

CONTINUING DISCLOSURE QUARTERLY REPORT

Covenant Health Obligated Group (Formerly known as Covenant Health Systems Obligated Group) Quarter Ended September 30, 2019

Name, Address and Telephone Number of Obligated Person:

Covenant Health Obligated Group
c/o Covenant Health, Inc. (formerly Covenant Health Systems, Inc.)
100 Ames Pond Drive
Tewksbury, MA 01876
978-654-6363
Contact person: Stephen Grubbs, Chief Executive Officer

Bonds to Which Report Relates:

\$12,940,000 Original Issued amount
Massachusetts Health and Educational Facility Authority
Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2007A

<u>MATURITY</u>	<u>CUSIP NO.</u>
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 Systems Obligated Group Issue,
Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
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 Systems Obligated Group Issue,
 Series 2007A

<u>MATURITY</u>	<u>CUSIP NO.</u>
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 Systems Obligated Group Issue,
 Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
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

\$12,365,000 Original issued amount
 Massachusetts Health and Educational Facility Authority
 Healthcare System Revenue Bonds,
 Covenant Health Systems Obligated Group Issue,
 Series 2012

<u>MATURITY</u>	<u>CUSIP NO.</u>
7/1/2020	57584QAH9
7/1/2021	57584QAJ5
7/1/2022	57584QAK2
7/1/2023	57584QAL0
7/1/2024	57584QAM8
7/1/2025	57584QAN6
7/1/2026	57584QAP1
7/1/2027	57584QAQ9

7/1/2031	57584QAR7
7/1/2042	57584QAS5

\$27,000,000 Original issued amount
New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2012

<u>MATURITY</u>	<u>CUSIP NO.</u>
7/1/2020	64461PAH5
7/1/2021	64461PAJ1
7/1/2022	64461PAK8
7/1/2023	64461PAL6
7/1/2024	64461PAM4
7/1/2025	64461PAN2
7/1/2026	64461PAP7
7/1/2027	64461PAQ5
7/1/2032	64461PAR3
7/1/2042	64461PASI

\$16,900,000 Original issued amount
New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2014
Direct Placement with TD Bank

\$2,530,707 Original issued amount
Massachusetts Health and Educational Facility Authority
Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2017
Direct Placement with Siemens AG

\$7,960,000 Original issued amount
New Hampshire Health and Education Facility Authority
Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2017
Direct Placement with Siemens AG

Period to Which Report Relates:

Quarter ended September 30, 2019

This Continuing Disclosure Report (this "Report") is provided on behalf of the Covenant Health Obligated Group (the "Obligated Group") by Covenant Health, Inc. (formerly Covenant Health Systems, Inc.) ("Covenant"), as Obligated Group Agent. The Obligated Group consists of Covenant and the organizations listed on **Exhibit A** attached hereto. The Obligated Group does not include all the organizations controlled by Covenant. Covenant 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. The organizations that are directly or indirectly controlled by Covenant (including those within the Obligated Group) are referred to as "Controlled Organizations," and Covenant and all its Controlled Organizations are referred to collectively as the "Consolidated Group." **The following discussion 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 the Municipal Securities Rulemaking Board (the "Board") 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 COVENANT 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, 2018. COVENANT AND THE OBLIGATED GROUP HAVE UNDERTAKEN NO RESPONSIBILITY TO UPDATE ANY ELEMENTS OF THAT DATA SINCE THAT DATE OR TO UPDATE THIS REPORT AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH THE BOARD 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. Covenant 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.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the System in fiscal 2019, with early adoption permitted. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The System is currently evaluating the impact of its adoption of ASU 2016-02 on the Obligated Group and consolidated financial statements and plans to implement the standard during 2019.

The Obligated Group did not meet the required debt service coverage ratio in 2018 under certain private lending documentation. The Obligated Group has worked with the affected lending officers to secure waivers for non-compliance and to date has taken all required actions under applicable loan documentation.

The private lending documentation required the Obligated Group to engage a consultant to make recommendation to increase debt service coverage for subsequent fiscal years to at least the required level. The Obligated Group engaged Schumacher Clinical Partners as the consultant.

So long as the Obligated Group follows such consultant's recommendations the Obligated Group shall be deemed in compliance for 2018 and for 2019, even if the debt service coverage in 2019 is below the required level of 1.20, unless the ratio at the end of 2019 is less than 1.00. The Obligated Group shall no longer be required to retain such consultant if and for so long as such ratio is restored to and maintained at not less than 1.20.

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 September 30, 2019 and 2018 which was derived by management from unaudited internal financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Covenant 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, 2018, which are included with the Continuing Disclosure Annual Report for the year ended December 31, 2018.

Management's Discussion of Recent Financial Performance of Obligated Group

Net patient service revenue of the Obligated Group for the quarter ended September 30, 2019 was \$75.1 million, an increase of \$3.1 million (4.2%) when compared to net patient service revenue of the Obligated Group for the same period in 2018. \$3.3 million of the increase in net patient service revenue was due to St. Joseph Nashua when comparing the quarter ended September 30, 2019 to the quarter ended September 30, 2018. Total revenue of the Obligated Group for the quarter ended September 30, 2019 was \$86.4 million, representing an increase of \$1.6 million (1.9%) from the same period in 2018. Inpatient discharge volume at St. Joseph Nashua for the September 30, 2019 quarter decreased by 172 inpatient discharges (-12.3%) when compared to

the same quarter in 2018, while outpatient volume increased by 6,419 (8.2%) as measured outpatient encounters when comparing the September 30, 2019 and 2018 quarters. Financial improvement at St. Joseph's in Nashua has resulted from improvements in both net patient revenue and expense management. Expense controls at St. Joseph's during the third quarter 2019 when compared to the third quarter 2018 yielded reduced operating expenses of \$0.5 million including a \$4.5 million reduction in supplies and other which was somewhat offset by additional costs in salaries and benefits of \$4.1 million.

Expenses for the Obligated Group for September the quarter ended September 30, 2019 were \$87.4 million, a decrease of \$3.9 million (4.3%) when compared to expenses of the Obligated Group for the same period in 2019. Salaries and wages for the quarter ended September 30, 2019 were \$42.2 million, an increase of \$3.8 million (9.9%) when compared to the same period in 2018. Employee benefits for the quarter ended September 30, 2019 were \$7.7 million, a decrease of \$1.2 million (13.7%) when compared to the same period in 2018. Supplies and other expenses including provider taxes for the quarter ended September 30, 2019 decreased \$7.1 million (18.2%) including \$5.7 million of lower physician, locum, nursing and other agency fees at St. Joseph Nashua when compared to the same period in 2018. Much of the 2019 quarter's cost reduction in supplies and other expenses is the result of shifting of employees from SJHCS (a Non-obligated entity) to St. Joseph Nashua since SJHCS did not charge back the costs to St. Joseph Nashua for employees services that were previously moved into the hospital before the quarter ended September 30, 2019. The Obligated Group had an operating loss of \$1.0 million for the quarter ended September 30, 2019 (representing -1.2% of total revenue), compared to operating loss of \$6.5 million (representing -7.7% of total revenue) for the same period in 2018.

Combined total non-operating gains (losses) of the Obligated Group for the quarter ended September 30, 2019 totaled a loss of \$3.9 million, compared to a total gain of \$7.2 million for the same period in 2018. The decrease in the non-operating income for the quarter ended September 30, 2019 was driven by lower unrealized and other investment losses from investments when compared to the third quarter 2018. The excess of revenue over expense of the Obligated Group before discontinued operations for the quarter ended September 30, 2019 was a loss of \$4.9 million, a decrease of \$5.5 million compared to the same period in 2018.

Liquidity for the Obligated Group as measured by unrestricted days' cash on hand, calculated using a standard industry method (unrestricted cash and investments divided by operating expense less depreciation, divided by the number of days in the period) rather than the method prescribed by the Master Trust Indenture, increased to 268.9 for the quarter ended September 30, 2019 from 256.9 for the quarter ended September 30, 2018. The debt service coverage ratio for the Obligated Group, calculated using a standard industry method (excess of revenues over expenses plus depreciation, amortization, interest and unrealized (gains) or losses divided by interest expense plus estimated debt principal payments for the period in question) rather than the method prescribed by the Master Trust Indenture, was 1.8 for the quarter ended September 30, 2019, compared to 0.1 for the quarter ended September 30, 2018. Debt service as a percentage of revenue was 4.0% for the quarter ended September 30, 2019 compared to 3.1% for the quarter ended September 30, 2018. Debt to capitalization for the Obligated Group increased to 35.9% at September 30, 2019 compared to 35.4% at September 30, 2018.

St. Joseph Nashua has a frozen defined benefit plan, which was underfunded as of September 30, 2019 and 2018 in the amount of \$6.4 million and \$5.8 million, respectively. Effective September 2, 2007, plan participation was frozen. During the period since September 30, 2018, St. Joseph Nashua provided \$1.8 million in additional pension funding. Market returns net of lump sum payments made to beneficiaries accounted for the remaining difference of the unfunded

pension liability increase of \$0.6 million at St. Joseph Nashua when comparing September 30, 2019 to September 30, 2018.

During June 2015 Souhegan Nursing Association (a wholly owned affiliate of St. Joseph Nashua) ceased operations, transitioning its operations to another provider. Related operating income and expenses were reclassified to discontinued operations. There was an immaterial impact from discontinued operations for the September 30, 2019 and 2018 quarters, respectively.

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 to make payments of principal or interest on the Bonds.

Net patient service revenue of the Consolidated Group was \$172.4 million for the quarter ended September 30, 2019, an increase of \$16.0 million (10.3%) when compared to net patient service revenue of the Consolidated Group for the same period in 2018. The primary drivers for the increase in net patient service revenues are higher outpatient volumes, increased reimbursement rates and changes in payor mix at the hospitals. Total revenue of the Consolidated Group for the quarter ended September 30, 2019 was \$179.0 million, representing an increase of \$15.4 million (9.4%) from the same period in 2018.

Expenses for the Consolidated Group for the quarter ended September 30, 2019 were \$180.2 million, an increase of \$1.8 million (1.0%) from the same period in 2018. Salaries and wages increased \$3.1 million (3.6%) on wage increases granted to employees, along with additional salary expense for new employees including employed physicians and their support staff. Employee benefits decreased \$0.8 million (4.5%) when compared to the September 30, 2018 quarter. Supplies and other expenses decreased \$1.1 million (1.7%) when compared to the same period in 2018.

The Consolidated Group had an operating loss of \$1.2 million (representing -0.7% of total revenue) for the quarter ended September 30, 2019, compared to an operating loss of \$14.9 million (representing -9.1% of total revenue) for the same period in 2018.

Non-operating income of the Consolidated Group for the quarter ended September 30, 2019 was a loss of \$1.7 million, a decrease of \$9.6 million compared to non-operating gain of \$7.9 million for the same period in 2018. The decrease in non-operating income during the quarter ended September 30, 2019 was driven by reduced unrealized and other investment returns from markets for equity and other marketable securities when comparing the third quarter of 2019 to the third quarter of 2018.

The excess (deficiency) of revenue over expense before discontinued operations of the Consolidated Group for the quarter ended September 30, 2019 was a loss of \$2.9 million compared to a loss of \$6.9 million in for the September 2018 quarter, a positive reduction in the amount of loss of \$4.0 million.

Liquidity for the Consolidated Group as measured by unrestricted days' cash on hand decreased to 172.3 as of September 30, 2019, when compared to 195.6 as of September 30, 2018. The

decrease in days' cash on hand was attributable to a reduction in unrestricted cash and investments available balance in the period between the September 2019 quarter and the September 2018 quarter. Debt service coverage for the Consolidated Group was 0.5 for the quarter ended September 30, 2019 compared to -0.1 for the quarter ended September 30, 2018. Debt service as a percentage of revenue was 11.3% for the quarter ended September 30, 2019 compared to 2.9% for the quarter ended September 30, 2018. Debt to capitalization for the Consolidated Group increased to 35.8% at September 30, 2019, from 35.9% at September 30, 2018.

Both St. Joseph Nashua and St. Joseph Bangor have frozen defined benefit plans. The St. Joseph Nashua plan is discussed above in the narrative pertaining to the Obligated Group. St. Joseph Bangor's defined benefit plan was frozen for new participants effective as of January 1, 2004. The unfunded pension liability of the Consolidated Group decreased by \$0.6 million when comparing September 30, 2019 to September 30, 2018. This improvement was principally due to positive market returns of equity and other marketable securities occurring between the two periods. The St. Joseph Bangor defined benefit plan was underfunded as of September 30, 2019 and 2018 by \$1.1 million and \$2.3 million, respectively.

Attached hereto as **Exhibit C** is a comparison of the financial performance of the Consolidated Group to the Obligated Group for the quarters ended September 30, 2019 and September 30, 2018, which was derived by management from unaudited internal financial statements.

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 September 30, 2019 and 2018. The table attached hereto as **Exhibit D-2** summarizes the utilization of services at all Non-Obligated Group Members for such periods.

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 September 30, 2019 and 2018. 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 September 30, 2019 and 2018.

Attached hereto as **Exhibit G** is the Consolidated Group statement of changes in net assets for the quarters and year to date ended September 30, 2019 and 2018.

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 ended September 30, 2019 and 2018.

Date: 11/14/2019

COVENANT HEALTH, INC.

By:  _____
Stephen Forney, Chief Financial Officer

Exhibit A

Members of the Obligated Group

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

- 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 Corporation
- Youville Place, Inc. ("Youville Place")
- Mount St. Rita Health Centre ("Mount St. Rita")#
- St. Joseph Manor Health Care, Inc. ("St. Joseph Manor")# and
- Penacook Place, Inc. ("Penacook Place")#

- Added to the Obligated Group during the February 2017.

* Youville Lifecare, Youville Hospital, SurgiCenter and Souhegan have discontinued their operations.

Covenant Health Obligated Group
Summary Statement of Operations
For the Quarters Ended September 30, 2019 and 2018
(in thousands)

EXHIBIT B

	<u>Quarter Ended Septemebr 30,</u>		<u>Year- to- Date September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue				
Net patient service revenue	\$75,099	\$72,042	\$227,911	\$217,411
Other	\$11,237	\$12,599	\$39,029	\$37,741
Net Assets release from restrictions	\$59	\$116	\$262	\$318
Total Revenue	\$86,395	\$84,757	\$267,202	\$255,470
Expenses				
Salaries and wages	\$42,150	\$38,370	\$127,010	\$113,614
Employee benefits	\$7,727	\$8,957	\$25,720	\$26,176
Supplies and other expenses	\$31,681	\$38,737	\$98,228	\$112,865
Interest expense	\$1,731	\$1,620	\$5,455	\$4,240
Depreciation and amortization	\$4,130	\$3,620	\$12,912	\$9,491
Total Expenses	\$87,419	\$91,304	\$269,325	\$266,386
Income from operations	(\$1,024)	(\$6,547)	(\$2,123)	(\$10,916)
*Non - operating gains (losses) , net	(\$3,852)	\$7,192	\$21,235	\$4,896
Excess (deficiency) of revenue over expenses before gain (loss) on discontinued operations & advanced debt refinancing	(\$4,876)	\$645	\$19,112	(\$6,020)
Gain (Loss) on discontinued operations	(\$4)	(\$6)	(\$16)	(\$20)
Gain (Loss) on advance debt refinancing	\$0	\$0	\$0	\$0
Excess (deficiency) of revenue over expenses after gain (loss) on advanced debt refinancing	(\$4,880)	\$639	\$19,096	(\$6,040)

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

Covenant Health
 Quarters Ended September 30, 2019 and 2018
 (in thousands)

EXHIBIT C

Key Statistics

	Consolidated Group				Obligated Group			
	Quarter Ended September 30		Year-to-Date at September 30		Quarter Ended September 30		Year-to-Date at September 30	
	2019	2018	2019	2018	2019	2018	2019	2018
Statements of operations								
Net Patient Service Revenue	\$172,419	\$156,374	\$513,769	\$477,248	\$75,099	\$72,042	\$227,911	\$217,411
Total Revenue	\$178,950	\$163,502	\$535,033	\$498,002	\$86,395	\$84,757	\$267,202	\$255,470
Total Expenses	\$180,183	\$178,352	\$544,580	\$535,421	\$87,419	\$91,304	\$269,325	\$268,388
Income (Loss) from Operations	(\$1,233)	(\$14,850)	(\$9,547)	(\$37,419)	(\$1,024)	(\$6,547)	(\$2,123)	(\$10,916)
NONOPERATING Gains (Losses) , Net *	(\$1,671)	\$7,947	\$26,773	\$4,910	(\$3,852)	\$7,192	\$21,235	\$4,896
Excess of Revenue over Expenses before gain (loss) on discontinued operations & advanced debt refinancing	(\$2,904)	(\$6,903)	\$17,226	(\$32,509)	(\$4,876)	\$645	\$19,112	(\$6,020)
Interest Expense	\$17,095	\$2,317	\$22,804	\$6,549	\$1,731	\$1,620	\$5,455	\$4,240
Depreciation and Amortization	(\$7,378)	\$6,723	\$8,099	\$19,107	\$4,130	\$3,620	\$12,912	\$9,491
Net unrealized gains (losses) on investments in Nonoperating	(\$2,548)	\$2,748	\$10,144	(\$4,228)	(\$5,221)	\$5,587	\$7,430	(\$1,387)
Debt Service								
Net Available for Debt Service	\$9,361	(\$611)	\$37,785	(\$2,627)	\$6,206	\$298	\$30,049	\$9,098
Estimated Debt Service for Period **	\$20,154	\$4,692	\$31,781	\$13,673	\$3,482	\$2,624	\$10,707	\$7,251
Balance Sheet								
Net Unrestricted Cash and Investments	\$351,336	\$364,805	\$351,336	\$364,805	\$243,478	\$244,886	\$243,478	\$244,886
Total Assets	\$898,031	\$914,862	\$896,031	\$914,862	\$568,468	\$588,831	\$568,468	\$588,831
Short - Term Debt (Includes Current Portion of LT)	\$30,172	\$8,770	\$30,172	\$8,770	\$7,015	\$4,094	\$7,015	\$4,094
Long - Term Debt	\$209,882	\$246,539	\$209,882	\$246,539	\$167,583	\$176,275	\$167,583	\$176,275
Net Assets without Restrictions	\$430,480	\$455,518	\$430,480	\$455,518	\$311,476	\$328,830	\$311,476	\$328,830
Profitability								
Operating margin (%)	-0.7%	-9.1%	-1.8%	-7.5%	-1.2%	-7.7%	-0.8%	-4.3%
Excess Margin (%) before gain (loss) on discontinued operations & advanced debt refinancing	-1.6%	-4.2%	3.2%	-6.5%	-5.6%	0.8%	7.2%	-2.4%
Liquidity								
Days Cash on Hand	172.33	195.55	178.78	192.89	268.94	256.94	259.23	260.24
Leverage								
Debt Service Coverage (x)***	0.5	-0.1	1.2	-0.2	1.8	0.1	2.8	1.3
Debt to Capitalization (%)	35.8%	35.9%	35.8%	35.9%	35.9%	35.4%	35.9%	35.4%
Debt Service/Revenue (%)	11.3%	2.9%	5.9%	2.7%	4.0%	3.1%	4.0%	2.8%

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

** Estimated debt service for the quarter based upon a quarter of the current portion of long-term debt at Dec. 31, 2018 or 2017 , as appropriate , plus interest expense for the quarter.
 Estimated debt service 2019 year-to-date based upon 75% of the current portion of long-term debt at Dec. 31, 2018 plus year-to-date interest expense.
 Estimated debt service 2018 year-to-date based upon 75% of the the current portion of long-term debt at Dec. 31, 2017 plus year-to-date interest expense.

*** 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. The Master Trust Agreement requires a different methodology measured annually which is also referred as the Debt Service Ratio in that document.

Covenant Health Obligated Group
Key hospital and Nursing Home Utilization Statistics
Quarters ended September 30 , 2019 and 2018

EXHIBIT D - 1

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
St. Joseph Hospital of Nashua, NH				
Licensed Beds	208	208	208	208
Admissions	1,230	1,402	3,942	4,243
Patient Days	5,899	6,917	18,772	21,718
ALOS (days)	4.8	4.9	4.8	5.1
Outpatient Encounters	84,616	0	247,043	156,653
Average Daily Census	64.1	75.2	68.8	79.6
FTES	1,190.6	1,241.7	1,190.6	1,241.7
MI Nursing				
Licensed Beds (In Service)	231	231	231	231
Patient Days	19,329	20,434	58,115	60,021
Average Daily Census	210.1	222.1	212.9	219.9
Occupancy Rate	91.0%	96.2%	92.2%	95.2%
FTES	293.0	298.5	293.0	298.5
Maristhill				
Licensed Beds (In Service)	104	104	104	104
Patient Days	8,561	8,770	24,807	26,414
Average Daily Census	93.1	95.3	90.9	96.8
Occupancy Rate	89.5%	91.7%	87.4%	93.0%
FTES	82.2	89.4	82.2	89.4
St. Mary (Worcester, MA)				
Licensed Beds (In Service)	124	124	124	124
Patient Days	11,259	10,546	33,078	30,883
Average Daily Census	122.4	114.6	121.2	113.1
Occupancy Rate	98.7%	92.4%	97.7%	91.2%
FTES	92.0	92.3	92.0	92.3
ST. JOSEPH MANOR				
Licensed Beds (In Service)	118	118	118	118
Patient Days	10,164	9,896	29,771	29,455
Average Daily Census	110.5	107.6	109.1	107.9
Occupancy Rate	93.6%	91.2%	92.4%	91.4%
FTES	99.4	102.1	99.4	102.1
MOUNT ST. RITA				
Licensed Beds (In Service)	97	97	97	97
Patient Days	8,819	7,993	25,452	23,910
Average Daily Census	95.9	86.9	93.2	87.6
Occupancy Rate	98.8%	89.6%	96.1%	90.3%
FTES	79.5	77.2	79.5	77.2
Penacook Place				
Licensed Beds (In Service)	140	140	140	140
Patient Days	11,082	11,654	33,418	34,912
Average Daily Census	120.5	126.7	122.4	127.9
Occupancy Rate	86.0%	91.3%	87.4%	91.3%
FTES	134.3	137.0	134.3	137.0

**Covenant Health Non-Obligated Group Members
Key Hospital and Nursing Home Utilization Statistics
Quarters ended September 30, 2019 and 2018**

EXHIBIT D - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
ST. MARY'S REGIONAL MEDICAL CENTER excluding d'Youville Pavilion *				
Licensed Beds	233	233	233	233
Admissions	1,626	1,497	4,725	4,466
Patient Days	6,806	6,978	21,150	21,012
ALOS (days)	4.2	4.7	4.5	4.7
Outpatient Encounters	101,847	89,850	297,755	262,648
Average Daily Census	74.0	75.8	77.5	77.0
FTES	1,143.9	1,160.0	1,143.9	1,160.0
ST. Joseph Hospital of Bangor, ME *				
Licensed Beds	115	115	115	115
Admissions	1,021	947	3,004	2,886
Patient Days	4,425	4,313	13,273	12,440
ALOS (days)	4.3	4.6	4.4	4.3
Outpatient Encounters	60,237	51,262	168,614	148,826
Average Daily Census	48.1	46.9	48.6	45.6
FTES	911.5	905.9	911.5	905.9
ST. ANDRE *				
Licensed Beds (In Service)	96	96	96	96
Patient Days	7,340	7,652	21,910	22,176
Average Daily Census	79.8	83.2	80.3	81.2
Occupancy Rate	83.1%	86.6%	83.6%	84.6%
FTES	85.7	87.8	85.7	87.8
d'YOUVILLE PAVILION (a separately stated division of St. Mary's Regional Medical Center) *				
Licensed Beds (In Service)	210	210	210	210
Patient Days	17,466	17,818	52,558	52,103
Average Daily Census	189.8	193.7	192.5	190.9
Occupancy Rate	90.4%	92.2%	91.7%	90.9%
FTES	131.7	151.0	131.7	151.0
ST. MARY'S VILLA *				
Licensed Beds (In Service)	112	112	112	112
Patient Days	9,287	9,191	27,286	27,795
Average Daily Census	100.9	99.9	99.9	101.8
Occupancy Rate	90.1%	89.2%	89.2%	90.9%
FTES	150.9	151.9	150.9	151.9

* Not a member of the Obligated Group

**Covenant Health Obligated Group
Payor Mix
Quarters ended September 30, 2019 and 2018**

EXHIBIT E - 1

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sources of Net Revenue				
St. Joseph Hospital of Nashua, NH				
Medicare	47.9%	47.8%	47.9%	47.8%
Medicaid	8.2%	5.5%	8.2%	5.5%
Commercial & Managed Care	41.6%	43.4%	41.6%	43.4%
Self Pay	<u>2.3%</u>	<u>3.3%</u>	<u>2.3%</u>	<u>3.3%</u>
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes				
Medicare	6.6%	7.5%	6.6%	7.5%
Medicaid	82.1%	81.0%	82.1%	81.0%
Private Pay	<u>11.2%</u>	<u>11.5%</u>	<u>11.2%</u>	<u>11.5%</u>
Total	100.0%	100.0%	100.0%	100.0%

**Covenant Health Consolidated Group
Payor Mix
Quarters ended September 30, 2019 and 2018**

EXHIBIT E - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
St. MARY'S REGIONAL MEDICAL CENTER *				
Medicare	45.3%	46.0%	45.3%	46.0%
Medicaid	18.8%	15.6%	18.8%	15.6%
Commercial & Managed Care	30.8%	32.3%	30.8%	32.3%
Self Pay	<u>5.0%</u>	<u>6.1%</u>	<u>5.0%</u>	<u>6.1%</u>
Total	100.0%	100.0%	100.0%	100.0%
St. Joseph Hospital of Bangor, ME *				
Medicare	53.5%	52.4%	53.5%	52.4%
Medicaid	12.3%	9.2%	12.3%	9.2%
Commercial & Managed Care	30.9%	33.6%	30.9%	33.6%
Self Pay	<u>3.3%</u>	<u>4.8%</u>	<u>3.3%</u>	<u>4.8%</u>
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes Consolidated Group **				
Medicare	9.9%	9.6%	9.9%	9.6%
Medicaid	76.5%	75.6%	76.5%	75.6%
Private Pay	<u>13.6%</u>	<u>14.8%</u>	<u>13.6%</u>	<u>14.8%</u>
Total	100.0%	100.0%	100.0%	100.0%

* Not a member of the Obligated Group

** All nursing homes

COVENANT HEALTH CONSOLIDATED GROUP
BALANCE SHEET
As of September 30, 2019 and 2018
(in thousands)

EXHIBIT F
PG 1 OF 2

	<u>As of</u> <u>9/30/2019</u>	<u>As of</u> <u>9/30/2018</u>
ASSETS		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$42,360	\$32,653
PATIENT ACCOUNTS RECEIVABLE LESS ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS	\$95,754	\$98,279
SHORT TERM INVESTMENTS	\$34,164	\$50,832
INVENTORIES	\$5,278	\$4,719
PREPAID EXPENSES AND OTHER CURRENT ASSETS	\$14,534	\$14,643
CURRENT PORTION OF ASSETS WHOSE USE IS LIMITED OR RESTRICTED	\$4,160	\$6,402
AMOUNTS PAYABLE FROM THIRD PARTY PAYERS DUE FROM AFFILIATE	\$4,724 \$0	\$1,624 \$0
TOTAL CURRENT ASSETS	\$200,974	\$209,152
ASSETS WHOSE USE IS LIMITED OR RESTRICTED, LESS CURRENT PORTION:		
FUNDS HELD BY TRUSTEES, LESS CURRENT PORTION	\$24,036	\$23,880
DONOR RESTRICTED AND OTHER	\$40,369	\$31,573
BOARD DESIGNATED FUNDS AND LONG TERM INVESTMENTS	\$269,725	\$275,276
REPLACEMENT RESERVE	\$5,087	\$6,044
DEFERRED COMPENSATION	<u>\$13,239</u>	<u>\$13,987</u>
	\$352,456	\$350,760
OTHER ASSETS:		
JOINT VENTURES, NOTES RECEIVABLE AND OTHER ASSETS	\$18,229 <u>\$18,229</u>	\$22,883 <u>\$22,883</u>
PROPERTY, PLANT AND EQUIPMENT LESS ALLOWANCE FOR DEPRECIATION	\$778,720 <u>\$454,348</u> \$324,372	\$779,946 <u>\$447,879</u> \$332,067
TOTAL ASSETS	\$896,031 =====	\$914,862 =====

COVENANT HEALTH CONSOLIDATED GROUP
BALANCE SHEET
As of September 30, 2019 and 2018
(in thousands)

EXHIBIT F
PG 2 OF 2

	<u>As of</u> <u>9/30/2019</u>	<u>As of</u> <u>9/30/2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$69,032	\$65,380
AMOUNTS PAYABLE TO THIRD PARTY PAYERS	\$21,318	\$11,033
OTHER CURRENT LIABILITIES	\$9,539	\$9,195
CURRENT PORTION OF LONG-TERM DEBT	<u>\$30,172</u>	<u>\$8,770</u>
TOTAL CURRENT LIABILITIES	\$130,061	\$94,378
OTHER LIABILITIES	\$30,292	\$28,363
PROFESSIONAL LOSS RESERVES	\$38,978	\$36,239
LONG-TERM DEBT, LESS CURRENT PORTION	\$209,882	\$246,539
NET ASSETS		
WITHOUT DONOR RESTRICTIONS	\$430,480	\$455,518
WITH DONOR RESTRICTIONS	<u>\$56,338</u>	<u>\$53,825</u>
	\$486,818	\$509,343
TOTAL LIABILITIES AND NET ASSETS	\$896,031 =====	\$914,862 =====

COVENANT HEALTH CONSOLIDATED GROUP
STATEMENT OF CHANGES IN NET ASSETS
For the Quarters and Years to Date ended September 30, 2019 and 2018
(in thousands) EXHIBIT G

	Quarter Ended September 30		Year - to- Date Ended September 30	
	2019	2018	2019	2018
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:				
NET PATIENT SERVICE REVENUE	\$172,419	\$156,374	\$513,769	\$477,248
OTHER	\$6,442	\$6,905	\$20,625	\$20,204
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$89</u>	<u>\$223</u>	<u>\$639</u>	<u>\$550</u>
TOTAL REVENUE	\$178,950	\$163,502	\$535,033	\$498,002
EXPENSES:				
SALARIES AND WAGES	\$87,969	\$84,910	\$262,765	\$253,792
EMPLOYEE BENEFITS	\$16,332	\$17,104	\$52,176	\$51,359
SUPPLIES AND OTHER EXPENSES	\$66,165	\$67,298	\$198,936	\$204,614
DEPRECIATION AND AMORTIZATION	(\$7,378)	\$6,723	\$8,099	\$19,107
INTEREST EXPENSE	<u>\$17,095</u>	<u>\$2,317</u>	<u>\$22,604</u>	<u>\$6,549</u>
TOTAL EXPENSES	\$180,183	\$178,352	\$544,580	\$535,421
INCOME (LOSS) FROM OPERATIONS	(\$1,233)	(\$14,850)	(\$9,547)	(\$37,419)
NON-OPERATING GAINS (LOSSES), NET	(\$1,671)	\$7,947	\$26,773	\$4,910
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS OVER EXPENSES BEFORE LOSS ON ADVANCED DEBT REFINANCING & DISCONTINUED OPERATIONS	(\$2,904)	(\$6,903)	\$17,226	(\$32,509)
GAIN (LOSS) ON ADVANCED DEBT REFINANCING	\$0	\$0	\$0	(\$208)
**GAIN (LOSS) ON DISCONTINUED OPERATIONS	<u>(\$4)</u>	<u>(\$6)</u>	<u>(\$16)</u>	<u>(\$20)</u>
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS	(\$2,908)	(\$6,909)	\$17,210	(\$32,737)
OTHER CHANGES IN UNRESTRICTED NET ASSETS	<u>(\$673)</u>	<u>\$351</u>	<u>\$542</u>	<u>(\$1,972)</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(\$3,581)	(\$6,558)	\$17,752	(\$34,709)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$467</u>	<u>\$638</u>	<u>\$1,860</u>	<u>\$2,028</u>
TOTAL CHANGE IN NET ASSETS	(\$3,114)	(\$5,920)	\$19,612	(\$32,681)
	=====	=====	=====	=====

Covenant Health
Operating Margin Reconciliation
Quarters and Years to Date Ended September 30, 2019 and 2018

Exhibit H

<i>(in Thousands)</i>	Quarter Ended September 30 2019	September 30 2018	Year - to- Date Ended September 30 2019	September 30 2018
Obligated Group Operating Margin	(\$1,024)	(6,547)	(2,123)	(10,916)
St. Mary's Health System	(24)	(4,864)	(6,241)	(18,921)
St. Joseph's Heathcare of Bangor, ME	(699)	(3,877)	(2,528)	(8,594)
St. Joseph Hospital Corporate Services, Inc.	23	26	53	62
Mary Immaculate Residential Community I	137	97	481	240
SNF Not in Obligated Group				
- St. Andre Health Care Facility	142	125	436	53
- St. Mary's Villa	368	262	697	874
Valuation company related to acquisition of St. Joseph of Bangor, ME	(12)	(4)	(37)	(11)
Eliminations	(144)	(68)	(285)	(206)
System Consolidated Operating Margin	(\$1,233)	(\$14,850)	(\$9,547)	(\$37,419)