



BON SECOURS HEALTH SYSTEM

BON SECOURS HEALTH SYSTEM, INC.

Financial Disclosure

As of and for the Six Months Ended February 29, 2012

PLEASE NOTE THAT THIS DOCUMENT INCLUDES MANAGEMENT'S DISCUSSION AND ANALYSIS, AS WELL AS UNAUDITED FINANCIAL STATEMENTS

For past quarterly and annual disclosures please visit www.dacbond.com
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BON SECOURS HEALTH SYSTEM, INC.
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As of and for the Six Months Ended February 29, 2012

The System

The information presented in this Financial Disclosure describes Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (referred to as *BSHSI*), and its affiliates, including Members of the Obligated Group of Bon Secours Health System (referred to as the *Obligated Group*), under the Master Trust Indenture dated October 1, 1985, as amended, restated and supplemented, among the Obligated Group and the The Bank of New York Mellon Trust Company, N.A., as master trustee (referred to as the *Master Indenture*.) BSHSI and its affiliates are described collectively in this Financial Disclosure as the *System*.

Bon Secours, Inc. (referred to as *BSI*), a Maryland nonprofit, nonstock membership corporation (referred to as *BSI*), is the sole corporate member of BSHSI, but has no health care operations. The System was organized in June 1983 to fulfill the health care mission of the United States Province of the Congregation of Sisters of Bon Secours of Paris (referred to as the *Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the health care needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries (referred to as *BSM*), an entity comprised of both lay persons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. BSM, which is referred to as a “public juridic person” in the Catholic Church’s *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI’s Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as “sponsorship.” The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to BSM on November 1, 2006. Since then, BSM has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching. The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation or disability.

The table included under the caption “Health Care Providers” under Tab 5 lists the entities within the System that own and operate acute, skilled, long-term or assisted living facilities, the names of their principal facilities (which appear in italics), a general description of the function of those facilities and their locations. These entities are referred to in this Financial Disclosure as the *Health Care Providers*. Except as described under the captions “Health Care Providers” and “Joint Ventures” under Tab 5, BSHSI, either directly or indirectly, is the sole or majority member or shareholder of each System affiliate, and as a consequence of that membership or shareholder status, has the power to appoint the governing board and to approve certain significant transactions of all System affiliates. BSHSI provides management and administrative services to all such controlled System affiliates and majority-interest joint ventures, and in some cases provides discrete administrative services to minority-interest joint ventures in which BSHSI or an affiliate participates. BSHSI itself has no healthcare operations.

Financial Highlights

Operating income for the six months ended February 29, 2012 of \$43.2 million represented a 2.6% operating margin, compared to the \$61.1 million of operating income and 3.7% operating margin for the comparable prior period. However, the six months ended February 28, 2011 included a \$30.0 million gain on the sale of the reference laboratory services business in the System's Virginia markets. The System reported an excess of revenues over expenses of \$56.3 million during the six months ended February 29, 2012 as compared to an excess of revenues over expenses of \$167.6 million for the comparable prior period.

Investment markets contributed positively to performance of excess of revenues over expenses during the six months ended February 29, 2012, with net nonoperating realized and unrealized investment gains of \$42.7 million, which is \$59 million less than net gains of \$101.7 million during the comparable prior period. In addition, net losses related to the System's derivatives were \$8.2 million for the six months ended February 29, 2012, as compared to a net gain of \$24.3 million for the comparable prior period.

Days cash on hand at February 29, 2012 of 103.0 represented a decrease from days cash on hand at August 31, 2011 of 110.0. Operations generated approximately \$57.8 million during the six months ended February 29, 2012. However, capital expenditures, an increase in daily operating expenses, the timing of working capital changes, and scheduled debt and swap payments, offset by investments gains, conversely reduced reported days cash on hand as of February 29, 2012, resulting in a 7.0 day decrease from August 31, 2011.

Unrestricted net assets have increased \$53.0 million since August 31, 2011. As of February 29, 2012, the System reported \$856.3 million in unrestricted net assets, as compared to \$803.3 million at August 31, 2011. The debt to capitalization ratio at February 29, 2012 of 0.553 represents an improvement over the 0.572 reported at August 31, 2011.

System Strategies

Clinical Transformation; Clinical Informatics

As a prophetic Catholic health ministry, the System partners with its communities to create a more humane world, build health and social justice for all and provide exceptional value for those it serves. This prophetic vision has been in place for many years and is consistent with, yet pre-dates, the more recent and public dialogue of healthcare reform. For the last four years, the System's sponsors and board of directors have embraced this vision and with management have been developing and implementing a strategic quality plan focusing on an extraordinary individual experience of care that includes improving quality, safety, service and cost through *Clinical Transformation*. This term embraces the development of clinical leadership and workforce, alignment of the System with premier practitioners through employment and other meaningful relationships, implementation of electronic health records and care management systems and use of system-wide resources and talent to redesign how care is delivered to improve clinical outcomes and patient satisfaction and reduce costs. Management believes that Clinical Transformation has positioned the System to better adapt to changes resulting from healthcare reform and flourish in the current healthcare environment.

Clinical Transformation is intended to measurably improve the quality of patient care, create holistic, patient-centered care experiences and reduce healthcare costs by reducing waste and optimizing value. Management plans to achieve Clinical Transformation through the alignment of people, process and technology in a manner that enables rapid tests of innovation that lead to creative, effective patient care solutions. BSHSI is dedicated to improving patient outcomes prior to, during and after an acute care episode by implementing evidence-based best practices and limiting unwanted variations in care while improving patient engagement and demonstrating financial improvement. Since June 2008, BSHSI's Clinical Transformation collaborative team, which is comprised of Vice Presidents of Medical Affairs, Chief Nurse Executives and Chief Financial Officers within the System, has met regularly in an effort to identify, develop and implement improvements in patient care and engagement and financial performance. The collaborative team has developed "learning communities" and established clinical leadership roles and accountability.

In April 2011, a Clinical Informatics multi-disciplinary team comprised of physicians, nurses, clinicians, information technology specialists and business development analysts was established and added to the collaborative team as a bridge to better optimize Clinical Transformation and ConnectCare, discussed below. Clinical Informatics

seeks to enhance human health by implementing information technology, computer science and knowledge management methodologies that will deliver more efficient and safer patient care and strengthening the clinician-patient relationship.

Mortality, readmission rates and average length of stay have declined by 6.9%, 6.6% and 5.2%, respectively, over the last three fiscal years. In fiscal year 2011, the System's composite severity-adjusted mortality rate was 70% of that reported by Premier Healthcare Alliance member hospitals participating in its Quality Advisor Database. In fiscal year 2011, composite infection rates at the System's facilities decreased 39.9% from the comparable prior period.

In February 2011, the System was named the recipient of the inaugural Premier Healthcare Alliance Excellence Award, which recognized the System for its commitment to excellence and leadership in providing high-quality efficient care. In addition, three Bon Secours hospitals have each been named as 2011 Top Performing Hospitals as part of Premier healthcare alliance's national QUEST® collaborative. Memorial Regional Medical Center, part of Bon Secours Virginia-Richmond, Mechanicsville, Virginia, was named a Top Performer for the third year in a row. St. Mary's Hospital, also part of Bon Secours Virginia-Richmond, Richmond, Virginia, won for the second year in a row. And, St. Francis Hospital-Downtown, part of Bon Secours St. Francis Health System, Greenville, South Carolina, was named a Top Performer for the first time. For the second year in a row, Bon Secours Health System has excelled in the 2011 Center for Medicare and Medicaid Services Hospital Quality Incentive Demonstration (HQID) pay-for-performance project. Bon Secours as a system received a total of 70 awards in Year 6, the most of any system in the project. Memorial Regional Medical Center was one of only two hospitals with 12 out of 12 possible awards and the only hospital with six Top Performer awards. Memorial Regional was also the only hospital to repeat this achievement from last year. The HQID project involves 272 hospitals across 36 states. Management believes these successes and recognition for quality improvements are a result of the System's Clinical Transformation initiatives and commitment to creating the extraordinary individual experience of care for their patients.

Over the last three fiscal years, the learning communities and local system teams have focused significant effort to expedite care and reduce variable costs across many of its primary service lines, including cardiac surgery and cardiology, internal medicine, obstetrics, orthopedics and general surgery. In addition, System-wide initiatives stemming from learning community activities have reduced and continue to reduce costs associated with hospital-acquired infections, sepsis, pressure ulcers, blood utilization and length of stay. As of February 29, 2012, and as a direct result of these initiatives, as well as the establishment of the Clinical Informatics partnership and the ongoing ConnectCare implementation, BSHSI has reduced its direct variable cost per case by 1.2% over prior year (approximately \$3.7 million).

ConnectCare Electronic Health Records System

The System's comprehensive electronic health records system, an EPIC product referred to as *ConnectCare*, is in various stages of implementation in both inpatient and ambulatory care settings in four BSHSI markets.

In June 2009, St. Francis Hospital – Downtown and St. Francis – Eastside, each located in Greenville, South Carolina, were the first locations to fully implement the acute care electronic health record and computerized order entry in all departments. During the periods in which ConnectCare has been operational in these hospitals, benefits realized include a decrease in mortality rates and complications, an increase in the case mix index and reductions in both the average length of stay of admitted patients and average treatment time for emergency room patients.

In April 2010, Richmond Community Hospital, located in Richmond, Virginia, and Memorial Regional Medical Center, located in Hanover County, Virginia, fully implemented the acute care electronic health record and computerized order entry in all departments and an integrated EPIC acute billing system. In November 2010, St. Mary's Hospital, located in Richmond, Virginia, implemented acute care revenue billing systems and acute care electronic health record and computerized order entry systems in all departments.

In March and July 2011, respectively, St. Francis Medical Center, located in Midlothian, Virginia, and Our Lady of Bellefonte Hospital, located in Ashland, Kentucky, also implemented acute care revenue billing systems and acute care electronic health record and computerized order entry systems in all departments. These seven hospitals now meet Stage 6 of seven optimal stages of the Electronic Medical Record Adoption Model published by

the Healthcare Information and Management Systems Society (referred to as *HIMSS*). As of the end of the second quarter of 2011, only 5.1% of the 5,310 hospital members of HIMSS had achieved a status of Stage 6 or higher.

At Charity New York, electronic health record capabilities were implemented in the emergency department at Good Samaritan Hospital in January 2011.

In addition to enhanced acute care capabilities, the System has successfully implemented the ConnectCare system in approximately 107 ambulatory practices in 126 locations, including all primary care providers across Virginia and Kentucky, 349 providers in total. The implementation of the ConnectCare ambulatory system is expected to continue to expand and accelerate across all System markets, with more than 70 additional providers scheduled to implement the ConnectCare system during the fiscal year ending August 31, 2012.

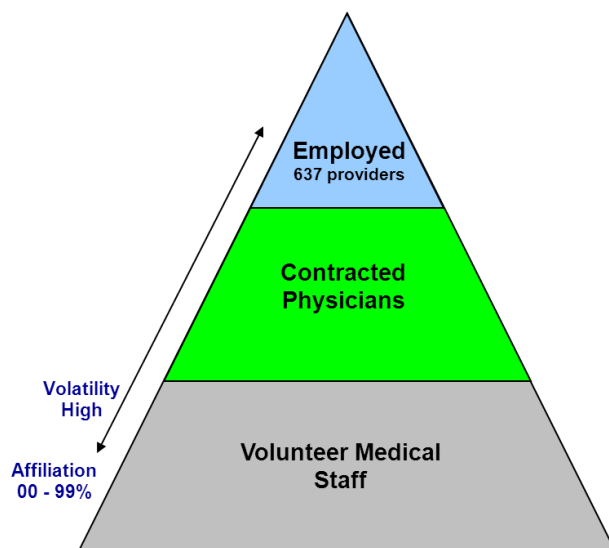
Embracing the patient's ability to access the electronic record is a key component of the System's patient population care coordination strategy. Since January 2010, over 41,500 patients have gained access to ConnectCare's patient portal, My Chart, which allows for better access to patient medical records, determining physician availability, scheduling of appointments, medication refills and electronic interaction with physicians. This capability enhances the patient, caregiver and physician relationships and improves all aspects of care coordination.

The integration of finance, operations and clinical workflows resulting from the implementation of the ConnectCare system is improving patient documentation, expediting patient treatment and enhancing revenue capture and is beginning to facilitate improvements in key clinical quality indicators and reductions in costs per case. The implementation capabilities are essential to enable hospitals and physician practices to qualify for HITECH Stimulus Grants and are expected to be key tools utilized in population management under various future reimbursement scenarios, including accountable care organizations, bundled care payments or other quality/utilization payment structures.

During the second half of FY12, the System expects to roll out the ConnectCare system to two hospitals in Hampton Roads. Over the next two years, the System will finalize the roll out in Hampton Roads and complete the roll out of the ConnectCare systems in its Baltimore, Charity New York and South Carolina markets. The subsequent rollouts are expected to benefit from the knowledge acquired and efficiencies developed in the successful South Carolina, Virginia and Kentucky implementations. When complete, the System will maintain acute and ambulatory electronic health records, computerized order entry, integrated billing and patient accessible records for patients, caregivers and physicians in a consistent format and content structure at all locations. Cost savings, outcomes and patient safety are expected to be enhanced. Operating results have and will continue to be impacted by the resources and commitment to this implementation, including costs associated with staffing and purchased services as well as the associated capital commitment. The System has allocated and intends to continue to allocate a substantial portion of its FY12 and FY13 budgeted capital expenditures to implement the ConnectCare system and to provide ongoing operational support to optimize the use of the system. To date, the cost of implementing the ConnectCare system, although significant, has been within budget. The System expects that the ConnectCare system will be fully operational across the System by Spring 2014.

Physician Network

The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. The relationships vary from independent physicians who are members of a hospital's medical staff to contracted and employed physicians. The success of the System is dependent on the System's ability to attract physicians to participate in its networks, its ability to support physician needs and its ability to provide access to high-quality services and deliver high-quality patient care in a cost-effective manner.



In 2011, members of the System collaborated in a thoughtful and comprehensive regional network development planning process. The plans resulting from this process provide the critical framework for creating a comprehensive, organized network of providers enabling the System to create an extraordinary individual experience of care in each of its regional markets. The goal over the next five years is to create a network designed to serve defined populations within each of the System’s various markets and to improve the access and health of the communities served by the System. Each local system plan is based on extensive analysis and modeling of physician supply and demand, community need and other market information. The goal of these strategies is to help shape the markets currently served by the System and at the same time allow the System to react to emerging market opportunities.

Also critical to the future success of the System is the ability of the System to provide “medical homes.” In June 2010, the System piloted its first medical home project and to date has 14 medical homes in process, with eight being recognized as Level 3 by the National Center for Quality Assurance. The patient-centered medical home is considered a model for the delivery of medical care centered on the primary care provider (the patient’s home) and designed to provide long-term coordinated care to patients to both reduce the cost and improve the quality of health care. BSHSI considers patient-centered medical homes to be among the most promising approaches to delivering higher-quality, cost effective primary care, especially for people with chronic health conditions. When combined with the System’s ConnectCare medical records system, hospitals and doctors will have access to data resources and registries critical to the effective management of patient populations.

One key strategy in achieving value, improving quality and reducing cost is the implementation of hospitalist programs in all System facilities. As of February 29, 2012, hospitalist programs were established at each System hospital. Hospitalists continue to provide acceleration of the Clinical Transformation initiatives and improve the transition of care in the System’s integrated health system. Over the last four years, length of stay, variable cost per case and the readmission index for patients managed by the these hospitalists has decreased by 7%, 9% and 2%, respectively.

The System also embraces those physicians wanting to remain independent and affords them opportunities to collaborate in Clinical Transformation through medical directorship engagements and clinical co-management agreements, and by leveraging technology, providing education, providing access to patient medical information, and engaging them in defining and implementing evidence-based medical care to improve patient outcomes and satisfaction. Furthermore, ConnectCare ambulatory (and other IT options) are available to volunteer medical staff. To date, ConnectCare ambulatory is live in one independent five-physician primary care practice and a 35-physician independent urology practice.

At February 29, 2012, the System employed 637 physicians and mid-level full-time equivalents, of which approximately 303 were primary care providers, and 334 were specialty care providers. This number represents a 70% increase from the number of physicians and mid-level full-time equivalents employed by the System at August

31, 2009. The following chart represents the System's employed physician network growth over the last three fiscal years:

	Fiscal Years Ended August 31,		Six Months Ended February 29,	
	2009	2010	2011	2012
Primary Care	190	213	256	303
Specialty Care	184	228	291	334
Total	374	441	547	637
Increase from 2009		17.9%	46.3%	70.3%

Based on the regional network planning process described above, management expects the number of the System's employed physicians and mid-level full-time equivalents to continue to increase as the System seeks to grow and strengthen market relevance in the key markets in which it operates and to advance its quality and Clinical Transformation initiatives. The System's strategy in employing physicians is to enter into employment contracts with terms of one to five years. The System does not routinely purchase goodwill or any other intangible assets such as patient lists. The only operational costs of employing physicians other than related salaries and benefits are occasional costs incurred in connection with the relocation of newly employed physicians.

Cost Reduction Plans

Management is heavily focused on cost reduction plans at Charity New York and in Virginia. In addition to these two markets, management has initiated a significant fixed cost reduction plan throughout the System. In the summer of 2011, management engaged a team from an affiliate of Deloitte LLP (referred to as *Deloitte*) to complete a comprehensive assessment of fixed costs in various departmental, functional and managerial structures. Upon completion of the assessment, Deloitte was engaged to manage a program (referred to as the *Stewardship Program*) intended to reduce fixed costs. Teams have been organized to implement initiatives to reduce costs in various areas such as planning and marketing, human resources, finance, bioengineering, dietary and other areas. The Stewardship Program seeks to reduce up to \$200 million in annual fixed costs in the next two years. Savings for the fiscal year ending August 31, 2012 is projected to be more than \$50 million.

Reconfiguration of Certain Health Care Facilities

On October 21, 2010, eight System affiliates located in Richmond and Hampton Roads, Virginia sold their reference laboratory services business to an independent third party. These laboratory services contributed less than 1.0% of the System's total revenue during the fiscal year ended August 31, 2010 and the assets that were sold constituted less than 0.1% of the System's net assets at August 31, 2010. The sale of the laboratory services was undertaken to take advantage of favorable market conditions before future reimbursement and market uncertainties change and generated a \$30.0 million gain reported in other revenue in the six months ended February 28, 2011 and the fiscal year ended August 31, 2011. Management plans to redeploy the proceeds from the sale of the reference laboratory services business to other growth areas such as neurosurgery, urology and cancer services in fiscal year 2012.

On March 8, 2011, BSHSI formally withdrew as a corporate member of Altoona Regional Health System (referred to as *ARHS*). ARHS was formed in November 2004, with the merger of Altoona Hospital and Bon Secours - Holy Family Regional Health System, to improve the quality, efficiency and scope of health care services in the Altoona Pennsylvania community. As part of this withdrawal, \$10 million was returned to the System.

On November 1, 2011, Bon Secours Watkins Centre opened in Midlothian, Virginia. This is central Virginia's first free-standing emergency department and includes an imaging center, a women's imaging center, breast surgery practice and neurology practice.

On August 3, 2011, BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as *Bon Secours Hampton Roads*) entered into a joint venture with Sentara Healthcare (referred to as *Sentara*) to own a 154-bed general acute care hospital located at in Virginia Beach, Virginia (as described under “Joint Ventures—Minority Interest Joint Ventures – Bon Secours and Sentara Healthcare” under Tab 5).

On September 24, 2009, Bon Secours Charity Health System was awarded a \$15.8 million New York State HEAL grant to renovate five patient care units among the three acute care hospitals as well as the emergency department at Good Samaritan Hospital.

Bon Secours Charity Health System continues to align the services provided to the needs of the community. In May 2010, Good Samaritan Hospital closed the inpatient psychiatric unit. Currently a certificate of need has been filed to close the obstetrics/delivery unit in Bon Secours Community Hospital in Port Jervis, New York.

The System has received regulatory approval to replace the existing DePaul Medical Center with a new 124-bed facility and to add 54 beds to St. Francis Medical Center. The System is also seeking approval to add a limited amount of new bed capacity to certain of its Virginia facilities. Certain other System affiliates have received or are seeking regulatory approval with respect to the expansion or reconfiguration of certain health care services provided by such facilities. None of the foregoing additions or expansions has been approved by either the Board of Directors of BSHSI or the Board of Directors of BSI. There can be no assurance that any requested regulatory approval will be obtained or that any of the proposed projects will ultimately be approved by the Boards of Directors.

Subsequent Events

In accordance with the provisions of ASC 855 “*Subsequent Events*,” management evaluated events and transactions that occurred after February 29, 2012 and through April 13, 2012. The System did not have any material recognizable subsequent events during this period, other than the transactions described in this Financial Disclosure.

Tab 2 Operating Results

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System Results by Market

The following chart sets forth the consolidated total revenue and operating income for the System by market for the six months ended February 29, 2012 and February 28, 2011:

Market	Total Revenues (000s)	%	Operating Income (Loss) (000s)	%
Six Months Ended February 29, 2012				
Richmond, Virginia ^(a)	\$586,374	34.8	\$32,326	74.8
Hampton Roads, Virginia ^(b)	342,838	20.4	(386)	(0.9)
Greenville, South Carolina	312,409	18.4	16,772	38.8
Charity New York ^(c)	219,896	13.1	(17,993)	(41.6)
Russell, Kentucky	91,301	5.4	1,504	3.6
Baltimore, Maryland	70,134	4.2	386	0.9
Bronx, New York ^(d)	26,695	1.6	(785)	(1.8)
St. Petersburg, Florida	14,777	0.9	361	0.8
Subtotal	1,664,423	98.8	32,185	74.4
Other ^(e)	19,917	1.2	11,056	25.6
Total System	\$1,684,340	100.0	\$43,241	100.0
Six Months Ended February 28, 2011				
Richmond, Virginia ^{(a)(f)}	\$557,990	34.1	\$30,250	49.5
Hampton Roads, Virginia ^{(b)(f)}	362,069	22.1	27,881	45.7
Greenville, South Carolina	275,628	16.8	13,705	22.4
Charity New York ^(c)	213,434	13.0	(10,206)	(16.7)
Russell, Kentucky	85,405	5.1	698	1.1
Baltimore, Maryland	68,317	4.2	(1,586)	(2.6)
Bronx, New York ^(d)	27,230	1.7	(761)	(1.2)
St. Petersburg, Florida	14,315	0.9	239	0.4
Subtotal	1,604,387	98.0	60,220	98.6
Other ^(e)	32,238	2.0	841	1.4
Total System	\$1,636,626	100.0	\$61,062	100.0

(a) Includes St. Mary's Hospital, Richmond Community Hospital, Memorial Regional Medical Center and St. Francis Medical Center.

(b) Includes Maryview Medical Center, Province Place of Maryview, Province Place of DePaul, Mary Immaculate Hospital, St. Francis Nursing Care Center, DePaul Medical Center and Maryview Nursing Care Center.

(c) Includes Good Samaritan Hospital, St. Anthony Community Hospital, Bon Secours Community Hospital, Schervier Pavilion and Mount Alverno Center.

(d) Includes Schervier Nursing Care Center.

(e) Includes System-level investment income (loss) and earnings in affiliates for certain joint ventures as well as shared services costs managed for the System by the health system office.

(f) Operating income includes gain on sale of reference laboratory services, as described throughout this Financial Disclosure (\$24,210 for Hampton Roads and \$5,790 for Richmond)

Management's Discussion and Analysis of Contribution by Market

Most local markets' operating income (loss) for the six months ended February 29, 2012 was comparable to the results for the comparable prior year period. The exceptions were Charity, Richmond, Virginia and Hampton Roads, Virginia.

Operating income in Richmond, Virginia increased to \$32.3 million for the six months ended February 29, 2012 from \$30.2 million for the comparable prior period. However, the prior period results included a one-time gain of \$5.8 million related to the sale of the reference laboratory services business. The reference laboratory services business was sold as a strategic move to redeploy resources into clinical operations more aligned with the System's long-term mission and purpose and in anticipation of declining reimbursement rates and increased commoditization of the market. Excluding the effect of the gain, operating income was \$24.5 million for the comparable prior period, resulting in a \$7.9 million increase in operating income for the six months ended February 29, 2012, versus the comparable prior period. Overall volumes have improved for the six months ended February 29, 2012 versus the comparable prior period. In addition, management has implemented new expense management programs for fiscal year 2012 with a focus on reducing labor and purchased services costs.

Operating income in Hampton Roads, Virginia declined to a loss of \$0.4 million for the six months ended February 29, 2012 versus income of \$27.9 million for the comparable prior period. However, the prior period results included a one-time gain of \$24.2 million related to the sale of the reference laboratory services business sold for reasons as noted above. Excluding the effect of the gain, operating income was \$3.7 million for the comparable prior period, resulting in a \$4.1 million decrease in operating income for the six months ended February 29, 2012 versus the comparable prior period. The region continues to experience unfavorable shifts in payor mix, as well as soft volumes and an increase in expenses as compared to the prior period. Management is in the process of implementing labor and purchased service cost reductions in connection with the plans in place in Richmond.

Operating losses in Charity, New York increased to \$18.0 million for the six months ended February 29, 2012 as compared to losses of \$10.2 million for the comparable prior period. The operating losses at February 29, 2012 approximate prior year if one-time extraordinary adjustments totaling \$8 million are excluded. The extraordinary adjustments include a one-time write off of \$1.6 million for an uncollectible third party settlement; \$5.5 million in additional reserves for accounts receivable deemed less than likely to be collected due to the continued aging of the accounts; and \$.8 million for severance payments to reduce overhead staffing. As of February 29, 2012, Charity has eliminated approximately 108 positions, with another 30 anticipated as the union "bumping" process continues. Charity has successfully implemented planned physician recruitment plans employing more than 32 new specialists and primary care physicians over the past year. As a result, inpatient discharges and outpatient visits are 6.8% and 5.4% higher than prior year. To strengthen management action plans, additional initiatives include engaging external resources from Deloitte, to focus on both revenue cycle realization and cost reduction plans.

The contribution by market to operating income from continuing operations can and has varied materially from year to year due to specific market impacts. The relative contributions by market to operating income from continuing operations for future periods may differ from those presented above.

Sources of Net Patient Service Revenue

The following table shows the sources of net patient service revenue by local market, consolidated System, and consolidated Members of the Obligated Group, for the acute care hospitals, for the six months ended February 29, 2012 and February 28, 2011:

Sources of Net Patient Service Revenue:					
	Managed Care ^(e)	Medicare	Commercial, Private Pay and Other	Medicaid	Total
Six Months Ended February 29, 2012					
<u>Local Market:</u>					
Richmond, Virginia ^(a)	50.5%	27.2%	15.9%	6.4%	100.0%
Hampton Roads, Virginia ^(b)	28.6%	30.8%	33.9%	6.7%	100.0%
Greenville, South Carolina ^(c)	49.2%	35.2%	11.7%	3.9%	100.0%
Charity New York ^(d)	14.3%	40.2%	34.2%	11.3%	100.0%
Ashland, Kentucky	41.9%	33.4%	15.1%	9.7%	100.0%
Baltimore, Maryland	7.3%	19.4%	37.5%	35.8%	100.0%
Consolidated Acute Care Hospitals	37.7%	30.0%	24.9%	7.4%	100.0%
Consolidated Acute Care Hospital Members of the Obligated Group	41.7%	29.6%	20.9%	7.8%	100.0%
Six Months Ended February 28, 2011					
<u>Local Market:</u>					
Richmond, Virginia ^(a)	52.8%	35.3%	5.8%	6.0%	100.0%
Hampton Roads, Virginia ^(b)	38.4%	31.3%	23.4%	6.8%	100.0%
Greenville, South Carolina ^(c)	46.0%	33.7%	15.7%	4.6%	100.0%
Charity New York ^(d)	15.4%	41.0%	32.2%	11.4%	100.0%
Ashland, Kentucky	45.4%	38.1%	5.5%	11.0%	100.0%
Baltimore, Maryland	8.6%	23.6%	33.9%	33.9%	100.0%
Consolidated Acute Care Hospitals	32.3%	34.1%	25.3%	8.2%	100.0%
Consolidated Acute Care Hospital Members of the Obligated Group	35.4%	33.5%	23.3%	7.8%	100.0%

(a) Includes St. Mary's Hospital, Richmond Community Hospital, Memorial Regional Medical Center and St. Francis Medical Center

(b) Includes Maryview Medical Center, Mary Immaculate Hospital and DePaul Medical Center

(c) Includes St. Francis Hospital - Downtown, St. Francis Hospital - Eastside and St. Francis Hospital - Millennium

(d) Includes Good Samaritan Hospital, St. Anthony Community Hospital and Bon Secours Community Hospital

(e) Managed Care includes both Medicare and Medicaid Managed Care

Selected Summary Utilization Information

BSHSI and Subsidiaries

The following table presents selected combined utilization statistics for the health care facilities owned and operated by the Health Care Providers for the six months ended February 29, 2012 and February 28, 2011:

	Six Months Ended February 29 and 28,	
	2012	2011
Acute/Skilled Care Facilities:		
Beds in operation *	2,570	2,613
Discharges	65,768	65,164
Patient days	298,472	301,239
Average length of stay (days)	4.5	4.6
Staffed bed occupancy	63.8%	63.7%
Outpatient visits	723,374	609,078
Emergency room visits	288,709	283,920
Long-Term Care Facilities:		
Beds in operation *	995	995
Patient days	167,810	163,402
Occupancy	92.7%	90.7%

* At end of period

Obligated Group

The following table presents selected combined utilization statistics for the healthcare facilities owned and operated by the Members of the Obligated Group for the six months ended February 29, 2012 and February 28, 2011:

	Six Months Ended February 29 and 28,	
	2012	2011
Acute/Skilled Care Facilities:		
Beds in operation *	2,026	2,069
Discharges	54,596	54,727
Patient days	239,340	240,753
Average length of stay (days)	4.4	4.4
Staffed bed occupancy	64.9%	64.3%
Outpatient visits	613,082	504,432
Emergency room visits	251,135	248,570
Long-Term Care Facilities:		
Beds in operation *	394	394
Patient days	64,221	61,963
Occupancy	89.6%	86.9%

* At end of period

Management's Discussion of Results of Operations

In recent years, the System has focused heavily on improving the quality, efficiency and integration of care. This strategic effort is referred to within the System as Clinical Transformation. Primary strategies include implementation of an electronic health record and order entry system, acquiring and integrating primary and specialty care physician practices and intense engineering and operational efforts to understand and redesign the System's care delivery models in all areas of practice. These capabilities have required development of clinical and financial leaders to learn, understand and design new care pathways with expected results related to quality, service and cost. As part of this effort, the System is in its fourth year of a six year roll-out of the ConnectCare electronic health records system. ConnectCare provides acute electronic medical record and computerized order entry systems, physician practice electronic medical record systems and patient portal capabilities and impacts all elements of the acute care revenue cycle deployment. In addition, the System continues to acquire physician practices, resulting in approximately a 70% increase in number of physicians and mid-level full-time equivalents employed by the System as of February 29, 2012 compared to August 31, 2009. This integration of physician practices provides the System an opportunity to better coordinate the quality and efficiency of care, supports its Clinical Transformation objectives and allows the System to better respond to future healthcare changes.

The following comparative charts provide information related to changes in certain line items for the System for the six months ended February 29, 2012 and February 28, 2011. A discussion of the causes for significant variances with respect to certain of the line items between the periods follows these charts. The discussion of the System's results of operations that follows should be read in conjunction with the unaudited financial statements of BSHSI and subsidiaries contained in the Appendix.

	BSHSI and Subsidiaries				Obligated Group	
(Dollars in thousands)	February 29, 2012	February 28, 2011	Variance	Variance %	February 29, 2012	As a % of Total System
Total revenue	\$ 1,684,340	\$ 1,636,626	\$ 47,714	2.9%	\$ 1,313,941	78.0%
Salaries, wages and benefits	800,649	754,632	46,015	6.1%	558,436	69.7%
Supplies	273,162	264,921	8,241	3.1%	229,003	83.8%
Purchased services and other	360,318	366,125	(5,807)	-1.6%	269,305	74.7%
Provision for bad debts	118,913	106,449	12,465	11.7%	101,368	85.2%
Depreciation and amortization	64,275	59,475	4,800	8.1%	52,397	81.5%
Interest	23,782	23,962	(179)	-0.7%	19,477	81.9%
Operating income	43,241	61,062	(17,820)	-29.2%	83,955	194.2%
Nonoperating investment gains, net	34,416	125,976	(91,560)	-72.7%	33,711	98.0%
Other nonoperating activities, net	(21,382)	(19,403)	(1,979)	-10.2%	(14,227)	66.5%
Excess of revenues over expenses	56,275	167,634	(111,360)	-66.4%	103,439	183.8%
Other changes in unrestricted net assets, net	(3,258)	(6,408)	3,150	49.2%	(3,994)	122.6%
Increase (decrease) in unrestricted net assets	\$ 53,017	\$ 161,227	\$ (108,211)	-67.1%	\$ 99,445	187.6%

	BSHSI and Subsidiaries				Obligated Group	
(Dollars in thousands)	As of February 29, 2012	As of February 28, 2011	Variance	Variance %	As of February 29, 2012	As a % of Total System
Days in accounts receivable, net	46.43	48.21	(1.78)	-3.7%	46.09	99.3%
Property, plant and equipment, net	\$ 1,101,505	\$ 1,079,886	\$ 21,619	2.0%	\$ 898,502	81.6%
Current ratio	1.6	1.5	0.0	0.7%	2.5	161.8%
Unrestricted cash and cash equivalents	\$ 77,511	\$ 92,084	\$ (14,573)	-15.8%	\$ 400,297	516.4%
Unrestricted board-designated funds	\$ 814,861	\$ 800,565	\$ 14,295	1.8%	\$ 780,344	95.8%
Other investments limited or restricted as to use	\$ 201,078	\$ 185,248	\$ 15,831	8.5%	\$ 67,598	33.6%
Total long-term debt	\$ 1,057,543	\$ 1,085,361	\$ (27,818)	-2.6%	\$ 1,011,641	95.7%

Total Revenue for the six months ended February 29, 2012 increased \$47.7 million, or 2.9%, from the comparable prior period which included the impact of the prior period gain of \$30 million on the reference laboratory services. The System's employed physician network grew to 637 physicians and mid-level full-time equivalents at February 29, 2012. Volumes as measured by adjusted discharges grew 3.1% for the six months ended February 29, 2012 over the comparable prior period. The all-payer weighted case mix index increased 0.4%, reflecting higher acuity. Total surgeries, including inpatient, outpatient and ambulatory, increased 7.6% for the six months ended February 29, 2012 from the comparable prior period. Net patient service revenue increased \$81.9 million, while other revenue decreased \$34.1 million, which is primarily due to the prior year \$30.0 million gain related to the sale of the reference laboratory services business in the Virginia markets.

As a percentage of gross patient revenue, charity care, bad debt and customer service adjustments were 8.8% for the six months ended February 29, 2012 compared to 8.6% for the comparable prior period.

Salaries, Wages and Benefits Expense increased \$46.0 million, or 6.1%, during the six months ended February 29, 2012 from the comparable prior period. This increase resulted primarily from the increase related to an expansion of the System's employed physician network, increased nursing staffing due to higher surgical volumes, and an increase to health plan benefits costs. Normal inflationary increases accounted for the remainder of the growth. Salaries, wages and benefits expense as a percentage of net patient service revenue increased to 49.3% for the six months ended February 29, 2012 from 49.0% for the comparable prior period.

Supplies Expense increased \$8.2 million, or 3.1%, to \$273.2 million during the six months ended February 29, 2012 from the comparable prior period. The increases were primarily in pharmacy and medical supply expenses resulting from a 7.6% increase in surgical volumes over the prior year period. Supplies expense as a percentage of net patient service revenue decreased to 16.8% for the six months ended February 29, 2012 from 17.2% for the comparable prior period.

Purchased Services and Other Expenses decreased \$5.8 million, or 1.6%, to \$360.3 million for the six months ended February 29, 2012 from the comparable prior period. Purchased services and other expenses as a percentage of net patient service revenue decreased to 22.2% for the six months ended February 29, 2012 from 23.8% for the comparable prior period.

Provision for Bad Debts increased \$12.5 million, or 11.7%, for the six months ended February 29, 2012 from the comparable prior period. Bad debt expense increased as the System's employed physician network grew, resulting in volume growth as noted above under "*Total Revenue*."

Depreciation and Amortization Expense increased \$4.8 million, or 8.1%, for the six months ended February 29, 2012 from the comparable prior period primarily due to normal property and equipment capitalizations.

Interest Expense remained relatively unchanged for the six months ended February 29, 2012 from the comparable prior period.

Operating Income decreased by \$17.8 million to \$34.4 million for the six months ended February 29, 2012 from \$61.1 million for the comparable prior period. The six months ended February 28, 2011 results were favorably impacted by the \$30 million gain on the strategic sale of the reference laboratory services business in Virginia.

Nonoperating Investment Gains (Losses), Net declined by \$91.6 million, to \$34.4 million for the six months ended February 29, 2012 from \$126.0 million for the comparable prior period. Nonoperating investment gains, net for the six months ended February 29, 2012 include net realized and unrealized gains generated by the System's investment portfolio of \$42.7 million for the six months ended February 29, 2012, compared to the net realized and unrealized gains of \$101.7 million for the comparable prior period. In addition, unrealized losses and payments, net related to the System's derivatives were \$8.2 million for the six months ended February 29, 2012, as compared to unrealized gains and payments, net of \$24.3 million for the comparable prior period.

Other Nonoperating Activities, Net decreased by \$2.0 million during the six months ended February 29, 2012 to a net loss of \$21.4 million, as compared to a net loss of \$19.4 million for the comparable prior period.

Other Changes in Unrestricted Net Assets, Net resulted in a decrease of \$3.3 million for the six months ended February 29, 2012 compared to a decrease of \$6.4 million for the comparable prior period. The variance

resulted primarily from higher distributions to noncontrolling interest owners and lower changes in net assets of joint ventures during the six months ended February 29, 2011.

Non-Controlling Interest

Effective September 1, 2010, the System adopted new accounting guidance applied retroactively to August 31, 2009 that requires a not-for-profit reporting entity to account for and present non-controlling interests in a consolidated subsidiary as a separate component of the appropriate class of consolidated net assets (equity). This presentation, in management's opinion, aligns well with the minority partners' limited ability to require distributions as note in under the caption "Joint Ventures" under Tab 5. The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and non-controlling interest, including amounts such as excess of revenues over expenses and other changes in unrestricted net assets as of and for the six months ended February 29, 2012:

	Unrestricted net assets- Controlling Interest	Unrestricted net assets- Noncontrolling Interest	Total Unrestricted Net Assets
Balance as of August 31, 2011	\$ 638,461	164,810	803,271
Excess of revenues over expenses	45,007	11,268	56,275
Net change in unrealized gains on other than trading securities	874	-	874
Grants for capital expenditures	1,134	-	-
Net assets released for property, plant and equipment	1,781	-	1,781
Other changes in net assets of joint ventures	(2,282)	-	(2,282)
Change in additional minimum pension liability, net	661	-	661
Distributions to non-controlling interest owners	-	(1,497)	(1,497)
Transfers to affiliates & other changes, net	(3,929)	-	(2,795)
Increase in net assets	43,246	9,771	53,017
Balance as of February 29, 2012	\$ 681,707	174,581	856,288

Factors Affecting Results of Operations

Critical Accounting Policies

BSHSI considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its consolidated financial statements, including the impairment of long-lived assets. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ materially from those estimates. Except for the new accounting guidance noted above, BSHSI has not significantly changed any of its critical accounting policies during the six months ended February 29, 2012.

The risks inherent with reimbursement from federal, state and private payors require that the collectability of receivables associated with these payors is reasonably stated in the consolidated financial statements. From a patient receivables standpoint, the System employs an active review process that assesses the reasonableness of its patient receivable allowances for contractual adjustments, uncompensated care, and bad debts and helps assure that the patient receivables are valued at their estimated net realizable value.

In accounting for Medicare and Medicaid cost reports, BSHSI records all third-party receivables and liabilities at their estimated realizable values. Additionally, BSHSI has a consulting arrangement with an accounting firm that is not affiliated with its independent auditors to review all cost reports submitted to third-party payors and to assess the reasonableness of the System's recorded liabilities to these payors. Management believes that adequate provisions have been made for reasonable adjustments that may result from final cost report settlements.

The System participates in a self-funded insurance program for hospital professional and general liabilities configured under a System affiliate, Bon Secours Assurance Company, Ltd. (referred to as *BSAC*), in the Cayman

Islands. Assets are maintained under the self-funded insurance program to provide specified levels of claims-made and occurrence-based coverage, depending on the year, for hospital professional and general liabilities. Excess claims-made coverage is obtained through commercial carriers. In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 is intended to address current diversity in practice to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Most health care entities have netted anticipated insurance recoveries against the related accrued liability, although some entities have presented the anticipated insurance recovery and related liability on a gross basis. The existing guidance does not permit offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. This update clarifies that a health care entity should not net insurance recoveries against related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of this new guidance became effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2010. The System included this gross reporting as of August 31, 2007.

The System's workers' compensation program primarily consists of self-funded insurance programs in various states with excess coverage obtained through commercial insurers. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy.

Employee health benefits of the System are principally provided through the System's self-funded insurance program. BSHSI maintains reserves for incurred but unreported claims based on historical payment lag.

The provision for claims and related funding levels for the self-insurance, workers' compensation and employee health benefit programs are established annually based upon the recommendations of consulting actuaries. Claims in any of these programs could fluctuate significantly due to larger than estimated claim settlements. Management believes that adequate provisions have been made to reflect historical claims experience of the respective programs.

Possible Effects of Legislative, Regulatory and Managed Care Uncertainties

One of BSHSI's primary sources of liquidity is operating cash flow. This cash flow is at risk in the event of significant unfavorable changes in legislation and regulations affecting the funding for healthcare services, primarily in the Medicare and state Medicaid programs. Medicare and Medicaid funding changes have a significant impact on the cash flow of the System.

The Centers for Medicare and Medicaid Services (referred to as *CMS*) uses recovery audit contractors (referred to as *RACs*) as part of CMS's efforts to assure accurate patient payments. The RACs search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of February 29, 2012, the System's hospitals in Kentucky, South Carolina, Virginia and New York have received notices requesting medical records. Through November 30, 2011, nominal claims were denied. During the quarter ended February 29, 2012, an increase in denials was noted in all markets. BSHSI is rigorously appealing these claims. Additional RAC assessments against the System are anticipated as CMS has increased the number of claims that can be reviewed every 45 days; however, the outcome of such assessments is still unknown and cannot be reasonably estimated.

During 2008 and 2009, State Medicaid Integrity Programs (referred to as *MIPs*) were initiated by CMS through contractors. Virginia, Florida and New York are the only states in which BSHSI operates where MIP audits have been initiated. As of February 29, 2012, MIP audits have been initiated in BSHSI hospitals in Virginia and New York with nominal findings. The outcome of any open audit reports is uncertain and cannot be reasonably estimated.

In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

On July 18, 2011, BSHSI and certain of BSHSI's Virginia-based affiliates received a Civil Investigative Demand (referred to as a *CID*) from the U.S. Department of Justice relating to certain "coordination of care" (or

“concierge services”) programs that seek to efficiently coordinate patient care. Those affiliates are in the process of responding to the CID and have sought clarity as to the scope of the information requested. It is not feasible at this time to predict whether further regulatory or other proceedings will result from the CID, the outcome of any such proceedings or whether any such proceedings will have a material adverse impact on the financial condition of the Obligated Group, taken as a whole.

The System’s management strives to anticipate factors that may affect payment changes and develops plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state and private payors could have a significant adverse effect on the System’s operating results, cash flows and liquidity.

As a result of the federal healthcare reform legislation enacted in 2010, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS in 2011, both of which present opportunities to the System. The first is value-based purchasing. On May 6, 2011, CMS issued its final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System’s hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System’s reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (referred to as *EHR*) incentive program established under the Health Information Technology for Economic and Clinical Health Act. Certain hospitals and eligible healthcare professionals that demonstrate “meaningful use” of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and eligible healthcare professionals “adopt, implement or upgrade” certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and eligible healthcare professionals that do not achieve meaningful use of *EHR*. As of February 29, 2012, four Virginia hospitals, the South Carolina hospitals, the Kentucky hospital, and several employed eligible healthcare professionals qualified for and successfully submitted meaningful use attestations for Year 1 Medicare EHR incentive payments, resulting in aggregate anticipated payments to these providers of approximately \$13.3 million, \$12.0 million of which was received as of February 29, 2012. In February 2012, BSHSI recognized that it could ratably record Year 2 Medicare EHR expected incentive payments for the four Virginia hospitals and South Carolina. \$4.4 million was recorded for the six months ended February 29, 2012. As the System has made a substantial investment in qualified EHR, the System expects to qualify providers for Medicaid payments in all states where the State Medicaid Health Information Technology Plan has been submitted to and approved by CMS. During 2011, the System’s hospital in Kentucky received its year-one payment from the Kentucky Medicaid EHR Incentive Program, and the South Carolina hospitals were deemed to have attested for Medicaid when the Medicare attestation was submitted. New York’s state plan has been approved, and the hospitals are seeking to qualify for payment under this plan. Virginia does not yet have an approved state plan.

Goodwill and Long-Lived Asset Valuations

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the ASC Topic 360-10, *“Impairment or Disposal of Long-Lived Assets,”* if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System’s management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to

its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of the System's long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. If expected future cash flows used in measuring assets are impaired, the System groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the six months ended February 29, 2012 or 2011.

The Financial Accounting Standards Board's ASC Topic 350, "*Intangibles – Goodwill and Other*," requires that tangible and indefinite-lived assets, as well as goodwill, be analyzed in order to determine whether their value has been impaired. In conjunction with the implementation of ASC 350, effective September 1, 2010, the System no longer amortizes goodwill but tests carrying value for impairment. Pursuant to ASC 350, the System determined that it had one reporting unit, which is the aggregate of all the System's entities, and performed an initial impairment test as of September 1, 2010, concluding that, as of that date, goodwill was not impaired. Goodwill was evaluated again as of August 31, 2011, with no impairment charges recorded. In accordance with ASC 350, the System will evaluate goodwill annually as of the last day of each fiscal year, August 31.

Tab 3 Balance Sheet and Capital Structure

- ◆ System Bonds
- ◆ Series 2010 Financing
- ◆ Direct Purchase Bonds
- ◆ Letters of Credit and Liquidity Enhancement
- ◆ Covenants Regarding Long-Term Indebtedness
- ◆ Liquidity of BSHSI and Subsidiaries
- ◆ Interest Rate Risk Management
- ◆ Capital Market Uncertainties
- ◆ Investments
- ◆ Fair Value Disclosures

System Bonds

At February 29, 2012 and August 31, 2011, long-term indebtedness was comprised of the following (in thousands):

	February 29, 2012		August 31, 2011	
	BSHSI	Obligated Group	BSHSI	Obligated Group
Variable rate bonds	\$370,950	\$370,950	\$385,665	\$385,665
Fixed rate bonds (1)	640,884	607,809	641,559	608,484
Capital leases	11,025	7,174	12,668	7,897
Other debt (2)	34,684	25,710	35,450	26,481
Total long-term debt	<u>\$1,057,543</u>	<u>\$1,011,643</u>	<u>\$1,075,342</u>	<u>\$1,028,527</u>

- (1) Obligated Group amounts do not include aggregate principal amounts of Schervier Bonds (described below) of approximately \$33.1 million and \$34.4 million for the periods ended February 29, 2012 and August 31, 2011.
- (2) Amounts for both BSHSI and Obligated Group include indebtedness guaranteed by BSHSI that was incurred by two limited partnerships of which BSHSI is a 49% limited partner in connection with two medical office building lease transactions of approximately \$29.1 million for the periods ended February 29, 2012 and August 31, 2011.

Series 2010 Financing

On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured variable rate debt bonds originally issued in October 2008 (referred to as the *Series 2008D Bonds*). On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit to secure the Series 2008D Bonds with stated maturities ranging from September 2013 to September 2015.

On October 19, 2010, the Obligated Group converted the interest rate mode of \$173.4 million of the Series 2008B-C bonds originally issued in January 2008 (referred to as the *Converted Bonds*) from variable interest rate to fixed rate serial and term bonds. The Converted Bonds were initially secured by bond insurance policies and four standby bond purchase agreements. The standby bond purchase agreements were terminated on October 19, 2010; however, the bond insurance policies remain in effect. Principal and interest on the Converted Bonds are payable in installments through November 2042 at fixed interest rates ranging from 4.50 % to 5.25%. The conversion satisfied a one-time covenant for the benefit of certain credit enhancers to cause the percentage of the principal amount of long-term indebtedness which bore interest at other than a fixed rate to be reduced to not greater than 40% of the principal amount of the Obligated Group's total long-term indebtedness. The System recorded a loss on the debt conversion of \$1.2 million during the six months ended February 28, 2011 as a result of this transaction.

Additionally, on October 19, 2010, the Obligated Group completed a bond financing of \$40.7 million of new variable rate bonds (referred to as the *Series 2010 Bonds*). The proceeds of the sale of the Series 2010 Bonds were used to (i) pay a termination payment of \$39.0 million relating to the termination of four fixed payor swaps with a notional value of \$173.3 million relating to the Converted Bonds and (ii) pay related costs of issuance. The bonds are secured by an irrevocable direct pay letter of credit with a stated expiration of September 2013. The Series 2010 Bonds are currently remarketed weekly and bear interest at a weekly rate established by the market.

On November 30, 2011, BSHSI terminated three irrevocable direct pay letters of credit that secured variable rate debt bonds originally issued in 2002 and 2008, respectively. On the same date, BSHSI entered into three new irrevocable direct pay letters of credit with a substitute letter of credit provider. The new letters of credit expire in November 2015.

Direct Purchase Bonds

On December 8, 2011, the Economic Development Authority of the City of Norfolk issued \$72.5 million principal amount of its Revenue Bonds, Series 2011 (Bon Secours Health System, Inc.) (referred to as the *Direct*

Purchase Bonds) and loaned the proceeds thereof to BSHSI. The Direct Purchase Bonds have a final maturity of November 15, 2025 and were purchased by a financial institution (referred to as the *Direct Purchase Bank*) for an initial term of ten years. During the initial term, the Direct Purchase Bonds will bear interest based on a percentage of LIBOR plus an agreed upon spread. Payment of the Direct Purchase Bonds will be secured in part by an obligation issued under the Master Indenture. In connection with the issuance of the Direct Purchase Bonds, BSHSI, as Credit Group Representative under the Master Indenture, entered into a credit agreement with the Direct Purchase Bank which contain various covenants which can be enforced or waived solely by the Direct Purchase Bank. Those covenants are similar to covenants the BSHSI has provided to various banks and insurance companies which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness.

Letters of Credit and Liquidity Enhancement

The following table sets forth certain information with respect to the outstanding long-term indebtedness of the Obligated Group which bears interest at a variable rate and is secured by credit enhancements at February 29, 2012:

Series	Loan/ Credit Provider	Par Amount Outstanding at February 29, 2012 (in millions)	Expiration Date
Series 2002B (Venice, Florida)	JP Morgan Chase*	\$4.3	November 2015
Series 2002B (Russell, Kentucky)	JP Morgan Chase*	\$13.4	November 2015
Series 2008A (South Carolina)	JP Morgan Chase*	\$69.9	November 2015
Series 2008D (South Carolina)	Citibank**	\$25.0	September 2013
Series 2008D-1 (Hanover)	Citibank**	\$25.9	September 2013
Series 2008D-2 (Hanover)	U.S. Bank National Association **	\$88.6	October 2013
Series 2008D (Henrico)	JPMorgan Chase*	\$30.0	September 2013
Series 2010 (Virginia Small Business Financing Authority)	JPMorgan Chase*	\$40.7	September 2013

* Insured letter of credit (AGM)

** Also provides liquidity.

To manage risk, the System has diversified its liquidity providers for the variable rate bonds among four different banks. Trading is monitored regularly by management.

Liquidity of BSHSI and Subsidiaries

As depicted in the following table, the total value of the System's unrestricted cash and cash equivalents and unrestricted board-designated funds at February 29, 2012 was \$892.4 million, \$42.9 million less than at August 31, 2011. Operations contributed \$57.8 million during the six months ended February 29, 2012. Capital expenditures, an increase in daily operating expenses, the timing of working capital changes and scheduled debt and swap payments conversely reduced reported days cash on hand as of February 29, 2012, resulting in a 7.0 day decrease from August 31, 2011.

	February 29, 2012	August 31, 2011
	(Dollars in thousands)	
Unrestricted cash and cash equivalents ^(a)	\$77,511	\$159,635
Unrestricted board-designated funds ^(b)	814,861	775,666
Total unrestricted cash and board-designated funds	<u>\$892,373</u>	<u>\$935,301</u>
Days cash on hand ^(c)	103.0	110.0
Total long-term indebtedness (excluding bond discount)	\$1,061,445	\$1,079,379
Ratio of total unrestricted cash and board-designated funds to total long-term indebtedness ^(d)	84.1%	86.7%

^(a) Includes debt securities with maturities less than three months.

^(b) Includes mutual funds, cash and cash equivalents, debt and equity securities, and alternative investments.

^(c) Total unrestricted cash and investments, divided by total operating expenses (excluding depreciation and amortization expense), divided by the number of calendar days in the period.

^(d) Total unrestricted cash and board-designated funds, divided by total long-term debt (excluding bond discount).

The System's aggregate capital expenditures for the six months ended February 29, 2012 were approximately \$81.3 million including capital purchases funded by project funds and philanthropic dollars.

Interest Rate Risk Management

The System uses fixed and variable rate debt to finance capital needs and develop an appropriate debt structure. Variable rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

At February 29, 2012, the System had eleven derivative instruments, none of which qualified for hedge accounting treatment under ASC Topic 815, "*Derivatives and Hedging*." Fair value changes with respect to the valuation adjustments and payments for these instruments were reported under nonoperating investment gains, net in accordance with auditing standards generally accepted in the United States of America (referred to as *U.S. GAAP*.) The following is a summary of the derivative instruments in place at February 29, 2012:

Description	#	Outstanding		Maturity Dates	Collateral Posted	Counterparties	Mark to Market	Collateral Thresholds
		Notional Amount	Pay Rates					
(Dollars in thousands)								
Fixed Payer	1	\$ 56,360	3.448%	Nov-2025	\$ -	Goldman Sachs	\$ (7,220)	\$ 10,000
Fixed Payer	1	84,540	3.491%	Nov-2025	-	Deutsche Bank	(11,036)	20,000
Fixed Payer	2	127,575	3.420% / 4.460%	Aug-2026 / Nov-2028	-	Merrill Lynch	(25,705)	*
Fixed Payer	2	125,200	3.384% / 4.485%	Oct-2025 / Oct-2026	13,511	JP Morgan	(27,718)	15,000
Fixed Payer	<u>1</u>	<u>69,925</u>	3.454%	Nov-2042	<u>-</u>	Citigroup	<u>(19,592)</u>	<u>*</u>
Total Fixed Payers	<u>7</u>	<u>\$ 463,600</u>			<u>\$ 13,511</u>		<u>\$ (91,271)</u>	
Fixed Basis	1	200,000	SIFMA	Jan-2029	-	Citigroup	2,935	20,000
Variable Basis	3	501,000	SIFMA	Nov-2029	-	Merrill Lynch	(7,893)	*
Total Derivatives	<u>11</u>	<u>\$ 1,164,600</u>			<u>\$ 13,511</u>		<u>\$ (96,229)</u>	<u>\$ 65,000</u>
FAS157 Valuation Adjustments (@ 02/29/2012)							7,807	
							<u>\$ (88,422)</u>	

* Derivative instrument does not provide for the posting of collateral.

The realized and unrealized losses of \$8.2 million and gains of \$24.3 million for the six months ended February 29, 2012 and February 28, 2011, respectively, relating to these non-qualifying derivative activities are recorded within nonoperating investment gains (losses), net in the accompanying consolidated statements of operations.

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

On September 28, 2010, the System terminated four fixed payor swaps with a notional value of \$173.4 million relating to the Converted Bonds. On October 19, 2010, the System paid \$39.0 million to the counterparty to terminate these swaps (see “Series 2010 Financing” above.)

As a condition to the delivery of its letter of credit to provide liquidity and additional security for the \$69,925,000 South Carolina Jobs – Economic Development Authority Revenue Bonds, Series 2008A (Bon Secours Health System, Inc.) (referred to as the *JEDA Bonds*), JPMorgan Chase Bank, N.A. was granted the right to cancel the bond insurance policy which currently secures the JEDA Bonds (referred to as the *Bond Policy*). The bond insurer on the JEDA Bonds has also delivered an insurance policy securing payments by the Obligated Group under a fixed payor derivative instrument with Citibank, N.A., as counterparty (referred to as the *Citi Fixed Payor Swap*). If the Bond Policy is cancelled, the Obligated Group will be required to terminate the Citi Fixed Payor Swap (and make any related termination payment) upon the earlier of (i) the date on which the Obligated Group has a positive mark-to-market on the Citi Fixed Payor Swap or (ii) the third anniversary of the termination of the Bond Policy. At February 29, 2012, the Citi Fixed Payor Swap carried a negative mark-to-market of \$19.6 million.

Capital Market Uncertainties

Investment market fluctuations affect the self-funded insurance plans, long term investment reserves and pension plan funds, and impact the System’s net assets. The System’s management monitors these fluctuations closely, striving to anticipate the effect of changes and develop plans to address them. Management attempts to proactively address the impact of these fluctuations through the System’s funding and investment management policies as well as cash management. Management has also attempted to offset the impact of market fluctuations by taking steps intended to strengthen operations. Nonetheless, market fluctuations could have a significant adverse or positive effect on the System’s cash flows and managing capital spending.

Investments

BSHSI maintains a centralized investment program that is comprised primarily of operating funds and other unrestricted board-designated funds, all of which primarily originate from BSHSI’s subsidiary organizations. These funds are combined into a centralized investment program that is administered by BSHSI’s Treasury Services Department.

The System has incorporated an Investment Policy Statement (referred to as an *IPS*) into its investment program. The IPS, which has been formally adopted by the BSHSI Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size and limits fixed income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At February 29, 2012, management believes that its investment positions are in accordance with the IPS guidelines.

The BSHSI Board of Directors approves the primary investment policy, while the Pension and Investment Committee of the BSHSI Board of Directors periodically reviews and approves the asset allocation and investment procedures. The Pension and Investment Committee is also responsible for the ongoing oversight of the centralized investment program and approval of most other investment-related decisions, including the selection of an investment consultant and investment managers. BSHSI uses an outside investment consultant to provide professional investment analysis and guidance. Professional investment management firms invest all of the long-term reserves in the centralized investment program. As of February 29, 2012, BSHSI’s target allocation of its

investment portfolios was 52.5% equity investments, 20% alternative investments (including hedge fund and real estate investments) and 27.5% fixed income investments, and the System's asset allocations approximated these targets.

The System's ability to generate significant investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to fluctuate significantly in the future. The System's investment portfolio assets are designated as trading securities as established in ASC Topic 320, "*Investments in Debt and Equity Securities*." The System's entire portfolio is managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenue over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenue over expenses from period to period.

The following table provides an analysis of nonoperating investment gains (losses), net for the six months ended February 29, 2012 and February 28, 2011:

	Six Months Ended		Increase
	February 29 and 28,	February 29 and 28,	(Decrease)
	2012	2011	
	(In thousands)		
Realized investment gains	\$ 12,001	\$ 24,898	\$ (12,897)
Unrealized investment gains (losses)	30,663	76,780	(46,117)
Unrealized derivative gains (losses)	(341)	34,068	(34,410)
Interest rate derivative payments	(7,907)	(9,770)	1,863
Nonoperating investment gains (losses), net	\$ 34,416	\$ 125,976	\$ (91,560)

Management believes that the realized and unrealized gains (losses) in both periods were consistent with the trading styles of the managers and the overall change in market values.

For a description of the System's derivative instruments, see "Interest Rate Risk Management" above.

Fair Value Disclosures

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC 820, "*Fair Value Measurements and Disclosures*," which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and interest rate swaps.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of February 29, 2012:

		Fair value measurements at February 29 using:		
	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Investments				
Cash and cash equivalents	\$ 162,115	161,882	233	-
Equity Mutual Funds	53,704	53,704	-	-
Equity Commingled Funds	78,008	-	78,008	-
Common and preferred stocks	293,432	293,432	-	-
Fixed Income Mutual Funds	104,394	104,394	-	-
Fixed Income Commmingled Funds	101,483	-	101,483	-
U.S. government and agency securities	31,174	31,062	112	-
Corporate bonds	52,479	11,836	40,124	519
Alternatives	17	-	17	-
Land and Other Assets	84	-	84	-
Total Investments	\$ 876,891	656,311	220,061	519
Liabilities				
Interest Rate Swaps	\$ 88,422	-	88,422	-
Total Liabilities	\$ 88,422	-	88,422	-

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of February 29, 2012:

		Fair value measurements at February 29 using:			
		Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Investments					
Cash and cash equivalents	\$	21,488	19,343	2,144	-
Equity Mutual Funds		7,768	7,768	-	-
Equity Commingled Funds		53,401	-	53,401	-
Common and preferred stocks		229,571	229,571	-	-
Fixed Income Mutual Funds		29,092	29,092	-	-
U.S. government and agency securities		35,426	34,976	450	-
Corporate bonds		60,811	-	60,488	323
Alternatives		42,993	-	-	42,993
Total Investments	\$	480,549	320,750	116,483	43,316

During the six months ended February 29, 2012 there were no significant transfers between Level 1 and Level 2.

During the six months ended February 29, 2012 the change in the fair value for the System's assets valued using significant unobservable inputs (Level 3) was due to the following:

	Level 3 Assets		
	Corporate Bonds	Other Investments	Total
Beginning balance September 1, 2011	127	-	127
Total net gains (losses) realized	2	-	2
Total net gains (losses) unrealized	18	-	18
Purchases	519	-	519
Sales	(146)	-	(146)
Transfers in (out) of Level 3	-	-	-
Ending balance February 29, 2012	519	-	519

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following:

	Level 3 Assets		
	Corporate Bonds	Alternative Investments	Total
Beginning balance September 1, 2011	60	44,595	44,655
Total net gains (losses) realized	1	-	1
Total net gains (losses) unrealized	8	(1,602)	(1,594)
Purchases	342	-	342
Sales	(88)	-	(88)
Transfers in (out) of Level 3	-	-	-
Ending balance February 29, 2012	323	42,993	43,316

Tab 4 Insurance and Pension Plans

- ◆ Insurance
- ◆ Pension Plans

Insurance

The System's affiliates, including the Members of the Obligated Group, maintain insurance coverages which are customary for health care providers of similar size and location.

The System maintains self-funded insurance programs for professional and general liability through BSAC, a Cayman Islands company, the sole shareholder of which is BSHSI. The System's workers' compensation program primarily consists of self-funded insurance programs in various states with excess coverage obtained through commercial insurers. Under the System's self-funded insurance programs, claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments.

Pension Plans

Most of the System's employees are covered by one of the System's several noncontributory defined benefit pension plans, while a portion are covered by defined contribution plans. The System's noncontributory defined benefit plans provide plan beneficiaries benefits based upon age at retirement, years of credited services and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code (referred to as *IRC*.) During the six months ended February 29, 2012, for defined benefit pension plans deemed to be church plans under the IRC, the System's funding policy was to make contributions to fund the annual service cost of the plans plus a 15-year amortization of unfunded accumulated deficit obligation.

Beginning in fiscal year 2011, for defined benefit plans deemed to be church plans under the IRC, the System adopted a funding policy whereby contributions will be equal to annual service cost of the plans plus one-fifteenth of the unfunded accumulated benefit obligation discounted at 7%. Defined benefit plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines.

In July 2011, the System announced the closure of the defined benefit plans to all new employees. Existing defined benefit plan participants are in the process of being offered a choice option. This choice option allows a one-time election to maintain participation in the defined benefit pension plans or move to a defined contribution retirement plan. Based on an actuarial review of demographic data, the System recognized a curtailment charge of \$0.6 million and an increase in unrestricted net assets of \$16.7 million related to the estimated reduction in the projected benefit obligation.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

For the six months ended February 29, 2012 and February 28, 2011, the System contributed \$14.8 million and \$20.7 million, respectively, to its defined benefit pension plans. Defined benefit pension plan contributions are made on a monthly basis based upon the annual actuarial valuations of each plan.

The System expects to contribute approximately \$35.0 million to its pension plans during the fiscal year ending August 31, 2012.

Tab 5 Organization

- ◆ Health Care Providers
 - Exemption from Federal Income Taxes
- ◆ Shared Sponsorship Arrangements
 - Bon Secours Charity Health System, Inc.
 - Interest in Diocese of Richmond, Virginia in Certain Facilities
- ◆ Joint Ventures
 - Majority-Interest Joint Ventures
 - Minority-Interest Joint Ventures
- ◆ Enterprise Risk Management
- ◆ Compliance
- ◆ Conflict of Interest
- ◆ Community Benefit
- ◆ Corporate Governance
 - Bon Secours Ministries
 - Bon Secours, Inc.
 - Bon Secours Health System, Inc.
 - Local Parents
 - Healthcare Providers
 - Reserved Powers
 - Board of Directors
 - Executive Officers
- ◆ Employees

Health Care Providers

BSHSI and the 12 Health Care Providers identified in bold in the table below are currently, and have been, Members of the Obligated Group throughout the six months ended February 29, 2012 and February 28, 2011. These 12 Health Care Providers operate eleven acute care facilities and three long-term care facilities in Florida, Kentucky, Maryland, South Carolina and Virginia. None of the Health Care Providers in New York are Members of the Obligated Group.

State	Entity Name and Facilities (<i>in italics</i>)	Description of Facility	Location
Florida	Bon Secours-Maria Manor Nursing Care Center, Inc. <i>Bon Secours-St. Petersburg</i>	Long-Term Care	St. Petersburg
	Bon Secours Place at St. Petersburg, L.L.P. ^(a) <i>Bon Secours Place at St. Petersburg</i>	Assisted Living	St. Petersburg
Kentucky	Our Lady of Bellefonte Hospital, Inc. <i>Our Lady of Bellefonte Hospital</i>	Acute Care	Ashland
Maryland	Bon Secours Hospital Baltimore, Inc. <i>Bon Secours Hospital Baltimore</i>	Acute/Skilled Care	Baltimore
New York	Frances Schervier Home and Hospital <i>Schervier Nursing Care Center</i>	Long-Term Care	Riverdale
	Bon Secours Charity Health System Inc. Good Samaritan Hospital of Suffern, N.Y. <i>Good Samaritan Hospital</i>	Acute Care	Suffern
	Bon Secours Community Hospital <i>Bon Secours Community Hospital</i>	Acute Care/ Skilled Care	Port Jervis
	St. Anthony Community Hospital, Warwick, New York <i>St. Anthony Community Hospital</i>	Acute Care	Warwick
	Villa Frances at the Knolls, Inc. <i>Schervier Pavilion</i>	Long-Term Care	Warwick
	St. Francis Center at the Knolls, Inc. <i>Mount Alverno Center</i>	Assisted Living	Warwick
South Carolina	St. Francis Hospital, Inc. <i>St. Francis Hospital - Downtown</i> <i>St. Francis - Eastside</i>	Acute Care Acute Care	Greenville Greenville
	Roper St. Francis Healthcare ^(a) <i>Bon Secours – St. Francis Xavier Hospital</i>	Acute Care	Charleston
	<i>Roper Hospital</i>	Acute Care	Charleston
	<i>Roper St. Francis – Mt. Pleasant Hospital</i>	Acute Care	Charleston

State	Entity Name and Facilities (<i>in italics</i>)	Description of Facility	Location
Virginia	Bon Secours-St. Mary's Hospital of Richmond, Inc. ^(a) <i>St. Mary's Hospital</i>	Acute Care	Richmond
	Bon Secours-Richmond Community Hospital, Incorporated ^(a) <i>Richmond Community Hospital</i>	Acute Care	Richmond
	Bon Secours-Memorial Regional Medical Center, Inc. ^(a) <i>Memorial Regional Medical Center</i>	Acute Care	Mechanicsville (Hanover County)
	Bon Secours-St. Francis Medical Center, Inc. ^(a) <i>St. Francis Medical Center</i>	Acute Care	Midlothian (Chesterfield County)
	Maryview Hospital <i>Maryview Medical Center</i>	Acute Care	Portsmouth
	Province Place of Maryview, L.L.C. ^(a) <i>Province Place of Maryview</i>	Assisted Living	Portsmouth
	Mary Immaculate Hospital, Incorporated ^(a) <i>Mary Immaculate Hospital</i> <i>St. Francis Nursing Care Center</i>	Acute Care Long-Term Care	Newport News Newport News
	Bon Secours-DePaul Medical Center, Inc. <i>DePaul Medical Center</i>	Acute Care	Norfolk
	Province Place of DePaul, L.L.C. ^(a) <i>Province Place of DePaul</i> ^(a)	Assisted Living	Norfolk
	Sentara Princess Anne Hospital ^(a) <i>Sentara Princess Anne Hospital</i> ^(a)	Acute Care	Virginia Beach
	Bon Secours-Maryview Nursing Care Center <i>Maryview Nursing Care Center</i>	Long-Term Care	Suffolk

(a) Not solely owned, directly or indirectly, by BSHSI. For additional information on certain of the joint ventures identified in this table, see “**Joint Ventures**” below.

Exemption from Federal Income Taxation

BSHSI and the Health Care Providers which provide acute or long-term care are exempt from federal income taxation under Section 501(a) of the IRC, as organizations described in Section 501(c)(3) of the IRC, but are not private foundations as defined in Section 509(a) of the IRC.

Shared Sponsorship Arrangements

Bon Secours Charity Health System, Inc.

Bon Secours Charity Health System, Inc. is the sole member of five Healthcare Providers that own and operate three acute care hospitals, an acute care/skilled care hospital, a long-term care facility and an assisted living facility in the cities of Warwick, Port Jervis and Suffern, New York (such Healthcare Providers referred to collectively as *Charity New York*). The Sisters of Charity, an otherwise unaffiliated entity, along with BSM, are the religious co-sponsors of Bon Secours Charity Health System, Inc. The Sisters of Charity and BSHSI are the members of Bon Secours Charity Health System, Inc. BSHSI holds controlling membership rights in Bon Secours Charity Health System, Inc. Neither of the Sisters of Charity, Bon Secours Charity Health System, Inc., nor any of the five Healthcare Providers controlled by Bon Secours Charity Health System, Inc. is a Member of the Obligated Group.

Interest of Diocese of Richmond, Virginia in Certain Facilities

Prior to March 1984, the Catholic Bishop and certain parish priests of the Diocese of Richmond, Virginia were the sole members of Maryview Hospital, a Healthcare Provider and Member of the Obligated Group, which owns and operates Maryview Medical Center in Portsmouth, Virginia. Pursuant to a membership transfer agreement between the Sisters of Bon Secours and the Diocese of Richmond, the Diocese of Richmond transferred all of the membership rights in Maryview Hospital to the Sisters of Bon Secours in 1984, giving it full and complete membership rights in Maryview Hospital. The transfer agreement also confirmed pre-existing membership rights of the Sisters of Bon Secours in Bon Secours – St. Mary’s Hospital of Richmond, Inc., also a Healthcare Provider and Member of the Obligated Group, which owns and operates St. Mary’s Hospital, located in Richmond, Virginia. Under the transfer agreement, the membership rights in Maryview Hospital and Bon Secours – St. Mary’s Hospital of Richmond, Inc. may, independent of each other, revert to the Diocese of Richmond if the Sisters of Bon Secours attempt to transfer either of such membership rights to a third party, cease to operate either hospital or cease to operate either hospital in conformity with the philosophy and teachings of the Roman Catholic Church. Notwithstanding the foregoing, by agreement dated March 14, 2003, the Diocese of Richmond agreed that the transfer by the Sisters of Bon Secours of its rights, including membership rights, with respect to Maryview Hospital and Bon Secours – St. Mary’s Hospital of Richmond, Inc. to BSM did not trigger the reversion of any membership rights in either of those hospitals to the Diocese of Richmond.

Joint Ventures

The System’s affiliates are party to several joint ventures, including those discussed below and a number of smaller joint ventures involving the System’s Health Care Providers.

Majority-Interest Joint Ventures

Bon Secours – Richmond Health System. BSHSI is the sole corporate member of Bon Secours – Richmond Health Corporation and Bon Secours – Richmond Health Corporation and Richmond Memorial Foundation, an otherwise unaffiliated entity, are the corporate members of Bon Secours – Richmond Health System. Bon Secours – Richmond Health System is the sole corporate member of Bon Secours – St. Mary’s Hospital of Richmond, Inc., Bon Secours – Richmond Community Hospital, Incorporated, Bon Secours – Memorial Regional Medical Center, Inc. and Bon Secours – St. Francis Medical Center, Inc., which are Members of the Obligated Group. Bon Secours – Richmond Health Corporation, Richmond Memorial Foundation and Bon Secours – Richmond Health System are not Members of the Obligated Group. Pursuant to a members’ agreement, Bon Secours – Richmond Health Corporation has the right to receive 83% of the surplus capital (defined as contributed capital and earnings less a working capital reserve equal to 30 days cash on hand) of Bon Secours – Richmond Health System and is obligated to provide 83% of any further capital contribution to Bon Secours – Richmond Health System. Richmond Memorial Foundation is entitled to 17% of the surplus capital and is obligated to provide 17% of any capital contribution. The members’ agreement provides that any distributions of surplus capital are to be made upon the consent of both members, at the request of either member or upon dissolution of Bon Secours – Richmond Health System. The results of operations, cash flows, assets and liabilities of Bon Secours – Richmond Health System are included in BSHSI’s consolidated financial statements. The interest of Richmond Memorial Foundation in Bon Secours – Richmond Health System is reflected as a non-controlling interest in such consolidated financial statements.

Mary Immaculate Hospital, Incorporated. BSHSI and the Congregation of Bernardine Franciscan Sisters, an otherwise unaffiliated entity, are the corporate members of Mary Immaculate Hospital, Incorporated, a Health Care Provider and Member of the Obligated Group. The Congregation of Bernardine Sisters is not a Member of the Obligated Group. BSHSI is entitled to receive a distribution of 50% of an amount equal to the cash and cash equivalents generated from the operations of Mary Immaculate Hospital, Incorporated, less 30 days cash on hand. The Congregation of Bernardine Sisters has the right to receive a distribution of the remaining 50%. BSHSI is obligated to provide 100% of any capital contribution to Mary Immaculate Hospital, Incorporated. The results of operations, cash flows, assets and liabilities of Mary Immaculate Hospital, Incorporated are included in BSHSI's consolidated financial statements. The interest of the Congregation of Bernardine Sisters therein is reflected as a non-controlling interest in such consolidated financial statements.

Minority-Interest Joint Ventures

Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). BSHSI, The Medical Society of South Carolina and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, Roper St. Francis Mt. Pleasant Hospital, which opened in November 2010, a supporting foundation and Roper St. Francis Physicians Network (an entity that employs and manages physicians and physician practices), each located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

In June 2009, Roper St. Francis Healthcare received state approval for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis Healthcare's equity. A portion of the annual distributions are expected to be foregone during the construction period.

Bon Secours and Life Care Services, Inc. Various subsidiaries of BSHSI have entered into agreements with Life Care Services, Inc. (referred to as *LCSI*) in connection with the operation of various assisted living facilities located in St. Petersburg, Florida, Norfolk, Virginia and Portsmouth, Virginia. None of the members or the entities that own and operate these assisted living facilities is a Member of the Obligated Group. Pursuant to members' agreements, the BSHSI subsidiaries may receive a distribution of 80% of the excess cash and cash equivalents generated from the operations of the joint venture or ventures to which it is a party and may be obligated to provide 80% of any capital contribution to such joint venture or ventures. LCSI may receive a distribution equal to the remaining 20% of excess cash and cash equivalents of each joint venture, and may be obligated to provide 20% of any further capital contribution to each joint venture. The results of operations, cash flows, assets and liabilities of these assisted living facilities are included in BSHSI's consolidated financial statements. The interest of LCSI in these assisted living facilities is reflected as a non-controlling interest in such consolidated financial statements.

Bon Secours and Sentara Healthcare. On August 3, 2011, BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as *Bon Secours Hampton Roads*) entered a joint venture with Sentara Healthcare (referred to as *Sentara*) to own a 154-bed general acute care hospital located in Virginia Beach, Virginia. Bon Secours Hampton Roads contributed 42 licensed but unstaffed beds to the hospital and the remaining beds were provided through certificates of public need obtained by Sentara or reallocated from existing Sentara facilities.

The new joint venture hospital, located at Sentara's Princess Anne health campus, opened on August 4, 2011 and is owned by a newly formed Virginia not-for-profit, nonstock corporation, in which Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest. The joint venture is managed by Sentara. Bon Secours Hampton Roads does not have representation on the board of directors, although Bon Secours Hampton Roads does have certain reserved powers and 50% representation on the Advisory Committee of the joint venture. The actions requiring approval by both members include certain transactions requiring payments in excess of \$10 million (including encumbrances, indebtedness, and real property transfers), dissolution, liquidation, any changes in the joint venture's charter documents any merger or consolidation. The joint venture agreements provide

the members with rights to “put” and “call” the DePaul Medical Center’s membership interest at fair market value terms upon the occurrence of certain events and dates.

Approximately 80% of the project costs relating to the start-up of the joint venture’s new hospital were financed by the proceeds of tax-exempt borrowings by Sentara, the obligations for which were assumed by the joint venture. The remaining project costs plus appropriate working capital were funded 70% by Sentara and 30% by Bon Secours Hampton Roads. The System’s cash capital contributions to the joint venture in 2011 were approximately \$20.6 million. The joint venture will fund operating and capital reserves from its operations. Distributions to members will occur in accordance with the respective membership interests following the build up by the joint venture of cash above certain thresholds. If the joint venture undertakes major capital projects, such projects will be funded partially with the proceeds of indebtedness incurred by the joint venture, partially with capital reserves and, if necessary, through capital contributions of the members in accordance with their respective membership interests. BSHSI accounts for its interest in Sentara under the equity method and includes its interest in the Sentara joint venture’s excess of revenue over expenses in its consolidated statement of operations as other revenue.

Enterprise Risk Management

As part of the System’s strategic quality plan, the BSHSI Board of Directors, local system boards and management have adopted Enterprise Risk Management (referred to as *ERM*) methodologies to further refine the identification and management of critical risks to the System. These efforts have proven beneficial in aligning board and management attention to those critical risks that have the greatest effect on the mission and ministry of the System. Core to this effort is providing ongoing risk assessments to help identify key risk areas, and assure that controls and activities are effective in properly mitigating these risks. Enterprise risks are ranked by the board and assigned to various board committees. This process includes an assessment of risk areas and controls by the board, executive management and key staff functions including operations, risk management, finance, legal, internal audit and compliance. The multitude of risks inherent within non-profit healthcare extends to all parts of the System. The System continues to implement and monitor ERM activities at both the board and management level to help manage and support the mission interests of the System.

Compliance

BSHSI has implemented a Corporate Responsibility Program (referred to as the *CRP*) that is designed to assist the organization in carrying out its healthcare ministry in a manner consistent with the BSHSI Code of Conduct, in alignment with the System's mission and values and responsive to BSHSI's legal, regulatory and ethical risks.

The CRP provides leadership, oversight and resources for the development, implementation and maintenance of a standardized, mission-based corporate responsibility program that includes:

- administering a comprehensive conflict of interest oversight and review process;
- providing education focused on risk areas that are specific to BSHSI and customized to BSHSI's Code of Conduct, organizational culture and management structure;
- performing annual risk assessment procedures focused on proactive identification and mitigation of compliance risk;
- implementing an objective, System-wide reporting process to help ensure alignment with guidance promulgated by the U.S. Department of Health and Human Services Office of Inspector General, federal sentencing guidelines and industry best practices; and
- overseeing the development and implementation of an organization-wide HIPAA privacy program.

Conflict of Interest

The System regularly monitors compliance with the BSHSI Conflict of Interest Policy. On an annual basis, all persons subject to the policy, including all officers, directors and key employees, are required to make certain disclosures relating to, among other things, certain personal, financial and organizational relationships that may present a conflict of interest, or the appearance of such a conflict, with the System. All disclosures go through a three-part review process. First, disclosures are reviewed by the appropriate Corporate Responsibility Officer at the relevant entity. Second, a governance team comprised of the entity's Chief Executive Officer, Board President, Board Chair and Corporate Responsibility Officer, as well as the BSHSI Corporate Responsibility Officer, participates in a second review of all disclosures during which recommendations are made as to the resolution of any conflicts or potential conflicts. Depending on the facts and circumstances, resolutions may include ongoing disclosure, recusal or removal of the conflict. Third, all disclosures and recommendations are reviewed by a committee of the BSHSI Board of Directors (the Audit and Compliance Committee reviews the disclosures with respect to management and the Governance Committee reviews the disclosures with respect to board members).

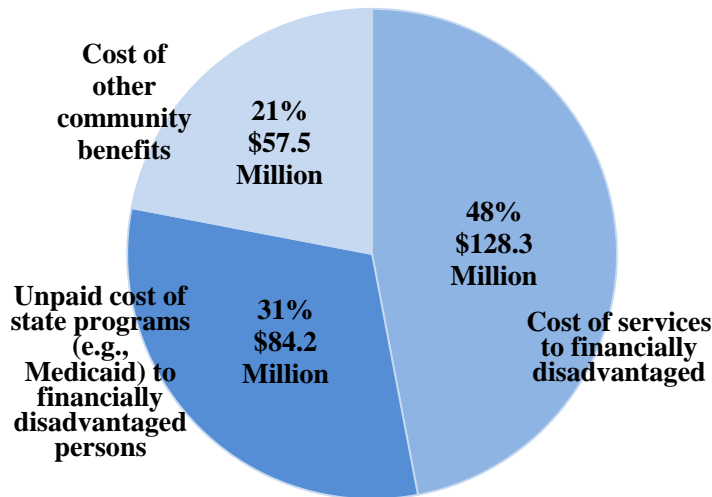
Community Benefit

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to the patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in its communities. The System's financial assistance policy ensures that all members of its communities receive this basic human right to access healthcare.

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are determined using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies.

Bon Secours Health System, Inc.
Breakdown of Total Community Benefit (Fiscal Year 2011)
\$270.0 million



The categories included as programs and services for the poor and disadvantaged are as follows:

(i) *Charitable Services – Financially Disadvantaged Persons*

The System provides care to patients regardless of their ability to pay all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with Catholic Health Association guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) *Charitable Services – State Programs*

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of care provided to those disadvantaged patients are reported as charitable services.

(iii) *Other Community Benefits*

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System, and include:

- *Primary care access* – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- *Health screenings and immunizations* – providing free health screenings and immunizations for a variety of health conditions for women, children and senior residents;
- *Child programs* – providing oral healthcare, asthma and childhood obesity interventions;

- *Caregiver and senior programs* – focusing on support, health screenings and services to assist older adult populations;
- *Education* – providing medical and other health professional programs; and
- *Leadership activities* – providing a full-time healthy community leader in each community served who works to expand community capacity, identify community health needs and address social health conditions.

Corporate Governance

Bon Secours Ministries

BSM is a formally recognized entity established by the Roman Catholic Church to sponsor ministries in the name of the Catholic Church. The Sisters of Bon Secours transferred the sponsorship of the System to BSM on November 1, 2006.

BSM, an unincorporated association, has two classes of Members. The Class A Members are appointed by the Sisters of Bon Secours and currently consist of four of the Sisters of Bon Secours. The Class B Members are appointed by the Class A Members and currently consist of the Chairperson of the Board of Directors of BSHSI and three other lay persons.

BSM provides direction and canonical oversight to the spiritual and charitable works of the System to ensure that the System is faithful to its mission and Catholic identity. As a sponsor of the System, BSM holds certain reserved powers over BSI and its subsidiaries in accordance with the Catholic Church's *Code of Canon Law*.

The sponsorship model described above reflects the commitment of the Sisters of Bon Secours to collaborate with laity and is in consideration of the decrease in the number of women religious. This new model, and the transfer of sponsorship of the System to BSM, has not impacted and is not expected to have any future impact on, the day-to-day operations of the System.

Bon Secours, Inc.

BSI is the sole corporate member of BSHSI. There are two classes of Members of BSI. The Class A Members of BSM are, *ex officio*, the Class A Members of BSI. The Class B Members of BSM are, *ex officio*, the Class B Members of BSI.

The members of the Board of Directors of BSI are the Class A and Class B Members of BSM. Under its articles of incorporation and bylaws, BSI has, with respect to actions of any entity which it controls, either directly or indirectly, specified reserved powers which are discussed below. The entities over which BSI may exercise those powers include all of the Members of the Obligated Group, although with respect to certain Members of the Obligated Group, as described elsewhere in this **Financial Disclosure**, some of these reserved powers are shared with an unrelated third party.

Bon Secours Health System, Inc.

Except for powers reserved to BSI and, pursuant to the Catholic Church's *Code of Canon Law*, BSM, as described below under the subcaption "Reserved Powers," the affairs of BSHSI are governed by its Board of Directors. The Board of Directors of BSHSI, which is appointed by BSI, is comprised of between five and 19 voting directors, with the number determined periodically by BSI through its appointment process. The Board of Directors of BSHSI currently consists of 18 directors. The Chief Executive Officer/President of BSHSI is an *ex officio* director of BSHSI with voting power. The Chairperson of the BSHSI Board of Directors is appointed by BSM.

The Board of Directors of BSHSI, subject to BSI's reserved powers, directly or indirectly exercises certain reserved powers over all of the System's affiliates. The board functions generally in areas of policy development, quality improvement, goal setting, strategic planning and budgeting and general oversight. Any action by the Board of Directors of BSHSI with respect to which BSI holds a reserved power may be superseded by action of BSI.

The Board of Directors of BSHSI, subject to approval by BSI, appoints the Chief Executive Officer/President of BSHSI and exercises the power delegated to it from BSI to appoint the members of the boards of directors of many System entities, including members of the boards of the other Members of the Obligated Group. BSHSI controls the appointment of the Senior Vice Presidents of Sponsorship for the members of the System in accordance with applicable policies. BSI controls the appointment of the Presidents of all entities under its direct or indirect control, with the exception of Mary Immaculate Hospital, Incorporated, which is a Healthcare Provider and a Member of the Obligated Group, and Good Samaritan Hospital, which is owned and operated by Bon Secours Charity Health System, Inc. The President of Mary Immaculate Hospital, Incorporated is appointed by the General Minister and General Council of the Bernardine Sisters of the Third Order of St. Francis (referred to as the *Congregation of Bernardine Sisters*). The President of Good Samaritan Hospital is appointed jointly by the Sisters of Charity of Saint Elizabeth of Convent Station (referred to as the *Sisters of Charity*) and BSI through its reserved powers over BSHSI. The Chief Executive Officers and/or Executive Vice Presidents of each of the Local Parents (described below) and their respective controlled affiliates, including Mary Immaculate Hospital, Incorporated, Good Samaritan Hospital and the other Healthcare Providers, are appointed and employed by BSHSI.

Local Parents

Specified entities that control, directly or indirectly, Healthcare Providers and are controlled, directly or indirectly, by BSHSI are referred to herein as *Local Parents*. BSHSI is the sole corporate member of each Local Parent, other than CareAlliance Health Services and Bon Secours – Richmond Health System and Bon Secours Charity Health System, Inc. None of the Local Parents is a Member of the Obligated Group.

BSHSI has specified reserved powers over the Local Parents, which are described below under the subcaption “Reserved Powers.” All other powers of the Local Parents are vested in their respective boards of directors, which are selected by the Board of Directors of BSHSI, except as described below. The President of each of these corporations, who is appointed by BSI, except as described above, and the Executive Vice President and/or Chief Executive Officer of each of these corporations, who is appointed by BSHSI, serve *ex officio* as voting members of the respective boards.

Healthcare Providers

BSHSI is the sole corporate member of the Healthcare Providers, except for those Healthcare Providers whose sole corporate member is a Local Parent (of which BSHSI is the sole corporate member) and except for the Healthcare Providers discussed under “Joint Ventures.” According to the governing documents of the Healthcare Providers, the operations of the Healthcare Providers are governed by their respective boards of directors, with specified powers reserved to the Local Parents or to BSHSI if there is no Local Parent for a Healthcare Provider. In certain instances in which BSHSI and another entity which is not a member of the System are the corporate members of a Healthcare Provider or Local Parent, certain specified reserved powers are shared by BSHSI and the other corporate member. The bylaws of the Healthcare Providers generally provide for 11 to 19 directors and, as to each Healthcare Provider that operates a hospital, require that at least one director be a physician on its medical staff.

Reserved Powers

In general, “reserved powers” refers to the requirement of approval by a higher level entity within the System when certain significant activities are to be undertaken by a System affiliate. The reserved powers arise out of the Catholic Church’s *Code of Canon Law*, contractual requirements and policy considerations. The reserved powers flow throughout all levels of the System through interlocking provisions of the articles of incorporation, bylaws and, in certain instances, the joint operating agreements of each System affiliate and apply to, among other actions, amendments to governing documents, merger, consolidation or dissolution, selection of principal officers and members of the governing body and incurrence of indebtedness above certain threshold amounts. Some reserved powers are, in certain cases, held by BSI and BSM, which are not Members of the Obligated Group, and, in certain other cases, shared with various joint venture partners. Reserved powers shared with joint venture partners may include powers relating to amendments of the joint-venture entity’s governing documents, the appointment of a certain number of board members, the appointment of certain officers (including as described under the subcaption “Bon Secours Health System, Inc.” above), the admission of additional members into the joint venture, certain significant transactions (including the divestiture of facilities or dissolution of the joint-venture entity) and the incurrence of indebtedness and/or conveyance of assets in excess of certain amounts.

In addition to the formal reserved powers, various approval powers are reserved by Local Parents for such matters as capital and operating budget approvals, unbudgeted expenditures in excess of specified dollar amounts, long range and strategic planning, acquisition of real property interests above specified dollar amounts and capital campaigns or other fund-raising activities. Further, by corporate policy, the power to review and approve certain activities of the Healthcare Providers and the Local Parents, such as operating and capital budgets, strategic plans, unbudgeted expenditures in excess of specific dollar amounts, new projects and programs and borrowings over a specified amount, are also reserved to BSHSI.

Board of Directors

The following table lists the names, offices and principal occupations of the individuals who presently serve on the Board of Directors of BSHSI:

BOARD OF DIRECTORS	
Board Member/Office	Principal Occupation
Donald G. Seitz, M.D., (Chairperson)	Board Chairperson, Bon Secours Health System, Inc.; retired orthopedic surgeon, Richmond, Virginia
Chris Allen	Executive Director/Chief Executive Officer, Detroit Wayne County Health Authority, Detroit, Michigan
Richard Blair	Retired Chief Financial Officer, Blaine, Minnesota
Michael Carey	Retired Human Resources Executive, Warren, New Jersey
Sr. Elaine Davia, C.B.S.	Director of Formation, Congregation of Bon Secours, Marriottsville, Maryland
Marcia Dush	Principal, Buck Consultants, Washington, DC
Elder Granger, M.D.	Retired Major General, U.S. Army; Physician; President/CEO of the 5Ps, LLC, Centennial, Colorado
Roger Huang	Associate Dean and Professor of Finance, Department of Finance – University of Notre Dame, Notre Dame, Indiana
A. David Jimenez	Retired Health Care Executive, Cincinnati, Ohio
Gerard Kells	Retired Human Resources Executive, Skillman, New Jersey
Laurie Lafontaine	Vice President, Finance & Treasury, Allina Health System, Minneapolis, Minnesota
Lucretia M. McClenney	Director, Center for Minority Veterans, Department of Veteran Affairs, Washington, D.C.
Susan Sandlund	Founding Partner, Veritas Partners, New York, New York
Richard Serafini	Retired Partner, Deloitte and Touche, LLP, Jacksonville, Florida
Myles Sheehan, S.J., M.D.	Provincial, Society of Jesus of New England, Watertown, Massachusetts
Sr. Mary Shimo, C.B.S.	Director of Volunteers, Bon Secours Hospital Baltimore, Inc. Baltimore, Maryland
Richard Statuto	Chief Executive Officer/President, Bon Secours Health System, Inc., Marriottsville, Maryland
Sr. Alice Talone, C.B.S.	Sister of Bon Secours, Ellicott City, Maryland

Pursuant to BSHSI's bylaws, the following standing board committees have been created: Governance Committee, Audit and Compliance Committee, Human Resources Committee, Compensation Committee, Quality Improvement Committee, Finance Committee and Pension and Investment Committee. The responsibilities of each Committee are discussed below:

- The Governance Committee assists the board in helping ensure sound corporate governance through education, orientation, evaluation and board and committee succession planning, including recommending to the board persons to be appointed and reappointed to, or removed from, the board and committees of BSHSI and the boards of other System affiliates.
- The Audit and Compliance Committee consists of both independent board members as well as "advisory" (non-board) members. The Audit and Compliance Committee assists the board in its oversight responsibilities relating to the financial reporting process, the system of internal controls, the audit process (both internal and external), risk management and the process for monitoring compliance with laws, regulations and BSHSI's Code of Conduct.
- The Human Resources Committee assists the board in ensuring that human resource programs model BSHSI's values and operating principles and improve organizational performance through strategic objectives pertaining to talent management and development.
- The Compensation Committee approves and maintains processes for the regular review of the performance, development, compensation and benefits of the Chief Executive Officer and Chairperson of the Board of Directors, as well as other senior and executive leaders throughout the System.
- The Quality Improvement Committee assists the board with oversight of the System's strategic quality plan, provides System-wide guidance and oversight of quality improvement initiatives and supports local system boards with local system-specific quality initiatives.
- The Finance Committee assists the board with consolidated System-level strategic financial planning and oversight in areas that include financial operations and performance, planning and budgeting and capital structuring.
- The Pension and Investment Committee assists the board in its efforts to optimize investment returns within established risk parameters for BSHSI's short- and long-term investable assets. The Pension and Investment Committee also oversees the stewardship of assets set aside to provide long-term retirement benefits under defined benefit plans and provides a reasonable range of defined contribution investment options from which individual participants may select.

Executive Officers

In alignment with BSHSI's succession plans, effective March 22, 2012, Janice Burnett has replaced Ms. Arbuckle as the Chief Financial Officer. Ms. Arbuckle accepted a position with Ascension Health. Information with respect to the executive officers of BSHSI is set forth below.

Richard Statuto, Chief Executive Officer/President, age 54. Mr. Statuto was appointed Chief Executive Officer/President of BSHSI in February 2005. Prior to joining BSHSI, Mr. Statuto was President and Chief Executive Officer of St. Joseph Health System, Orange, California, since 1995. Previously, Mr. Statuto served as Chief Operating Officer of the St. Joseph Health System during 1994 and as Vice President of Marketing from 1990 to 1994. Mr. Statuto was Vice President for Business Development, Marketing and Planning of BSHSI from 1987 to 1990. Mr. Statuto also previously was a consultant with Touche Ross & Company. Mr. Statuto was previously the Chair of the Catholic Health Association and Vice Chairman of the Board of Christus Health, Dallas, Texas. Mr. Statuto currently serves on the boards of Covenant Health System and Mercy Housing. Mr. Statuto received his Bachelor's Degree in Engineering from Vanderbilt University in 1980 and his Master's Degree in Business Administration from Xavier University in 1983.

Janice Burnett, Chief Financial Officer, age 54. Ms. Burnett was appointed Chief Financial Officer in March 2012 and prior to that was Vice President, Operations Finance of BSHSI since October 2007. Prior to joining BSHSI, Ms. Burnett served as Senior Director, Strategic Finance and Operations at Ascension Health in St. Louis, Missouri since June 2003. Prior experience includes 11 years as Director of Finance at BJC Health System, Inc., in St. Louis, Missouri and five years of public accounting with Ernst & Young. Ms. Burnett received her CPA certification in 1988 and is a Chartered Global Management Accountant (CGMA). She has been a member of the American Institute of Certified Public Accountants and Health Financial Management Association since 1988. Ms. Burnett received her Master's in Business Administration from Maryville University, St. Louis, Missouri, in 1998 and her Bachelor's Degree of Science in Accounting from Wright State University, Dayton, Ohio, in 1988.

Sr. Anne Lutz, Executive Vice President, Sponsorship, age 71. Sr. Anne currently serves as Executive Vice President for Sponsorship. Sr. Anne has been a member of the Sisters of Bon Secours since 1960 and has 42 years of experience in both acute care and geriatric care at both staff and management levels. Sr. Anne is the senior officer currently responsible for Sponsorship and Mission activities of the System and is Treasurer of the Sisters of Bon Secours USA, and currently also serves on the Finance Committees and Investment Committees of the Sisters of Bon Secours USA and Sisters of Bon Secours Paris. Sr. Anne is a graduate of the Bon Secours School of Nursing. She received her Bachelor's Degree in Administration and Arts from the University of Detroit in 1976.

Martha C. Riva, Senior Vice President, Governance, age 57. Ms. Riva was appointed Senior Vice President, Governance in September 2005. Previously responsible for oversight and management of legal affairs and legal policy within the System, Ms. Riva currently serves as chief governance officer and is corporate secretary for BSHSI. Prior to joining BSHSI in 1993, Ms. Riva was with the law firm of Baker & Hostetler in Washington, D.C. Prior to entering the practice of law, she was a speech/language pathologist. Ms. Riva received her Bachelor's Degree from the University of Maryland in 1976, her Master's Degree in Speech and Language Pathology from George Washington University in 1978 and her Law Degree from Georgetown University Law Center in 1987.

Matthew J. Toddy, Executive Vice President, General Counsel, age 51. Mr. Toddy was appointed Executive Vice President, General Counsel in February 2010 and prior to that was Senior Vice President, General Counsel since June 2005. Mr. Toddy is responsible for oversight and management of the legal affairs of the System. Prior to joining BSHSI, Mr. Toddy was a partner at the law firm of Jones Day in Atlanta, Georgia. Mr. Toddy received his Bachelor's Degree from the University of Notre Dame in 1982 and his Law Degree from The Ohio State University in 1985.

Peter J. Bernard, Executive Vice President of Bon Secours Health System, Inc. and Chief Executive Officer of Bon Secours Virginia, age 58. Mr. Bernard was appointed Executive Vice President of BSHSI in February 2010 and Chief Executive Officer for Bon Secours Virginia in July 2008. Mr. Bernard served as Chief Executive Officer of Bon Secours – Richmond Health System from 2000 until July 2008. Mr. Bernard brings more than 30 years of healthcare leadership experience to the System. He has held a number of hospital leadership roles including being President and Chief Executive Officer of CARITAS Health Services in Louisville, Kentucky. Mr. Bernard is a member of the board of directors for a number of community-based entities including the Greater Richmond Chapter of the American Red Cross, which he presently chairs, the St. Joseph's Villa and Venture Richmond. He is also a member of the Management Roundtable and the Chair of The Forum Club and is credentialed as a Fellow in the American College of Healthcare Executives. Mr. Bernard received a Bachelor's of Science Degree from Grand Valley State University in Allendale, Michigan and a Master's Degree in Healthcare and Hospital Administration from the University of Minnesota.

Tim Davis, Executive Vice President, Chief Administrative Officer, age 58. Mr. Davis was appointed Executive Vice President, Chief Administrative Officer in January 2010. Mr. Davis joined BSHSI in October 2007 as the Executive Vice President, Organization Effectiveness after a 31-year career with General Electric (GE) where he served in progressively more responsible human resource leadership positions within GE's national and international divisions. For six years, Mr. Davis served on the Board of Directors of BSHSI and was a member and past Chair of the board's Human Resources Committee and Compensation Committee. Mr. Davis has served on numerous boards and councils over the years including the United Way, Massachusetts Private Industry Council and the Chambers of Commerce of North Central Massachusetts, Albany, New York and Bethlehem, New York. Mr. Davis received his Bachelor's Degree in Biology from Massachusetts College and his Master's Degree in Administration from St. Michael's College.

Dr. Marlon Priest, Executive Vice President and Chief Medical Officer, age 60. Dr. Priest was appointed Executive Vice President and Chief Medical Officer in February 2010 and joined BSHSI as Chief

Medical Officer in November 2006. He is responsible for leading Clinical Transformation as well as achieving the strategic goals related to physician integration and ambulatory care services. Prior to joining BSHSI he was Professor of Emergency Medicine and Surgery at the University of Alabama at Birmingham and Senior Associate Chief of Staff for the University Hospital. He is an honors graduate of the University of Alabama School of Medicine and has earned board certification in both emergency medicine and internal medicine.

Dr. Thomas Morris, Senior Vice President, Sponsorship & Theology, age 55. Dr. Morris was appointed Senior Vice President, Sponsorship and Theology and Executive Director of BSM in December 2009. He also serves as Senior Vice President, Sponsorship for Bon Secours St. Francis Health System in Greenville. Dr. Morris has been with the System since 1998. He assists the Chair of BSM and the Chief Executive Officer of BSHSI by planning, developing and coordinating the sponsorship infrastructure for BSM and BSHSI. Dr. Morris received a Bachelor of Arts Degree from The Catholic University of America in Washington, D.C. and a Master's Degree in Theology from the Washington Theological Union. He also has a Master's Degree and Doctorate in religious studies from the School of Religious Studies of The Catholic University of America.

Sr. Anne Marie Mack, Senior Vice President, Sponsorship, age 64. Sr. Anne Marie graduated from the University of Delaware and Wayne State University in Detroit with degrees in Nursing. She is currently the Senior Vice President of Sponsorship in Richmond and the President of the Bon Secours – Richmond Health System Board of Directors. Sr. Anne Marie has also worked in BSHSI's local systems in Baltimore and Michigan. She served as President of the Sisters of Bon Secours in the U.S. from 1996 until 2003. She has been a Sister of Bon Secours for 45 years.

Sr. Patricia Heath, SUCS, Senior Vice President, Sponsorship, age 71. Sr. Pat was selected as Senior Vice President, Sponsorship in November 2007. Sr. Pat has been a Holy Union Sister for 52 years. She has experience as an educator and administrator in parish and diocesan ministries. She was the congregational leader from 1991 until 1996, is co-director of Associates for the Holy Union Sisters and a member of the Province's Core Group. She has been Director of Mission for Bon Secours Baltimore from 1997 until 1999, Vice President for Mission for Bon Secours Michigan from 1999 until 2007 and has been Senior Vice President, Sponsorship for Bon Secours Hampton Roads from 2007 to the present. She received her Bachelor's Degree in 1967 in Education in Fall River, Massachusetts and her Master's Degree in Education/Theology in 1974 from Boston College in Massachusetts.

Br. Arthur Caliman, Senior Vice President, Sponsorship, age 64. Br. Arthur was appointed Senior Vice President for Sponsorship in September 2008. Br. Arthur has been a member of the Xaverian Brothers since 1965 and has served as both General Superior (2001-2007) and Director of Sponsorship (1988-1994). He has 40 years of experience in health care and social services at both staff and management levels. Br. Arthur serves as the Sponsorship leader for local Bon Secours systems in Baltimore, New York and St. Petersburg, Florida. He is a graduate of the Catholic University of America, where he received both his Bachelor's Degree in 1970 and Master's Degree in 1971.

Employees

The System employed approximately 19,500 full-time equivalents at February 29, 2012. Certain nurses and employees providing professional technical and support services at the New York Healthcare Providers are represented by labor unions. No other employees are unionized. BSHSI believes its relations with employees throughout the System are good.

Appendix

- ◆ Unaudited Financial Statements of Bon Secours Health System, Inc. and Subsidiaries
 - Consolidated Financial Statements and Consolidating Schedules in Obligated Group Format February 29, 2012 and February 28, 2011

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Unaudited Consolidated Balance Sheets
February 29, 2012 and August 31, 2011
(In thousands)

	<u>February 29,</u>	<u>August 31,</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 77,511	159,635
Accounts receivable, net	442,952	422,615
Assets limited or restricted as to use	81,643	78,893
Inventories	54,220	54,628
Prepaid expenses and other current assets	<u>34,425</u>	<u>18,134</u>
Total current assets	690,751	733,905
 Assets limited or restricted as to use, less current portion	934,296	869,845
Property, plant and equipment, net	1,101,505	1,085,226
Deferred financing costs, net	13,014	12,794
Goodwill and other assets, net	280,887	279,785
Total assets	<u>\$ 3,020,453</u>	<u>2,981,555</u>
 Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 26,533	61,023
Accounts payable	135,016	182,491
Accrued salaries, wages and benefits	159,371	158,424
Other accrued expenses	<u>123,506</u>	<u>107,679</u>
Total current liabilities	444,426	509,617
 Long-term debt, less current portion	1,031,010	1,014,319
Other long-term liabilities and deferred credits	<u>636,156</u>	<u>606,582</u>
Total liabilities	<u>2,111,592</u>	<u>2,130,518</u>
 Net assets:		
Unrestricted-controlling interest	681,707	638,462
Unrestricted-noncontrolling interest	<u>174,581</u>	<u>164,810</u>
Total unrestricted	856,288	803,272
Temporarily restricted	44,970	40,911
Permanently restricted	<u>7,603</u>	<u>6,854</u>
Total net assets	908,861	851,037
Total liabilities and net assets	<u>\$ 3,020,453</u>	<u>2,981,555</u>

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Unaudited Consolidated Statement of Operations

For the Six Months Ending February

(In thousands)

	2012	2011
Revenues:		
Net patient service revenue	\$ 1,622,968	1,541,111
Other revenues	61,372	95,515
Total revenues	1,684,340	1,636,626
Expenses:		
Salaries, wages and benefits	800,649	754,632
Supplies	273,162	264,921
Purchased services and other	360,318	366,125
Provision for bad debts	118,913	106,449
Depreciation and amortization	64,275	59,475
Interest	23,782	23,962
Total expenses	1,641,099	1,575,564
Income from operations	43,241	61,062
Nonoperating gains (losses), net:		
Nonoperating investment gains (losses), net	34,416	125,976
Loss on early retirement of debt	(602)	(1,172)
Other nonoperating activities, net	(20,780)	(18,233)
Excess (deficit) of revenues over expenses	\$ 56,275	167,633

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Unaudited Consolidated Statements of Cash Flow

For the Six Months Ended February 2012 and 2011

(In thousands)

	2012	2011
Cash Flows from Operating Activities:		
Increase in net assets from operations	\$ 57,824	135,502
Provision for bad debts	118,913	106,449
Depreciation & Amortization, including \$3,062 and \$1,425 reported in nonoperating activities, net in 2012 and 2011, respectively	67,337	60,900
Amortization of deferred financing costs, net	(220)	(725)
Cash distribution to noncontrolling interest owners	9,771	16,361
Net realized/unrealized (gains) losses on certain investments and derivatives	(42,018)	(135,615)
Loss on early retirement of debt	602	1,172
Cash proceeds from sale of operating assets	-	30,000
Net change in accounts receivable	(139,250)	(171,563)
Net change in accounts payable	(47,475)	(28,446)
Net change in inventories, prepaid expenses, and other current assets	(15,883)	(7,540)
Net change in other current liabilities	16,774	10,169
Net change in other long-term liabilities & deferred credits	29,233	20,797
Proceeds from contributions restricted by donor	10,410	9,345
Net cash provided by operating activities	66,018	46,806
Cash Flows from Investing Activities:		
Property, plant & equipment additions net of disposals	(81,290)	(62,938)
Net change in investments limited as to use	(24,842)	(31,393)
Net change in other assets	(13,801)	(18,075)
Net cash used by investing activities	(119,933)	(112,406)
Cash Flows from Financing Activities:		
Payments of long term debt	(17,799)	(14,994)
Series 2010 bond proceeds	-	40,740
Termination of fixed payor swaps with series 2010 bond proceeds	-	(38,972)
Proceeds from contributions restricted by donor	(10,410)	(9,345)
Net cash used by financing activities	(28,209)	(22,571)
Net decrease in cash & cash equivalents	(82,124)	(88,171)
Cash & cash equivalents, beginning of year	159,635	180,255
Cash & cash equivalents, end of period	\$ 77,511	92,084

Bon Secours Health System, Inc. and SubsidiariesConsolidated Statements of Changes in Net Assets
(in thousands)

For the Six Months Ended February 29, 2012

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance as of August 31, 2011	\$ 803,272	40,911	6,854	851,037
Excess of revenues over expenses	56,275	-	-	56,275
Grants and restricted contributions	-	9,637	773	10,410
Grants for capital	1,134	-	-	1,134
Net change in unrealized gains on other than trading securities	874	222	-	1,096
Investment income	-	68	-	68
Net assets released for property, plant and equipment	1,781	(1,781)	-	-
Net assets released from restrictions used for operations	-	(3,940)	(20)	(3,960)
Other changes in net assets of joint ventures	(2,282)	-	-	(2,282)
Distributions to non-controlling interest owners	(1,497)	-	-	(1,497)
Pension and other post-retirement changes	661	-	-	661
Transfers to affiliates & other changes, net	(3,930)	(147)	(4)	(4,917)
	<u>53,016</u>	<u>4,059</u>	<u>749</u>	<u>57,824</u>
Increase in net assets				
Balance as of February 29, 2012	\$ <u>856,288</u>	<u>44,970</u>	<u>7,603</u>	<u>908,861</u>

Bon Secours Health System, Inc. and Subsidiaries
Obligated Group Members

Unaudited Consolidated Balance Sheets
February 29, 2012 and August 31, 2011
(In thousands)

Assets	<u>February 29,</u>	<u>August 31,</u>
Current assets:		
Cash and cash equivalents	\$ 400,297	425,064
Accounts receivable, net	336,690	311,622
Assets limited or restricted as to use	49,349	51,070
Inventories	46,630	46,248
Prepaid expenses and other current assets	30,019	15,217
Total current assets	<u>862,985</u>	<u>849,221</u>
Assets limited or restricted as to use, less current portion	798,591	754,801
Property, plant and equipment, net	898,502	879,323
Deferred financing costs, net	12,978	12,757
Goodwill and other assets, net	240,751	238,991
Total assets	<u>\$ 2,813,807</u>	<u>2,735,093</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 23,689	26,498
Accounts payable	118,527	155,148
Accrued salaries, wages and benefits	127,036	120,958
Other accrued expenses	95,435	78,140
Due to (from) affiliate	(21,439)	(18,870)
Total current liabilities	<u>343,248</u>	<u>361,874</u>
Long-term debt, less current portion	987,954	1,002,029
Due to affiliates, less current portion	(14,919)	(14,919)
Other long-term liabilities and deferred credits	480,022	471,960
Total liabilities	<u>1,796,305</u>	<u>1,820,944</u>
Net assets:		
Unrestricted-controlling interest	842,448	749,381
Unrestricted-noncontrolling interest	165,523	155,843
Total Unrestricted	<u>1,007,971</u>	<u>905,224</u>
Temporarily restricted	9,365	8,757
Permanently restricted	166	168
Total net assets	<u>1,017,502</u>	<u>914,149</u>
Total liabilities and net assets	<u>\$ 2,813,807</u>	<u>2,735,093</u>

Bon Secours Health System, Inc. and Subsidiaries
Obligated Group Members

Unaudited Consolidated Statement of Operations
Six Months Ending February 29 and 28,
(In thousands)

	<u>2012</u>	<u>2011</u>
Revenues:		
Net patient service revenue	\$ 1,256,589	1,195,849
Other revenue	<u>57,353</u>	<u>83,429</u>
Total revenues	1,313,942	1,279,278
Expenses:		
Salaries, wages and benefits	558,436	535,955
Supplies	229,003	223,743
Purchased services and other	269,305	275,808
Provision for bad debts	101,368	92,140
Depreciation and amortization	52,397	48,645
Interest	<u>19,477</u>	<u>18,214</u>
Total expenses	<u>1,229,986</u>	<u>1,194,505</u>
Income from operations	<u>83,956</u>	<u>84,773</u>
Nonoperating gains (losses), net:		
Nonoperating investment gains (losses), net	33,711	124,400
Loss on early retirement of debt	(602)	(1,172)
Other nonoperating activities, net	<u>(13,627)</u>	<u>(13,426)</u>
Excess (deficit) of revenues over expenses	<u>\$ 103,438</u>	<u>194,575</u>

Bon Secours Health System, Inc. and Subsidiaries
Obligated Group Members

Unaudited Consolidated Statements of Cash Flows
For the Six Months Ended February 29, 2012 and February 28, 2011
(In thousands)

	2012	2011
Cash Flows from Operating Activities:		
Increase in net assets from operations	\$ 103,353	166,984
Provision for bad debts	101,368	92,140
Depreciation & amortization, including \$921 and \$863 reported in nonoperating activities, net in 2012 and 2011, respectively	53,318	49,508
Amortization of deferred financing costs, net	(823)	(726)
Cash distribution to noncontrolling interest owners	9,680	17,127
Net realized/unrealized gains on certain investments and derivatives	(41,603)	(134,629)
Loss on early retirement of debt	602	1,172
Net gain on sale of operating assets	-	24,220
Net change in accounts receivable	(126,436)	(142,179)
Net change in accounts payable	(36,621)	(19,170)
Net change in inventories, prepaid expenses, and other current assets	(15,184)	(6,376)
Net change in other current liabilities	23,373	8,846
Net change in other long-term liabilities & deferred credits	7,721	3,722
Proceeds from contributions restricted by donor	(440)	961
Net cash provided by (used by) operating activities	78,308	61,600
Cash Flows from Investing Activities:		
Property, plant & equipment additions, net of disposals	(72,444)	(47,422)
Net change in investments limited as to use	(124)	(4,974)
Net change in other assets	(14,063)	(18,930)
Net cash used by investing activities	(86,631)	(71,326)
Cash Flows from Financing Activities:		
Payments of long-term debt	(16,884)	(15,998)
Series 2010 bond proceeds	-	40,740
Termination of fixed payor swaps with series 2010 proceeds	-	(38,972)
Proceeds from contributions restricted by donor	440	(961)
Net cash used in financing activities	(16,444)	(15,191)
Net decrease in cash & cash equivalents	(24,767)	(24,917)
Cash & cash equivalents, beginning of year	425,064	337,597
Cash & cash equivalents, end of period	\$ 400,297	312,680

Bon Secours Health System, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Obligated Group Members
(in thousands)

For the Six Months Ended February 29, 2012

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance as of August 31, 2011	\$ 905,224	8,757	168	914,149
Excess of revenues over expenses	103,439	-	-	103,439
Grants and restricted contributions	-	1,809	-	1,809
Net change in unrealized gains on other than trading securities	(62)	-	-	(62)
Net assets released for property, plant and equipment	84	-	-	84
Net assets released from restrictions used for operations	-	(1,170)	-	(1,170)
Other changes in net assets of joint ventures	(2,282)	-	-	(2,282)
Transfers to affiliates & other changes, net	1,568	(31)	(2)	1,535
	<u>102,747</u>	<u>608</u>	<u>(2)</u>	<u>103,353</u>
Increase in net assets	102,747	608	(2)	103,353
Balance as of February 29, 2012	\$ <u>1,007,971</u>	<u>9,365</u>	<u>166</u>	<u>1,017,502</u>

Consolidating Schedule - Balance Sheet Information - Unaudited
Obligated and Non-Obligated Group Members
(in thousands)

February 29, 2012

	Combined Obligated Group	Combined Non-Obligated Group	Consolidating Eliminations	Consolidated Bon Secours Health System, Inc.
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 400,297	22,054	(344,840)	77,511
Accounts receivable, net	336,690	107,752	(1,490)	442,952
Assets limited or restricted as to use	49,349	32,294	0	81,643
Inventories	46,630	7,590	0	54,220
Prepaid expenses and other current assets	30,019	15,687	(11,281)	34,425
Total current assets	862,985	185,377	(357,611)	690,751
Assets limited or restricted as to use, less current portion	798,591	135,705	0	934,296
Property, plant, and equipment, net	898,502	203,003	0	1,101,505
Deferred financing costs, net	12,978	36	0	13,014
Goodwill and other assets, net	240,751	47,396	(7,260)	280,887
	<u>\$ 2,813,807</u>	<u>571,517</u>	<u>(364,871)</u>	<u>3,020,453</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Current portion of long-term debt	\$ 23,689	2,845	(1)	26,533
Accounts payable	118,527	16,698	(209)	135,016
Accrued salaries, wages, and benefits	127,036	32,335	0	159,371
Other accrued expenses	95,435	40,842	(12,771)	123,506
Due to (from) affiliate	(21,439)	21,230	209	0
Total current liabilities	343,248	113,950	(12,772)	444,426
Long-term debt, less current portion	987,954	43,056	0	1,031,010
Due to (from) affiliate, less current portion	(14,919)	360,058	(345,139)	-
Other long-term liabilities and deferred credits	480,022	155,835	299	636,156
Total liabilities	1,796,305	672,899	(357,612)	2,111,592
Net assets:				
Unrestricted-controlling interest	842,448	(153,481)	(7,260)	681,707
Unrestricted-noncontrolling interest	165,523	9,058	0	174,581
Total unrestricted	1,007,971	(144,423)	(7,260)	856,288
Temporarily restricted	9,365	35,604	1	44,970
Permanently restricted	166	7,437	0	7,603
Total net assets	1,017,502	(101,382)	(7,259)	908,861
	<u>\$ 2,813,807</u>	<u>571,517</u>	<u>(364,871)</u>	<u>3,020,453</u>

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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Consolidating Schedule - Balance Sheet Information - Unaudited
Obligated Group Members
(in thousands)

February 29, 2012

	Bon Secours Hospital Baltimore	Maryview Medical Center	Bon Secours Maryview Nursing Care Center	Bon Secours St. Mary's Hospital of Richmond, Inc.	Stuart Circle Hospital, Inc.	Richmond Community Hospital	Richmond Community Hospital Foundation
ASSETS							
Cash and cash equivalents	\$ (72,957)	2,031	15,321	230,084	(11,512)	(39,670)	(1,591)
Accounts receivable, net	21,383	40,185	866	63,101	-	7,577	2,268
Assets limited or restricted as to use	-	404	25	1,136	-	2	-
Inventories	1,206	4,166	-	5,879	-	922	-
Prepaid expenses and other current assets	1,074	2,835	20	2,431	-	975	14
Total current assets	(49,294)	49,621	16,232	302,631	(11,512)	(30,194)	691
Assets limited or restricted as to use, less current portion	10,328	83,678	-	295,411	-	-	-
Property, plant, and equipment, net	28,663	57,009	1,528	140,754	-	12,024	251
Deferred financing costs, net	-	261	58	751	-	-	-
Goodwill and other assets, net	13	3,628	-	922	-	-	-
	<u>\$ (10,290)</u>	<u>194,197</u>	<u>17,818</u>	<u>740,469</u>	<u>(11,512)</u>	<u>(18,170)</u>	<u>942</u>
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	\$ 680	600	-	1,127	-	-	-
Accounts payable	8,067	11,641	515	16,653	-	1,649	299
Accrued salaries, wages, and benefits	6,459	18,097	152	42,028	-	30	-
Other accrued expenses	4,151	2,780	542	5,564	-	737	493
Due to (from) affiliate	(17,060)	(3,551)	(26)	(1)	-	0	-
Total current liabilities	2,297	29,567	1,183	65,371	-	2,416	792
Long-term debt, less current portion	7,758	23,846	3,900	48,090	-	-	-
Due to (from) affiliate, less current portion	17,485	(11,934)	-	12,835	24,854	2,584	-
Other long-term liabilities and deferred credits	22,501	24,216	(1)	113,674	(1)	753	(1)
Total liabilities	50,041	65,695	5,082	239,970	24,853	5,753	791
Net assets:							
Unrestricted-controlling interest	(61,179)	128,402	12,736	500,426	(36,365)	(23,929)	151
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-
Total unrestricted	(61,179)	128,402	12,736	500,426	(36,365)	(23,929)	151
Temporarily restricted	848	100	-	73	-	6	-
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(60,331)	128,502	12,736	500,499	(36,365)	(23,923)	151
	<u>\$ (10,290)</u>	<u>194,197</u>	<u>17,818</u>	<u>740,469</u>	<u>(11,512)</u>	<u>(18,170)</u>	<u>942</u>

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.2
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Consolidating Schedule - Balance Sheet Information - Unaudited
Obligated Group Members
(in thousands)

February 29, 2012

	Memorial Regional Medical Center	BS Richmond Health System	St. Francis Medical Center	RHS Shared Services	Our Lady of Bellefonte Hospital, Inc.	Mary Immaculate Hospital, Inc.	Bon Secours DePaul Medical Center, Inc.
ASSETS							
Cash and cash equivalents	145,208	-	(42,267)	(8,369)	7,348	71,500	(87,782)
Accounts receivable, net	38,517	-	29,123	27	23,792	21,647	23,180
Assets limited or restricted as to use	1,528	-	3	-	-	1,436	64
Inventories	5,185	-	3,806	1,646	3,637	3,479	2,865
Prepaid expenses and other current assets	2,088	-	1,446	2,247	621	505	1,264
Total current assets	192,526	-	(7,889)	(4,449)	35,398	98,567	(60,409)
Assets limited or restricted as to use, less current portion	12,536	-	-	-	7,482	26,840	11,380
Property, plant, and equipment, net	87,170	-	113,239	-	56,277	31,369	41,824
Deferred financing costs, net	505	-	1,304	-	-	287	69
Goodwill and other assets, net	189	2,777	699	-	1,409	946	29,396
	292,926	2,777	107,353	(4,449)	100,566	158,009	22,260
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	3,030	-	-	-	-	860	-
Accounts payable	10,350	34	8,528	8,214	4,505	9,011	7,117
Accrued salaries, wages, and benefits	204	-	22	-	5,721	1,602	2,309
Other accrued expenses	3,205	-	2,215	538	4,454	136	1,592
Due to (from) affiliate	-	-	-	0	0	(130)	52
Total current liabilities	16,789	34	10,765	8,752	14,680	11,479	11,070
Long-term debt, less current portion	22,700	-	-	-	-	11,358	-
Due to (from) affiliate, less current portion	41,880	(150)	80,000	-	-	(2,691)	46,739
Other long-term liabilities and deferred credits	45,516	-	4,128	248	34,478	7,207	6,481
Total liabilities	126,885	(116)	94,893	9,000	49,158	27,353	64,290
Net assets:							
Unrestricted-controlling interest	165,802	(96,916)	12,417	(13,449)	51,406	130,032	(42,036)
Unrestricted-noncontrolling interest	-	99,809	-	-	-	-	-
Total unrestricted	165,802	2,893	12,417	(13,449)	51,406	130,032	(42,036)
Temporarily restricted	119	-	43	-	2	578	6
Permanently restricted	120	-	-	-	-	46	-
Total net assets	166,041	2,893	12,460	(13,449)	51,408	130,656	(42,030)
	292,926	2,777	107,353	(4,449)	100,566	158,009	22,260

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.2
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Consolidating Schedule - Balance Sheet Information - Unaudited
Obligated Group Members
(in thousands)

February 29, 2012

	Hampton Roads Shared Services	St. Francis - Downtown	St. Francis - Eastside	Maria Manor Nursing Care Center, Inc.	Bon Secours Health System Office	Consolidating Eliminations	Consolidated Obligated Group
ASSETS							
Cash and cash equivalents	4,565	136,622	123,047	548	16	(71,845)	400,297
Accounts receivable, net	21	35,840	24,836	2,408	4,188	(2,269)	336,690
Assets limited or restricted as to use	-	-	-	-	44,751	0	49,349
Inventories	573	11,278	1,899	89	-	0	46,630
Prepaid expenses and other current assets	718	3,343	108	148	10,197	(15)	30,019
Total current assets	5,877	187,083	149,890	3,193	59,152	(74,129)	862,985
Assets limited or restricted as to use, less current portion	-	17,380	-	-	259,855	73,701	798,591
Property, plant, and equipment, net	-	100,237	49,239	5,229	169,508	4,181	898,502
Deferred financing costs, net	-	-	-	-	9,742	1	12,978
Goodwill and other assets, net	-	83,641	-	-	136,422	(19,291)	240,751
	5,877	388,341	199,129	8,422	634,679	(15,537)	2,813,807
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	-	-	-	-	16,814	578	23,689
Accounts payable	3,198	12,418	3,230	883	12,522	(307)	118,527
Accrued salaries, wages, and benefits	1,459	19,912	2,329	1,228	25,484	0	127,036
Other accrued expenses	180	4,490	596	80	64,176	(494)	95,435
Due to (from) affiliate	1,021	-	-	(747)	(1,004)	7	(21,439)
Total current liabilities	5,858	36,820	6,155	1,444	117,992	(216)	343,248
Long-term debt, less current portion	-	8	255	-	841,523	28,516	987,954
Due to (from) affiliate, less current portion	-	259,300	-	10,700	(496,518)	(3)	(14,919)
Other long-term liabilities and deferred credits	137	148	8	626	244,560	(24,656)	480,022
Total liabilities	5,995	296,276	6,418	12,770	707,557	3,641	1,796,305
Net assets:							
Unrestricted-controlling interest	(118)	92,065	192,711	(4,678)	(80,138)	(84,892)	842,448
Unrestricted-noncontrolling interest	-	-	-	-	-	65,714	165,523
Total unrestricted	(118)	92,065	192,711	(4,678)	(80,138)	(19,178)	1,007,971
Temporarily restricted	-	-	-	330	7,260	0	9,365
Permanently restricted	-	-	-	-	-	0	166
Total net assets	(118)	92,065	192,711	(4,348)	(72,878)	(19,178)	1,017,502
	5,877	388,341	199,129	8,422	634,679	(15,537)	2,813,807

**BON SECOURS HEALTH SYSTEM, INC. AND
SUBSIDIARIES**

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Consolidating Schedule - Balance Sheet Information - Unaudited
Non-Obligated Group Members
(in thousands)

February 29, 2012

	Bon Secours Community Health Services	Bon Secours of Maryland Foundation	BS Baltimore HS Foundation	Urban Medical Institute	Bon Secours Maryview Health Corporation	Professional Health Care Mgmt Services	Bon Secours Maryview Foundation	Bon Secours Richmond Health Corp.
ASSETS								
Cash and cash equivalents	\$ (440)	526	(546)	(701)	-	2,115	296	7,318
Accounts receivable, net	134	1,160	97	12	-	117	465	-
Assets limited or restricted as to use	-	311	-	-	-	-	1,349	-
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	(1)	3,634	(1)	-	-	29	5	-
Total current assets	(307)	5,631	(450)	(689)	-	2,261	2,115	7,318
Assets limited or restricted as to use, less current portion	-	39	6,579	-	-	-	1,212	-
Property, plant, and equipment, net	100	42,207	-	-	-	9,619	-	-
Deferred financing costs, net	-	386	-	-	-	-	-	-
Goodwill and other assets, net	-	100	-	-	850	-	147	63
	<u>\$ (207)</u>	<u>48,363</u>	<u>6,129</u>	<u>(689)</u>	<u>850</u>	<u>11,880</u>	<u>3,474</u>	<u>7,381</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current portion of long-term debt	\$ -	496	-	-	-	(4)	-	-
Accounts payable	7	2,527	3	-	-	91	(1)	-
Accrued salaries, wages, and benefits	-	22	-	-	-	136	-	-
Other accrued expenses	-	2,759	-	-	-	22	0	-
Due to (from) affiliate	13,016	1,270	(273)	3,075	(484)	4,611	20	-
Total current liabilities	13,023	7,074	(270)	3,075	(484)	4,856	19	-
Long-term debt, less current portion	-	16,378	-	-	-	-	-	-
Due to (from) affiliate, less current portion	-	4,707	-	-	-	3,607	-	-
Other long-term liabilities and deferred credits	(1)	(1)	-	-	-	3,928	-	-
Total liabilities	13,022	28,158	(270)	3,075	(484)	12,391	19	-
Net assets:								
Unrestricted-controlling interest	(13,229)	(3,625)	5,507	(3,764)	1,334	(1,520)	1,347	7,381
Unrestricted-noncontrolling interest	-	23,519	-	-	-	1,008	-	-
Total unrestricted	(13,229)	19,894	5,507	(3,764)	1,334	(511)	1,347	7,381
Temporarily restricted	-	311	892	-	-	-	1,853	-
Permanently restricted	-	-	-	-	-	-	255	-
Total net assets	(13,229)	20,205	6,399	(3,764)	1,334	(511)	3,455	7,381
	<u>\$ (207)</u>	<u>48,363</u>	<u>6,129</u>	<u>(689)</u>	<u>850</u>	<u>11,880</u>	<u>3,474</u>	<u>7,381</u>

**BON SECOURS HEALTH SYSTEM, INC. AND
SUBSIDIARIES**

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Consolidating Schedule - Balance Sheet Information - Unaudited
Non-Obligated Group Members
(in thousands)

February 29, 2012

	BS Richmond Healthcare Foundation	Bon Secours Healthsource	Laburnum Properties, Inc.	Chesterfield Community Health Center	RHS Enterprises, Inc.	Bon Secours Home Health Services LLC	Tidewater Diversified, Inc.	Bayley Properties, Inc.
<u>ASSETS</u>								
Cash and cash equivalents	234	(35,263)	(2,862)	(15,864)	(1,140)	(1,591)	1,413	10
Accounts receivable, net	4,946	6,750	11	279	7	2,268	293	-
Assets limited or restricted as to use	5,832	-	-	-	-	-	-	-
Inventories	-	9	-	-	-	-	400	-
Prepaid expenses and other current assets	563	7,990	-	-	1	14	1	-
Total current assets	11,575	(20,514)	(2,851)	(15,585)	(1,132)	691	2,107	10
Assets limited or restricted as to use, less current portion	9,982	-	3,305	-	-	-	-	-
Property, plant, and equipment, net	-	20,993	2,215	6	93	251	-	0
Deferred financing costs, net	-	-	-	-	-	-	-	-
Goodwill and other assets, net	3,210	6,030	-	59	-	-	354	-
	24,767	6,509	2,669	(15,520)	(1,039)	942	2,461	10
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Current portion of long-term debt	-	-	-	-	-	-	-	-
Accounts payable	89	1,174	-	10	5	299	287	6
Accrued salaries, wages, and benefits	-	128	-	-	-	-	42	-
Other accrued expenses	(11)	2,907	57	-	34	493	-	6
Due to (from) affiliate	-	1	-	-	-	-	2	(865)
Total current liabilities	78	4,210	57	10	39	792	331	(853)
Long-term debt, less current portion	-	-	-	-	-	-	-	-
Due to (from) affiliate, less current portion	-	0	-	150	-	-	-	(497)
Other long-term liabilities and deferred credits	-	839	1,658	-	(1)	(1)	-	464
Total liabilities	78	5,049	1,715	160	38	791	331	(886)
Net assets:								
Unrestricted-controlling interest	718	(5,061)	954	(15,680)	(1,077)	151	2,130	896
Unrestricted-noncontrolling interest	-	6,520	-	-	-	-	-	-
Total unrestricted	718	1,460	954	(15,680)	(1,077)	151	2,130	896
Temporarily restricted	20,332	-	-	-	-	-	-	-
Permanently restricted	3,639	-	-	-	-	-	-	-
Total net assets	24,689	1,460	954	(15,680)	(1,077)	151	2,130	896
	24,767	6,509	2,669	(15,520)	(1,039)	942	2,461	10

**BON SECOURS HEALTH SYSTEM, INC. AND
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Consolidating Schedule - Balance Sheet Information - Unaudited
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February 29, 2012

	DePaul Foundation	St. Francis Nursing Care Center, Inc.	Mary Immaculate Medical Pavilion	St. Anthony Community Foundation	BS Community Hospital Foundation	GSH Medical Care PC	Mt. Alverno Assisted Living Facility	Good Samaritan Hospital
<u>ASSETS</u>								
Cash and cash equivalents	(32)	7,066	16	1,010	108	(21,032)	(1,789)	(95,337)
Accounts receivable, net	1,109	943	-	-	-	680	322	40,129
Assets limited or restricted as to use	832	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	4,289
Prepaid expenses and other current assets	-	43	-	-	-	249	42	1,503
Total current assets	1,909	8,052	16	1,010	108	(20,103)	(1,425)	(49,416)
Assets limited or restricted as to use, less current portion	1,155	-	-	719	895	-	-	18,904
Property, plant, and equipment, net	-	1,363	971	-	-	1,872	3,814	72,020
Deferred financing costs, net	-	36	-	-	-	-	-	-
Goodwill and other assets, net	340	-	301	5	3	1,737	16	1,739
	3,404	9,451	1,288	1,734	1,006	(16,494)	2,405	43,247
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Current portion of long-term debt	-	-	-	-	-	826	-	439
Accounts payable	-	442	-	-	-	138	72	6,014
Accrued salaries, wages, and benefits	-	130	-	-	-	2,147	198	16,571
Other accrued expenses	-	81	2	-	-	409	86	9,397
Due to (from) affiliate	120	(12)	(41)	31	27	-	-	(1,422)
Total current liabilities	120	641	(39)	31	27	3,520	356	30,999
Long-term debt, less current portion	-	-	-	-	-	686	-	53,136
Due to (from) affiliate, less current portion	-	3,498	2,691	-	-	-	-	-
Other long-term liabilities and deferred credits	-	-	3,241	-	-	(1)	359	11,418
Total liabilities	120	4,139	5,893	31	27	4,205	715	95,553
Net assets:								
Unrestricted-controlling interest	333	5,293	(4,605)	979	81	(20,699)	1,690	(52,800)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-	-
Total unrestricted	333	5,293	(4,605)	979	81	(20,699)	1,690	(52,800)
Temporarily restricted	1,813	19	-	724	281	-	-	494
Permanently restricted	1,138	-	-	-	617	-	-	-
Total net assets	3,284	5,312	(4,605)	1,703	979	(20,699)	1,690	(52,306)
	3,404	9,451	1,288	1,734	1,006	(16,494)	2,405	43,247

**BON SECOURS HEALTH SYSTEM, INC. AND
SUBSIDIARIES**

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Consolidating Schedule - Balance Sheet Information - Unaudited
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(in thousands)

February 29, 2012

	Good Samaritan Hospital Home Care	Good Samaritan Hospital Foundation	St. Anthony Community Hospital	Bon Secours Community Hospital	Schervier Pavilion	Upstate Surgery Center	St. Francis Foundation	St. Francis Physician Services
<u>ASSETS</u>								
Cash and cash equivalents	34	323	10,801	(10,619)	(2,532)	729	(366)	(130,261)
Accounts receivable, net	3,275	165	7,148	12,284	1,761	339	283	11,684
Assets limited or restricted as to use	-	-	-	-	-	-	420	-
Inventories	-	-	1,261	1,182	-	66	-	29
Prepaid expenses and other current assets	4	-	281	408	56	-	59	1,652
Total current assets	3,313	488	19,491	3,255	(715)	1,134	396	(116,896)
Assets limited or restricted as to use, less current portion	250	2,483	-	27	-	-	4,910	-
Property, plant, and equipment, net	170	-	15,719	10,916	5,941	433	-	-
Deferred financing costs, net	-	-	-	-	-	-	-	-
Goodwill and other assets, net	-	406	1,953	1,150	-	297	168	-
	3,733	3,377	37,163	15,348	5,226	1,864	5,474	(116,896)
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Current portion of long-term debt	-	-	-	-	-	-	-	-
Accounts payable	298	27	1,347	1,329	209	101	-	1,546
Accrued salaries, wages, and benefits	-	-	1,830	3,090	543	46	-	2,486
Other accrued expenses	1,015	-	3,276	1,939	486	63	-	1,074
Due to (from) affiliate	308	1,139	2	2	0	-	-	-
Total current liabilities	1,621	1,166	6,455	6,360	1,238	210	-	5,106
Long-term debt, less current portion	-	-	-	13,790	13,700	-	-	-
Due to (from) affiliate, less current portion	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	122	-	662	4,803	387	(1)	-	8
Total liabilities	1,743	1,166	7,117	24,953	15,325	209	-	5,114
Net assets:								
Unrestricted-controlling interest	1,740	(843)	30,046	(9,632)	(10,099)	781	2,712	(122,010)
Unrestricted-noncontrolling interest	-	-	-	-	-	874	-	-
Total unrestricted	1,740	(843)	30,046	(9,632)	(10,099)	1,655	2,712	(122,010)
Temporarily restricted	250	3,016	-	27	-	-	2,298	-
Permanently restricted	-	38	-	-	-	-	464	-
Total net assets	1,990	2,211	30,046	(9,605)	(10,099)	1,655	5,474	(122,010)
	3,733	3,377	37,163	15,348	5,226	1,864	5,474	(116,896)

**BON SECOURS HEALTH SYSTEM, INC. AND
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Consolidating Schedule - Balance Sheet Information - Unaudited
Non-Obligated Group Members
(in thousands)

February 29, 2012

	St Francis - Millennium	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	OLBH Foundation	Bon Secours Associates, LLC	Bon Secours Assurance Company, Ltd.
<u>ASSETS</u>								
Cash and cash equivalents	(6,450)	5,032	260	-	1	554	-	-
Accounts receivable, net	744	5,860	15	-	1,799	72	-	-
Assets limited or restricted as to use	-	4,839	-	-	-	-	-	18,710
Inventories	-	136	-	-	-	-	-	-
Prepaid expenses and other current assets	175	118	8	-	-	(1)	-	-
Total current assets	(5,531)	15,985	283	-	1,800	625	-	18,710
Assets limited or restricted as to use, less current portion	-	3,847	499	-	-	2,591	294	78,016
Property, plant, and equipment, net	17,414	18,484	4,501	-	195	-	-	-
Deferred financing costs, net	-	-	-	-	-	-	-	-
Goodwill and other assets, net	-	257	47	-	-	220	1,267	26,024
	11,883	38,573	5,330	-	1,995	3,436	1,561	122,750
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Current portion of long-term debt	-	1,340	244	-	-	-	-	-
Accounts payable	129	1,404	225	27	952	-	-	-
Accrued salaries, wages, and benefits	160	3,020	5	182	72	-	-	-
Other accrued expenses	43	460	-	0	-	-	-	18,710
Due to (from) affiliate	-	(33)	20	13	-	-	-	-
Total current liabilities	332	6,191	494	222	1,024	-	-	18,710
Long-term debt, less current portion	-	31,735	6,417	-	-	-	-	-
Due to (from) affiliate, less current portion	-	6,933	1,192	525	(8,650)	-	-	-
Other long-term liabilities and deferred credits	17,059	6,441	47	-	335	-	1	104,040
Total liabilities	17,391	51,300	8,150	747	(7,291)	-	1	122,750
Net assets:								
Unrestricted-controlling interest	(5,508)	(14,411)	(2,820)	(747)	9,261	564	1,560	-
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-	-
Total unrestricted	(5,508)	(14,411)	(2,820)	(747)	9,261	564	1,560	-
Temporarily restricted	-	1,684	-	-	25	1,586	-	-
Permanently restricted	-	-	-	-	-	1,286	-	-
Total net assets	(5,508)	(12,727)	(2,820)	(747)	9,286	3,436	1,560	-
	11,883	38,573	5,330	-	1,995	3,436	1,561	122,750

**BON SECOURS HEALTH SYSTEM, INC. AND
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Consolidating Schedule - Balance Sheet Information - Unaudited
Non-Obligated Group Members
(in thousands)

February 29, 2012

	Bon Secours Place at St. Petersburg	Bellefonte Physician Services	St. Petersburg Home Care Services, Inc.	Maria Manor Health Resources	Consolidating Eliminations	Consolidated Non-Obligated Group
<u>ASSETS</u>						
Cash and cash equivalents	1,892	(28,975)	(627)	-	338,743	22,054
Accounts receivable, net	35	2,019	522	-	25	107,752
Assets limited or restricted as to use	0	-	-	-	1	32,294
Inventories	-	217	-	-	1	7,590
Prepaid expenses and other current assets	289	2,186	5	-	(3,625)	15,687
Total current assets	2,216	(24,553)	(100)	-	335,145	185,377
Assets limited or restricted as to use, less current portion	-	-	-	-	(2)	135,705
Property, plant, and equipment, net	6,911	-	68	-	(33,273)	203,003
Deferred financing costs, net	-	-	-	-	(386)	36
Goodwill and other assets, net	-	25	-	1,000	(372)	47,396
	9,127	(24,528)	(32)	1,000	301,112	571,517
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Current portion of long-term debt	-	-	-	-	(496)	2,845
Accounts payable	11	397	46	-	(2,513)	16,698
Accrued salaries, wages, and benefits	180	1,325	44	-	(22)	32,335
Other accrued expenses	286	(2)	10	-	(2,760)	40,842
Due to (from) affiliate	29	0	674	-	0	21,230
Total current liabilities	506	1,720	774	-	(5,791)	113,950
Long-term debt, less current portion	-	-	-	-	(92,786)	43,056
Due to (from) affiliate, less current portion	5,764	-	-	-	340,138	360,058
Other long-term liabilities and deferred credits	17	-	16	-	(4)	155,835
Total liabilities	6,287	1,720	790	-	241,557	672,899
Net assets:						
Unrestricted-controlling interest	2,363	(26,248)	(822)	1,000	82,898	(153,481)
Unrestricted-noncontrolling interest	476	-	-	-	(23,339)	9,058
Total unrestricted	2,840	(26,248)	(822)	1,000	59,556	(144,423)
Temporarily restricted	-	-	-	-	(1)	35,604
Permanently restricted	-	-	-	-	0	7,437
Total net assets	2,840	(26,248)	(822)	1,000	59,555	(101,382)
	9,127	(24,528)	(32)	1,000	301,112	571,517

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.1

Consolidating Schedule - Operating Information - Unaudited
(in thousands)

Six months ended February 29, 2012
(with comparative totals for 2011)

	Combined Obligated Group	Combined Non-Obligated Group	Consolidating Eliminations	2012 Consolidated	2011 Consolidated
Revenues:					
Net patient service revenue	\$ 1,256,589	366,631	(252)	1,622,968	1,541,111
Other revenues	57,353	21,982	(17,963)	61,372	95,515
Total revenues	1,313,942	388,613	(18,215)	1,684,340	1,636,626
Expenses:					
Salaries, wages, and benefits	558,436	243,578	(1,365)	800,649	754,632
Supplies	229,003	44,159	0	273,162	264,921
Purchased services and other	269,305	106,754	(15,741)	360,318	366,125
Provision for bad debts	101,368	17,545	0	118,913	106,449
Depreciation and amortization	52,397	12,848	(970)	64,275	59,475
Interest	19,477	4,444	(139)	23,782	23,962
Total expenses	1,229,986	429,328	(18,215)	1,641,099	1,575,564
Income (loss) from operations	83,956	(40,715)	-	43,241	61,062
Non-operating gains (losses), net:					
Nonoperating investment income, net	33,711	705	0	34,416	125,976
Loss on early retirement of debt	(602)	-	0	(602)	(1,172)
Other nonoperating activities, net	(13,627)	(7,153)	0	(20,780)	(18,232)
Excess (deficit) of revenues over expenses	103,439	(47,164)	-	56,275	167,633
Other changes in unrestricted net assets:					
Net change in unrealized gains (losses) on other-than-trading securities	(62)	936	0	874	829
Net assets released from restrictions used for purchase of property, plant, and equipment	84	2,127	1	2,212	2,685
Transfers to affiliates and other changes, net	(2,252)	(4,794)	0	(7,046)	(84)
Distributions to noncontrolling interest owners	3,820	(1,497)	1	2,323	21,724
Net change in equity of joint ventures	(2,282)	-	0	(2,282)	(3,399)
Pension and other postretirement adjustments	-	661	0	661	437
Increase (decrease) in unrestricted net assets	\$ 102,747	(49,731)	1	53,016	189,825

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.2

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Consolidating Schedule - Operating Information - Unaudited
Obligated Group Members
(in thousands)

Six months ended February 29, 2012
(with comparative totals for 2011)

	Bon Secours Hospital Baltimore	Maryview Medical Center	Bon Secours Maryview Nursing Care Center	Bon Secours St. Mary's Hospital of Richmond, Inc.	Stuart Circle Hospital, Inc.	Richmond Community Hospital	Richmond Community Hospital Foundation
Revenues:							
Net patient service revenue	\$ 67,356	154,730	4,737	232,753	-	30,129	-
Other revenues	1,538	3,152	29	3,435	-	535	-
Total revenues	68,894	157,882	4,766	236,188	-	30,664	-
Expenses:							
Salaries, wages, and benefits	30,686	61,322	2,489	84,995	-	9,615	-
Supplies	6,415	21,506	468	39,590	-	4,879	-
Purchased services and other	21,340	51,101	1,262	71,765	-	9,818	-
Provision for bad debts	7,512	17,487	82	11,387	-	4,703	-
Depreciation and amortization	1,698	3,621	115	7,169	-	824	-
Interest	1,025	1,406	46	3,750	-	-	-
Total expenses	68,676	156,443	4,462	218,656	-	29,839	-
Operating income (loss)	218	1,439	304	17,532	-	825	-
Non-operating gains (losses), net:							
Nonoperating investment gains (losses), net	545	4,979	7	17,584	-	(42)	-
Loss on early retirement of debt	-	-	-	-	-	-	-
Other nonoperating activities, net	(609)	(142)	-	(2,983)	-	349	(177)
Excess (deficit) of revenues over expenses	154	6,275	309	32,132	-	1,134	(177)
Other changes in unrestricted net assets:							
Net change in unrealized gains (losses) on other-than-trading securities	(2)	-	-	(3)	-	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	5	-	-	-	-	-
Transfers to affiliates and other changes, net	(1,516)	(1,070)	(14)	(4,072)	-	871	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	\$ (1,364)	5,210	295	28,057	-	2,005	(177)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.2

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Consolidating Schedule - Operating Information - Unaudited
Obligated Group Members
(in thousands)

Six months ended February 29, 2012
(with comparative totals for 2011)

	Memorial Regional Medical Center	BS Richmond Health System	St. Francis Medical Center	RHS Shared Services	Our Lady of Bellefonte Hospital, Inc.	Mary Immaculate Hospital, Inc.	Bon Secours DePaul Medical Center, Inc.
Revenues:							
Net patient service revenue	163,109	-	111,205	-	75,749	87,002	82,080
Other revenues	2,235	816	1,683	86,368	3,504	1,038	837
Total revenues	165,344	816	112,888	86,368	79,253	88,040	82,917
Expenses:							
Salaries, wages, and benefits	56,854	-	35,858	35,856	28,728	25,380	32,283
Supplies	24,222	-	19,910	6,677	10,879	23,259	16,338
Purchased services and other	55,477	-	38,228	34,619	22,174	22,590	29,279
Provision for bad debts	13,255	-	6,850	-	4,996	8,211	9,622
Depreciation and amortization	3,868	43	3,578	9,216	5,171	1,208	3,392
Interest	3,382	-	2,072	-	1,447	768	1,028
Total expenses	157,058	43	106,496	86,370	73,395	81,416	91,942
Operating income (loss)	8,286	773	6,392	(2)	5,858	6,624	(9,025)
Non-operating gains (losses), net:							
Nonoperating investment gains (losses), net	478	-	(38)	(6)	476	1,524	605
Loss on early retirement of debt	-	-	-	-	-	-	-
Other nonoperating activities, net	(3,488)	(67)	(1,128)	6	(1,183)	(411)	(8)
Excess (deficit) of revenues over expenses	5,276	705	5,227	0	5,153	7,739	(8,429)
Other changes in unrestricted net assets:							
Net change in unrealized gains (losses) on other-than-trading securities	(11)	-	-	-	-	(5)	-
Net assets released from restrictions used for purchase of property, plant, and equipment	43	-	-	-	-	-	37
Transfers to affiliates and other changes, net	(2,220)	905	(2,246)	-	(1,237)	(563)	(850)
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	3,089	1,610	2,981	0	3,916	7,170	(9,242)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.2

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Consolidating Schedule - Operating Information - Unaudited
Obligated Group Members
(in thousands)

Six months ended February 29, 2012
(with comparative totals for 2011)

	Hampton Roads Shared Services	St. Francis - Downtown	St. Francis - Eastside	Maria Manor Nursing Care Center, Inc.	Bon Secours Health System Office	Consolidation Eliminations	2012 Consolidated Obligated Group	2011 Consolidated Obligated Group
Revenues:								
Net patient service revenue	-	159,175	77,435	11,128	-	1	1,256,589	1,195,849
Other revenues	36,896	5,999	277	181	109,048	(200,218)	57,353	83,429
Total revenues	36,896	165,174	77,712	11,309	109,048	(200,217)	1,313,942	1,279,278
Expenses:								
Salaries, wages, and benefits	15,554	51,289	30,322	6,281	51,149	(225)	558,436	535,955
Supplies	1,540	39,976	11,823	1,142	379	0	229,003	223,743
Purchased services and other	18,220	34,148	11,423	2,771	28,669	(183,579)	269,305	275,808
Provision for bad debts	-	10,200	6,982	83	-	(2)	101,368	92,140
Depreciation and amortization	1,581	7,791	1,600	343	17,606	(16,427)	52,397	48,645
Interest	-	2,579	1,721	313	(61)	1	19,477	18,214
Total expenses	36,895	145,983	63,871	10,933	97,742	(200,232)	1,229,986	1,194,505
Operating income (loss)	1	19,191	13,841	376	11,306	15	83,956	84,773
Non-operating gains (losses), net:								
Nonoperating investment gains (losses), net	1	1,047	-	-	6,552	(1)	33,711	124,400
Loss on early retirement of debt	-	-	-	-	(602)	0	(602)	(1,172)
Other nonoperating activities, net	-	(329)	(108)	3	(3,352)	0	(13,627)	(13,426)
Excess (deficit) of revenues over expenses	1	19,909	13,733	380	13,904	13	103,439	194,575
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	(42)	1	(62)	(801)
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	(1)	84	1,239
Transfers to affiliates and other changes, net	-	(333)	(650)	(229)	14,791	(3,819)	(2,252)	2,608
Distributions to noncontrolling interest owners	-	-	-	-	-	3,820	3,820	22,054
Net change in equity of joint ventures	-	-	-	-	(2,283)	(1)	(2,283)	(3,399)
Pension and other postretirement adjustments	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	1	19,576	13,083	151	26,371	13	102,746	216,275

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Six months ended February 29, 2012
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	Bon Secours Community Health Services	Bon Secours of Maryland Foundation	BS Baltimore HS Foundation	Urban Medical Institute	Bon Secours Maryview Health Corporation	Professional Health Care Mgmt Services	Bon Secours Maryview Foundation	Bon Secours Richmond Health Corp.
Revenues:								
Net patient service revenue	\$ -	-	-	-	-	-	-	-
Other revenues	11	2,639	-	-	-	3,240	-	-
Total revenues	11	2,639	-	-	-	3,240	-	-
Expenses:								
Salaries, wages, and benefits	16	622	0	0	-	1,784	-	-
Supplies	0	120	-	-	-	241	-	-
Purchased services and other	79	1,401	-	0	-	773	-	-
Provision for bad debts	79	1	-	-	-	-	-	-
Depreciation and amortization	3	956	-	-	-	192	-	-
Interest	-	387	-	-	-	59	-	-
Total expenses	177	3,487	-	-	-	3,049	-	-
Operating income (loss)	(166)	(848)	-	-	-	191	-	-
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	0	26	-	-	0	12	2
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	(427)	(348)	(1)	-	(472)	(57)	-
Excess (deficit) of revenues over expenses	(166)	(1,274)	(323)	-	-	(280)	(46)	2
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	-	552	-	-	-	100	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	-	(5,064)	5,277	-	-	-	101	-
Distributions to noncontrolling interest owners	-	-	-	-	-	(1,008)	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	\$ (166)	(6,338)	5,507	-	-	(1,288)	156	2

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	BS Richmond Healthcare Foundation	Bon Secours Healthsource	Laburnum Properties, Inc.	Chesterfield Community Health Center	RHS Enterprises, Inc.	Bon Secours Home Health Services LLC	Tidewater Diversified, Inc.	Bayley Properties, Inc.
Revenues:								
Net patient service revenue	-	32,612	-	-	0	7,575	-	-
Other revenues	-	334	-	-	306	1	1,752	-
Total revenues	-	32,946	-	-	306	7,576	1,752	-
Expenses:								
Salaries, wages, and benefits	-	17,880	-	-	236	5,631	259	-
Supplies	-	2,104	-	-	17	565	1,342	-
Purchased services and other	-	11,028	-	3	92	1,217	54	-
Provision for bad debts	-	1,201	-	-	-	105	0	-
Depreciation and amortization	-	2,192	-	1	5	30	-	-
Interest	-	1	-	-	-	-	-	-
Total expenses	-	34,406	-	4	350	7,548	1,655	-
Operating income (loss)	-	(1,460)	-	(4)	(44)	28	97	-
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	125	(15)	198	(9)	4	(2)	(1)	-
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(1,776)	(400)	(172)	1	47	-	-	6
Excess (deficit) of revenues over expenses	(1,651)	(1,874)	26	(10)	5	26	97	6
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	51	-	-
Transfers to affiliates and other changes, net	211	(1,841)	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	(7,910)	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(1,440)	(11,625)	26	(10)	5	77	97	6

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	DePaul Foundation	St. Francis Nursing Care Center, Inc.	Mary Immaculate Medical Pavilion	St. Anthony Community Foundation	BS Community Hospital Foundation	GSH Medical Care PC	Mt. Alverno Assisted Living Facility	Good Samaritan Hospital
Revenues:								
Net patient service revenue	-	4,229	-	-	-	10,960	1,564	126,083
Other revenues	-	11	-	-	-	560	50	544
Total revenues	-	4,240	-	-	-	11,520	1,614	126,627
Expenses:								
Salaries, wages, and benefits	-	2,038	-	61	60	14,228	1,305	62,370
Supplies	-	485	-	-	-	786	150	20,226
Purchased services and other	-	1,434	-	16	33	4,491	663	31,558
Provision for bad debts	-	139	-	-	-	524	12	6,450
Depreciation and amortization	-	119	0	-	-	524	117	5,693
Interest	-	40	-	-	-	106	-	2,585
Total expenses	-	4,255	-	77	93	20,659	2,247	128,882
Operating income (loss)	-	(15)	-	(77)	(93)	(9,139)	(633)	(2,255)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	24	3	0	70	14	(14)	(1)	159
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(79)	-	13	16	11	(172)	-	(1,697)
Excess (deficit) of revenues over expenses	(54)	(9)	13	9	(68)	(9,327)	(633)	(3,794)
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	(63)	12	-	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment	(37)	-	-	-	-	-	-	1,775
Transfers to affiliates and other changes, net	63	(61)	-	(345)	-	-	-	(539)
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-	661
Increase (decrease) in unrestricted net assets	(28)	(70)	13	(400)	(56)	(9,327)	(633)	(1,896)

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	Good Samaritan Hospital Home Care	Good Samaritan Hospital Foundation	St. Anthony Community Hospital	Bon Secours Community Hospital	Schervier Pavilion	Upstate Surgery Center	St. Francis Foundation	St. Francis Physician Services
Revenues:								
Net patient service revenue	8,670	-	28,479	36,781	5,746	1,840	-	60,683
Other revenues	194	-	184	69	10	54	-	3,611
Total revenues	8,864	-	28,663	36,850	5,756	1,894	-	64,294
Expenses:								
Salaries, wages, and benefits	5,725	196	13,441	20,665	4,267	680	-	59,840
Supplies	131	5	3,861	4,257	548	505	-	6,125
Purchased services and other	2,822	6	7,842	11,541	1,449	306	-	12,872
Provision for bad debts	90	-	3,028	2,838	124	110	-	1,514
Depreciation and amortization	17	-	1,328	1,377	128	40	-	-
Interest	-	-	-	321	302	-	-	-
Total expenses	8,785	207	29,500	40,999	6,818	1,641	-	80,351
Operating income (loss)	79	(207)	(837)	(4,149)	(1,062)	253	-	(16,057)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	0	12	13	0	(1)	1	89	-
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	39	(17)	(1,024)	-	(5)	204	-
Excess (deficit) of revenues over expenses	81	(158)	(838)	(5,174)	(1,062)	250	292	(16,059)
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	(3)	-	-	-	-	250	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	201	-	137	-	-	-
Transfers to affiliates and other changes, net	-	(163)	-	(234)	(221)	(149)	(2,011)	-
Distributions to noncontrolling interest owners	-	-	-	-	-	(982)	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	81	(324)	(637)	(5,408)	(1,146)	(880)	(1,469)	(16,059)

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	St Francis - Millennium	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	OLBH Foundation	Bon Secours Associates, LLC	Bon Secours Assurance Company, Ltd.
Revenues:								
Net patient service revenue	2,570	21,969	-	-	4,414	-	-	-
Other revenues	765	312	909	1,190	-	-	-	14,641
Total revenues	3,335	22,281	909	1,190	4,414	-	-	14,641
Expenses:								
Salaries, wages, and benefits	1,773	13,422	137	530	1,462	-	-	-
Supplies	195	1,417	15	8	17	-	-	-
Purchased services and other	1,592	6,313	427	652	2,781	-	-	14,641
Provision for bad debts	222	172	-	-	112	-	-	-
Depreciation and amortization	8	788	178	0	46	-	-	-
Interest	-	950	312	-	-	-	-	-
Total expenses	3,790	23,062	1,069	1,190	4,418	-	-	14,641
Operating income (loss)	(455)	(781)	(160)	-	(4)	-	-	-
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	(1)	1	-	-	10	-	-
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	(15)	-	-	-	(131)	(160)	-
Excess (deficit) of revenues over expenses	(455)	(797)	(160)	-	(6)	(119)	(160)	-
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities	-	0	-	-	-	89	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	-	-	-	-	-	179	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(455)	(797)	(160)	-	(6)	150	(160)	-

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	Bon Secours Place at St. Petersburg	Bellefonte Physician Services	St. Petersburg Home Care Services, Inc.	Maria Manor Health Resources	Consolidating Eliminations	2012 Consolidated	2011 Consolidated
Revenues:							
Net patient service revenue	-	11,422	1,031	-	3	366,631	345,261
Other revenues	2,436	625	-	-	(12,466)	21,982	28,362
Total revenues	2,436	12,047	1,031	-	(12,463)	388,613	373,623
Expenses:							
Salaries, wages, and benefits	1,264	11,705	788	-	1,193	243,578	219,824
Supplies	205	865	23	-	(54)	44,159	41,178
Purchased services and other	617	3,101	262	-	(13,312)	106,754	104,182
Provision for bad debts	-	731	92	-	1	17,545	14,308
Depreciation and amortization	135	-	17	-	(1,046)	12,848	11,959
Interest	80	0	-	-	(699)	4,444	5,884
Total expenses	2,301	16,402	1,182	-	(13,917)	429,328	397,335
Operating income (loss)	135	(4,355)	(151)	-	1,454	(40,715)	(23,712)
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	1	(14)	-	-	(1)	705	1,576
Loss on early retirement of debt	-	-	-	-	-	-	-
Other nonoperating activities, net	-	0	-	-	(537)	(7,153)	(4,805)
Excess (deficit) of revenues over expenses	137	(4,371)	(151)	-	912	(47,164)	(26,941)
Other changes in unrestricted net assets:							
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	(1)	936	1,630
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	0	2,127	1,446
Transfers to affiliates and other changes, net	-	-	-	-	2	(4,793)	4,568
Distributions to noncontrolling interest owners	(476)	-	-	-	8,879	(1,497)	(330)
Net change in equity of joint ventures	-	-	-	-	-	-	-
Pension and other postretirement adjustments	-	-	-	-	0	661	437
Increase (decrease) in unrestricted net assets	(339)	(4,371)	(151)	-	9,792	(49,730)	(19,190)