PRESBYTERIAN

Presbyterian Healthcare Services
P.O. Box 26666
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(505) 923-5700
www.phs.org

May 24, 2013

Digital Assurance Certification
390 North Orange Avenue
Suite 1750
Orlando, Florida 32801

ATTN: Shana Bridge

RE: 1. Continuing Disclosure Agreement dated as of November 25, 2008 between Presbyterian Healthcare Services and Wells Fargo Bank, National Association (the "Continuing Disclosure Agreement")

2. Continuing Disclosure Agreement dated as of September 24, 2009 between Presbyterian Healthcare Services and Wells Fargo Bank, National Association (the "Continuing Disclosure Agreement")

3. Continuing Disclosure Agreement dated as of August 30, 2012 between Presbyterian Healthcare Services and Wells Fargo Bank, National Association (the "Continuing Disclosure Agreement")

Dear Shana,

Pursuant to Section 3(d) of the above referenced Continuing Disclosure Agreement(s) and on behalf of the Members of the Obligated Group, I have enclosed our Quarterly Report for the fiscal quarter ended March 31, 2013, which includes unaudited financial statements, management discussion and analysis, and other supplementary information for the Obligated Group, as defined in the Continuing Disclosure Agreement(s).

Also included are operating data for Presbyterian Healthcare Services for the periods ended March 31, 2013 and 2012.

Please distribute copies of the Quarterly Report for the quarter ended March 31, 2013 to the Master Trustee, each NRMSIR, SID (as applicable) and to the Electronic Municipal Market Access system for the Municipal Securities Rulemaking Board , each as defined in the Continuing Disclosure Agreement(s).

Should you have any questions, please do not hesitate to contact me at cspencer@phs.org or call me at (505) 923-6395.

Regards,

Christopher C. Spencer

Christopher C. Spencer
Vice President Treasury Services

Enclosures

Continuing Disclosure – Quarterly Report

March 31, 2013

Presbyterian Healthcare Services
1100 Central Avenue SE
Albuquerque, NM 87106

Contact Information

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Forward-Looking Information -

This disclosure report may contain disclosures which contain "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 such as "believe," "expect," "may," "might," "will," "should," "seek," "could," "approximately," "intend," "plan," "estimate," "budget," "anticipate," or "continue" or the negative of those words or other similar expressions. Forward-looking statements involve inherent risks and uncertainties and are based on the current plans and expectations of Presbyterian Healthcare Services (PHS) and are subject to a number of known and unknown uncertainties and risks, many of which are beyond PHS's control, that could significantly affect current plans and expectations and PHS's 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 that may impact reimbursements to health care providers and insurers, (iv) changes in federal, state or local regulations affecting the health care industry, (v) the possible enactment of federal or state health care reform, (vi) the ability to attract and retain qualified management and other personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against PHS, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional charges, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund future expansion plans of PHS and to provide for ongoing capital expenditure needs, (xiii) changes in business infrastructure costs, (xiv) delays in receiving payments, (xv) the ability to control administrative, supply and infrastructure costs, (xvi) the outcome of pending and any future litigation, (xvii) PHS's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to PHS's status as a tax-exempt organization, as well as its ability to comply with the requirement of Medicare and Medicaid programs, (xviii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xix) results of reviews of PHS's cost reports, and (xx) PHS's ability to comply with legislation and/or regulations. 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 PHS. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

Forward-looking statements contained herein are made only as of the date made, and we do not undertake any obligation to update them to reflect events or circumstances after the date of this disclosure to reflect the occurrence of unanticipated events.

Presbyterian Healthcare Services
Quarterly Report
March 31, 2013

Contents

Presbyterian Healthcare Services and Affiliates

Condensed Combined Balance Sheets

	As of	
	3/31/2013 (Unaudited)	**12/31/2012**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ **129,942**	$ 144,586
Accounts receivable, less allowance for doubtful accounts	**122,299**	114,245
Other receivables	**100,159**	86,920
Inventories, prepaid expenses, and other	**25,499**	29,537
Total current assets	**377,899**	375,288
Assets limited as to use or restricted:		
Designated for long-term purposes	**1,254,739**	1,216,830
Designated for self-insurance funds	**142,074**	134,582
Restricted by donors	**31,800**	30,081
Held by trustee	**57,733**	58,998
Restricted for statutory requirements	**22,637**	21,001
	1,508,983	1,461,492
Property and equipment, net	**738,510**	734,730
Goodwill	**57,389**	57,389
Other assets and Intercompany Balances	**60,265**	57,969
Total assets	$ **2,743,046**	$ 2,686,868
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ **32,975**	$ 43,254
Accrued liabilities	**122,784**	120,112
Medical claims payable	**90,847**	84,248
Estimated third-party payor settlements	**6,140**	5,168
Current portion of long-term debt and capital leases	**13,064**	13,064
Total current liabilities	**265,810**	265,846
Long-term debt and capital leases, net of current portion	**588,523**	583,934
Employee Benefit Plans	**164,498**	177,406
Self Insurance Reserves	**136,732**	137,420
Other liabilities	**69,015**	69,253
Total liabilities	**1,224,578**	1,233,859
Net assets:		
Unrestricted	**1,484,297**	1,418,217
Temporarily restricted	**23,097**	23,792
Permanently restricted	**11,074**	11,000
Total net assets	**1,518,468**	1,453,009
Total liabilities and net assets	$ **2,743,046**	$ 2,686,868

See accompanying notes.

Presbyterian Healthcare Services and Affiliates

Condensed Combined Statements of Operations

	For the Three Months Ended 3/31/2013	03/31/2012
	(Unaudited)	
	(In Thousands)	
Revenues		
Net premium	**$ 315,326**	$ 314,586
Patient Service Revenue	**205,270**	201,299
Provision for Bad Debts	**(23,012)**	(18,247)
Net Patient Service Revenue	**182,258**	183,052
Other operating	**17,956**	16,959
Total operating revenues	**515,540**	514,597
Expenses		
Medical claims	**150,921**	149,444
Salaries, wages and employee benefits	**186,782**	192,193
Purchased services and other	**81,187**	73,705
Supplies	**47,335**	42,706
Professional fees	**9,231**	8,063
Depreciation and amortization	**23,685**	22,031
Interest	**6,299**	5,941
Total expenses	**505,440**	494,084
Operating income	**10,100**	20,513
Other income (loss):		
Investment income	**5,519**	17,395
Changes in unrealized gains on investments	**47,812**	65,423
Change in fair value of interest rate swaps	**2,733**	2,905
Excess of revenues over expenses before income tax provision	**66,164**	106,236
Provision for income tax	**1,871**	8,165
Excess of revenues over expenses	**$ 64,293**	$ 98,071

See accompanying notes.

Presbyterian Healthcare Services and Affiliates

Combined Condensed Statements of Changes in Net Assets

	For the Three Months Ended 03/31/2013	03/31/2012
	(Unaudited)	
	(In Thousands)	
Unrestricted net assets		
Excess of revenues over expenses	$ **64,293**	$ 98,071
Other changes in net assets	**1,788**	(317)
Increase in unrestricted net assets	**66,081**	97,754
Temporarily restricted net assets		
Donor-restricted contributions and earnings	**1,085**	**1,288**
Net Assets released from restrictions	**(2,511)**	**(639)**
Net unrealized gains on investments	**730**	**1,245**
Other changes in Net Assets	**-**	**-**
Increase in temporarily restricted net assets	**(696)**	**1,894**
Permanently restricted net assets		
Changes in donor designations	**-**	**-**
Donor-restricted contributions	**74**	**32**
Increase in permanently restricted net assets	**74**	32
Increase in net assets	**65,459**	99,680
Net assets, beginning of year	**1,453,009**	1,191,496
Net assets, end of year	$ **1,518,468**	$ 1,291,176

See accompanying notes.

Presbyterian Healthcare Services and Affiliates

Condensed Combined Statements of Cash Flows

	For the Three Months Ended 3/31/2013	3/31/2012
	(Unaudited)	
Operating activities		
Change in net assets	$ **65,459**	$ 99,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in trading securities, net	**(47,121)**	(48,586)
Change in fair value of interest rate swaps	**(2,733)**	(2,905)
Depreciation and amortization	**23,685**	22,032
Provision for doubtful accounts	**23,012**	18,247
Changes in operating assets and liabilities:		
Accounts receivable	**(31,065)**	(31,230)
Other receivables	**(13,239)**	(4,718)
Inventories, prepaid expenses and other current assets	**4,038**	3,466
Other assets	**(2,296)**	1,223
Accounts payable	**(10,279)**	(10,873)
Accrued expenses	**2,672**	26,382
Medical claims payable	**6,599**	(13,879)
Estimated third-party payer settlements	**973**	(728)
Other liabilities	**(11,102)**	(21,338)
Net cash provided by operating activities	**8,603**	36,773
Investing activities		
Net sales and purchases of assets held by trustee and statutory deposits	**(371)**	1,328
Purchases of property and equipment	**(27,465)**	(25,437)
Net cash used in investing activities	**(27,836)**	(24,109)
Financing activities		
Proceeds from issuance of long-term debt	**5,000**	-
Payments on long-term debt and capital leases	**(411)**	(457)
Net cash used in financing activities	**4,589**	(457)
Net increase (decrease) in cash and cash equivalents	**(14,644)**	12,207
Cash and cash equivalents, beginning of year	**144,586**	93,967
Cash and cash equivalents, end of year	$ **129,942**	$ 106,174

See accompanying notes.

Presbyterian Healthcare Services
Notes to Condensed Combined Financial Statements
March 31, 2013

1. Organization

Presbyterian Healthcare Services (PHS) is a New Mexico nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. PHS is a diversified healthcare organization which owns, leases, controls, operates or manages a variety of healthcare-related organizations, including six hospitals in New Mexico, a for-profit health maintenance organization, and several other affiliated organizations. PHS provides a broad range of healthcare services, including inpatient, outpatient, sub-acute, home healthcare and physician services.

PHS consists of the following divisions and affiliates:

Presbyterian Healthcare Services Divisions:
- Presbyterian Hospital*, including the following which are designated as remote locations of Presbyterian Hospital:
  - Presbyterian Kaseman Hospital*
  - Presbyterian Northside*
  - Presbyterian Rust Medical Center*
  - Presbyterian Rio Rancho Patient Access Center*
- Plains Regional Medical Center*
- Presbyterian Española Hospital*
- Socorro General Hospital*

- Lincoln County Medical Center (leased facility)
- Dr. Dan C. Trigg Memorial Hospital (leased facility)

* Denotes Obligated Group members.

Presbyterian Healthcare Services Affiliates:
- Southwest Health Foundation
  - Presbyterian Network, Inc. (PNI)
    - Presbyterian Insurance Company, Inc.
    - Presbyterian Health Plan, Inc.
    - Albuquerque Imaging Associates
    - Southwest Magnetic Imaging Associates
- Presbyterian Properties, Inc. (PPI)
- Presbyterian Healthcare Foundation*
- Bernalillo County Health Care Corporation d.b.a. Albuquerque Ambulance Service*

PHS accesses the capital markets through an Obligated Group. Obligated Group members include PHS and certain divisions and affiliates as noted above, which are jointly and severally liable for the long-term debt outstanding under a Master Trust Indenture. None of the other PHS affiliates have any obligation related to requirements of the Master Trust Indenture. The Obligated Group's net assets represent approximately 62% and 60% of PHS and affiliates' combined net assets at March 31, 2013 and December 31, 2012, respectfully.

Presbyterian Network, Inc. (PNI) is a wholly owned subsidiary of Southwest Health Foundation. PNI is the parent organization of two wholly owned subsidiaries, Presbyterian Health Plan, Inc. (PHPI) and Presbyterian Insurance Company, Inc. (PIC). PHPI is a state-licensed HMO in New Mexico, and is also a federally qualified HMO under Title XIII of the Public Health Service Act, and provides services to individuals through employer contracts, to eligible individuals through the New Mexico Medicaid program and to Medicare-eligible individuals through a Medicare risk program. PIC offers preferred provider and indemnity products to individuals directly and through contracts with employer groups.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed combined financial statements include the accounts of PHS and its affiliates described in Note 1 (collectively PHS) and have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required for complete financial statements. All significant intercompany balances and transactions have been eliminated in combination.

The December 31, 2012 financial statement information was derived from and should be read in conjunction with the Presbyterian Healthcare Services and Affiliates 2012 audited combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

3. Fair Value Measurements

PHS has designated the accumulations of certain funds for future replacement of property and equipment, other capital improvements, debt retirement, self-insurance reserves and other long-term purposes. Under the terms of the Master Trust Indenture for the outstanding bond issues, funds held by the trustee have been established and legally designated for debt service and qualifying capital expenditures.

The following is a summary of assets limited as to use or restricted at fair value, except for the alternative investments held in PHS's corporate investment portfolio, which are recorded at the net asset value using the equity method. Alternative investments held by Presbyterian Healthcare Foundation and in the PHS defined benefit plan are recorded at fair value.

	March 31, 2013	December 31, 2012
	(In Thousands)	
Cash and cash equivalents	**$ 57,641**	**$ 76,701**
Fixed income securities	**467,197**	**437,926**
Equity securities	**620,992**	**582,290**
Alternative investments	**180,383**	**189,700**
Public Master Limited Partnerships	**80,495**	**108,193**
Government securities and other	**102,275**	**66,682**
	$ 1,508,983	**$ 1,461,492**

3. Fair Value Measurement (Continued)

In March, 2012, Presbyterian and the Foundation entered into a systematic hedge overlay strategy (the "SHO strategy") with Goldman Sachs Financial Markets, L.P. which utilizes a combination of puts and calls (each combination a "position") based on an index in order to provide protection against declines in the market value of equity investments. Each position includes selling a call which pays for the downside protection but effectively limits the upside returns on those equity investments. The current SHO strategy involves hedging multiple equity positions for a three-month tenor which mature on a staggered monthly basis. Approximately $200 million of Presbyterian's equity investments were hedged through the SHO strategy as of March 31, 2013. The hedge positions are recorded at fair value in the combined financial statements. Presbyterian recorded realized losses of $11.7 million and zero for the three month periods ended March 31, 2013 and 2012, respectively, which are included in investment income in the combined statement of operations. The fair value of outstanding positions at March 31, 2013 resulted in an unrealized loss of approximately $ 3.5 million which is included in changes in unrealized gains on investments in the combined financial statements.

As of March 31, 2013 and December 31, 2012 PHS had a total of $180 million and $189 million, respectively, invested in alternative investments representing various hedge funds, real assets and other alternative asset classes that included limited liability companies, limited liability partnerships and master limited partnerships as follows:

	March 31 2013	December 31 2012
	(In Thousands)	
Absolute return asset class	$ **32,760**	$ **32,900**
Hedged equity asset class	**34,400**	**43,600**
Private equity asset class	**6,500**	**6,500**
Real Asset class	**63,600**	**63,200**
Other alternatives	**13,300**	**13,300**
Total cost basis	**150,560**	**159,500**
Equity method changes, net	**29,823**	**30,200**
	$ **180,383**	$ **189,700**

Investment income on assets limited as to use or restricted (excluding restricted by donor) consist of the following:

	Three Months Ended March 31 **2013**	2012
	(In Thousands)	
Interest and dividend income	$ **6,406**	$ **6,828**
Realized gains on investments	**(887)**	**10,567**
Total realized income	**5,519**	**17,395**
Changes in unrealized gains on investments	**47,812**	**65,423**
	$ **53,331**	$ **82,819**

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* requires the categorization of financial assets and liabilities into a three-level hierarchy based on pricing inputs to the valuation technique. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the fair value hierarchy are described as follows:

3. Fair Value Measurement (Continued)

- Level 1 — Pricing is based on observable inputs such as quoted prices in active markets.
- Level 2 — Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in ASC 820. The three valuation techniques are identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

(a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. The majority of PHS' marketable debt and equity securities are measured based on observable market prices. PHS' swap instruments are measured using models based upon observable pricing inputs.

3. Fair Value Measurements (continued)

The Following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013:

	Level 1	Level 2	Level 3	Fair Value	Equity Method	Carrying Value at March 31	Valuation Technique (a, b, c)
Designated for long-term purposes							
Money market	$ 3,971	$ -	$ -	$ 3,971	$ -	$ 3,971	a
Government and agencies	66,654	-	-	66,654	-	66,654	a
Bond funds	127,634	138,714	-	266,348	-	266,348	a,c
Corporate and municipal bonds	-	143,659	-	143,659	-	143,659	a
Equity funds	228,202	299,497	-	527,699	-	$ 527,699	a
Other public equities	72,436	-	-	72,436	-	72,436	a
Alternative investments	-	1,107	8,509	$ 9,616	164,356	$ 173,972	a
Total designated for long-term purposes	$ 498,897	582,977	$ 8,509	$ 1,090,383	$ 164,356	$ 1,254,739	
Designated for self-insurance funds							
Money market	$ 1,800	$ -	$ -	$ 1,800	$ -	$ 1,800	a
Government and agencies	1,420	-	-	1,420	-	$ 1,420	a
Bond funds	21,441	8,981	-	30,422	-	$ 30,422	a,c
Corporate and municipal bonds	-	15,179	-	15,179	-	$ 15,179	a
Equity funds	25,966	60,930	-	86,896	-	$ 86,896	a
Other public equities	6,357	-	-	6,357	-	$ 6,357	a
Total designated for self-insurance funds	$ 56,984	$ 85,090	$ -	$ 142,074	$ -	$ 142,074	
Restricted by donors							
Money Market	$ 93	-	-	$ 93	-	$ 93	a
Government and agencies	1,566	-	-	1,566	-	1,566	a
Bonds funds	2,998	3,259	-	6,257	-	6,257	a,c
Corporate and municipal bonds	-	3,375	-	3,375	-	3,375	a
Equity funds	5,361	7,036	-	12,397	-	12,397	a
Other public equities	1,702	-	-	1,702	-	1, 702	a
Alternative investments	-	738	5,672	6,410	-	$ 6,410	a
Total restricted by donors	$ 11,720	$ 14,408	$ 5,672	$ 31,800	-	$31,800	
Held by trustee							
Money market	$ 57,733	-	-	$ 57,733	-	$ 57,733	a
	$ 57,733	-	-	$ 57,733	-	$ 57,733	
Restricted for statutory requirements							
Cash	$ -	$ -	$ -	$ -	$ -	$ -	a
Money market	7,606	-	-	7,606	-	7,606	a
Bonds	15,031	-	-	15,031	-	15,031	a
	$ 22,637	$ -	$ -	$ 2,637	$ -	$ 22,637	
Financial liabilities							
Interest rate swaps	$ -	$ 31,126	$ -	$ 31,126	$ -	$ 31,126	a
Equity hedges	$ -	$ 3,518	$ -	$ 3,518	$ -	$ 3,518	a

*Approximately 70% of Level 2 assets consist of commingled funds in which the underlying assets are primarily marketable debt and equity securities that trade on nationally recognized exchanges.

3. Fair Value Measurements (continued)

The following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 (in thousands):

	Level 1	Level 2	Level 3	Fair Value	Equity Method	Carrying Value at December 31	Valuation Technique (a, b, c)
Designated for long-term purposes							
Money market	$ 10,068	$ -	$ -	$ 10,068	$ -	$ 10,068	a
Government and agencies	90,525	-	-	90,525	-	90,525	a
Bond funds	126,975	113,064	-	240,039	-	240,039	a, c
Corporate and municipal bonds	-	141,768	-	141,768	-	141,768	a
Equity funds	227,361	262,993	-	490,354	-	490,354	a
Other public equities	60,056	-	-	60,056	-	60,056	a
Alternative investments	-	$ 1,134	$ 8,906	$ 10, 040	$ 173,980	$ 184,020	a
Total designated for long-term purposes	$ 514,985	$ 518,959	$ 8,906	$ 1,042,850	$ 173,980	$ 1,216,830	
Designated for self-insurance funds							
Money market	$ 1,998	$ -	$ -	$ 1,998	$ -	$ 1,998	a
Government and agencies	2,049	-	-	2,049	-	2,049	a
Bond funds	21,313	5,382	-	26,695	-	26,695	a/c
Corporate and municipal bonds	-	17,783	-	17,783	-	17,783	a
Equity funds	29,150	51,641	-	80,791	-	80,791	a
Other public equities	5,266	-	-	5,266	-	5,266	a
Total designated for self-insurance funds	$ 59,776	$ 74,806	$ -	$ 134,582	$ -	$ 134,582	
Restricted by donors							
Money market	$ 228	$ -	$ -	$ 228	$ -	$ 228	a
Government and agencies	2,050	-	-	2,050	-	$ 2,050	a
Bond Funds	2,876	2,560	-	5,436	-	5,436	a/c
Corporate and municipal bonds	-	3,210	-	3,210	-	3,210	a
Equity funds	5,149	5,955	-	11,104	-	11,104	a
Other public equities	1,360	-	-	1,360	-	1,360	a
Alternative investments	-	756	5,937	6,693	-	6,693	a
Other	-	-	-	-	-	-	
Total restricted by donors	$ 11,663	$12,481	$ 5,937	$ 30,081	$ -	$ 30,081	
Held by trustee							
Money Market	$ 58,998	-	-	$ 58,998	-	$ 58,998	a
Fed home loan bank	-	-	-	-	-	-	a
	$ 58,998	$ -	$ -	$ 58,998	$ -	$ 58,998	
Restricted for statutory requirements							
Cash	$ -	$ -	$ -	$ -	$ -	$ -	a
Money market	6,569	-	-	6,569	-	6,569	a
Bonds	13,916	516	-	14,432	-	14, 432	a
	$ 20,485	$ 516	$ -	$ 21,001	$ -	$ 21,001	
Financial liabilities							
Interest rate swaps	$ -	$ 33,843	$ -	$ 33,843	$ -	$ 33,843	a
Equity hedges	$ -	$ 4,340	$ -	$ 4,340	$ -	$ 4,340	a

*Approximately 64% of Level 2 assets consist of comingled funds in which the underlying assets are primarily marketable debt and equity securities that trade on nationally recognized exchanges.

4. Long-Term Debt and Capital Leases

	March 31 2013	December 31 2012
2012 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates from 4.0% to 5.0% payable semiannually on the established interest payment dates, principal payments beginning in 2033 through 2042.	$ 78,768	$ 78,800
2009 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates from 5.0% to 5.125% payable semiannually on the established interest payment dates, principal payments beginning in 2033 through 2039.	$ 132,313	$ 132,291
2008 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates from 5.0% to 6.375% payable monthly on the established interest payment dates, principal payable in annual installments through 2032.	146,987	146,957
2008 Series B, C, and D Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), variable rate demand bonds with interest rate of 0.12% at March 31 2013, payable monthly on the established interest payment date, principal payable in annual installments through 2034.	213,385	213,385
2012 note payable to bank, variable rate, interest payable quarterly at one month LIBOR plus 0.90% (1.1% at March 31, 2013) due October 3, 2022	20,000	15,000
Capital lease obligations and other	10,134	10 565
	601,587	596,998
Less current portion	13,064	13,064
	$ 588,523	$ 583,934

The Series 2012A Revenue Bonds were issued through the New Mexico Hospital Equipment Loan Council in August 2012. Proceeds of the bonds will be used to fund various healthcare facilities throughout the PHS system including, a patient tower at the Espanola Hospital, a cancer center on the Rust Medical Center campus, a physician office building adjacent to Socorro General Hospital, and other general capital improvements, and to pay costs of issuance. The 2012 bonds are fixed-rate term bonds and have scheduled mandatory sinking fund deposits starting in 2013 continuing through 2042.

The Series 2009A Revenue Bonds totaling $134,610,000 original issue discount bonds were issued through the New Mexico Hospital Equipment Loan Council. Proceeds of the bonds were used to fund a project fund for the construction of the Presbyterian Rust Medical Center, and pay the costs of issuance. The 2009 bonds are fixed-rate bonds and have scheduled mandatory sinking fund deposits starting in 2033 and continuing through 2039.

4. Long-Term Debt and Capital Leases (Continued)

The 2008 Revenue Bonds were issued through the New Mexico Hospital Equipment Loan Council in four series (Series A, Series B, Series C, and Series D) (the Series 2008 Bonds) in November 2008 to defease the 2005 Series A and B Revenue Bonds ($201,895,000), to pay off a Wells Fargo Credit Agreement, which defeased the 2004 Series A through D Bonds ($128,655,000) and the 1993A Bonds ($17,900,000) during March and April of 2008, to reimburse PHS for prior capital expenditures, and to pay certain expenses of issuing the Series 2008 Bonds. The 2008 Series A Bonds are fixed-rate bonds. The Series 2008 Series B through D Bonds are variable-rate demand obligations and bear interest on a weekly rate period at amounts set by a remarketing agent.

The interest rate mode can be modified under the terms of the legal documents. To secure the tender price of the Series 2008 B Bonds, PHS has entered into standby bond purchase agreements with JPMorgan Chase Bank N.A. and with Wells Fargo, National Association for the Series C and D Bonds. During 2010, the expiration dates for the standby bond purchase agreements were extended to November 2014, 2015, 2016 for the Series 2008 B, C, and D bonds, respectively.

The Series 2008 B, C, and D Bonds are subject to optional redemption at the discretion of PHS. In addition, the Series 2008 Bonds have a schedule of mandatory sinking fund deposits starting in 2009 and continuing through 2034.

All of the outstanding bonds are collateralized by a pledge of unrestricted receivables of the Obligated Group as defined under the Master Trust Indenture. The Master Trust Indenture of the Obligated Group requires, among other things, certain funds be established and held by a trustee, certain limitations on additional indebtedness, liens on property, disposition or transfers of assets, and the maintenance of certain cash balances and other financial ratios. The Obligated Group was in compliance with all such covenants at March 31, 2013.

The note payable to bank originated in September 2012 and represents draws on a $50 million loan for the purpose of constructing a new administrative complex for PHS. The note is variable-rate with interest payable quarterly and is due in October 2022.

Interest Rate Swaps

In connection with the Series 2005 Bonds, PHS entered into two floating to fixed-rate swaps (the 2005 Swaps) effective July 28, 2005, for notional amounts of $102,400,000 and $102,600,000 to manage the overall cost of borrowing. On November 25, 2008, PHS refunded the Series 2005 Bonds with the Series 2008 B-D Bonds.

The amortization schedule for the Series 2008 B-D Bonds was established to match the amortization of the Series 2005 Bonds. The 2005 Swaps provide that PHS receives a floating amount based on a percentage of one-month LIBOR (58.3% of LIBOR plus 0.36%) and PHS pays a fixed rate of 3.085% based on a notional amount equal to the principal amount of the Series 2005 Bonds. As of and subsequent to April 1, 2007, PHS recognizes the entire change in the fair value of these swaps within the excess of revenue over expenses under ASC 815. *Derivatives and Hedging.*

The total outstanding notional amount of the 2005 Swaps at March 31, 2013, was approximately $188,640,000.

Interest Rate Swaps (Continued)

On February 9, 2006, PHS entered into a series of four floating to fixed-rate, forward-dated swaps (the 2006 Swaps) in notional amounts of $38,695,000, $38,665,000, $31,460,000, and $25,720,000 to manage the overall cost of borrowing. The 2006 Swaps were effective January 2, 2007, and provide that PHS receives a floating amount based on a percentage of one-month LIBOR (68%) and PHS pays a weighted-average fixed rate of 3.564% based on a notional amount equal to the principal amount of the Series 2004 Bonds. One June 5, 2009, PHS terminated the two 2006 Swaps that were initially originated in the notional amount of $31,460,000 and $25,720,000 and partially terminated two of the 2006 Swaps that were initially originated in the notional amount of $38,695,000 and $38,665,000. In 2009, PHS paid a termination amount of $7,600,000, which was recorded against the change in fair value of interest rate swaps. The remaining portion of the 2006 Swaps match the amortization schedule for the Series 2008 B-D Bonds that are not hedged by the 2005 Swaps. PHS recognizes the entire change in the fair value of these swaps within the excess of revenue over expenses under ASC 815. The total outstanding notional amount for the 2006 Swaps at March 31, 2013, is approximately $24,745,000.

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In order to measure the fair value of municipal derivatives under ASC 820, PHS adjusted its mid-market periodic values of the swaps outstanding to incorporate nonperformance risk by PHS (when the financial instrument is a liability) or the counterparty (when the financial instrument is an asset). All derivatives that are being measured by PHS under ASC 820 are considered Level 2 assets (liabilities) because a quoted price can be obtained from a number of dealer counterparties and other market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to determine the risk of nonperformance when the financial instrument is a liability, PHS has determined the change in the credit market for debt issues by entities with the same credit characteristics as PHS. To determine nonperformance risk when the instrument is an asset, PHS determines the change in the credit market for debt issues by the counterparty.

The fair value of the 2005 and 2006 Swaps is determined based on the agreed-upon terms and discounted at the prevailing swap curve on the valuation date. As of March 31, 2013 and December 31, 2012, the fair value of the 2005 and 2006 Swaps was a net liability of $31,126,000 and $33,843,000 respectively and is included in other liabilities in the accompanying combined balance sheets.

Fair Value of Long-Term Debt

The fair value of long-term debt is estimated upon current rates offered to health care systems for similar issues and approximated $635,759,000 and $630,116,000 at March 31, 2013 and December 31, 2012 respectively. The long-term debt of PHS is considered to be a level 2 liability for fair value purposes.

5. Pension Plans

PHS has a defined benefit pension plan (Plan I) that previously covered substantially all of the employees of its related organizations, except employees of PNI. Effective January 1, 2006, Plan I was closed to new entrants, but it continued to accrue benefits for those employees in the plan as of December 31, 2005.

Pension Plans (Continued)

Effective December 31, 2012, Plan I was frozen and no additional benefits will be subsequently accrued.

PHS contributes such amounts as necessary on an actuarial basis to provide Plan I with assets sufficient to meet the benefits to be paid to Plan I participants. PHS contributed $40,100,000 to Plan I in 2012 and $3,500,000 during the first quarter of 2013. PHS expects to contribute $6,100,000 during 2013.

The funded status of Plan I is recognized in the statements of financial position as the difference between the fair value of the investments and the actuarially determined pension obligation. The funded status of Plan I was approximately 71% and 66% at March 31, 2013 and December 31, 2012 respectively.

PHS has defined contribution Plan (Plan II), which consists of a Section 403(b) plan and a Section 401(a) plan, as well as a 401(k) defined contribution plan (Plan III). The cost recognized for Plans I, II and III for the three month periods ended March 31, 2013 and 2012 was $6,864,000 and $12,397,000, respectively.

6. Commitments and Contingencies

Litigation

PHS is subject to pending and threatened legal actions arising during the ordinary course of business. Management and legal counsel periodically assess whether losses have been incurred related to pending or threatened litigation, claims, and assessments. Loss estimates are continually monitored and reviewed, and as estimates are adjusted, changes in estimated losses are reflected in current operations. Losses incurred due to the actual results of litigation could differ from estimates recorded. In management's opinion, upon consultation with legal counsel, these matters should not have a material adverse effect on PHS's financial condition, results of operations, or cash flows. However, PHS's evaluation of the likely effects of these actions could change in the future and an unfavorable outcome, depending upon the amount and timing, could have a material effect on PHS's results of operations or cash flows of a future period.

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in exclusion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed and paid. Management believes that it has established adequate reserves to investigate, defend, and ultimately resolve any alleged instances of noncompliance. Compliance with such laws and regulations can be subject to future government review as well as regulatory actions unknown or unasserted at this time.

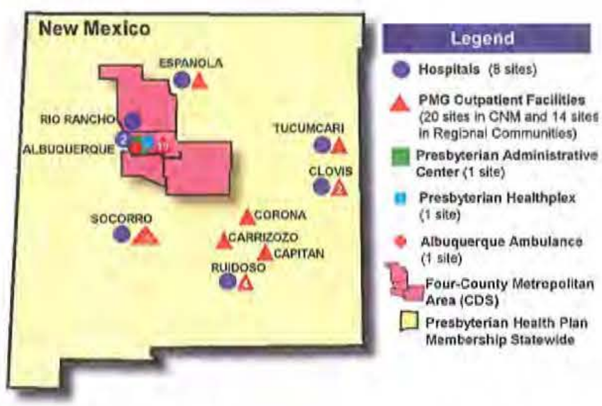
March 31, 2013
Organization

Organizational Description

Presbyterian Healthcare Services (Presbyterian/PHS) is a nonprofit integrated health care system that has served the state of New Mexico for more than 104 years. PHS is comprised of two business units: Presbyterian Delivery System (PDS) and Presbyterian Health Plan (PHP). PDS provides patients with preventive, diagnostic and treatment services in hospitals and ambulatory facilities throughout New Mexico (Figure 1) and operates eight hospitals. The three hospitals in Albuquerque and Rio Rancho operate as the Central Delivery System (CDS) and the remaining five hospitals comprise the Regional Delivery System (RDS). Presbyterian Medical Group (PMG), which is part of PDS, employs physicians and mid levels such as physician assistants and nurse practitioners. PMG provides inpatient hospital care as well as ambulatory and specialty care in over 100 clinics located at 42 sites throughout New Mexico.

PHP includes a statewide health maintenance organization and a health insurance company. PHP provides health care financing through products and services designed and delivered to prevent illness and coordinate care for over 400,000 members throughout New Mexico. PHP products include Commercial (employer-sponsored and individual) and Government (Medicaid, Medicare and other) programs. The PHP network is comprised of both PHS owned and operated facilities, employed physicians and employed mid levels as well as contracted independent hospitals and practitioners throughout the state.

Figure 1



The Obligated Group

PHS is based in Albuquerque, New Mexico and is exempt from federal income taxation under Section 501(a) and Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. Presbyterian Healthcare Services together with Presbyterian Healthcare Foundation (Foundation) and Bernalillo County Health Care Corporation (dba Albuquerque Ambulance Service), are the current Members of the Obligated Group (the "Obligated Group"), as such terms are used in the Master Trust Indenture (Amended and Restated), dated as of July 28, 2005 between Wells Fargo Bank, National Association, as master trustee (the "Master Trustee") and the Members of the Obligated Group, as supplemented and amended (the "Master Indenture").

There have been no changes to the Obligated Group.

Purpose

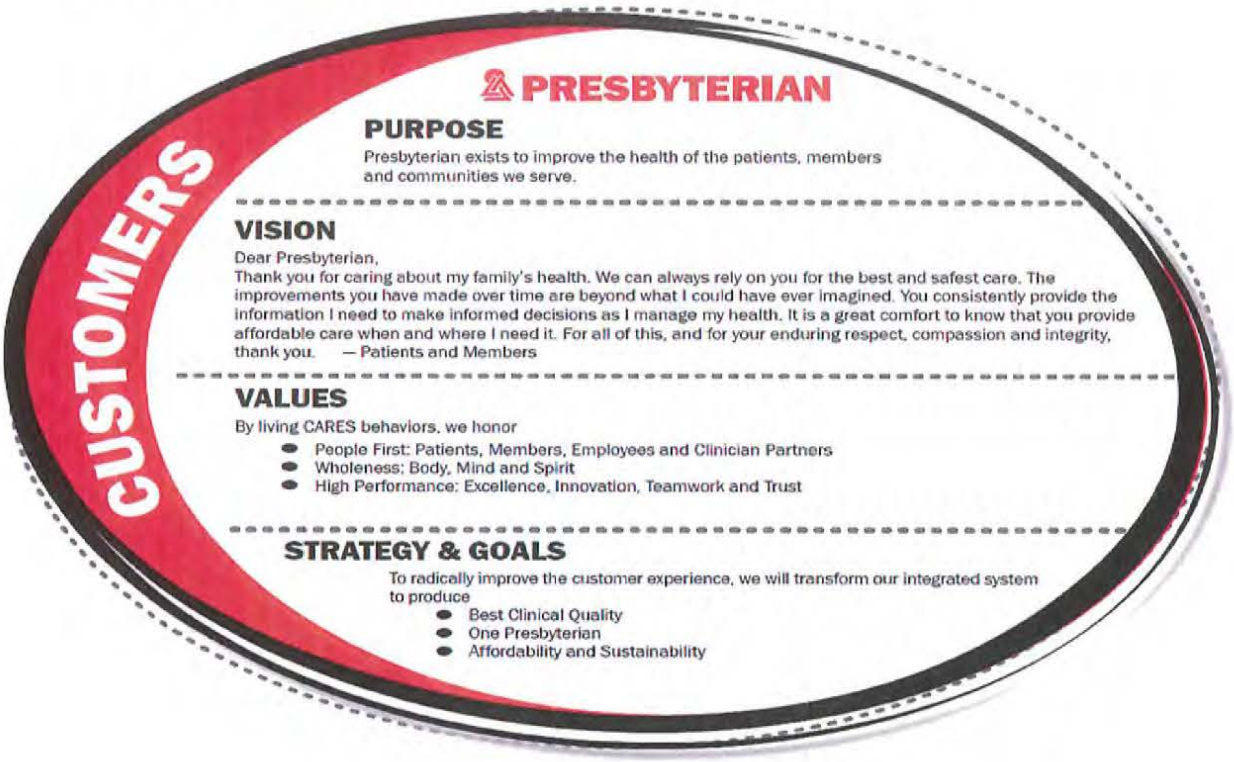
Presbyterian exists to improve the health of the patients, members and communities we serve.

Vision

Presbyterian's purpose, vision, values and strategy and goals are captured in the "EGG." Each employee, employed physician and advanced practitioner as well as each member of the PHS Board of Directors and Committees thereof understand the EGG (Figure 2) and develops a Personal Egg to demonstrate the alignment of his or her role with the PHS EGG.

Presbyterian believes patients and members determine when we succeed. Consequently, the organization's vision is to earn a symbolic letter from a patient or member of a community served. Our strategy is to transform our integrated system to radically improve the customer experience. The strategy is adopted by the PHS Board of Directors and is found in the Strategy and Goals section of the EGG.

Figure 2 – Presbyterian EGG



Results of Operations

Quarters Ended March 31, 2013 and 2012

For the three month period ended March 31, 2013 total operating income decreased by $10.4 million to $10.1 million (2.0% operating margin) from $10.5 million (4.0% operating margin) in 2012.

Total operating revenue for the three month period ended March 31, 2013 increased by $0.9 million to $515.5 million from $514.6 million in 2012. This increase includes a $1.3 million or 0.2% increase in net premium revenue compared to the prior year and although the overall change is minor, we continue to experience a shift in the Health Plan membership. At-risk Health Plan membership decreased a modest 0.6% from March 31, 2012 to March 31, 2013, comprised of a 8.9% increase in Medicare, a (1.6%) decrease in Commercial, and a decrease of (1.0%) in Medicaid membership. Net patient service revenue decreased ($0.8) million or (0.4%) during the first quarter to $182.3 million compared to $183.1 million in 2012 driven by a $4.7 million or 26.1% increase in provision for bad debts.

During the quarter ended March 31, 2013, total inpatient discharges for PDS increased by 0.8% or 107 discharges compared to the quarter ended March 31, 2012 while total inpatient days decreased by (2.2%) or (1,301) days. Total outpatient visits increased by 0.7% or 975 visits. Outpatient volumes throughout the system continue to benefit from the shifting of procedures to an outpatient setting from an inpatient setting.

Inpatient discharges for the Obligated Group increased by 1.1% or 141 discharges in the first quarter compared to the first quarter of 2012 while inpatient days decreased by (2.3%) or (1,201) days. Outpatient visits increased by 1.3% or 1,703 visits.

Inpatient discharges within CDS increased during the three month period ended March 31, 2013 compared to 2012 by 1.9% or 200 discharges. Inpatient Days were down from prior year by (1.4%) or (703) days. Total Outpatient Visits in CDS increased from the prior year first quarter by 4.8% or 4,233 visits.

Inpatient discharges in RDS decreased in the three month period ended March 31, 2013 compared to 2012 by (3.1%) or (93) discharges, while total inpatient days decreased by (6.7%) or (598) days and outpatient visits decreased by (6.4%) or (3,258) visits. RDS volumes have been impacted by the system wide decrease as well as the challenge of recruiting and retaining physicians in these small markets.

Other operating revenue increased during the three month period ended March 31, 2013 compared to the same period in 2012 by $1.0 million or 5.9%.

For the three month period ended March 31, 2013 total operating expenses increased $11.4 million to $505.4 million from $494.1 million in 2012. Medical claims expense increased by $1.5 million or 1.0% commensurate with the increase in net premium revenue although the Health Plan is experiencing an increasing medical cost trend. Salary expense decreased ($5.4) million or (2.8%) in the quarter ended March 31, 2013 compared to the same quarter of 2012, which was more than offset by a $1.2 million or 14.5% increase in professional fees to provide coverage for vacancies in hospital clinical staffing and a $7.5 million or 10.2% increase in purchased services related to higher utilization of non-employed nurses. Supplies expense increased $4.6 million or 10.8% driven primarily by higher prescription drug and blood product costs. Depreciation expense increased by $1.7 million or 7.5% related primarily to the opening of a new patient tower at the Espanola regional hospital in the fourth quarter of 2012. Interest expense increased $0.4 million during the first quarter of 2013 over 2012 related the 2012A bonds and the note payable to bank issued in the third quarter of 2012.

Investment Income

The Investment Subcommittee of the PHS Board works with an investment consultant to review asset class allocations, select and monitor various professional investment managers and to oversee Presbyterian's investment portfolios in accordance with the investment policy and guidelines.

The investment portfolio of the Obligated Group at March 31, 2013 consisted of the following:

(In Millions)

Asset Class	Target PHS	PHS	Target Foundation	Foundation	Total
Large Cap Equity	16%	$ 175.3	18%	$ 14.1	$ 187.6
Small Cap Equity	4%	43.8	4.5%	3.6	47.4
International and Emerging Markets	20%	224.6	22.5%	16.8	241.4
Alternatives	20%	233.7	27.5%	20.8	254.5
Fixed income	35%	342.9	27.5%	18.8	361.7
Cash	5%	91.3	- %	1.9	93.2
Total	100%	1,109.8	100%	76.0	1,185.8
Less Restricted Net Assets		-		(31.8)	(31.8)
Total Unrestricted Obligated Group		$ 1,109.8		$ 44.2	$ 1,154.0

Total unrestricted investments for the Obligated Group include the PHS Corporate portfolio and the PHS Foundation portfolio. For the period ending March 31, 2013 the unrestricted Obligated Group portfolio totaled $1.15 billion.

Realized investment gains for PHS totaled $5.5 million and $17.4 million for the three month periods ended March 31, 2013 and 2012, respectively. The combined investment income and changes in unrealized gains (losses) on investments for the first quarter of 2013 totaled $53.3 million compared to $82.8 million for the same period in 2012. Overall, the investment portfolio benefited during the first quarter of 2013 from positive returns across most investment classes, with significant attribution from domestic equities. The investment returns for the PHS

Corporate and Foundation portfolios were 3.8% and 5.1% respectfully for the quarter ended March 31, 2013.

Liquidity and Capital Resources

On an aggregate basis, unrestricted cash and investments of PHS was $1.38 billion as of March 31, 2013, an increase of $20 million from $1.36 billion of unrestricted cash and investments at December 31, 2012. The increase in cash and investments was derived primarily from investment returns during the first quarter.

In August, 2012 PHS completed the issuance of a $75 million in tax exempt bonds (the "2012A Bonds"). These 30-year term bonds have fixed coupon rates of 4.0% and 5.0% with interest payable semiannually. Principal payments begin in 2033. Proceeds from these bonds are being used to fund various capital construction projects throughout the delivery system. In September 2012, PHS closed on a $50 million bank loan (the "2012 Bank Loan") which is a taxable transaction and will be used exclusively to finance the renovation and expansion of property previously acquired to house PHS' administrative offices. The loan is variable rate with interest payable quarterly due in October 2022 if not renewed. At March 31, 2013, $20 million had been drawn with the remaining $30 million to be drawn over the next 9 to 15 months as the construction is completed. The administrative offices currently occupied by PHS are leased from a third party.

Cash provided by operating activities totaled $8.6 million for the period ended March 31, 2013 compared to $36.8 million in 2012. Cash used in investing activities was $27.8 million, including capital expenditures of $27.5 million, in the first quarter compared to $24.1 million, including capital expenditures of $25.4 million, for 2012. Capital expenditures for fiscal 2013 are expected to approximate $165 million which will be financed from a combination of internally generated funds and from the 2012A Bonds and the 2012 Bank Loan.

Days cash on hand for PHS and the Obligated Group was 264 days and 309 days, respectively, as of March 31, 2013, compared to 262 days and 307 days, respectively, at December 31, 2012.

Obligated Group Financial Indicators

	Year Ended December 31				
	2009	2010	2011	2012	Three Months Ended March 31, 2013
Operating Margin	6.4%	5.6%	0.9%	1.3%	3.0%
Excess margin [(1)]	19.6%	12.6%	(1.1%)	9.3%	14.5%
Adjusted excess margin [(2)]	6.6%	8.0%	3.9%	5.0%	3.9%
Unrestricted days cash on hand	267	323	298	307	309
Debt to cash flow [(2)]	4.1_x	3.3_x	4.4_x	4.0_x	4.1%
Maximum Annual Debt Service Coverage	4.3_x	5.1_x	4.0_x	4.3_x	4.3%
Long-term debt to total capitalization	47%	42%	45%	41%	40%

Supplementary Information

Combining Balance Sheet
As of March 31, 2013

	Obligated Group	Presbyterian Network, Inc.	Other Non-Obligated Group Members	Eliminations	Total
			(In Thousands)		
Assets					
Current assets:					
Cash and cash equivalents	$ 85,503	$ 43,343	$ 1,096	$ -	$ 129,942
Accounts receivable, less allowance for doubtful accounts	134,924	-	5,923	(18,548)	122,299
Other receivables	51,058	63,863	5,355	(20,117)	100,159
Inventories, prepaid expenses and other	22,976	1,294	1,229	-	25,499
Total current assets	294,461	108,500	13,603	(38,665)	377,899
Assets limited as to use or restricted					
Designated for long-term purposes	1,068,506	185,466	767	-	1,254,739
Designated assets for self-insurance funds	142,074	-	-	-	142,074
Restricted by donors	31,800	-	-	-	31,800
Held by Trustee	57,733	-	-	-	57,733
Restricted for statutory deposits	-	22,637	-	-	22,637
	1,300,113	208,103	767	-	1,508,983
Property and equipment, net	699,558	1,031	37,921	-	738,510
Goodwill	4,888	52,501	-	-	57,389
Other assets and Intercompany Balances	(228,820)	12,247	407,182	(130,344)	60,265
Total assets	$ 2,070,200	$ 382,382	$ 459,473	$ (169,009)	$ 2,743,046
Liabilities and net assets					
Current liabilities:					
Accounts payable	$ 30,751	$ 1,646	$ 578	$ -	$ 32,975
Accrued liabilities	127,181	41,654	3,005	(49,056)	122,784
Medical claims payable	-	96,769	-	(5,922)	90,847
Estimated third-party payer settlements	6,734	-	(594)	-	6,140
Current portion of long-term debt and capital leases	13,064	-	-	-	13,064
Total current liabilities	177,730	140,069	2,989	(54,978)	265,810
Long-term debt and capital leases, net of current portion	588,460	-	63	-	588,523
Employee Benefit Plans	164,498				164,498
Self Insurance Reserves	136,732				136,732
Other liabilities	64,041	3,424	1,550	-	69,015
Total liabilities	1,131,461	143,493	4,602	(54,978)	1,224,578
Net assets:					
Unrestricted	904,568	238,889	454,871	(114,031)	1,484,297
Temporarily restricted	23,097	-	-	-	23,097
Permanently restricted	11,074	-	-	-	11,074
Total net assets	938,739	238,889	454,871	(114,031)	1,518,468
Total liabilities and net assets	$ 2,070,200	$ 382,382	$ 459,473	$ (169,009)	$ 2,743,046

Presbyterian Healthcare Services and Affiliates

Combining Statement of Operations
For the Three Months Ended March 31, 2013

	Obligated Group	Presbyterian Network, Inc.	Other Non-Obligated Group Members	Eliminations	Total
			(in Thousands)		
Revenues					
Net premium	$ 102,030	$ 315,326	$ -	$ (102,030)	$ 315,326
Patient service revenue	271,154	-	13,336	(79,220)	205,270
Provision for Bad Debts	(21,661)	-	(1,351)	-	(23,012)
Net Patient Service Revenue	249,493	-	11,985	(79,220)	182,258
Other operating	17,051	6,644	2,288	(8,027)	17,956
Total operating revenues	368,574	321,970	14,273	(189,277)	515,540
Expenses					
Medical claims	47,991	284,000	-	(181,070)	150,921
Salaries, wages and employee benefits	169,905	11,840	6,338	(1,301)	186,782
Purchased services and other	56,255	26,839	4,999	(6,906)	81,187
Supplies	46,414	137	784	-	47,335
Professional fees	8,766	1	464	-	9,231
Depreciation and amortization	21,984	230	1,471	-	23,685
Interest	6,274	-	25	-	6,299
Total expenses	357,589	323,047	14,081	(189,277)	505,440
Operating income	10,985	(1,077)	192	-	10,100
Other income (loss):					
Investment income	3,388	1,959	172	-	5,519
Change in unrealized gains on investments	43,346	4,466	-	-	47,812
Change in fair value of interest rate swaps	2,733	-	-	-	2,733
Total other income	49,467	6,425	172	-	56,064
Excess of revenues over expenses before income taxes	60,452	5,348	364	-	66,164
Provision for income taxes	-	1,871	-	-	1,871
Net excess of revenues over expenses	$ 60,452	$ 3,477	$ 364	$ -	$ 64,293

Long-term Debt Profile

Series 2009A - $134,610,000

Maturity – August 1,	Coupon Rates	Cusip No.
2035	5.125%	647370FD2
2039	5.00%	647370FE0

Series 2008A - $153,805,000

Maturity – August 1,	Coupon Rates	Cusip No.
2013	5.25%	647370ER2
2014	5.25%	647370ES0
2015	5.25%	647370ET8
2016	5.50%	647370EU5
2017	5.50%	647370EV3
2018	5.50%	647370EW1
2023	6.00%	647370EX9
2028	6.125%	647370EY7
2032	6.375%	647370EZ4

Series 2008B/C/D - $225,000,000

Maturity – August 1,	Coupon Rates	Cusip No.
2034	Series 2008B VRDBs	647370EK7
2034	Series 2008C VRDBs	647370EL5
2034	Series 2008D VRDBs	647370EM3

Series 2012A - $75.000,000

Maturity – August 1,	Coupon Rates	Cusip No.
2042	4.10%	647370FM2
2042	3.95%	647370FN0

Series 2012B - $50,000,000

Maturity – October 3,	Coupon Rate	Cusip No.
2022	1-month LIBOR + 0.9%	N/A

Presbyterian Healthcare Services
All Hospitals (PDS)
Operating Data - March 2013
Unaudited

	Year End			Three Months Ended March 31	
	2010	2011	2012	2012	2013
Hospital Data					
Total Inpatient Discharges	51,998	50,724	51,429	13,468	13,575
Newborn Discharges	7,280	7,256	7,302	1,815	1,716
Inpatient Surgery Discharges	12,380	11,142	10,609	2,757	2,701
Total Inpatient Days	218,701	213,390	217,356	58,230	56,929
Newborn Days	28,454	27,527	29,868	7,809	6,832
Inpatient Surgery Days	59,830	53,313	51,962	13,615	13,017
Total Outpatient Visits	564,559	522,791	551,538	138,959	139,934
ER Visits	194,699	194,295	202,849	50,435	52,425
OP Surgeries	19,866	20,157	22,039	5,427	5,561
Licensed Beds	1,062	1,159	1,173	1,173	1,155
Beds in Service	880	998	977	977	977
Average Length of Stay (days)	4.21	4.21	4.23	4.32	4.19
Percentage Occupancy (of beds in service)	68.1%	58.7%	61.1%	67.0%	64.7%
Medicare Case Mix Index	1.48	1.44	1.47	1.46	1.54
PMG Albuquerque Visits	1,137,925	1,169,003	1,305,928	333,484	367,356

Presbyterian Healthcare Services
Obligated Group
Operating Data - March 2013
Unaudited

	Year End			Three Months Ended March 31	
	2010	**2011**	**2012**	**2012**	**2013**
Hospital Data					
Total Inpatient Discharges	49,955	48,723	49,413	12,942	13,083
Newborn Discharges	6,942	6,893	6,903	1,718	1,633
Inpatient Surgery Discharges	12,007	10,673	10,270	2,653	2,627
Total Inpatient Days	213,437	208,406	212,215	56,908	55,617
Newborn Days	27,993	27,015	29,250	7,673	6,708
Inpatient Surgery Days	58,718	52,063	51,048	13,316	12,849
Total Outpatient Visits	495,675	469,363	504,154	126,895	128,598
ER Visits	175,766	176,185	183,913	45,563	47,739
OP Surgeries	18,672	18,921	20,719	5,097	5,248
Licensed Beds	1,009	1,106	1,120	1,120	1,102
Beds in Service	827	945	924	924	924
Average Length of Stay (days)	4.27	4.28	4.29	4.40	4.25
Percentage Occupancy (of beds in service)	70.7%	60.59%	63.1%	69.2%	66.9%
Medicare Case Mix Index	1.50	1.46	1.49	1.47	1.56

Presbyterian Healthcare Services
Central New Mexico (CDS)
Operating Data - March 2013
Unaudited

	Year End			Three Months Ended March 31	
	2010	2011	2012	2012	2013
Hospital Data					
Total Inpatient Discharges	39,581	39,119	39,804	10,453	10,653
Newborn Discharges	5,079	5,078	5,185	1,306	1,234
Inpatient Surgery Discharges	9,594	8,721	8,479	2,197	2,203
Total Inpatient Days	182,997	180,415	183,812	49,238	48,535
Newborn Days	24,598	23,714	25,983	6,929	5,893
Inpatient Surgery Days	49,114	43,932	43,685	11,245	11,202
Total Outpatient Visits	323,653	315,653	352,370	87,868	92,101
ER Visits	118,074	116,746	123,209	30,387	32,199
OP Surgeries	13,850	14,236	15,978	3,983	4,047
Licensed Beds	777	868	882	882	886
Beds in Service	600	712	691	691	693
Average Length of Stay (days)	4.62	4.61	4.62	4.71	4.56
Percentage Occupancy (of beds in service)	83.6%	69.61%	73.1%	80.1%	77.8%
Medicare Case Mix Index	1.57	1.52	1.55	1.53	1.61

Presbyterian Healthcare Services
Regional Hospitals (RDS)
Operating Data - March 2013
Unaudited

				Three Months Ended March 31	
	2010	**2011**	**2012**	**2012**	**2013**
<u>Hospital Data</u>					
Total Inpatient Discharges	12,417	11,605	11,625	3,015	2,922
Newborn Discharges	2,201	2,178	2,117	509	482
Inpatient Surgery Discharges	2,786	2,421	2,130	560	498
Total Inpatient Days	35,704	32,975	33,544	8,992	8,394
Newborn Days	3,856	3,813	3,885	880	939
Inpatient Surgery Days	10,716	9,381	8,277	2,370	1,815
Total Outpatient Visits	240,906	207,138	199,168	51,091	47,833
ER Visits	76,625	77,549	79,640	20,048	20,226
OP Surgeries	6,016	5,921	6,061	1,444	1,514
Licensed Beds	285	291	291	291	285
Beds in Service	280	286	286	286	284
Average Length of Stay (days)	2.88	2.84	2.89	2.98	2.87
Percentage Occupancy (of beds in service)	34.9%	31.68%	32.2%	35.3%	32.8%
Medicare Case Mix Index	1.11	1.11	1.14	1.15	1.21

Presbyterian Healthcare Services
PHP Membership
Operating Data - March 2013
Unaudited

	December 31					March 31
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
PHP Membership						
Commercial Group	86,691	75,545	64,052	74,074	75,549	74,211
Commercial Individual	14,942	16,926	21,342	22,112	23,377	22,120
Medicare	23,953	25,248	27,104	32,121	34,040	36,108
Medicaid	153,990	171,300	171,799	168,888	166,222	165,506
Administrative Services Only	104,510	104,987	110,396	111,093	117,414	123,323
Total PHP Membership	384,086	394,006	394,693	408,288	416,602	421,268

Presbyterian Healthcare Services
All Facilities
Operating Data March 2013
Unaudited

Payer Mix Based on Net Revenue	**Year End**				**Three Months Ended March 31**	
	2009	**2010**	**2011**	**2012**	**2012**	**2013**
COMMERCIAL	44.6%	42.2%	41.9%	46.3%	43.4%	45.0%
MEDICAID	19.9%	21.0%	20.2%	16.6%	18.9%	16.0%
MEDICARE	29.6%	30.4%	31.3%	30.0%	30.6%	31.7%
OTHER	4.1%	4.3%	4.4%	4.7%	4.7%	4.4%
SELF PAY	1.8%	2.0%	2.2%	2.4%	2.4%	2.9%

Presbyterian Healthcare Services
Obligated Group
Operating Data March 2013
Unaudited

Payer Mix Based on Net Revenue	**Year End**				**Three Months Ended March 31**	
	2009	**2010**	2011	2012	2012	2013
COMMERCIAL	45.0%	42.5%	42.2%	46.6%	43.8%	45.3%
MEDICAID	19.6%	20.7%	19.9%	16.4%	18.4%	15.8%
MEDICARE	29.5%	30.5%	31.4%	29.9%	30.7%	31.6%
OTHER	4.1%	4.4%	4.4%	4.8%	4.7%	4.5%
SELF PAY	1.8%	1.9%	2.1%	2.3%	2.4%	2.8%