CONTINUING DISCLOSURE REPORT

Meritus Medical Center Obligated Group
For the Nine Months Ended March 31, 2019

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

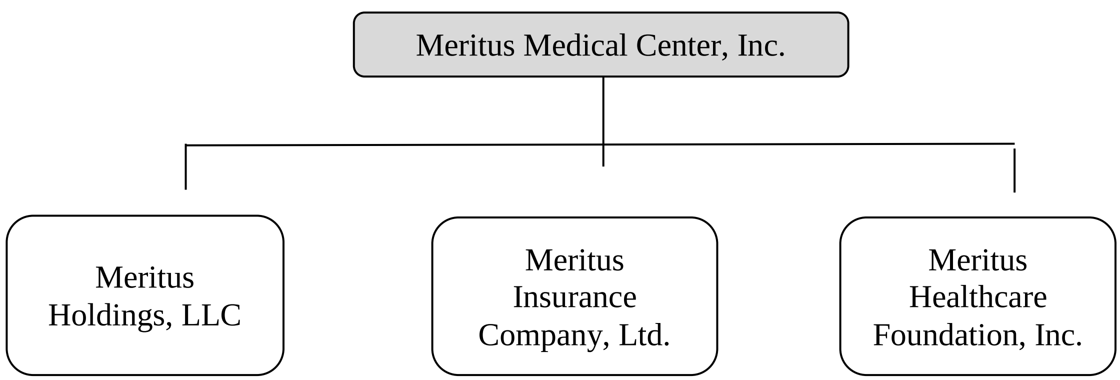
MATURITY	CUSIP NO.
2016	574218XD0
2017	574218XE8
2018	574218XF5
2019	574218XG3
2020	574218XH1
2021	574218XJ7
2022	574218XK4
2023	574218XL2
2024	574218XM0
2025	574218XN8
2026	574218XP3
2027	574218XQ1
2028	574218XR9
2029	574218XS7
2030	574218XT5
2031	574218XU2
2032	574218XV0
2033	574218XW8
2034	574218XX6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

Period to which Report Relates:

Nine Months Ended March 31, 2019

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.

In December 2018, Joe Ross announced his retirement as President and CEO of MMC. Carolyn Simonsen, Executive Vice President, Chief Administrative & Compliance Officer has been appointed by the Board of Directors to serve as President & Interim CEO. The Board of Directors is conducting a national search for a permanent replacement.

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 (EHR) platform adaptions. Western Maryland Health System (WMHS) is withdrawing under the terms of the operating agreement with no additional terms effective June 30, 2019. 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 and 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. Current Trivergent MSO’ shared services include supply chain, pharmacy and laboratory. 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 quality of health services and reduce costs. In April 2019, Trivergent MSO’ CEO announced his retirement in October 2019. MMC and Frederick Memorial Hospital are currently recruiting the replacement CEO and formulating more concentrated cost savings strategies for its alliance hospitals.

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. 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.

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. Hospital cost growth per capital for all payers must not exceed 3.58% per year. The State has the opportunity to adjust this growth limit based on economic conditions, subject to federal review and approval. Maryland commits to saving $300 million in annual total Medicare spending for Medicare Part A and Part B by the end of 2023. 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 below.). This model will help physicians and other providers leverage other voluntary initiatives and federal programs to align participation in 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 aggressive quality of care and population health goals.

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 eliminated "payment for volume" and was designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the most appropriate care delivery setting. TPR did 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 $370,256,624 for fiscal year 2019, including additional revenue for the regulation of the cancer center. MMC's approved revenue under the GBR agreement was $334,575,726 for fiscal year 2018. 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 9,872 attributed beneficiaries as of the end of the first quarter of fiscal year 2019. 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 will commence a Maryland Primary Care Program (MDPCP) to coordinate care for Medicare fee-for-services patients across both the hospital 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, and the Centers for Medicare and Medicaid Services (CMS) provides funding and support for the delivery of advanced primary care throughout the state for the prevention and management of 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.

Electronic Health Record

On September 1, 2017, the Consolidated Group began the process to implement a new Electronic Health Record application (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. The financial statements included in this disclosure document reflect the costs incurred for Epic through March 31, 2019 (approximately $20.5 million in operating expenses and $6.2 million in capital expenditures for fiscal year 2019 and approximately $25.1 million in operating expenses and $35.6 million in capital expenditures since the inception of the project). The application went live on September 1, 2018 within the timeframe and budget as originally planned. Management is actively looking for long-term cost saving initiatives to offset increased Epic operating expenses while the project is in its optimization phase.

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 months ended March 31, 2019 and 2018, 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, 2019, which were derived by management from unaudited financial statements, and June 30, 2018, 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 nine months ended March 31, 2019.

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

The Obligated Group had an operating income of $564 (representing 0.2% of total revenue) for the nine months ended March 31, 2019, as compared to an operating income of $17,428 (representing 6.9% of total revenue) for the same period in 2018.

($ in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	**2018**	**2019**	**2018**
Unrestricted revenue, gains and other support				
Net patient service revenue	81,973	81,681	243,805	246,325
Other revenue	1,716	2,475	7,490	6,542
Net assets released from restrictions for operations	88	52	338	161
Total	83,777	84,208	251,633	253,028
Expenses				
Salaries and wages	31,225	27,817	91,611	81,873
Employee benefits	6,751	6,658	22,131	21,517
Professional fees	3,744	3,585	11,083	11,148
Supplies and other expenses	31,073	31,672	100,142	97,384
Interest expense	2,863	2,979	8,589	8,843
Depreciation and amortization	6,100	4,867	17,513	14,835
Total	81,756	77,578	251,069	235,600
Operating (loss) income	2,021	6,630	564	17,428
Non-operating gains, net				
Equity earnings in affiliates	1,617	320	2,594	3,502
Investment returns, net	9,880	(129)	1,758	8,924
Other, net	(38)	(22)	(38)	(49)
Income tax expense	(4)	0	(2)	0
Total	11,455	169	4,312	12,377
(Loss) excess of revenue over expenses	**13,476**	**6,799**	**4,876**	**29,805**

Net patient service revenue of the Obligated Group for the nine months ended March 31, 2019 has decreased 1.0% over net patient service revenue for the same period in 2018 resulting from:

1) Reduction in unregulated outpatient revenue due to implementation of Epic EHR and movement of physician practice to other consolidated entity.

Offset by

2) MMC total regulated rate increase was approximately 1.09% effective July 1, 2018 as announced by the HSCRC primarily the result of the following:
    a. 2.22% inflation inpatient
    b. (0.49%) potentially avoidable utilization adjustment
    c. 0.93% population adjustment
    d. (1.57%) other adjustments

Total revenue of the Obligated Group for the nine months ended March 31, 2019 was $251,633, a decrease of $1,395 (0.5%) over the same period in 2018.

Total expenses for the nine months ended March 31, 2019 were $251,069, which increased by $15,469 (6.6%) as compared to 2018 due to Epic EHR implementation.

Salaries and wages are 37.6% of net patient service revenue as compared to 33.2% for same period in 2018.

Total salaries and wages expenses increased $9,738 (11.9%) for the nine months ended March 31, 2019 compared to the same period in 2018. 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 increased $614 (2.9%) as compared to the same period in 2018 as a result of additional employees required for Epic EHR implementation.

Professional fees for the nine months ended March 31, 2019 decreased $65 (-0.6%) as compared to the same period in 2018.

Supplies and Other expenses for the nine months ended March 31, 2019 increased by $2,758, or 2.8%, compared to the same period in 2018 and are 41.1% and 39.5% of net patient service for the nine months ended March 31, 2019 and 2018, respectfully. This increase is attributed to purchase service contracts for the Epic EHR implementation.

Non-operating gain was $4,312 for the nine months ended March 31, 2019, as compared to a gain of $12,377 for the same period in 2018. This is primarily attributable to the decrease in investment income. Investment income decreased by $7,166 in the nine months ended March 31, 2019 as compared to the same period in 2018. A change in carrying value in conjunction with the financial performance of Maryland Physicians Care resulted in a $908 decrease in equity earnings in affiliates comparing the nine months.

Non-Operating Gains (Losses), net – Obligated Group				
($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2019	**2018**	**2019**	**2018**
Equity earnings in Affiliates	1,617	320	2,594	3,502
Investment income	330	413	1,477	1,212
Realized gains (losses)	(397)	452	589	1,525
Unrealized (losses) gains	9,947	(994)	(308)	6,187
Other, net	(38)	(22)	(38)	(49)
Income tax benefit	(4)	0	(2)	0
Total	**11,455**	**169**	**4,312**	**12,377**

Excess of revenue over expenses was $4,876 for the nine months ended March 31, 2019 compared to excess of revenue over expenses of $29,805 for the same period in 2018. The change from year to year is due to the decrease in non-operating investment performance and Epic EHR implementation.

Liquidity for the Obligated Group remained stable even with significant cash outlay due to the Epic EHR implementation. Unrestricted day's cash on hand, as computed per prior year audited financial information, decreased 10.6% from 319.3 days as of March 31, 2018, to 285.5 days as of March 31, 2019 which exceeds the Series 2015 debt covenant of 50 days. No capital funds were held by the trustee as of March 31, 2019.

Debt service coverage for the Obligated Group including the debt related to the Series 2015 bonds was 2.2x as of March 31, 2019, which exceeds the 1.10x as required in the Series 2015 debt covenant.

Debt to capitalization for the Obligated Group improved to 46.8% at March 31, 2019 from 47.8% at March 31, 2018. The improvement was due to 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, 2019 decreased by $2,520 (0.88%) over net patient service revenue for the nine months ended March 31, 2018. Total revenue of the Consolidated Group for the nine months ended March 31, 2019 was $291,580 representing a decrease of $1,070 (0.37%) compared to the nine months ended March 31, 2018. The decrease in both net patient revenue and total revenue is primarily related to a reduction in unregulated patient revenue due to implementation of Epic EHR offset by an increase in approved charges by the Health Services Cost Review Commission of the State of Maryland effective July 1, 2018. Total expenses for the nine months ended March 31, 2019 were $303,645 representing an increase of $18,717 (6.6%) from the nine months ended March 31, 2018, due to the Epic EHR implementation and growth in outpatient physician services for population health initiatives. The Consolidated Group had an operating loss of ($12,065) representing (-4.1%) of total revenue for the nine months ended March 31, 2019 as compared to an operating income of $7,722 representing 2.6% of total revenue for the nine months ended March 31, 2018.

Income from Operations – Consolidated				
($ in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Total revenue	97,094	97,411	291,580	292,650
Total expense	99,484	94,492	303,645	284,928
Operating income	**(2,390)**	**2,919**	**(12,065)**	**7,722**

Non-operating gains for the nine months ended March 31, 2019 were $4,989 compared to gains of $14,057 for the nine months ended March 31, 2018. The decrease was attributable to a decrease in investment returns for the nine months ended March 31, 2018.

Non-Operating Gains , net – Consolidated				
($ in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Equity Earnings in Affiliates	1,738	657	3,051	4,468
Investment income	398	495	1,681	1,466
Realized gains (losses)	(351)	456	720	1,629
Unrealized (losses) gains	10,440	(882)	(257)	6,903
Other, net	(40)	(29)	(97)	(319)
Income Tax	(63)	(31)	(109)	(90)
Total	**12,122**	**666**	**4,989**	**14,057**

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 $9.8 million and $8.7 million as of March 31, 2019 and 2018, respectively.

Attached hereto as **Exhibit D**, is a comparison of the unaudited financial performance of the Consolidated Group to the Obligated Group for the nine months ended March 31, 2019 and 2018, 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, 2019.

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, 2019, 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, 2019 and 2018. For the nine months ended March 31, 2019, Meritus Medical Center average adult daily census increased by 3.96 (2.2%) to 183.62, the average adult length of stay increased by 0.08 (1.9%) to 4.30, and outpatient visits increased by 4,192 (3.0%) to 146,118 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 months ended March 31, 2019 and 2018.

Additional Information

Attached hereto as **Exhibit H**, is the Consolidated Group unaudited balance sheets as of March 31, 2019 and June 30, 2018.

Attached hereto as **Exhibit I** is the Consolidated Group unaudited statements of operations for the nine month period ended March 31, 2019 and March 31, 2018.

Attached hereto as **Exhibit J**, is the Consolidated Group unaudited changes in net assets for the nine months ended March 31, 2019 and March 31, 2018.

Date: 5/15/19

MERITUS MEDICAL CENTER

By: Carolyn Simonsen

Carolyn Simonsen, President, Interim 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”)

Meritus Medical Center Obligated Group
SUMMARY UNAUDITED STATEMENT OF OPERATIONS
For the Three month Period Ended March 31, 2019 and 2018 and the Nine month Period Ended March 31, 2019 and 2018

($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2019	**2018**	**2019**	**2018**
Unrestricted revenue, gains and other support				
Net patient service revenue	81,973	81,681	243,805	246,325
Other revenue	1,716	2,475	7,490	6,542
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Total	83,777	84,208	251,633	253,028
Expenses				
Salaries and wages	31,225	27,817	91,611	81,873
Employee benefits	6,751	6,658	22,131	21,517
Professional fees	3,744	3,585	11,083	11,148
Supplies and other expenses	31,073	31,672	100,142	97,384
Interest expense	2,863	2,979	8,589	8,843
Depreciation and amortization	6,100	4,867	17,513	14,835
Total	81,756	77,578	251,069	235,600
Operating income	2,021	6,630	564	17,428
Non-operating gains (losses), net				
Equity earnings in affiliates	1,617	320	2,594	3,502
Investment returns, net	9,880	(129)	1,758	8,924
Other, net	(38)	(22)	(38)	(49)
Income tax benefit	(4)	0	(2)	0
Total	11,455	169	4,312	12,377
Excess of revenue over expenses	**13,476**	**6,799**	**4,876**	**29,805**

Exhibit C

Meritus Medical Center
UNAUDITED OBLIGATED GROUP BALANCE SHEET

($ in thousands)		
	3/31/2019	**06/30/2018**
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	19,672	31,491
Short-term investments	41,585	49,545
Current portion of assets whose use is limited	8	10,468
Accounts receivable, net	52,519	46,294
Supplies	4,639	4,908
Prepaid and other current assets	31,864	21,620
Total current assets	**150,287**	**164,326**
Equity investments in affiliates	**35,431**	**32,498**
Assets whose use is limited	**172,799**	**171,459**
Property, plant and equipment, net	243,036	242,914
Other assets	9,016	5,124
Total other assets	**252,052**	**248,038**
Total assets	**610,569**	**616,321**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	16,594	15,368
Accrued salaries, wages, and withholdings	8,830	9,721
Accrued compensation benefit	8,854	8,479
Advances from third-party payors	12,724	14,383
Accrued interest payable	2,968	6,038
Current portion of long-term debt	5,320	6,819
Total current liabilities	**55,290**	**60,808**
Long-term debt, net of current portion	252,988	257,656
Accrued retirement benefits	2,219	2,723
Total liabilities	**310,497**	**321,187**
Net assets		
Unrestricted net assets	294,018	289,141
Temporarily restricted	5,025	4,964
Permanently restricted	1,029	1,029
Total net assets	**300,072**	**295,134**
Total liabilities and net assets	**610,569**	**616,321**

Exhibit D

Meritus Medical Center
SUMMARY UNAUDITED FINANCIAL INFORMATION
the Nine Months Ended March 31, 2019 and 2018

($ in thousands)	**Consolidated Group Fiscal Year-to-Date**		**Obligated Group Fiscal Year-to-Date**	
	2019	**2018**	**2019**	**2018**
Income Statement				
Net patient service revenue	284,552	287,068	243,805	246,325
Total revenue	291,580	292,650	251,633	253,028
Total expense	303,645	284,928	251,069	235,600
Operating (loss) income before other items	(12,065)	7,722	564	17,428
Non-operating gains	5,098	14,147	4,314	12,377
Income tax (expense)	(109)	(90)	(2)	-
(Loss) excess of revenue over expenses	(7,076)	21,779	4,876	29,805
Interest expense	8,594	8,848	8,589	8,843
Depreciation and amortization	18,506	15,685	17,513	14,835
Debt Services				
Excess available for debt service (EBITDA)	20,024	46,312	30,978	53,483
Balance Sheet				
Unrestricted cash and investments	241,833	265,622	230,565	253,131
Total assets	619,470	636,246	610,569	601,137
Current portion of long-term debt	5,364	5,133	5,320	5,091
Long-term debt	253,111	260,194	252,988	260,026
Unrestricted net assets	282,526	289,523	294,018	289,141
Profitability				
Operating (loss) margin	(4.1%)	2.6%	0.2%	6.9%
Excess (loss) margin	(2.4%)	7.1%	1.9%	11.2%
Excess (loss) margin (excl. unrealized gains/losses)	(2.3%)	5.0%	2.0%	9.1%
Liquidity				
Days cash on hand unrestricted	245.0	278.6	285.5	319.3
Leverage				
Debt service coverage	1.4	2.9	2.2	3.4
Debt to capitalization	47.8%	47.6%	46.8%	47.8%

Bond Covenants		
	Obligated Group	**Required**
Rate covenant: debt service coverage ratio	**2.2**	1.10
Liquidity covenant: days cash on hand	**285.5**	50

Meritus Medical Center Obligated Group
INVESTMENTS AND LIQUIDITY
As of and for the Nine Months Ended March 31, 2019 and 2018

	Balance as of 3/31/19					
	($ in thousands)	**Cash**	**Fixed Income Bonds**	**REIT**	**Other Assets**	**Equities**
Cash and cash equivalents	19,672	100%	N/A	N/A	N/A	N/A
Short-term investments	41,585	3%	97%	N/A	N/A	N/A
Board-designated funds	169,308	N/A	31%	N/A	26%	43%
Unrestricted Cash and Investments	**230,565**					
Supplemental retirement benefit investment	2,351	N/A	56%	N/A	12%	32%
Temporary and Permanently Restricted Donor Funds	1,140	100%	N/A	N/A	N/A	N/A
Restricted Funds	**3,491**					

($ in thousands)	**As of and Year-to-Date March 31,**	
	2019	**2018**
Cash and cash equivalents	19,672	40,442
Short-term investments & long-term investments	41,585	49,597
Board-designated funds	169,308	163,092
Unrestricted cash and investments	230,565	253,131
Operating expenses	251,069	235,600
Less: Depreciation and amortization	17,513	14,835
Adjusted operating expenses	233,556	220,765
Days in period	274	274
Daily Cash Expenses	852	806
Days Cash on Hand *	271	314
*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, 2019 and 2018 and
the Nine month Period Ended March 31, 2019 and 2018

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	**2018**	**2019**	**2018**
Meritus Medical Center – Hospital Utilization				
Licensed Beds (excludes nursery)	256	257	256	257
Adult Admissions (includes Peds)	3,912	3,851	11,695	11,661
Adult Patient Days (includes Peds)	17,233	17,145	50,311	49,227
Adult Average Length of Stay	4.41	4.45	4.30	4.22
Adult Average Daily Census	191.48	190.50	183.62	179.66
Adult Percentage of Occupancy	68.9%	67.8%	66.0%	64.6%
Equivalent Inpatient Admissions	7,616	6,793	23,024	20,827
Emergency Department Visits	16,259	17,337	50,068	54,049
Observation Cases	922	1,025	3,260	3,079
Outpatient Visits	49,543	45,719	146,118	141,926
Newborn Admissions	438	434	1,382	1,398
Newborn Patient Days	1,326	1,367	4,173	4,530
Newborn Average Length of Stay	3.03	3.15	3.02	3.24
Meritus Medical Center - Licensed Bed Capacity				
Licensed Categories				
Medical/Surgical	160	160	160	160
Critical Care	14	14	14	14
Intermediate Care	24	24	24	24
Subtotal	**198**	**198**	**198**	**198**
Pediatrics	3	4	3	4
Obstetrics	17	17	17	17
Psychiatric	18	18	18	18
Total Acute Care	**236**	**237**	**236**	**237**
Medical Rehabilitation	20	20	20	20
Total Beds	**256**	**257**	**256**	**257**
Nursery Bassinets	**41**	**41**	**41**	**41**

Meritus Medical Center Obligated Group
UNAUDITED THIRD PARTY PAYER INFORMATION
For the Three month Period Ended March 31, 2019 and 2018 and
the Nine month Period Ended March 31, 2019 and 2018

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	**2018**	**2019**	**2018**
Meritus Health (As a % of Gross Revenue)				
Medicare	43%	45%	43%	43%
Medicare MCO	7%	7%	6%	7%
Medicaid	3%	2%	2%	2%
Medicaid MCO	18%	17%	18%	17%
Blue Cross	11%	8%	11%	9%
Commercial	16%	13%	15%	15%
HMO	0%	5%	1%	4%
Workers Comp	0%	1%	1%	1%
Self Pay	2%	2%	3%	2%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Exhibit H

Meritus Medical Center
UNAUDITED CONSOLIDATED BALANCE SHEET

($ in thousands)		
	3/31/2019	**06/30/2018**
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	23,295	36,971
Short-term investments	41,585	49,545
Current portion of assets whose use is limited	8	10,468
Accounts receivable, net	51,843	44,008
Supplies	5,622	5,645
Prepaid and other current assets	5,269	4,300
Total current assets	**127,622**	**150,937**
Equity investments in affiliates	**36,248**	**33,381**
Assets whose use is limited	**199,726**	**198,310**
Property, plant, and equipment, net	247,864	251,910
Pledges receivable, net	77	77
Other assets	7,933	3,885
Total other assets	**255,874**	**255,872**
Total assets	**619,470**	**638,500**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	19,799	19,485
Accrued salaries, wages, and withholdings	9,654	11,062
Accrued compensation benefit	11,666	11,055
Advances from third-party payors	12,822	14,511
Accrued interest payable	2,968	6,038
Current portion of long-term debt	5,364	6,863
Total current liabilities	**62,274**	**69,014**
Long-term debt, net of current portion	253,111	257,811
Accrued retirement benefits	6,112	6,542
Other long-term liabilities	9,211	9,617
Total liabilities	**330,708**	**342,984**
Net assets		
Unrestricted net assets	282,526	289,523
Temporarily restricted	5,208	4,964
Permanently restricted	1,029	1,029
Total net assets	**288,763**	**295,516**
Total liabilities and net assets	**619,470**	**638,500**

Exhibit I

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three month Period Ended March 31, 2019 and 2018 and
the Nine month Period Ended March 31, 2019 and 2018

($ in thousands)	**Three Months Ended March 31,**		**Nine Months Ended March 31,**	
	2019	**2018**	**2019**	**2018**
Unrestricted revenue, gains and other support				
Net patient service revenue	95,570	95,433	284,552	287,068
Other revenue	1,353	1,899	6,550	5,215
Net assets released from restrictions for operations	171	79	478	367
Total	**97,094**	**97,411**	**291,580**	**292,650**
Expenses				
Salaries and wages	40,687	36,726	119,413	107,824
Employee benefits	8,592	8,373	26,993	25,958
Professional fees	3,749	3,585	11,092	11,148
Supplies and other	37,179	37,679	119,047	115,465
Interest	2,865	2,981	8,594	8,848
Depreciation and amortization	6,412	5,149	18,506	15,685
Total	**99,484**	**94,493**	**303,645**	**284,928**
Operating (loss) income	**(2,390)**	**2,918**	**(12,065)**	**7,722**
Non-operating gains (losses), net				
Equity earnings in affiliates	1,738	657	3,051	4,468
Investment returns, net	10,488	69	2,144	9,998
Other, net	(41)	(29)	(97)	(319)
Income tax	(63)	(31)	(109)	(90)
Total	**12,122**	**666**	**4,989**	**14,057**
Excess (loss) of revenue over expenses attributable to Meritus	**9,732**	**3,584**	**(7,076)**	**21,779**

Exhibit J

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Nine month Period Ended March 31, 2019 and 2018

($ in thousands)	**Fiscal Year-to-Date**	
	Mar-19	**Mar-18**
Unrestricted net assets		
(Loss) excess of revenue over expenses	(7,076)	21,779
Other	79	457
(Decrease) Increase in unrestricted net assets	**(6,997)**	**22,236**
Temporarily Restricted Net Assets		
Contributions	722	816
Other		-
Net assets released from restrictions for operations	(478)	(367)
Increase in temporarily restricted net assets	**244**	**449**
(Decrease) Increase in net assets	**(6753)**	**22,685**
Net assets		
Beginning of year	295,516	275,959
End of year	**288,763**	**298,644**