

CURRENT YEAR PRIOR YEAR NET CHANGE

***** ASSETS *****

Current Assets

Cash
Accounts Receivable
Accounts Receivable-Related Party
Estimated 3rd Party Payors
Allowance for Contractuals

Net Liquid Assets

Inventory
Other Current Assets

Total Current Assets.....

Fixed Assets

Land - Old Site
Building
Major Movable Equipment
Less: Accum. Depreciation

Total Fixed Assets.....

OTHER ASSETS

Total Assets.....



12/31/08 - Reviewed F/S
12/31/09 - Unaudited - Internally Prepared

CURRENT YEAR PRIOR YEAR NET CHANGE

LIABILITIES & EQUITY

Current Liabilities

Accounts Payable
Accounts Payable-Related Party
Accrued Wages/Vacation
Other Current Liabilities

Total Current Liabilities

Long Term Liabilities

Notes Payable-Regions Bank

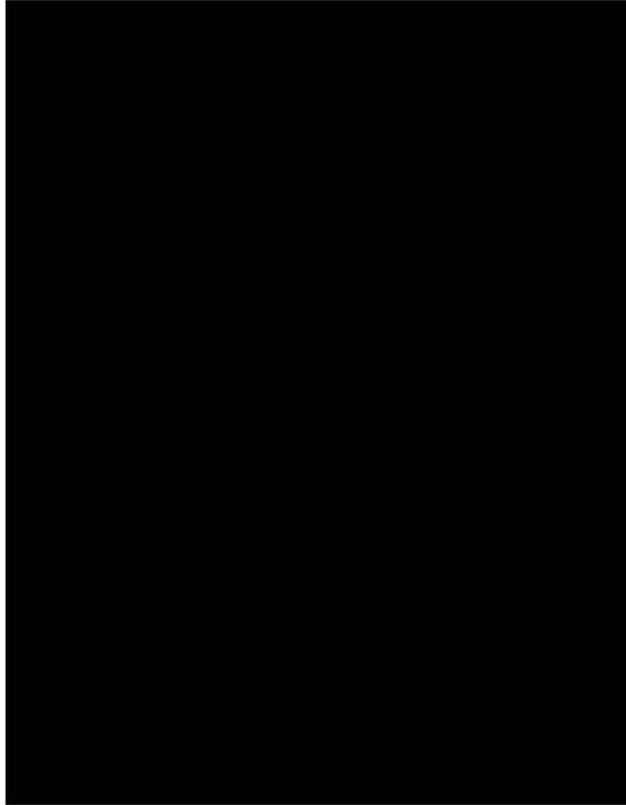
Total LT Liabilities.....

Members Equity

Members Capital
Current Year Income / (Loss)

Total Equity

Total Liability and Equity



12/31/08 - Reviewed F/S
12/31/09 - Unaudited - Internally Prepared

----- S I N G L E M O N T H ----- ----- Y E A R T O D A T E -----
CURRENT BUDGET PRIOR YEAR CURRENT YTD BUDGET YTD PRIOR YTD

REVENUE
Patient Revenue
 I/P Revenue
 O/P Revenue
 Clinic Revenue

 Gross Patient Revenue

Deductions from Reven

 Net Patient Revenue

NON-PATIENT REVENUE
Other Revenue

 Total Operating Revenue

OPERATING EXPENSES
Advertising
Salaries
Bank and Finance Char
Employee Benefits
Professional Fees
Insurance
Legal and Accounting
Supplies
Taxes and Licenses
Travel
Repairs and Maintenanc
Contract Services
Utilities
Provision for Bad Deb
Purchased Services
Lease and Rental
Depreciation & Amorti
Other Operating Expen

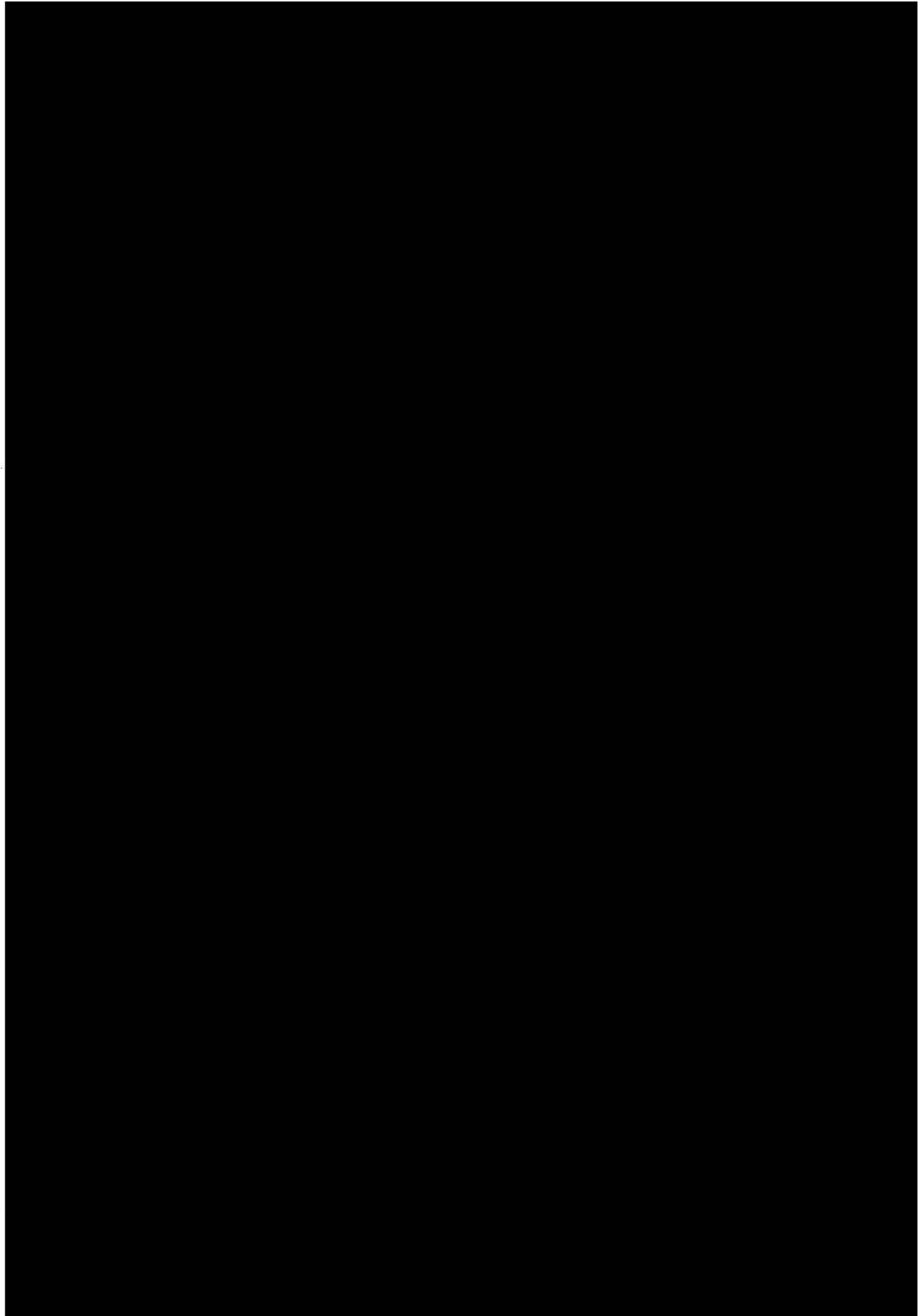
 Total Operating Expenses.

 Operating Income

OTHER INCOME & EXPENSES
Interest Expense
Interest Income

 Total Non-Operating Exp..

 Net Profit (Loss)



**PROFESSIONAL RESOURCES MANAGEMENT
OF RABUN, LLC**

D/B/A MOUNTAIN LAKES MEDICAL CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2008

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Accountants' Review Report	1
Balance Sheet.....	2
Statement of Income	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5

To the Members
Professional Resources Management of Rabun, LLC
Montgomery, Alabama

We have reviewed the accompanying balance sheet of Professional Resources Management of Rabun, LLC, as of December 31, 2008, and the related statements of income and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Professional Resources Management of Rabun, LLC.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

October 27, 2009

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC

BALANCE SHEET

DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Patient accounts receivable, net
Estimated third-party payor settlements
Due from related parties
Supplies inventory
Other current assets

Total current assets

PROPERTY AND EQUIPMENT

Land
Buildings
Equipment and furnishings

Less accumulated depreciation

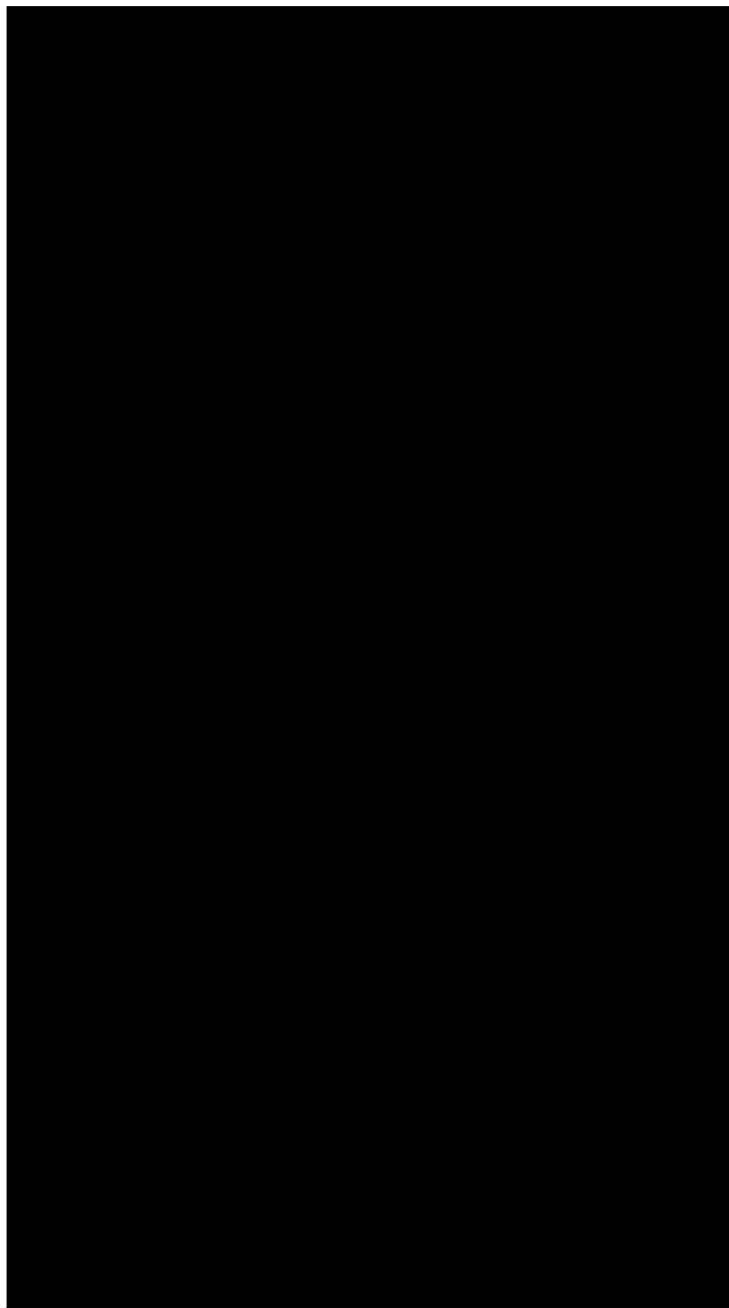
Net property and equipment

OTHER ASSETS

Cash - restricted
Certificate of need

Total other assets

TOTAL ASSETS



LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable
Accrued compensation
Current maturities of long-term debt
Due to related party
Other current liabilities

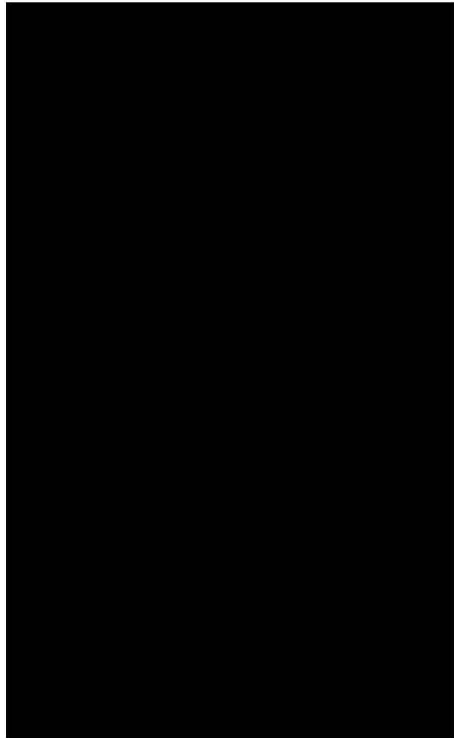
Total current liabilities

LONG-TERM LIABILITY

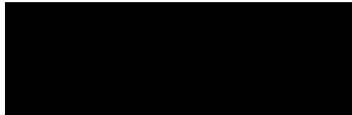
Noncurrent maturities of long-term debt

TOTAL LIABILITIES

MEMBERS' EQUITY



TOTAL LIABILITIES AND MEMBERS' EQUITY



See accountants' review report and notes to financial statements.

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUES

Net patient service revenue
Other revenue
Total revenues

OPERATING EXPENSES

Advertising
Bank and finance charges
Contract services
Depreciation
Dues and subscriptions
Employee benefits
Insurance
Lease and rental
Legal and accounting
Other operating expenses
Postage and freight
Professional fees
Provision for bad debts
Purchased services
Repairs and maintenance
Salaries and wages
Supplies
Taxes and licenses
Training
Travel
Utilities

Total operating expenses

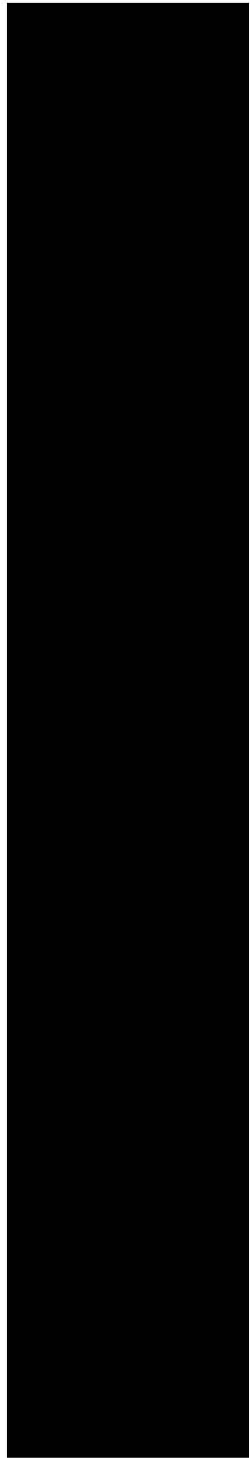
LOSS FROM OPERATIONS

OTHER INCOME (EXPENSE)

Interest income
Interest expense

Total other income (expense)

NET LOSS



See accountants' review report and notes to financial statements.

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss
Adjustments to reconcile net loss to net cash used
by operating activities:
 Depreciation
Changes in assets and liabilities:
 Patient accounts receivable, net
 Estimated third-party payor settlements
 Due from related parties
 Supplies inventory
 Other current assets
 Accounts payable
 Accrued compensation
 Other current liabilities

Net cash used by operating activities

CASH FLOWS FROM FINANCING ACTIVITIES

Interest earned on restricted cash
Payments on long-term debt

Net cash used by financing activities

NET DECREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS AT END OF YEAR

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:
 Interest



See accountants' review report and notes to financial statements.

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Professional Resources Management of Rabun, LLC (the Company) is a Georgia Limited Liability Company, which began operations August 1, 2005. The Company owns and operates Mountain Lakes Medical Center, which is a 25-bed critical access, acute care hospital located in Clayton, Georgia. The Company provides inpatient, outpatient and emergency care services for residents primarily located in northeast Georgia. Admitting physicians are comprised primarily of local practitioners.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable, Net

Patient accounts receivable are presented net of allowances for doubtful accounts and contractual adjustments (see Note 5).

Supplies Inventory

Supplies inventory is valued at the lower of cost or market, using the first-in, first-out method.

Property and Equipment

Major additions for property and equipment are capitalized at cost; maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts, and any gain or loss is reflected in income. Depreciation is provided using the straight-line method over the estimated useful lives of assets.

Depreciation expense totaled [REDACTED] and was charged to operations for the year ended December 31, 2008.

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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 the future periods as final settlements are determined (See Note 3).

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Members are taxed individually on their proportionate share of the Company's net income. Accordingly, federal and state income taxes have not been recorded in the financial statements.

Uncertain Tax Positions

In June 2006, the Financial Accounting Standards Board (FASB) released Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) which interprets the guidance in FASB Statement No. 109, *Accounting for Income Taxes*. On December 30, 2008, the FASB Staff issued FASB Staff Position FSP FIN No. 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the provisions of FIN 48 until fiscal years beginning after December 15, 2008.

The Company has elected not to implement FIN 48 prior to the deferred implementation date. Therefore, the Company continues to follow guidance in FASB Statement No. 5, *Accounting for Contingencies* (SFAS 5), in its accounting for uncertain tax positions. Under SFAS 5, disclosure of a loss contingency involving an unasserted claim or assessment is not required unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. As of December 31, 2008, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising

Advertising costs are expensed as incurred with no cost allocated to future periods. Advertising costs totaled [REDACTED] for the year ended December 31, 2008.

2. RESTRICTED CASH

[REDACTED]

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

3. NET PATIENT SERVICE REVENUE

The Company has agreements with third-party payors that provide for payments to them at amounts different from their established rates. The payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 interim rates determined by the Medicare intermediary. Total amounts due from the intermediary are adjusted to cost, with final settlement determined after submission of annual cost reports by the hospital and audit thereof by the Medicare fiscal intermediary. The Company'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 each facility.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. Annually, a copy of the Medicare cost report is submitted to the Medicaid agency to adjust total payments to cost reimbursement, and a settlement of total payments is made after final audit by the Medicaid agency.

Blue Cross and Blue Shield

Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates.

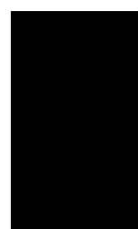
Commercial Insurance Carriers

The Company has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

4. CONCENTRATION OF CREDIT RISK

The Company is located in northeast Georgia. The Company grants credit without collateral to their patients, most of whom are local residents insured under third-party payor agreements. For the year ended December 31, 2008, the mix of accounts receivable from the patients and third-party payors were as follows:

Medicare
Medicaid
Blue Cross
Other third-party payors
Patients



PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

4. CONCENTRATION OF CREDIT RISK (Continued)

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

5. PATIENT ACCOUNTS RECEIVABLE, NET

Net patient accounts receivable at December 31, 2008, consisted of the following:

Patient accounts receivable	\$	
Less allowance for doubtful accounts		
Less allowance for contractual adjustments		
Patient accounts receivable, net	\$	

6. OTHER ASSETS

Other assets include the Company's Certificate of Need, which has an indefinite life. In accordance with the *Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets*, the Company periodically, and at least annually, tests unamortizable intangibles for impairment. The Company does not believe any impairment exists at December 31, 2008.

7. LONG-TERM DEBT

Long-term debt at December 31, 2008, consisted of the following:

Promissory note to Regions Bank, bearing interest at a variable rate, which was 4.15% at December 31, 2008. On August 1, 2008, monthly scheduled payments changed from interest only to principal and interest payments (principal of \$6,775 plus interest) through April 2011, with final payment due at that time. The note is secured by a cash reserve fund, accounts receivable, property and equipment, and guarantees from members.	\$	
Less current maturities of long-term debt		
Noncurrent maturities of long-term debt	\$	

Maturities of long-term debt are as follows:

2009	\$	
2010		
2011		

PROFESSIONAL RESOURCES MANAGEMENT OF RABUN, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

8. MEMBERS' EQUITY

Changes in members' equity accounts during 2008 were as follows:

Beginning balance, January 1, 2008	\$	
Net loss		
Ending balance, December 31, 2008	\$	

9. OPERATING LEASES

The Company leases certain property and equipment from unrelated entities under various operating lease agreements. Lease expense charged to operations under operating leases in 2008 was \$543,009. Minimum future rental payments required under noncancelable operating leases are as follows:

2009	\$	
2010		
2011		
2012		
2013		

10. RELATED PARTIES

The Company is managed by a related party due to common ownership and common control. The Company was due [redacted] from this related party at December 31, 2008. This amount is included in due from related parties on the balance sheet.

The Company leases its employees from a related party due to common ownership and common control. At December 31, 2008, the Company [redacted] to this related party (and ultimately to the employees), which is included on the balance sheet as accrued compensation. Employee lease expense was [redacted].

The Company purchases printing services from a related party due to common ownership and common control. At December 31, 2008, the Company [redacted] related party, which is included on the balance sheet as due to related party. Printing expense fees paid to the related party totaled [redacted].

11. EMPLOYEE BENEFITS PLAN

The Company has a defined contribution 401(k) profit sharing plan. All full-time employees who have completed one year of service and have attained age 21 are eligible to participate in the plan. Eligible employees may contribute up to 100 percent of their salary not to exceed [redacted] if age 50 or older). The Company makes matching contributions to the plans at the discretion of the management. No matching contributions were made in 2008.