CONTINUING DISCLOSURE REPORT

Meritus Medical Center Obligated Group
For the 9 Month Period Ended March 31, 2018

Name, Address and Telephone Number of Obligated Person:

Meritus Medical Center Obligated Group
c/o Meritus Medical Center
11116 Medical Campus Road
Hagerstown, MD 21742
301-790-8102
Contact person: Thomas T. Chan, CFO

Bonds to Which Report Relates:

$257,300,000
Maryland Health and Higher Education Facility Authorities
Series 2015

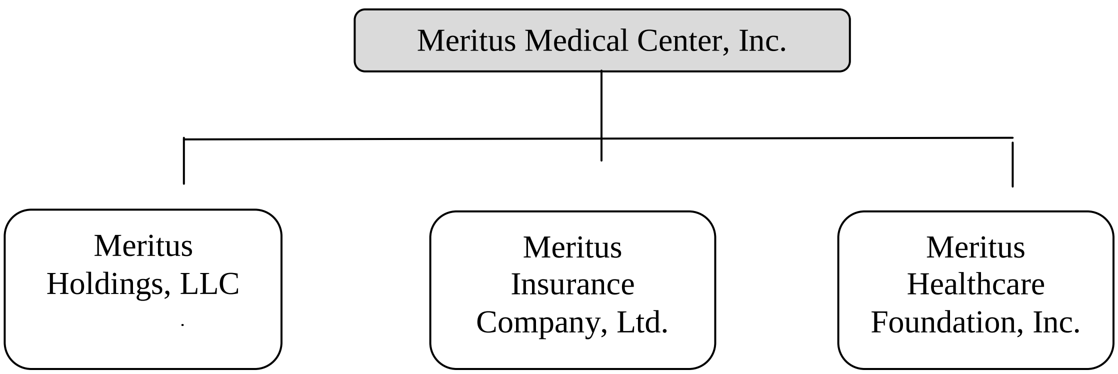
MATURITY	CUSIP NO.
2016	574218XD0
2017	574218XE8
2018	574218XF5
2019	574218XG3
2020	574218XH1
2021	574218XJ7
2022	574218XK4
2023	574218XL2
2024	574218XM0
2025	574218XN8
2026	574218XP3
2027	574218XQ1
2028	574218XR9
2029	574218XS7
2030	574218XT5
2031	574218XU2
2032	574218XV0
2033	574218XW8
2034	574218XX6
2035	574218XY4
2040	574218XZ1
2045	574218YA5

Period to which Report Relates:

Nine Months Ended March 31, 2018

Corporate Structure / The Obligated Group

Meritus Medical Center, Inc. ("MMC") (formerly known as Washington County Hospital Association), owns and operates a healthcare delivery system through a series of subsidiaries shown in the chart below and described further below. MMC is the sole member and parent corporation of three direct wholly owned subsidiaries, Meritus Holdings, LLC ("Holdings"), Meritus Insurance Company, Ltd. ("MICL"), and Meritus Healthcare Foundation, Inc. ("Foundation"). In addition, MMC owns a partial interest in several joint ventures. The only Obligated Group Member as of the date of issuance (July 9, 2015) of the Series 2015 Bonds is MMC, as indicated by the shaded box below, but its interests in the wholly owned subsidiaries are not assets of the Obligated Group.



The Obligated Group consists of the organizations listed on **Exhibit A-1** attached hereto. As such, this Continuing Disclosure Report (this "Report") is provided on behalf of the Meritus Medical Center Obligated Group, (the "Obligated Group") by Meritus Medical Center ("MMC"), as Obligated Group Agent. MMC organizations excluded from the Obligated Group are listed on **Exhibit A-2.** The organizations that are directly or indirectly controlled by MMC (including those within the Obligated Group) are referred to as "Controlled Organizations" and MMC and all of its Controlled Organizations are referred to collectively as the "Consolidated Group." O*rganizations that are not members of the Obligated Group have no obligation with respect to the Bonds or under the Master Indenture and none of the assets or revenues of such organizations are available to make payments of principal or interest on the Bonds or the Notes.*

This Report is being filed with approved Nationally Recognized Municipal Securities Information Repositories ("Repositories") pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule"), and is pursuant to the Continuing Disclosure Agreement pertaining to certain Bonds which were issued concurrently with the formation of the Obligated Group.

THIS REPORT IS INTENDED SOLELY TO PROVIDE CERTAIN LIMITED FINANCIAL AND OPERATING DATA IN ACCORDANCE WITH UNDERTAKINGS OF MMC AND THE OBLIGATED GROUP UNDER THE RULE (THE “UNDERTAKING”) AND DOES NOT CONSTITUTE A REISSUANCE OF ANY OFFICIAL STATEMENT RELATING TO THE BONDS OR A SUPPLEMENT OR AMENDMENT TO ANY SUCH OFFICIAL STATEMENT.

THIS REPORT CONTAINS CERTAIN UNAUDITED FINANCIAL, OPERATING AND OTHER DATA**.** MMC AND THE OBLIGATED GROUP HAVE UNDERTAKEN NO RESPONSIBILITY TO UPDATE THIS REPORT SINCE THAT DATE AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH THE REPOSITORIES OR ANY OTHER PERSON EXCEPT AS SPECIFCALLY REQUIRED BY THE UNDERTAKING.

This report may contain certain “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. All statements other than statements of historical information provided herein may be forward-looking statements. Without limiting the foregoing, the words “believes,” “estimates,” “anticipates,” “plans,” “intends,” “scheduled,” “expects” and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, competition from other healthcare facilities, federal and state regulation of healthcare providers, and reimbursement policies of state and federal governments and managed care organizations. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis, judgment, belief or expectation only as of the date hereof. Meritus Medical Center, Inc.as sole member of the obligated group undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Overview

MMC was relocated to a newly constructed replacement hospital in December 2010 during a period of significant change for MMC and the healthcare industry. National healthcare reform provisions were beginning to roll-out in 2010 resulting in MMC completely changing its reimbursement model through participation in Maryland's Total Patient Revenue program.

In the midst of that environment, MMC's management and board of directors conducted a planning process and developed a five year strategic plan to guide the organization during fiscal years 2013-2017. The strategic plan set forth a vision of becoming a leader in value driven healthcare by relentlessly pursuing excellence in quality, service, and performance. MMC believes the vision provides a path to success in the new healthcare environment. To achieve its vision, the Institution focuses on fostering a culture of continuous improvement through (1) high quality healthcare, (2) superior service, and (3) optimal performance. MMC management and the Board of Directors updated the fiscal year 2018 strategic plan and recently finalized a new three year strategic plan for fiscal years 2019-2021. The strategic plan focuses on six key areas in the health care continuum: 1) Quality and service; 2) Clinical and financial performance; 3) Population health; 4) People and culture; 5) Clinical innovation; and 6) Physician alignment and integration. With unrelenting focus on these six goals, MMC believes it will succeed and remain flexible in the changing healthcare environment.

Corporate Changes

Prior to July 1, 2015, Meritus Enterprises, Inc. ("MEI") acted as the manager of Holdings and the sole corporate member of Robinwood Surgery Center, LLC ("Robinwood") and Medical Practices of Antietam, LLC ("MPA"). In addition, MEI held ownership interests in the following joint ventures:

- General Surgery Real Estate, LLC ("GSRE")
- GI Real Estate Company, LLC ("GI REC")
- Diagnostic Imaging Services, LLC ("DIS")
- Western Maryland Medical Supply, LLC ("WMMS"), dissolved as of June 30, 2016.

MEI also owned and operated The Learning Center, a child care center located in Washington County, Maryland (the "Learning Center") and Equipped for Life, a durable medical equipment company ("EFL"). The Learning Center ceased operations effective December 31, 2016.

As of July 1, 2015, MEI transferred its membership interests in Robinwood, MPA, GSRE, GI REC, and WMMS to Holdings. MEI continues to operate EFL and hold a 50% membership interest in DIS. A small management board oversees the operations of EFL and DIS. In addition, as of July 1, 2015, MMC replaced MEI as the manager of Holdings.

Trivergent Health Alliance

In 2014, MMC formed an alliance with Frederick Regional Health System and Western Maryland Health System to create Trivergent Health Alliance LLC ("Trivergent"). Each organization contributed $1 million to form Trivergent. The three key objectives of Trivergent are to improve the health of the population served by the three providers, improve the quality of care, and reduce the cost of healthcare provided. Trivergent has a clear and compelling mission to provide outcome-focused customer-driven solutions for the region's health systems.

Trivergent formed Trivergent Health Alliance MSO, LLC ("Trivergent MSO"), a management services organization, whose role is to optimize operational efficiencies, certain services, consisting of billing and collections, personnel, information technology, clinical laboratory, pharmaceutical management, and materials management services on a cooperative basis. Trivergent MSO's mission, vision and values build on the legacies of all three organizations and points to a future in which all three organizations will work together to care for patients in Maryland's western region. Trivergent MSO's central office costs will be split equally among the three member organizations, based on an approved annual budget. For each service line the three members will pay budgeted costs monthly in advance, with the allocation of such payments based upon the level of services received by each member. The members will share savings on an equal basis, adjusted for volume variations. As of the end of December 2017, the three members pulled back information technology from Trivergent MSO due to different electronic health record platform adaptions.

In furtherance of Trivergent's objectives, Trivergent Health Alliance Cooperative, Inc. ("Trivergent CSO") was incorporated in May of 2015 as a non-stock charitable cooperative hospital service organization whose initial members are MMC, Frederick Regional Health System and Western Maryland Health System. Trivergent CSO was formed to provide, on a cooperative basis to its three members, services allowed to be performed by cooperative hospital service organizations under Section 501(e) of the Code. Organizations described in Section 501(e) of the Code are treated by the IRS as 501(c) (3) organizations. The services to be provided by Trivergent CSO are expected to consist of general purchasing services and pharmaceutical purchasing services.

Maryland Health Services Cost Review Commission and Medicare Waiver

Hospital rate regulation was established by an act of the Maryland legislature in 1971, which created the Maryland Health Services Cost Review Commission ("HSCRC"). The HSCRC was given broad authority to establish hospital rates and regulate cost containment, quality and financial stability. Under current law, the rates charged for most hospital services by non-governmental Maryland hospitals are subject to review and approval by the Rate Commission pursuant to Sections 19-201 through 19-227 of the Health-General Article of the Annotated Code of Maryland, as amended (the "Rate Commission Act"). By the terms of the Rate Commission Act, no hospital subject to the Rate Commission Act is permitted to charge for covered hospital services (inpatient services, emergency services and outpatient services provided at the hospital) at rates other than those established by the HSCRC in accordance with the procedures established under the Rate Commission Act. The HSCRC is empowered by statute to initiate hospital rate reviews and to review hospital rate applications on an individual basis to assure that (i) the total costs of all hospital services offered by or through a hospital are reasonable, (ii) the hospital's aggregate rates are reasonably related to the hospital's aggregate costs and (iii) rates are charged equitably among all purchasers or classes of purchasers without undue discrimination or preference. The Rate Commission Act requires all payers to pay HSCRC-approved rates for appropriately billed, covered hospital services. Differentials up to 6% are allowed if the payor meets certain conditions.

Effective January 1, 2014, the State of Maryland and the Centers for Medicare and Medicaid Services ("CMS") entered into a new agreement for Medicare reimbursements under Maryland's all payor rate-setting system. This Maryland All-Payor Model demonstration is with CMS Innovation Center based on Medicare per beneficiary total hospital cost growth and will end on December 31, 2018. This Model has been extended for one year through December 31, 2019. The State of Maryland is currently negotiating with CMS, a successor All-Payor Model, which has been enhanced to incorporate Medicare Total Cost of Care.

Global Budget Revenue ("GBR") and
Total Patient Revenue ("TPR") at Meritus Medical Center

The HSCRC implemented a voluntary alternative rate system known as the Total Patient Revenue program ("TPR"), initially established as a demonstration project in 2010. The TPR program provided a hospital with a prospective, fixed revenue budget for the upcoming year. This fixed revenue budget incorporated all payers and was not adjusted for the change in volume related to a base year. The TPR revenue cap was also adjusted annually for inflation and for population changes in a hospital's service area. The methodology was available to sole community provider hospitals and hospitals operating in regions of the State of Maryland characterized by an absence of densely overlapping service areas, subject to the discretion of the HSCRC.

Consistent with the objectives of healthcare reform, the TPR model eliminates "payment for volume" and is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the most appropriate care delivery setting. TPR does not include physician services or other kinds of unregulated services (*i.e.*, freestanding ambulatory centers) that fall outside of the jurisdiction of the HSCRC.

MMC finished its second three-year TPR agreement with the HSCRC in June 2016. Similar to the TPR, in July 2016, MMC entered into a one-year Global Budget Revenue ("GBR") arrangement with the HSCRC. Under MMC's GBR agreement, the base approved regulated revenue of the hospital will be set and governed under the terms of this agreement. Similar to the TPR agreement, the base rates may be adjusted by the HSCRC annually based upon factors such as annual inflation, market share, and population changes, as well as adjustments by the HSCRC for quality reward and penalties, grants, assessments and the healthcare coverage fund. The HSCRC and MMC also monitor the total level of services, revenues, and quality in its service areas. Significant changes in the care delivery system in the MMC's service areas that result in changes in the market share may serve as a basis for a renegotiation of the GBR agreement. MMC's approved revenue under the GBR agreement is $335,425,726 for fiscal year 2018. MMC's original approved revenue under the TPR agreement is $325,956,800 for fiscal year 2017. There is no significant difference between GBR and TPR. Effective July 1, 2016, all Maryland hospitals executed GBR agreements with the HSCRC, which renew annually.

Medicare Accountable Care Organization ("ACO")

MMC has been approved to participate in the Medicare Shared Savings Plan ("MSSP") and retains full ownership of the ACO. The ACO is effective January 1, 2017 with approximately 9,087 attributed beneficiaries as of the end of the second quarter of fiscal year 2018. GBR is aligned with both the new Medicare waiver and the ACO strategy

Electronic Health Record

The Consolidated Group is in the process of implementing a new Electronic Health Record (EHR), Epic, which is an organization-wide commitment to create a single, integrated patient record spanning the health system. The objectives of Epic include; enhancing patient safety and quality of care, improving the patient experience, standardizing and streamlining clinical processes, actively engaging patients in their own care, and developing a population health culture to achieve internal and external care coordination with MMC. Significant resources, both financial and operational are being dedicated to Epic, which has a targeted go live date of September 1, 2018. The financial statements included in this disclosure document reflect the costs incurred for Epic through March 31, 2018 (approximately $2.7 million in operating expenses and $15.3 million in capital expenditures for fiscal year 2018 to date and approximately $3.2 million in operating expenses and $21.7 million in capital expenditures since the inception of the project). Epic remains on target and on budget for a September 1, 2018 go live.

SUMMARY UNAUDITED FINANCIAL INFORMATION

Summary Unaudited Statement of Operations and Unaudited Balance Sheet of the Obligated Group

Attached hereto as **Exhibit B**, is a Summary Unaudited Statement of Operations of the Obligated Group for the nine month period ending March 31, 2018 and 2017 which was derived by management from unaudited financial statements. In addition, attached hereto as **Exhibit C**, is an Unaudited Balance Sheet of the Obligated Group as of March 31, 2018 which were derived by management from unaudited financial statements and June 30, 2017 which were derived by management from audited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which MMC considers necessary for a fair presentation of the results of operations for these periods. The Summary Unaudited Statement of Operations and Unaudited Balance Sheets should be read in conjunction with the Consolidated Financial Statements of the Consolidated Group for the nine months ended March 31, 2018.

Management's Discussion of Recent Financial Performance of Obligated Group ($ in thousands)

The Obligated Group had an operating income of $17,428 (representing 6.9% of total revenue) for the nine months ended March 31, 2018 as compared to an operating income of $15,686 (representing 6.4% of total revenue) for the same period in 2017.

($ in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	**2017**	**2018**	**2017**
Unrestricted revenue, gains and other support				
Net patient service revenue	81,681	80,819	246,325	238,908
Other revenue	2,475	2,249	6,542	6,593
Net assets released from restrictions for operations	52	53	161	220
Total	84,208	83,121	253,028	245,721
Expenses				
Salaries and wages	27,817	26,963	81,873	79,149
Employee benefits	6,658	7,215	21,517	21,924
Professional fees	3,585	3,613	11,148	9,914
Supplies and other expenses	31,672	32,145	97,384	95,527
Interest expense	2,979	2,978	8,843	8,957
Depreciation and amortization	4,867	4,870	14,835	14,564
Total	77,578	77,784	235,600	230,035
Operating income	6,630	5,337	17,428	15,686
Non-operating gains, net				
Equity earnings in affiliates	320	3,089	3,502	4,375
Investment returns, net	(129)	5,835	8,924	9,967
Other, net	(22)	(23)	(49)	(90)
Total	169	8,901	12,377	14,252
Excess (deficit) of revenue over expenses	**6,799**	**14,238**	**29,805**	**29,938**

Net patient service revenue of the Obligated Group for the nine months ended March 31, 2018 has increased 3.1% over net patient service revenue for the same period in 2017 resulting from:

1) MMC total regulated rate increase was approximately 2.14% effective July 1, 2017 as announced by the HSCRC primarily the result of the following:
    a. 2.51% inflation inpatient
    b. (0.37%) PAU adjustment
    c. 0% population adjustment

Total revenue of the Obligated Group for the nine months ended March 31, 2018 was $253,028, an increase of $7,307 (3.0%) over the same period in 2017.

Total expenses for the nine months ended March 31, 2018 were $235,600 which increased by $5,565 (2.4%) as compared to 2017.

Salaries and wages are 33.2% of net patient service revenue as compared to 33.1% for same period in 2017.

Total salaries and wages expenses increased $2,724 (3.4%) for nine months ended March 31, 2018 compared to the same period in 2017. Increase is due to the annual merit program, market adjustments, annual cost of living adjustments, lower vacancy factor in nursing and additional salaries for the Epic EHR implementation that do not meet the standard accounting capitalization criteria.

Employee Benefits for the nine months decreased $407 (-1.9%) as compared to the same period in 2017 as a result of lower employee health benefit costs.

Professional fees for the nine months ended March 31, 2018 increased $1,234 (12.4%) as compared to the same period in 2017 primarily as a result of an increase in hospitalist and intensivist coverage to manage hospital patient service.

Supplies and Other expenses for the nine months ended March 31, 2018 increased by $1,857 or 1.9% compared to the same period in 2017 and are 39.5% and 40.0% of net patient service for the nine month period ending March 31, 2018 and 2017, respectfully. This increase is attributed to purchase service contracts for the Epic EHR implementation.

Non-operating gain was $12,377 for the nine months ended March 31, 2018, as compared to a gain of $14,252 in 2017. This is primarily attributable to the decrease in equity earnings in affiliates and investment income. The increase in realized gains in 2017 was due to the restructuring of investment portfolio after hiring of a new investment advisor and an updated investment policy. Investment income decreased by $1,687 in the nine months ended March 31, 2018 as compared to the same period in 2017. A decline in the financial performance of Maryland Physicians Care resulted in an $873 decrease in equity earnings in affiliates comparing the nine month periods.

Non-Operating Gains (Losses), net – Obligated Group				
($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Equity earnings in Affiliates	320	3,089	3,502	4,375
Investment income	413	530	1,212	2,899
Realized gains (losses)	452	9,263	1,525	9,480
Unrealized gains (losses)	(994)	(3,958)	6,187	(2,412)
Other, net	(22)	(23)	(49)	(90)
Total	**169**	**8,901**	**12,377**	**14,252**

Excess of revenue over expenses was $29,805 for the nine months ended March 31, 2018 compared to excess of revenue over expenses of $29,938 for the same period in 2017. The change from year to year is due to the decrease in non-operating investment performance.

Liquidity for the Obligated Group improved as unrestricted day's cash on hand, as computed per prior year audited financial information, increased from 301.9 days as of March 31, 2017, to 319.3 days as of March 31, 2018 related to cash provided by operations and improvement in collection activities which exceeds the Series 2015 debt covenant of 50 days. No capital funds were held by the trustee as of March 31, 2018.

Debt service coverage for the Obligated Group including the debt related to the Series 2015 bonds was 3.4x as of March 31, 2018 which exceeds the 1.10x as required in the Series 2015 debt covenant.

Debt to capitalization for the Obligated Group improved to 47.8% at March 31, 2018 from 52.3% at March 31, 2017. The improvement was due to the increase in operating performance and scheduled debt repayments.

Management's Discussion of Recent Unaudited Financial Performance of Consolidated Group

The Consolidated Group includes several organizations that are not members of the Obligated Group (such organizations that are members of the Consolidated Group but not members of the Obligated Group are referred to as "Non-Obligated Group Members"). The Non-Obligated Group Members have no obligation with respect to the Bonds or under the Master Indenture and none of the assets or revenues of the Non-Obligated Group Members are pledged to support debt service on the Bonds or the Notes.

Net patient service revenue of the Consolidated Group for the nine months ended March 31, 2018 increased by $9,746 (3.5%) over net patient service revenue for the nine months ended March 31, 2017. Total revenue of the Consolidated Group for the nine months ended March 31, 2018 was $292,650 representing an increase of $9,478 (3.3%) above the nine months ended March 31, 2017. The increase in both net patient revenue and total revenue is primarily related to increase in approved charges by the Health Services Cost Review Commission of the State of Maryland effective July 1, 2017. Total expenses for the nine months ended March 31, 2018 were $284,928 representing an increase of $11,089 (4.0%) from the nine months ended March 31, 2017, due to the Epic EHR implementation and growth in outpatient physician services for population health initiatives. The Consolidated Group had an operating margin of $7,722 representing 2.6% of total revenue for the nine months ended March 31, 2018 as compared to an operating income of $9,333 representing 3.3% of total revenue for the nine months ended March 31, 2017.

Income from Operations – Consolidated				
($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Total revenue	97,411	95,709	292,650	283,172
Total expense	94,492	92,137	284,928	273,839
Operating income	**2,919**	**3,572**	**7,722**	**9,333**

Non-operating gains for the nine months ended March 31, 2018 were $14,147 compared to gains of $16,068 for the nine months ended March 31, 2017. The decrease was attributable to a decrease in equity earnings in affiliates and investment returns in the third quarter of 2018.

Non-Operating Gains (Losses), net – Consolidated				
($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Equity Earnings in Affiliates	657	3,428	4,468	5,377
Investment income	495	627	1,466	3,243
Realized gains (losses)	456	9,836	1,629	10,067
Unrealized gains (losses)	(882)	(4,005)	6,903	(2,369)
Other, net	(29)	139	(319)	(251)
Total	**697**	**10,025**	**14,147**	**16,067**

Included within the Consolidated Group, is a wholly owned insurance captive that provides primary limits of insurance of $1 million per occurrence/$3 million aggregate for professional and general liability. The professional liability coverage is provided on a claims-made basis. In addition, the insurance captive purchased reinsurance from an "A" rated re-insurer, as rated by AM Best, in the amount of $25 million to cover any potential liabilities above the $1 million/$3 million primary limits. The reserves, including retrospective premium credits, were $8.7 million and $8.6 million as of March 31, 2018 and 2017, respectively.

Attached hereto as **Exhibit D**, is a comparison of the unaudited financial performance of the Consolidated Group to the Obligated Group for nine months ended March 31, 2018 and 2017 which was derived by management from the unaudited financial statements.

Investment Policy and Liquidity

All investments are governed by an investment policy that was developed and is overseen by the Finance and Capital Committee of the MMC's Board of Directors. This committee is comprised of a number of Board members who are community leaders with banking and business experience. The committee meets with its investment consultants and custodians periodically to review the investments of the Consolidated Group and their performance and to ensure compliance with any applicable asset allocation guidelines. The table attached hereto as **Exhibit E** is the composition of the various investment portfolios of the Consolidated Group at March 31, 2018.

The Consolidated Group has retained various professional investment managers to manage its long-term board-designated fund investments in different classes of securities according to asset allocation targets that are set in conjunction with the Consolidated Group's overall strategic and financial plan. Assets allocation as of March 31, 2018, was within a two percent (2%) range of respective target allocation. In 2016, the Consolidated Group went through a process to select a new investment adviser. Beginning in January 1, 2017, the selected investment adviser, who is given discretionary investment authority subject to certain management control, also went through its process and revised the asset allocation targets in light of recently completed financial plan in 2017. The investment adviser completed adjustments to the investment portfolio as of August 30, 2017 in accordance with the newly approved asset allocation targets.

The various fixed income and equity portfolios have investment guidelines for style, objectives, concentration limitations, credit quality, performance benchmarks, and allowable/non-allowable investment.

Historical Utilization of Services

The table attached hereto as **Exhibit F** summarizes the unaudited utilization of services at the Obligated Group's acute care hospital (Meritus Medical Center) for the nine months ended March 31, 2018 and 2017. For the nine months ended March 31, 2018, Meritus Medical Center average adult daily census decreased 3.31(1.8%) to 179.66, the average adult length of stay remained at 4.22 days, and outpatient visits decreased by 5,940 (4.0%) to 141,926 visits compared to the same prior year period.

Third Party Payers

The table attached hereto as **Exhibit G** summarizes the unaudited third party payer percentage of net patient service revenue of the Obligated Group's acute hospital (Meritus Medical Center) for the nine month period ended March 31, 2018 and 2017.

Additional Information

Attached hereto as **Exhibit H**, is the Consolidated Group unaudited balance sheets as of March 31, 2018 and June 30, 2017.

Attached hereto as **Exhibit I** is the Consolidated Group unaudited statements of operations for the three month period ended March 31, 2018 and March 31, 2017, and the nine month period ended March 31, 2018 and March 31, 2017.

Attached hereto as **Exhibit J**, is the Consolidated Group unaudited changes in net assets for the nine month period ended March 31, 2018 and March 31, 2017.

Date: 5/15/18

MERITUS MEDICAL CENTER

By: Joseph P. Ross

Joseph P. Ross, President and CEO

By: [signature]

Thomas T. Chan, CFO

Exhibit A-1

Members of the Obligated Group

The Obligated Group consists of MMC:

Meritus Medical Center, Inc. (“MMC”)

Exhibit A-2

Members Excluded From the Obligated Group

MMC organizations excluded from the Obligated Group consist of the following organizations, each of which is directly or indirectly controlled by MMC:

Meritus Holdings, LLC (“Holdings”)
Meritus Enterprises, Inc. (“MEI”)
Meritus Healthcare Foundation (“Foundation”)
Meritus Health ACO, LLC (“ACO”)
Meritus Insurance Company, LTD (“MICL”)

Exhibit B

Meritus Medical Center Obligated Group
SUMMARY UNAUDITED STATEMENT OF OPERATIONS
For the Three month Period Ended March 31, 2018 and 2017 and
the Nine month Period Ended March 31, 2018 and 2017

($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Unrestricted revenue, gains and other support				
Net patient service revenue	81,681	80,819	246,325	238,908
Other revenue	2,475	2,249	6,542	6,593
Net assets released from restrictions for operations	52	53	161	220
Total	84,208	83,121	253,028	245,721
Expenses				
Salaries and wages	27,817	26,963	81,873	79,149
Employee benefits	6,658	7,215	21,517	21,924
Professional fees	3,585	3,613	11,148	9,914
Supplies and other expenses	31,672	32,145	97,384	95,527
Interest expense	2,979	2,978	8,843	8,957
Depreciation and amortization	4,867	4,870	14,835	14,564
Total	77,578	77,784	235,600	230,035
Operating income	6,630	5,337	17,428	15,686
Non-operating gains (loses), net				
Equity earnings in affiliates	320	3,089	3,502	4,375
Investment returns, net	(129)	5,835	8,924	9,967
Other, net	(22)	(23)	(49)	(90)
Total	169	8,901	12,377	14,252
Excess of revenue over expenses	**6,799**	**14,238**	**29,805**	**29,938**

Exhibit C

Meritus Medical Center
UNAUDITED OBLIGATED GROUP BALANCE SHEET

($ in thousands)	3/31/2018	06/30/2017
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	40,442	43,848
Short-term investments	49,597	42,926
Current portion of assets whose use is limited	4	10,359
Accounts receivable, net	41,993	44,835
Supplies	5,008	4,553
Prepaid and other current assets	16,051	13,544
Total current assets	**153,095**	**160,065**
Equity investments in affiliates	**39,055**	**34,677**
Assets whose use is limited	**166,811**	**161,960**
Property, plant and equipment, net	237,114	228,945
Other assets	5,062	5,086
Total other assets	**242,176**	**234,031**
Total assets	**601,137**	**590,733**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	7,633	20,191
Accrued salaries, wages, and withholdings	7,822	8,787
Accrued compensation benefit	8,499	8,170
Advances from third-party payors	11,065	9,076
Accrued interest payable	3,072	6,144
Current portion of long-term debt	5,091	6,565
Total current liabilities	**43,182**	**58,933**
Long-term debt, net of current portion	260,026	264,473
Accrued retirement benefits	2,419	2,522
Total liabilities	**305,627**	**325,928**
Net assets		
Unrestricted net assets	289,556	259,001
Temporarily restricted	4,925	4,775
Permanently restricted	1,029	1,029
Total net assets	**295,509**	**264,805**
Total liabilities and net assets	**601,137**	**590,733**

Meritus Medical Center
SUMMARY UNAUDITED FINANCIAL INFORMATION
the Nine month Period Ended March 31, 2018 and 2017

($ in thousands)	**Consolidated Group Fiscal Year-to-Date**		**Obligated Group Fiscal Year-to-Date**	
	2018	**2017**	**2018**	**2017**
Income Statement				
Net patient service revenue	287,068	277,322	246,325	238,908
Total revenue	292,650	283,172	253,028	245,721
Total expense	284,927	273,839	235,600	230,035
Operating income before other items	7,722	9,333	17,428	15,686
Non-operating gains (losses)	14,147	16,068	12,377	14,252
Income tax benefit	(90)	(98)	-	-
Excess of revenue over expenses	21,779	25,303	29,805	29,938
Interest expense	8,848	8,962	8,843	8,957
Depreciation and amortization	15,685	15,570	14,835	14,564
Debt Services				
Excess available for debt service (EBITDA)	46,312	49,835	53,483	53,459
Balance Sheet				
Unrestricted cash and investments	265,622	248,545	253,131	230,861
Total assets	636,246	597,476	601,137	566,946
Current portion of long-term debt	5,133	4,529	5,091	4,487
Long-term debt	260,194	267,308	260,026	267,098
Unrestricted net assets	292,391	261,845	289,556	248,121
Profitability				
Operating margin	2.6%	3.3%	6.9%	6.4%
Excess margin	7.1%	8.5%	11.2%	11.5%
Excess margin (excl. unrealized gains/losses)	5.0%	9.2%	9.1%	12.3%
Liquidity				
Days cash on hand unrestricted	278.6	271.4	319.3	301.9
Days cash on hand including restricted cash				
Leverage				
Debt service coverage	2.9	3.7	3.4	4.0
Debt to capitalization	47.6%	50.9%	47.8%	52.3%

Bond Covenants		
	Obligated Group	**Required**
Rate covenant: debt service coverage ratio	**3.4**	1.10
Liquidity covenant: days cash on hand	**319.3**	50

Meritus Medical Center Obligated Group
INVESTMENTS AND LIQUIDITY
As of and for the Nine Months Ended March 31, 2018 and 2017

	Balance as of 3/31/18					
	($ in thousands)	**Cash**	**Fixed Income Bonds**	**REIT**	**Other Assets**	**Equities**
Cash and cash equivalents	40,442	100%	N/A	N/A	N/A	N/A
Short-term investments	49,597	18%	82%	N/A	N/A	N/A
Board-designated funds	163,092	N/A	30%	25%	N/A	45%
Unrestricted Cash and Investments	**253,131**					
Supplemental retirement benefit investment	2,570	N/A	57%	N/A	16%	27%
Temporary and Permanently Restricted Donor Funds	1,149	100%	N/A	N/A	N/A	N/A
Trusteed Assets	4	100%	N/A	N/A	N/A	N/A
Restricted Funds	**3,723**					

($ in thousands)	**As of and Year-to-Date March 31,**	
	2018	**2017**
Cash and cash equivalents	40,442	39,307
Short-term investments & long-term investments	49,597	42,997
Board-designated funds	163,092	148,557
Unrestricted cash and investments	253,131	230,861
Operating expenses	235,600	230,035
Less: Depreciation and amortization	14,835	14,564
Adjusted operating expenses	220,765	215,471
Days in period	274	274
Daily Cash Expenses	806	786
Days Cash on Hand *	314	294
*equals unrestricted cash and investments divided by daily cash expenses rounded to the nearest day		

Meritus Medical Center Obligated Group
UNAUDITED HOSPITAL UTILIZATION STATISTICS
For the Three month Period Ended March 31, 2018 and 2017 and
the Nine month Period Ended March 31, 2018 and 2017

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Meritus Medical Center – Hospital Utilization				
Licensed Beds (excludes nursery)	257	247	257	247
Adult Admissions (includes Peds)	3,851	4,005	11,661	11,880
Adult Patient Days (includes Peds)	17,145	17,420	49,227	50,133
Adult Average Length of Stay	4.45	4.35	4.22	4.22
Adult Average Daily Census	190.50	193.56	179.66	182.97
Adult Percentage of Occupancy	67.8%	78.4%	64.6%	74.1%
Equivalent Inpatient Admissions	6,793	7,237	20,827	22,023
Emergency Department Visits	17,337	18,108	54,049	54,742
Observation Cases	1,025	1,223	3,079	3,664
Outpatient Visits	45,719	49,280	141,926	147,866
Newborn Admissions	434	407	1,398	1,335
Newborn Patient Days	1,367	1,460	4,530	4,323
Newborn Average Length of Stay	3.15	3.59	3.24	3.24
Meritus Medical Center - Licensed Bed Capacity				
Licensed Categories				
Medical/Surgical	160	152	160	152
Critical Care	14	14	14	14
Intermediate Care	24	22	24	22
Subtotal	**198**	**188**	**198**	**188**
Pediatrics	4	4	4	4
Obstetrics	17	17	17	17
Psychiatric	18	18	18	18
Total Acute Care	**237**	**227**	**237**	**227**
Medical Rehabilitation	20	20	20	20
Total Beds	**257**	**247**	**257**	**247**
Nursery Bassinets	**41**	**41**	**41**	**41**

Exhibit G

Meritus Medical Center Obligated Group
UNAUDITED THIRD PARTY PAYER INFORMATION
For the Three month Period Ended March 31, 2018 and 2017 and the Nine month Period Ended March 31, 2018 and 2017

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	**2017**	**2018**	**2017**
Meritus Health (As a % of Gross Revenue)				
Medicare	45%	42%	43%	42%
Medicare MCO	7%	6%	7%	6%
Medicaid	2%	2%	2%	2%
Medicaid MCO	17%	17%	17%	16%
Blue Cross	8%	11%	9%	11%
Commercial	13%	15%	15%	16%
HMO	5%	4%	4%	4%
Workers Comp	1%	1%	1%	1%
Self Pay	2%	2%	2%	2%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Exhibit H

Meritus Medical Center
UNAUDITED CONSOLIDATED BALANCE SHEET

($ in thousands)		
	3/31/2018	**06/30/2017**
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	45,230	50,144
Short-term investments	49,597	42,926
Current portion of assets whose use is limited	4	10,359
Accounts receivable, net	44,520	41,909
Supplies	5,762	5,267
Prepaid and other current assets	5,730	4,064
Total current assets	**150,843**	**154,669**
Equity investments in affiliates	**40,207**	**35,676**
Assets whose use is limited	**193,885**	**187,479**
Property, plant, and equipment, net	246,004	237,909
Pledges receivable, net	287	362
Other assets	5,020	4,932
Total other assets	**251,311**	**243,203**
Total assets	**636,246**	**621,027**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	23,431	23,386
Accrued salaries, wages, and withholdings	8,611	9,844
Accrued compensation benefit	11,083	10,496
Advances from third-party payors	11,184	9,194
Accrued interest payable	3,072	6,144
Current portion of long-term debt	5,133	6,607
Total current liabilities	**62,514**	**65,671**
Long-term debt, net of current portion	260,193	264,673
Accrued retirement benefits	6,204	6,206
Other long-term liabilities	8,691	8,518
Total liabilities	**337,602**	**345,068**
Net assets		
Unrestricted net assets	292,391	270,155
Temporarily restricted	5,224	4,775
Permanently restricted	1,029	1,029
Total net assets	**298,644**	**275,959**
Total liabilities and net assets	**636,246**	**621,027**

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three month Period Ended March 31, 2018 and 2017 and
the Nine month Period Ended March 31, 2018 and 2017

($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2018	**2017**	**2018**	**2017**
Unrestricted revenue, gains and other support				
Net patient service revenue	95,433	94,216	287,068	277,322
Other revenue	1,899	1,397	5,215	5,407
Net assets released from restrictions for operations	79	96	367	443
Total	**97,411**	**95,709**	**292,650**	**283,172**
Expenses				
Salaries and wages	36,726	34,226	107,824	101,512
Employee benefits	8,373	8,799	25,958	25,995
Professional fees	3,585	3,613	11,148	9,914
Supplies and other	37,679	37,334	115,465	111,886
Interest	2,981	2,980	8,848	8,962
Depreciation and amortization	5,149	5,185	15,685	15,570
Total	**94,493**	**92,138**	**284,928**	**273,839**
Operating income	**2,918**	**3,572**	**7,722**	**9,333**
Non-operating gains (losses), net				
Equity earnings in affiliates	657	3,428	4,468	5,377
Investment returns, net	69	6,458	9,998	10,941
Other, net	(29)	139	(319)	(251)
Income tax benefit	(31)	(31)	(90)	(97)
Total	**666**	**9,994**	**14,057**	**15,970**
Excess of revenue over expenses attributable to Meritus	**3,584**	**13,566**	**21,779**	**25,303**

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Nine month Period Ended March 31, 2018 and 2017

($ in thousands)	**Fiscal Year-to-Date**	
	Mar-18	**Mar-17**
Unrestricted net assets		
Excess of revenue over expenses	21,779	25,303
Other	457	743
Increase in unrestricted net assets	**22,236**	**26,046**
Temporarily Restricted Net Assets		
Contributions	816	1,254
Other	-	(1,063)
Net assets released from restrictions for operations	(367)	(443)
Increase (Decrease) in temporarily restricted net assets	**449**	**(252)**
Increase in net assets	**22,685**	**25,794**
Net assets		
Beginning of year	275,959	243,680
End of year	**298,644**	**269,474**