Quarterly Financial Reporting Information

For the Three Months Ended March 31, 2012

Sisters of Charity of Leavenworth Health System, Inc.

Disclosure Information as of March 31, 2012

May 16, 2012

Copyright 2012 SCLHS

Table of Contents

The System

Overview 3

Where We Serve 4

Restricted Affiliates Organizational Chart 5

System Changes 6

Management's Discussion and Analysis of Financial Performance

Introduction 7

Financial and Statistical Highlights - Consolidated 8

Analysis of Operating Performance 9

Balance Sheet 9

Income Statement 9

Liquidity and Capital Resources 11

Summary 15

Subsequent Events 15

Notice to Readers on Forward Looking Statements 16

Selected Financial Ratios and Utilization Summary 16

SCLHS Consolidated Financial Statements

Consolidated Balance Sheet 19

Consolidated Statements of Operations and Changes in Net Assets 21

Consolidated Statement of Cash Flows 23

Restricted Affiliates Statistics and MTI Ratios 24

SISTERS OF CHARITY OF LEAVENWORTH HEALTH SYSTEM, INC. AND AFFILIATES

OVERVIEW

History, Background and Organization

The Sisters of Charity of Leavenworth (the "*Sisters*" or the "*Congregation*"), founded in 1858, have provided more than 150 years of service committed to enhancing the spiritual, health, educational and social well-being of all persons. In 1857, a small congregation of Sisters from Nashville, Tennessee, ventured to the edge of an expanding frontier, settling in the territory of Kansas. Over the years, these women established schools, orphanages and hospitals throughout the western territories as the populations and needs of these communities grew.

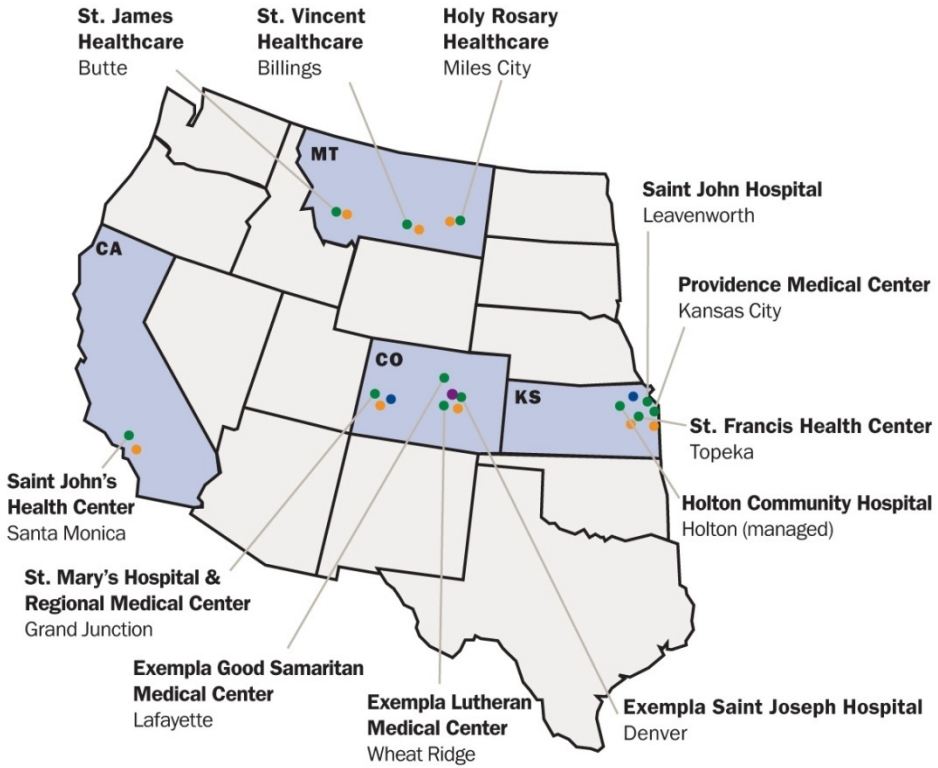
The Congregation currently includes 273 Sisters. It sponsors a variety of ministries in health care, education, social welfare, spiritual development and foreign missions. The historical roots of its health care ministry can be traced to 1864 when the Sisters opened the first private hospital in the state of Kansas. Within the next century, the Sisters established, developed and staffed hospitals in Montana, Colorado, Nebraska, New Mexico, California, Kansas and Wyoming.

In 1972, following a review of their first century in providing health care services, the Sisters recognized the need to unify and develop a more cohesive system for the hospitals, strengthening them individually and collectively. As a result of that review, the Sisters sought the incorporation in 1972 of Sisters of Charity of Leavenworth Health System, Inc., a nonprofit corporation organized under the laws of the State of Kansas (the "*Corporation*" or "*SCLHS*").

The Sisters recently formed a new entity, Leaven Ministries, which has been approved and recognized by the Catholic Church, as the new Sponsor of SCLHS. The transfer of sponsorship took place September 25, 2011. This transition does not affect day-to-day operations of SCLHS. Leadership of the Sisters of Charity of Leavenworth religious community will remain involved in Leaven Ministries. The newly appointed members of Leaven Ministries include three Sisters and two lay leaders.

The Corporation, headquartered in Denver, Colorado, is a faith-based system with 16 locations and nearly 15,000 associates. The Corporation is the sole member of an Obligated Group under a Master Trust Indenture (MTI). Eleven hospitals comprise the Restricted Affiliates under the MTI. (See *Restricted Affiliates Organizational Chart.*) These 11 hospital facilities are referred to, collectively, as the "*Hospital Facilities.*"

Where We Serve



- SCLHS serves 8 distinct markets in 4 states
- 11 care sites owned or controlled; 1 managed
- 4 large safety net clinics
- 119 ambulatory practices
- 527 employed providers
- 1 children's mental health treatment center
- 15,000 full-time equivalent associates
- 42% outpatient revenue
- $2.7 billion net revenue (annualized)
- $220 million in Community Benefit in 2011

CALIFORNIA
- 1 Care Site

SANTA MONICA
- 2 ASCs

COLORADO
- 4 Care Sites
- 1 Safety Net Clinic
- 1 Children's Mental Health Treatment Center

DENVER
- 41 Ambulatory Practices – 1 ASC, 1 behavioral health facility, 1 life care community, 1 occupational medicine site, 3 rehab facilities, 2 residency clinics, 2 urgent care sites

GRAND JUNCTION
- 9 Ambulatory Practices – 1 ASC, 1 family medicine residency clinic, 1 imaging center, 1 occupational medicine center

KANSAS
- 4 Care Sites (1 managed)
- 3 Safety Net Clinics

KANSAS CITY
- 8 Ambulatory Practices – 1 ASC, 1 imaging center, 1 skilled nursing center

TOPEKA
- 22 Ambulatory Practices – 1 imaging center

MONTANA
- 3 Care Sites

BILLINGS
- 32 Ambulatory Practices – 1 ASC, 1 behavioral health clinic, 1 GI center, 1 multiple sclerosis center, 1 occupational medicine site, 2 urgent care sites; Cody, Wyoming – 1 internal medicine, 1 radiation oncology, 1 Ob/Gyn

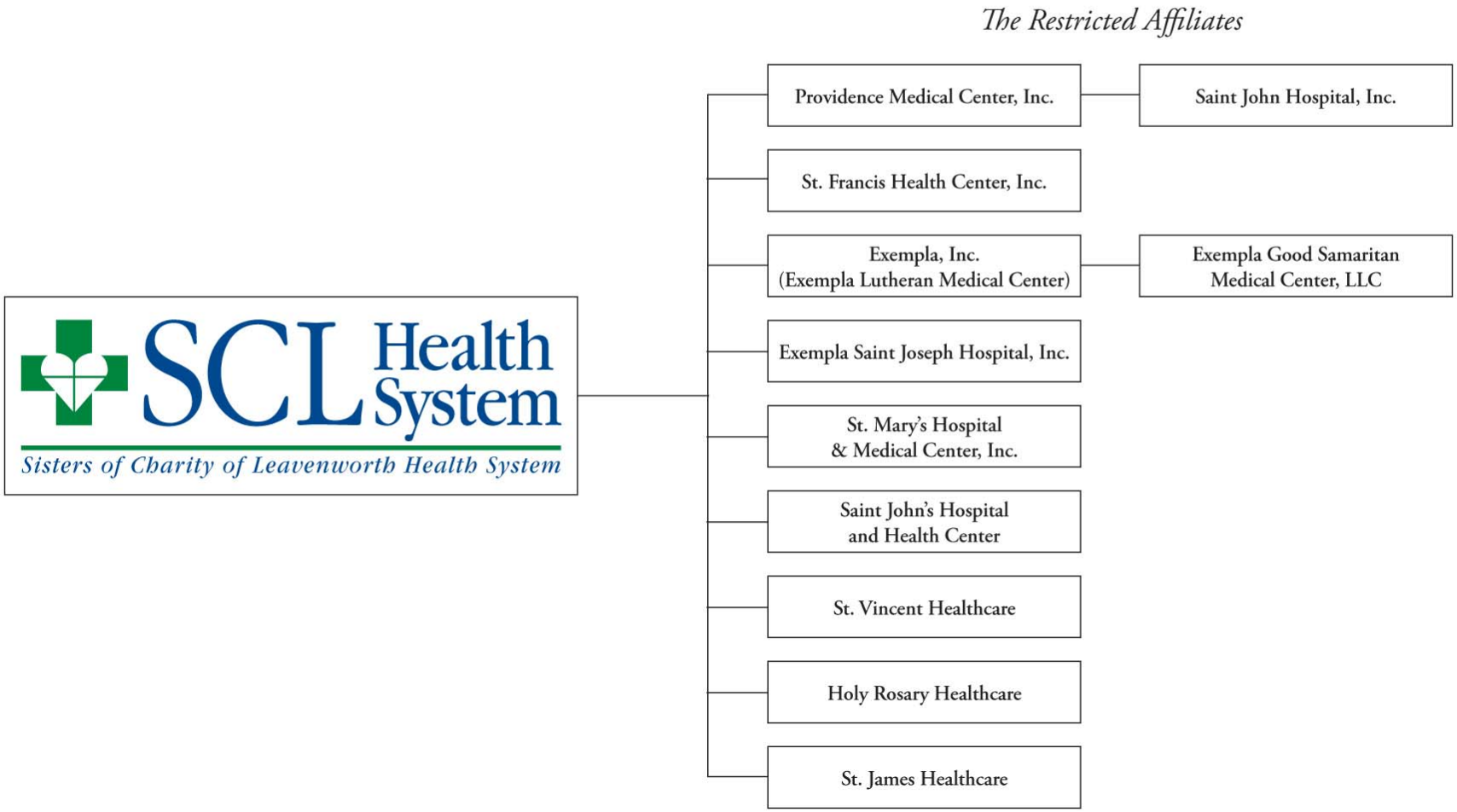
BUTTE
- 1 ASC

MILES CITY
- 4 Ambulatory Practices

KEY
- **Care Sites**
- **Clinics**
- **Ambulatory Practices (multiple)**
- **Children's Mental Health Treatment Center**

As of March 31, 2012

Restricted Affiliates Organizational Chart



System Changes

Restricted Affiliates

There were no changes to the Restricted Affiliates since the last disclosure for December 31, 2011.

Corporate Governance

Dennis Purtell's term on the Board of Directors expired on December 31, 2011. Kathryn Paul, President and CEO, Delta Dental of Colorado, was elected to the Board effective January 2012 with a term expiration of 2014. Effective January 2012, Sister Lynn Casey, SCL was reappointed to the Board with a term expiration of 2014.

There were no other changes to corporate governance since the last disclosure for December 31, 2011.

Executive Management

There were no changes to executive management since the last disclosure for December 31, 2011.

Management's Discussion and Analysis of Financial Performance

For the Three Months Ended March 31, 2012

Introduction

For the three months ended March 31, 2012, the financial and operating results improved substantially over the same period in the previous year. Operationally, SCLHS' performance improvement plan "Sustaining Our Mission," continued to yield results in the first three months of 2012. SCLHS generated operating income of $9.3 million, approximately $5.7 million better than the first three months of the prior year. Operating cash flow margin was 11.7% for the first three months of 2012 versus 11.6% in the same period in 2011. Total operating revenue was $676.6 million, $35.4 million or 5.5% better than the first three months of 2011 due primarily to pricing, managed care contracting increases, increases in employed physician practice revenue and increases in outpatient volume. Total operating expenses of $667.3 million exceeded last year's operating expenses by $29.7 million, or less than 4.7%, including $14.6 million additional labor costs, an increase of 4.5% over the same period in the prior year. Over half of the increase in operating expenses related to the expansion of employed physician practices in connection with the development of accountable health networks across the system. As a percentage of net patient service revenue, labor costs increased slightly to 52.6% from 52.5% and supply expense increased to 18.5% from 18.2% respectively, comparing the first three months of 2012 versus the first three months of 2011.

Net assets increased to $2.78 billion at the end of the three months from the 2011 year-end balance of $2.69 billion due to $86.2 million in investment gains. At the same time, cash and investments increased to $2.06 billion from $2.00 billion at prior year-end largely due to investment gains of $86.2 million offset by debt service payments of $50.9 million during the first quarter of 2012.

On a volume basis, SCLHS continued to see mixed results with increases in clinic visits, emergency room visits and surgeries and decreases in inpatient admissions. Clinic visits increased 15.9% (322,135 versus 277,986), ER visits increased 4.2% (93,698 versus 89,919) and surgeries increased 2.9% (18,522 versus 17,992). Outpatient visits decreased from the prior year by 1.3% (305,189 versus 309,093, respectively) and acute admissions decreased 3.9% (26,978 versus 28,082).

Overall, there are recognizable improvements at the various care sites in labor costs as management has established benchmark staffing targets across the system. A system-wide effort to reduce supply costs is underway. Detailed Sustaining Our Mission action plans are in place at each care site, with particular emphasis in the areas of productivity and tactical growth. Additionally, the integration with Exempla has gone well and has strengthened SCLHS, providing the combined organization with the ability to reduce expenses by leveraging skill and scale.

In 2012, SCLHS adopted accounting guidance that requires health care entities to reflect bad debt expense as a reduction to net patient revenue (net of contractual allowances and discounts) on the statements of operations and changes in net assets. Bad debt expense was recorded as an expense in previous years. Information for prior periods has been restated to reflect this change. The change affects the ratios reported for Operating Margin, Operating Cash Flow Margin, Total Margin, Employee Compensation and Benefits as a % of Net Patient Service Revenue, Supply Expense as a % of Net Patient Service Revenue and Uncompensated Care as a % of Net Revenue.

Financial and Statistical Highlights – Consolidated

The results of key performance measures for the three months ended March 31, 2012 compared to March 31, 2011 were as follows:

Operating Income and Excess Revenue ($ in Millions)

	Three Months Ended March 31,	
	2012	2011
Operating Income	$9.3	$3.6
Operating Margin (1)	1.4%	0.6%
Consolidated (Deficit) Excess Revenue over Expenses	$94.8	$52.1
Total Margin (2)	12.4%	7.6%
Operating Cash Flow Margin	11.7%	11.6%

Industry standard ratios:

(1) Operating Margin = operating revenue – operating expense / total operating revenue. Operating Margin for 2011 has been restated to reflect the reporting of bad debts as an element of net revenue.

(2) Total Margin = consolidated excess revenue over expense / (total operating revenue + nonoperating gains/losses) Total Margin for 2011 has been restated to reflect the reporting of bad debts as an element of net revenue.

Volume and Revenue ($ in Millions)

	Three Months Ended March 31,	
	2012	2011
Acute Admissions	26,978	28,082
Outpatient Visits (Including Observations)	305,189	309,093
Outpatient Surgeries	9,908	9,575
Inpatient Surgeries	8,614	8,417
Net Patient Service Revenue	$644.2	$616.6
Total Operating Revenue	$676.6	$641.2

Operating Expense Indicators as a % of Net Patient Service Revenue

	Three Months Ended March 31,	
	2012	2011
Employee Compensation and Benefits	52.6%	52.5%
Supply Expense	18.5%	18.2%
Uncompensated Care (1)	16.5%	16.2%

(1) Uncompensated care includes bad debt expense and charity care write offs as a percentage of net revenue The 2011 ratios above have been restated to report bad debts as an element of net revenue

Consolidated Utilization

	Three Months Ended March 31,	
	2012	2011
Licensed Beds	3,407	3,430
Staffed Beds	2,554	2,616
Percent of Occupancy, Staffed Beds	57.3%	59.7%
Admissions	28,660	29,888
Patient Days	133,234	140,672
Average Length of Stay	4.6	4.7

Analysis of Operating Performance

Balance Sheet

The consolidated balance sheet remained strong due to good cash flow from operations and excellent investment results in the first three months of 2012.

Total assets increased $26.7 million to $4.65 billion from the prior year end balance due to investment income of $86.2 million net of debt payments of $24.5 million and a $43.7 million decrease in amounts due to broker. Net working capital decreased to $209.2 million versus $237.8 million at the end of last year. Overall, the balance sheet remains strong and stable.

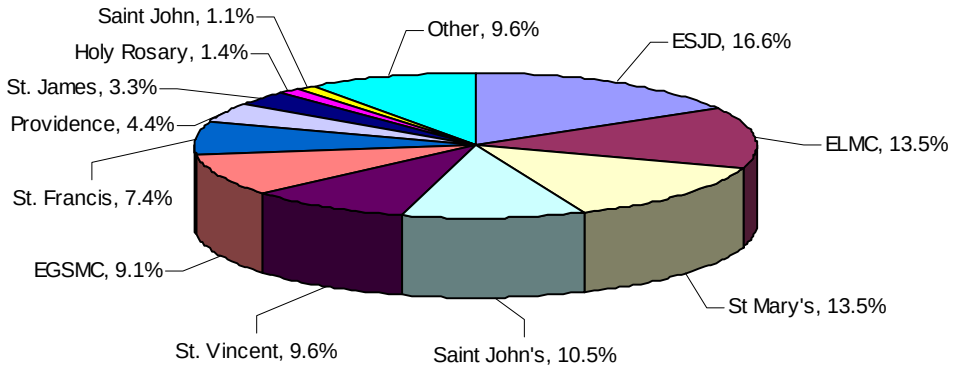
Income Statement

Financially, the first three months results were significantly improved versus a year ago. Operating margin through March 31, 2012 was $9.3 million or 1.4% versus $3.6 million in the first three months of last year, an improvement of $5.7 million. In the first quarter of 2012, operating cash flow margin increased $30.5 million, 11.7% versus 11.6% in the prior year. Return on net assets increased to 3.6% from 2.0% in the first three months of 2012 as compared to the first three months of 2011.

First three months utilization statistics reflected an increase in inpatient and outpatient surgeries as well as emergency and clinic visits, while inpatient admissions continued to decline. Acute admissions decreased 3.9% to 26,978 compared to the first three months of 2011. Adjusted admissions also decreased by 2.7% to 49,186 in the first three months of 2012 as compared to prior year. Inpatient surgeries and outpatient surgeries for the three months ended March 31, 2012 were 8,614 and 9,908 respectively, up 2.3% and 3.5% from a year ago March. At the same time, emergency room visits for the first three months of 2012 were 93,698, up 4.2% over the first three months of last year. Outpatient visits decreased (305,189 versus 309,093) and clinic visits increased (322,135 versus 277,986) in the first three months of 2012 as compared to last year's first three months. These increases in the outpatient setting are some examples of SCLHS' strategy to increase outpatient market share as volumes shift from the inpatient setting to outpatient.

% of Operating Revenue by Care Site

Three Months Ended March 31, 2012 (Unaudited)



Total operating revenue was $676.6 million or 5.5% better than the prior year-to-date. This positive result is due to the Sustaining Our Mission efforts, which included price increases and improvements in managed care contracting and expansion of physician network operations across the ministry. Total operating expenses increased to $667.3 million from a year ago of $637.6 million. Salary and benefits expense of $338.5 million increased 4.5% versus the prior year including $11.8 million in increased cost for physician network expansion and $1.4 million in severance and reorganization costs. As a percentage of net patient service revenue, salary and benefits increased slightly to 52.6% from 52.5% for the first three months of 2012 as compared to 2011.

Sources of Patient Revenue

The primary sources of consolidated gross patient service charges include Medicare, state-administered Medicaid programs, contracted rate payors (including health maintenance organizations and preferred provider organizations), commercial insurers and self-paying patients. The following information

provides the mix of consolidated gross patient service charges by payor for the three months ended March 31, 2012 and March 31, 2011 and years ended December 31, 2012 and 2011.

	Three Months Ended March 31		Year Ended December 31	
	2012	2011	2011	2010
Medicare	45.8%	43.5%	43.6%	43.4%
Medicaid	7.5%	7.6%	8.0%	7.1%
Managed care (HMO/PPO)	33.4%	35.1%	34.5%	34.6%
Commercial, self-pay, and other	13.3%	13.8%	13.9%	14.9%
Total	100.0%	100.0%	100.0%	100.0%

Liquidity and Capital Resources

SCLHS (Consolidated) total cash and investments increased by $60.0 million during the three months ended March 31, 2012 and the unrestricted cash and investments (excluding Self-Insured Risk Funds and Trustee Held Funds) increased $49.6 million. The increase is largely due to investment gains of $86.2 million for the first three months of the year compared to investment gains of $49.2 million for the first three months of 2011. SCLHS had 313 Days Total Cash on Hand and 291 Days Unrestricted Cash on Hand (excluding Self-Insured Risk Funds and Trustee Held Funds) at March 31, 2012.

Investments and assets limited as to use, stated at fair value and including pooled and separate accounts, as of March 31, 2012 and December 31, 2011, were as follows (table excludes cash and cash equivalents other than in pooled accounts):

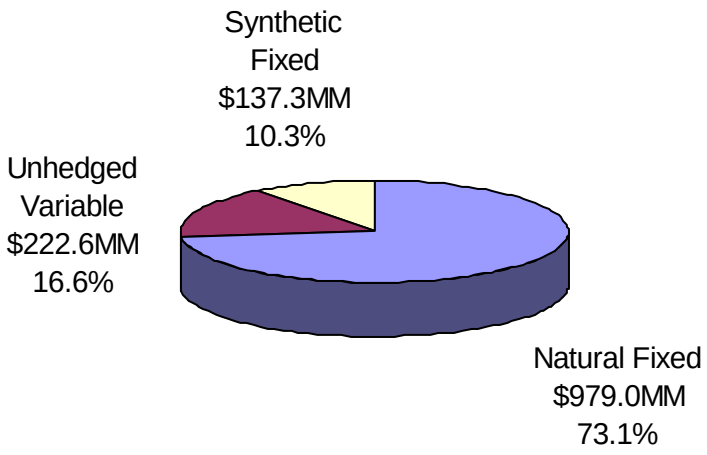
	Unaudited March 31 2012	Audited December 31 2011
	(In Millions)	
Cash and enhanced cash in pooled accounts	**$ 466.2**	$ 525.5
Fixed income	**175.2**	280.2
Domestic equity	**185.4**	218.6
Global/international equity	**247.2**	298.4
Real estate	**153.8**	185.6
Mutual funds	**597.3**	224.2
Absolute return funds	**30.1**	79.5
Core hedge funds	**75.9**	38.5
Private equity	**19.2**	19.4
Commingled funds	**46.9**	22.0
Subtotal	**1,997.2**	1,891.9
Due to broker, net	**5.7**	25.2
Total Investments	**$ 2,002.9**	$ 1,917.1

SCLHS' investments are exposed to various kinds and levels of risk (interest rate risk, credit risk, market risk and liquidity risk). SCLHS' investments are diversified across a broad range of asset classes, durations, and funds to avoid concentrations of risk in any particular company, region, or industry.

SCLHS maintains a high level of liquidity within its investment portfolio. At March 31, 2012, SCHLS had $1.3 billion (64.2%) of the investment portfolio in cash, enhanced cash, fixed income and mutual/commingled funds.

Excluding capital leases and guarantees, the restricted group's indebtedness was $1.339 billion as of March 31, 2012, of which 73.1% was fixed rate and another 10.3% was synthetic fixed rate. The average cost of capital for SCLHS as of March 31, 2012 was 4.14%.

Effective Fixed/Floating Debt Mix



Recent Debt Issuances

On June 15, 2011, SCLHS issued $62.6 million of Colorado Health Facilities Authority Variable Rate Revenue Bonds Series 2011A as a private placement with Bank of America, N.A. The private placement was used to refund the outstanding 2002 Series B and 2009 Series A Exempla, Inc. Colorado Health Facilities Authority Variable Rate Revenue Bonds.

On April 4, 2012, SCLHS issued $76.3 million of Kansas Development Finance Authority Variable Rate Demand Revenue Bonds Series 2012A as a private placement with Citibank, N.A. The private placement was used to refund the outstanding Kansas Development Finance Authority Variable Rate Demand Revenue Bonds Series 2006C ($16.025 Million) and Series 2006D ($60.0 Million). The floating rate private placement tax-exempt bonds have an interest rate equal to 70% LIBOR plus 45 basis points. The initial put date is April 4, 2017 with a bond maturity date of December 1, 2031.

Interest Rate Swaps

On March 7, 2006, SCLHS issued $120 million of Series 2006 variable rate bonds. SCLHS also entered into a $60 million swap to convert 50% of the Series 2006 issue from variable to fixed-rate. SCLHS agreed to pay 4.215% and receive a rate equal to SIFMA. The fixed rate amount and the floating rate amount are netted against each other monthly and SCLHS pays additional interest only to the extent the fixed swap rate exceeds the floating rate and vice versa. Additional swap interest payments for the Series 2006 Bond Issue totaled $0.6 million for the three months ended March 31, 2012. SCLHS is not required to post collateral on any of its swaps.

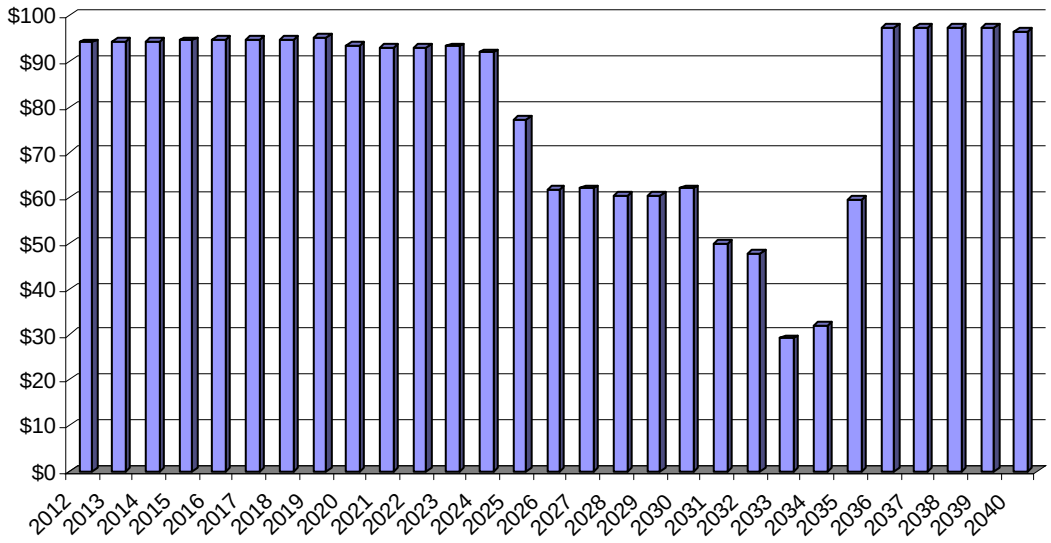
The Series 2003 Bond Issue consisted of $192 million of Variable Rate Demand Revenue Bonds. Upon the issuance of the Series 2003 Bonds, SCLHS entered into a $60 million swap in which SCLHS agreed to pay 3.789% and receive the SIFMA rate. SCLHS also entered into a $60 million swap in which SCLHS agreed to pay 3.18% and receive a rate equal to 68% of the monthly LIBOR rate. Both swaps will expire December 1, 2023. The fixed rate amount and the floating rate amount are netted against each other monthly and SCLHS pays additional interest only to the extent the fixed swap rate exceeds the floating rate and vice versa. Additional swap interest payments for the Series 2003 Bond Issue totaled $0.6 million for the three months ended March 31, 2012.

Liquidity Facilities

The Series 2002, 2003, and 2006 Variable Rate Demand Bonds are backed by Standby Bond Purchase Agreements with JPMorgan Chase Bank and BNY Mellon. In the event that bonds bearing interest at a weekly or daily rate are not successfully remarketed or if funds are not available for remarketing, JPMorgan Chase Bank or BNY Mellon will pay the purchase price for debt that is tendered. The Standby Bond Purchase Agreements supporting the 2003 Series A (CO) and 2003 (CA) bonds with BNY Mellon were extended on March 1, 2012. The Issues supported by the Standby Bond Purchase Agreements are listed below along with the expiration dates:

Series	Bank	Expiration Date	Amount
2002 Colorado, 2003A Montana, 2003B Colorado, 2006A Montana	J.P. Morgan Chase Bank.	November 26, 2014	$ 167,285,000
2003 California, 2003A Colorado	BNY Mellon	March 1, 2017	$ 52,415,000

Estimated Annual Debt Service (In Millions)



(1) Excludes other capital leases and obligations
(2) Assumes Interest rate on variable rate bonds of 3.00% per anum

Commitments and Contingencies

In May 2011, the SCLHS Board of Directors and Sponsors approved a $623 million replacement facility for Saint Joseph Hospital in downtown Denver to accommodate growth and solidify a critical partnership

with Kaiser Permanente in the region. The 826,000-square-foot facility is being constructed on land owned by SCLHS adjacent to the existing campus and is expected to be completed by the end of 2014. The new facility will accommodate up to 350 beds and will be equipped to ensure continued success as measured by quality/safety, patient satisfaction, operational efficiency and financial performance. SCLHS has no current plans to issue debt to finance this project. However, SCLHS has taken steps to preserve the ability to borrow against this asset in the event of a future borrowing.

In December 2010, the SCLHS Board of Directors and Sponsors approved a $67.8 million capital project to implement Epic as a standardized electronic health record and integrated clinical and financial system. The project is expected to be complete in 2013. Capital expenditures of $11.9 million were incurred through March 31, 2012 and an additional $11.1 million had been contractually committed as of that date.

The United States Attorney's Office and the Department of Health and Human Services Office of Inspector General have made inquiries regarding certain reimbursements claimed by SCLHS. SCLHS has adopted internal organizational responsibility and compliance programs to address these concerns and seeks to proactively respond to these requests.

Ratings

In August 2011, Standard & Poor's affirmed the AA rating for SCLHS and moved the outlook from stable to negative. In March 2011, Moody's affirmed the Aa3 rating and revised the outlook from negative to stable. On April 17, 2012, Fitch Ratings affirmed its rating of AA- with a stable outlook.

Summary

On an overall basis, key operating metrics were positive for the first three months of 2012. Income from operations was a positive $9.3 million versus $3.6 million for the same period last year. Consolidated excess of revenue over expenses was a gain of $94.8 million compared to last year's three month gain of $52.1 million. The increase in consolidated earnings is largely due to investment gains of $86.2 million compared to last year's gain of $49.2 million as well as an increase in income from operations of $5.7 million.

The Sustaining Our Mission plan is the springboard for comprehensive action plans to improve operating performance and provide capabilities for the ministry to continue to thrive as health reform takes shape:

- Accountable Health Transformation initiatives recognize the continuing trend toward ambulatory health care settings and the need to achieve an optimal mix of services and resources in this changing model. Plans include expanding relationships with physicians and health purchasers and improving physician enterprise efficiency, quality and financial performance.

- Revenue Cycle work plans are underway to achieve top performance in patient access, charge capture, utilization management, pricing, coding, billing and collecting.

- Supply Chain initiatives in progress will leverage the increased purchasing power of the consolidated organization to achieve supply savings through pricing, contract compliance, standardization and utilization.

- Integration efforts to unify system support services and achieve economies of scale are continuing. Standard financial and clinical tools such as Lawson and Epic provide the foundation for the improvement efforts described above. The implementation of Epic acute and ambulatory electronic health records continues at an accelerated pace across the ministries and will improve the quality and efficiency of care provided to our patients.

Overall, Sustaining Our Mission efforts are yielding results in the first three months of 2012. Most key metrics and indicators are positive as shown by the significant improvement in income from operations despite inpatient volume challenges. Leadership, management and associates have embraced Sustaining Our Mission and look forward to continued improvements.

Subsequent Events

On April 16, 2012, SCLHS signed four agreements with J. P. Morgan Chase Bank to renew the Standby Bond Purchase Agreements supporting the Colorado Series 2002, the Montana Series 2003, the Colorado Series 2003B and the Montana Series 2006A revenue bonds. The expiration date on the renewed agreements is November 26, 2014.

Forward-Looking Statements

This Quarterly Report contains disclosures which constitute "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on the current plans and expectations of SCLHS and are subject to a number of known and unknown uncertainties and risks, many of which are beyond SCLHS' control, that could significantly affect current plans and expectations and SCLHS' future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs (including changes to Medicare outlier payments) that may impact reimbursements to health care providers and insurers, (iv) the ability to achieve expected levels of patient volumes and control the costs of providing services, (v) changes in Federal, state or local regulations affecting the health care industry, (vi) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against SCLHS (vii) changes in accounting practices, (ix) changes in general economic conditions including growing numbers of uninsured and unemployed patients, (x) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms and (xii) the collectability of uninsured accounts and deductible and co-pay amounts. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of SCLHS. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, including in "Management's Discussion and Analysis of Financial Performance."

Financial Analysis and Utilization Statistics Summary

The Consolidated Statements of Operations and Changes in Net Assets in the attached Financial Statements for SCLHS (Consolidated) are a summary of activity for the fiscal years ended December 31, 2011 and 2010 and for the three months ended March 31, 2012 and March 31, 2011. The Consolidated Statements of Operations and Changes in Net Assets with respect to the fiscal years ended December 31, 2011 and 2010 should be read in conjunction with the Audited Financial Statements, including the notes thereto, and the reports of Ernst & Young LLP, independent auditors.

The information discussed below and illustrated in the various financial tables is generally derived from the financial statements which are in conformity with U. S. generally accepted accounting principles, except for the omission of Notes to Consolidated Financial Statements. The two major indicators, Operating Indicator and Performance Indicator, respectively known as Income (Loss) from Operations and Excess of Revenues over Expenses, are defined terms and generally fully detailed in the Notes to Consolidated Financial Statements from the December 31, 2011 Audited Financial Statements within the section entitled, "Summary of Significant Accounting Policies." Operating and Performance Indicator information is also presented in an alternative form prescribed by the MTI. These ratios are unique to the MTI and differ from ratios commonly used by rating agencies such as Standard & Poor's, Fitch Ratings and Moody's Investors Service.

Sisters of Charity of Leavenworth Health System, Inc.

Financial Analysis – Consolidated (Unaudited)

(Dollars in Millions)

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2012	2011	2011	2010	2009
Industry Standard Ratios (1):					
Operating Margin	1.4%	0.6%	0.5%	(2.8)%	1.6%
Total Margin	12.4%	7.6%	0.5%	1.1%	5.3%
MTI Ratios (2):					
Adjusted Operating Income Margin	0.4%	0.3%	0.0%	(3.0)%	1.2%
Operating Income Margin	12.4%	7.6%	0.5%	1.1%	5.3%
Return on Net Assets	3.6%	2.0%	0.5%	1.1%	5.2%
Debt Service Coverage	5.0x	3.9x	3.4x	5.3x	3.1x
Total Cash and Investments	$2,055.1	$1,993.4	$1,995.1	$2,016.6	$1,554.2
Total Unrestricted Cash and Investments*	$1,907.8	$1,841.5	$1,858.2	$1,864.5	$1,461.7
Days Cash on Hand – Total	313	320	324	324	263
Days Cash on Hand – Unrestricted*	291	296	301	300	248
Cushion Ratio	21.3x	19.4x	19.5x	42.0x	20.1x
Unrestricted Cash to Long Term Debt	144.0%	134.9%	137.6%	134.2%	162.3%
Percentage of Net Long Term Debt to Total Capitalization	33.5%	34.1%	34.8%	35.0%	26.1%
Gross Patient Services Charges by Payor Type:					
Medicare	45.8%	43.5%	43.6%	43.4%	43.4%
Medicaid	7.5%	7.6%	8.0%	7.1%	6.6%
Managed Care (HMO/PPO)	33.4%	35.1%	34.5%	34.6%	34.0%
Commercial. Self-pay and Other	13.3%	13.8%	13.9%	14.9%	16.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

* Excludes trustee held funds and self insured risk funds

Note: SCLHS changed its operating and performance indicators in 2012 to report bad debt expense as a reduction to net patient revenue (net of contractual allowances and discounts). Prior period information has been restated to reflect this change.

(1) Industry Standard Ratios:
Operating margin = operating revenue – operating expense / operating revenue
Total margin = consolidated excess of revenue over expense / (total operating revenue + nonoperating gains/losses)

(2) MTI Ratios:
Adjusted operating revenue = net patient service revenue + other operating revenue + net assets released form restrictions
Adjusted operating income = adjusted operating revenue – total operating expenses
Adjusted operating income margin = adjusted operating income / adjusted operating expenses
Operating income margin = excess (deficit) of revenue over expenses / (total operating revenue + total non-operating gains (losses))

Sisters of Charity of Leavenworth Health System, Inc.

Utilization Statistics - Consolidated (Unaudited)

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2012	2011	2011	2010	2009
Licensed Beds	3,407	3,430	3,407	3,449	3,546
Staffed Bed	2,554	2,616	2,554	2,623	2,686
Admissions – Acute	26,978	28,082	108,232	109,768	113,738
Admissions - Total	28,660	29,888	115,166	116,944	120,580
Adjusted Admissions	49,186	50,548	199,966	199,458	200,439
Newborn Deliveries	4,030	4,162	17,282	17,098	18,021
Patient Days – Acute	112,584	117,234	438,542	442,878	464,801
Patient Days - Total	133,234	140,672	527,065	534,910	554,088
Adjusted Patient Days	228,655	237,913	915,157	912,336	919,393
Occupancy on Staffed Beds	57.3%	59.7%	56.7%	55.6%	56.5%
Average Daily Census	1,464	1,563	1,444	1,466	1,518
Average Length Of Stay	4.6	4.7	4.6	4.6	4.6
Emergency Room Visits	93,698	89,919	362,702	355,282	367,835
Outpatient Visits Including Observation	305,189	309,093	1,238,950	1,204,581	1,180,878
Clinic Visits	322,135	277,986	1,104,212	1,032,262	936,159
Inpatient Surgeries	8,614	8,417	33,240	34,355	40,979
Outpatient Surgeries	9,908	9,575	38,470	39,698	34,390
Full Time Equivalent Employees	15,202	15,273	15,058	15,212	15,087

Sisters of Charity of Leavenworth Health System, Inc.

Consolidated Balance Sheets

	Unaudited March 31 2012	Audited December 31 2011
	(In Millions)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 57.8**	$ 103.1
Due from broker	**9.0**	33.2
Current portion of investments	**73.1**	84.3
Accounts receivable:		
Patient (less allowance for uncollectible accounts of $151.8 million in 2012 and $167.1 million in 2011)	**375.0**	350.6
Pledges and other	**30.8**	40.6
Inventory	**45.7**	45.2
Prepaids and other assets	**37.2**	42.2
Total current assets	**628.6**	699.2
Investments:		
Investments, net of current portion	**1,782.6**	1,696.0
Assets limited as to use:		
Restricted funds – self-insured risks	**77.8**	66.8
Trustee-held funds	**69.5**	70.1
	147.3	136.9
Land, buildings, and equipment, net	**2,008.8**	2,014.0
Other assets:		
Investments in joint ventures	**18.1**	16.5
Pledges receivable, net	**26.3**	26.7
Prepaid pension cost		-
Other assets	**42.9**	30.6
	87.3	73.8
Total assets	**$ 4,646.6**	$ 4,619.9

Sisters of Charity of Leavenworth Health System, Inc.

Consolidated Balance Sheets (continued)

	Unaudited March 31 2012	Audited December 31 2011
	(In Millions)	
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term obligations	**$ 57.0**	$ 56.4
Accrued interest payable	**16.1**	27.9
Due to broker	**14.7**	58.4
Accounts payable	**128.1**	136.5
Accrued salaries, wages, and benefits	**120.4**	110.9
Other accrued expenses	**83.1**	71.3
Total current liabilities	**419.4**	461.4
Other noncurrent liabilities:		
Reserve for self-insured risks	**72.7**	72.3
Accrued pension payable	**21.9**	21.1
Accrued swap payable	**25.2**	27.7
Other liabilities	**19.9**	19.9
	139.7	141.0
Capital structure:		
Bonds payable	**1,342.1**	1,366.4
Other notes and capital leases payable	**20.8**	21.5
	1,362.9	1,387.9
Less current maturities	**57.0**	56.4
	1,305.9	1,331.5
Total liabilities	**1,865.0**	1,933.9
Net assets:		
Noncontrolling interest	**251.0**	251.3
SCLHS controlling interest	**2,380.4**	2,283.2
Total unrestricted	**2,631.4**	2,534.5
Temporarily restricted	**119.6**	120.7
Permanently restricted	**30.6**	30.8
Total net assets	**2,781.6**	2,686.0
Total liabilities and net assets	**$ 4,646.6**	$ 4,619.9

Sisters of Charity of Leavenworth Health System, Inc.

Consolidated Statements of Operations and Changes in Net Assets

	Unaudited Three Months Ended March 31,	
	2012	2011
	(In Millions)	
Patient services		
Operating revenue:		
Net patient service revenue before provision for bad debts	**$ 683.6**	$ 653.6
Provision for bad debts	**(39.4)**	(37.0)
Net Patient service revenue	**644.2**	616.6
Other operating revenue	**20.5**	18.5
Net assets released from restrictions	**5.4**	4.3
Net gain from joint ventures	**2.3**	1.9
Net loss from disposal of assets	**4.2**	(0.1)
Total operating revenue	**676.6**	641.2
Operating expenses:		
Salaries and wages	**269.1**	257.4
Employee benefits	**69.4**	66.5
Other operating expenses	**258.9**	243.0
Depreciation and amortization	**56.0**	56.0
Interest and amortization	**13.9**	14.7
Total operating expenses	**667.3**	637.6
Income (Loss) from operations	**9.3**	3.6
Non-operating gains (losses)		
Income tax expense	**(0.5)**	(0.4)
Investment income	**86.2**	49.2
Mission Fund expenditures	**(0.2)**	(0.3)
Total nonoperating gains, net	**85.5**	48.5
Consolidated excess of revenue over expenses	**94.8**	52.1
Less amounts attributable to noncontrolling interest	**0.7**	0.6
Excess of revenue over expenses attributable to SCLHS	**$ 94.1**	$ 51.5

Sisters of Charity of Leavenworth Health System, Inc.

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Three Months Ended March 31,			
	2012 (Unaudited)			2011 (Unaudited)
	Total	Controlling	Non-Controlling	Total
	(In Millions)			
Unrestricted net assets				
Excess of revenue over expenses	**$ 94.8**	**94.1**	**0.7**	$ 52.1
Change in unrealized value of interest rate swaps	**4.9**	**4.9**	–	0.8
Change in noncontrolling interest	**3.2**	**0.4**	**2.8**	–
Distributions to noncontrolling interest	**(3.8)**	–	**(3.8)**	(0.6)
Contributions to related organizations	**(4.7)**	**(4.7)**	–	(15.1)
Net assets released for capital acquisitions	**2.5**	**2.5**	–	13.7
	96.9	**97.2**	**(0.3)**	50.9
Temporarily restricted net assets				
Contributions	**5.6**	**5.6**	–	7.8
Net investment activity	**1.4**	**1.4**	–	0.7
Net assets released from restrictions	**(8.1)**	**(8.1)**	–	(8.3)
	(1.1)	**(1.1)**	–	0.2
Permanently restricted net assets				
Contributions	–	–	–	0.3
Net investment activity	**(0.2)**	**(0.2)**	–	0.1
	(0.2)	**(0.2)**	–	0.4
Increase in net assets	**95.6**	**95.9**	**(0.3)**	51.5
Beginning net assets	**2,686.0**	**2,434.7**	**251.3**	2,732.5
Ending net assets	**$ 2,781.6**	**$ 2,530.6**	**$ 251.0**	$ 2,784.1

Sisters of Charity of Leavenworth Health System, Inc.

Consolidated Statement of Cash Flows

	Unaudited Three Months Ended March 31, 2012	2011
	(In Millions)	
Operating activities		
Increase in net assets	**$ 95.5**	$ 51.5
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**55.8**	55.8
Provision for bad debts	**39.4**	37.0
Increase in accounts receivable, net of allowances	**(54.0)**	(48.0)
Change in unrealized value of interest rate swaps	**(4.9)**	(0.8)
Restricted contributions	**(5.6)**	(8.1)
Net assets released for capital acquisitions	**(2.5)**	(13.7)
Net gain from joint ventures	**(2.3)**	(1.9)
Net loss from disposal of assets	**(4.2)**	0.1
(Increase) decrease in investments classified as trading	**(106.3)**	(36.9)
(Increase) decrease in other assets	**(7.6)**	1.7
Increase (decrease) in liabilities	**4.7**	(54.7)
Net cash used by operating activities	**8.0**	(18.0)
Investing activities		
Acquisition of land, buildings, and equipment	**(42.8)**	(44.7)
Proceeds from disposal of land, buildings, and equipment	**4.3**	–
Decrease in alternative investments	**0.9**	36.5
Decrease in investments in joint ventures	**0.7**	1.8
Net cash used in investing activities	**(36.9)**	(6.4)
Financing activities		
Restricted contributions	**5.6**	8.1
Net assets released for capital acquisitions	**2.5**	13.7
Payments on bonds, notes, and capital leases payable	**(24.5)**	(21.1)
Net cash provided by financing activities	**(16.4)**	0.7
Net decrease in cash and cash equivalents	**(45.3)**	(23.7)
Beginning cash and cash equivalents	**103.1**	98.0
Ending cash and cash equivalents	**$ 57.8**	$ 74.3
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, including amounts capitalized	**$ 26.4**	$ 32.4
Interest expense capitalized	**$ 0.5**	$ –
Capitalized lease obligations	**$ –**	$ –

Restricted Affiliates Statistics and Financial Ratios

The financial and statistical tables which follow are presented for the Obligated Group under the MTI (Restricted Affiliates). Information for Exempla, Inc. is included in the tables for Restricted Affiliates beginning in 2010, as Exempla became a Restricted Affiliate on April 14, 2010. A complete list of the Restricted Affiliates can be found in the 2012 Consolidated Financial Statements.

Historical Capitalization Ratio (*Unaudited*)

The following table presents the capitalization of the Corporation and Restricted Affiliates (Restricted) for the three months ended March 31, 2012 and the years ended December 31, 2011 and 2010.

	Restricted		
	Three Months Ended March 31	Year Ended December 31	
	2012	2011	2010
	(In Millions)		
Long-term debt:			
Master Trust Indenture debt (net of original issue discount/(premium))	**$ 1,338.9**	$ 1,361.5	$ 1,395.0
Other long-term indebtedness	**20.4**	22.7	24.2
Total long-term debt	**1,359.3**	1,384.2	1,419.2
Less current maturities	**(57.0)**	(56.4)	(104.2)
Plus variable portion not scheduled	**19.0**	19.0	70.5
Net long-term debt	**1,321.3**	1,346.8	1,385.5
Unrestricted net assets	**2,494.8**	2,407.0	2,475.9
Total capitalization	**$ 3,816.1**	$ 3,753.8	$ 3,861.4
Percent of net long-term debt to total capitalization	**34.6%**	35.9%	35.9%

Historical Debt Service Coverage Requirements (*Unaudited*)

The table below presents the debt service coverage of the Corporation and Restricted Affiliates (Restricted) for the three months ended March 31, 2012 and the years ended December 31, 2011 and 2010.

	Restricted					
	Three Months Ended March 31		Year Ended December 31			
		2012		2011		2010
			(In Millions)			
Consolidated income available for debt service:						
Excess (deficit) of revenue over expenses	**$**	**85.3**	$	0.8	$	20.7
Change in unrealized (gains) losses, net		**(43.1)**		31.7		(62.4)
Depreciation and amortization		**55.4**		231.1		236.3
Interest and amortization		**13.9**		57.9		51.4
Total income available for debt service	**$**	**111.5**	$	321.5	$	246.0
Consolidated annual debt service requirements[1]	**$**	**96.1**	$	98.6	$	45.9
Actual debt service coverage ratio – all long-term debt[2]		**4.6x**		3.3x		5.4x

[1] Annual debt service = principal paid + interest paid + 20% of interest and principal for guaranteed debt.

[2] Debt service coverage = (excess (deficit) of revenue over expenses – change in unrealized gains, net + depreciation and amortization + interest and amortization) / annual debt service. Three months debt service calculation is annualized.

Financial Performance (*Unaudited*)

The following table highlights the financial results for the Corporation and Restricted Affiliates (Restricted) for the three months ended March 31, 2012 and years ended December 31, 2011 and 2010.

	Restricted		
	Three Months Ended March 31	Year Ended December 31	
MTI Ratios:	2012	2011	2010
Adjusted operating income margin[1]	**0.6%**	(0.2)%	(2.6)%
Operating income margin[2]	**11.7%**	0.1%	0.9%
Return on net assets[3]	**3.4%**	0.1%	0.9%
Debt service coverage[4]	**4.6x**	3.3x	5.4x
Days cash on hand (excluding self-insured risk funds and trustee-held funds)[5]	**279**	281	266
Cushion ratio[6]	**19.0**	17.8x	36.8x

[1] Adjusted operating revenue = net patient service revenue + other operating revenue + net assets released from restrictions.
Adjusted operating income = adjusted operating revenue – total operating expenses.
Adjusted operating income margin = adjusted operating income / adjusted operating revenue.

[2] Operating income margin = excess (deficit) of revenue over expenses / (total operating revenue + (total nonoperating gains (losses)).

[3] Return on net assets = excess (deficit) of revenue over expenses / unrestricted net assets.

[4] Debt service coverage = (excess (deficit) of revenue over expenses – change in unrealized gains (losses), net + depreciation and amortization + interest and amortization) / annual debt service.

[5] Days cash on hand = (cash and cash equivalents + investments) / (total operating expenses – bad debts – depreciation and amortization – interest and amortization / cumulative days).

[6] Cushion ratio = (cash and cash equivalents + investments+ trustee-held funds) / annual debt service.

Exempla, Inc. is included in the restricted totals for 2010 as it became a Restricted Affiliate on April 14, 2010.