

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$23,150,000

City of Iron River Hospital Finance Authority (Michigan)

Hospital Revenue and Refunding Bonds, Series 2008

Iron County Community Hospitals, Inc.

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

463003AA1

463003AL7

463003AT0

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) 7  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: [www.firstriver.com](http://www.firstriver.com)

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12  
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: \_\_\_\_\_

B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: \_\_\_\_\_

C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

D.  Notice of Failure to Provide Annual Financial Information as Required

E.  Quarterly or Monthly Financial Information and Operating Data  
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: January – March 2010 (FY2010Q1)

F.  Other Secondary Market Information (Specify): \_\_\_\_\_

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name Shelley I. Aronson Title President  
Employer First River Advisory I. L. C.  
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104  
Telephone (734) 761-3624 Fax (734) 761-3614  
Email Address [aronson@firstriver.com](mailto:aronson@firstriver.com) Relationship to Issuer Dissemination Agent

**Obligor Contact, if any:**

Name Glenn E. Dobson Title Chief Financial Officer  
Employer NORTHSTAR Health System  
Address 1400 West Ice Lake Road City Iron River State MI Zip Code 49935  
Telephone (906) 265-0436 Fax (906) 265-3098  
Email Address [gdobson@northstarhs.org](mailto:gdobson@northstarhs.org) Obligor Web Site Address [www.northstarhs.org](http://www.northstarhs.org)

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**NORTHSTAR HEALTH SYSTEM**  
**1400 WEST ICE LAKE ROAD**  
**IRON RIVER, MI 49935**

**OFFICER'S CERTIFICATE**

**DATED: MAY 28, 2010**

This Officer's Certificate is delivered pursuant to Section 5.10(d)(iii) of the Loan Agreement between NORTHSTAR Health System (f/k/a Iron County Community Hospitals, Inc.) (the Corporation) and the City of Iron River Hospital Finance Authority (the Issuer), dated as of June 1, 2008. All capitalized terms used herein are as defined in the Loan Agreement, in the Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee, dated as of June 1, 2008, or in the Master Indenture and Security Agreement between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of June 1, 2008.

As required by Section 5.10(c) of the Loan Agreement, attached is the Quarterly Report referenced therein. The Quarterly Report contains internally-prepared quarterly financial statements for the Fiscal Year (FY) quarter ended March 31, 2010, including a balance sheet as of the end of such quarter, statements of operations and changes in Net Assets for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(i) of the Loan Agreement, volume and utilization data for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(ii) of the Loan Agreement, and management's comments on financial condition and other matters as required by Section 5.10(d)(iv) of the Loan Agreement.

As required by Section 5.10(d)(iii) of the Loan Agreement, the undersigned certifies that:

1. I am the Chief Financial Officer of the Corporation and duly authorized to deliver this Officer's Certificate;
2. the Quarterly Financial Statements have been prepared on substantially the same accounting basis as the Corporation's audited financial statements for its Most Recent Fiscal Year;
3. the Quarterly Financial Statements are, to the best of my belief, true and correct, but may be subject to audit and Fiscal Year-end adjustments;
4. the Obligated Group is not required to measure compliance with the Liquidity Covenant specified in Section 501(c) of the Master Indenture with respect to this quarter; and
5. no Event of Default has occurred and/or is continuing.

In addition, pursuant to Section 5.10(d)(iv) of the Loan Agreement, management offers the following comments on the Obligated Group's financial condition and other matters. These

comments should be should be read in conjunction with the comments set forth in the most recent Officer's Certificate which related to FY2009Q4.

1. The Corporation has engaged a consulting firm to examine improvement strategies in three areas:
  - a. staffing and productivity on the inpatient unit and in certain ancillary services departments;
  - b. revenue cycle, including a "chargemaster" review; and
  - c. productivity in the employed physician practices, including the viability of converting these practices to provider-based rural health clinics.

All three tasks are expected to be completed in June, with the consultant's findings presented to the Corporation's Board at its early July meeting. Implementation of the consultant's recommendations, if endorsed by the Board, would commence shortly thereafter.

2. The Improvement Project was substantially complete on March 1, 2010. Only "punch list" items remain. Some retainage continues to be withheld from the construction contractor.
3. The Corporation hired an orthopaedic surgeon who commenced practice in September 2009. The Hospital's surgical volumes have improved, but not to the extent projected.
4. A gynecologist has commenced practicing one day per week in the Market Area. Contrary to earlier expectations, this physician is not employed by the Corporation.
5. Efforts to establish a physician clinic in Watersmeet, Michigan have been discontinued.
6. The Corporation has refiled Medicare cost reports for FY2004 through FY2008 to reflect the inclusion of QAAP assessments in its cost base. The Corporation expects to receive approximately \$712,000 in additional reimbursement for these FYs. The Corporation expects this benefit to continue as long as it remains subject to QAAP assessments.

NORTHSTAR Health System  
(f/k/a Iron County Community Hospitals, Inc.)  
for itself and as Obligated Group Agent on behalf of the Obligated Group



By: Glenn E. Dobson, Vice President and Chief Financial Officer

# NORTHSTAR HEALTH SYSTEM

## FINANCIAL AND STATISTICAL REPORT FOR THE QUARTER ENDED MARCH 31, 2010 (FY2010Q1)

### SERVICE VOLUMES AND UTILIZATION

<i>Historical Inpatient Utilization</i>							
	<i>Three Months Ended March 31</i>		<i>Fiscal Years Ended December 31</i>				
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Days in Period	90	90	365	366	365	365	365
Licensed Beds	25	25	25	25	25	25	25
Admissions	212	243	932	977	1,075	1,084	1,114
Patient Days	874	824	3,443	3,507	3,763	3,768	4,017
Average Daily Census	9.7	9.2	9.4	9.6	10.3	10.3	11.0
Average Length of Stay	4.1	3.4	3.7	3.6	3.5	3.5	3.6
Occupancy Rate (%)	38.8	36.6	37.7	38.3	41.2	41.3	44.0
Observation Bed Admissions	123	77	395	282	221	168	147
Observation Bed Patient Days	199	127	603	404	316	226	217
Swing Bed Admissions	20	16	73	69	68	70	92
Swing Bed Patient Days	132	92	394	580	386	420	696
Respite Care Admissions	3	7	18	22	19	31	41
Respite Care Patient Days	6	20	38	65	30	66	108

**NORTHSTAR Health System (f/k/a Iron County Community Hospitals, Inc.)**  
**Disclosure Report for the Quarter Ended March 31, 2010**  
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<i>Historical Outpatient Services Volumes</i>							
	<i>Three Months Ended March 31</i>		<i>Fiscal Years Ended December 31</i>				
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Emergency Department procedures	2,135	2,262	9,395	8,696	8,728	8,690	8,945
Outpatient visits	15,375	10,689	44,179	43,913	44,743	42,755	39,398
Outpatient Department procedures	904	919	3,896	5,650	7,248	5,911	5,268
Hemodialysis treatments	627	555	2,302	2,107	2,464	2,578	1,931
Diabetic education procedures	288	166	1,150	851	1,009	739	867
Home Care visits	1,484	1,856	5,988	6,594	6,283	5,257	5,354
EMS runs	358	328	1,437	1,332	1,144	936	N/A
Employed practitioner charges	5,855	3,669	18,068	18,079	19,022	17,025	14,859

**NORTHSTAR Health System (f/k/a Iron County Community Hospitals, Inc.)**  
**Disclosure Report for the Quarter Ended March 31, 2010**  
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<i>Historical Ancillary Services Volumes (measured in Procedures)</i>							
	<i>Three Months Ended March 31</i>		<i>Fiscal Years Ended December 31</i>				
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Surgeries <sup>1</sup>	225	201	817	734	924	969	814
Laboratory – IR	24,870	20,360	92,229	82,622	83,845	81,846	79,579
Laboratory – CF	6,069	11,322	35,623	42,666	42,926	37,765	34,692
Radiology – IR	2,536	2,323	10,126	9,798	10,037	10,445	9,795
Radiology – CF	443	425	1,749	1,770	2,019	1,807	1,700
MRI <sup>1</sup>	153	152	632	555	565	509	537
CT scanning	589	637	2,672	3,154	2,944	3,450	3,028
Ultrasound	446	403	1,671	1,776	1,411	1,517	1,157
Nuclear medicine <sup>1</sup>	84	182	660	634	625	841	723
Electrocardiograms – IR	1,414	1,220	5,036	4,334	4,050	4,295	3,686
Electrocardiograms – CF	132	130	503	418	400	417	376
Echocardiograms	252	282	1,127	1,130	1,025	1,343	778
Electroencephalograms and Electromyelograms <sup>2</sup>	3	17	32	32	272	306	226
Rehabilitation Services – IR	2,957	2,889	12,182	12,485	10,366	12,238	14,239
Rehabilitation Services – CF	1,455	1,393	7,037	6,986	6,374	6,978	6,752
Occupational therapy	635	359	1,336	1,214	1,110	1,270	1,342
Respiratory therapy	20,054	14,214	61,618	62,070	64,687	62,604	71,071
Cardiac rehabilitation <sup>3</sup>	322	280	856	527	210	262	236

IR = at the Hospital Facility in Iron River, CF = at the CFFHC in Crystal Falls  
<sup>1</sup> FY2008 figures are corrected from those previously reported  
<sup>2</sup> Electroencephalograms have been curtailed and Electromyelograms have discontinued  
<sup>3</sup> FY2009 and FY2008 figures reflect a change in counting methodology

**FINANCIAL INFORMATION**

<i>Balance Sheet Summaries</i> <i>(\$000s omitted)</i>						
	<i>At March 31</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Cash and Cash Equivalents <sup>1</sup>	\$1,776	\$646	\$1,824	\$1,998	\$1,436	\$1,214
Net Patient Accounts Receivable	6,026	3,975	3,389	3,730	3,459	3,137
Other Current Assets <sup>2</sup>	<u>2,134</u>	<u>4,242</u>	<u>3,699</u>	<u>709</u>	<u>1,231</u>	<u>1,164</u>
Total Current Assets	9,935	8,862	8,912	6,437	6,126	5,516
Investments <sup>1</sup>	3,048	3,962	3,510	4,631	4,492	3,698
Net Property and Equipment	22,558	23,392	16,155	9,867	9,824	9,344
Other Non-Current Assets <sup>2</sup>	<u>2,820</u>	<u>2,889</u>	<u>11,963</u>	<u>1,384</u>	<u>208</u>	<u>330</u>
Total Assets	\$38,362	\$39,106	\$40,540	\$22,319	\$20,651	\$18,888
Current Liabilities <sup>2</sup>	\$4,877	\$5,374	\$5,675	\$2,781	\$3,288	\$2,726
Long-Term Debt, net of Current Portion <sup>2</sup>	22,800	22,289	22,627	5,525	5,739	5,966
Other Non-Current Liabilities	0	462	0	0	0	0
Unrestricted Net Assets	<u>10,685</u>	<u>10,982</u>	<u>12,238</u>	<u>14,012</u>	<u>11,623</u>	<u>10,196</u>
Total Liabilities and Net Assets	\$38,362	\$39,106	\$40,540	\$22,319	\$20,651	\$18,888

<sup>1</sup> Used in "Days' Cash on Hand," "Pro Forma Cushion Ratio" and "Unrestricted Cash / Pro Forma Debt" calculations  
<sup>2</sup> FY2008 figures reflect certain reclassifications reflected on the FY2009 audited financial statements which had an immaterial net effect  
 Note: some figures might not add precisely due to rounding

**NORTHSTAR Health System (f/k/a Iron County Community Hospitals, Inc.)**  
**Disclosure Report for the Quarter Ended March 31, 2010**  
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<i>Summaries of Statements of Operations</i> <i>(\$000s omitted)</i>							
	<i>Three Months Ended March 31</i>		<i>Fiscal Years Ended December 31</i>				
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Net Patient Service Revenue <sup>1</sup>	\$7,991	\$6,957	\$31,360	\$27,348	\$27,764	\$26,480	\$22,916
Other Revenue <sup>1</sup>	<u>158</u>	<u>111</u>	<u>317</u>	<u>222</u>	<u>207</u>	<u>226</u>	<u>221</u>
Total Revenue	8,149	7,068	31,677	27,570	27,971	26,706	23,137
Depreciation and Amortization Expense	474	280	1,547	1,120	1,052	952	988
Interest Expense	374	107	710	398	319	337	303
Bad Debt Expense	397	350	1,229	1,579	1,428	1,305	865
Other Operating Expenses	<u>7,367</u>	<u>6,257</u>	<u>29,302</u>	<u>25,371</u>	<u>24,271</u>	<u>23,135</u>	<u>19,722</u>
Total Operating Expenses	\$8,612	\$6,994	\$32,789	\$28,468	\$27,070	\$25,729	\$21,879
Income (Loss) from Operations	(\$463)	\$74	(\$1,112)	(\$898)	\$901	\$977	\$1,258
Net Nonoperating Revenue	<u>116</u>	<u>128</u>	<u>326</u>	<u>150</u>	<u>499</u>	<u>380</u>	<u>177</u>
Excess (Deficit) of Revenue / Expenses	<u>(\$347)</u>	<u>\$202</u>	<u>(\$786)</u>	<u>(\$748)</u>	<u>\$1,400</u>	<u>\$1,358</u>	<u>\$1,436</u>
Net Income Available for Debt Service (EBIDA) <sup>2</sup>			\$1,471	\$770	\$2,771	\$2,647	\$2,727

<sup>1</sup> FY2008 figures reflect certain reclassifications reflected on the FY2009 audited financial statements, the net effect of which did not change the Total Revenue figure

<sup>2</sup> Equal to Excess of Revenue over Expenses + Depreciation Expense + Interest Expense, which may differ from the calculation of Net Income Available for Debt Service due to certain adjustments permitted by the Master Indenture