

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>LAUREL HEALTH SYSTEM PENSION PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>06/01/1967</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>06/01/1967</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>06/01/1967</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>LAUREL HEALTH SYSTEM</u> <u>32-36 CENTRAL AVE.</u> <u>WELLSBORO, PA 16901</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>24-0795488</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>570-724-1631</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>622000</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>24-0795488</u>	2c Sponsor's telephone number <u>570-724-1631</u>	2d Business code (see instructions) <u>622000</u>	
2b Employer Identification Number (EIN) <u>24-0795488</u>					
2c Sponsor's telephone number <u>570-724-1631</u>					
2d Business code (see instructions) <u>622000</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	08/26/2011	EUGENE L. YAJKO
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") LAUREL HEALTH SYSTEM 32-36 CENTRAL AVE. WELLSBORO, PA 16901	3b Administrator's EIN 24-0795488 3c Administrator's telephone number 570-724-1631
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 1229
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).	
a Active participants.....	6a 525
b Retired or separated participants receiving benefits.....	6b 230
c Other retired or separated participants entitled to future benefits.....	6c 424
d Subtotal. Add lines 6a , 6b , and 6c	6d 1179
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e 20
f Total. Add lines 6d and 6e	6f 1199
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h 1
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions: 1A 1G 1I	
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:	

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>LAUREL HEALTH SYSTEM PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>LAUREL HEALTH SYSTEM</u>	D Employer Identification Number (EIN) <u>24-0795488</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2010</u>
2	Assets:
a	Market value 2a <u>13911508</u>
b	Actuarial value 2b <u>14668579</u>
3	Funding target/participant count breakdown
	(1) Number of participants (2) Funding Target
a	For retired participants and beneficiaries receiving payment 3a <u>241</u> <u>5927865</u>
b	For terminated vested participants 3b <u>382</u> <u>3428665</u>
c	For active participants:
(1)	Non-vested benefits 3c(1) <u>1581</u>
(2)	Vested benefits 3c(2) <u>7862812</u>
(3)	Total active 3c(3) <u>606</u> <u>7864393</u>
d	Total 3d <u>1229</u> <u>17220923</u>
4	If the plan is at-risk, check the box and complete items (a) and (b) ☐
a	Funding target disregarding prescribed at-risk assumptions 4a
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>6.69</u> %
6	Target normal cost 6 <u>114249</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>08/19/2011</u>
Signature of actuary	Date
<u>LISA A. PFAUTZ</u>	<u>11-07159</u>
Type or print name of actuary	Most recent enrollment number
<u>MARKLEY ACTUARIAL SERVICES, INC.</u>	<u>717-295-3178</u>
Firm name	Telephone number (including area code)
<u>8 NORTH QUEEN STREET, SUITE 900</u> <u>LANCASTER, PA 17603</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2010
v.092308.1

Part II	Beginning of year carryover and prefunding balances	
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9 Amount remaining (Item 7 minus item 8).....	0	0
10 Interest on item 9 using prior year's actual return of <u>19.42</u> %		
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		69
b Interest on (a) using prior year's effective rate of <u>8.13</u> %		6
c Total available at beginning of current plan year to add to prefunding balance		75
d Portion of (c) to be added to prefunding balance.....		0
12 Reduction in balances due to elections or deemed elections.....		
13 Balance at beginning of current year (item 9 + item 10 + item 11d – item 12).....	0	0

Part III	Funding percentages	
14 Funding target attainment percentage.....	14	85.17 %
15 Adjusted funding target attainment percentage.....	15	85.17 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	92.58 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV	Contributions and liquidity shortfalls				
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/14/2010	81830				
07/08/2010	81830				
11/17/2010	81830				
01/05/2011	81830				
07/07/2011	131364				
			Totals ▶	18(b) 458684	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contribution from prior years.....	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c 432241
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No	
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☒ No	
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 5.03 %	2nd segment: 6.73 %	3rd segment: 6.82 %	☐ N/A, full yield curve used
b Applicable month (enter code)	21b			4
22 Weighted average retirement age	22			63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions).....	31	114249
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	2552344	317929
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33).....	34	432178
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35).....	36	432178
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....	37	432241
38 Interest-adjusted excess contributions for current year (see instructions).....	38	63
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....	39	0
40 Unpaid minimum required contribution for all years	40	0

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan LAUREL HEALTH SYSTEM PENSION PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 LAUREL HEALTH SYSTEM	D Employer Identification Number (EIN) 24-0795488	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

MARKLEY ACTUARIAL SERVICES, INC.

23-2439467

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
11 50	NONE	33760	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

CITIZENS & NORTHERN BANK

24-0756925

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 21 27 50	NONE	40547	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III	Termination Information on Accountants and Enrolled Actuaries (see instructions) (complete as many entries as needed)
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a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan LAUREL HEALTH SYSTEM PENSION PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 LAUREL HEALTH SYSTEM	D Employer Identification Number (EIN) 24-0795488	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	125500	213194
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	23	506
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	597703	760103
(2) U.S. Government securities.....	1c(2)	2134211	1866914
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)	349997	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	9851916	11603125
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	854310	919889

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	13913660	15363731

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	12819	13517
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	12819	13517

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	13900841	15350214
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	458684	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		458684

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	240	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		240

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	114	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	203736	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		203850

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	701000	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	709854	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		-8854

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	158139	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		158139
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		1476632
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		2288691

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	692225	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		692225
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	33760	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	40546	
(4) Other	2i(4)	72787	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		147093
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		839318

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		1449373
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified **(2)** ☐ Qualified **(3)** ☒ Disclaimer **(4)** ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: PARENTEBEARD LLC

(2) EIN: 23-2932984

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. **(2)** ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	X		
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>LAUREL HEALTH SYSTEM PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>LAUREL HEALTH SYSTEM</u>	D Employer Identification Number (EIN) <u>24-0795488</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>24-0756925</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>26</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
--	-----------------------------------	-----------------------------------	-------------------------------	--

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 71% Investment-Grade Debt: 24% High-Yield Debt: 0% Real Estate: 0% Other: 5%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☒ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate item 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☒ Other (specify): NOT APPLICABLE -- ALL

Laurel Health System Pension Plan

Financial Statements and
Supplemental Schedules

December 31, 2010 and 2009

Laurel Health System Pension Plan

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December 31, 2010 and 2009

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Independent Auditors' Report

To the Participants and Plan Administrator of
Laurel Health System Pension Plan

We were engaged to audit the accompanying statement of net assets available for benefits of the Laurel Health System Pension Plan (the "Plan") as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the years then ended and the supplemental schedules of (1) Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) and (2) Schedule H, Line 4(j) – Schedule of Reportable Transactions as of or for the year ended December 31, 2010. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information disclosed in Note 9, which was certified by Citizens & Northern Bank, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Williamsport, Pennsylvania
July 28, 2011

Laurel Health System Pension Plan

Statement of Net Assets Available for Benefits

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Investments, at fair value:		
Mutual funds	\$ 11,603,125	\$ 9,851,917
U.S. government securities	1,866,914	2,134,211
Municipal obligations	919,889	854,310
Money market fund	760,103	597,703
Corporate bond	<u>-</u>	<u>349,997</u>
Total investments	15,150,031	13,788,138
Employer contribution receivable	213,194	125,500
Accrued interest	<u>506</u>	<u>23</u>
Total assets	15,363,731	13,913,661
Liabilities		
Accrued administrative expenses	<u>13,517</u>	<u>12,819</u>
Net assets available for benefits	<u>\$ 15,350,214</u>	<u>\$ 13,900,842</u>

See notes to financial statements

Laurel Health System Pension Plan

Statement of Changes in Net Assets Available for Benefits
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Additions to Net Assets Attributed to		
Investment income:		
Net appreciation in fair value of investments	\$ 1,621,967	\$ 2,245,257
Interest and dividends	<u>207,784</u>	<u>185,806</u>
Total investment income	1,829,751	2,431,063
Less investment expenses	<u>40,547</u>	<u>36,387</u>
Net investment income	1,789,204	2,394,676
Employer contributions	458,684	346,582
Other income	<u>256</u>	<u>4,287</u>
Total additions	<u>2,248,144</u>	<u>2,745,545</u>
Deductions from Net Assets Attributed to		
Benefits paid to participants	692,225	644,920
Administrative expenses	<u>106,547</u>	<u>114,249</u>
Total deductions	<u>798,772</u>	<u>759,169</u>
Net increase in net assets available for benefits	1,449,372	1,986,376
Net Assets Available for Benefits		
Beginning of year	<u>13,900,842</u>	<u>11,914,466</u>
End of year	<u>\$ 15,350,214</u>	<u>\$ 13,900,842</u>

See notes to financial statements

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

1. Description of Plan

The following description of the Laurel Health System Pension Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan is a noncontributory defined benefit pension plan covering substantially all employees of Laurel Health System and those affiliated corporations which adopt the Plan (collectively the "Plan Sponsor") who have completed one year of service and attained age twenty-one. Soldiers and Sailors Memorial Hospital, North Penn Comprehensive Health Services, The Green Home, Laurel Management Services, Inc. and Tioga Health Care Providers are the members of the affiliated group of corporations with employees who have adopted the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Effective July 1, 2005, the structure of the Plan was changed so that employees enrolled in the Plan must elect to either (1) continue to earn additional benefits in the Plan or (2) freeze future benefit accruals in the Plan effective June 30, 2005 and receive an annual contribution to a defined contribution plan starting as of July 1, 2005. All new employees hired on or after July 1, 2005 are not eligible to participate in the Plan.

Effective December 31, 2006, the Plan was amended to freeze future benefit accruals. After this effective date, no compensation earned or changes in compensation rates will be taken into account when computing the accrued benefit, and former employees will not be reinstated.

The Plan evaluated subsequent events for the recognition or disclosure through July 28, 2011, the date the financial statements were available to be issued.

Pension Benefits

Employees are entitled to plan benefits at the normal retirement age of 65, although earlier retirement with lesser benefits is permitted. Effective January 1, 2008, the Plan was amended to apply a three-year vesting schedule in order to comply with the minimum vesting standards requirement applicable to cash balance and other hybrid defined benefit plans as set forth by the Pension Protection Act of 2006 (PPA). Employees terminated after December 31, 2006 who have completed three years of service but are not eligible for normal or early retirement shall be entitled to a deferred vested benefit commencing at age 65 equal to their accrued benefit as of the date of termination. Employees who terminated prior to December 31, 2006 are fully vested after five years of service.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

1. Description of Plan (Continued)

Prior to January 1, 1993, benefits under the Plan were based on the greater of (1) one percent of the participant's first \$1,000 of "Average Monthly Compensation", plus one and one-half percent of the "Average Monthly Earnings" in excess of \$1,000 for each year of credited service; or (2) \$7.50 per month for each year of credited service, subject to a maximum of ten such years. At December 31, 1992, accumulated plan benefits computed in this manner were frozen. Effective January 1, 1993, the Plan adopted a Cash Balance formula to calculate the Plan's accrued liability. Subsequent to that date but prior to December 31, 2006, each participant who accumulated 1,000 or more hours of service received an allocation to their Cash Balance Account based on a percentage of each participant's annual compensation as described in the Plan document.

Benefit payments are paid in the form of a life annuity for single participants and a joint-and-survivor annuity for married participants, unless the participant elects a different form of payment. For married participants, spousal consent is required to change payment methods.

Death and Disability Benefits

If an active employee dies, the Plan provides for a death benefit equal to the value of the employee's accumulated pension benefits to be paid to the employee's beneficiary. Active employees who become totally disabled shall receive a monthly benefit commencing at the normal retirement date. A disabled participant may elect to receive a reduced benefit commencing at the early retirement date.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based upon certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In addition, the Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Payment of Benefits

Benefit payments are recorded when paid.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the plan are based on employee's compensation. Benefits payable under all circumstances such as retirement, death, disability, and termination of employment are included to the extent they are attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits presented below is based on an actuarial valuation as of January 1, 2010 and 2009, prepared by the Plan's actuary, Markley Actuarial Services, Inc. using the unit credit actuarial cost method.

The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

The actuarial present value of accumulated plan benefits as of January 1, 2010 and 2009 is as follows:

	2010	2009
Vested benefits:		
Active participants	\$ 7,862,812	\$ 6,425,737
Participants and beneficiaries receiving benefit payments	5,927,865	4,764,637
Terminated participants with deferred benefits	3,428,665	2,972,449
Total vested benefits	17,219,342	14,162,823
Nonvested benefits	1,581	4,469
Total actuarial present value of accumulated plan benefits	<u>\$ 17,220,923</u>	<u>\$ 14,167,292</u>

The change in the actuarial present value of accumulated plan benefits during 2009 is as follows:

Actuarial present value of accumulated plan benefits, at beginning of year	<u>\$ 14,167,292</u>
Increase (decrease) during the year attributable to:	
Increase for interest due to decrease in discount period	876,955
Benefits paid	(644,920)
Change in actuarial assumption	2,664,668
Actuarial gain	156,928
Net increase	<u>3,053,631</u>
Actuarial present value of accumulated plan benefits at end of year	<u>\$ 17,220,923</u>

Significant assumptions underlying the actuarial computations as of December 31, 2010 and 2009 are:

(a) Mortality – 2010 Static Annuitant and Non-Annuitant Mortality Table for 2010; 2009 Static Separate Annuitant and Non-Annuitant Mortality Table for 2009.

(b) Investment Return – 6.69% per year, compounded annually for 2010. 8.13% per year, compounded annually for 2009.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

(c) Retirement Age – Retirement rates amount active participants which vary by age were assumed. Terminated vested participants are assumed to retire at age 65.

Age	Assumption
55-59	1.5%
60-61	6.0%
62	20.0%
63-64	15.0%
65+	100.0%

During the year ended December 31, 2010, the mortality table was changed from the 2009 Static Separate Annuitant and Non-Annuitant Mortality Table to the 2010 Static Separate Annuitant and Non-Annuitant Mortality Table. Also, the rate of return was changed from 8.13% to 6.69%. These changes increased the accumulated plan benefits by \$2,664,668.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Administration of Plan Assets

The Plan's assets are administered under a contract with Citizens & Northern Bank (the "Trustee"). The Trustee invests funds received from contributions, investment sales, interest and dividend income and makes distribution payments to participants. Certain administrative expenses of the Trustee are paid by the Plan. Other administrative expenses are paid by the Plan Sponsors.

New Accounting Standard

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-06 "Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements", ("ASU 2010-06"), which provides a greater level of disaggregated information and more robust disclosures about valuation techniques and inputs to fair value measurements, transfers in and out of Levels 1 and 2, and the separate presentation of information in Level 3 reconciliations on a gross basis rather than net. New disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, Level 3 disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of ASU 2010-06 had no material impact on the Plan's financial statements but expanded disclosures about certain fair value measurements.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

3. Fair Value Measurements

The Plan measures on a recurring basis its investments at fair value in accordance with FASB codification, "Fair Value Measurements and Disclosures," which provides the framework for measuring fair value. That framework provides a fair value hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Inputs to the valuation methodology include inputs, other than level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets. Quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Mutual funds are valued at net asset value of shares held by the Plan at year end.

U.S. government securities, municipal obligations, and the corporate bond are valued using quoted market prices of similar securities.

The money market fund is valued at cost, which approximates fair value.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the financial instruments could result in a different fair value measurement at the reporting date.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009.

Assets at Fair Value as of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Index	\$ 9,652,257	\$ -	\$ -	\$ 9,652,257
Growth	1,950,868	-	-	1,950,868
U.S. government securities	-	1,866,914	-	1,866,914
Municipal obligations	-	919,889	-	919,889
Money market fund	760,103	-	-	760,103
Total	<u>\$ 12,363,228</u>	<u>\$ 2,786,803</u>	<u>\$ -</u>	<u>\$ 15,150,031</u>

Assets at Fair Value as of December 31, 2009				
Mutual funds:				
Index	\$ 8,144,439	\$ -	\$ -	\$ 8,144,439
Growth	1,707,478	-	-	1,707,478
U.S. government securities	-	2,134,211	-	2,134,211
Municipal obligations	-	854,310	-	854,310
Money market fund	597,703	-	-	597,703
Corporate bond	-	349,997	-	349,997
Total	<u>\$ 10,449,620</u>	<u>\$ 3,338,518</u>	<u>\$ -</u>	<u>\$ 13,788,138</u>

4. Funding Policy

The Plan Sponsor's funding policy is to make contributions to the Plan as determined by the Plan's independent actuary in amounts necessary to provide the Plan with assets sufficient to fund participants' benefits by the time they retire. No participant contributions are permitted. The minimum funding requirements of ERISA were met for 2010 and 2009.

Although it has not expressed any intention to do so, the Plan Sponsor has the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

5. Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

5. Plan Termination (Continued)

1. Annuity benefits former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under the Plan provisions in effect at any time during the five years preceding Plan termination.
2. Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC") (a U.S. Government agency) up to the applicable limitations (discussed subsequently).
3. All other vested benefits (that is, vested benefits not insured by the PBGC).
4. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligation and may also depend on the financial condition of the Plan sponsors and the level of benefits guaranteed by the PBGC.

6. Investments

The following presents investments that represent 5% or more of the Plan's net assets available for benefits at December 31, 2010 and 2009:

	2010	2009
Vanguard TR Value Index Fund	\$ 2,738,750	\$ 2,351,577
Fidelity Spartan International Index Advantage Fund	2,609,415	2,466,403
Vanguard Small-Cap Index Fund	2,229,197	2,403,843
Vanguard TR Growth Index Fund	1,950,868	1,707,478
Vanguard Mid-Cap Index Fund	1,093,790	922,616

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

6. Investments (Continued)

During 2010 and 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

	2010	2009
Mutual funds	\$ 1,472,682	\$ 2,178,254
U.S. government securities	83,703	25,391
Municipal obligations	65,579	36,306
Corporate bond	3	5,306
Total	<u>\$ 1,621,967</u>	<u>\$ 2,245,257</u>

7. Related-Party Transactions

Certain Plan assets are held and managed by the Trustee. Certain administrative expenses of the Trustee are paid by the Plan. These transactions qualify as party-in-interest transactions.

Certain administrative functions of the Plan are performed by employees of the Plan Sponsors. No such employee receives compensation from the Plan.

8. Tax Status

The Internal Revenue Service has determined and informed the Plan Sponsor by a letter dated July 26, 2007, that the plan and related trust are designed in accordance with the applicable section of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the plan and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the plan and has concluded that as of December 31, 2010, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

Laurel Health System Pension Plan

Notes to Financial Statements
December 31, 2010 and 2009

9. Information Certified by Trustee

The plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA for 2010 and 2009. Accordingly, Citizens & Northern Bank, the trustee of the Plan, has certified to the completeness and accuracy of all investments reported in the accompanying statement of net assets available for benefits as of December 31, 2010 and 2009 and the supplemental Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) as of December 31, 2010, and the related investment activity reported in the statement of changes in net assets available for benefits for the years ended December 31, 2010 and 2009, and substantially all of the information reported on the supplemental Schedule H, Line 4(j) - Schedule of Reportable Transactions for the year ended December 31, 2010.

Laurel Health System Pension Plan

Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)

EIN: 25-1471089 Plan Number: 001

December 31, 2010

(a)	Identity of Issue (b)	Description of Investment (c)	Cost (d)	Current Value (e)	
Mutual Funds		Vanguard TR Value Index Fund	\$ 2,754,450	\$ 2,738,750	
		Fidelity Spartan International Index Advantage Fund	3,111,252	2,609,415	
		Vanguard Small-Cap Index Fund	1,687,553	2,229,197	
		Vanguard TR Growth Index Fund	1,911,149	1,950,868	
		Vanguard Mid-Cap Index Fund	1,001,917	1,093,790	
		Vanguard Emerging Markets ETF	582,065	704,376	
		Vanguard Short Term Bond Signal Fund	275,681	276,729	
U.S. Government Securities		Financing Corp Coupon FICO Strip, zero coupon, due 5/11/11	408,267	413,510	
		Financing Corp Coupon FICO Strip, zero coupon, due 12/6/12	354,883	375,530	
		Federal National Mortgage Association, zero coupon, due 5/15/13	239,468	256,544	
		Financing Corp Coupon FICO Strip, zero coupon, due 2/3/13	182,324	193,706	
		Federal National Mortgage Association, zero coupon, due 7/15/13	179,977	192,954	
		International Bank for Reconstruction and Development, due 8/15/14	137,241	137,476	
		International Bank for Reconstruction and Development, due 2/15/14	120,778	119,322	
		U.S. Treasury Strip, zero coupon, due 2/15/14	96,373	106,128	
		Tennessee Valley Authority Strip, zero coupon, due 6/15/15	41,085	45,231	
		International Bank for Reconstruction and Development, due 2/15/14	26,560	26,513	
	Municipal Obligations		Hillsborough County Fla Port Dist Rev, zero coupon, due 6/1/12	415,026	416,068
			Cook County Illinois School District due, 12/1/14	166,758	171,868
			Trenton New Jersey GO due 4/1/11	167,912	168,615
		City of Paterson New Jersey, zero coupon, due 4/1/11	162,863	163,338	
Money Market Fund		Federated Government Obligation Tax Managed Fund	760,103	760,103	
			\$ 14,783,685	\$ 15,150,031	

Laurel Health System Pension Plan

Schedule H, Line 4(f) - Schedule of Reportable Transactions

EIN: 25-1471089 Plan Number: 001

Year Ended December 31, 2010

Identity of Party (a)	Description of Asset (b)	Purchase Price (c)	Selling Price (d)	Lease Rental (e)	Expenses (f)	Cost (g)	Current Value (h)	Net Gain (Loss) (i)
Federated	Federated Government Obligations Tax Managed Fund	\$ 1,516,725	\$ -	\$ -	\$ -	\$ -	\$ 1,516,725	\$ -
Federated	Federated Government Obligations Tax Managed Fund	-	1,354,325	-	-	1,354,325	1,354,325	-

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2010**This Form is Open to Public
Inspection**For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010▶ **Round off amounts to nearest dollar.**▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.**A** Name of plan

Laurel Health System Pension Plan

B Three-digit
plan number (PN) ▶

001

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

Laurel Health System

D Employer Identification Number (EIN)

24-0795488

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B**F** Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500**Part I Basic Information****1** Enter the valuation date: Month 1 Day 1 Year 2010**2** Assets:

	2a	
a Market value	13,911,508	
b Actuarial value	14,668,579	

3 Funding target/participant count breakdown

(1) Number of participants

(2) Funding Target

	3a		3b		3c(1)		3c(2)		3c(3)		3d	
a For retired participants and beneficiaries receiving payment	241		382						606		1,229	
b For terminated vested participants												
c For active participants:												
(1) Non-vested benefits												
(2) Vested benefits												
(3) Total active												
d Total												

4 If the plan is at-risk, check the box and complete items (a) and (b) ☐

	4a	4b
a Funding target disregarding prescribed at-risk assumptions		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor		

5 Effective interest rate **5** 6.69 %**6** Target normal cost **6** 114,249**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE**

Lap

Signature of actuary

Lisa A. Pfautz

Type or print name of actuary

Markley Actuarial Services, Inc.

Firm name

8 North Queen Street, Suite 900

Lancaster

PA 17603

Address of the firm

8/19/2011

Date

11-07159

Most recent enrollment number

(717) 295-3178

Telephone number (including area code)

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9 Amount remaining (Item 7 minus item 8).....	0	0
10 Interest on item 9 using prior year's actual return of <u>19.42</u> %		
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		69
b Interest on (a) using prior year's effective rate of <u>8.13</u> %		6
c Total available at beginning of current plan year to add to prefunding balance		75
d Portion of (c) to be added to prefunding balance.....		0
12 Reduction in balances due to elections or deemed elections.....		
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	0	0

Part III Funding percentages

14 Funding target attainment percentage.....	14	85.17 %
15 Adjusted funding target attainment percentage.....	15	85.17 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	92.58 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV Contributions and liquidity shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/14/2010	81,830				
07/08/2010	81,830				
11/17/2010	81,830				
01/05/2011	81,830				
07/07/2011	131,364				
			Totals ►	18(b)	18(c)
				458,684	0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contribution from prior years.	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	432,241

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☐ Yes ☒ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 5.03 %	2nd segment: 6.73 %	3rd segment: 6.82 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 4
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	114,249
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	2,552,344	317,929
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	432,178
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35)	36	432,178
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	432,241
38 Interest-adjusted excess contributions for current year (see instructions)	38	63
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Part V – Statement of Actuarial Assumptions/Method

Actuarial Methods

Actuarial Cost Method	Method as prescribed by the Pension Protection Act of 2006 Target Normal Cost includes non-investment expenses
Amortization of Funding Shortfall	The valuation was prepared using the "2 plus 7-year" alternative amortization schedule under the Pension Funding Relief Act of 2010 as elected by the plan sponsor.
Valuation Date	First day of the Plan Year (January 1, 2010)
Asset Valuation Method	Average of the Market Value of Assets from the current and last two prior plan years smoothed using the methods prescribed by PPA; annual rates of 6.25% (2008) and 6.69% (2009) were used for expected investment returns; expenses for 2008 and 2009 were actual investment expenses paid from plan assets

Prescribed Actuarial Assumptions

Interest Rates – Funding and FAS 35	24-month average corporate bond segment rates as of September 2009 (4 month lookback under the election of IRS Regulation 1.430(h)(2)-1(e)(2)); the applicable segment rates are as follows: <table><tr><th><u>Benefit Payments occurring in Plan Years Beginning</u></th><th><u>Segment Rate</u></th></tr><tr><td>2010 – 2014 (5 years)</td><td>5.03%</td></tr><tr><td>2015 – 2029 (15 years)</td><td>6.73%</td></tr><tr><td>2030 and beyond (more than 20 Years)</td><td>6.82%</td></tr></table>	<u>Benefit Payments occurring in Plan Years Beginning</u>	<u>Segment Rate</u>	2010 – 2014 (5 years)	5.03%	2015 – 2029 (15 years)	6.73%	2030 and beyond (more than 20 Years)	6.82%
<u>Benefit Payments occurring in Plan Years Beginning</u>	<u>Segment Rate</u>								
2010 – 2014 (5 years)	5.03%								
2015 – 2029 (15 years)	6.73%								
2030 and beyond (more than 20 Years)	6.82%								
Effective Interest Rate	6.69% based on above rates and expected benefit payments accrued to date; 8.13% was the effective rate for the prior year								
Pre- and Post-Retirement Mortality – Funding and FAS	2010 static annuitant and non-annuitant mortality tables (male and female) as published by the IRS in Notice 2008-85								
Interest Rates – Lump Sums	Funding rates as required by IRS in Regulation 1.430(d)-1(f)(4)(iii)(B)								
Pre- and Post-Retirement Mortality – Lump Sums	2010 Applicable Mortality Table (blended 50% male/50% female) as published by the IRS in Notice 2008-85								

Non-Prescribed Actuarial Assumptions

Assumed Retirement Age	Retirement rates among active participants which vary by age are assumed:					
	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>		
	55-59	1.5%	63-64	15.0%		
	60-61	6.0%	65+	100.0%		
	62	20.0%				
Turnover before Retirement	Annual Rates are shown below for representative years of service and sex:					
	<u>Service</u>	<u>Males</u>	<u>Females</u>	<u>Service</u>	<u>Males</u>	<u>Females</u>
	0	28.0%	22.0%	9	7.0%	6.0%
	1	28.0%	22.0%	10	7.0%	5.0%
	2	25.0%	19.0%	11+	5.0%	3.5%
	3	23.0%	15.0%			
	4	17.0%	12.0%			
	5	16.0%	11.0%			
	6	13.0%	10.0%			
	7	10.0%	8.0%			
	8	8.0%	7.0%			

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Part V – Statement of Actuarial Assumptions/Method (continued)

Disability Rates	The Disability Retirement benefit is not explicitly valued because it is assumed to have insignificant cost
Rate of Compensation Increase	Not Applicable
Beneficiary Assumption	For participants not in pay status: 85% of participants are assumed to be married, with males 4 years older than females. For participants in pay status: Actual birth dates of spouses are included in the census data, where applicable.
Lump Sum Election	100% election on lump sums less than or equal to \$5,000; the normal form is assumed to be elected for all others

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Part V –Summary of Principal Plan Provisions

Effective Date	January 1, 1967; the plan was last amended effective January 1, 2008
Plan Year	January 1 – December 31
Eligibility for Participation	The January 1 or July 1 coincident with or next following attainment of age 21 and completion of one year of service in which 1,000 or more hours of service are credited. The last possible entry date under the plan was July 1, 2006. Employees hired July 1, 2005 or later and leased employees are not eligible to participate.
Employer Contribution	Entire cost of the Plan
Normal Retirement Date	The first day of the month coincident with or next following the attainment of age 65 or the fifth anniversary of the date of hire
Formula for Normal Annual Retirement Benefit	<p>Accrued Benefit: The frozen accrued benefit earned as of December 31, 1992, if any, plus the Cash Balance Account earned as of the date of determination converted to a monthly single life annuity. The Cash Balance Account is converted by first accumulating the account with interest of 5% per year until the later of Actual Retirement Date or Normal Retirement Date, and then determining the Actuarially Equivalent monthly single life annuity of the accumulated Cash Balance Account payable at the later of Actual Retirement Date or Normal Retirement Date.</p> <p>Cash Balance Account: For every year of Credited Service after January 1, 1993 and before December 31, 2006, an allocation was made to each participant's notional Cash Balance Account. The percent of compensation increases with age. In addition to the allocation, the amount is credited with interest of 5% per year. Interest for a full year is also credited on the current year's allocation.</p>
Compensation	The base salary or wages paid to the participant, exclusive of bonuses, overtime payments, shift differential, or similar non-basic payments, but to which has been added any amounts by which the participant's basic cash remuneration was reduced during such a period by agreement or election of participant for purpose of funding benefits under plan meeting the requirements of Sections 125, 403(b), 401(k), 902(h), 408(k), 457 or 132(f)(4) of the Code.
Credited Service	Beginning January 1, 1993, a full year is credited for each plan year in which 1,000 or more hours of service are credited. Effective July 1, 2005, participants who elected to receive future contributions to a defined contribution plan in lieu of future accruals in this plan are not eligible to earn additional credited service. Credited Service is frozen as of December 31, 2006.
Normal Form of Benefit Payments	Life Annuity if single; Actuarially Equivalent joint and 100% survivor annuity if married
Optional Forms of Benefit Payments	Optional Forms include Single Life Annuity, Joint and 50% Survivor Annuity, Joint and 75% Survivor Annuity, Joint and 100% Survivor Annuity, 10 Year Certain and Life, and lump sums up to \$5,000
Optional Forms Conversion Factors	8.00% interest rate and the Unisex Pension 1984 mortality table with no setbacks
Early Retirement Date	The first day of the month coincident with or next following the attainment of age 55 and the completion of 5 Years of Vesting Service
Early Retirement Benefit	1/180 for each of the first 60 months and 1/360 for each of the next 60 months by which the Early Retirement Date precedes the Normal Retirement Date

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Part V –Summary of Principal Plan Provisions (continued)

Late Retirement Benefit	Annual Retirement Benefit at actual retirement date		
Disability Retirement Date	Upon termination of employment due to Total Disability prior to Early Retirement Date or Normal Retirement Date		
Disability Benefit	The accrued benefit determined as of the date of disability, payable at Normal Retirement Date		
Pre-Retirement Death Benefit	100% of the benefit which would have been payable had the deceased participant instead terminated service on the date of death, survived to his earliest possible benefit commencement date, elected a joint and 100% survivor annuity, and died on that same date, are payable to surviving spouses of participants with a vested Accrued Benefit who die before commencement of payments. Active participants who die while employed are 100% vested, regardless of their years of service.		
Vesting	Each participant who terminates prior to Normal Retirement Date will be vested as follows:		
	<u>Years of Vesting Service</u>	<u>Pre-1/1/2008 Termination</u>	<u>1/1/2008 or Later Termination</u>
	Less than 3	0%	0%
	3 or 4	0%	100%
	5 or more	100%	100%
	However, if a participant attains age 65, dies or becomes Totally Disabled while in active employment, the Vested Percentage is 100% regardless of the years of vesting service.		
Year of Service for Vesting	1,000 or more hours of service per Plan Year		

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Line 22 – Description of Weighted Average Retirement Age

<u>Age</u>	<u>$q_x^{(r)}$</u>	<u>$p_x^{(r)}$</u>	<u>$l_x^{(r)}$</u>	<u>Weighted Average</u>
55	1.5%	98.5%	100.0%	0.83
56	1.5%	98.5%	98.5%	0.83
57	1.5%	98.5%	97.0%	0.83
58	1.5%	98.5%	95.6%	0.83
59	1.5%	98.5%	94.1%	0.83
60	6.0%	94.0%	92.7%	3.34
61	6.0%	94.0%	87.2%	3.19
62	20.0%	80.0%	81.9%	10.16
63	15.0%	85.0%	65.5%	6.19
64	15.0%	85.0%	55.7%	5.35
65	100.0%	0.0%	47.4%	30.78
66	100.0%	0.0%	0.0%	-
Weighted Average Age				63.16
Rounded				63.00

The above only applies to active participants

Terminated Vested participants are assumed to retire at age 65.

Name of Plan: Laurel Health System Pension Plan

Plan Sponsor's EIN: 24-0795488

Plan Number: 001

Schedule SB, Line 32 – Schedule of Amortization Bases

	Initial Amount	Remaining and Original Period	Outstanding Balance 1/1/2010	Annual Installment
1. Shortfall Amortization Base – 2008	\$1,329,330	5/7 yrs	\$ 1,008,235	\$ 221,908
2. Shortfall Amortization Base – 2009	(63,334)	6/7 yrs	(59,179)	(11,239)
3. Shortfall Amortization Base – 2010	1,603,288	9/9 yrs	1,603,288	107,260
4. Shortfall Amortization Base – 2011				
5. Shortfall Amortization Base – 2012				
6. Shortfall Amortization Base – 2013				
7. Shortfall Amortization Base – 2014				
8. Shortfall Amortization Charge = Sum of (1) through (7)			<hr/> \$ 2,552,344	<hr/> \$ 317,929

Name of Plan: Laurel Health System Pension Plan
Plan Sponsor’s EIN: 24-0795488
Plan Number: 001

Valn Date 01/01/2010

Schedule SB, Line 26 - Schedule of Active Participant Data

Attained	YEARS OF CREDITED SERVICE									
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up
Age	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.	Avg. No. Comp.
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	9	3	0	0	0	0	0	0
30 to 34	0	0	12	12	1	0	0	0	0	0
35 to 39	0	0	14	19	10	2	0	0	0	0
40 to 44	0	0	14	19	10	13	0	0	0	0
45 to 49	0	0	21	18	19	11	15	4	0	0
50 to 54	0	0	20	15	22	15	20	13	1	0
55 to 59	0	0	15	24	9	19	11	16	10	0
60 to 64	0	0	15	15	12	8	6	4	6	3
65 to 69	0	0	4	3	6	0	3	1	1	0
70 & up	0	0	0	0	1	0	0	1	0	0

Laurel Health System Pension Plan

Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)

EIN: 25-1471089 Plan Number: 001

December 31, 2010

(a)	Identity of Issue (b)	Description of Investment (c)	Cost (d)	Current Value (e)
Mutual Funds	Vanguard TR Value Index Fund Fidelity Spartan International Index Advantage Fund Vanguard Small-Cap Index Fund Vanguard TR Growth Index Fund Vanguard Mid-Cap Index Fund Vanguard Emerging Markets ETF Vanguard Short Term Bond Signal Fund		\$ 2,754,450	\$ 2,738,750
			3,111,252	2,609,415
			1,687,553	2,229,197
			1,911,149	1,950,868
			1,001,917	1,093,790
			582,065	704,376
			275,681	276,729
U.S. Government Securities	Financing Corp Coupon FICO Strip, zero coupon, due 5/1/11 Financing Corp Coupon FICO Strip, zero coupon, due 12/6/12 Federal National Mortgage Association, zero coupon, due 5/15/13 Financing Corp Coupon FICO Strip, zero coupon, due 2/3/13 Federal National Mortgage Association, zero coupon, due 7/15/13 International Bank for Reconstruction and Development, due 8/15/14 International Bank for Reconstruction and Development, due 2/15/14 U.S. Treasury Strip, zero coupon, due 2/15/14 Tennessee Valley Authority Strip, zero coupon, due 6/15/15 International Bank for Reconstruction and Development, due 2/15/14		408,267	413,510
			354,883	375,530
			239,468	256,544
			182,324	193,706
			179,977	192,954
			137,241	137,476
			120,778	119,322
			96,373	106,128
			41,085	45,231
			26,560	26,513
Municipal Obligations	Hillsborough County Fla Port Dist Rev, zero coupon, due 6/1/12 Cook County Illinois School District due, 12/1/14 Trenton New Jersey GO due 4/1/11 City of Paterson New Jersey, zero coupon, due 4/1/11		415,026	416,068
			166,758	171,868
			167,912	168,615
			162,863	163,338
Money Market Fund	Federated Government Obligation Tax Managed Fund		760,103	760,103
			\$ 14,783,685	\$ 15,150,031

Laurel Health System Pension Plan

Schedule H, Line 4(f) - Schedule of Reportable Transactions

EIN: 25-1471089 Plan Number: 001

Year Ended December 31, 2010

Identity of Party (a)	Description of Asset (b)	Purchase Price (c)	Selling Price (d)	Lease Rental (e)	Expenses (f)	Cost (g)	Current Value (h)	Net Gain (Loss) (i)
Federated	Federated Government Obligations Tax Managed Fund	\$ 1,516,725	\$ -	\$ -	\$ -	\$ -	\$ 1,516,725	\$ -
Federated	Federated Government Obligations Tax Managed Fund	-	1,354,325	-	-	1,354,325	1,354,325	-