FINANCIAL STATEMENTS

St.Vincent Heart Center of Indiana, LLC
Years Ended December 31, 2007 and 2006

0711-0890614

St.Vincent Heart Center of Indiana, LLC

Financial Statements

Years Ended December 31, 2007 and 2006

Contents

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Report of Independent Auditors

The Board of Managers
St.Vincent Heart Center of Indiana, LLC

We have audited the accompanying balance sheets of St.Vincent Heart Center of Indiana, LLC, formerly The Heart Center of Indiana, LLC, as of December 31, 2007 and 2006, and the related statements of operations and members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St.Vincent Heart Center of Indiana, LLC as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

February 19, 2008

0711-0890614

St.Vincent Heart Center of Indiana, LLC

Balance Sheets

	December 31 2007	2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 17,985,805**	$ 18,003,108
Short-term investments	**15,038,685**	14,263,780
Patient accounts receivable, net of allowance for doubtful accounts of $4,152,000 in 2007 and $3,703,000 in 2006	**18,621,288**	16,327,005
Inventories	**1,083,241**	1,214,777
Prepaids and other current assets	**1,423,797**	734,988
Total current assets	**54,152,816**	50,543,658
Assets limited as to use – note indenture	**45,009**	60,790
Property and equipment, net	**33,958,975**	37,949,972
Other assets	**333,448**	372,059
Total assets	**$ 88,490,248**	$ 88,926,479
Liabilities and members' equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 4,557,950**	$ 3,800,023
Accrued wages and benefits	**2,331,852**	1,962,026
Estimated third-party payor settlements	**4,865,266**	2,599,469
Other current liabilities	**631,932**	740,615
Current portion of long-term debt	**2,371,813**	2,364,363
Total current liabilities	**14,758,813**	11,466,496
Noncurrent liabilities:		
Long-term debt	**48,891,886**	51,263,699
Total liabilities	**63,650,699**	62,730,195
Members' equity:		
Accumulated earnings	**50,239,549**	38,596,284
Members' capital distribution	**(35,400,000)**	(22,400,000)
Members' capital contribution	**10,000,000**	10,000,000
Total members' equity	**24,839,549**	26,196,284
Total liabilities and members' equity	**$ 88,490,248**	$ 88,926,479

See accompanying notes.

St.Vincent Heart Center of Indiana, LLC

Statements of Operations and Members' Equity

	Years Ended December 31	
	2007	**2006**
Revenue:		
Net patient service revenue	**$ 115,718,665**	$ 117,039,022
Other revenue	**713,498**	763,251
Total operating revenue	**116,432,163**	117,802,273
Expenses:		
Salaries and wages	**25,650,935**	25,421,086
Employee benefits	**6,389,307**	6,187,139
Purchased services	**18,372,913**	17,654,534
Professional fees	**6,638,795**	4,413,798
Medical supplies	**27,748,607**	28,889,220
Depreciation and amortization	**5,706,667**	5,575,089
Provision for bad debt	**5,383,818**	4,169,976
Minor equipment	**310,015**	307,620
Interest and guarantee fees	**3,920,649**	3,837,488
Rent	**2,659,202**	3,036,423
Property taxes	**601,207**	446,921
Utilities	**981,242**	994,505
Insurance	**241,300**	201,488
Other	**1,687,593**	1,815,961
Total expenses	**106,292,250**	102,951,248
Income from operations	**10,139,913**	14,851,025
Nonoperating gains, net:		
Investment income	**774,906**	620,205
Interest income	**738,085**	674,559
Loss on sale of assets	**(9,639)**	(26,466)
Total nonoperating gains, net	**1,503,352**	1,268,298
Net income	**11,643,265**	16,119,323
Members' equity at beginning of year	**26,196,284**	23,476,961
Members' capital distributions	**(13,000,000)**	(13,400,000)
Members' equity at end of year	**$ 24,839,549**	$ 26,196,284

See accompanying notes.

St.Vincent Heart Center of Indiana, LLC

Statements of Cash Flows

	Years Ended December 31	
	2007	**2006**
Cash flows provided by operating activities		
Net income	**$ 11,643,265**	$ 16,119,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,706,667**	5,575,089
Provision for bad debt	**5,383,818**	4,169,976
Decrease (increase) in:		
Accounts receivable, net	**(7,678,101)**	(4,287,722)
Inventories	**131,536**	(151,888)
Prepaids and other current assets	**(688,809)**	73,484
Increase (decrease) in:		
Accounts payable and accrued expenses	**757,927**	(99,616)
Accrued wages and benefits	**369,826**	239,164
Other liabilities	**(108,683)**	45,636
Estimated third-party payor settlements	**2,265,797**	254,033
Net cash provided by operating activities	**17,783,243**	21,937,479
Cash flows used in investing activities		
Increase in short-term investments	**(774,905)**	(9,256,713)
Property and equipment additions, net	**(1,677,059)**	(2,606,278)
Net cash used in investing activities	**(2,451,964)**	(11,862,991)
Cash flows used in financing activities		
Repayment of long-term debt	**(2,145,000)**	(2,030,000)
Members' capital distribution	**(13,000,000)**	(13,400,000)
Repayment of capital lease obligation	**(219,363)**	(210,795)
Decrease in assets held by trustee under note indenture	**15,781**	(31,814)
Net cash used in financing activities	**(15,348,582)**	(15,672,609)
Net (decrease) in cash and cash equivalents	**(17,303)**	(5,598,121)
Cash and cash equivalents, beginning of the year	**18,003,108**	23,601,229
Cash and cash equivalents, end of the year	**$ 17,985,805**	$ 18,003,108

See accompanying notes.

St.Vincent Heart Center of Indiana, LLC

Notes to Financial Statements

December 31, 2007

1. Organization

Nature of Operations

St. Vincent Heart Center of Indiana, LLC (The Heart Center), formerly The Heart Center of Indiana, LLC., is a limited liability company formed on March 21, 2002, by The Care Group Heart Hospital, LLC (Care Group), a limited liability company, and Central Indiana Health System Cardiac Services, Inc. (Cardiac Services), an Indiana nonprofit corporation. Each member held a 50% interest in The Heart Center up until July 7, 2006. On July 7, 2006, Cardiac Services acquired an additional 15% interest in The Heart Center from the other member, Care Group. Thus, effective July 7, 2006, Cardiac Services holds a 65% interest and the Care Group holds a 35% interest in The Heart Center. The Care Group is owned and controlled by a group of physicians. Cardiac Services is owned and controlled by St. Vincent Health, Inc., an Indiana nonprofit corporation (St. Vincent Health), as its sole member. St. Vincent Health is controlled by Ascension Health, as its sole member.

The Heart Center, located in Indianapolis, Indiana, opened for operation on December 2, 2002. The Heart Center, a state-of-the-art fully digital acute care hospital, provides full service cardiac care, including bypass and other open-heart surgical procedures, catheterizations, echocardiograms, pacemaker procedures, electrophysiology examinations, cardiac emergency and other acute heart care, as well as outpatient procedures, testing, and ancillary and support services. The Heart Center provides spiritually based care to cardiovascular patients throughout the state of Indiana and surrounding areas, including a certain number of patients who lack the ability to pay for services provided.

2. Significant Accounting Policies

Use of Estimates

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

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, annuities, and interest-bearing deposits with a maturity of three months or less. The carrying amounts reported in the balance sheet for cash equivalents approximate fair value.

Short-Term Investments

Short-term investments include preferred/fixed rate cap securities, certificates of deposits and cash and money market funds as of December 31, 2007 and December 31, 2006. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net income. Unrealized gains and losses on investments are excluded from net income unless the unrealized losses are considered other-than-temporary.

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

Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered. Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with certain third-party payors (principally for the Medicare program). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. There were $4,865,266 and $2,599,469 estimated third-party payor settlements recorded from these arrangements as of December 31, 2007 and 2006, respectively.

The Heart Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Heart Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

2. Significant Accounting Policies (continued)

During 2007 and 2006, approximately 43% and 45% of net patient service revenue were provided to beneficiaries covered under the Medicare program, 25% and 25% from Anthem/Blue Cross, and 34% and 30% from contracts with various other insurance company arrangements, respectively. Significant concentrations of accounts receivable at December 31, 2007 and 2006, include Medicare (22% and 24%), Anthem/Blue Cross (19% and 16%), and other commercial payors (58% and 60%).

Reported costs and services provided under the reimbursement arrangement with Medicare is subject to retroactive audit and adjustments. Provision has been made in the financial statements for estimated contractual adjustments, representing the difference between the standard charges for services and estimated total payments to be received from third-party payors. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Heart Center (decreased)/increased net patient service revenues by approximately ($731,000) in 2007 and $1,400,000 in 2006 as a result of changes in estimated settlements payable to Medicare and other third-party payors. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility recorded estimated settlements could change by a material amount in the future. Management believes that adequate provisions have been made for any adjustments that may result from such final settlements.

Charity Care

The Heart Center provides care to patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of The Heart Center. Essentially, these policies define charity services where partial or no payment is anticipated based upon Federal Poverty Income Guidelines published by the Department of Health and Human Services and where incurred charges are considered significant when compared to the income of the patient. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue. Charity care provided in the years ended December 31, 2007 and 2006, measured at established rates, was $4,950,274 and $3,966,064, respectively.

2. Significant Accounting Policies (continued)

Inventories

Inventories consist primarily of medical supplies and pharmaceuticals and are stated at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment are recorded at cost and are being depreciated principally on a straight-line basis over the estimated useful lives of the various classes of assets, which range from 3 to 40 years. Interest costs incurred as part of the construction were capitalized until the facility was placed into operation on December 2, 2002. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, when considered material by management. Equipment under capital lease obligations is amortized on the lease term of the equipment. Such amortization is included with depreciation and amortization in the statements of operations.

Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, short-term investments, accounts payable, accrued expenses, and long-term debt. The carrying amounts reported in the balance sheet for cash and cash equivalents, patient accounts receivable, short-term investments, accounts payable, and accrued expenses approximate their fair values. Management's estimate of the fair value of long-term debt is described in Note 3 to the financial statements.

Unamortized Debt Issuance Costs

Debt issuance costs (which are classified as other assets) are amortized over the term of the notes using a method approximating the effective interest method and are included in depreciation and amortization in the statement of operations.

2. Significant Accounting Policies (continued)

Management Fees

A contract was signed July 7, 2006 with Care Group Cardiovascular Management Company, LLC to assume management of the hospital. Management fees are included in professional fees in the statement of operations.

Medical Malpractice Insurance

Malpractice insurance coverage was provided on a claims-made basis through November 30, 2006. As of December 1, 2006, the Heart Center has an endorsed occurrence-based policy through Ascension Health. The insurance policy is retroactive as of December 2, 2002. However, the Indiana Medical Malpractice Act limits professional liability for claims after June 30, 1999, to a maximum recovery of $1,250,000 per occurrence, $250,000 of which would be paid through malpractice insurance coverage and the balance would be paid by the State of Indiana Patient Compensation Fund. The Heart Center is subject to the provisions of the Indiana Medical Malpractice Act.

Income Taxes

The Heart Center's members have elected, under the applicable provisions of the Internal Revenue Code, to be taxed as a partnership whereby taxable income is taxed directly to the members and not to The Heart Center. Accordingly, the financial statements do not include any provision for federal or state income taxes.

Retirement Plan

The Heart Center has established a defined-contribution retirement plan (the Plan) which covers substantially all employees. The Heart Center makes a nonelective contribution which is based on the participating employee's compensation. Employees are immediately vested in this portion of the Plan. In addition, The Heart Center matches the participating employee's elective 401(k) contributions up to 3% of the employee's compensation. Vesting in The Heart Center matching contributions is based on years of service, and such contributions are 100% vested to the employee after five years of service. The Heart Center contributed $1,227,893 and $1,233,761 to the Plan in 2007 and 2006, respectively.

3. Long-Term Debt

Long-term debt at December 31, 2007 and 2006, respectively, consists of $50,950,000 and $53,095,000 in Series 2002 Auction Rate Notes (Notes) and $313,699 and $533,062 of capital leases (described in Note 5 to the financial statements). The Notes were issued in May 2002 on behalf of The Heart Center through the Ascension Health Credit Group (Credit Group). The members of the Credit Group serve as guarantors of these obligations for The Heart Center through a Reimbursement Agreement (Agreement) entered into between Ascension Health and The Heart Center in connection with the issuance of the Notes. Accordingly, the Notes are secured by quarterly guarantee fee payments made to Ascension Health pursuant to the Agreement at a rate of 1.5% of the outstanding debt balance. The Heart Center also makes monthly interest payments on the Notes at a variable rate (6.30% and 5.35% at December 31, 2007 and 2006, respectively), adjusted monthly based on market auctions. The Agreement also requires the maintenance of certain debt service coverage ratios, limits on additional borrowings, and required compliance with various other restrictive covenants. Principal repayments are payable in varying annual installments through January 1, 2023. The carrying amount of the Notes approximates their fair values. Scheduled principal repayments of long-term debt are as follows:

Year Ended	Amount
2008	$ 2,265,000
2009	2,390,000
2010	2,520,000
2011	2,660,000
2012	2,810,000
Thereafter	38,305,000
	$ 50,950,000

4. Property and Equipment

Costs of property and equipment consist of the following at December 31, 2007 and 2006:

	2007	2006
Buildings	**$ 40,365,604**	$ 40,346,379
Fixed equipment	**4,841,099**	4,613,438
Major moveable	**17,125,139**	16,243,480
Leasehold improvements	**90,848**	93,204
Construction in progress	**1,030,035**	534,098
Accumulated depreciation	**(29,493,750)**	(23,880,627)
	$ 33,958,975	$ 37,949,972

5. Lease Commitments

The land, certain equipment, and office space are leased using noncancelable operating lease arrangements. The land lease expires in 2101, while the equipment leases expire in various years through 2010.

The future minimum payments under the noncancelable land lease approximate $644,000 annually through 2101. Future minimum payments under noncancelable equipment operating leases and office space lease with terms of one year or more are:

Year Ended	Amount
2008	$ 1,123,936
2009	586,541
2010	277,770
	$ 1,988,247

5. Lease Commitments (continued)

The Heart Center also has equipment that is leased under a capital lease arrangement. The future minimum payments under the capital lease are:

Year Ended	Amount
2008	$ 124,476
2009	124,476
2010	95,384
	$ 344,336

The above capital lease payments include $30,637 of interest.

6. Related-Party Transactions

During 2007 and 2006, certain fees charged by St. Vincent Health and The Care Group, LLC for management, administrative, and other services provided primarily to The Heart Center approximated $16,803,000 and $17,007,000, respectively. In 2007, capital distribution payments of $7,157,683 and $5,842,317 were made to Cardiac Services and Care Group, respectively, and equal capital distributions of $6,700,000 were made to each partner in 2006. The distribution payments are included in the amounts above. In addition, amounts were paid to Ascension Health for note guarantee fees on long-term debt described in Note 3 and insurance.