CONTINUING DISCLOSURE REPORT

Meritus Medical Center Obligated Group
For the Fiscal Year Ended June 30, 2016

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

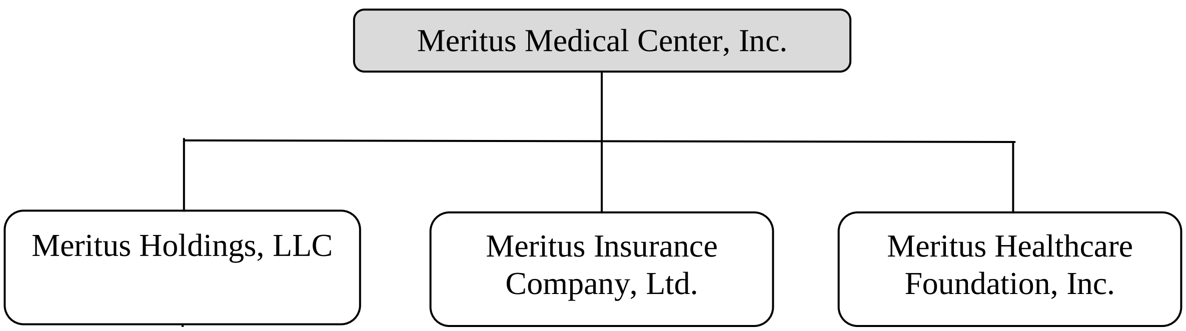
MATURITY	CUSIP NO.
2016	574218XD0
2017	574218XE8
2018	574218XF5
2019	574218XG3
2020	574218XH1
2021	574218XJ7
2022	574218XK4
2023	574218XL2
2024	574218XM0
2025	574218XN8
2026	574218XP3
2027	574218XQ1
2028	574218XR9
2029	574218XS7
2030	574218XT5
2031	574218XU2
2032	574218XV0
2033	574218XW8
2034	574218XX6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

Period to which Report Relates:

Fiscal Year Ended June 30, 2016

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 FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015, AND THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**.** 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 Health Inc. and the Obligated Group undertake 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 and 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.

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 is in the process of winding down by 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, DIS, and the Learning Center until such time as such the business affairs can be discontinued and/or merged with Holdings. In Addition, as of July 1, 2015, MMC replaced MEI as the manager of Holdings.

Trivergent Health Alliance

In 2014, MMC formed an alliance with Frederick Health 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 medical services organization whose role is to provide, on a cooperative basis to optimize operational efficiencies, certain services, consisting of billing and collections, data processing, personnel, clinical laboratory, pharmaceutical management, and materials management services. 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.

In furtherance of Trivergent's objectives, Trivergent Health Alliance Cooperative, Inc. ("Trivergent CSO") was incorporated in May of 2015 as a non-stock charitable cooperative hospital service organization whose initial members are Meritus Health, Frederick Health and Western Maryland Health System. Trivergent CSO was formed to provide, on a cooperative basis to its three members, services allowed to be performed by cooperative hospital service organizations under Section 501(e) of the Code. Organizations described in Section 501(e) of the Code are treated by the IRS as 501(c) (3) organizations; Trivergent CSO intends to file an application for exempt status under Section50l(c) (3) and 501(e) of the Code. The services to be provided by Trivergent CSO are expected to consist of general purchasing services and pharmaceutical purchasing services.

Maryland Health Services Cost Review Commission and Medicare Waiver

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

Effective January 1, 2014, the State of Maryland and the Centers for Medicare and Medicaid Services (“CMS”) entered into a new agreement for Medicare reimbursements under Maryland’s all payor rate-setting system.

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

MMC is in its second three-year TPR agreement with the HSCRC. Under MMC's second three-year TPR agreement, the base year, which will be the basis for future rate orders, is the period from July 1, 2012 through June 30, 2013. 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 TPR agreement. MMC's original approved revenue under the TPR agreement is $322,062,641 for fiscal year 2016. MMC's original approved revenue under the TPR agreement was $309,246,715 for fiscal year 2015, but was subsequently renegotiated and adjusted to $313,184,783.

Medicare Accountable Care Organization ("ACO")

MMC has been approved to participate in the Medicare Shared Savings Plan ("MSSP") through its ownership in TriState Health Partners. The ACO is effective January 1, 2014 with approximately 16,500 attributed beneficiaries as of the end of third quarter of fiscal year 2016. TPR is aligned with both the new Medicare waiver and the ACO strategy.

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 month period ending June 30, 2016 and 2015, and the fiscal year ended June 30, 2016 and 2015 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 June 30, 2016 which were derived by management from unaudited financial statements and June 30, 2015 which were derived by management from audited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which MMC considers necessary for a fair presentation of the results of operations for these periods. The Summary Unaudited Statement of Operations and Unaudited Balance Sheets should be read in conjunction with the Consolidated Financial Statements of the Consolidated Group for the three months ended June 30, 2016 and the fiscal year ended June 30, 2016.

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

The Obligated Group had an operating income of $16,506 (representing 5.23% of total revenue) for the fiscal year ended June 30, 2016 as compared to an operating income of $14,426 (representing 4.61% of total revenue) for the same period in 2015.

($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Unrestricted revenue, gains and other support				
Net patient service revenue	76,546	76,615	305,096	299,285
Other revenue	2,544	4,306	10,237	13,556
Net assets released from restrictions for operations	89	153	303	420
Total	79,179	81,074	315,636	313,261
Expenses				
Salaries and wages	24,821	23,280	97,274	91,903
Employee benefits	6,094	7,068	26,860	29,696
Professional fees	3,312	2,777	12,354	11,605
Supplies and other expenses	34,056	35,731	131,068	130,508
Interest expense	3,231	3,634	12,288	14,735
Depreciation and amortization	4,405	5,264	19,286	20,388
Total	75,920	77,754	299,130	298,835
Operating income	3,259	3,320	16,506	14,426
Non-operating gains, net				
Equity earnings in affiliates	(904)	702	(3,248)	1,834
Investment returns, net	946	(999)	(954)	2,204
Other, net	(15)	(45)	(33,231)	(135)
Total	27	(342)	(37,433)	3,903
Excess (deficit) of revenue over expenses	**3,286**	**2,978**	**(20,927)**	**18,329**

Net patient service revenue of the Obligated Group for the fiscal year ended June 30, 2016 has increased 1.9% over net patient service revenue for the same period in 2015 resulting from:

1) MMC total regulated rate increase was approximately 2.83% effective July 1, 2015 as announced by the HSCRC primarily the result of the following:
    a. 2.40% inflation inpatient
    b. (0.13%) shared savings adjustment
    c. 0.35% population adjustment
2) JRM Cancer Center – Visits increase of 2.7% over last year for the same period;

Total revenue of the Obligated Group for the fiscal year ended June 30, 2016 was $315,636, an increase of $2,375 (0.8%) over the same period in 2015.

Total expenses for the fiscal year ended June 30, 2016 were $299,130 which increased by $295 (0.1%) as compared to 2015.

Salaries and wages are 31.9% of net patient service revenue as compared to 30.7% for same period in 2015.

The actual cost increased $5,371 (5.8%) for the fiscal year ended June 30, 2016 compared to the same period in 2015 and is due to:

1) Increases related to the merit program which was approximately 2.6% overall
2) Additional staffing to implement outpatient care management program and support the transfer of surgical cases from Robinwood Surgery Center to the hospital

Employee Benefits for the fiscal year decreased $2,836 (-9.5%) as compared to the same period in 2015 as a result of:

1) Lower health insurance claims experience than prior year

Professional fees for the fiscal year ended June 30, 2016 increased $749 (6.4%) as compared to the same period in 2015 primarily as a result of an increase in hospitalist coverage to manage hospital patient services.

Supplies and Other expenses for the fiscal year ended June 30, 2016 increased by $560 or 0.4% and are 43.0% and 43.6% of net patient service revenue for the fiscal year ended June 30, 2016 and 2015, respectively. This increase is attributed to:

1) Drugs and pharmaceuticals for June 30, 2016 increased 11.1% primarily due to a 13.7% increase in medical oncology procedures at JRM Cancer Center.

Non-operating gain was $27 for the three months ended June 30, 2016, as compared to loss of ($342) in 2015. Investment market variations resulting in $3,167 increase in unrealized gains on investments for the comparing quarters. A decline in financial performance of Meritus Holdings resulted in a $1,606 decrease in equity earnings in affiliates for the comparing quarters.

Non-operating loss was ($37,433) for the fiscal year ended June 30, 2016, as compared to gain of $3,903 in 2015. This is primarily attributable to the loss on extinguishment of debt related to the bond refinance of ($33,115), which is a non-cash loss. Investment market variations resulting in ($3,223) decrease in unrealized gains on investments for the comparing twelve month periods. A decline in financial performance of Maryland Physician’s Care and Meritus Holdings resulted in a ($5,082) decrease in equity earnings in affiliates comparing twelve month periods.

Non-Operating Gains (Losses), net - Obligated Group				
($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Equity earnings in Affiliates	(904)	702	(3,248)	1,834
Investment income	(102)	562	3,494	2,308
Realized gains (losses)	285	843	763	1,884
Unrealized gains (losses)	763	(2,404)	(5,211)	(1,988)
Other, net	(15)	(45)	(33,232)	(135)
Total	27	(342)	(37,434)	3,903

Deficit of revenue over expenses was ($20,927) for the fiscal year ended June 30, 2016 compared to excess of revenue over expenses of $18,329 for the same period in 2015. The change from year to year is due to the decline in non-operating investment performance and a loss on the extinguishment of debt.

Liquidity for the Obligated Group improved as unrestricted day’s cash on hand increased from 232.5 days as of June 30, 2015 to 252.3 days as of June 30, 2016 related to cash provided by operations and improvement in collection activities which exceeds the Series 2008 debt covenant of 70 days and the Series 2015 debt covenant of 50 days. Total day’s cash on hand, including restricted cash, increased from 236.6 days as of June 30, 2015 to 252.3 days as of June 30, 2016 and are 284.3 days including the debt service reserve fund.

Debt service coverage for the Obligated Group including the debt related Series 2015 bonds was 2.6 as of June 30, 2016 which exceeds the 1.15 as required in the Series 2008 debt covenant and the 1.10 as required in the Series 2015 debt covenant.

Debt to capitalization for the Obligated Group increased to 54.4% at June 30, 2016 from 50.4% at June 30, 2015. The increase was due to the refinancing of Series 2008 Bonds and the issuance of additional $20 million of new debt in Series 2015 Bonds.

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 fiscal year ended June 30, 2016 increased by $3,781 (1.1%) over net patient service revenue for the fiscal year ended June 30, 2015. Total revenue of the Consolidated Group for the fiscal year ended June 30, 2016 was $368,794 representing an increase of $1,188 (0.3%) above the fiscal year ended June 30, 2015. The increase in both net patient revenue and total revenue is primarily related to increase in approved charges by the Health Services Cost Review Commission of the State of Maryland effective July 1, 2015. Total expenses for the fiscal year ended June 30, 2016 were $355,635 representing a decrease of $1,589 (0.4%) from the fiscal year ended June 30, 2015. The Consolidated Group had an operating margin of $13,159 representing 3.6% of total revenue for the fiscal year ended June 30, 2016 as compared to an operating income of $10,382 representing 2.8% of total revenue for the fiscal year ended June 30, 2015.

Income from Operations – Consolidated				
($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Total revenue	92,185	95,582	368,794	367,606
Total expense	90,300	92,786	355,635	357,224
Operating income	**1,885**	**2,796**	**13,159**	**10,382**

Non-operating losses for the fiscal year ended June 30, 2016 were ($33,232) compared to gains of $5,690 for the fiscal year ended June 30, 2015 attributable to the loss on extinguishment of debt related to the bond refinance of ($33,115).

Non-Operating Gains (Losses), net – Consolidated				
($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Equity Earnings in Affiliates	662	452	1,024	4,603
Investment income	163	670	4,066	2,525
Realized gains (losses)	291	919	786	1,975
Unrealized gains (losses)	1,053	(2,634)	(5,501)	(1,505)
Other, net	(125)	(946)	(33,607)	(1,908)
Total	**2,045**	**(1,540)**	**(33,232)**	**5,690**

Included within the Consolidated Group, is a wholly owned insurance captive that provides primary limits of insurance of $1 million per occurrence/$3 million aggregate for professional and general liability. The professional liability coverage is provided on a claims-made basis. In addition, the insurance captive purchased reinsurance from an "A" rated re-insurer, as rated by AM Best, in the amount of $25 million to cover any potential liabilities above the $1 million/$3 million primary limits. The reserves, including retrospective premium credits, were $8.6 million and $8.8 million as of June 30, 2016 and 2015, respectively.

Attached hereto as **Exhibit D**, is a comparison of the unaudited financial performance of the Consolidated Group to the Obligated Group for fiscal year ended June 30, 2016 and 2015 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 June 30, 2016.

The Consolidated Group has retained various professional investment managers to oversee 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 June 30, 2016, was within a two percent (2%) range of respective target allocation. In addition, the Consolidated Group retains a consultant to provide recommendations on investment manager performance and selection of new managers. 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 three month period ended June 30, 2016 and 2015, and fiscal year ended June 30, 2016 and 2015. Meritus Medical Center admissions decreased by (-5.4%) to 17,956 admissions for the fiscal year ended June 30, 2016, and outpatient visits increased by 6,015 (3.1%) to 199,709 visits for the fiscal year ended June 30, 2016.

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 month period ended and fiscal year ended June 30, 2016 and 2015.

Additional Information

Attached hereto as **Exhibit H**, is the Consolidated Group unaudited balance sheets as of June 30, 2016 and June 30, 2015.

Attached hereto as **Exhibit I** is the Consolidated Group unaudited statements of operations for the three month period ended June 30, 2016 and June 30, 2015, and the fiscal year ended June 30, 2016 and March 31, 2015.

Attached hereto as **Exhibit J**, is the Consolidated Group unaudited changes in net assets for the fiscal year ended June 30, 2016 and June 30, 2015.

Date: September 28, 2016 MERITUS MEDICAL CENTER

By:______________________________
Joseph P. Ross, 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 Insurance Company, LTD (“MICL”)

Exhibit B

Meritus Medical Center Obligated Group
SUMMARY UNAUDITED STATEMENT OF OPERATIONS
For the Three months Period Ended June 30, 2016 and 2015 and the Fiscal Year Ended June 30, 2016 and 2015

($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Unrestricted revenue, gains and other support				
Net patient service revenue	76,546	76,615	305,096	299,285
Other revenue	2,544	4,306	10,237	13,556
Net assets released from restrictions for operations	89	153	303	420
Total	79,179	81,074	315,636	313,261
Salaries and wages	24,821	23,280	97,274	91,903
Employee benefits	6,094	7,068	26,860	29,696
Professional fees	3,312	2,777	12,354	11,605
Supplies and other expenses	34,056	35,731	131,068	130,508
Interest expense	3,231	3,634	12,288	14,735
Depreciation and amortization	4,405	5,264	19,286	20,388
Total	75,920	77,754	299,130	298,835
Operating income	3,259	3,320	16,506	14,426
Non-operating gains (loses), net				
Equity earnings in affiliates	(904)	702	(3,248)	1,834
Investment returns, net	946	(999)	(954)	2,204
Other, net	(15)	(45)	(33,231)	(135)
Total	27	(342)	(37,433)	3,903
Excess (deficiency) of revenue over expenses	**3,286**	**2,978**	**(20,927)**	**18,329**

Exhibit C

Meritus Medical Center
UNAUDITED OBLIGATED GROUP BALANCE SHEET

($ in thousands)	06/30/2016	06/30/2015
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	28,099	16,507
Restricted cash	0	3,023
Short-term investments	23,441	28,425
Current portion of assets whose use is limited	10,172	9,386
Accounts receivable, net	46,403	50,721
Supplies	6,165	6,283
Prepaid and other current assets	10,318	9,715
Total current assets	**124,598**	**124,060**
Equity investments in affiliates	**43,272**	**45,673**
Assets whose use is limited	**157,833**	**149,065**
Property, plant and equipment, net	232,672	237,168
Pledges receivable, net	0	0
Other assets	6,327	6,278
Total other assets	**238,999**	**243,446**
Total assets	**564,702**	**562,244**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	9,794	13,530
Accrued salaries, wages, and withholdings	7,862	7,947
Accrued compensation benefit	8,075	7,310
Advances from third-party payors	14,061	8,323
Accrued interest payable	6,241	7,191
Current portion of long-term debt	6,239	5,999
Total current liabilities	**52,272**	**50,300**
Long-term debt, net of current portion	271,039	249,859
Accrued retirement benefits	1,461	1,326
Other long-term liabilities	0	0
Total liabilities	**324,772**	**301,485**
Net assets		
Unrestricted		
Meritus	232,803	253,721
Non-controlling interest	0	0
Total unrestricted net assets	232,751	253,721
Temporarily restricted	6,098	6,009
Permanently restricted	1,029	1,029
Total net assets	**239,930**	**260,759**
Total liabilities and net assets	**564,702**	**564,244**

Exhibit D

Meritus Medical Center
SUMMARY UNAUDITED FINANCIAL INFORMATION
As of the Fiscal Year Ended June 30, 2016 and 2015

($ in thousands)	**Consolidated Group Fiscal Year Ended**		**Obligated Group Fiscal Year Ended**	
	2016	**2015**	**2016**	**2015**
Income Statement				
Net patient service revenue	357,672	353,891	305,096	299,285
Total revenue	368,794	367,581	315,636	313,261
Total expense	355,635	357,606	299,130	298,835
Operating income before other items	13,159	10,382	16,506	14,426
Non-operating gains (losses)	(33,232)	5,690	(37,433)	3.903
Income tax expense (benefit)	1,223	(2,192)	0	0
Excess (deficiency) of revenue over expenses	(21,296)	18,264	(20,927)	18,329
Interest expense	12,295	14,748	12,288	14,735
Depreciation and amortization	20,448	21,746	19,286	20,388
Debt Services				
Excess available for debt service (EBITDA)	12,670	52,566	10,647	53,452
Balance Sheet				
Unrestricted cash and investments	205,875	187,249	192,465	173,125
Total assets	586,044	582,107	564,702	562,244
Current portion of long-term debt	6,281	6.066	6,239	5,999
Long-term debt	271,281	250,142	271,039	249,859
Unrestricted net assets	235,799	257,333	232,751	253,721
Profitability				
Operating margin	3.6%	2.8%	5.2%	4.6%
Excess (deficit) margin	(6.3%)	4.9%	(7.5%)	5.6%
Excess margin (excl. unrealized gains/losses & loss on extinguishment of debt)	4.6%	5.3%	5.5%	6.4%
Liquidity				
Days cash on hand unrestricted	224.0	203.0	252.3	232.5
Days cash on hand including restricted cash	224.0	206.2	252.3	236.6
Leverage				
Debt service coverage	2.7	2.9	2.6	3.0
Debt to capitalization	53.3%	49.3%	54.4%	50.4%

Bond Covenants		
	Obligated Group	**Required**
Rate covenant: debt service coverage ratio	**2.6**	1.10
Liquidity covenant: days cash on hand	**252.3**	50

Meritus Medical Center Obligated Group
INVESTMENTS AND LIQUIDITY
As of and for the Fiscal Year Ended June 30, 2016 and 2015

	Balance as of 06/30/16					
	($ in thousands)	**Cash**	**Fixed Income Bonds**	**REIT**	**Other Assets**	**Equities**
Cash and cash equivalents	28,099	100%	N/A	N/A	N/A	N/A
Short-term investments	31,817	29%	71%	N/A	N/A	N/A
Board-designated funds	132,549	N/A	32%	6%	N/A	62%
Unrestricted Cash and Investments	**192,465**					
Supplemental retirement benefit investment	1,461	N/A	59%	N/A	15%	26%
Temporary and Permanently Restricted Donor Funds	1,172	100%	N/A	N/A	N/A	N/A
Trusteed Assets	24,446	20%	80%	N/A	N/A	N/A
Restricted Funds	**27,079**					

($ in thousands)	**Fiscal Year Ended**	
	2016	**2015**
Cash and cash equivalents	28,099	16,507
Short-term investments & long-term investments	31,817	28,425
Board-designated funds	132,549	128,193
Unrestricted cash and investments	192,465	173,125
Operating expenses	299,130	298,835
Less: Depreciation and amortization	19,286	20,388
Adjusted operating expenses	279,844	278,447
Days in period	366	365
Daily Cash Expenses	764.60	762.87
Days Cash on Hand *	251.7	226,9
*equals unrestricted cash and investments divided by daily cash expenses rounded to the nearest day		

Exhibit F

Meritus Medical Center Obligated Group
UNAUDITED HOSPITAL UTILIZATION STATISTICS
For the Three month Period Ended June 30, 2016 and 2015 and the Fiscal Year Ended June 30, 2016 and 2015

	Three Months Ended June 30,		Fiscal Year Ended June 30,	
	2016	**2015**	**2016**	**2015**
Meritus Medical Center – Hospital Utilization				
Licensed Beds (excludes nursery)	243	251	243	251
Adult Admissions (includes Peds)	3,894	3,780	16,060	17,029
Adult Patient Days (includes Peds)	16,114	15,452	64,013	63,208
Adult Average Length of Stay	4.14	4.09	3.99	3.71
Adult Average Daily Census	177.08	169.80	175.38	173.17
Adult Percentage of Occupancy	63.7%	61.1%	63.1%	62.3%
Equivalent Inpatient Admissions	7,349	8,080	29,780	29,836
Emergency Department Visits	18,614	18,622	73,756	74,072
Observation Cases	1,424	1,413	5,499	5,106
Outpatient Visits	51,340	50,149	199,709	193,694
Newborn Admissions	480	521	1,896	1,957
Newborn Patient Days	1,540	1,518	5,737	6,026
Newborn Average Length of Stay	3.21	2.91	3.03	3.08
Meritus Medical Center - Licensed Bed Capacity				
Licensed Categories				
Medical/Surgical	152	145	152	145
Critical Care	15	24	15	24
Intermediate Care	19	24	19	24
Subtotal	**186**	**193**	**186**	**193**
Pediatrics	4	5	4	5
Obstetrics	17	17	17	17
Psychiatric	16	16	16	16
Total Acute Care	**223**	**231**	**223**	**231**
Medical Rehabilitation	20	20	20	20
Total Beds	**243**	**251**	**243**	**251**
Nursery Bassinets	**41**	**41**	**41**	**41**

Meritus Medical Center Obligated Group
UNAUDITED THIRD PARTY PAYER INFORMATION
For the Three month Period Ended June 30, 2016 and 2015 and
the Fiscal Year Ended June 30, 2016 and 2015

	Three Months Ended June 30,		Fiscal Year Ended June 30,	
	2016	2015	2016	2015
Meritus Health (As a % of Gross Revenue)				
Medicare	46.3%	41.9%	43.0%	42.4%
Medicare MCO	5.2%	4.9%	5.1%	4.4%
Medicaid	3.3%	4.9%	3.3%	3.8%
Medicaid MCO	17.8%	15.0%	15.2%	14.2%
Blue Cross	2.5%	8.6%	9.6%	12.2%
Commercial	17.0%	16.0%	15.8%	15.3%
HMO	4.9%	5.4%	4.9%	4.6%
Workers Comp	0.6%	0.7%	0.6%	0.8%
Self Pay	2.4%	2.6%	2.5%	2.3%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Exhibit H

Meritus Medical Center
UNAUDITED CONSOLIDATED BALANCE SHEET

($ in thousands)		
	06/30/2016	**06/30/2015**
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	34,943	24,035
Restricted cash	0	3,023
Short-term investments	23,441	28,425
Current portion of assets whose use is limited	11,122	10,336
Accounts receivable, net	44,378	49,512
Supplies	6,900	7,051
Prepaid and other current assets	6,194	7,653
Total current assets	**126,978**	**130,035**
Equity investments in affiliates	**29,851**	**28,304**
Assets whose use is limited	**180,651**	**171,669**
Property, plant, and equipment, net	242,685	246,577
Pledges receivable, net	561	839
Other assets	5,318	4,683
Total other assets	**248,564**	**252,099**
Total assets	**586,044**	**582,107**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	12,315	16,771
Accrued salaries, wages, and withholdings	9,316	9,014
Accrued compensation benefit	10,192	9,935
Advances from third-party payors	14,238	8,485
Accrued interest payable	6,241	7,191
Current portion of long-term debt	6,281	6,066
Total current liabilities	**58,583**	**57,462**
Long-term debt, net of current portion	271,281	250,142
Accrued retirement benefits	4,973	5,047
Other long-term liabilities	7,527	6,204
Total liabilities	**342,364**	**318,855**
Net assets		
Unrestricted		
Meritus	235,799	257,401
Non-controlling interest	0	(68)
Total unrestricted net assets	235,799	257,333
Temporarily restricted	6,852	4,890
Permanently restricted	1,029	1,029
Total net assets	**243,680**	**263,252**
Total liabilities and net assets	**586,044**	**582,107**

Exhibit I

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three month Period Ended June 30, 2016 and 2015 and
the Fiscal Year Ended June 30, 2016 and 2015

($ in thousands)	**Three Months Ended June 30,**		**Fiscal Year Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Unrestricted revenue, gains and other support				
Net patient service revenue	89,528	88,977	357,672	353,891
Other revenue	2,432	5,125	10,626	11,907
Net assets released from restrictions for operations	225	1,480	496	1,808
Total	**92,185**	**95,582**	**368,794**	**367,606**
Expenses				
Salaries and wages	31,826	30,294	125,392	120,503
Employee benefits	8,071	8,297	32,184	34,838
Professional fees	3,312	2,777	12,354	11,605
Supplies and other	39,149	42,061	152,962	153,784
Interest	3,233	3,637	12,295	14,748
Depreciation and amortization	4,709	5,720	20,448	21,746
Total	**90,300**	**92,786**	**355,635**	**357,224**
Operating income	**1,885**	**2,796**	**13,159**	**10,382**
Non-operating gains (losses), net				
Equity earnings in affiliates	662	452	1,024	4,603
Investment returns, net	1,506	(1,044)	(647)	2,995
Other, net	(124)	(947)	(33,609)	(1,908)
Income tax (expense) benefit	(671)	2,192	(1,223)	2,192
Total	**1,373**	**653**	**(34,455)**	**7,882**
Excess of revenue (deficit) over expenses attributable to Meritus	**3,258**	**3,380**	**(21,296)**	**18,264**

Exhibit J

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2016 and 2015

($ in thousands)	Fiscal Year Ended	
	Jun-16	**Jun-15**
Unrestricted net assets		
(Deficiency) excess of revenue over expenses	(21,296)	18,264
Other		(3,091)
Net assets released from restriction for PPE		1,150
Transfer of net assets	(238)	0
(Decrease) increase in unrestricted net assets	**(21,534)**	**16,323**
Temporarily Restricted Net Assets		
Contributions	878	902
Other	1,342	1,853
Transfer from unrestricted net assets	238	
Net assets realized from restriction for PPE		(1,150)
Net assets released from restrictions for operations	(496)	(1,808)
Increase (decrease) in temporarily restricted net assets	**1,962**	**(203)**
(Decrease) increase in net assets	**(19,572)**	**16,148**
Net assets		
Beginning of year	263,252	247,132
End of year	**243,680**	**263,252**