HILLSDALE COMMUNITY HEALTH CENTER

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (FY2008)

Unless otherwise noted, all data apply to the Fiscal Year Ended June 30, 2008, or are accurate as of June 30, 2008, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated June 17, 1998.

MEDICAL STAFF

Active Staff Specialization [OS Page A-12]					
Internal Medicine		***Surgery***		***Other***	
General	4	General Surgery	3	Family Practice	7
Cardiology	1	Ophthalmology	2	Obstetrics/Gynecology	2
Gastroenterology	1	Orthopedic Surgery	2	Pediatrics	2
Oncology	1	Podiatry	2	Anesthesiology	1
Neurology	2	Urology	2	Emergency Medicine	3
Pulmonology	1	Vascular Surgery	2	Pathology	1
Rheumatology	1			Radiology	1
				Dentistry	1
				Chiropractic	3
Total Internal Medicine	***11***	***Total Surgery***	***13***	***GRAND TOTAL***	***45***

Age Distribution of the Active Staff [OS Page A-13]		
Age Range	***Number of Physicians***	***Percent of Active Staff***
34 and under	0	0.0%
35 - 44	16	35.6%
45 - 54	20	44.4%
55 - 64	8	17.8%
65 and over	1	2.2%
TOTAL	45	
Note: Column may not add to 100.0 due to rounding		

Active Staff Physicians, by Major Specialty
[OS Page A-13]

	Number	*Median Age*	*Number Board-Certified*	*Number Board-Eligible*
Family Practice	7	42	7	0
Internal Medicine	11	51	9	2
Surgery	13	47	12	1
Obstetrics/Gynecology	2	54	2	0

Active Staff Physicians, by Practice Location
[OS Page A-14]

Physicians' Office Building	9
Other City of Hillsdale Locations	20
Hospital-Based	6
Subtotal, City of Hillsdale Locations	35
Hudson	2
Jonesville	6
Litchfield	0
Quincy	0
Battle Creek	2
Jackson	0
Total	45

Note: During FY2002, physicians vacated the on-campus Medical Building and moved to a physician-owned Physicians' Office Building located elsewhere in Hillsdale, where they were joined by other physicians

Gross Revenue Attributable to Physician Referrals
[OS Page A-14]

	$000 Omitted	*Percentage*
Active Staff	78,770	87.6%
Physicians holding consulting or courtesy privileges, plus *locum tenens* physicians	9,236	10.3%
Unassigned Revenue	1,930	2.1%
Total Revenue	89,936	100.0%

Leading Referring Physicians [OS Page A-15]						
Rank	***Specialty or Subspecialty***	***Age***	***Board-Certified / Eligible***	***Gross Revenue***	***Percent of Gross Revenue***	***Cumulative Percent***
1	Orthopedic Surgery	48	C	$7,477,008	8.3%	8.3%
2	Internal Medicine	54	C	$6,040,880	6.7%	15.0%
3	Gastroenterology	52	C	$4,359,124	4.8%	19.9%
4	Family Practice	36	C	$4,341,396	4.8%	24.7%
5	Internal Medicine	56	C	$4,015,246	4.5%	29.2%
6	Oncology	53	C	$3,978,129	4.4%	33.6%
7	Family Practice	35	C	$3,780,097	4.2%	37.8%
8	Obstetrics/Gynecology	57	C	$3,639,104	4.0%	41.8%
9	Internal Medicine	47	C	$3,604,445	4.0%	45.9%
10	Family Practice	47	C	$3,511,750	3.9%	49.8%
			C = Certified E = Eligible			

SERVICE VOLUMES AND UTILIZATION

Historical Adult Medical/Surgical (Including CCU)Utilization (excludes newborns) [OS Page A-17]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Days in Period	366	365	365	365	366
Licensed Beds	47	47	47	47	47
Available Beds	40	40	40	40	40
Admissions	2,577	2,471	2,413	2,761	2,795
Patient Days	8,318	8,369	8,204	8,721	8,844
Average Daily Census	22.7	22.9	22.5	23.9	24.2
Average LOS	3.2	3.4	3.4	3.2	3.2
Occupancy Rate (%)[1]	56.8	57.3	56.2	59.7	60.4

[1] Based on Available Beds rather than Licensed Beds

Historical Pediatrics Utilization (excludes newborns) [OS Page A-17]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Days in Period	366	365	365	365	366
Licensed Beds	9	9	9	9	9
Available Beds	4	4	4	4	4
Admissions	114	119	86	106	144
Patient Days	193	197	176	222	312
Average Daily Census	0.5	0.5	0.5	0.6	0.9
Average LOS	1.7	1.7	2.0	2.1	2.2
Occupancy Rate (%)[1]	13.2	13.5	12.1	15.2	21.3

[1] Based on Available Beds rather than Licensed Beds

Historical Obstetrics Utilization
(excludes newborns)
[OS Page A-18]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Days in Period	366	365	365	365	366
Licensed Beds	9	9	9	9	9
Available Beds	8	8	8	8	8
Admissions	459	432	464	466	458
Patient Days	967	895	948	989	923
Average Daily Census	2.6	2.5	2.6	2.7	2.5
Average LOS	2.1	2.1	2.0	2.1	2.0
Occupancy Rate (%)[1]	33.0	30.7	32.5	33.9	31.5

[1] Based on Available Beds rather than Licensed Beds

Historical Acute Care Utilization
(excludes newborns)
[OS Page A-19]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Days in Period	366	365	365	365	366
Licensed Beds	65	65	65	65	65
Available Beds	52	52	52	52	52
Admissions	3,150	3,022	2,963	3,333	3,397
Adjusted Admissions[1]	7,352	7,456	7,386	7,827	8,037
Patient Days	9,478	9,461	9,328	9,932	10,079
Average Daily Census	25.9	25.9	25.6	27.2	27.5
Average LOS	3.0	3.1	3.1	3.0	3.0
Occupancy Rate (%)[2]	49.8	49.8	49.1	52.3	53.0
Net Patient Revenue per Adjusted Admission[3]	$7,131	$6,463	$6,157	$5,601	$5,139
Gross Outpatient Revenue per Adjusted Admission[3]	$7,822	$7,055	$6,797	$5,713	$5,416

[1] Admissions are adjusted by the percentage gross revenue attributable to outpatient services
[2] Based on Available Beds rather than Licensed Beds
[3] Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and in *CreditWeek*, October 1994

Psychiatric Unit Utilization					
	Fiscal Years Ended June 30				
	2008	*2007*	*2006*	*2005*	*2004*
Days in Period	366	365	365	365	366
Licensed Beds	10				
Available Beds	10				
Admissions	311				
Patient Days	1,520				
Avg. Daily Census	4.2				
Average LOS	4.9				
Occupancy Rate (%)[1]	41.5				

[1] Based on Available Beds rather than Licensed Beds

Total Inpatient Utilization					
	Fiscal Years Ended June 30				
	2008	*2007*	*2006*	*2005*	*2004*
Days in Period	366	365	365	365	366
Licensed Beds	75	65	65	65	65
Available Beds	62	52	52	52	52
Admissions	3,461	3,022	2,963	3,333	3,397
Patient Days	10,998	9,461	9,328	9,932	10,079
Avg. Daily Census	30.0	25.9	25.6	27.2	27.5
Average LOS	3.2	3.1	3.1	3.0	3.0
Occupancy Rate (%)[1]	40.1	39.9	39.3	41.9	42.4

[1] Based on Available Beds rather than Licensed Beds

McGuire Unit Utilization [OS Page A-20]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Days in Period*	366	365	365	365	366
Licensed Beds	21	21	21	21	21
Patient Days	7,300	7,161	7,165	7,042	7,212
Average Daily Census	19.9	19.6	19.6	19.3	19.7
Occupancy Rate (%)	95.0	93.4	93.5	91.9	93.8

Surgical Procedures [OS Page A-20]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Inpatient	976	976	942	1,030	966
Outpatient	2,150	2,458	2,994	2,816	2,843
Total	3,126	3,434	3,936	3,846	3,809
Percent Outpatient (%)	68.8	71.6	76.1	73.2	74.6

Emergency Department, Outpatient and Home Care Volumes [OS Pages 21 and 23]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Emergency Department Visits	29,809	31,016	30,138	29,925	30,209
Change / Previous Period	(3.9)%	2.9%	0.7%	(0.9)%	8.6%
Outpatient Registrations	124,045	121,513	119,136	123,236	119,130
Change / Previous Period	2.1%	2.0%	(3.3)%	3.4%	3.2%
Home Care Visits	9,204	9,805	9,765	10,711	10,876
Change / Previous Period	(6.1)%	0.4%	(8.8)%	(1.5)%	13.9%

Ancillary Services Provided to Inpatients
[OS Page A-22]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Laboratory[1]	116,312	86,819	80,544	82,045	77,155
MRI Scanning[2]	226	215	218	238	228
CT Scanning[2]	2,031	1,771	1,507	1,266	1,218
Ultrasonography[2]	3,007	2,904	2,388	2,617	2,536
Other Radiology[2]	4,974	4,885	4,801	5,171	5,110
Nuclear Medicine[2]	270	240	235	308	258
Electrocardiography[1]	5,036	4,347	4,130	4,647	4,504
Electroencephalography[1]	39	41	43	40	27
Cardiovascular Lab[3,4]	37	34	47	79	118
Physical Therapy[3]	1,679	1,895	1,917	2,169	2,088
Respiratory Therapy[3]	38,845	38,109	39,463	34,777	31,557

[1] Tests
[2] Examinations
[3] Procedures
[4] Includes stress tests, Holter monitors, vascular studies and cardiac rehabilitation

Ancillary Services Provided to Outpatients
(includes ED, Home Care and McGuire Unit patients)
[OS Page A-23]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Laboratory[1]	301,533	271,487	259,597	249,935	235,038
MRI Scanning[2]	3,655	3,818	3,663	2,370	2,127
CT Scanning[2]	6,613	6,144	5,365	4,246	4,230
Ultrasonography[2]	10,236	9,653	9,287	9,058	8,058
Other Radiology[2]	28,239	28,740	27,582	28,468	29,668
Nuclear Medicine[2]	3,053	3,488	4,677	4,303	4,449
Electrocardiography[1]	3,914	4,555	4,430	3,582	3,032
Electroencephalography[1]	100	98	128	106	108
Cardiovascular Lab[3,4,5]	4,202	4,836	5,078	3,921	3,910
Physical Therapy[3]	20,476	21,671	22,583	21,538	20,919
Respiratory Therapy[3]	22,035	19,182	17,172	14,981	13,138
Endoscopy[3]	2,105	2,392	2,461	2,391	2,273
Sleep Studies[1]	488	528	512	566	360

[1] Tests
[2] Examinations
[3] Procedures
[4] Includes stress tests, Holter monitors, vascular studies and cardiac rehabilitation

FINANCIAL INFORMATION

McGuire Unit Payor Mix (expressed as percentages of patient-days) [OS Page A-32]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Medicare	49.4%	70.3%	63.5%	51.8%	50.3%
Medicaid	37.7%	22.2%	33.1%	37.8%	33.1%
Private Pay and Commercial Insurance	12.9%	7.5%	3.4%	10.4%	16.6%
TOTALS	100.0%	100.0%	100.0%	100.0%	100.0%

Payor Mix [OS Page A-33]										
	Fiscal Years Ended June 30									
	By Gross Revenue					***By Acute Care Patient-Days***				
	2008	***2007***	***2006***	***2005***	***2004***	***2008***	***2007***	***2006***	***2005***	***2004***
Medicare	45.2	47	45	43	40.1	59.3	57.6	60.2	56.4	55.7
Medicaid	13.0	12	12	11	12.0	11.6	12.3	12.1	11.4	11.9
Blue Cross	24.5	23	23	25	25.8	16.5	15.0	14.1	16.9	16.9
Commercial Insurance	12.6	14	16	17	18.4	7.9	10.0	10.2	11.7	12.2
Self-Pay	4.7	4	4	4	3.7	4.7	5.1	3.4	3.6	3.3
TOTALS	100.0	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0

Gross Patient Revenue by Service [OS Page A-33]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Inpatient	38.2%	36.5%	35.7%	38.5%	38.8%
Outpatient	55.8%	58.0%	58.2%	55.4%	54.1%
McGuire Unit	4.6%	4.5%	4.4%	4.0%	4.4%
Home Care	1.4%	1.0%	1.7%	2.1%	2.7%
TOTALS	100.0%	100.0%	100.0%	100.0%	100.0%

MUNICIPAL SECONDARY MARKET DISCLOSURE
City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center
Fiscal Year Ended June 30, 2008

Summary of Statements of Operations – Unrestricted
($000s omitted)
[OS Page A-34]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004*** [1]
Net Patient Service Revenue	54,639	50,201	45,477	42,876	41,300
Other Operating Revenue	634	672	1,016	550	416
Total Operating Revenue	55,273	50,873	46,493	43,426	41,717
Depreciation Expense	2,760	2,476	2,211	1,799	1,683
Interest Expense	720	737	720	648	614
Bad Debt Expense	5,234	2,745	2,545	2,209	3,384
Other Operating Expenses	45,439	45,361	39,157	36,887	34,396
Total Operating Expenses	54,154	51,319	44,634	41,543	40,077
Income from Operations	1,119	(446)	1,859	1,883	1,640
Nonoperating Income (Expense)	1	(692)	(695)	(931)	(682)
Revenue and Gains in Excess of Expenses	1,119	(1,137)	1,164	952	957
Depreciation included in Net Nonoperating (Losses)	0	0	0	0	0
Net Income Available for Debt Service (EBIDA)[2]	4,600	2,076	4,095	3,399	3,255
Capital Expenditures	1,993	4,956	2,367	3,578	4,399

[1] Certain FY2004 amounts have been changed to reflect statement of operations reclassifications reported in connection with the FY2005 audited financial statements
[2] Calculated by management from the Corporation's audited financial statements, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997

Profitability Ratios
[OS Page A-35]

	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Debt Service Coverage Ratio[1,2]	2.37	1.14	2.30	1.94	1.80
Excess Margin[2]	2.03%	(2.27)%	2.54%	2.09%	2.33%
Operating Margin[2]	2.02%	(0.88)%	4.00%	4.15%	3.93%

[1] Based on FY2008 Debt Service Requirements on the Series 1998 Bonds and other Long-Term Indebtedness of $1,940,908. This figure includes $622,568 of Debt Service Requirements in the form of a Guaranty of the debt of a limited liability company (the LLC) that owns the Physicians' Office Building (the POB).
[2] Calculated by management from the Corporation's audited financial statements, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and in *CreditWeek*, October 1994

MUNICIPAL SECONDARY MARKET DISCLOSURE
City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center
Fiscal Year Ended June 30, 2008

Cost and Productivity Measures [OS Page A-35]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Total FTEs	311.0	313.4	295.0	296.2	292.4
FTEs per Adjusted Admission[1]	0.042	0.041	0.040	0.042	0.036
FTEs per Adjusted Occupied Bed[1]	4.6	4.7	4.3	4.9	4.4
Adjusted Acute Care Patient-Days[1]	24,053	24,565	24,960	24,720	24,361
Paid-hours per Adjusted Patient-Day[1]	25.5	25.7	25.7	24.9	25.0
McGuire Unit Paid Hours per Patient-Day[1]	4.6	4.9	4.8	5.0	4.7
Capital Expense / Total Expenses[1]	6.4%	6.3%	6.6%	5.8%	5.7%
Bad Debt Expense / Operating Revenue[1]	9.5%	5.4%	5.5%	7.2%	8.1%

[1] Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997

Balance Sheet Summary ($000s omitted) [OS Page A-36]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006*** [1]	***2005***	***2004***
Cash and Temporary Investments[2]	4,154	4,470	4,692	4,655	3,740
Net Patient Accounts Receivable	8,189	7,343	7,908	6,261	6,480
Other Current Assets	3,900	3,406	2,341	2,067	1,694
Total Current Assets	16,243	15,218	14,941	12,982	11,913
Non-Current Cash and Investments (unrestricted)[2]	9,855	10,175	8,973	7,752	7,419
Property and Equipment	17,156	18,116	16,154	16,246	14,355
Other Assets	3,282	3,569	3,733	4,846	3,996
Total Assets	46,537	47,079	43,800	41,827	37,683
Current Liabilities	11,207	11,642	9,964	9,237	8,244
Long-Term Debt	14,598	15,078	13,791	13,909	11,858
Net Assets	20,732	20,359	20,045	18,681	17,582
Total	46,537	47,079	43,801	41,827	37,683

[1] Certain FY2006 amounts have been changed to reflect reclassifications reported in connection with the FY2007 audited financial statements
[2] Used in Days' Cash on Hand, Cash-to-Debt and Quick Ratio calculations

Liquidity Ratios [OS Page A-37]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Current Ratio[1]	1.45	1.31	1.45	1.41	1.45
Quick Ratio[1]	1.98	1.89	2.17	2.02	2.14
Days in Patient Accounts Receivable[1]	54.7	53.4	63.5	52.1	57.3
Days Cash on Hand[1]	99.5	109.4	117.8	111.2	106.1
Cash-to-Debt[1,2]	92.8%	93.1%	94.2%	84.9%	90.8%

[1] Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and *CreditWeek*, October 1994, and by Moody's Investors Service in *Health Care Medians*, June 1996
[2] The denominator of this ratio includes the current portion of long-term debt

Case-Mix Indices [OS Page A-38]					
	Fiscal Years Ended June 30				
	2008	***2007***	***2006***	***2005***	***2004***
Medicare	1.2182	1.3189	1.3052	1.2807	1.2052
Medicaid	0.6354	0.6596	0.6213	0.6053	0.6472
Blue Cross	0.6723	0.7686	0.9104	0.8234	0.8028

Top Ten DRGs [OS Page A-39]					
DRG	***Description***	***Discharges***	***Percent***	***Cumulative Percent***	***Average LOS***
This table could not be updated for FY2008 because of the transition to MS-DRGs as of October 1, 2007, together with inability of the Corporation's information system to assimilate the associated changes in DRG coding. That information system is in the process of being replaced so that this table can be updated in the FY2009 annual disclosure report.					