend any such Schedule until January 28, 2011.

2. Buyer and Seller shall use good faith efforts to agree upon Schedule 10.2 by February 18, 2011 (and in any event by the Closing Date). Buyer shall use good faith efforts to deliver a proposed draft of Schedule 10.2 to Buyer by February 10, 2011.

3. Buyer shall use good faith efforts to supplement Schedule 5.2 pursuant to Section 6.1(a)(iii), if necessary, by January 28, 2011.

4. Seller shall have the right to supplement or amend Exhibits D-1 and D-2 pursuant to Section 6.1(a) until January 14, 2011.

5. Pursuant to Section 6.1(b), Buyer delivered a list (the "List") of requested financial and operating data and other information to Seller on December 28, 2010. Seller has provided to Buyer or its representatives certain of the documents, data and other information requested on the List. Additionally, Buyer has identified certain items on the List as "priority" items. Subject to the restrictions set forth in Section 6.1(b), Seller shall use its best efforts to provide the financial and operating data requested by Buyer on the List and identified by Buyer as "priority" items by February 11, 2011, and to provide the other financial and operating data requested by Buyer on the List by February 18, 2011.

6. Seller will deliver the list of material Contracts (and make such material Contracts available to Buyer pursuant to Section 6.1(b)) as contemplated by Section 6.1(c) by no later than January 28, 2011. Should Buyer seek to reject any Contract pursuant to Section 6.1(c), Buyer shall provide to Seller notice of rejection as contemplated by Section 6.1(c) by February 11, 2011. For eight (8) business days after receipt of such notice, Buyer and Seller agree to consult in good faith as to what action, if any, should be taken with respect to any such Contracts to address concerns raised by Buyer.

7. As contemplated by Section 9.3(a), in the event PNI wishes to hire any member of Senior Management, PNI shall extend an offer to such individual no later than January 31, 2011. PNI shall have the right to give notice to Seller of those employees of Seller to whom PNI will not offer employment as provided for in Section 9.3(a) until January 21, 2011.

8. Buyer and Seller will use commercially reasonable efforts to finalize any transition services agreements to be entered into between the parties pursuant to Section 10.10 by February 15, 2011.

9. Capitalized terms not herein defined shall have the meanings assigned to them in the Purchase Agreement. References to Sections are references to Sections of the Purchase Agreement, and references to Schedules or Exhibits are references to Schedules and/or Exhibits to the Purchase Agreement.

10. As amended hereby, the Purchase Agreement shall remain in full force and effect.

[Signature Page Follows]

If the foregoing correctly sets forth our understanding of the subject matter hereof, please so indicate by executing this Letter Agreement in the space provided below.

BUYER:

Hospital Authority of Albany-Dougherty
County

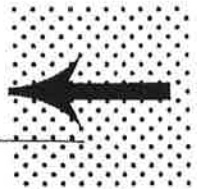
By: *Ralph S. Rosenberg*
Ralph S. Rosenberg
Chairman



PPHS:

Phoebe Putney Health System, Inc.

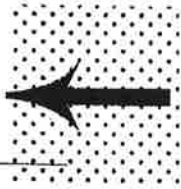
By: *Lemuel V. Griffin*
Lemuel V. Griffin
Chairman



PNI:

Phoebe North, Inc.

By: *Joel Wernick*
Joel Wernick
President and CEO



SELLER:

Palmyra Park Hospital, Inc.

By: _____
Gregg Gerken
Vice President



*To The Board of Directors
The Hospital Authority of Albany-
Dougherty County, Georgia
Albany, Georgia*

We have audited the financial statements of The Hospital Authority of Albany-Dougherty County, Georgia for the year ended July 31, 2010, and have issued our report thereon dated December 29, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Hospital Authority of Albany-Dougherty County, Georgia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended July 31, 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2010.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of The Hospital Authority of Albany-Dougherty County, Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Draffin & Tucker, LLP

*Albany, Georgia
December 29, 2010*

HOSPITAL AUTHORITY OF
ALBANY-DOUGHERTY COUNTY, GEORGIA

FINANCIAL STATEMENTS

for the years ended July 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Hospital Authority Of
Albany-Dougherty County, Georgia
Albany, Georgia

We have audited the balance sheets of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in unrestricted net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2010 and 2009, and the results of its operations and changes in unrestricted net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented a management's discussion and analysis section that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

Draffin & Tucker, LLP

Albany, Georgia
December 29, 2010

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ <u>37,749</u>	\$ <u>20,738</u>
Total assets	\$ <u>37,749</u>	\$ <u>20,738</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable	\$ 4,477	\$ -
Net assets: Unrestricted	<u>33,272</u>	<u>20,738</u>
Total liabilities and unrestricted net assets	\$ <u>37,749</u>	\$ <u>20,738</u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN UNRESTRICTED NET ASSETS
for the years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Lease revenue	\$ 1	\$ 1
Contribution from Phoebe Putney Memorial Hospital, Inc.	<u>98,937</u>	<u>75,008</u>
Total revenue	98,938	75,009
Expenses:		
Operating expenses	<u>86,404</u>	<u>76,415</u>
Excess revenues (expenses)	12,534	(1,406)
Unrestricted net assets, beginning of year	<u>20,738</u>	<u>22,144</u>
Unrestricted net assets, end of year	\$ <u>33,272</u>	\$ <u>20,738</u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$(4,228,698)	\$(6,087,041)
Upper payment limit	(30,699)	(788,626)
Funds received from Georgia Department of Community Health:		
Indigent Care Trust Fund	12,116,614	17,141,766
Upper payment limit	104,902	2,705,541
Lease revenue	1	1
Contribution from Phoebe Putney Memorial Hospital, Inc.	98,937	75,008
Funds paid for operating expenses	<u>(81,927)</u>	<u>(78,458)</u>
Net cash provided by operating activities	<u>7,979,130</u>	<u>12,968,191</u>
Cash flows from noncapital financing activities:		
Transfer from Phoebe Putney Memorial Hospital, Inc.	4,259,397	6,875,667
Transfer to Phoebe Putney Memorial Hospital, Inc.	<u>(12,221,516)</u>	<u>(19,847,307)</u>
Net cash used by noncapital financing activities	<u>(7,962,119)</u>	<u>(12,971,640)</u>
Net increase (decrease) in cash	17,011	(3,449)
Cash, beginning of year	<u>20,738</u>	<u>24,187</u>
Cash, end of year	<u>\$ 37,749</u>	<u>\$ 20,738</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of excess revenues (expenses) to net cash flows provided by operating activities:		
Excess revenues (expenses)	\$ 12,534	\$(1,406)
Adjustments to reconcile excess revenues (expenses) to net cash flows provided by operating activities:		
Net funds received from Georgia Department of Community Health	7,962,119	12,971,640
Change in:		
Accounts payable	<u>4,477</u>	<u>(2,043)</u>
Net cash provided by operating activities	<u>\$ 7,979,130</u>	<u>\$ 12,968,191</u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization

The Hospital Authority of Albany-Dougherty County, Georgia is a public corporation organized to operate, control, and manage matters concerning the County's health care functions.

On September 1, 1991, the Hospital Authority implemented a reorganization plan whereby all of the assets, management and governance of Phoebe Putney Memorial Hospital were transferred to Phoebe Putney Memorial Hospital, Inc., a not-for-profit corporation (Corporation), qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code. The transfer was made pursuant to a Lease and Transfer Agreement dated as of December 11, 1990 between the Hospital Authority and the Corporation. A nominal annual lease payment is paid to the Hospital Authority. During 2009, the lease term was renewed to the original term of forty years.

Under the terms of the Agreement, any debt issued by the Hospital Authority will be the responsibility of the Corporation. As of July 31, 2010, approximately \$222,270,000 of Revenue Anticipation Certificates are outstanding in the Authority's name. These certificates are recorded and disclosed in the financial statements of the Corporation for the year ended July 31, 2010.

The primary function of the Hospital Authority currently is to receive and transfer indigent care funds from the Georgia Department of Community Health to Phoebe Putney Memorial Hospital, Inc.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Significant Accounting Policies, Continued

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Commitments and Contingencies

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

3. Income Taxes

The Hospital Authority is a tax exempt entity and none of its present or anticipated future activities are subject to income taxes; therefore, no provision for income taxes is made in these financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.



FINANCIAL STATEMENTS

for the years ended July 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Phoebe Putney Memorial Hospital, Inc.
Albany, Georgia

We have audited the balance sheets of Phoebe Putney Memorial Hospital, Inc. as of July 31, 2010 and 2009, and the related 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 of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Phoebe Putney Memorial Hospital, Inc. as of July 31, 2010 and 2009, and the results of its operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2010, on our consideration of Phoebe Putney Memorial Hospital, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Draftin & Tucker, LLP
Albany, Georgia
December 29, 2010

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PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

BALANCE SHEETS, July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 4,964,176	\$ 5,187,787
Accounts payable	19,713,113	22,742,464
Accrued expenses	30,061,101	28,435,407
Estimated third-party payor settlements	4,221,033	2,389,776
Related party payables	<u>20,766,456</u>	<u>7,303,728</u>
Total current liabilities	79,725,879	66,059,162
Long-term debt, net of current portion	218,970,831	124,941,811
Accrued pension cost	83,977,415	61,245,974
Derivative financial instruments	<u>7,199,470</u>	<u>6,137,769</u>
Total liabilities	<u>389,873,595</u>	<u>258,384,716</u>
Net assets:		
Unrestricted	193,792,429	173,379,381
Temporarily restricted	4,428,748	10,507,078
Permanently restricted	<u>1,056,395</u>	<u>982,893</u>
Total net assets	<u>199,277,572</u>	<u>184,869,352</u>
Total liabilities and net assets	<u>\$ 589,151,167</u>	<u>\$ 443,254,068</u>

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

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued
for the years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Temporarily restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	\$(<u>6,078,330</u>)	\$ <u>374,285</u>
Permanently restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	<u>73,502</u>	<u>-</u>
Increase (decrease) in net assets	14,408,220	(771,650)
Net assets, beginning of year	<u>184,869,352</u>	<u>185,641,002</u>
Net assets, end of year	<u>\$ 199,277,572</u>	<u>\$ 184,869,352</u>

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

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from financing activities:		
Payments on long-term debt	\$(5,272,171)	\$(115,447,797)
Proceeds from issuance of long-term debt	<u>99,000,000</u>	<u>108,060,000</u>
Net cash provided (used) by financing activities	<u>93,727,829</u>	<u>(7,387,797)</u>
Increase in cash and cash equivalents	143,304,075	22,980,971
Cash and cash equivalents, beginning of year	<u>86,367,707</u>	<u>63,386,736</u>
Cash and cash equivalents, end of year	\$ <u>229,671,782</u>	\$ <u>86,367,707</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>4,000,000</u>	\$ <u>8,000,000</u>

- The Corporation entered into a purchase agreement obligation in the amount of \$3,690,000 for a medical practice in 2009.

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

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Supplies

Supplies, which consist primarily of drugs, food, and medical supplies, are valued at first-in, first-out cost, but not in excess of market.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

Derivative Financial Instruments

The Corporation has entered into interest rate swap agreements as part of its interest rate risk management strategy. These arrangements are accounted for under the provisions of FASB ASC 815 *Derivatives and Hedging*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value as either an asset or liability.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets. The ineffective component, if any, is recorded in excess revenues (expenses) in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in excess revenues (expenses). For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in other income during the period of change.

Assets Limited As To Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently, use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified in the balance sheet at July 31, 2010 and 2009.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

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.

Excess Revenues (Expenses)

The statement of operations and changes in net assets includes excess revenues (expenses). Changes in unrestricted net assets which are excluded from excess of revenues (expenses), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges in the accompanying statements of operations and changes in net assets for the years ended July 31, 2010 and 2009.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

2. Net Patient Service Revenue, Continued

A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are 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.

The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2007.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2006.

Effective June 1, 2006, the Corporation began contracting with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

3. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Gross patient charges	\$ <u>1,122,514,369</u>	\$ <u>1,164,307,568</u>
Uncompensated services:		
Charity and indigent care	53,290,851	48,723,279
Medicare	345,344,620	341,552,353
Medicaid	148,853,787	161,513,107
Other allowances	95,004,411	101,336,560
Bad debts	<u>53,034,946</u>	<u>57,960,388</u>
Total uncompensated care	695,528,615	711,085,687
Less bad debts	<u>53,034,946</u>	<u>57,960,388</u>
Deductions from patient service revenue	<u>642,493,669</u>	<u>653,125,299</u>
Net patient service revenue	\$ <u>480,020,700</u>	\$ <u>511,182,269</u>

4. Investments

Assets Limited As To Use

The composition of assets limited as to use at July 31, 2010 and 2009 is set forth in the following table. Assets limited as to use are stated at fair value.

	<u>2010</u>	<u>2009</u>
By board for capital improvements:		
Money market funds	\$ 364,670	\$ 355,695
Under bond indenture agreement:		
Government debt securities	<u>1,560,260</u>	<u>1,970,520</u>
Total assets limited as to use	\$ <u>1,924,930</u>	\$ <u>2,326,215</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

6. Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense for the years ended July 31, 2010 and 2009 amounted to approximately \$2,100,000 and \$2,400,000, respectively.

7. Other Assets

A summary of other assets at July 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Goodwill	\$ 10,510,667	\$ 13,262,948
Long-term receivables	3,303,126	-
Other investment	<u>615,426</u>	<u>735,283</u>
Total other assets	<u>\$ 14,429,219</u>	<u>\$ 13,998,231</u>

The Goodwill is related to the Corporation's purchase of area health care clinics. The Goodwill is being amortized using the straight-line method.

8. Long-Term Debt

	<u>2010</u>	<u>2009</u>
1993 Series Revenue Anticipation Certificates, payable in varying annual amounts from \$1,200,000 in 2011 to \$2,120,000 in 2020; bearing interest at 5.40%.	\$ 18,180,000	\$ 19,380,000
2008A Series Revenue Anticipation Certificates, payable in varying annual amounts from \$1,490,000 in 2010 to \$3,800,000 in 2032; bearing interest at a daily rate to be adjusted by the Remarketing Agent.	52,600,000	54,090,000
2008B Series Revenue Anticipation Certificates, payable in varying annual amounts from \$1,480,000 in 2010 to \$3,795,000 in 2032; bearing interest at a daily rate to be adjusted by the Remarketing Agent.	52,490,000	53,970,000

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

8. Long-Term Debt, Continued

Maturities and sinking fund requirements of long-term debt for the next five years are as follows:

Year	Principal					Interest	
	1993	2008A	2008B	2010A	Note Payable	1993	Note Payable
2011	\$ 1,200,000	\$ 1,350,000	\$ 1,340,000	\$ -	\$ 1,158,559	\$ 911,900	\$ 71,441
2012	1,300,000	1,410,000	1,400,000	440,000	796,474	840,650	14,881
2013	1,400,000	1,295,000	1,290,000	730,000	-	763,700	-
2014	1,400,000	1,575,000	1,575,000	355,000	-	683,900	-
2015	1,580,000	1,610,000	1,605,000	285,000	-	604,500	-
Thereafter	<u>11,300,000</u>	<u>45,360,000</u>	<u>45,280,000</u>	<u>97,190,000</u>	<u>-</u>	<u>1,775,500</u>	<u>-</u>
Total	\$ <u>18,180,000</u>	\$ <u>52,600,000</u>	\$ <u>52,490,000</u>	\$ <u>99,000,000</u>	\$ <u>1,955,033</u>	\$ <u>5,580,150</u>	\$ <u>86,322</u>

Series 2008A and 2008B Revenue Certificates bear interest at a daily rate adjusted by SunTrust Robinson Humphrey, Inc. The Corporation may convert the interest rate upon compliance with terms and provisions of the indenture.

The 2010A Revenue Certificates bear interest at a monthly rate adjusted by J. P. Morgan Chase Bank, N.A. The Corporation may convert the interest rate upon compliance with terms and provisions of the indenture.

9. Derivative Financial Instruments

The Corporation entered into fixed pay and constant maturity swaps to effectively swap variable interest rates to fixed interest rates thus reducing the impact of interest rate changes on future interest expense. The fair market value of the swaps are reported in other liabilities on the balance sheet. The critical terms of the swaps are as follows:

\$21.145MM Fixed Pay LIBOR Swap – Non-Hedge

	2010	2009
Notional amount	\$ 19,837,277	\$ 20,058,698
Fair market value	\$ (3,502,425)	\$ (2,442,700)
Life remaining on swap	16 Years	17 Years

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

9. Derivative Financial Instruments, Continued

Constant Maturity LIBOR Swap – Non-Hedge

	<u>2010</u>	<u>2009</u>
Notional amount	\$ 84,925,182	\$ -
Fair market value	\$ 59,394	\$ -
Life remaining on swap	3 Years	-

Constant Maturity LIBOR Swap – Non-Hedge

	<u>2010</u>	<u>2009</u>
Notional amount	\$ -	\$ 88,765,194
Fair market value	\$ -	\$(698,979)
Life remaining on swap	-	1 Year

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps has been adjusted to fair value at the end of the year which, because of changes in forecasted levels of the LIBOR, resulted in reporting a liability. As the swaps were in a liability position as of July 31, 2010, the Corporation deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern; and no adjustment was applied to standard market valuation practices.

Effective results pertaining to the portion of the Corporation's interest rate swaps designated as hedging derivatives are initially included in unrestricted net assets and subsequently reclassified to earnings coincidentally with the interest accruals being hedged. As of July 31, 2010 and 2009, the unrestricted net assets relating to the swaps amounted to a value of \$-0- and \$1,563,229, respectively. The ineffective portion of the cash flow hedges and the portion of the swap results not designated as a hedging derivative are included in excess revenues (expenses). For the years ending July 31, 2010 and 2009, this earnings impact totaled \$(1,061,702) and \$(5,670,634), respectively. The accumulated gain (loss) included in unrestricted net assets associated with the Corporation's cash flow hedge was approximately \$-0- at July 31, 2010 and 2009.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

	<u>2010</u>	<u>2009</u>
Weighted-average assumptions used to determine pension benefit obligations:		
Discount rate	5.60%	6.25%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	6.25%	6.25%
Expected long-term return on plan assets	8.75%	8.75%
Rate of compensation increase	4.00%	4.00%

The Corporation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The following table sets forth the components of net periodic cost and other amounts recognized in unrestricted net assets for the years ended July 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 9,747,975	\$ 9,528,907
Interest cost	10,250,760	9,556,531
Expected return on plan assets	(9,028,941)	(10,830,582)
Amortization of prior service cost	181,422	181,422
Amortization of recognized net actuarial loss	<u>2,560,819</u>	<u>1,177,378</u>
Net periodic benefit cost	<u>13,712,035</u>	<u>9,613,656</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss	12,761,647	23,864,698
Amortization of prior service cost	(181,422)	(181,422)
Amortization of net actuarial loss	<u>(2,560,819)</u>	<u>(1,177,378)</u>
Total recognized in unrestricted net assets	<u>10,019,406</u>	<u>22,505,898</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 23,731,441</u>	<u>\$ 32,119,554</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year Ending July 31</u>	<u>Pension Benefits</u>
2011	\$ 4,397,475
2012	\$ 4,819,946
2013	\$ 5,334,809
2014	\$ 5,861,351
2015	\$ 6,519,113
2016 - 2020	\$ 47,307,125

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at July 31, 2010.

The actuarial loss and prior service cost to be recognized during the next 12 months beginning August 1, 2010 is as follows:

Amortization of net actuarial loss	\$ 3,128,115
Amortization of prior year service costs	<u>181,422</u>
Total	\$ <u>3,309,537</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

The fair values of the Corporation's pension plan assets at July 31, 2010 and 2009, by asset category are as follows:

<u>Asset Category</u>	Fair Value Measurements At July 31, 2010			
	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 2,784,572	\$ -	\$ 2,784,572	\$ -
Corporate debt securities	4,683,752	-	4,683,752	-
Government debt securities	10,212,378	-	10,212,378	-
Equity securities	24,690,541	6,039,224	18,651,317	-
Common collective trusts invested in equity securities	38,561,853	603,994	27,533,337	10,424,522
Limited partnerships invested in equity securities	11,362,666	-	3,561,245	7,801,421
Alternative investments in hedge funds	<u>22,899,930</u>	<u>-</u>	<u>10,459,538</u>	<u>12,440,392</u>
Total	\$ <u>115,195,692</u>	\$ <u>6,643,218</u>	\$ <u>77,886,139</u>	\$ <u>30,666,335</u>

<u>Asset Category</u>	Fair Value Measurements At July 31, 2009			
	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 4,497,889	\$ -	\$ 4,497,889	\$ -
Corporate debt securities	6,744,914	-	6,744,914	-
Government debt securities	6,494,808	-	6,494,808	-
Equity securities	15,855,719	6,802,297	9,053,422	-
Common collective trusts invested in equity securities	44,833,042	-	34,535,443	10,297,599
Limited partnerships invested in equity securities	10,130,961	-	2,955,452	7,175,509
Alternative investments in hedge funds	<u>16,431,487</u>	<u>-</u>	<u>8,287,601</u>	<u>8,143,886</u>
Total	\$ <u>104,988,820</u>	\$ <u>6,802,297</u>	\$ <u>72,569,529</u>	\$ <u>25,616,994</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

12. Employee Health Insurance

The Corporation has a self-insurance program under which a third-party administrator processes and pays claims. The Corporation reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$150,000 for each individual employee. Total expenses related to this plan were approximately \$27,700,000 and \$21,200,000 for 2010 and 2009, respectively.

13. Malpractice Insurance

The Corporation is covered by a claims made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis through the parent's wholly owned subsidiary, Phoebe Putney Indemnity, LLC (PPI), located in South Carolina.

Effective August 1, 2006, PPI issued a claims-made policy covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability of the Corporation with a retroactive date of January 1, 1990. Effective August 1, 2007 and renewing annually, PPI issued a policy with limits of \$5,000,000 per occurrence, with an annual aggregate of \$15,000,000.

PPI also provides excess liability coverage to the Corporation, which covers \$25,000,000 per occurrence in excess of the underlying insurance coverage of \$30,000,000 for the policy years ending July 31, 2010 and 2009. The excess policy has an annual aggregate limit of \$25,000,000. All of the risk related to this coverage has been ceded to unrelated reinsurers via a contract of reinsurance.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

16. Related Organization

Phoebe Foundation, Inc. (Foundation) was established to raise funds to support the operation of the Corporation. The Foundation's bylaws provide that all funds raised, except for funds required for the operation of the Foundation, be distributed to or be held for the benefit of the Corporation. The Foundation's general funds, which represent the Foundation's unrestricted resources, are distributed to the Corporation in amounts and in periods determined by the Foundation's Board of Trustees, who may also restrict the use of general funds for hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundation are distributed to the Corporation as required to comply with the purposes specified by donors. The Corporation's interest in the net assets of the Foundation is reported as an other asset in the balance sheets.

	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 122,411	\$ 732,150
Investments	9,205,283	14,033,001
Other assets	<u>677,629</u>	<u>800,338</u>
Total assets	\$ <u>10,005,323</u>	\$ <u>15,565,489</u>
Liabilities and net assets:		
Accounts payable	\$ 73,844	\$ 14,550
Other liabilities	<u>465,336</u>	<u>965,584</u>
Total liabilities	539,180	980,134
Net assets	<u>9,466,143</u>	<u>14,585,355</u>
Total liabilities and net assets	\$ <u>10,005,323</u>	\$ <u>15,565,489</u>
Revenue and support	\$ 1,377,191	\$ 2,092,589
Expenses	<u>6,896,001</u>	<u>1,108,223</u>
Excess of revenue and support (expenses)	(5,518,810)	984,366
Other changes in net assets	399,598	(319,967)
Net assets, beginning of year	<u>14,585,355</u>	<u>13,920,956</u>
Net assets, end of year	\$ <u>9,466,143</u>	\$ <u>14,585,355</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

19. Fair Value Measurement

Fair values of assets and liabilities measured on a recurring basis at July 31, 2010 and 2009 is as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements At Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>July 31, 2010</u>				
Assets:				
Money market funds	\$ 5,171	\$ -	\$ 5,171	\$ -
Certificates of deposit	359,499	-	359,499	-
Government debt securities	<u>1,560,260</u>	<u>-</u>	<u>1,560,260</u>	<u>-</u>
Total assets	\$ <u>1,924,930</u>	\$ <u>-</u>	\$ <u>1,924,930</u>	\$ <u>-</u>
Liabilities:				
Derivatives	\$ <u>7,199,470</u>	\$ <u>-</u>	\$ <u>7,199,470</u>	\$ <u>-</u>
<u>July 31, 2009</u>				
Assets:				
Money market funds	\$ 5,172	\$ -	\$ 5,172	\$ -
Certificates of deposit	350,523	-	350,523	-
Government debt securities	<u>1,970,520</u>	<u>-</u>	<u>1,970,520</u>	<u>-</u>
Total assets	\$ <u>2,326,215</u>	\$ <u>-</u>	\$ <u>2,326,215</u>	\$ <u>-</u>
Liabilities:				
Derivatives	\$ <u>6,137,769</u>	\$ <u>-</u>	\$ <u>6,137,769</u>	\$ <u>-</u>

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied.

All assets and liabilities have been valued using a market approach.

Continued



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Phoebe Putney Memorial Hospital, Inc.
Albany, Georgia

We have audited the financial statements of Phoebe Putney Memorial Hospital, Inc. as of July 31, 2010 and 2009 and for the years then ended and our report thereon dated December 29, 2010, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements, as a whole. The information included in this report on pages 38 to 51, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP
Albany, Georgia
December 29, 2010

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PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

As Southwest Georgia's leading provider of cost-effective, patient-centered health care, Phoebe Putney Memorial Hospital is also the region's largest employer with more than 3,600 members of the Phoebe Family caring for patients.

In carrying out its mission of being the leading provider of quality, cost effective, patient-center health services to all residents of Southwest Georgia, the Board of Directors has established a policy under which the Hospital provides care to needy members of its communities, regardless of their ability to pay for these services. Under these programs, the Corporation provides care to patients at payment rates that are determined by the federal and state governments, regardless of actual cost. In some cases, these programs pay the Corporation at amounts that are less than its cost of providing services. The following table summarizes the amounts of charges foregone (i.e., contractual adjustments) and estimates the losses incurred by the Corporation due to inadequate payments by these programs and for indigent/charity. This table does not include discounts offered by the Corporation under managed care and other agreements:

	<u>Charges Foregone</u>	<u>Estimated Unreimbursed Cost</u>
Medicare	\$ 345,300,000	\$ 54,400,000
Medicaid	148,900,000	24,400,000
Indigent/charity	<u>53,300,000</u>	<u>19,700,000</u>
	<u>\$ 547,500,000</u>	<u>\$ 98,500,000</u>

The following is a summary of the community benefit activities and health improvement services offered by the Hospital and illustrates the activities and donations during fiscal year 2010.

I. Community Health Improvement Services

A. Community Health Education

Phoebe Putney Memorial Hospital provides health education services that reached 37,651 individuals in 2010 at a cost of \$939,000. These services included the following free classes and seminars:

- Prepared childbirth classes
- Refresher childbirth classes
- Pregnancy classes
- Breastfeeding classes
- Lactation consulting
- Baby care basics classes

Continued

SERVICE TO THE COMMUNITY, Continued

I. **Community Health Improvement Services, Continued**

A. Community Health Education, Continued

Men and Women's Health Conferences, Continued

- **Men on the Move** – A faith based initiative, which began in 2001 to solicit congregational support of men around the issues affecting men's health. We began by contacting area pastors and informing them of our interest to bring a men's health and wellness message to their churches. Twenty churches of different sizes and denominations participate, with no less than 25 men per church taking active roles for the initiative. These participants have become our membership base of *Men's Health Advocates* that we call "**Men on the Move.**" These men volunteer their time in assisting in outreach and program logistics.
- **Men at Work** – This event has taken place for the last six years, serving the city of Albany, Dougherty County and the Water, Gas and Light male employees. This is a program that the Corporation sponsors in partnership with the American Cancer Society, Dr. Ajayi/Southwest GA Urology Clinic, the City/County and Subway, who supplies free food for the event. This event is held in our downtown Government Center and the men are allowed a liberal leave so that they can get their PSA screenings, visit our various educational booths, and have lunch with the doctor. At each event over 200 men are served.
- **Seminars/Screenings** - These programs are held twice a month at churches and other community locations, including the Phoebe Fitness Center. These educational/awareness events cover topics such as erectile dysfunction, heart health, nutrition and fitness. They may also include physician-led workshops, free screenings which include: PSA, cholesterol, HIV/AID, blood pressure, hearing and vision.
- **Men's Prostate Health Clinic** – This annual event is in its fourteenth year. Men are given a digital rectal exam as well as a PSA. DRE's are performed by our Radiation Oncologist and physicians from Albany Urology, who volunteer their time. Over 250 men are reached at this event.

Golden Key

This is a membership organization for people age 55 and older. With over 22,700 members, Golden Key offers programs that encourage healthy lifestyles including the privilege of walking at the Hospital's Physical Medicine complex. To its members, it provided a bi-monthly newsletter (Key Notes). In 2010, the unreimbursed cost was \$150,000.

Continued

SERVICE TO THE COMMUNITY, Continued

I. **Community Health Improvement Services, Continued**

B. Community Based Clinical Services, Continued

School Nurse Program

The Corporation places nurses in sixteen elementary schools, six middle schools, and four high schools in Dougherty County with a goal of creating access to care for students, assessing the health care status of each population represented and effectively establishing referrals for all health care needs. Nurses also conducted the Eighth Grade Health Fairs. During the 2009/2010 school year, the school nurse program covered 64,271 student visits. This program operated at a net unreimbursed cost of \$1,453,000 in 2010.

C. Health Care Support Services

New Foundations

The Corporation offers New Foundation Breast Forms and Fashion Boutique. New Foundations caters to the physical and mental well-being of women and their families. They provide one-on-one post mastectomy consultation to help women overcome their anxieties and feel better about themselves. They carry a large variety of prosthesis and also have a wide selection of clothing. They conduct support groups and help patients with breast cancer issues. In 2010, this department saw 1,166 patients and operated at an unreimbursed cost of \$198,000.

Lights of Love Vans

Lights of Love donated vans to the Corporation to transport cancer patients to and from the Hospital for their treatments. In 2010, the Corporation provided 2,918 patient transports at a cost of \$137,000.

Phoebe Care Representatives

Phoebe Care Representatives assist patients and citizens with pre-qualifying for free or reduced-cost medical care before medical attention is needed by applying for the Phoebe Care Card. This is accepted at the Hospital as well as at hospital-affiliated specialty clinics. To ensure this program is accessible and understood by its intended beneficiaries, the Corporation employs Phoebe Care Representatives to assist patients in various ways. Their services include helping with applications to medical assistance programs not limited to the Phoebe Care Card and providing information on how to access assistance with medicine, food, clothing, shelter, medical transportation and more.

Continued

II. Health Professions Education

The Corporation recognizes that to continuously improve the Hospital's long-term value to our community and our customers, to encourage life-long learning among employees and to achieve a world-class employer status, it is in the Hospital's best interest to provide opportunities that will assist eligible employees in pursuing formal, healthcare related educational opportunities. The Corporation also provides non-employees financial support in pursuing healthcare related degrees. In 2010, the Corporation provided \$754,000 in clinical supervision and training of nursing students, and an additional \$147,000 in clinical supervision and training to pharmacy, pharmacy techs and other health professionals.

III. Subsidized Health Services

A. Hospital Outpatient Services

Phoebe Family Medical Centers

The Corporation has a strong commitment to primary care for the Southwest Georgia region. Our family medical centers in our surrounding counties are a network of care that serves the entire family for those who reside outside of Albany. In 2010, the rural clinics operated at a net loss of \$252,000, the Lee County clinic operated at a net loss of \$349,000 and the Pelham clinic operated at a net loss of \$163,000.

Convenient Cares

Phoebe's Convenient Care provides treatment for minor injuries and ailments in a more timely fashion and at a more reasonable cost than an emergency center. In 2010, the clinics operated at a net loss of \$1,085,000.

Phoebe Specialty Clinics

- The Behavioral Health Clinic at Phoebe provides treatment for adults and adolescents with addictive diseases and/or psychiatric disorders. In 2010, this Clinic operated at a net loss of \$600,000.
- The Corporation operates a specialty clinic encompassing Endocrinology, Rheumatology, and Physiatry. The clinic offers medical care on a referral basis to inpatients and outpatients with endocrine or rheumatoid problems or with physical medicine or rehabilitation needs. The clinic operated at a net loss of \$297,000 in 2010.

Continued

SERVICE TO THE COMMUNITY, Continued

III. **Subsidized Health Services, Continued**

A. Hospital Outpatient Services, Continued

Phoebe Specialty Clinics, Continued

- The Corporation operates a Surgical Oncology Department in its Cancer Center. This practice surgically treats and manages cancers primarily of the esophagus, stomach, liver, pancreas, colon, breast and skin, and soft tissues. In 2010, this department operated at a net loss of \$67,000.
- The Corporation operates a Wound Care and Hyperbaric Center with two satellite clinics in Sylvester and Americus, Georgia for advanced wound care treatments. The Center provides treatment for chronic wounds that have resisted healing and hyperbaric oxygen therapy. In 2010, the Center operated at a net loss of \$27,000.

Residency Program

The Southwest Georgia Family Medicine Residency Program is an award winning facility continuously addressing the shortage of health care professionals in the region. Their primary mission is to train family physicians to practice in rural Southwest Georgia.

Established in 1993, this program offers a rich opportunity for physicians to develop as strong clinicians capable of delivering high-quality primary care in any setting. The need for medical services in this rural region is great. The region has high incidences of cancer, heart attack, stroke and other diseases, and the need for medical and outreach services are tremendous. This department operated at a net loss of \$232,000 in 2010.

B. Other Subsidized Services

Inmate Care

The Corporation provides care to persons in jail for Dougherty County. In 2010, the Corporation provided \$1,065,000 of unreimbursed medical treatment to 619 inmates.

Indigent Drug Pharmacy

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2010, the pharmacy assisted 6,114 patients at a cost of \$172,000.

Continued

VI. Community Building Activities. Continued

A. Physical Improvements and Housing, Continued

- The Ramp project, in collaboration with the SOWEGA Council on Aging, engages volunteers who build handicap-accessible ramps for disabled or elderly people who otherwise would not be discharged from the Hospital and/or are often homebound. In 2010, this program provided ramps to 65 households and operated at a net unreimbursed cost of \$23,000.
- Rebuilding Together Albany received \$5,000 to rebuild homes for low income residents.

B. Economic Development

As a corporate citizen, the Corporation is involved in various economic development activities throughout the year. In 2010, the Corporation contributed \$62,000 to various economic development initiatives in the community.

C. Workforce Development

The Corporation is actively involved with the community to help address the health care work force shortage. In 2010, the Corporation contributed \$2,150,000 to various community higher education institutions in the community.

- The Corporation contributed \$750,000 to Darton College and \$1,000,000 to Georgia Southwestern State University to support programmatic and facilities improvements for nursing and allied health sciences. These institutions are a major pipeline for registered nurses, technicians and emergency medicine personnel.
- The Corporation contributed \$400,000 to Albany Technical College to support programmatic expansions in allied health curriculum including online learning programs aimed at increasing the percentage of the adult population pursuing post-secondary training.

VII. Community Benefit Operations

The Corporation incurred \$95,000 in support staff costs to support its community benefit efforts.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

Summary, Continued

2010

Community Benefit Operations;

Dedicated staff and other resources

\$ 95,000

Total community benefit operations

95,000

Traditional charity care – estimated unreimbursed
cost of charity services

19,700,000

Unpaid cost of Medicare services – estimated
unreimbursed cost of Medicare services

54,400,000

Unpaid cost of Medicaid services – estimated
unreimbursed cost of Medicaid services

24,400,000

Total other

98,500,000

Total summary

\$ 113,537,000

HOSPITAL AUTHORITY OF ALBANY/DOUGHERTY COUNTY

2010 Officers

<u>OFFICER</u>	<u>Authority Member</u>	<u>Occupation</u>
Chairman	Ralph Rosenberg	Retired
Vice Chairman	Charles Lingle, DVM	Veterinarian-DVM
Secretary	Rev Eugene G. Sherman	Pastor Institutional First Baptist Church
Assistant Secretary	John S. Inman, Jr., M.D.	Physician, GYN
