ST. JOHN HEALTH SYSTEM, INC.

THE OKLAHOMA DEVELOPMENT
FINANCE AUTHORITY
REVENUE AND REFUNDING BONDS
ST. JOHN HEALTH SYSTEM
SERIES 2007

Dated: May 2, 2007
Issued: May 10, 2007
CUSIP: 678908

THE OKLAHOMA DEVELOPMENT
FINANCE AUTHORITY
REVENUE BONDS
ST. JOHN HEALTH SYSTEM
SERIES 2004

Dated: July 1, 2004
Issued: July 27, 2004
CUSIP: 678908

THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
REVENUE AND REFUNDING BONDS
ST. JOHN HEALTH SYSTEM
SERIES 1999

Dated: October 1, 1999
Issued: October 20, 1999
CUSIP: 678908

This Continuing Disclosure Statement is furnished by St. John Health System, Inc., an Oklahoma not-for-profit corporation ("St. John") and St. John Medical Center, Inc., an Oklahoma not-for-profit corporation (the "Medical Center") in connection with meeting their obligations to provide quarterly financial information and operating data in accordance with paragraph b(5) of Rule 15c2-12 of the Securities and Exchange Commission pursuant to the terms and provisions of Continuing Disclosure Agreements entered into as of the date of issuance of the above-captioned (a) Series 1999 Bonds in the original aggregate principal amount of $133,830,000, (b) Series 2004 Bonds in the original aggregate principal amount of $66,510,000, and (c) Series 2007 Bonds in the original aggregate principal amount of $247,595,000.

CONTINUING DISCLOSURE STATEMENT

FOR THE QUARTER ENDED DECEMBER 31, 2011

Cautionary Language Regarding Forward-Looking Statements

This document contains information based upon forward-looking statements. Forward-looking statements are expressions of *St. John's* expectations or forecasts of future events. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. Use in this document of words such as "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "scheduled" and similar words in connection with a discussion of future operating or financial plans and performance are not intended in any manner as assurances or statements of fact.

St. John management believes that the expectations reflected in forward-looking statements are reasonable, however, they are merely expressions of possible future outcomes that will be affected by inaccurate assumptions, unanticipated circumstances, and/or by known or unknown risks and uncertainties. Actual future results are not assured by any forward-looking statements contained in this document. Actual results may vary materially from stated expectations, and St. John makes no warranties or guarantees about the future performance of *St. John*. Consequently, forward-looking statements are not guaranteed by *St. John* and the reader is advised not to place reliance on them.

St. John undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise. Many factors besides those listed herein could adversely affect St. John or the conclusions that are part of forward-looking statements in this document.

February 2, 2012

ST. JOHN HEALTH SYSTEM, INC.

INTRODUCTION AND HISTORY

St. John Health System, Inc. ("SJHS"), and affiliates, own and operate an integrated tertiary health care delivery system which provides a broad spectrum of health-related services throughout northeastern Oklahoma. *SJHS* is headquartered in Tulsa, Oklahoma. *SJHS* conducts its operations principally through the following wholly-owned or wholly-controlled subsidiaries: St. John Medical Center, Inc. (the "*Medical Center*"), St. John Sapulpa, Inc. ("*St. John Sapulpa*"), Jane Phillips Health Corporation ("*Jane Phillips*"), Utica Services, Inc. ("*Utica*"), St. John Villas, Inc. ("*St. John Villas*"), St. John Management Services, Inc. ("*SJMS*") (formerly St. John Owasso, Inc.,), Owasso Medical Facility, Inc. ("*St. John Owasso*"), St. John Broken Arrow, Inc. ("*St. John Broken Arrow*"), and St. John Health System Foundation, Inc. (formerly St. John Medical Center Foundation, Inc.) ("*St. John Foundation*"). On October 1, 2011 St. John formed a new not-for-profit corporation: St. John Building Corporation (*SJBC)*. The Health System intends to transfer certain income producing buildings and real property from other wholly owned entities into this new corporation to centralize management of these income producing activities. *SJBC* has applied for exemption from federal income taxes as a 501(c)2 corporation and will be operated as such until a determination from the Internal Revenue Service is received. Jane Phillips Memorial Medical Center, Inc. ("*Jane Phillips Medical Center*") is a wholly-owned subsidiary of *Jane Phillips*. *SJHS*, these subsidiaries, and all other subsidiaries under *SJHS's* direct or indirect control or ownership which are required to be consolidated in its financial statements in accordance with Generally Accepted Accounting Principles, are referred to as *"St. John"*.

St. John is one of three regional health care delivery systems sponsored by *Marian Health System, Inc. ("Marian"),* which, in turn, is ultimately sponsored by the Sisters of the Sorrowful Mother ("SSM"), a religious community of the Roman Catholic Church. *St. John* supports the purpose and activities of *Marian*, and its powers must be exercised in accordance with the teachings, traditions and Canon Law of the Roman Catholic Church and the Ethical and Religious Directives for Catholic Health Facilities promulgated by the National Conference of Catholic Bishops of the United States Catholic Conference. In addition to *St. John's* activities, *Marian*, through Ministry Health Care, Inc., and Via Christi Health (collectively, the "*Other Regional Systems*"), provides comprehensive health care services in portions of Kansas, Minnesota, and Wisconsin. *Marian's* activities are conducted on a decentralized basis. Although the *Marian* Board of Directors provides overall strategic direction and possesses certain reserved powers, *St. John* and the *Other Regional Systems* operate autonomously. Via Christi Health is co-sponsored by Ascension Health System.

St. John has developed and continues to expand an integrated health care system to deliver high quality, patient-focused care in an environment in which *St. John* can successfully assume financial risk for the health of a population. Today, *St. John,* its affiliates, and its employed and affiliated physicians, provide care across the entire spectrum of health care delivery including primary and specialty physician services, acute and post acute hospital services, outpatient treatment, diagnostic imaging and laboratory services, senior services (including residential living, skilled nursing, and other senior services), home health and many other services, for patients of all ages and abilities to pay.

St. John provides acute care services through the *Medical Center*, *Jane Phillips*, *St. John Sapulpa*, *St. John Owasso* and through the management (and planned ownership) of the St. John Broken Arrow

Hospital (*St. John Broken Arrow Hospital).* These services include a broad range of inpatient and outpatient services serving the population of northeastern Oklahoma and the surrounding region at five main hospital campuses as well as three additional critical access hospitals in rural Oklahoma and Kansas that are owned or managed by *Jane Phillips*, with a combined total of more than 800 hospital beds in operation. In addition to its management of the St. John Broken Arrow hospital (described more fully below), *St. John* also has entered into an agreement to manage Oklahoma State University Medical Center ("OSUMC"), a 322-bed (including 18 newborn bassinettes) public hospital owned by a beneficial trust of the City of Tulsa. OSUMC is managed by *St. John,* but is not branded or operated as part of the integrated *St. John* system. The hospital management agreements are discussed in more detail below.

St. John's principal for-profit subsidiary, *Utica*, engages in a variety of managed care activities, including a one-half equity ownership in CommunityCare Managed Health Plans of Oklahoma, Inc., an Oklahoma for-profit corporation ("*CommunityCare*") which owns and operates a health maintenance organization, a preferred provider organization and an indemnity company which, in the aggregate, provide for the health care needs of more than 323,000 medical enrollees, excluding the participants in certain employee counseling programs. The *CommunityCare* medical enrollees include more than 100,000 enrollees in health maintenance organizations. *Utica* also owns and operates a comprehensive clinical and anatomical laboratory, a medical management service organization, a free-standing outpatient radiology and diagnostic imaging facility, several urgent care centers, a pharmacy, and various other medical practice facilities. In addition, *St. John* through *Utica* and its subsidiaries, employs more than 300 physicians plus nearly 80 "mid-level providers", and also manages the medical practices of certain non-employed physicians. *St. John*, through *Utica* and other entities, is also an investor in several joint ventures with physician owners, including two ambulatory surgery centers.

St. John's fundraising activities are conducted through *St. John Foundation*, a charitable foundation which seeks gifts, bequests, and endowments, all of which are used in furtherance of *St. John's* charitable activities.

St. John conducts a variety of senior and low-income long-term care activities in northeastern Oklahoma through *St. John Villas,* which provides a broad array of services along the retirement continuum, including homes for the aged, nursing homes, independent and assisted living facilities, low income housing and other related programs and services. St. John is seeking to sell certain long-term care facilities in Vinita, Oklahoma. Accordingly, the assets and operations of those facilities have been reclassified in St. John's financial statements as discontinued operations, including in previous statements of operations and changes in net assets. The assets to be sold have been classified as assets held for sale in the September 30, 2011 consolidated balance sheet.

Effective May 1, 2009 *SJMS* entered into a five-year management agreement to manage Oklahoma State University Medical Center (*OSUMC*), a 322-bed (including 18 newborn bassinettes) public hospital in Tulsa that is the primary teaching home for the Oklahoma State University College of Osteopathic Medicine. *OSUMC* is owned by the Oklahoma State University Medical Center Trust, a public trust whose beneficiary is the City of Tulsa, Oklahoma. The agreement provides for *SJMS* to be reimbursed for all costs associated with management of *OSUMC. SJMS* has an opportunity to earn an additional management fee based on the financial performance of *OSUMC*. *SJMS* (and *St. John*) do not have financial risk to underwrite or finance losses (if any) of *OSUMC*. *OSUMC* is not "branded" as a *St. John* facility and is operated as an independent, free-standing hospital. *St. John* has pledged to provide additional voluntary support to *OSUMC* of approximately $2.3 million in 2012 if such support is matched by other donors.

St. John is a 50% owner in Broken Arrow Development, LLC, a variable interest entity created to acquire and develop land for a medical campus on which a community hospital and medical office building in Broken Arrow, Oklahoma are located. The assets, liabilities, net assets and results of operations for Broken Arrow Development, LLC have been included in the consolidated financial statements of the *St. John*.

Broken Arrow Medical Facility, LLC (BAMF), a company owned by the other unrelated 50% owners of Broken Arrow Development, LLC, owns a community hospital and adjacent medical office building on the land acquired. In June, 2010 BAMF borrowed $115.0 million from a consortium of banks under the terms of a variable rate note that is due and payable in May, 2015. *St. John* has guaranteed repayment of this note payable. At December 31, 2011, approximately $112.4 million was outstanding and payable under this note. As guarantor, *St. John* has agreed to maintain a minimum balance of unrestricted cash and investments on hand of approximately $201.0 million. *St. John* has also agreed that if BAMF fails to maintain a minimum debt service coverage ratio of 1.9 times debt service, beginning on January 1, 2012, the lending banks can elect to require *St. John* to repay the loan. In the event that the lending banks exercise this "put" option and *St. John* repays the bank loan, *St. John* would become the primary lender to BAMF by taking out of escrow an assignment of the lending banks' loan documents. In addition, *St. John* would become entitled to take title to the BAMF Broken Arrow hospital and medical office building assets under an escrow agreement with BAMF and its owners upon *St. John's* payment of the purchase price specified in the escrow agreement (further described below). *St. John* management believes BAMF did not meet the minimum debt service coverage ratio in the quarter ended December 31, 2011. These financial performance conclusions have been shared by *St. John* representatives with the BAMF owners, the Governing Body of BAMF and with the lending banks. The BAMF owners requested and received from the bank lending group a 30-day extension of the deadline to report the debt service coverage computation to the bank group. The lender group has extended the debt service reporting deadline for the quarter ended December 31, 2011 to February 29, 2012. *St. John* management believes that the lending banks will have the right to exercise the "put" when the financial results of BAMF are formally reported by BAMF for the quarter ended December 31, 2011. *St. John* will have 90 days to repay the bank loan from the date upon which the lending banks notify *St. John* of their decision to exercise the "put". If the banks do not exercise the "put" based upon the December 31, 2012 reporting, this provision is subject to future quarterly measurement and reporting 30 days after the end of each future calendar quarter (based on that quarter's debt service coverage ratio) and the bank lenders have the same rights described above.

St. John has signed a 15-year management agreement with BAMF to manage the new hospital and has signed a master facility lease to lease the medical office building and has the right to sublease to other tenants. The medical office building opened in February, 2010 and the hospital opened and began seeing patients on September 15, 2010 with 44 beds in operation. It is designed to have a capacity to operate approximately 92 beds and operates as a "St. John" hospital. Under the master lease described above, *St. John* occupies some of the space for use in support of hospital operations and by some of its employed physicians, while it also sub-leases space to independent physicians.

Beginning in October, 2010, certain elective volumes, including a substantial number of orthopedic surgeries historically performed at the *Medical Center*, moved from the *Medical Center* to the Broken Arrow Hospital (referred to as "*St. John Broken Arrow Hospital*"). The relocation of these service line procedures has resulted in a negative financial impact being experienced by the *Medical Center* and *St. John* that is intended to be short-term. As described below, *St. John* has been negotiating with the owners of BAMF to purchase the assets of BAMF.

Under the terms of an escrow agreement with the owners of BAMF, if the "put" (described above) is exercised by the lenders and *St. John* performs its obligation under the "put", ownership of the assets of BAMF comprising the hospital and medical office building would pass to St. John in exchange for a payment to the owners of BAMF in the approximate amount of $3.4 million. *St. John* has invested $30.0 million in the form of non-voting preferred stock in a company that used those proceeds to loan BAMF up to $30.0 million for capital and operating needs. The individuals who currently own BAMF are the voting members and owners of this company and certain other private investors are also non-voting preferred equity owners.

St. John and the owners of BAMF have tentatively agreed (subject to appropriate documentation which is currently under development) for *St. John* (through its wholly-owned subsidiary, *St. John Broken Arrow*) to purchase the assets of the *St. John Broken Arrow Hospital* (including the land, improvements, building, equipment and other assets that comprise the hospital and medical office building) for a purchase price of approximately $155.2 million. *St. John* presently contemplates utilizing up to $160.0 million of new financing for (i) the purchase (if a purchase is successfully consummated) of the assets comprising the *St. John Broken Arrow Hospital* and to address other qualifying capital expenditures of *St. John* or (ii) to pay the bank debt associated with the "put" agreement (if the "put" is exercised by the lending banks) described above. The described new financing is anticipated to be in the form of a loan of tax exempt bond proceeds (the "*2012 Bonds*") or an alternative form of borrowing. The proceeds of the *2012 Bonds* (or a different borrowing) would be used to acquire the land, improvements, building, equipment and other qualifying assets that comprise the Broken Arrow hospital, to reimburse *St. John* for certain other qualifying capital expenditures and to pay the costs of the bond issuance. If a purchase can be successfully negotiated, *St. John* presently anticipates utilizing internal funds or proceeds from a taxable borrowing to purchase the assets that comprise the St. John Broken Arrow medical office building.

Effective July 1, 2011, the *Medical Center* became the primary teaching hospital for the In His Image Family Practice Residency Program (*IHI*). *IHI* is an independent, non-profit graduate medical education program which provides residency training to approximately 30 family medicine residents each year. Effective July 1, 2011, *St. John*, through affiliates of *Utica*, also employed approximately 18 family practice physicians who serve as the primary teaching faculty for *IHI*. These physicians maintain a private clinical practice in addition to their teaching activities. The private clinical practice operates as "Family Medical Care". *St. John* is providing direct financial support to *IHI* for the academic year from July 1, 2011 to June 30, 2012 totaling approximately $4.9 million. The *Medical Center* also continues to be a primary teaching hospital for the University of Oklahoma's Tulsa School of Community Medicine's internal medicine and general surgery residency programs (the *OU Residency Programs*). Together these programs constitute approximately 51 internal medicine residents and 18 general surgery residents each year in addition to the 30 family medicine residents. On January 1, 2012 the University of Oklahoma transferred much of the hospital-based training for many of the internal medicine residents from St. John Medical Center to Hillcrest Medical Center. Some of the internal medicine resident training is in a state of transition for the next several months. Beginning July 1, 2012, *St. John* management expects that from 38 to 45 of the 51 internal medicine residents will receive most of their hospital-based training at Hillcrest Medical Center rather than at St. John Medical Center. *St. John* is also working with the University of Oklahoma to increase the number of general surgery residents and add certain surgical fellowship training programs at St. John Medical Center. Some of these increases could take place as early as July 1, 2012.

The Oklahoma legislature approved Supplemental Hospital Offset Payment Program legislation in 2011 referred to as "SHOPP" which created an assessment fee based on revenues of certain Oklahoma hospitals. The assessment fees are intended to generate federal matching dollars that will be used to provide increased fee-for-service Medicaid reimbursement to Oklahoma hospitals. The

SHOPP legislation required federal approval, and on January 17, 2012, that approval was received. Management for *St. John* expects that *St. John's* hospitals will receive additional Medicaid reimbursement in 2012 in the form of supplemental Medicaid payment from the State of Oklahoma that will be greater than the new SHOPP assessment fees.

DESCRIPTION OF ST. JOHN SYSTEM OPERATIONS

St. John is a growing integrated delivery system that serves northeastern Oklahoma and the surrounding area. Growth in recent years has included increasing revenues from outpatient and physician professional services as well as other post-acute services. Acute care services are provided on four major hospital campuses that are owned by *St. John*, and beginning September 15, 2010, at the new *St. John Broken Arrow Hospital*, which is managed by *St. John*. The owned hospitals are the *Medical Center* (the tertiary center in Tulsa, Oklahoma), *Jane Phillips Medical Center* in Bartlesville, *St. John Owasso* in Owasso Oklahoma, and *St. John Sapulpa*, a critical access hospital in Sapulpa, Oklahoma. Acute care services are also provided at three additional rural critical access hospitals which are owned or managed by *Jane Phillips* and at *OSUMC* which is managed by *St. John*. Together, the nine owned and managed hospitals have more than 1,000 beds in operation. Diagnostic services and certain acute care services are also provided in a variety of free standing (including hospital-based) settings. The *St. John* System now includes more than 300 employed physicians, approximately 80 employed "mid-level providers". Selected consolidated statistical and payor mix information is presented in the following paragraphs and tables.

Consolidated Statistical Information

Certain prior year statistical amounts have been updated to be consistent with 2011 measurement criteria. Summarized consolidated statistical information is presented below for selected services provided in owned hospital facilities and certain out-patient treatment settings. Selected proforma information is also presented below to show the impact of *St. John Broken Arrow Hospital* volumes.

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	Three Months ended December 31,	
	2011	2010
Beds in Service (including 43 newborn bassinettes)	806	824
Total Admissions (excluding normal newborn)	9,152	9,334
Total Observation Days	3,856	3,634
Combined Admissions and Observation Days	13,008	12,968
Total Patient Days (excluding normal newborn and observation)	43,131	44,622
Average Length of Stay in Days (excluding normal newborn and obs.)	4.71	4.78
Births	693	763
Emergency Room Visits	31,152	31,036
Outpatient Visits (excluding emergency room and one day surgeries)	135,737	126,823
Inpatient Surgical Cases	2,673	2,622
Outpatient Surgical Cases	3,736	3,871

St. John began to see a shift in 2009 toward an increased number of patients admitted in the hospitals to observation status. This trend has continued through 2012. The change in status does not affect the medical care or resources consumed in patient care activities, but results in lower reimbursement per case. The number of outpatient surgeries in each year was constrained by *St. John's* investment in two free-standing ambulatory surgery centers that are partially owned by physicians. Surgeries performed at those surgery centers are not included in the totals above. Also, *St. John* is operating three urgent care clinics in the Tulsa metro area.

Growth in all volumes in 2012 was constrained by the operation of the *St. John Broken Arrow Hospital* which opened on September 15, 2010. Since it is a managed and not owned facility, volumes for services performed at the *St. John Broken Arrow Hospital* are excluded from the totals above. A significant number of orthopedic surgeries and other procedures are now performed at the *St. John Broken Hospital* instead of at *the Medical Center*. This was a planned transition and as discussed in this document, management for *St. John* has offered to purchase the assets of the *St. John Broken Arrow Hospital* from the current owners and use proceeds from the issuance of new long-term debt to provide funding for this purchase. A proforma table below shows the impact of certain *St. John Broken Arrow Hospital volumes*. In the three month periods ended December 31, 2011, and 2010, 609 and 346 total surgeries were performed at the *St. John Broken Arrow Hospital.*

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The proforma impact of including selected volumes of service performed at the *St. John Broken Arrow Hospital* in consolidated totals is shown in the following table. It combines *St. John* consolidated statistical information for owned facilities with volumes performed at the *St. John Broken Arrow Hospital* for the three month periods ended December 31, 2011 and 2010.

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St. John Health System(SJHS) and St. John Broken Arrow Hospital (SJBA)
Selected Proforma Combined Volumes – Three months ended December 31, 2011 and 2010

	Three Months ended December 31,	
	2011	2010
Beds in Service (including 43 newborn bassinettes) - SJHS	806	824
Beds in Service (including 43 newborn bassinettes) - SJBA	44	44
Beds in Service (including 43 newborn bassinettes) - Combined SJHS and SJBA	850	868
Total Admissions (excluding normal newborn) - SJHS	9,152	9,334
Total Admissions (excluding normal newborn) - SJBA	615	386
Total Admissions (excluding normal newborn) - Combined SJHS and SJBA	9,767	9,720
Total Observation Days - SJHS	3,856	3,634
Total Observation Days - SJBA	375	292
Total Observation Days - Combined SJHS and SJBA	4,231	3,926
Combined Admissions and Observation Days - SJHS	13,008	12,968
Combined Admissions and Observation Days - SJBA	990	678
Combined Admissions and Observation Days - Combined SJHS and SJBA	13,998	13,646
Total Patient Days (excluding normal newborn and observation) - SJHS	43,131	44,562
Total Patient Days (excluding normal newborn and observation) - SJBA	1,106	925
Total Patient Days (excluding normal newborn and observation) - Combined SJHS and SJBA	44,237	45,487
Average Length of Stay in Days (excluding normal newborn and obs.) - SJHS	4.71	4.77
Average Length of Stay in Days (excluding normal newborn and obs.) - SJBA	1.80	2.40
Average Length of Stay in Days (excluding normal newborn and obs.) - Combined SJHS and SJBA	4.53	4.68

St. John Health System (SJHS) and St. John Broken Arrow Hospital (SJBA)
Selected Proforma Combined Volumes – Three months ended December 31, 2011 and 2010

	Three Months ended December 31,	
	2011	2010
Births - SJHS	693	763
Births - SJBA	-	-
Births - Combined SJHS and SJBA	693	763
Emergency Room Visits - SJHS	31,152	31,036
Emergency Room Visits - SJBA	5,065	2,958
Emergency Room Visits - Combined SJHS and SJBA	36,217	33,994
Outpatient Visits (excluding emergency room and one day surgeries) - SJHS	135,737	126,823
Outpatient Visits (excluding emergency room and one day surgeries) - SJBA	6,216	3,097
Outpatient Visits (excluding emergency room and one day surgeries) - Combined SJHS and SJBA	141,953	129,920
Inpatient Surgical Cases - SJHS	2,673	2,622
Inpatient Surgical Cases - SJBA	414	238
Inpatient Surgical Cases - Combined SJHS and SJBA	3,087	2,860
Outpatient Surgical Cases - SJHS	3,736	3,871
Outpatient Surgical Cases - SJBA	195	108
Outpatient Surgical Cases - Combined SJHS and SJBA	3,931	3,979

The outpatient surgical volumes shown above do not include any surgeries related to St. John's proportionate minority interest in joint ventures that own ambulatory surgery centers. Several thousand surgeries each year are performed at each of these surgery centers.

Selected consolidated volumes of activity related to employed physician offices and urgent care clinics, as well as laboratory testing volumes are presented below.

	Three Months ended December 31,	
	2011	2010
Physician office patient visits	149,111	143,102
Urgent Care clinic patient visits	10,104	9,952
Combined physician office and urgent care visits	159,215	153,054
Total laboratory procedures (including hospital and reference labs)	1,767,860	1,762,260

Sources of Patient Revenue

Medicare and Medicaid are the commonly accepted names for hospital care payment programs created by certain provisions of the Federal Social Security Act and subsequent legislation and regulation. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Most commercial insurance plans reimburse their subscribers or make direct payments to the *Medical Center* and other *St. John* entities at contractually established rates. Patients carrying commercial insurance coverage may be responsible to the providing entity for a portion of the difference between the charges incurred and the insurance payments. The *Medical Center* and other *St. John* hospitals provide discounts to all uninsured patients, up to and including free care for those who qualify for full charity care. The consolidated payor mix for hospital operations presented as a percentage of billed charges for all hospital operations is presented in the following table:

	Three Months ended December 31,	
	2011	2010
Medicare	50.0%	47.4%
Medicaid	7.4%	8.4%
Commercial Insurance	35.1%	35.3%
Uninsured	7.5%	8.9%
	100.0%	100.0%

MEDICAL CENTER

St. John Medical Center (*Medical Center*) is the tertiary flagship hospital of *St. John.* It is Oklahoma's only ACS-certified Level-II trauma center, northeastern Oklahoma's only JCAHO-accredited stroke center and in January, 2010 became northeastern Oklahoma's only Nursing Magnet-certified hospital.

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Historical Utilization of Inpatient and Ancillary Services of the Medical Center

A listing of various statistical indicators of historical patient utilization and of certain selected ancillary and outpatient services for the *Medical Center* is presented below:

	Three Months ended December 31,	
	2011	2010
Beds in Service (including 20 newborn bassinettes)	547	567
Total Admissions (excluding normal newborn)	6,804	6,931
Total Observation Days	2,894	2,609
Combined Admissions and Observation Days	9,698	9,540
Total Patient Days (excluding normal newborn and observation)	34,946	36,131
Average Length of Stay in Days (excluding normal newborn and obs.)	5.14	5.21
Births	453	481
Emergency Room Visits	13,271	13,105
Outpatient Visits (excluding emergency room and one day surgeries)	104,121	96,124
Inpatient Surgical Cases	2,058	2,093
Outpatient Surgical Cases	2,858	2,752

Growth in all volumes in 2012 was constrained by the operations of the *St. John Broken Arrow Hospital* which opened on September 15, 2010. Since it is a managed and not owned facility, volumes for services performed at the St. John Broken Arrow hospital are excluded from the totals above. In the three months ended December 31, 2011 and 2010, a significant number of orthopedic surgeries and other procedures were performed at the *St. John Broken Hospital* instead of at *the Medical Center*. The growth in inpatient admissions was also constrained by an increase in patients classified as observation patients. The combined increase in admissions and observation patients shows 1.7% growth for the three month period ended December 31, 2011 compared to the same period in 2010, even after the move of certain inpatient volumes to the *St. John Broken Arrow Hospital*. The decrease in inpatient surgeries and outpatient surgeries reflects the planned move of certain orthopedic and other surgical cases to the *St. John Broken Arrow Hospital*. In the three month periods ended December 31, 2011, and 2010, 609 and 346 total surgeries were performed at the *St. John Broken Arrow Hospital*. The growth in outpatient surgeries in the three months ended December 31, 2011 and 2010 was constrained by *St. John's* investment in two free-standing ambulatory surgery centers that are partially owned by physicians. Surgeries performed at those surgery centers are not included in the totals above.

Sources of Patient Revenue

The following table shows the *Medical Center's* sources of patient revenue for the periods indicated:

	Three Months ended December 31,	
	2011	2010
Medicare	50.4%	47.8%
Medicaid	6.2%	7.0%
Commercial Insurance	36.0%	36.0%
Uninsured	7.4%	9.2%
	100.0%	100.0%

JANE PHILLIPS

Jane Phillips' principal operations are conducted in Bartlesville, Oklahoma. *Jane Phillips* provides a full range of in-patient and out-patient services and a variety of secondary-level services. *Jane Phillips'* primary service area is Washington County, Oklahoma, but also serves other various northeastern Oklahoma and southeastern Kansas counties, its secondary service area. *Jane Phillips Medical Center* is licensed to operate 144 beds and staffs 121 acute beds.

In addition to the operation of the Bartlesville facilities, *Jane Phillips* operates an integrated delivery network throughout its service area. *Jane Phillips* manages Pawhuska Hospital, Pawhuska, Oklahoma and Sedan City Hospital, Sedan, Kansas, which are each licensed for 25 beds and operate 25 and 16 beds, respectively. *Jane Phillips* also owns and manages Jane Phillips Nowata Medical Center, Nowata, Oklahoma, which is licensed for 25 beds, with 16 beds currently in operation. Further, *Jane Phillips* either directly manages or supports primary care clinics in Barnsdall, South Coffeyville, and Ramona, Oklahoma and Caney, Kansas. In 2007, *Jane Phillips* opened free standing diagnostic and sleep centers in Bartlesville and in 2009 those centers became hospital-based. *Jane Phillips* also owns and operates several medical buildings throughout its service area, housing ambulatory services and physician practices.

Historical Utilization of Inpatient and Ancillary Services

A listing of various statistical indicators of historical patient utilization and of certain selected ancillary and outpatient services for *Jane Phillips* is provided below:

	Three Months ended December 31,	
	2011	2010
Beds in Service (including 16 newborn bassinettes)	121	121
Total Admissions (excluding normal newborn)	1,458	1,498
Total Observation Days	669	576
Combined Admissions and Observation Days	2,127	2,074
Total Patient Days (excluding normal newborn and observation)	5,496	6,105
Average Length of Stay in Days (excluding normal newborn and obs.)	3.77	4.08
Births	162	186
Emergency Room Visits	8,597	8,686
Outpatient Visits (excluding emergency room and one day surgeries)	20,759	19,405
Inpatient Surgical Cases	466	350
Outpatient Surgical Cases	526	728

Sources of Patient Revenue

The following table shows the *Jane Phillips* sources of gross patient service revenue for the periods indicated:

	Three Months ended December 31,	
	2011	2010
Medicare	54.1%	51.0%
Medicaid	9.6%	11.0%
Commercial Insurance	30.0%	31.5%
Uninsured	6.3%	6.5%
	100.0%	100.0%

ST. JOHN OWASSO

Effective January 1, 2008 *St. John* acquired the 45-bed community hospital in Owasso, Oklahoma. Prior to the acquisition, *St. John* managed the facility under a long-term management agreement. *St. John Owasso* is currently operating with 45 beds in service (including 9 newborn bassinettes) and has capacity to expand to more than 60 beds. The principal campus includes the hospital and an adjacent medical office building with land available to construct a second medical office building or related structure. *St. John Owasso* provides general inpatient and outpatient medical and surgical services, 24 hour emergency room, a full suite of inpatient and outpatient diagnostic services, and physical therapy, among other things.

Historical Utilization of Inpatient and Ancillary Services

A listing of various statistical indicators of historical patient utilization and of certain selected ancillary and outpatient services for *St. John Owasso* is provided below.

	Three Months ended December 31,	
	2011	2010
Beds in Service (including 9 newborn bassinettes)	45	45
Total Admissions (excluding normal newborn)	442	442
Total Observation Days	293	449
Combined Admissions and Observation Days	735	891
Total Patient Days (excluding normal newborn and observation)	1,029	977
Average Length of Stay in Days (excluding normal newborn and obs.)	2.33	2.21
Births	78	96
Emergency Room Visits	4,638	4,649
Outpatient Visits (excluding emergency room and one day surgeries)	7,897	8,114
Inpatient Surgical Cases	104	116
Outpatient Surgical Cases	243	262

Sources of Patient Revenue

The following table shows the *St. John Owasso* sources of gross patient service revenue for the periods indicated:

	Three Months ended December 31,	
	2011	2010
Medicare	34.9%	32.2%
Medicaid	10.1%	12.2%
Commercial Insurance	46.9%	46.9%
Uninsured	8.1%	8.7%
	100.0%	100.0%

ST. JOHN SAPULPA

St. John Sapulpa is licensed to operate, and staffs, 25 beds. The critical access designation, designed to improve payments for Medicare patients of those facilities serving non-urban areas, resulted in Medicare reimbursement to *St. John Sapulpa* on a cost basis, as defined by Medicare regulations.

Historical Utilization of Inpatient and Ancillary Services

A listing of various statistical indicators of historical patient utilization and of certain selected ancillary and outpatient services for *St. John Sapulpa* is provided below:

	Three Months ended December 31,	
	2011	2010
Beds in Service	25	25
Total Admissions	448	463
Total Patient Days	1,660	1,409
Average Length of Stay in Days	3.71	3.04
Emergency Room Visits	4,646	4,596
Outpatient Visits (excluding emergency room and one day surgeries)	2,784	2,510
Inpatient Surgical Cases	45	63
Outpatient Surgical Cases	109	129

The following table shows the *St. John Sapulpa* sources of gross patient service revenue for the periods indicated:

	Three Months ended December 31,	
	2011	2010
Medicare	38.9%	39.0%
Medicaid	21.5%	20.3%
Commercial Insurance	24.5%	26.7%
Uninsured	15.1%	14.0%
	100.0%	100.0%

ST. JOHN BROKEN ARROW

Broken Arrow Medical Facility, LLC (BAMF), a company owned by the other unrelated 50% owners of Broken Arrow Development, LLC, owns a community hospital and adjacent medical office building on the land acquired. In June, 2010 BAMF borrowed $115.0 million from a consortium of banks under the terms of a variable rate note that is due and payable in May, 2015. *St. John* has guaranteed repayment of this note payable. At December 31, 2011, approximately $112.4 million was outstanding and payable under this note. As guarantor, *St. John* has agreed to maintain a minimum balance of unrestricted cash and investments on hand of approximately $201.0 million. *St. John* has also agreed that if BAMF fails to maintain a minimum debt service coverage ratio of 1.9 times debt service, beginning on January 1, 2012, the lending banks can elect to require *St. John* to repay the loan. In the event that the lending banks exercise this "put" option and *St. John* repays the bank loan, *St. John* would become the primary lender to BAMF by taking out of escrow an assignment of the lending banks' loan documents. In addition, *St. John* would become entitled to take title to the BAMF Broken Arrow hospital and medical office building assets under an escrow agreement with BAMF and its owners upon *St. John's* payment of the purchase price specified in the escrow agreement (further described below). *St. John* management believes BAMF did not meet the minimum debt service coverage ratio in the quarter ended December 31, 2011. These financial performance conclusions have been shared by *St. John* representatives with the BAMF owners, the Governing Body of BAMF and with the lending banks. The BAMF owners requested and received from the bank lending group a 30-day extension of the deadline to report the debt service coverage computation to the bank group. The lender group has extended the debt service reporting deadline for the quarter ended December 31, 2011 to February 29, 2012. *St. John* management believes that the lending banks will have the right to exercise the "put" when the financial results of BAMF are formally reported by BAMF for the quarter ended December 31, 2011. *St. John* will have 90 days to repay the bank loan from the date upon which the lending banks notify *St. John* of their decision to exercise the "put". If the banks do not exercise the "put" based upon the December 31, 2012 reporting, this provision is subject to future quarterly measurement and reporting 30 days after the end of each future calendar quarter (based on that quarter's debt service coverage ratio) and the bank lenders have the same rights described above.

St. John has signed a 15-year management agreement with BAMF to manage the new hospital and has signed a master facility lease to lease the medical office building and has the right to sublease to other tenants. The medical office building opened in February, 2010 and the hospital opened and began seeing patients on September 15, 2010 with 44 beds in operation. It is designed to have a capacity to operate approximately 92 beds and operates as a "St. John" hospital. Under the master lease described above, *St. John* occupies some of the space for use in support of hospital operations and by some of its employed physicians, while it also sub-leases space to independent physicians.

Beginning in October, 2010, certain elective volumes, including a substantial number of orthopedic surgeries historically performed at the *Medical Center*, moved from the *Medical Center* to the Broken Arrow Hospital (referred to as "*St. John Broken Arrow Hospital*"). The relocation of these service line procedures has resulted in a negative financial impact being experienced by the *Medical Center* and *St. John* that is intended to be short-term. As described below, *St. John* has been negotiating with the owners of BAMF to purchase the assets of BAMF.

Under the terms of an escrow agreement with the owners of BAMF, if the "put" (described above) is exercised by the lenders and *St. John* performs its obligation under the "put", ownership of the assets of BAMF comprising the hospital and medical office building would pass to St. John in exchange for a payment to the owners of BAMF in the approximate amount of $3.4 million. *St. John* has invested $30.0 million in the form of non-voting preferred stock in a company that used those proceeds to loan BAMF up to $30.0 million for capital and operating needs. The individuals who currently own BAMF are the voting members and owners of this company and certain other private investors are also non-voting preferred equity owners.

St. John and the owners of BAMF have tentatively agreed (subject to appropriate documentation which is currently under development) for *St. John* (through its wholly-owned subsidiary, *St. John Broken Arrow*) to purchase the assets of the *St. John Broken Arrow Hospital* (including the land, improvements, building, equipment and other assets that comprise the hospital and medical office building) for a purchase price of approximately $155.2 million. *St. John* presently contemplates utilizing up to $160.0 million of new financing for (i) the purchase (if a purchase is successfully consummated) of the assets comprising the *St. John Broken Arrow Hospital* and to address other qualifying capital expenditures of *St. John* or (ii) to pay the bank debt associated with the "put" agreement (if the "put" is exercised by the lending banks) described above. The described new financing is anticipated to be in the form of a loan of tax exempt bond proceeds (the "*2012 Bonds*") or an alternative form of borrowing. The proceeds of the *2012 Bonds* (or a different borrowing) would be used to acquire the land, improvements, building, equipment and other qualifying assets that comprise the Broken Arrow hospital, to reimburse *St. John* for certain other qualifying capital expenditures and to pay the costs of the bond issuance. If a purchase can be successfully negotiated, *St. John* presently anticipates utilizing internal funds or proceeds from a taxable borrowing to purchase the assets that comprise the St. John Broken Arrow medical office building.

St. John Broken Arrow Hospital is an important element of *St. John's* strategic initiative to expand and diversify its integrated health delivery system. *St. John Broken Arrow Hospital* provides both inpatient and outpatient services in an important geographic market that traditionally has been a source of fewer patients to *St. John* than certain other areas of northeastern Oklahoma. The opening of the *St. John Broken Arrow Hospital* and its planned acquisition by *St. John* continues the strategy to diversify *St. John's* service area and service offerings throughout northeastern Oklahoma. This strategy has been validated by the success of *St. John Owasso*. Together these two hospitals are intended to provide new market share for *St. John* in growing demographic markets that tend to have higher rates of insured patients than some of *St. John's* traditional markets. This growing base of new patients is intended to help generate additional profits to *St. John* that will help it to further its mission of service and to help offset growing levels of uncompensated care.

Historical Utilization of Inpatient and Ancillary Services

A listing of various statistical indicators of historical patient utilization and of certain selected ancillary and outpatient services for the *St. John Broken Arrow Hospital* is provided below for the three month periods ended December 31, 2011 and 2010. These volumes are not included in the consolidated volumes of *St. John*.

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	Three Months ended December 31,	
	2011	2010
Beds in Service (including 0 newborn bassinettes)	44	44
Total Admissions (excluding normal newborn)	615	386
Total Observation Days	375	292
Combined Admissions and Observation Days	990	678
Total Patient Days (excluding normal newborn and observation)	1,106	925
Average Length of Stay in Days (excluding normal newborn and obs.)	1.80	2.40
Births	-	-
Emergency Room Visits	5,065	2,958
Outpatient Visits (excluding emergency room and one day surgeries)	6,216	3,097
Inpatient Surgical Cases	414	238
Outpatient Surgical Cases	195	108

The following table shows the *St. John Broken Arrow* sources of gross patient service revenue for the three month periods ended December 31, 2011 and 2010.

	Three Months ended December 31,	
	2011	2010
Medicare	41.9%	40.4%
Medicaid	5.7%	6.1%
Commercial Insurance	44.6%	46.8%
Uninsured	7.8%	6.7%
	100.0%	100.0%

Oklahoma State University Medical Center

Effective May 1, 2009 *SJMS* entered into a five-year management agreement to manage Oklahoma State University Medical Center (*OSUMC*), a 322-bed (including 18 newborn bassinettes) public hospital in Tulsa that is the primary teaching home for the Oklahoma State University College of Osteopathic Medicine. *OSUMC* is owned by the Oklahoma State University Medical Center Trust, a beneficial trust of the City of Tulsa. The agreement provides for *SJMS* to be reimbursed for all costs associated with management of *OSUMC*. *SJMS* has an opportunity to earn an additional management fee based on the financial performance of *OSUMC*. *SJMS* (and *St. John*) do not have financial risk to underwrite or finance losses (if any) of *OSUMC*. *OSUMC* is not "branded" as a *St. John* facility and *St. John* is attempting to manage it as an independent, free-standing hospital. *St. John* has pledged to provide additional voluntary support to *OSUMC* of approximately $2.3 million in 2012 if such support is matched by other donors and provided similar financial support in 2011.

St. John Health System, Inc. And Subsidiaries
(A wholly-owned subsidiary of Marian Health System, Inc.)
Summarized Unaudited Consolidated Condensed Balance Sheets
December 31, 2011 and 2010
(Dollar amounts in thousands)

		2011	2010
Assets			
Current Assets:			
Cash and cash equivalents	$	60,407	60,707
Investments		19,576	25,558
Current portion of assets whose use is limited		23,152	17,747
Net patient accounts receivable		151,271	135,761
Assets of discontinued operations held for sale		3,553	-
Other current assets		39,843	37,931
Total current assets		297,802	277,704
Property and equipment, net		473,815	497,477
Assets whose use is limited - board designated			
for internal use, less current portion		175,709	160,806
Other assets whose use is limited		19,839	21,790
Investments		120,144	104,844
Other assets		82,175	78,213
Total assets	$	1,169,484	1,140,834
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt		3,354	5,541
Other current liabilities		120,058	106,387
Total currrent liabilities		123,412	111,928
Long-term debt, less current installments		325,691	335,370
Other liabilities		25,087	23,027
Total liabilities		474,190	470,325
Net assets:			
Unrestricted		673,705	646,246
Temporarily and permanently restricted		22,456	24,800
Total net assets of St. John Health System		696,161	671,046
Non-controlling ownership interest in equity of			
consolidated affiliates - unrestricted		(867)	(537)
Total net assets		695,294	670,509
Total liabilities and net assets	$	1,169,484	1,140,834

Note: all footnote disclosures are omitted.

ST. JOHN HEALTH SYSTEM, INC. AND SUBSIDIARIES

(A wholly-owned subsidiary of Marian Health System, Inc.)

Summarized Unaudited Consolidated Condensed Statements of Operation and Changes in Net Assets

Three months ended December 31, 2011 and 2010

(Dollar amounts in thousands)

		Three Months Ended December 31	
		2011	2010
Operating revenues:			
Net patient service revenue before bad debts	$	206,885	195,818
Provision for bad debts		(15,147)	(14,806)
Net patient service revenue		191,738	181,012
Premium revenue		21,529	19,803
Other operating revenue		17,756	19,742
Total operating revenues		231,023	220,557
Operating expenses:			
Salaries, wages and employee benefits		132,085	123,195
Supplies expense		39,664	40,800
Other operating expenses		38,427	36,331
Interest expense, net		4,040	4,138
Depreciation and amortization		12,467	12,944
Total operating expenses		226,683	217,408
Operating income		4,340	3,149
Nonoperating revenue (expense):			
Investment income and realized gains, net		2,183	1,862
Change in fair market value of derivatives		319	(361)
Other nonoperating revenue, net		3,190	2,950
Total non operating revenue		5,692	4,451
Excess (deficit) of revenues over expenses		10,032	7,600
Excess of revenues over expenses attributable to			
non-controlling interests		83	87
Excess of revenues over expenses from			
continuing operations attributable to			
St. John Health System, Inc.		10,115	7,687
Net results of discontinued operations		(344)	(563)
Other changes in unrestricted net assets		12,766	9,754
Change in unrestricted net assets		22,537	16,878
Changes in restricted net assets, net		28	(1,725)
Change in net assets		22,565	15,153
Net assets, beginning of period		673,596	655,893
Net assets, end of period	$	696,161	671,046

Note: All footnote disclosures are omitted.

ST. JOHN HEALTH SYSTEM, INC. AND SUBSIDIARIES

(A wholly-owned subsidiary of Marian Health System, Inc.)

Summarized Unaudited Consolidated Condensed Statements of Cash Flow

Three months ended December 31, 2011 and 2010

(Dollar amounts in thousands)

		At December 31,	
		2011	2010
Cash flows from operating activities:			
Change in net assets	$	22,565	15,153
Adjustments to reconcile change in net assets to cash provided by operating activities:			
Change in net unrealized gains and losses on investments		(12,766)	(10,034)
Change in net unrealized gains and losses on restricted investments		(46)	(12)
Investment income and contributions related to restricted net assets related to capital improvements		-	(600)
Change in fair market value of derivative instruments		(319)	361
Depreciation and amortization		12,467	12,944
Provision for bad debts		21,647	14,806
Loss on disposal of fixed assets		180	239
Amortization of bond discount		(21)	(22)
Transitional impairment of goodwill		-	1,331
Equity in earnings of unconsolidated affiliates, net of cash distributions		(3,153)	(3,242)
Changes in operating assets and liabilities		(42,514)	(21,917)
Net cash provided by operating activities		(1,960)	9,007
Cash flows from investing activities:			
Purchases of investments and assets whose use is limited, net		(3,305)	(15,856)
Additions to property and equipment, net		(2,701)	(6,918)
Investment in unconsolidated affiliates		1,151	-
Change in other assets		1,532	218
Net cash used in investing activities		(3,323)	(22,556)
Cash flows from financing activities:			
Repayment of long-term debt		(7,592)	(1,281)
Investment income and contributions related to restricted net assets related to capital improvements		-	600
Net cash provided by (used) in financing activities		(7,592)	(681)
Net change in cash and cash equivalents		(12,875)	(14,230)
Cash and cash equivalents, beginning of period		73,282	74,937
Cash and cash equivalents, end of period	$	60,407	60,707

Note: All footnote disclosures are omitted.