

CONTINUING DISCLOSURE QUARTERLY REPORT

**Covenant Health Systems Obligated Group
Quarter Ended December 31, 2011**

Name, Address and Telephone Number of Obligated Person:

Covenant Health Systems Obligated Group
c/o Covenant Health Systems, Inc.
100 Ames Pond Drive
Tewksbury, MA 01876
978-654-6363
Contact person: John M. Ahle, Chief Financial Officer/Treasurer

Bonds to Which Report Relates:

\$50,565,000 Original issued amount
Massachusetts Health and Educational Facility Authority
Healthcare System Revenue Bonds,
Covenant Health System Obligated Group Issue,
Series 2002

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2012	57586CL86
07/01/2012	57586CL94
07/01/2012	57586CM28
07/01/2017	57586CL52
07/01/2022	57586CL60
07/01/2031	57586CL78

\$36,135,000 Original issued amount
New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health System Obligated Group Issue,
Series 2002

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2017	664614VD8

\$21,400,000 Original issued amount

New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health System Obligated Group Issue,
Series 2004

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2014	644614JE0
07/01/2024	644614JQ3
07/01/2034	644614KA6

\$12,940,000 Original Issued amount

Massachusetts Health and Educational Facility Authority
Healthcare System Revenue Bonds,
Covenant Health System Obligated Group Issue,
Series 2007A

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2012	57586DAE3
07/01/2013	57586DAF0
07/01/2014	57586DAG8
07/01/2015	57586DAH6
07/01/2016	57586DAJ2
07/01/2017	57586DAK9
07/01/2018	57586DAL7
07/01/2022	57586DAQ6
07/01/2026	57586DAU7
07/01/2030	57586DAY9
07/01/2037	57586DBF9

\$11,890,000 Original issued amount
 Massachusetts Health and Educational Facility Authority
 Healthcare System Revenue Bonds,
 Covenant Health System Obligated Group Issue,
 Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2012	57586DBL6
07/01/2013	57586DBM4
07/01/2014	57586DBN2
07/01/2015	57586DBP7
07/01/2016	57586DBQ5
07/01/2017	57586DBR3
07/01/2018	57586DBS1
07/01/2019	57586DBT9
07/01/2020	57586DBU6
07/01/2021	57586DBV4
07/01/2022	57586DBW2
07/01/2025	57586DBX0
07/01/2028	57586DBY8
07/01/2031	57586DBZ5

\$17,030,000 Original issued amount
 New Hampshire Health and Education Facility Authority
 Healthcare System Revenue Bonds,
 Covenant Health System Obligated Group Issue,
 Series 2007A

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2012	644614TF6
07/01/2013	644614TG4
07/01/2014	644614TH2
07/01/2015	644614TJ8
07/01/2016	644614TK5
07/01/2017	644614TL3
07/01/2020	644614TP4
07/01/2024	644614TT6
07/01/2027	644614TW9
07/01/2031	644614UA5
07/01/2037	644614UG2

\$36,650,000 Original issued amount
New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health System Obligated Group Issue,
Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2012	644614UM9
07/01/2013	644614UN7
07/01/2014	644614UP2
07/01/2015	644614UQ0
07/01/2016	644614UR8
07/01/2017	644614US6
07/01/2018	644614UT4
07/01/2019	644614UU1
07/01/2020	644614UV9
07/01/2021	644614UW7
07/01/2022	644614UX5
07/01/2023	644614UT3
07/01/2024	644614UZ0
07/01/2025	644614VA4
07/01/2028	644614VB2
07/01/2031	644614VC0

Period to Which Report Relates:

Quarter ended December 31, 2011

This Continuing Disclosure Report (this "Report") is provided on behalf of the Covenant Health Systems Obligated Group (the "Obligated Group") by Covenant Health Systems, Inc. ("CHS"), as Obligated Group Agent. The Obligated Group consists of CHS and the organizations listed on **Exhibit A** attached hereto. The Obligated Group does not include all of the organizations controlled by CHS. CHS has excluded from the Obligated Group certain of its sponsored controlled organizations based upon regulatory and tax-exempt financing requirements in the jurisdictions in which they operate. CHS also has excluded from the Obligated Group certain controlled organizations that are sponsored by other religious congregations. The organizations that are directly or indirectly controlled by CHS (including those within the Obligated Group) are referred to as "Controlled Organizations," and CHS and all of its Controlled Organizations are referred to collectively as the "Consolidated Group." **The following description also contains reference to certain organizations that are not members of the Obligated Group; such organizations that are not members of the Obligated Group have no obligation with respect to the Bonds or under the Master Indenture and none of the assets or revenues of such organizations are available to make payments of principal or interest on the Bonds or the Notes.**

This Report is being filed with approved Nationally Recognized Municipal Securities Information Repositories ("Repositories") pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule"), and is pursuant to the Continuing Disclosure Agreement pertaining to certain Bonds which were issued concurrently with the formation of the Obligated Group.

THIS REPORT IS INTENDED SOLELY TO PROVIDE CERTAIN LIMITED FINANCIAL AND OPERATING DATA IN ACCORDANCE WITH UNDERTAKINGS OF CHS AND THE OBLIGATED GROUP UNDER THE RULE (THE "UNDERTAKING") AND DOES NOT CONSTITUTE A REISSUANCE OF ANY OFFICIAL STATEMENT RELATING TO THE BONDS OR A SUPPLEMENT OR AMENDMENT TO ANY SUCH OFFICIAL STATEMENT.

THIS REPORT CONTAINS CERTAIN FINANCIAL, OPERATING AND OTHER DATA AS OF DECEMBER 31, 2010. CHS AND THE OBLIGATED GROUP HAVE UNDERTAKEN NO RESPONSIBILITY TO UPDATE THIS REPORT SINCE THAT DATE AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH THE REPOSITORIES OR ANY OTHER PERSON EXCEPT AS SPECIFICALLY REQUIRED BY THE UNDERTAKING.

This Report may contain certain "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. All statements other than statements of historical information provided herein may be forward-looking statements. Without limiting the foregoing, the words "believes," "estimates," "anticipates," "plans," "intends," "scheduled," "expects" and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, competition from other healthcare facilities, federal and state regulation of healthcare providers, and reimbursement policies of state and federal governments and managed care organizations. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. CHS and the Obligated Group

undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

SUMMARY FINANCIAL INFORMATION

Summary Statement of Operations of Obligated Group

Attached hereto as **Exhibit B** is a Summary Statement of Operations of the Obligated Group for the quarters ended December 31, 2011 and 2010 which was derived by management from unaudited internal financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which CHS considers necessary for a fair presentation of the results of operations for these periods. The Summary Statement of Operations should be read in conjunction with the notes to the Consolidated Financial Statements of the Consolidated Group for the year ended December 31, 2010, which are included with the Continuing Disclosure Annual Report for the year ended December 31, 2010.

Management's Discussion of Recent Financial Performance of Obligated Group

Net patient service revenue of the Obligated Group for the quarter ended December 31, 2011 was \$63.1 million, an increase of \$1.8 million (2.9%) when compared to net patient service revenue for the same period in 2010. Total revenue of the Obligated Group for the quarter ended December 31, 2011 was \$65.6 million, representing an increase of \$1.0 million (1.5%) from the same period in 2010.

Expenses for the Obligated Group for the quarter ended December 31, 2011 were \$59.6 million, which is an increase of \$1.1 million (1.9%) when compared to the same period in 2010. Salaries and wages for the quarter ended December 31, 2011 increased by \$1.4 million (5.6%) compared to the same period in 2010. Employee benefits for the quarter increased by \$0.6 million (11.5%) compared to the same period in 2010, driven by higher self-insured costs and higher pension costs. Supplies and other expenses for the quarter ended December 31, 2011 decreased by \$0.3 million (1.3%) when compared to the same period in 2010. Provision for bad debt for the quarter ended December 31, 2011 decreased by \$0.9 million (30.3%) when compared to the same period in 2010. The Obligated Group had an operating income of \$6.0 million for the quarter ended December 31, 2011 (representing 9.1% of total revenue), compared to an operating income of \$6.1 million (representing 9.4% of total revenue) for the same period in 2010.

Non-operating gains (losses) of the Obligated Group for the quarter ended December 31, 2011 was a gain of \$4.6 million, an increase of \$7.7 million compared to non-operating gains (losses) for the same period in 2010. The non-operating gains (losses) were driven by increases in investment values of equity and other marketable securities during the quarter. The excess (deficiency) of revenue over expense before gain or loss on discontinued operations of the Obligated Group for the quarter ended December 31, 2011 was a gain of \$10.6 million, an increase of \$7.6 million compared to the same period in 2010.

Liquidity for the Obligated Group as measured by unrestricted days' cash on hand increased to 305.4 for the quarter ended December 31, 2011, from 274.2 for the quarter ended December 31, 2010. The increase in days' cash on hand was principally driven by growth in net cash and unrestricted assets during the year between the two December quarters. Debt service coverage ratio (calculated using a standard industry method rather than the method prescribed by the

Master Trust Indenture) for the Obligated Group increased to 4.5 for the quarter ended December 31, 2011, from 1.3 for the quarter ended December 31, 2010, as the result of increased non-operating income when comparing December 31, 2011 to December 31, 2010. Debt to capitalization for the Obligated Group decreased to 41.0% at December 31, 2011 from 41.1% at December 31, 2010.

St. Joseph's Hospital of Nashua, NH ("St. Joseph Nashua") reduced the discount rate used to determine its pension benefit obligation (from 5.5 % to 4.3%), thereby increasing the estimated future obligations of the defined benefit pension when comparing December 31, 2011 to December 31, 2010. Effective June 2, 2007, plan participation was frozen. This was the principal driver of the related increase in unfunded pension liability of \$5.9 million at St. Joseph Nashua when comparing December 31, 2011 to December 31, 2010.

Management's Discussion of Recent Financial Performance of Consolidated Group

The Consolidated Group includes several organizations that are not members of the Obligated Group (such organizations that are members of the Consolidated Group but not members of the Obligated Group are referred to as "Non-Obligated Group Members"). The Non-Obligated Group Members have no obligation with respect to the Bonds or under the Master Indenture, and none of the assets or revenues of the Non-Obligated Group Members are available for or pledged to support debt service on the Bonds or the Notes.

Net patient service revenue of the Consolidated Group for the quarter ended December 31, 2011 grew by \$1.0 million (representing 0.7%) over net patient service revenue for the same period in 2010. Total revenue of the Consolidated Group for the quarter ended December 31, 2011 was \$154.2 million, an increase of \$2.5 million (1.7%) over the same period in 2010. The Consolidated Group recognized \$3.2 million of other revenues associated with the "meaningful use" of EHR technology under the American Recovery and Reinvestment Act of 2009 when comparing the quarter ended December 31, 2011 to the same period in 2010.

Expenses for the Consolidated Group for the quarter ended December 31, 2011 were \$150.2 million, an increase of \$2.5 million (1.7%) over the same period in 2010.

The Consolidated Group had an operating income of \$4.0 million (representing 2.6% of total revenue) for the quarter ended December 31, 2011, compared to an operating income of \$4.0 million (representing 2.6% of total revenue) for the same period in 2010. The profitability was flat when comparing the quarter ended December 31, 2011 to the same period in 2010, as a result of higher total revenues being offset by greater operating expenses during the fourth quarter of 2011.

Non-operating gains (losses) of the Consolidated Group for the quarter ended December 31, 2011 was a gain of \$15.0 million, an increase of \$4.7 million compared to non-operating gains (losses) for the same period in 2010. The increase in non-operating gains (losses) was principally driven by higher profitability in Covenant Health Systems Insurance Ltd due to lower than expected claims expense during the fourth quarter of 2011 and improving investment values of equity and other marketable securities when compared with the fourth quarter of 2010. The excess (deficiency) of revenue over expense before gain or loss on discontinued operations of the Consolidated Group for the quarter ended December 31, 2011 was a gain of \$19.0 million, an increase of \$4.7 million compared to the same period in 2010.

Liquidity for the Consolidated Group quarter as measured by unrestricted days' cash on hand increased to 191.7 as of December 31, 2011, from 175.6 as of December 31, 2010. The increase in days' cash on hand was principally driven by growth in net cash and unrestricted assets during the year between the two December quarters. Debt service coverage for the Consolidated Group was flat at 4.2 as of December 31, 2011, from 4.2 at December 31, 2010. Debt service as a percentage of revenue increased to 3.0% for December 31, 2011, from 2.5% for December 31, 2010. Debt to capitalization for the Consolidated Group decreased to 37.7% at December 31, 2011, from 39.5% at December 31, 2010.

A reduction in the discount rate (from 5.5 % to 4.3%) used to determine the pension benefit obligation for both St. Joseph Nashua (Effective June 2, 2007, plan participation was frozen.) and St. Joseph Healthcare Foundation of Bangor, ME increased the estimated future obligations when comparing December 31, 2011 to December 31, 2010. For the St. Joseph Healthcare Foundation defined benefit plan effective January 1, 2004, plan participant was frozen for new participants. The discount rate change caused the majority of a related increase in the unfunded pension liability of the Consolidated Group of \$9.9 million when comparing December 31, 2011 to December 31, 2010.

Attached hereto as **Exhibit C** is a comparison of the financial performance of the Consolidated Group to the Obligated Group for the quarters ended December 31, 2011 and 2010, which was derived by management from unaudited internal financial statements.

St. Joseph Hospital of Nashua, NH

During 2011, St. Joseph Hospital of Nashua, NH discontinued operations of three of its Corporate Services affiliates (Rockingham Regional Ambulance, Granite State Mediquip and First Aid Home Care). The financial results for these programs have been reclassified to discontinued operations for the quarter and year to date ended December 31, 2010. For the quarters ended December 31, 2011 and 2010, the gains (losses) on discontinued operations were \$0.2 million and (\$0.4) million, respectively, and for the years to date ended December 31, 2011 and 2010, the gains (losses) on discontinued operations were (\$2.3) million and (\$0.3) million, respectively.

St. Mary's Health System

During 2010, St. Mary's Health System discontinued operations of two of its divisions (Adolescent Group Home and Evergreen Behavioral). For the quarters ended December 31, 2011 and 2010, the gains (losses) on discontinued operations were \$0.0 million and (\$1.5) million, respectively, and for the years to date ended December 31, 2011 and 2010, the gains (losses) on discontinued operations were \$0.5 million and (\$1.6) million, respectively.

HISTORICAL UTILIZATION OF SERVICES

The table attached hereto as **Exhibit D-1** summarizes the utilization of services at the Obligated Group's acute hospital (St. Joseph Nashua) and nursing homes (MI Nursing, Maristhill and St. Mary) for the quarters ended December 31, 2011 and 2010. The table attached hereto as **Exhibit D-2** summarizes the utilization of services at certain Non-Obligated Group Members for such periods. During 2011, certain employees who were previously leased by St. Mary's Regional Medical Center from a related entity were transferred into the hospital, and this transfer accounts for the majority of the change in the hospital stand-alone FTEs when comparing the quarter ended December 31, 2011 to the quarter ended December 31, 2010.

THIRD PARTY PAYMENT

Obligated Group Payor Mix

The table attached hereto as **Exhibit E-1** summarizes the percentage of net patient service revenue of the Obligated Group's acute hospital (St. Joseph Nashua) and nursing homes (MI Nursing, Maristhill and St. Mary) by source of payment for the quarters ended December 31, 2011 and 2010. The table attached hereto as **Exhibit E-2** summarizes the percentage of net patient service revenue for certain Non-Obligated Group members and for all nursing homes in the Consolidated Group for such periods.

ADDITIONAL INFORMATION

Attached hereto as **Exhibit F** is the Consolidated Group balance sheet as of December 31, 2011 and 2010.

Attached hereto as **Exhibit G** is the Consolidated Group statement of changes in net assets for the quarters and year to date ended December 31, 2011 and 2010. Data for 2010 reflects certain reclassifications to make it consistent with the current presentation.

Attached hereto as **Exhibit H** is the reconciliation of the operating margin for the Obligated Group to the operating margin for the Consolidated Group for the quarters and year to date ended December 31, 2011 and 2010.

Date: 2/9/12

COVENANT HEALTH SYSTEMS, INC.

By: J. M. Ahle

John M. Ahle, Chief Financial Officer/Treasurer

Exhibit A

Members of the Obligated Group

The Obligated Group consists of CHS and the following organizations, each of which is directly or indirectly controlled by CHS:

- St. Joseph Hospital of Nashua, NH, Inc. ("St. Joseph Nashua");
- The Surgi Center at St. Joseph Hospital, Inc. ("SurgiCenter");
- Souhegan Nursing Association, Inc. ("Souhegan");
- MI Nursing/Restorative Center, Inc. ("MI Nursing");
- MI Adult Day Health Center, Inc. ("MI Adult Day Health");
- MI Management Inc. ("MI Management");
- MI Transportation, Inc. ("MI Transportation");
- Youville Lifecare, Inc. ("Youville Lifecare");*
- Youville Hospital and Rehabilitation Center, Inc. ("Youville Hospital");*
- The Youville House, Inc. ("Youville House");
- CHS of Waltham, Inc. (d.b.a. Maristhill Nursing and Rehabilitation Center) ("Maristhill");
- CHS of Worcester, Inc. (d.b.a. St. Mary Health Care Center) ("St. Mary");
- Fanny Allen Holdings, Inc. and Fanny Allen Corporation ("Fanny Allen Corporation"); and
- Youville Place, Inc.

* Youville Lifecare and Hospital discontinued their operations in 2009. The remaining assets, liabilities & net assets continue to be reflected as part of the Obligated Group.

Covenant Health Systems Obligated Group
Summary Statement of Operations
For the Quarter Ended December 31, 2011
(in thousands)

EXHIBIT B

	<u>Quarter Ended December 31,</u>		<u>Year- to- Date at December 31,</u>	
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
Revenue				
Net patient service revenue	\$63,093	\$61,310	\$249,386	\$238,366
Other	\$2,435	\$3,214	\$9,804	\$9,532
Net Assets release from restrictions	\$66	\$99	\$432	\$250
Total Revenue	\$65,594	\$64,623	\$259,622	\$248,148
Expenses				
Salaries and wages	\$27,099	\$25,670	\$101,799	\$99,781
Employee benefits	\$5,707	\$5,119	\$22,275	\$20,086
Supplies and other expenses	\$20,419	\$20,696	\$80,402	\$77,851
Interest expense	\$1,441	\$1,479	\$5,746	\$5,878
Provision for bad debts	\$2,002	\$2,874	\$13,005	\$9,933
Depreciation and amortization	\$2,960	\$2,714	\$11,500	\$11,343
Total Expenses	\$59,628	\$58,552	\$234,727	\$224,872
Income (loss) from operations	\$5,966	\$6,071	\$24,895	\$23,276
**Non - operating gains (losses) , net	\$4,591	(\$3,112)	(\$14,255)	(\$6,727)
Excess (deficiency) of revenue over expenses before (gain) loss on discontinued operations	\$10,557	\$2,959	\$10,640	\$16,549
Gain (loss) on discontinued operations	\$0	\$0	\$0	\$0
Excess (deficiency) of revenue over expenses after gain (loss) on discontinued operation	\$10,557	\$2,959	\$10,640	\$16,549

* Certain reclassifications have been made to the 2010 presentation in order to conform to the current year presentation.

** Includes unrealized gains (losses) on investment and equity loss on investment in St. Joseph Hospital Corporate Services, Inc. & St. Joseph Hospital DH Family Medicine which are not a members of the Obligated Group .

Covenant Health Systems
Quarter Ended December 31, 2011
(in thousands)

EXHIBIT C

Key Statistics

	<u>Consolidated Group</u>				<u>Obligated Group</u>			
	<u>Quarter Ended December 31</u>		<u>Year-to-Date at December 31</u>		<u>Quarter Ended December 31</u>		<u>Year-to-Date at December 31</u>	
	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>	<u>2011</u>	<u>2010*</u>
Statements of operations								
Net Patient Service Revenue	\$144,993	\$143,963	\$587,496	\$513,666	\$63,093	\$61,310	\$249,386	\$238,366
Total Revenue	\$154,211	\$151,696	\$611,846	\$533,534	\$65,594	\$64,623	\$259,622	\$248,148
Total Expenses	\$150,206	\$147,713	\$595,429	\$521,127	\$59,628	\$58,552	\$234,727	\$224,872
Income (Loss) from Operations	\$4,005	\$3,983	\$16,417	\$12,407	\$5,966	\$6,071	\$24,895	\$23,276
NONOPERATING Gains (Losses) , Net **	\$14,952	\$10,228	\$10,479	\$48,405	\$4,591	(\$3,112)	(\$14,255)	(\$6,727)
Excess of Revenue over Expenses before gain (loss) on discontinued operations	\$18,957	\$14,211	\$26,896	\$60,812	\$10,557	\$2,959	\$10,640	\$16,549
Interest Expense	\$2,593	\$2,495	\$10,265	\$8,871	\$1,441	\$1,479	\$5,746	\$5,878
Depreciation and Amortization	\$6,298	\$5,384	\$24,745	\$20,401	\$2,960	\$2,714	\$11,500	\$11,343
Net unrealized gains (losses) on investments in Nonoperating	\$8,191	\$6,188	(\$4,445)	\$12,701	\$5,970	\$4,568	(\$2,413)	\$9,525
Debt Service								
Net Available for Debt Service	\$19,657	\$15,902	\$65,351	\$49,451	\$8,988	\$2,584	\$30,299	\$24,245
Estimated Debt Service for Period ***	\$4,631	\$3,827	\$18,415	\$14,199	\$1,993	\$2,014	\$7,956	\$8,017
Balance Sheet								
Net Unrestricted Cash and Investments	\$299,865	\$271,690	\$299,865	\$271,690	\$188,092	\$166,402	\$188,092	\$166,402
Total Assets	\$714,002	\$684,291	\$714,002	\$684,291	\$387,013	\$395,062	\$387,013	\$395,062
Short - Term Debt (Includes Current Portion of LT)	\$9,000	\$8,150	\$9,000	\$8,150	\$2,326	\$2,206	\$2,326	\$2,206
Long - Term Debt	\$196,249	\$203,761	\$196,249	\$203,761	\$132,687	\$134,973	\$132,687	\$134,973
Unrestricted Net Assets	\$339,270	\$324,114	\$339,270	\$324,114	\$193,985	\$196,479	\$193,985	\$196,479
Profitability								
Operating margin (%)	2.6%	2.6%	2.7%	2.3%	9.1%	9.4%	9.6%	9.4%
Excess Margin (%) before gain (loss) on discontinued operations	12.3%	9.4%	4.4%	11.4%	16.1%	4.6%	4.1%	6.7%
Liquidity								
Days Cash on Hand	191.70	175.62	191.79	198.05	305.37	274.17	307.55	284.44
Leverage								
Debt Service Coverage (x)****	4.2	4.2	3.6	3.5	4.5	1.3	3.8	3.0
Debt to Capitalization (%)	37.7%	39.5%	37.7%	39.5%	41.0%	41.1%	41.0%	41.1%
Debt Service/Revenue (%)	3.0%	2.5%	3.0%	2.7%	3.0%	3.1%	3.1%	3.2%

* Certain reclassifications have been made to the 2010 presentation in order to conform to the current year presentation.

** Obligated Group amount includes equity loss on investment in St. Joseph Hospital Corporate Services, Inc. & St. Joseph Hospital DH Family Medicine which are not a members of the Obligated Group .

*** Estimated debt service for the quarter based upon 25% of the current portion of long-term debt at Dec. 31, 2010 or 2009, as appropriate, plus interest expense for the quarter.
Estimated debt service 2011 year-to-date based upon the 100% of the current portion of long-term debt at Dec. 31, 2010 plus year-to-date interest expense at December 31, 2011.
Estimated debt service 2010 year-to-date based upon 100% of the the current portion of long-term debt at Dec. 31, 2009 plus year-to-date interest expense at December 31, 2010.

**** Debt service coverage is calculated as excess of revenues over expenses plus interest, depreciation and net unrealized gains (losses) in nonoperating over debt service for the period.

Covenant Health Systems Obligated Group
Key hospital and Nursing Home Utilization Statistics
Quarter ended December 31 , 2011

EXHIBIT D - 1

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
St. Joseph Hospital of Nashua, NH				
Licensed Beds	208	208	208	208
Admissions	1,680	1,366	6,490	5,845
Patient Days	9,145	8,072	34,388	32,875
ALOS (days)	5.4	5.9	5.3	5.6
Outpatient Encounters	49,633	51,051	201,276	204,082
Average Daily Census	99.4	87.7	94.2	90.1
FTES	1,059.2	1,054.8	1,059.2	1,054.8
MI Nursing				
Licensed Beds	231	231	231	231
Patient Days	20,773	20,860	82,365	81,462
Average Daily Census	225.8	226.7	225.7	223.2
Occupancy Rate	97.7%	98.2%	97.7%	96.6%
FTES	305.5	306.3	305.5	306.3
Maristhill				
Licensed Beds	123	123	123	123
Patient Days	9,693	10,816	40,062	42,618
Average Daily Census	105.4	117.6	109.8	116.8
Occupancy Rate	85.7%	95.6%	89.2%	94.9%
FTES	103.9	112.1	103.9	112.1
St. Mary (Worcester, MA)				
Licensed Beds	124	124	124	124
Patient Days	9,716	8,821	37,842	38,043
Average Daily Census	105.6	95.9	103.7	104.2
Occupancy Rate	85.2%	77.3%	83.6%	84.1%
FTES	109.2	105.3	109.2	105.3

**Covenant Health Systems Non-Obligated Group Members
Key Hospital and Nursing Home Utilization Statistics
Quarter ended Decemeber 31 , 2011**

EXHIBIT D - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
ST. MARY'S REGIONAL MEDICAL CENTER *				
Licensed Beds	233	233	233	233
Admissions	1,616	1,567	6,511	6,386
Patient Days	8,139	8,004	32,451	32,957
ALOS (days)	5.0	5.1	5.0	5.2
Outpatient Encounters	72,496	68,341	286,726	245,404
Average Daily Census	88.5	87.0	88.9	90.3
FTES#	1,104.7	689.1	1,104.7	689.1
ST. Joseph Hospital of Bangor, ME * @				
Licensed Beds	115	115	115	115
Admissions	1,022	1,016	4,233	1,654
Patient Days	5,206	4,418	20,361	7,068
ALOS (days)	5.1	4.3	4.8	4.3
Outpatient Encounters	26,552	24,617	103,102	42,000
Average Daily Census	56.6	48.0	55.8	46.2
FTES	770.3	777.3	770.3	777.3
ST. ANDRE *				
Licensed Beds	96	96	96	96
Patient Days	8,053	7,866	31,066	31,733
Average Daily Census	87.5	85.5	85.1	86.9
Occupancy Rate	91.2%	89.1%	88.7%	90.6%
FTES	105.7	106.3	105.7	106.3
d'YOUVILLE PAVILION *				
Licensed Beds	210	210	210	210
Patient Days	18,817	18,450	73,583	73,394
Average Daily Census	204.5	200.5	201.6	201.1
Occupancy Rate	97.4%	95.5%	96.0%	95.8%
FTES	290.6	292.7	290.6	292.7
ST. JOSEPH MANOR *				
Licensed Beds	118	118	118	118
Patient Days	9,685	10,176	36,714	40,707
Average Daily Census	105.3	110.6	100.6	111.5
Occupancy Rate	89.2%	93.7%	85.2%	94.5%
FTES	157.1	145.4	157.1	145.4
ST. MARY'S VILLA *				
Licensed Beds	112	112	112	112
Patient Days	9,929	9,742	39,077	39,102
Average Daily Census	107.9	105.9	107.1	107.1
Occupancy Rate	96.4%	94.5%	95.6%	95.7%
FTES	177.8	178.8	177.80	178.8

* Not a member of the Obligated Group

- During the fourth quarter 2010 the hospital shifted employees from an affiliate.

@ - St. Joseph Hospital of Bangor, ME prior statistics from when the entity was acquired 7-29-10.

**Covenant Health Systems Obligated Group
Payor Mix
Quarter ended December 31 , 2011 and 2010***

EXHIBIT E - 1

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sources of Net Revenue				
St. Joseph Hospital of Nashua, NH				
Medicare	42.6%	42.7%	42.6%	42.7%
Medicaid	4.0%	4.2%	4.0%	4.2%
Commercial & Managed Care	48.4%	48.9%	48.4%	48.9%
Self Pay	5.0%	4.1%	5.0%	4.1%
Total	100.0%	99.9%	100.0%	100.0%
Nursing Homes				
Medicare	11.0%	11.1%	11.0%	11.1%
Medicaid	76.9%	75.2%	76.9%	75.2%
Private Pay	12.1%	13.7%	12.1%	13.7%
Total	100.0%	100.0%	100.0%	100.0%

* Youville Lifecare & Hospital data is no longer presented since the entities operations are discontinued.

**Covenant Health Systems Consolidated Group
Payor Mix
Quarter ended December 31 , 2011 and 2010***

EXHIBIT E - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
St. MARY'S REGIONAL MEDICAL CENTER *				
Medicare	33.5%	30.5%	33.5%	30.5%
Medicaid	20.6%	19.3%	20.6%	19.3%
Commercial & Managed Care	41.4%	46.7%	41.4%	46.7%
Self Pay	<u>4.5%</u>	<u>3.5%</u>	<u>4.5%</u>	<u>3.5%</u>
Total	100.0%	100.0%	100.0%	100.0%
St. Joseph Hospital of Bangor, ME * @				
Medicare	49.4%	49.5%	49.4%	49.5%
Medicaid	13.1%	12.6%	13.1%	12.6%
Commercial & Managed Care	32.2%	33.3%	32.2%	33.3%
Self Pay	<u>5.3%</u>	<u>4.6%</u>	<u>5.3%</u>	<u>4.6%</u>
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes Consolidated Group **				
Medicare	12.4%	11.2%	12.4%	11.2%
Medicaid	74.7%	74.2%	74.7%	74.2%
Private Pay	<u>12.9%</u>	<u>14.6%</u>	<u>12.9%</u>	<u>14.6%</u>
Total	100.0%	100.0%	100.0%	100.0%

* Not a member of the Obligated Group

** All nursing homes

@ - St. Joseph Hospital of Bangor, ME prior payor is forward from the entity acquisition on 7-29-10.

COVENANT HEALTH SYSTEMS CONSOLIDATED GROUP
BALANCE SHEET
As of December 31, 2011 and 2010
(in thousands)

EXHIBIT F
PG 1 OF 2

	<u>As Of</u> <u>12/31/2011</u>	<u>As Of</u> <u>12/31/2010</u>
ASSETS		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$42,812	\$42,948
 PATIENT ACCOUNTS RECEIVABLE LESS ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS	 \$50,170	 \$50,987
SHORT TERM INVESTMENTS	\$97,120	\$82,495
INVENTORIES	\$3,743	\$3,906
PREPAID EXPENSES AND OTHER CURRENT ASSETS	\$27,009	\$12,825
CURRENT PORTION OF ASSETS WHOSE USE IS LIMITED OR RESTRICTED	\$3,115	\$3,324
AMOUNTS PAYABLE FROM THIRD PARTY PAYERS	\$22,961	\$21,772
DUE FROM AFFILIATE	<u>\$0</u>	<u>\$0</u>
TOTAL CURRENT ASSETS	\$246,930	\$218,257
 ASSETS WHOSE USE IS LIMITED OR RESTRICTED, LESS CURRENT PORTION:		
FUNDS HELD BY TRUSTEES, LESS CURRENT PORTION	\$17,955	\$35,292
DONOR RESTRICTED AND OTHER	\$11,440	\$15,754
BOARD DESIGNATED FUNDS AND LONG TERM INVESTMENTS	\$155,524	\$142,019
REPLACEMENT RESERVE	\$4,409	\$4,228
DEFERRED COMPENSATION	<u>\$10,106</u>	<u>\$10,623</u>
	\$199,434	\$207,916
 OTHER ASSETS:		
JOINT VENTURES, NOTES RECEIVABLE AND OTHER ASSETS	<u>\$18,513</u>	<u>\$11,750</u>
	\$18,513	\$11,750
 PROPERTY, PLANT AND EQUIPMENT	 \$554,005	 \$531,111
LESS ALLOWANCE FOR DEPRECIATION	<u>\$304,880</u>	<u>\$284,743</u>
	\$249,125	\$246,368
 TOTAL ASSETS	 \$714,002 =====	 \$684,291 =====

COVENANT HEALTH SYSTEMS CONSOLIDATED GROUP
 BALANCE SHEET
 As of December 31, 2011 and 2010
 (in thousands)

EXHIBIT F
 PG 2 OF 2

	<u>As Of</u> <u>12/31/2011</u>	<u>As Of</u> <u>12/31/2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$53,049	\$59,468
AMOUNTS PAYABLE TO THIRD PARTY PAYERS	\$7,696	\$4,537
OTHER CURRENT LIABILITIES	\$13,702	\$12,321
CURRENT PORTION OF LONG-TERM DEBT	<u>\$9,000</u>	<u>\$8,150</u>
TOTAL CURRENT LIABILITIES	\$83,447	\$84,476
OTHER LIABILITIES	\$38,300	\$28,185
PROFESSIONAL LOSS RESERVES	\$36,164	\$22,300
LONG-TERM DEBT, LESS CURRENT PORTION	\$196,249	\$203,761
NET ASSETS		
UNRESTRICTED	\$339,270	\$324,114
TEMPORARILY RESTRICTED	\$13,494	\$14,137
PERMANENTLY RESTRICTED	<u>\$7,078</u>	<u>\$7,318</u>
	\$359,842	\$345,569
TOTAL LIABILITIES AND NET ASSETS	<u>\$714,002</u>	<u>\$684,291</u>

COVENANT HEALTH SYSTEMS CONSOLIDATED GROUP
STATEMENT OF CHANGES IN NET ASSETS
For the Quarter and Year to Date ended December 31, 2011 and 2010
(in thousands)

EXHIBIT G

	Quarter Ended December 31		Year - to- Date Ended December 31	
	2011	2010 *	2011	2010 *
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:				
NET PATIENT SERVICE REVENUE	\$144,993	\$143,983	\$587,496	\$513,666
OTHER	\$8,727	\$7,374	\$23,124	\$19,026
NET ASSETS RELEASED FROM RESTRICTIONS	\$491	\$358	\$1,226	\$842
TOTAL REVENUE	\$154,211	\$151,696	\$611,846	\$533,534
EXPENSES:				
SALARIES AND WAGES	\$71,251	\$69,006	\$277,798	\$245,418
EMPLOYEE BENEFITS	\$13,960	\$15,479	\$60,953	\$54,653
SUPPLIES AND OTHER EXPENSES	\$50,366	\$46,573	\$193,303	\$166,946
PROVISION FOR BAD DEBTS	\$5,738	\$8,776	\$28,365	\$24,837
DEPRECIATION AND AMORTIZATION	\$6,298	\$5,384	\$24,745	\$20,401
INTEREST EXPENSE	\$2,593	\$2,495	\$10,265	\$8,871
TOTAL EXPENSES	\$150,206	\$147,713	\$595,429	\$521,127
INCOME (LOSS) FROM OPERATIONS	\$4,005	\$3,983	\$16,417	\$12,407
NON-OPERATING GAINS, NET	\$14,952	\$10,228 ***	\$10,479	\$48,405 ***
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS OVER EXPENSES BEFORE LOSS ON DISCONTINUED OPERATIONS	\$18,957	\$14,211	\$26,896	\$60,812
**GAIN (LOSS) ON DISCONTINUED OPERATIONS	\$261	(\$1,802) **	(\$1,995)	(\$1,951) **
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS OVER EXPENSES AFTER GAIN (LOSS) ON DISCONTINUED OPERATIONS	\$19,218	\$12,409	\$24,901	\$58,861
OTHER CHANGES IN UNRESTRICTED NET ASSETS	(\$6,473)	\$2,148	(\$9,745)	\$820
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$12,745	\$14,557	\$15,156	\$59,681
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	(\$312)	\$278	(\$240)	\$3,346
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(\$234)	\$267	(\$643)	\$252
TOTAL CHANGE IN NET ASSETS	\$12,199 =====	\$15,102 =====	\$14,273 =====	\$63,279 =====

* - Certain items have been reclassified from prior presentations to be consistent with the current presentation.

* - Activity of St. Joseph Hospital of Bangor, ME included from the 7-29-10 acquisition.

** - During 2011, St. Joseph's Hospital of Nashua, NH discontinued three of its corporations' operations . Additionally during 2010 St. Mary's Health System discontinued its Adolescent group home and Evergreen behavioral segments. The operations of these business units are classified as discontinued.

*** - 2010 includes \$27,490 gain from acquisition of St. Joseph Healthcare Foundation and subsidiaries.

Covenant Health Systems
Operating Margin Reconciliation
Quarter and Year to Date Ended December 31 , 2011 and 2010

Exhibit H

<i>(in Thousands)</i>	Quarter Ended December 31		Year - to- Date Ended December 31	
	2011	2010	2011	2010
Obligated Group Operating Margin	\$5,966	\$6,071	\$24,895	\$23,276
St. Mary's Health System	(190)	64	2,747	349
St. Joseph's Heathcare of Bangor, ME	466	477	2,009	1,271
St. Joseph Hospital Corporate Services, Inc.	(2,821)	(2,758)	(12,137)	(12,113)
St. Joseph DH Family Medicine	(467)	(297)	(2,122)	(1,981)
Mary Immaculate Residential Community I-III	40	36	152	225
SNF Not in Obligated Group				
- St. Joseph Manor	(49)	181	(617)	357
- St. Andre Health Care Facility	(42)	(174)	201	(197)
- St. Mary's Villa	(70)	129	855	948
Helping Hands	(40)	11	(14)	17
Valuation company related to acquisition of St. Joseph of Bangor, ME	112	180	448	180
Eliminations	1,100	63	0	75
System Consolidated Operating Margin	\$4,005	\$3,983	\$16,417	\$12,407