

CONTINUING DISCLOSURE QUARTERLY REPORT

Covenant Health Obligated Group (Formerly known as Covenant Health Systems Obligated Group) Quarter Ended March 31, 2018

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: John M. Ahle, Chief Financial Officer/Treasurer

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>
07/01/2018	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 Systems Obligated Group Issue,
Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
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
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\$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>
07/01/2018	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

\$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>
7/1/2018	57584QAF3
7/1/2019	57584QAG1

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>
7/1/2018	64461PAF9
7/1/2019	64461PAG7
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	64461PAS1

\$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 March 31, 2018

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 of 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 of its Controlled Organizations are referred to collectively as the "Consolidated Group." During February 2017, the Obligated Group expanded to include the following affiliates within the overall Covenant system: Mount St. Rita Health Centre of Cumberland, RI; St. Joseph Manor Health Care, Inc. of Brockton, MA; and Penacook Place, Inc. of Haverhill, MA. The Obligated Group's statement of operations and balance sheet for 2017 period includes the operations of these skilled nursing facilities ("SNFs"), including Penacook Place from the date of its acquisition. **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, 2017. 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.

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 March 31, 2018 and 2017 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, 2017, which are included with the Continuing Disclosure Annual Report for the year ended December 31, 2017.

New members to the Obligated Group in fiscal 2017

In February 2017, the Obligated Group expanded to include certain sponsored facilities within the overall Covenant system which are Mount St. Rita Health Centre of Cumberland, RI, St. Joseph Manor Health Care, Inc. of Brockton, MA and Penacook Place, Inc. of Haverhill, MA. The Obligated Group's statement of operations and balance sheets includes the operations of these SNFs, including Penacook Place from the date of its acquisition.

Management's Discussion of Recent Financial Performance of Obligated Group

Net patient service revenue of the Obligated Group for the quarter ended March 31, 2018 was \$74.2 million, an increase of \$3.3 million (4.6%) when compared to net patient service revenue of the Obligated Group for the same period in 2017. \$2.4 million of the increase in net patient service revenue was due to at St. Joseph Nashua during the quarter ended March 31, 2018. Total revenue of the Obligated Group for the quarter ended March 31, 2018 was \$86.8 million, representing an increase of \$11.5 million (17.4%) from the same period in 2017. The majority of the increase in total revenues during the March 31, 2018 quarter when compared to the 2017 quarter is caused by the addition of \$8.2 million of other operating revenues in the Covenant corporate office for increases in member fees to non-obligated member facilities as it integrates and absorbs certain administrative and support services of the system. Inpatient Discharge volume at St. Joseph Nashua for the 2018 quarter decreased by 8 inpatient discharges (0.5%) when compared to the same quarter in 2017, while outpatient volume decreased as measured by

outpatient encounters by 4,107 (-8.8%) when comparing the March 31, 2018 and 2017 quarters. See Schedule D-1.

Expenses for the Obligated Group for the quarter ended March 31, 2018 were \$87.8 million, an increase of \$13.6 million (11.7%) when compared to expenses of the Obligated Group for the same period in 2017. The largest single factor for the increase in expenses is the Covenant corporate office expanding to integrate and absorb certain administrative and support services which totaled \$10.5 million of total expense increase during the March 31, 2018 quarter. Salaries and wages for the quarter ended March 31, 2018 were \$37.2 million, an increase of \$4.4 million (13.3%) when compared to the same period in 2017. Employee benefits for the quarter ended March 31, 2018 increased \$1.7 million (25.1%) when compared to the same period in 2017. \$1.2 million of the increased related to higher health insurance costs during the 2018 quarter when compared to the same period in 2017. Supplies and other expenses including provider taxes for the quarter ended March 31, 2018 increased \$7.5 million (24.9%) when compared to the same period in 2017. The Obligated Group had an operating loss of \$1.0 million for the quarter ended March 31, 2018 (representing -1.1% of total revenue), compared to operating income of \$1.1 million (representing 1.5% of total revenue) for the same period in 2017.

Combined total non-operating gains (losses) of the Obligated Group for the quarter ended March 31, 2018 totaled a loss of \$2.6 million, compared to a gain of \$10.0 million for the same period in 2017. The decrease in the non-operating income for the quarter ended March 31, 2018 was driven by greater unrealized losses and lower investment returns from markets for equity and other marketable securities when compared to the first quarter 2017. The excess of revenue over expense of the Obligated Group before discontinued operations for the quarter ended March 31, 2018 was a loss of \$3.5 million, a decrease of \$14.6 million compared to the same period in 2017.

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, decreased to 264.08 for the quarter ended March 31, 2018, from 294.34 for the quarter ended March 31, 2017. The decrease in days' cash on hand as of the quarter ended March 31, 2018 when compared to the same quarter in 2017 was attributable to the above-mentioned addition of operating expenses at the Covenant corporate office. 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 2.7 for the quarter ended March 31, 2018, compared to 3.7 for the quarter ended March 31, 2017. Debt to capitalization for the Obligated Group decreased to 35.7% at March 31, 2018 compared to 37.2% at March 31, 2017.

St. Joseph Nashua has a frozen defined benefit plan, which was underfunded as of March 31, 2018 and 2017 in the amount of \$4.3 million and \$7.4 million, respectively. Effective June 2, 2007, plan participation was frozen. During the period since March 31, 2017, St. Joseph Nashua provided \$4.2mm in additional pension funding. Negative market returns net of lump sum payments made to beneficiaries accounted for the remaining difference of the unfunded pension liability decrease of \$3.1 million at St. Joseph Nashua when comparing March 31, 2018 to March 31, 2017.

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 minimal impact from discontinued operations for the March 31, 2018 and 2017 quarters respectively.

Capital Commitment

The System is in the process of developing an information systems project, known as the Carelink Project, which will implement a system-wide integrated electronic health record system at the three acute hospitals. The Carelink Project is an integrated suite of technology solutions to support the healthcare delivery for System members and providers which includes Epic, Sunquest and other common software systems.

Total capital expenditures for the Carelink Project is expected to be approximately \$75 million of which \$55.0 million has been or is to be funded through a taxable bond issuance. \$50.0 million has been expended and capitalized as of March 31, 2018. In addition, Covenant anticipates additional onetime conversion operating expenditures to bring the Carelink Project operational as well as ongoing operating expenses in the future.

The Carelink Project is expected to become fully operational throughout the System's hospitals and employed physician practices during the second quarters of 2018.

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 \$163.3 million for the quarter ended March 31, 2018, an increase of \$7.5 million (4.8%) when compared to net patient service revenue of the Consolidated Group for the same period in 2017. The primary driver for the increase in net patient service revenues are rate increases with both government and commercial payors at the hospitals. Additionally \$2.4 million of the increase relates to positive settlements for cost reports of prior periods mostly recorded in St. Joseph Bangor. Total revenue of the Consolidated Group for the quarter ended March 31, 2018 was \$171.2 million, representing an increase of \$8.0 million (4.9%) from the same period in 2017.

Expenses for the Consolidated Group for the quarter ended March 31, 2018 were \$175.4 million, an increase of \$8.4 million (5.0%) from the same period in 2017. \$4.0 million of the increase is in salaries and wages due to wage increases granted to employees, along with additional salary expense for new employees including employed physicians and their support staff. Employee benefits were \$17.5 million, an increase of \$1.4 million (8.7%) when compared to the March 31, 2017 quarter. Supplies and other expenses increased \$11.4 million (18.8%), including increased costs associated with legacy information technologies during the transition to its new electronic health record and revenue cycle system (Carelink), higher clinician agency and higher locum physician costs.

The Consolidated Group had an operating loss of \$10.2 million (representing -6.0% of total revenue) for the quarter ended March 31, 2018, compared to an operating loss of \$1.4 million (representing -0.8% of total revenue) for the same period in 2017.

Non-operating income of the Consolidated Group for the quarter ended March 31, 2018 was a loss of \$2.3 million, a decrease of \$15.6 million compared to non-operating income of \$13.3 million for the same period in 2017. The decrease in non-operating income during the quarter ended March 31, 2018 was driven by greater unrealized losses and lower investment returns from markets for equity and other marketable securities and weaker performance by the entity's wholly owned insurance captive when comparing the first quarter of 2018 to the first quarter of 2017.

The excess (deficiency) of revenue over expense before discontinued operations of the Consolidated Group for the quarter ended March 31, 2018 was a loss of \$12.5 million Compared to an income of \$11.9 million in for the March 2017 quarter, a decrease of \$24.4 million.

Liquidity for the Consolidated Group as measured by unrestricted days' cash on hand decreased to 210.9 as of March 31, 2018, when compared to 229.0 as of March 31, 2017. The decrease in days' cash on hand was attributable to an increase in expenses as indicated above. Debt service coverage for the Consolidated Group was 0.4 for the quarter ended March 31, 2018 compared to 4.0 for the quarter ended March 31, 2017. Debt service as a percentage of revenue was 2.6% for the quarter ended March 31, 2018 compared to 2.7% for the quarter ended March 31, 2017. Debt to capitalization for the Consolidated Group decreased to 35.6% at March 31, 2018, from 37.1% at March 31, 2017.

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 \$7.8 million when comparing March 31, 2018 to March 31, 2017. This improvement was due to markets returns of equity and other marketable securities, additional plan funding and payments made to beneficiaries occurring between the two periods. The St. Joseph Bangor defined benefit plan was underfunded as of March 31, 2018 and 2017 by \$2.2 million and \$4.7 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 March 31, 2018 and March 31, 2017, 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 March 31, 2018 and 2017. 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 March 31, 2018 and 2017. 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 March 31, 2018 and 2017.

Attached hereto as **Exhibit G** is the Consolidated Group statement of changes in net assets for the quarters and year to date ended March 31, 2018 and 2017.

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 March 31, 2018 and 2017.

Date: _____

COVENANT HEALTH, INC.

By: _____

John M. Ahle, Chief Financial Officer/Treasurer

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 March 31, 2018 and 2017
(in thousands)

EXHIBIT B

	<u>Quarter Ended March 31,</u>		<u>Year- to- Date March 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue				
Patient service revenue, net of contractual allowances	\$78,431	\$73,493	\$78,431	\$73,493
Less provision for bad debts	\$4,267	\$2,599	\$4,267	\$2,599
Net patient service revenue	\$74,164	\$70,894	\$74,164	\$70,894
Other	\$12,502	\$4,306	\$12,502	\$4,306
Net Assets release from restrictions	\$168	\$174	\$168	\$174
Total Revenue	\$86,834	\$75,374	\$86,834	\$75,374
Expenses				
Salaries and wages	\$37,153	\$32,791	\$37,153	\$32,791
Employee benefits	\$8,626	\$6,893	\$8,626	\$6,893
Supplies and other expenses	\$37,781	\$30,240	\$37,781	\$30,240
Interest expense	\$1,307	\$1,324	\$1,307	\$1,324
Depreciation and amortization	\$2,951	\$3,004	\$2,951	\$3,004
Total Expenses	\$87,818	\$74,252	\$87,818	\$74,252
Income from operations	(\$984)	\$1,122	(\$984)	\$1,122
*Non - operating gains (losses) , net	(\$2,557)	\$9,969	(\$2,557)	\$9,969
Excess (deficiency) of revenue over expenses before gain (loss) on discontinued operations & advanced debt refinancing	(\$3,541)	\$11,091	(\$3,541)	\$11,091
Gain (Loss) on discontinued operations	(\$7)	(\$10)	(\$7)	(\$10)
Gain (Loss) on advance debt refinancing	\$0	\$0	\$0	\$0
Excess (deficiency) of revenue over expenses after gain (loss) on advanced debt refinancing	(\$3,548)	\$11,081	(\$3,548)	\$11,081

* 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
Quarters Ended March 31, 2018 and 2017
(in thousands)

EXHIBIT C

Key Statistics

	<u>Consolidated Group</u>				<u>Obligated Group</u>			
	<u>Quarter Ended March 31</u>		<u>Year-to-Date at March 31</u>		<u>Quarter Ended March 31</u>		<u>Year-to-Date at March 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Statements of operations								
Net Patient Service Revenue	\$163,319	\$155,867	\$163,319	\$155,867	\$74,164	\$70,894	\$74,164	\$70,894
Total Revenue	\$171,155	\$163,170	\$171,155	\$163,170	\$86,834	\$75,374	\$86,834	\$75,374
Total Expenses	\$181,350	\$164,528	\$181,350	\$164,528	\$87,818	\$74,252	\$87,818	\$74,252
Income (Loss) from Operations	(\$10,195)	(\$1,358)	(\$10,195)	(\$1,358)	(\$984)	\$1,122	(\$984)	\$1,122
NONOPERATING Gains (Losses) , Net *	(\$2,255)	\$13,306	(\$2,255)	\$13,306	(\$2,557)	\$9,969	(\$2,557)	\$9,969
Excess of Revenue over Expenses before gain (loss) on discontinued operations & advanced debt refinancing	(\$12,450)	\$11,948	(\$12,450)	\$11,948	(\$3,541)	\$11,091	(\$3,541)	\$11,091
Interest Expense	\$2,089	\$2,201	\$2,089	\$2,201	\$1,307	\$1,324	\$1,307	\$1,324
Depreciation and Amortization	\$6,257	\$6,105	\$6,257	\$6,105	\$2,951	\$3,004	\$2,951	\$3,004
Net unrealized gains (losses) on investments in Nonoperating	(\$5,903)	\$2,294	(\$5,903)	\$2,294	(\$5,496)	\$7,411	(\$5,496)	\$7,411
Debt Service								
Net Available for Debt Service	\$1,799	\$17,960	\$1,799	\$17,960	\$6,213	\$8,008	\$6,213	\$8,008
Estimated Debt Service for Period **	\$4,464	\$4,474	\$4,464	\$4,474	\$2,311	\$2,162	\$2,311	\$2,162
Balance Sheet								
Net Unrestricted Cash and Investments	\$410,361	\$403,141	\$410,361	\$403,141	\$249,023	\$233,010	\$249,023	\$233,010
Total Assets	\$940,806	\$918,299	\$940,806	\$918,299	\$594,217	\$573,546	\$594,217	\$573,546
Short - Term Debt (Includes Current Portion of LT)	\$9,253	\$9,547	\$9,253	\$9,547	\$4,335	\$3,901	\$4,335	\$3,901
Long - Term Debt	\$253,865	\$261,261	\$253,865	\$261,261	\$180,252	\$183,748	\$180,252	\$183,748
Net Assets without Restrictions	\$476,528	\$459,464	\$476,528	\$459,464	\$331,972	\$316,656	\$331,972	\$316,656
Profitability								
Operating margin (%)	-6.0%	-0.8%	-6.0%	-0.8%	-1.1%	1.5%	-1.1%	1.5%
Excess Margin (%) before gain (loss) on discontinued operations & advanced debt refinancing	-7.3%	7.3%	-7.3%	7.3%	-4.1%	14.7%	-4.1%	14.7%
Liquidity								
Days Cash on Hand	210.93	229.02	210.93	229.02	264.08	294.34	264.08	294.34
Leverage								
Debt Service Coverage (x)***	0.4	4.0	0.4	4.0	2.7	3.7	2.7	3.7
Debt to Capitalization (%)	35.6%	37.1%	35.6%	37.1%	35.7%	37.2%	35.7%	37.2%
Debt Service/Revenue (%)	2.6%	2.7%	2.6%	2.7%	2.7%	2.9%	2.7%	2.9%

* 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 a quarter of the current portion of long-term debt at Dec. 31 , 2017 or 2016 , as appropriate , plus interest expense for the quarter.
Estimated debt service 2018 year-to-date based upon 25% of the current portion of long-term debt at Dec. 31, 2017 plus year-to-date interest expense.
Estimated debt service 2017 year-to-date based upon 25% of the the current portion of long-term debt at Dec. 31, 2016 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.

**Covenant Health Obligated Group
Key hospital and Nursing Home Utilization Statistics
Quarters ended March 31 , 2018 and 2017**

EXHIBIT D - 1

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
St. Joseph Hospital of Nashua, NH				
Licensed Beds	208	208	208	208
Admissions	1,469	1,477	1,469	1,477
Patient Days	7,655	6,801	7,655	6,801
ALOS (days)	5.2	4.6	5.2	4.6
Outpatient Encounters	42,628	46,735	42,628	46,735
Average Daily Census	85.1	75.6	85.1	75.6
FTES +	1,162.9	1,200.2	1,162.9	1,200.2
MI Nursing				
Licensed Beds (In Service)	231	231	231	231
Patient Days	19,781	19,727	19,781	19,727
Average Daily Census	219.8	219.2	219.8	219.2
Occupancy Rate	95.1%	94.9%	95.1%	94.9%
FTES	295.4	304.9	295.4	304.9
Maristhill				
Licensed Beds (In Service)	104	104	104	104
Patient Days	8,935	8,871	8,935	8,871
Average Daily Census	99.3	98.6	99.3	98.6
Occupancy Rate	95.5%	94.8%	95.5%	94.8%
FTES	91.1	90.8	91.1	90.8
St. Mary (Worcester, MA)				
Licensed Beds (In Service)	124	124	124	124
Patient Days	10,092	9,523	10,092	9,523
Average Daily Census	112.1	105.8	112.1	105.8
Occupancy Rate	90.4%	85.3%	90.4%	85.3%
FTES	92.4	93.6	92.4	93.6
ST. JOSEPH MANOR *				
Licensed Beds (In Service)	118	118	118	118
Patient Days	9,816	9,975	9,816	9,975
Average Daily Census	109.1	110.8	109.1	110.8
Occupancy Rate	92.4%	93.9%	92.4%	93.9%
FTES	101.7	107.7	101.7	107.7
MOUNT ST. RITA *				
Licensed Beds (In Service)	97	97	97	97
Patient Days	8,065	8,367	8,065	8,367
Average Daily Census	89.6	93.0	89.6	93.0
Occupancy Rate	92.4%	95.8%	92.4%	95.8%
FTES	78.3	83.0	78.3	83.0
Penacook Place *@				
Licensed Beds (In Service)	140	140	140	140
Patient Days	11,694	11,305	11,694	11,305
Average Daily Census	129.9	125.6	129.9	125.6
Occupancy Rate	92.8%	89.7%	92.8%	89.7%
FTES	134.5	129.8	134.5	129.8

* - Joined the nonobligated group February 2017

@ - Acquired February 2017

**Covenant Health Non-Obligated Group Members
Key Hospital and Nursing Home Utilization Statistics
Quarters ended March 31, 2018 and 2017**

EXHIBIT D - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ST. MARY'S REGIONAL MEDICAL CENTER excluding d'Youville Pavilion *				
Licensed Beds	233	233	233	233
Admissions	1,451	1,571	1,451	1,571
Patient Days	7,097	6,801	7,097	6,801
ALOS (days)	4.9	4.3	4.9	4.3
Outpatient Encounters	73,093	73,820	73,093	73,820
Average Daily Census	78.9	75.6	78.9	75.6
FTES	1,132.5	1,145.1	1,132.5	1,145.1
ST. Joseph Hospital of Bangor, ME *				
Licensed Beds	115	115	115	115
Admissions	937	1,054	937	1,054
Patient Days	4,317	4,714	4,317	4,714
ALOS (days)	4.6	4.5	4.6	4.5
Outpatient Encounters	34,499	33,853	34,499	33,853
Average Daily Census	48.0	52.4	48.0	52.4
FTES	866.2	942.9	866.2	942.9
ST. ANDRE *				
Licensed Beds (In Service)	96	96	96	96
Patient Days	7,115	7,479	7,115	7,479
Average Daily Census	79.1	83.1	79.1	83.1
Occupancy Rate	82.3%	86.6%	82.3%	86.6%
FTES	88.5	87.8	88.5	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	17,483	17,866	17,483	17,866
Average Daily Census	194.3	198.5	194.3	198.5
Occupancy Rate	92.5%	94.5%	92.5%	94.5%
FTES	162.4	186.0	162.4	186.0
ST. MARY'S VILLA *				
Licensed Beds (In Service)	112	112	112	112
Patient Days	9,320	9,576	9,320	9,576
Average Daily Census	103.6	106.4	103.6	106.4
Occupancy Rate	92.5%	95.0%	92.5%	95.0%
FTES	154.0	158.3	154.0	158.3

* Not a member of the Obligated Group

**Covenant Health Obligated Group
Payor Mix
Quarters ended March 31 , 2018 and 2017**

EXHIBIT E - 1

Sources of Net Revenue	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
St. Joseph Hospital of Nashua, NH				
Medicare	48.8%	46.0%	48.8%	46.0%
Medicaid	5.1%	5.3%	5.1%	5.3%
Commercial & Managed Care	42.4%	44.5%	42.4%	44.5%
Self Pay	<u>3.7%</u>	<u>4.2%</u>	<u>3.7%</u>	<u>4.2%</u>
Total	100.0%	100.0%	100.0%	100.0%
 Nursing Homes				
Medicare	8.1%	8.6%	8.1%	8.6%
Medicaid	79.6%	80.1%	79.6%	80.1%
Private Pay	<u>12.3%</u>	<u>11.3%</u>	<u>12.3%</u>	<u>11.3%</u>
Total	100.0%	100.0%	100.0%	100.0%

**Covenant Health Consolidated Group
Payor Mix
Quarters ended March 31 , 2018 and 2017**

EXHIBIT E - 2

	<u>Quarter Ended</u>		<u>Year-to-Date at</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
St. MARY'S REGIONAL MEDICAL CENTER *				
Medicare	45.5%	44.7%	45.5%	44.7%
Medicaid	15.4%	16.8%	15.4%	16.8%
Commercial & Managed Care	32.8%	31.9%	32.8%	31.9%
Self Pay	<u>6.3%</u>	<u>6.6%</u>	<u>6.3%</u>	<u>6.6%</u>
Total	100.0%	100.0%	100.0%	100.0%
St. Joseph Hospital of Bangor, ME *				
Medicare	52.3%	53.3%	52.3%	53.3%
Medicaid	9.2%	10.0%	9.2%	10.0%
Commercial & Managed Care	33.5%	31.4%	33.5%	31.4%
Self Pay	<u>5.0%</u>	<u>5.3%</u>	<u>5.0%</u>	<u>5.3%</u>
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes Consolidated Group **				
Medicare	9.9%	12.0%	9.9%	12.0%
Medicaid	74.3%	73.7%	74.3%	73.7%
Private Pay	<u>15.8%</u>	<u>14.3%</u>	<u>15.8%</u>	<u>14.3%</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 March 31, 2018 and 2017
(in thousands)

EXHIBIT F
PG 1 OF 2

	<u>As of</u> <u>3/31/2018</u>	<u>As of</u> <u>3/31/2017</u>
ASSETS		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$31,252	\$45,948
PATIENT ACCOUNTS RECEIVABLE LESS ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS	\$82,108	\$72,899
SHORT TERM INVESTMENTS	\$62,679	\$76,978
INVENTORIES	\$4,701	\$4,178
PREPAID EXPENSES AND OTHER CURRENT ASSETS	\$10,493	\$10,729
CURRENT PORTION OF ASSETS WHOSE USE IS LIMITED OR RESTRICTED	\$8,448	\$8,224
AMOUNTS PAYABLE FROM THIRD PARTY PAYERS DUE FROM AFFILIATE	\$1,599 \$0	\$8,536 \$0
TOTAL CURRENT ASSETS	\$201,280	\$227,492
ASSETS WHOSE USE IS LIMITED OR RESTRICTED, LESS CURRENT PORTION:		
FUNDS HELD BY TRUSTEES, LESS CURRENT PORTION DONOR RESTRICTED AND OTHER	\$45,597 \$30,582	\$80,229 \$18,855
BOARD DESIGNATED FUNDS AND LONG TERM INVESTMENTS	\$309,932	\$274,473
REPLACEMENT RESERVE	\$6,498	\$5,742
DEFERRED COMPENSATION	<u>\$13,780</u>	<u>\$14,230</u>
	\$406,389	\$393,529
OTHER ASSETS:		
JOINT VENTURES, NOTES RECEIVABLE AND OTHER ASSETS	<u>\$26,944</u> \$26,944	<u>\$20,024</u> \$20,024
PROPERTY, PLANT AND EQUIPMENT LESS ALLOWANCE FOR DEPRECIATION	\$742,369 <u>\$436,176</u> \$306,193	\$688,847 <u>\$411,593</u> \$277,254
TOTAL ASSETS	\$940,806 =====	\$918,299 =====

COVENANT HEALTH CONSOLIDATED GROUP
BALANCE SHEET
As of **March 31, 2018 and 2017**
(in thousands)

EXHIBIT F
PG 2 OF 2

	<u>As of</u> <u>3/31/2018</u>	<u>As of</u> <u>3/31/2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$65,275	\$66,486
AMOUNTS PAYABLE TO THIRD PARTY PAYERS	\$10,466	\$17,599
OTHER CURRENT LIABILITIES	\$13,611	\$12,706
CURRENT PORTION OF LONG-TERM DEBT	<u>\$9,253</u>	<u>\$9,547</u>
TOTAL CURRENT LIABILITIES	\$98,605	\$106,338
OTHER LIABILITIES	\$26,815	\$32,878
PROFESSIONAL LOSS RESERVES	\$33,108	\$32,497
LONG-TERM DEBT, LESS CURRENT PORTION	\$253,865	\$261,261
NET ASSETS		
WITHOUT DONOR RESTRICTIONS	\$476,528	\$459,464
WITH DONOR RESTRICTIONS	<u>\$51,885</u>	<u>\$25,861</u>
	\$528,413	\$485,325
TOTAL LIABILITIES AND NET ASSETS	<u>\$940,806</u>	<u>\$918,299</u>
	=====	=====

COVENANT HEALTH CONSOLIDATED GROUP
STATEMENT OF CHANGES IN NET ASSETS
For the Quarters and Years to Date ended March 31, 2018 and 2017
(in thousands)

EXHIBIT G

	Quarter Ended March 31		Year - to- Date Ended March 31	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:				
NET PATIENT SERVICE REVENUE	\$163,319	\$155,867	\$163,319	\$155,867
OTHER	\$7,562	\$7,037	\$7,562	\$7,037
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$274</u>	<u>\$266</u>	<u>\$274</u>	<u>\$266</u>
TOTAL REVENUE	\$171,155	\$163,170	\$171,155	\$163,170
EXPENSES:				
SALARIES AND WAGES	\$83,821	\$79,797	\$83,821	\$79,797
EMPLOYEE BENEFITS	\$17,523	\$16,118	\$17,523	\$16,118
SUPPLIES AND OTHER EXPENSES	\$71,660	\$60,307	\$71,660	\$60,307
DEPRECIATION AND AMORTIZATION	\$6,257	\$6,105	\$6,257	\$6,105
INTEREST EXPENSE	<u>\$2,089</u>	<u>\$2,201</u>	<u>\$2,089</u>	<u>\$2,201</u>
TOTAL EXPENSES	\$181,350	\$164,528	\$181,350	\$164,528
INCOME (LOSS) FROM OPERATIONS	(\$10,195)	(\$1,358)	(\$10,195)	(\$1,358)
NON-OPERATING GAINS (LOSSES), NET	(\$2,255)	\$13,306	(\$2,255)	\$13,306
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS OVER EXPENSES BEFORE LOSS ON ADVANCED DEBT REFINANCING & DISCONTINUED OPERATIONS	(\$12,450)	\$11,948	(\$12,450)	\$11,948
GAIN (LOSS) ON ADVANCED DEBT REFINANCING	\$0	\$0	\$0	\$0
**GAIN (LOSS) ON DISCONTINUED OPERATIONS	<u>(\$7)</u>	<u>(\$10)</u>	<u>(\$7)</u>	<u>(\$10)</u>
EXCESS (DEFICIENCY) OF REVENUE AND NET GAINS	(\$12,457)	\$11,938	(\$12,457)	\$11,938
OTHER CHANGES IN UNRESTRICTED NET ASSETS	<u>(\$1,242)</u>	<u>\$1,243</u>	<u>(\$1,242)</u>	<u>\$1,243</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(\$13,699)	\$13,181	(\$13,699)	\$13,181
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$88</u>	<u>\$849</u>	<u>\$88</u>	<u>\$849</u>
TOTAL CHANGE IN NET ASSETS	<u>(\$13,611)</u>	<u>\$14,030</u>	<u>(\$13,611)</u>	<u>\$14,030</u>

Covenant Health
Operating Margin Reconciliation
Quarters and Years to Date Ended March 31, 2018 and 2017

Exhibit H

<i>(in Thousands)</i>	Quarter Ended March 31		Year - to- Date Ended December 31	
	2018	2017	2018	2017
Obligated Group Operating Margin	(\$984)	1,122	(984)	1,122
St. Mary's Health System	(8,155)	(2,193)	(8,155)	(2,193)
St. Joseph's Heathcare of Bangor, ME	(1,350)	150	(1,350)	150
St. Joseph Hospital Corporate Services, Inc.	9	(584)	9	(584)
Mary Immaculate Residential Community I-III	76	16	76	16
SNF Not in Obligated Group				
- St. Andre Health Care Facility	(25)	12	(25)	12
- St. Mary's Villa	307	139	307	139
Valuation company related to acquisition of St. Joseph of Bangor, ME	(4)	43	(4)	43
Eliminations	(69)	(63)	(69)	(63)
System Consolidated Operating Margin	(\$10,195)	(\$1,358)	(\$10,195)	(\$1,358)