CONTINUING DISCLOSURE REPORT

Meritus Medical Center Obligated Group
For the Three Months Ended September 30, 2021

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

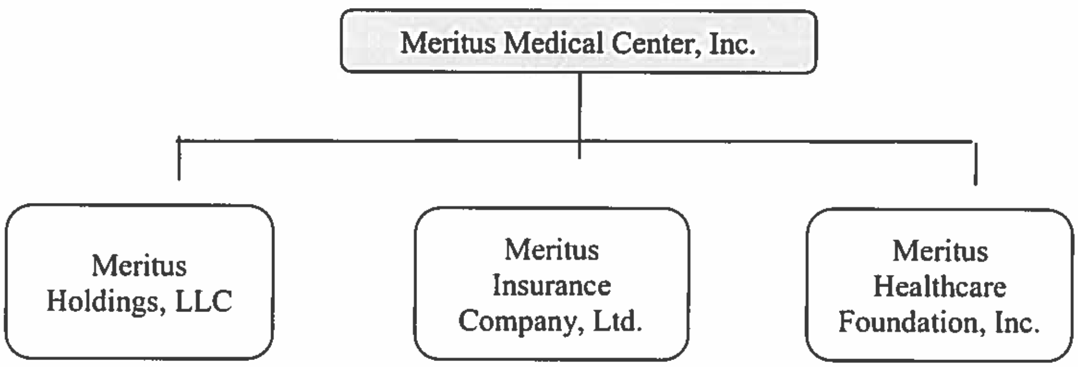
MATURITY	CUSIP NO.
2016	574218XD0
2017	574218XE8
2018	574218XF5
2019	574218XG3
2020	574218XH1
2021	574218XJ7
2022	574218XK4
2023	574218XL2
2024	574218XM0
2025	574218XN8
2026	574218XP3
2027	574218XQ1
2028	574218XR9
2029	574218XS7
2030	574218XT5
2031	574218XU2
2032	574218XV0
2033	574218XW8
2034	574218XX6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

Period to which Report Relates:

Three Months Ended September 30, 2021.

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." *Organizations 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 SPECIFICALLY 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 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.

Amid that environment, MMC's management and Board of Directors perform strategic planning regularly with an annual update. In December 2018, Joe Ross announced his retirement as President and CEO of MMC. The board of directors appointed Carolyn Simonsen, Executive Vice President, Chief Administrative & Compliance Officer, to serve as President & Interim CEO. Upon completing a nationwide search, the Board of Directors appointed a new president and CEO, Dr. Maulik Joshi, who joined Meritus in mid-November 2019. In December 2019, Dr. Joshi, together with MMC management and community leaders, commenced a strategic planning sprint entitled True North, which included long-term community Bold Goals and a revised strategic plan approved by the Board of Directors in March 2020.

The development of the ten-year Bold Goals to be completed in 2030 included the following components (1) environmental scan of key trends that would impact Meritus for the next decade, (2) a strength/weaknesses/opportunities/threats analysis that assessed where we are, (3) mission, visions, and values that represent who we are, (4) desired cultural attributes that guide how we behave, (5) a quadruple aim strategic framework, which provided four big aims of our work, (6) 2030 Bold Goals which are aspirational to achieve through the four quadruple aims, (7) a strategic map that outlines our approach for the attainment of the quadruple aim and bold goals, and (8) FY2021 annual operating plan with first-step detailed action as we progress to achievement of our 2030 Bold Goals.

Specifically, our quadruple aim and corresponding bold goals focus and center on our patients and community to: (1) improve healthcare service with zero patient harm, (2) improve population health status by losing one million community pounds, (3) achieve efficiency and affordability by being the lowest Total Cost of Care Provider in Maryland, and (4) having joy at work by becoming the employer of choice and best place to work in the nation.

Corporate Changes

Before 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"), subsequently dissolved by March 31, 2020
- Diagnostic Imaging Services, LLC ("DIS")
- Western Maryland Medical Supply, LLC ("WMMS"), dissolved as of December 31, 2016.

MEI also owns and operates Equipped for Life, a durable medical equipment company ("EFL"). 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 holds 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 allied with Frederick Regional Health System (Frederick Health) and Western Maryland Health System (WMHS) 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 was to optimize operational efficiencies, specific 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 built on the legacies of all three organizations and point to a future in which all three organizations would work together to care for patients in Maryland's western region. Trivergent MSO's central office costs would be split equally among the three-member organizations, based on an approved annual budget. For each service line, the three members would pay budgeted costs monthly in advance, with the allocation of such payments based upon the level of services received by each member. The members would share savings on an equal basis, adjusted for volume variations. As of December 2017, the three members pulled back information technology from Trivergent MSO due to different electronic health record (EHR) platform adaptions. Upon the activation of Epic EHR by MMC, the members of Trivergent started to discuss the need for focused and dedicated personnel to manage their respective revenue cycle, human resources, and supply chain-focused shared services at Trivergent MSO. The members of Trivergent MSO decided to transition their billing and collection and personnel services back to the member hospitals beginning January 2019. Effective July 1, 2019, WMHS has withdrawn under the terms of the operating agreement with no additional terms. On March 26, 2020, MMC determined to dissolve Trivergent MSO effective December 26, 2020, and manage laboratory, pharmacy, and supply chain on its own. As a result, Trivergent MSO ceased its operations on December 26, 2020, and began a wind-down process. Post-December 26, 2020, these alliance partners collaborate through reciprocal laboratory service agreements and inter-hospital exchange. In addition, Trivergent will continue to coordinate western Maryland regional population health initiatives among MMC, Frederick Health, and WMHS. Trivergent MSO has been managing the cost savings initiatives of Advanced Health Collaborative, LLC ("AHC") since 2017. AHC members are Adventist HealthCare, LifeBridge Health, Peninsula Regional Health System, and Trivergent, a combined total of 10 hospitals to share ideas and explore opportunities to enhance the quality of health services and reduce costs. Effective December 27, 2020, Trivergent MSO stopped its managing service rendered to AHC. Meritus anticipates Trivergent MSO will be dissolved before the end of December 31, 2021.

Maryland Health Services Cost Review Commission and Medicare Waiver

An act of the Maryland legislature established hospital rate regulation 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 per 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 7.7% 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 the CMS Innovation Center based on Medicare per beneficiary total hospital cost growth and will end on December 31, 2018. In May 2018, the State of Maryland and CMS finalized the Maryland Total Cost of Care Model for plan/calendar years 2019 through 2023 with the option to automatically extend through 2028, so long as Maryland meets the model performance requirements.

Global Budget Revenue ("GBR") at Meritus Medical Center

Effective July 1, 2016, all Maryland hospitals executed Global Budget Revenue ("GBR") agreements with the HSCRC, renewing annually. The HSCRC and MMC also monitor its service areas' total level of services, revenues, and quality. 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 $424,744,556 for FY 2022 and $437,448,588 (including $24.7M undercharge from FY2020) for fiscal year 2021. Due to the COVID-19 pandemic, the HSCRC has allowed Maryland hospitals to carry over any undercharge amount from FY2020, net of elected CARES Act funds, into FY2021. For MMC, the net undercharges amount to be carried into FY 2021 was $24.7 million ($33.4 million undercharge net of $8.8 million CARES Act funds). However, charges by rate center are subject to rate corridors, limiting the ability to recognize additional approved revenue. As of June 30, 2021, MMC had charged $17.0 million of the $24.7 million undercharge carried over from FY 2020. If HSCRC continues its current practice, the remaining $7.7 million of undercharge from FY 2021 will be added to FY 2022 approved revenue on January 1, 2022.

Medicare Accountable Care Organization ("ACO")

MMC was approved to participate as a Medicare Shared Savings Plan Accountable Care Organization ("MSSP ACO") from 2014 through 2019. Effective January 1, 2017, Meritus retains full ownership of the ACO through Meritus Health ACO, LLC, with approximately 10,000 attributed beneficiaries. GBR is aligned with both the new Medicare waiver and the ACO strategy.

Effective January 1, 2019, the State of Maryland's Department of Health commenced the Maryland Primary Care Program (MDPCP) to coordinate care for Medicare fee-for-services patients across hospitals and non-hospital settings, improve health outcomes, and constrain the growth of health care costs in Maryland. MDPCP is a voluntary program open to all qualifying Maryland primary care providers. The Centers for Medicare and Medicaid Services (CMS) provides funding and support delivering advanced primary care throughout the state to prevent and manage chronic disease and unnecessary hospital utilization. MMC, through its ACO, has received approval from CMS to be a Care Transformation Organization in Washington County to assist approved primary care providers to play an increased role in this Maryland Total Cost of Care initiative. MMC has elected not to continue its MSSP ACO program beyond the participation period ending December 31, 2019, due to the repetitive nature of the MSSP ACO federal program and the Care Transformation Organization programs in Maryland. The ACO earned a CMS MSSP ACO shared savings for 2019 and received the award of $1.7M in October 2020. Based on pre-established policy, the ACO retained 40% of the $1.7M (recorded in Other Operating Revenue in September 2020) and distributed 60% of the savings to ACO providers. The total distributions to non-Meritus employed providers amounted to $159,000.

Total Cost of Care Model ("TCC")

Effective January 1, 2019, the State of Maryland and CMS entered into a new Total Cost of Care model for a 10-year term, broken into two 5-year measurement periods, so long as Maryland meets the model performance requirements. Maryland commits to saving $300 million in annual total Medicare spending for Medicare Part A and Part B by the end of 2023. Through the end of CY 2019, Maryland has generated more than $365M in annual savings compared to CY 2013. Federal resources will be invested in primary care and delivery system innovations, consistent with national and State goals to improve chronic care and population health. (See Maryland Primary Care Program above.) This model will help physicians and other providers leverage other voluntary initiatives and federal programs to align efforts focused on improving care and care coordination and participation in incentive programs that reward those results. These programs will be voluntary, and the State will not undertake setting Medicare and private fee schedule for physicians and clinicians. Under this model, Maryland is expected to set the aggressive quality of care and population health goals. See the HSCRC website for more in-depth information about the TCC at https://hscrc.maryland.gov/Pages/tcocmodel.aspx.

Electronic Health Record

On September 1, 2017, the Consolidated Group began implementing a new Electronic Health Record application (EHR), Epic, an organization-wide commitment to creating 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 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. The application went live on September 1, 2018, within the timeframe and budget as initially planned. Management continues to update its EHR and is improving its operating efficiency through EPIC.

New Accounting Pronouncements

The FASB issued ASU No. 2016-02, Leases (ASU 2016-02), which requires lessees to recognize most leases on-balance sheets, increasing their reported assets and liabilities – sometimes very significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities, requiring changes in processes and internal controls. The adoption of ASU 2016-02 was effective in the fiscal year 2020 and required applying the new guidance at the beginning of the earliest comparative period presented. Upon adoption, the company recorded right-to-use assets and obligations for the present value of leases currently classified as operating leases. As of September 30, 2021, the company recorded a long-term right-to-use asset and obligation of $16.7 million and a short-term right-to-use asset and obligation of $1.8 million. Most right-to-use assets and obligations are related to real estate operating leases for off-hospital campus ambulatory health service locations.

COVID-19 Pandemic

On March 16, 2020, Meritus opened its Incident Command Center (ICC) to prepare for the COVID-19 pandemic. The purpose of the COVID-19 ICC was to provide centralized command, leadership, and guidance to ensure services and order are maintained during the ongoing pandemic, specifically focused on a pending surge of COVID-19 patients in our service areas. On April 2, 2020, the Maryland Health Care Commission granted an Emergency Certificate of Need (CON) to Meritus to construct a $12.5M Regional Infectious Containment Unit (RIC Unit). The RIC Unit consists of 20 inpatient rooms sized as medical/surgical/gynecological rooms, each of which has negative pressure and ventilator capable, and is located in a 12,650 square foot addition constructed on the current Meritus campus. Meritus opened the RIC Unit to patients in August 2020.

On April 10, 2020, Meritus received stimulus funds of $9.9M related to the CARES Act relief fund to cover COVID-19 related expenses and revenues lost. Meritus recorded $9.9M ($9.1M to the obligated group) of this amount through June 30, 2020, to cover revenue lost to date due to the COVID-19 pandemic. Non-surge-related hospital volume and ambulatory visits were down significantly during the last quarter of the fiscal year 2020. In addition, on April 16, 2020, Meritus received an accelerated advance payment of approximately $66M ($63.5M for the obligated group) from the federal Department of Health and Human Services to assist in managing cash flow constraints. Adjudicated claim offset started in April of 2021.
As of September 30, 2021, CMS has recouped $18.7M through claim offset. The State of Maryland identified Washington County Health Department as the custodian of the public health response funds for Washington County, Maryland, and the Washington County Health Department recognizes the vital role that Meritus provides in combating the COVID-19 pandemic and the unanticipated financial strain this has caused. Therefore, the Washington County Health Department agreed to reimburse Meritus up to $6.7M in costs related to

personnel, supplies, and equipment purchased or incurred by Meritus to address the COVID-19 pandemic. Meritus recorded $3.6M, including $1.4M for COVID-related capital ($3.5M, including $1.4M for COVID-related capital for the obligated group) related to the county grant as of June 30, 2020. The remaining $3.1M was recorded in FY21, including $1.0M for COVID-related capital ($2.6M, including $900k for COVID-related capital for the obligated group). Similar to many hospitals and providers in the country, Meritus is paying for personal protective equipment, ventilators, drug shortages, extra labor costs, and many other costs at a premium. Meritus is currently working on filing a Federal Emergency Management Agency claim for capital and additional expenses incurred but not covered by governmental relief funding related to this pandemic.

The State of Maryland contracted with Meritus to administer the mass vaccination site for the Western Maryland region at the Premium Outlet Mall in Hagerstown. Meritus received $1.9M million for services provided from March 2021 through June 2021.

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 three months ending September 30, 2021 and 2020, 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 September 30, 2021, which were derived by management from unaudited financial statements, and September 30, 2020, which were derived by management from unaudited 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 three months ending September 30, 2021.

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

The Obligated Group had an operating income of $3,385 (representing 3.7% of total revenue) for the three months ended September 30, 2021, as compared to an operating income of $9,275 (representing 10.5% of total revenue) for the same period in 2020.

($ in thousands)	Three Months Ended September 30,	
	2021	**2020**
Unrestricted revenue, gains and other support		
Net patient service revenue	90,021	85,251
Other revenue	1,640	2,471
Net assets released from restrictions for operations	382	278
Total	**92,043**	**88,000**
Expenses		
Salaries and wages	39,232	34,226
Employee benefits	9,539	8,044
Professional fees	4,690	5,418
Supplies and other expenses	26,462	22,297
Interest expense	2,668	2,729
Depreciation and amortization	6,067	6,011
Total	**88,658**	**78,725**
Operating income	**3,385**	**9,275**
Non-operating gains (losses), net		
Equity earnings in affiliates	1,966	1,955
Investment returns, net	1,406	8,988
Other, net	740	(22)
Income tax (expense) benefit	(8)	(1)
Total	**4,104**	**10,920**
Excess of revenue over expenses	**7,489**	**20,195**

Net patient service revenue of the Obligated Group for the three months ended September 30, 2021 has increased 5.6% over net patient service revenue for the same period in 2020 resulting from:

1) MMC total regulated rate increase was approximately 2.90% effective July 1, 2021 (excluding $24.7 million undercharge carryover in FY21), as announced by the HSCRC primarily the result of the following:
   a. 2.68% inflation inpatient
   b. (0.21%) potentially avoidable utilization adjustment
   c. 0.02% demographic / population adjustment
   d. 0.29% payor differentials
   e. 0.12% other adjustments

The total revenue of the Obligated Group for the three months ended September 30, 2021, was $92,043, an increase of $4,043 (4.6%) over the same period in 2020. Adult patient days for the three months ending September 30, 2021 are 10.5% above days for the same period in 2021. Other revenue for the three months ended September 30, 2021, has decreased ($831) (33.6%) over the same period in due to the retrospective premium adjustment.

Total expenses for the three months ended September 30, 2021, were $88,658, which increased by $9,933 (12.6%) as compared to 2020

Salaries and wages are 43.6% of net patient service revenue as compared to 40.1% for the same period in 2020. Total salaries and wages expenses increased $5,006 (14.6%) for the three months ended September 30, 2021, compared to the same period in 2020. Increase due to the annual merit program, market adjustments, higher vacancy factors in nursing, increased contract labor ($1.8 million increase) and incentives to meet demands of higher Covid hospitalizations, and minimum fifteen dollar per hour wage implementation in December 2020.

Employee Benefits for the three months increased $1,495 (18.6%) as compared to the same period in 2020. Due to an increase in health claims experience from prior period.

Professional fees for the three months ended September 30, 2021, decreased ($728) (13.4%) as compared to the same period in 2020. Decrease due to changes in professional fee contracts.

Supplies and Other expenses for the three months ended September 30, 2021, increased by $4,165, or 18.7%, compared to the same period in 2020 and were 29.4% and 26.2% of net patient service for the three months ended September 30, 2021, and 2020, respectively. Due to increased drug usage from COVID-19 patients and oncology services. Meritus recognized a Premier accelerated deferred tax receivable gain in the amount of $977k, recorded as a contra Other Supplies in September 2020.

The non-operating gain was $4,104 for the three months ended September 30, 2021, as compared to a gain of $10,920 for the same period in 2020. This is primarily attributable to deteriorated capital market performance in 2021. Equity earnings in affiliates increased by $11 in the three months ended September 30, 2021, as compared to the same period in 2020.

Non-Operating Gains, net – Obligated Group		
($ in thousands)	Three Months Ended September 30,	
	2021	2020
Equity earnings in Affiliates	1,966	1,955
Investment income	582	161
Realized gains (losses), net	1,015	(1,818)
Unrealized (losses) gains, net	(191)	10,645
Other, net	740	(22)
Income tax (expenses)	(8)	(1)
Total	**4,104**	**10,920**

Excess of revenue over expenses was $7,489 for the three months ended September 30, 2021, compared to the excess of revenue over expenses of $20,195 for the same period in 2020. The investment market performance in the current period was not as good as the comparable period in the prior year. The operating performance is not as good as prior period due to increased operating expenses (12.6% increase from prior period). Increase in operating expenses primarily attributable to high COVID-19 hospitalizations and labor market expense growth, which outpaced patient revenue growth (4.5% increase from prior period).

Liquidity for the Obligated Group remained stable as legacy patient accounts receivable have been substantially collected, and revenue cycle management continues to improve. Unrestricted day's cash on hand increased 16.8% from 401.8 days as of September 30, 2020, to 469.2 days as of September 30, 2021, which exceeds the Series 2015 debt covenant of 50 days. No capital funds were held by the trustee as of September 30, 2021.

Debt service coverage for the Obligated Group, including the debt related to the Series 2015 bonds, was 3.8x as of September 30, 2021, which exceeds the 1.10x as required in the Series 2015 debt covenant.

Debt to capitalization for the Obligated Group improved to 35.2% on September 30, 2021, from 41.9% on September 30, 2020. The improvement was primarily due to scheduled debt repayments ($5M), positive operating margin and investment appreciation.

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 three months ended September 30, 2021, increased by $10,515 and 10.4% over net patient service revenue for the three months ended September 30, 2020. Total revenue of the Consolidated Group for the three months ended September 30, 2021, was $112,851 representing an increase of $7,848 and 7.5% compared to the three months ended September 30, 2020. The increase in total revenue was primarily due increased net patient service revenue, the HSCRC allowed the hospital to increase rates above the 5% corridor for fiscal year 2021. Total expenses for the three months ended September 30, 2021, were $109,270, representing an increase of $13,076 and 13.6% from the three months ended September 30, 2020. The Consolidated Group had an operating gain of $3,581 representing 3.2% of total revenue for the three months ended September 30, 2021, as compared to an operating gain of $8,809 representing 8.4% of total revenue for the three months ended September 30, 2020.

Income from Operations – Consolidated		
($ in thousands)	**Three Months Ended September 30,**	
	2021	**2020**
Total revenue	112,851	105,003
Total expense	109,270	96,194
Operating income	**3,581**	**8,809**

Non-operating gains for the three months ended September 30, 2021, were $4,078 compared to a gain of $11,665 for the three months ended September 30, 2020. The decrease was attributable to lower investment returns for the three months ended September 30, 2021.

Non-Operating Gains (Losses), net – Consolidated		
($ in thousands)	**Three Months Ended September 30,**	
	2021	**2020**
Equity Earnings in Affiliates	2,161	2,129
Investment income	611	203
Realized gains (losses)	1,053	(1,870)
Unrealized (losses) gains, net	(200)	11,227
Other, net	493	(22)
Income tax expense	(40)	(2)
Total	**4,078**	**11,665**

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 "A" rated re-insurers, as rated by AM Best, providing an additional $25 million coverage for any potential liabilities above the $1

million/$3 million primary limits. The reserves, including retrospective premium credits, were $13.4 million and $13.3 million as of September 30, 2021, and 2020, respectively.

Attached hereto as **Exhibit D**, is a comparison of the unaudited financial performance of the Consolidated Group to the Obligated Group for the three months ended September 30, 2021, and 2020, 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 several Board members who are community leaders with banking and business experience. The committee meets with its investment consultants periodically to review the investments of the Consolidated Group and their performance and to ensure compliance with any applicable asset allocation guidelines. MMC, in coordination with its investment consultants, tracks its investment portfolio maintains by its investment custodian every month. The table attached hereto as **Exhibit E** is the composition of the various investment portfolios of the Consolidated Group on September 30, 2021.

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. In 2016, the Consolidated Group went through a process to select a new investment adviser. Beginning on 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 the 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. Assets allocation as of September 30, 2021, was within a two percent (2%) range of respective target allocation.

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 three months ended September 30, 2021, and 2020. For the three months ended September 30, 2021, Meritus Medical Center average adult daily census increased by 10.5% to 179.73, the average adult length of stay increased by 7.7% to 4.59, and outpatient visits increased by 3,616 and 9.6% to 41,282 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 three months ended September 30, 2021, and 2020.

Additional Information

Attached hereto as **Exhibit H**, is the Consolidated Group unaudited balance sheets as of September 30, 2021 and September 30, 2020.

Attached hereto as **Exhibit I** is the Consolidated Group unaudited statements of operations for the three months ended September 30, 2021 and September 30, 2020.

Attached hereto as **Exhibit J**, is the Consolidated Group unaudited changes in net assets for the three months ended September 30, 2021 and September 30, 2020.

Date: November 11, 2021 MERITUS MEDICAL CENTER

By: Maulik Joshi

Maulik S. Joshi, President and CEO

By:

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 September 30, 2021 and 2020 and the Three Months Ended September 30, 2021 and 2020

($ in thousands)	Three Months Ended September 30,	
	2021	**2020**
Unrestricted revenue, gains and other support		
Net patient service revenue	90,021	85,251
Other revenue	1,640	2,471
Net assets released from restrictions for operations	382	278
Total	92,043	88,000
Expenses		
Salaries and wages	39,232	34,226
Employee benefits	9,539	8,044
Professional fees	4,690	5,418
Supplies and other expenses	26,462	22,297
Interest expense	2,668	2,729
Depreciation and amortization	6,067	6,011
Total	88,658	78,725
Operating income	3,385	9,275
Non-operating (losses) gains, net		
Equity earnings in affiliates	1,966	1,955
Investment returns, net	1,406	8,988
Other, net	740	(22)
Income tax (expense)	(8)	(1)
Total	4,104	10,920
Excess of revenue over expenses	**7,489**	**20,195**

Exhibit C

Meritus Medical Center
UNAUDITED OBLIGATED GROUP BALANCE SHEET

($ in thousands)	09/30/2021	06/30/2021
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	19,152	16,607
Short-term investments	159,830	162,400
Current portion of assets whose use is limited	-	10,789
Accounts receivable, net	36,235	37,119
Supplies	6,573	6,571
Prepaid and other current assets	72,763	69,109
Total current assets	**294,553**	**302,595**
Equity investments in affiliates	**50,526**	**48,560**
Assets whose use is limited	**232,380**	**230,837**
Property, plant and equipment, net	227,444	226,684
Other assets	20,333	20,577
Total other assets	**247,777**	**247,261**
Total assets	**825,236**	**829,253**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	20,820	20,915
Accrued salaries, wages, and withholdings	14,132	16,555
Accrued compensation benefit	10,616	10,989
Advances from third-party payors	70,964	71,589
Accrued interest payable	2,790	5,710
Current portion of long-term debt	5,731	5,624
Total current liabilities	**125,053**	**131,382**
Long-term debt, net of current portion	234,733	240,064
Accrued retirement benefits	4,237	4,099
Other long-term liabilities	13,922	14,105
Total liabilities	**377,945**	**389,650**
Net assets		
Unrestricted net assets	443,520	435,797
Restricted net assets	3,771	3,806
Total net assets	**447,291**	**439,603**
Total liabilities and net assets	**825,236**	**829,253**

Exhibit D

Meritus Medical Center
SUMMARY UNAUDITED FINANCIAL INFORMATION
For the Three-Month Period Ended September 30, 2021 and 2020 and the Three Months Ended September 30, 2021 and 2020

($ in thousands)	Consolidated Group Fiscal Year-to-Date		Obligated Group Fiscal Year-to-Date	
	2021	2020	2021	2020
Income Statement				
Net patient service revenue	111,234	100,719	90,021	85,251
Total revenue	112,851	105,003	92,043	88,000
Total expense	109,270	96,194	88,658	78,725
Operating income before other items	3,581	8,809	3,385	9,275
Non-operating gains	4,119	11,667	4,112	10,921
Income tax expense	(41)	(2)	(8)	(1)
Excess of revenue over expenses	7,659	20,474	7,489	20,195
Interest expense	2,668	2,731	2,668	2,729
Depreciation and amortization	6,379	6,351	6,067	6,011
Debt Services				
Excess available for debt service (EBITDA)	16,706	29,556	16,224	28,935
Balance Sheet				
Unrestricted cash and investments	416,525	344,032	405,980	331,214
Total assets	815,565	724,362	825,236	732,513
Current portion of long-term debt	7,073	5,527	5,731	5,480
Long-term debt	234,738	240,665	234,733	240,612
Unrestricted net assets	405,067	308,738	443,520	341,469
Profitability				
Operating margin	3.2%	8.4%	3.7%	10.5%
Excess margin	6.6%	17.5%	7.8%	20.4%
Excess margin (excl. unrealized gains/losses)	6.8%	8.8%	8.0%	10.8%
Liquidity				
Days cash on hand unrestricted	387.7	337.3	469.2	401.8
Leverage				
Debt service coverage	3.90	4.42	3.79	4.42
Debt to capitalization	37.4%	44.4%	35.2%	41.9%

Bond Covenants		
	Obligated Group	**Required**
Rate covenant: debt service coverage ratio	**3.79**	1.10
Liquidity covenant: days cash on hand	**469.2**	50

Meritus Medical Center Obligated Group
INVESTMENTS AND LIQUIDITY
For the Three-Month Period Ended September 30, 2021 and 2020 and the Three Months Ended September 30, 2021 and 2020

	Balance as of 9/30/21					
	($ in thousands)	**Cash**	**Fixed Income Bonds**	**REIT**	**Other Assets**	**Equities**
Cash and cash equivalents	19,152	100%	N/A	N/A	N/A	N/A
Short-term investments	159,830	2%	98%	N/A	N/A	N/A
Board-designated funds	226,998	N/A	32%	N/A	14%	54%
Unrestricted Cash and Investments	**405,980**					
Supplemental retirement benefit investment	4,237	N/A	52%	N/A	8%	40%
Restricted Donor Funds	3,770	100%	N/A	N/A	N/A	N/A
Restricted Funds	**8,007**					

($ in thousands)	As of and Year-to-Date September 30,	
	2021	2020
Cash and cash equivalents	19,152	14,164
Short-term investments	159,830	126,933
Board-designated funds	226,998	190,117
Unrestricted cash and investments	405,980	331,214
Operating expenses	88,658	78,725
Less: Depreciation and amortization	6,067	6,011
Adjusted operating expenses	82,591	72,714
Days in period	92	92
Daily Cash Expenses	898	790
Days Cash on Hand *	452	419
*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 September 30, 2021 and 2020 and
the Three Months Ended September 30, 2021 and 2020

	Three Months Ended September 30,	
	2021	**2020**
Meritus Medical Center – Hospital Utilization		
Licensed Beds (excludes nursery)	277	277
Adult Admissions (includes Peds)	3,604	3,508
Adult Patient Days (includes Peds)	16,535	14,958
Adult Average Length of Stay	4.59	4.26
Adult Average Daily Census	179.73	162.59
Adult Percentage of Occupancy	64.7%	58.5%
Equivalent Inpatient Admissions	7,475	6,821
Emergency Department Visits	15,116	13,458
Observation Cases	929	696
Outpatient Visits	41,282	37,666
Newborn Admissions	485	493
Newborn Patient Days	1,329	1,370
Newborn Average Length of Stay	2.74	2.78
Meritus Medical Center - Licensed Bed Capacity		
Licensed Categories		
Medical/Surgical	194	194
Critical Care	24	24
Intermediate Care	0	0
Subtotal	**218**	**218**
Pediatrics	4	4
Obstetrics	17	17
Psychiatric	18	18
Total Acute Care	**257**	**257**
Medical Rehabilitation	20	20
Total Beds	**277**	**277**
Nursery Bassinets	**41**	**41**

Exhibit G

Meritus Medical Center Obligated Group
UNAUDITED THIRD-PARTY PAYER INFORMATION
For the Three-Month Period Ended September 30, 2021 and 2020 and
The Three Months Ended September 30, 2021 and 2020

	Three Months Ended September 30,	
	2021	2020
Meritus Health (As a % of Gross Revenue)		
Medicare	39%	39%
Medicare MCO	8%	7%
Medicaid	2%	2%
Medicaid MCO	17%	18%
Blue Cross	13%	14%
Commercial	17%	18%
HMO	0%	0%
Workers Comp	1%	0%
Self-Pay	3%	2%
Total	**100%**	**100%**

Exhibit H

Meritus Medical Center
UNAUDITED CONSOLIDATED BALANCE SHEET

($ in thousands)	9/30/2021	06/30/2021
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	21,155	16,945
Short-term investments	159,830	162,400
Current portion of assets whose use is limited	-	10,789
Accounts receivable, net	43,569	41,133
Supplies	7,541	7,513
Prepaid and other current assets	14,569	11,988
Total current assets	**246,664**	**250,768**
Equity investments in affiliates	**50,984**	**48,823**
Assets whose use is limited	**262,271**	**261,455**
Property, plant, and equipment, net	231,816	230,951
Pledges receivable, net	78	69
Other assets	23,752	24,057
Total other assets	**255,646**	**255,077**
Total assets	**815,565**	**816,123**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	27,165	23,298
Accrued salaries, wages, and withholdings	15,218	18,143
Accrued compensation benefit	13,506	14,230
Advances from third-party payors	74,588	76,450
Accrued interest payable	2,790	5,710
Current portion of long-term debt	7,073	5,672
Total current liabilities	**140,340**	**143,503**
Long-term debt, net of current portion	234,738	240,080
Accrued retirement benefits	7,148	7,005
Other long-term liabilities	22,636	22,549
Total liabilities	**404,862**	**413,137**
Net assets		
Unrestricted net assets	405,067	396,950
Restricted net assets	5,636	6,036
Total net assets	**410,703**	**402,986**
Total liabilities and net assets	**815,565**	**816,123**

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three-Month Period Ended September 30, 2021 and 2020 and the Three Months Ended September 30, 2021 and 2020

($ in thousands)	**Three Months Ended September 30,**	
	2021	**2020**
Unrestricted revenue, gains and other support		
Net patient service revenue	111,234	100,719
Other revenue	1,235	4,005
Net assets released from restrictions for operations	382	279
Total	**112,851**	**105,003**
Expenses		
Salaries and wages	51,623	44,800
Employee benefits	11,434	9,695
Professional fees	5,385	5,512
Supplies and other	31,781	27,105
Interest	2,668	2,731
Depreciation and amortization	6,379	6,351
Total	**109,270**	**96,194**
Operating income	**3,581**	**8,809**
Non-operating gains (losses), net		
Equity earnings in affiliates	2,161	2,129
Investment returns, net	1,465	9,560
Other, net	493	(22)
Income tax expense	(41)	(2)
Total	**4,078**	**11,665**
Excess of revenue over expenses	**7,659**	**20,474**

Exhibit J

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Three Months Ended September 30, 2021 and 2020

($ in thousands)	Fiscal Year-to-Date	
	Sep-21	Sep-20
Unrestricted net assets		
Excess of revenue over expenses	7,659	20,474
Other	459	(113)
Increase in unrestricted net assets	**8,118**	**20,361**
Restricted Net Assets		
Contributions	(18)	327
Other	0	(20)
Net assets released from restrictions for operations	(382)	(279)
(Decrease) increase in restricted net assets	**(400)**	**28**
Increase in net assets	**7,717**	**20,389**
Net assets		
Beginning of year	402,986	294,112
End of year	**410,703**	**314,500**