OFFICIAL STATEMENT DATED JANUARY 22, 2025

NEW ISSUE -- BOOK-ENTRY ONLY

RATINGS: S&P: A
Moody's: A2
See "RATINGS" herein.

In the opinion of Bond Counsel to the Authority, under existing statutes, regulations and decisions, assuming compliance with certain covenants described herein, interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes and is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment; however, interest on the Series 2025 Bonds will be part of the adjusted financial statement income in computing the alternative minimum tax on applicable corporations. Additionally, interest on the Series 2025 Bonds will be subject to the branch profits tax imposed on certain foreign corporations engaged in a trade or business in the United States of America. By the terms of the Act, the interest on the Series 2025 Bonds, their transfer and any income derived from the Series 2025 Bonds, including profits made in their sale or transfer, are forever exempt from all Maryland state and local taxes; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2025 Bonds, their transfer or the income therefrom. See "TAX MATTERS."

UNIVERSITY of MARYLAND MEDICAL SYSTEM

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

$234,725,000
Revenue Bonds
University of Maryland
Medical System Issue,
Series 2025A
(Fixed Rate)

$72,630,000
Revenue Bonds
University of Maryland
Medical System Issue,
Series 2025B
(Long-Term Rate)

Dated: Date of initial delivery

Due: July 1 of the years as shown on the inside cover page

All of the Series 2025 Bonds will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), acts as securities depository. Purchases of the Series 2025 Bonds will be in book-entry form only. So long as the Series 2025 Bonds shall be maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2025 Bonds will be made when due by Manufacturers and Traders Trust Company, as trustee, to DTC in accordance with the Indenture and the Resolution, and Manufacturers and Traders Trust Company, as trustee, will have no obligation to make any payments to any beneficial owner of any Series 2025 Bonds. See "BOOK-ENTRY ONLY SYSTEM." The Series 2025 Bonds are issuable only as fully registered bonds in denominations of $5,000 and any integral multiple thereof.

The Series 2025A Bonds will be issued in the Fixed Rate Mode and will bear interest from the date of their initial delivery at the Fixed Rates shown on the inside cover page, but the Authority may change the Interest Rate Mode applicable to all or any of the Series 2025A Bonds from time to time as described herein. Interest on the Series 2025A Bonds from the date of their delivery is payable on July 1, 2025, and semiannually thereafter on each January 1 and July 1.

The Series 2025B Bonds will be issued in the Long-Term Mode and will bear interest from the date of their initial delivery at the Long-Term Rates shown on the inside cover page, but the Authority may change the Interest Rate Mode applicable to all or any of the Series 2025B Bonds from time to time as described herein. When the Series 2025B Bonds are in the Long-Term Mode, interest from the date of their delivery is payable on July 1, 2025, and semiannually thereafter on each January 1 and July 1. The Series 2025B Bonds will be subject to mandatory tender on the first day following the last day of each Long-Term Interest Rate Period applicable to the Series 2025B Bonds. The Series 2025B Bonds are not supported by a liquidity facility. The Obligated Group is unconditionally obligated to pay the Purchase Price of the Series 2025B Bonds on each Long-Term Rate Mandatory Purchase Date applicable to such Series 2025B Bonds.

The Series 2025 Bonds constitute special obligations of the Authority payable solely from payments by University of Maryland Medical System Corporation and certain of its affiliates (collectively, the "Obligated Group Members") to the Authority or Manufacturers and Traders Trust Company, as trustee, pursuant to the Loan Agreement and the Multimodal Bond Loan Agreement. The performance by the Obligated Group Members of their obligations under the Loan Agreement and the Multimodal Bond Loan Agreement is secured by a pledge of the Receipts of the Obligated Group Members. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS." The Series 2025 Bonds are secured equally and ratably by the Resolution and the Loan Agreement with certain other outstanding Indebtedness. See "OTHER PARITY DEBT – Outstanding Parity Debt."

None of the State of Maryland, any political subdivision thereof or the Authority shall be obligated to pay the Series 2025 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Authority is pledged to the payment of the principal of or the interest on the Series 2025 Bonds. The issuance of the Series 2025 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Authority to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

The Series 2025 Bonds are subject to redemption prior to maturity as described herein.

Maturities, Principal Amounts, Interest Rates, Prices and Yields are set forth on the inside cover page

The Series 2025 Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel to the Authority, the approval of certain legal matters by the Senior Vice President and General Counsel of the University of Maryland Medical System Corporation, Gallagher Evelius & Jones LLP, counsel to the Obligated Group Members, and McGuireWoods LLP, counsel to the Underwriters, and to certain other conditions. It is expected that the Series 2025 Bonds will be available for delivery on or about February 12, 2025.

Morgan Stanley
Loop Capital Markets

RBC Capital Markets
Siebert Williams Shank & Co., LLC

SERIES 2025A BONDS
(FIXED RATE)

Due (July 1)	Amount	Interest Rate	Yield	Price	CUSIP
2025	$5,540,000	5.00%	2.960%	100.772	57421CHA5
2026	3,595,000	5.00	3.020	102.664	57421CHB3
2027	4,025,000	5.00	3.040	104.475	57421CHC1
2028	3,720,000	5.00	3.130	105.960	57421CHD9
2029	4,175,000	5.00	3.190	107.350	57421CHE7
2030	4,645,000	5.00	3.230	108.682	57421CHF4
2031	8,630,000	5.00	3.270	109.894	57421CHG2
2032	9,580,000	5.00	3.320	110.920	57421CHH0
2033	7,085,000	5.00	3.400	111.585	57421CHJ6
2034	7,790,000	5.00	3.470	112.163	57421CHK3
2035	2,440,000	5.00	3.580	112.222	57421CHL1
2036	2,640,000	5.00	3.630	111.762*	57421CHM9
2037	2,855,000	5.00	3.680	111.304*	57421CHN7
2038	3,085,000	5.00	3.730	110.849*	57421CHP2
2039	3,330,000	5.00	3.790	110.305*	57421CHQ0
2040	3,585,000	5.00	3.850	109.764*	57421CHR8
2041	3,860,000	5.00	3.970	108.692*	57421CHS6
2042	4,145,000	5.00	4.050	107.985*	57421CHT4

$150,000,000 5.25% Term Bonds due July 1, 2052 Yield 4.370% Price 107.279* CUSIP: 57421CHU1

* Priced to the first optional redemption date of July 1, 2035.

SERIES 2025B BONDS
(LONG-TERM RATE)

Maturity Date (July 1)	Principal Amount	Last Day of Initial Long-Term Interest Rate Period	Initial Long-Term Rate Mandatory Purchase Date	Initial Interest Rate	Price	Initial Yield	CUSIP
2045	$72,630,000	June 30, 2031	July 1, 2031	5.00%	109.291**	3.370%	57421CHV9

** Priced to the initial Long-Term Rate Mandatory Purchase Date.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2025 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by Maryland Health and Higher Educational Facilities Authority (the "Authority"), the Obligated Group Members (defined herein) or the Underwriters to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2025 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Obligated Group Members and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2025 Bonds.

The Authority has either provided or reviewed the information under the headings "THE AUTHORITY," "STATE NOT LIABLE ON SERIES 2025 BONDS" and "CORPORATE EXISTENCE OF THE AUTHORITY" as it relates to the Authority and will not be responsible for any other statements or information in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CUSIP numbers on the inside cover page of this Official Statement are subject to a copyright by the American Bankers Association ("ABA"). CUSIP numbers herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc. The CUSIP numbers listed on the inside cover page of this Official Statement are being provided solely for convenience of the holders of the Series 2025 Bonds only at the time of issuance of the Series 2025 Bonds, and none of the Authority, the Underwriters or the Obligated Group Members takes any responsibility for the accuracy thereof now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Series 2025 Bonds in certain circumstances. Such CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Global Services.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2025 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Obligated Group Members since the date hereof.

TABLE OF CONTENTS

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MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

401 E. PRATT STREET
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BALTIMORE, MARYLAND 21202
410-837-6220
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OFFICIAL STATEMENT

relating to

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

$234,725,000	**$72,630,000**
Revenue Bonds	**Revenue Bonds**
University of Maryland	**University of Maryland**
Medical System Issue,	**Medical System Issue,**
Series 2025A	**Series 2025B**
(Fixed Rate)	**(Long-Term Rate)**

INTRODUCTORY STATEMENT

This Official Statement, the inside cover page (exclusive of prices and yields) and appendices set forth certain information for use in connection with the sale by Maryland Health and Higher Educational Facilities Authority (the "Authority") of its (a) $234,725,000 Revenue Bonds, University of Maryland Medical System Issue, Series 2025A (the "Series 2025A Bonds") and (b) $72,630,000 Revenue Bonds, University of Maryland Medical System Issue, Series 2025B (the "Series 2025B Bonds"). The Series 2025A Bonds and the Series 2025B Bonds are collectively referred to herein as the "Series 2025 Bonds." The Series 2025 Bonds are issued pursuant to (i) the Maryland Health and Higher Educational Facilities Authority Act, consisting of Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland (the "Act"), (ii) certain proceedings of the Authority and (iii) the Indenture of Trust between the Authority and Manufacturers and Traders Trust Company, as trustee (the "Indenture"). Manufacturers and Traders Trust Company has been appointed trustee and registrar (the "Trustee") under the Amended and Restated University of Maryland Medical System Bond Resolution adopted by the Authority, as supplemented and amended (the "Resolution") and under the Indenture (the "Indenture Trustee"). For the definitions of certain words and terms used in this Official Statement, see "DEFINITIONS OF CERTAIN TERMS REGARDING RESOLUTION AND LOAN AGREEMENT" and "DEFINITIONS OF CERTAIN TERMS REGARDING INDENTURE AND MULTIMODAL BOND LOAN AGREEMENT" in Appendix D.

The Series 2025 Bonds are issued at the request of University of Maryland Medical System Corporation (the "Institution" or "UMMS"), a private, nonprofit Maryland corporation formed in 1984 to provide health care services to the residents of Maryland. The Institution and its subsidiaries (collectively, the "System Affiliates") own and operate a multi-hospital regional health care delivery system (the "University of Maryland Medical System" or the "Medical System") offering a full range of health services, including primary, secondary, tertiary and quaternary care, as well as rehabilitation, chronic care, sub-acute care and skilled nursing care, and operating a total of 2,431 licensed acute and non-acute care beds. The flagship hospital of the Medical System is UMMC (defined hereinafter), an 817 licensed-bed academic medical center located in downtown Baltimore, Maryland.

The Authority will lend the proceeds of the Series 2025 Bonds under the Loan Agreement between the Authority and the Institution (the "Multimodal Bond Loan Agreement"). The Obligated Group Members consist of the Institution, Baltimore Washington Medical Center, Inc., Chester River Hospital Center, Inc., Civista Medical Center, Inc., Dimensions Health Corporation, Maryland General Hospital, Inc., Shore Health System, Inc., The James Lawrence Kernan Hospital, Inc., University of Maryland Medical Center, LLC ("UMMC"), University of Maryland Medical System Foundation, Inc. (the "Foundation"), University of Maryland St. Joseph Medical Center, LLC and Upper Chesapeake Medical Center, Inc.

Information concerning the Obligated Group Members is included in Appendix A. Appendix B sets forth recent audited financial statements of the Institution and its subsidiaries audited by Ernst & Young LLP, as stated in their report. Such financial statements and the information in Appendix A and Appendix B include affiliates of the Institution that are *not* Obligated Group Members.

The proceeds of the Series 2025 Bonds will be used to (a) construct the Shore Regional Medical Center in Easton, Maryland (the "Shore Regional Medical Center Project") and the Center for Advanced Medicine at UMMC in downtown Baltimore, Maryland (the "Center for Advanced Medicine Project," and, together with the Shore Regional Medical Center Project, the "2025 Project"); (b) redeem the Authority's outstanding Revenue Bonds, University of Maryland Medical System Issue, Series 2020B-1 (the "Series 2020B-1 Bonds") and Series 2021B (the "Series 2021B Bonds"); and (c) pay certain expenses related to the issuance of the Series 2025 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS," "PLAN OF FINANCING" and the "THE 2025 PROJECT." The Series 2020B-1 Bonds and the Series 2021B Bonds are collectively referred to herein as the "Refunded Bonds."

In February 2025, the Authority intends to issue its Revenue Bonds, University of Maryland Medical System Issue, Series 2025C-1 and Series 2025C-2 (the "Series 2025C Bonds") in an approximate aggregate principal amount of $150,000,000 and lend the proceeds thereof to the Institution. The Series 2025C Bonds are expected to be variable rate demand bonds the payment of principal and purchase price of and interest on which will be supported by irrevocable direct pay letters of credit. The proceeds of the Series 2025C Bonds will be used to finance a portion of the 2025 Project. The Series 2025C Bonds are not being offered pursuant to this Official Statement.

The Series 2025 Bonds and the Series 2025C Bonds will constitute Parity Obligations under the Amended and Restated Master Loan Agreement among the Authority, the Institution and the other Obligated Group Members (together the "Obligated Group"), as supplemented and amended (the "Loan Agreement") and the Resolution. The Series 2025 Bonds and the Series 2025C Bonds will be secured equally and ratably on parity with outstanding Bonds and Parity Obligations, to the extent provided in the Resolution. See "OTHER PARITY DEBT – Outstanding Parity Debt."

All non-governmental Maryland hospitals, including all of the Obligated Group Members other than UMMC and the Foundation, charge for hospital services at rates approved by the Maryland Health Services Cost Review Commission (the "HSCRC" or the "Rate Commission"). The ability of the Obligated Group Members to meet the debt service requirements of the Series 2025 Bonds depends, in part, on the Medical System hospitals' ability to charge rates for their services commensurate with the related costs to provide these services. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission."

Certain risk factors that should be considered by prospective investors in the Series 2025 Bonds are set forth under "CERTAIN BONDHOLDERS' RISKS."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

	Series 2025 Bonds	Series 2025C Bonds
SOURCES OF FUNDS:		
Series 2025 Bonds	$307,355,000	--
Series 2025C Bonds	--	$150,000,000
Original issue premium	25,211,188	--
Trustee held funds	7,190	--
Total sources of funds	$332,573,378	$150,000,000
USES OF FUNDS:		
2025 Project[(1)]	$159,457,201	$133,457,085
Amount required to refund the Refunded Bonds[(1)]	170,192,045	--
Capitalized interest[(2)]	--	15,591,781
Estimated financing expenses[(3)]	2,924,132	951,134
Total uses of funds	$332,573,378	$150,000,000

(1) See "PLAN OF FINANCING."

(2) Amount to be deposited into the Capitalized Interest Account that is anticipated to suffice for payment of a portion of the interest on the Series 2025C Bonds for the period expected to extend from the date of their delivery to February 1, 2028, assuming an average annual interest rate of 3.50% on the Series 2025C Bonds.

(3) Includes the Underwriters' discount, certain fees and expenses of the financial advisor to the Authority, legal counsel to the Obligated Group and the Underwriters and Bond Counsel to the Authority, and certain accounting fees, as well as rating agency fees, printing costs, fees and expenses of the Trustee and the Indenture Trustee and other miscellaneous expenses.

PLAN OF FINANCING

The proceeds of the Series 2025 Bonds will be used to construct a portion of the 2025 Project, redeem the Refunded Bonds and pay certain expenses related to the issuance of the Series 2025 Bonds. The Refunded Bonds are expected to be redeemed on or about February 12, 2025. Pursuant to the Multimodal Bond Loan Agreement, the Authority will lend the proceeds of the Series 2025 Bonds to certain Obligated Group Members by depositing such proceeds as provided in the Indenture. As security for the performance of the obligations under the Loan Agreement and the Multimodal Bond Loan Agreement, the Obligated Group Members grant to the Authority a security interest in their Receipts under the Loan Agreement. The liens created by the Loan Agreement are subject to certain Permitted Encumbrances and to the right of the Obligated Group Members, under certain conditions, to dispose of assets. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Loan Agreement," and "Liens and Encumbrances" and "Disposition of Assets" under "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" in Appendix D.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS

General

The Series 2025 Bonds are special obligations of the Authority, the principal or Redemption Price of and interest on which are payable solely from Revenues and other amounts pledged under the Resolution and the Indenture.

None of the State of Maryland, any political subdivision thereof or the Authority shall be obligated to pay the Series 2025 Bonds or the interest thereon except from Revenues, and other amounts pledged therefor under the Resolution and the Indenture, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Authority is pledged to the payment of the principal of or the interest on the Series 2025 Bonds. The issuance of the Series 2025 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Authority to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power. See "STATE NOT LIABLE ON SERIES 2025 BONDS."

Pledge of Revenues

Pursuant to the Resolution, the Authority pledges and assigns to the Trustee its interest in the Revenues and the Loan Agreement, subject to the rights of the Authority described under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION -- Enforcement of Loan Agreement" in Appendix D. The Revenues include all payments to the Authority or the Trustee pursuant to the Loan Agreement, other than payments to the Authority of its initial fee, the Annual Administrative Fees, the Administrative Expenditures and any indemnity payments to the Authority.

The pledge made by the Resolution and the covenants and agreements contained in the Resolution to be performed by or on behalf of the Authority are, by their terms, for the equal and

ratable benefit, protection and security of the Holders of all Outstanding Parity Debt, to the extent provided in the Resolution, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond or Parity Obligation over any other Bond or Parity Obligation, except as expressly provided in or permitted by the Resolution. See "OTHER PARITY DEBT."

Loan Agreement

General

The Loan Agreement is an unconditional general obligation of the Obligated Group Members, and will remain in full force and effect until all of the Series 2025 Bonds and the interest thereon have been paid or provision for the payment thereof has been made in accordance with the Resolution. The Loan Agreement requires the Obligated Group Members to make payments in such amounts and at such times as shall be sufficient to provide for the payment of the principal of and the premium, if any, and interest on outstanding Series 2025 Bonds when due. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Loan Payments" in Appendix D.

Obligated Group

The Loan Agreement provides that other entities may be admitted to the Obligated Group from time to time upon the satisfaction of certain conditions. Each Obligated Group Member, as co-obligor and not as guarantor, jointly and severally covenants to pay the principal of, and premium, if any, and interest on all outstanding Bonds and Parity Obligations and to perform any and all other agreements and obligations of the other Obligated Group Members under the Loan Agreement, subject to the right of any Obligated Group Member other than the Institution to withdraw from the Obligated Group under certain circumstances. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Admission to and Withdrawal from Obligated Group" in Appendix D. Upon the withdrawal of any person from the Obligated Group, such person will have no further liability as obligor or guarantor of any obligation under the Loan Agreement. The Institution may not withdraw from the Obligated Group.

Security Interest in Receipts

Under the Loan Agreement, as security for the payments due thereunder, the Obligated Group Members have granted to the Authority a security interest in the Receipts, subject to certain Permitted Encumbrances. The "Receipts" include all receipts, revenues, rentals, income and other moneys received by or on behalf of any Obligated Group Member, including revenues derived from (i) the ownership, operation or leasing of any Group Facilities and (ii) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of any Obligated Group Member incurred in the financing, operation, maintenance or repair of any of the Group Facilities, and the income therefrom, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights, general intangibles, chattel paper, instruments, investment property or other rights, and the proceeds of such rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired.

The Series 2025 Bonds will *not* be secured by a mortgage or any other lien on or security interest in any real or personal property of the Obligated Group Members other than the Receipts. See "CERTAIN BONDHOLDERS' RISKS – Security for the Series 2025 Bonds."

Rate Covenant

The Obligated Group Members covenant in the Loan Agreement to fix, charge and collect such fees, rentals, rates and other charges in connection with the operation of the Group Facilities and the products and services provided by the Obligated Group Members as shall be sufficient to produce in each Fiscal Year a Coverage Ratio as of the last day of such Fiscal Year that is not less than 1.10. There shall be excluded from the calculation of the Coverage Ratio (a) the Debt Service Requirements of any Long-Term Indebtedness issued to finance Capital Improvements until the earlier of (i) the first Fiscal Year after the utilization of such Capital Improvements has begun and (ii) the first Fiscal Year in which the principal of any such Long-Term Indebtedness shall become due and payable or in which any interest on such Long-Term Indebtedness ceases to be paid from amounts deposited in escrow for payment of interest on such Long-Term Indebtedness and (b) the Debt Service Requirements of any Guaranty of Indebtedness so long as (i) no default in the payment of any principal of or interest on such Indebtedness or other default that would permit the acceleration of the maturity of such Indebtedness shall have occurred and be continuing and no demand for payment shall have been made under such Guaranty, in each case during the five year period ending on the last day of such Fiscal Year, and (ii) the aggregate principal amount of all such Indebtedness the Debt Service Requirements of which are excluded from the calculation of the Coverage Ratio does not exceed five percent of the Total Revenues for such Fiscal Year. The covenant described in this paragraph is referred to herein as the "Rate Covenant."

If the Obligated Group Members fail to satisfy the Rate Covenant in any Fiscal Year, then the Authority shall immediately employ a Management Consultant to submit a written report including recommendations with respect to the fees, rentals, rates and other charges imposed and collected by the Obligated Group Members and with respect to improvements or changes in the operations of or the services rendered by the Obligated Group. The Authority shall require any such Management Consultant to file its report with the Authority, the Trustee and any holders of Series 2025 Bonds who shall have filed with the Authority a written request for such report.

Notwithstanding the provisions of the Loan Agreement described above, unless the requirement that the Authority appoint a Management Consultant in accordance with the Loan Agreement shall have been annulled in the immediately preceding Fiscal Year pursuant to the provisions of the Loan Agreement described below, the Authority may make a determination that under all of the facts and circumstances regarding the previous Fiscal Year, the appointment of a Management Consultant in connection with any failure by the Obligated Group Members to satisfy the Rate Covenant is not necessary or desirable to protect the interests of the Holders of Parity Debt and the requirement that the Authority appoint a Management Consultant in such Fiscal Year shall be annulled, if:

(i) the fees, rentals, rates and other charges imposed and collected by the Obligated Group Members, together with any unrestricted funds and other money available to the Obligated Group Members, shall equal or exceed the amount required by the Rate Covenant in such Fiscal Year; and

(ii) the Authority finds that the failure of the Obligated Group Members to meet the Rate Covenant does not evidence a material deterioration in the financial position of the Obligated Group or that the appointment of a Management Consultant is not likely to enhance the ability of the Obligated Group Members to meet the Rate Covenant.

If the Authority determines that the appointment of a Management Consultant is not necessary or desirable to protect the interests of the Holders of Parity Debt as described in this paragraph, the Authority shall so notify any Holders of outstanding Series 2025 Bonds who shall have filed with the Authority a written request for such notification.

Any Management Consultant retained by the Authority may recommend with respect to the fees, rentals, rates or other charges imposed and collected by the Obligated Group Members and with respect to improvements or changes in the operations of or services rendered by the Obligated Group Members that the Obligated Group Members either make no change or make some change, even though such recommendation is not calculated to result in compliance with the Rate Covenant, if the Management Consultant includes in its written report a statement to the effect that compliance with such recommendations should result in compliance with the Rate Covenant to the maximum extent feasible.

If the Authority determines that the appointment of a Management Consultant is not necessary or desirable to protect the interests of the Holders of Parity Debt with respect to any Fiscal Year or if the Obligated Group Members revise their fees, rentals, rates and other charges in conformity with the recommendations of the Management Consultant and otherwise follow the recommendations of the Management Consultant, then the failure of the Obligated Group Members to satisfy the Rate Covenant in such Fiscal Year will not be an Event of Default under the Loan Agreement, provided that if the Coverage Ratio determined as described above is less than 1.00 for two consecutive Fiscal Years, an Event of Default under the Loan Agreement will be deemed to have occurred to the extent provided in the Loan Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Events of Default" in Appendix D.

The failure to achieve the Coverage Ratio required under the Loan Agreement may result in an event of default under the agreements pursuant to which certain outstanding Parity Debt has been issued, whether or not the Authority appoints a Management Consultant and the Obligated Group follows any recommendations made by any such Management Consultant, which would result in an Event of Default under the Loan Agreement. See "CERTAIN BONDHOLDERS' RISKS – Requirements of Credit Providers" and "SUMMARY OF CERTAIN PROVISIONS OF OTHER CREDIT AGREEMENTS CONSTITUTING PARITY DEBT" in Appendix D.

Indenture

Pursuant to the Indenture, the Authority pledges and assigns to the Indenture Trustee its interest in the Revenues under the Indenture and the Multimodal Bond Loan Agreement, subject to the rights of the Authority described under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Enforcement of Multimodal Bond Loan Agreement" in Appendix D. The

Revenues under the Indenture include all payments to the Authority or the Indenture Trustee pursuant to the Multimodal Bond Loan Agreement, other than payments to the Authority of certain fees and expenditures and any indemnity payments to the Authority.

Multimodal Bond Loan Agreement

The Multimodal Bond Loan Agreement is an unconditional general obligation of the Institution, and will remain in full force and effect until all of the Series 2025 Bonds and the interest thereon have been paid or provision for the payment thereof has been made in accordance with the Indenture. The Multimodal Bond Loan Agreement requires the Institution to make payments in such amounts and at such times as shall be sufficient to provide for the payment of the principal and Purchase Price of and the premium, if any, and interest on outstanding Series 2025 Bonds when due. See "SUMMARY OF CERTAIN PROVISIONS OF THE MULTIMODAL BOND LOAN AGREEMENT – Loan Payments" in Appendix D.

No Debt Service Reserve Fund

The Series 2025 Bonds will *not* be secured by a debt service reserve fund.

THE SERIES 2025A BONDS

General

The Series 2025A Bonds (the "Fixed Bonds") are dated the date of their initial delivery, bear interest from such date, payable on July 1, 2025 and semiannually thereafter on each January 1 and July 1 and, subject to the redemption provisions set forth below, mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Fixed Bonds initially will bear interest at the Fixed Rates for the Fixed Rate Period set forth on the inside cover page of this Official Statement, but may be converted to another Interest Rate Mode. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Conversions" in Appendix D. During the Fixed Rate Period applicable to the Fixed Bonds, interest on such Fixed Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Prior to any conversion of the interest rate on the Fixed Bonds to an Interest Rate Mode other than the Fixed Rate Mode, prospective purchasers of the Fixed Bonds will be furnished with an amendment or supplement to this Official Statement describing the method of determining the interest rate and the interest payment dates on such Fixed Bonds.

The Fixed Bonds in the Fixed Rate Period are issued only as fully registered bonds in denominations of $5,000 and any integral multiple thereof. The Fixed Bonds initially shall be maintained under a book-entry system; Beneficial Owners (as defined in Appendix C) shall have no right to receive physical possession of the Fixed Bonds and payments of the principal or Redemption Price of and interest on the Fixed Bonds will be made as described in "Book-Entry Only System" in Appendix C. If the book-entry system is discontinued, the Authority will issue bonds of the same series, having the same maturity date and bearing interest at the same rate directly to the Direct Participants or Indirect Participants (as defined in Appendix C) (the "Participants") or, to the extent requested by any Participant, to the Beneficial Owners of Fixed Bonds. The Authority shall make provisions to notify Participants and the Beneficial Owners of

such Fixed Bonds, by mailing an appropriate notice to the Securities Depository (as defined herein), or by other means deemed appropriate, that it will issue such Fixed Bonds directly to the Participants or, to the extent requested by any Participant, to Beneficial Owners of such Fixed Bonds as of a date set forth in such notice, which shall be a date at least 10 days after the date of mailing of such notice (or such fewer number of days as shall be acceptable to the Securities Depository).

Redemption Provisions

Optional Redemption

During the initial Fixed Rate Period applicable to the Fixed Bonds, the Fixed Bonds maturing on or after July 1, 2036 are subject to redemption prior to maturity beginning on July 1, 2035, at the option of the Authority upon the direction of the Institution, as a whole or in part at any time at a Redemption Price equal to the principal amount of the Fixed Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

Purchase in Lieu of Redemption

In lieu of redeeming any Fixed Bonds called for redemption, at the option of the Authority, the Institution will have the right to purchase such Fixed Bonds or cause such Fixed Bonds to be purchased on the date named for redemption at a price equal to the principal amount of such Fixed Bonds and accrued interest thereon to the date set for redemption, and by their acceptance of the Fixed Bonds, the holders thereof will be deemed to have agreed to sell such Fixed Bonds to or upon the order of the Institution on such date. If there shall have been deposited with the Indenture Trustee the purchase price of such Fixed Bonds on such date, then such Fixed Bonds shall be deemed to have been purchased on such date whether or not the holders thereof surrender such Fixed Bonds for purchase and such holders shall not be entitled to interest accruing on such Fixed Bonds subsequent to such date and shall have no claims with respect thereto except to receive the purchase price of such Fixed Bonds so held by the Indenture Trustee.

Sinking Fund Redemption

The Series 2025A Bonds maturing on July 1, 2052 will be subject to redemption prior to maturity, at a Redemption Price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory Sinking Fund Installments becoming due on July 1 of the following years in the following amounts:

Term Bonds Due July 1, 2052

Year	Sinking Fund Installment
2051	$73,085,000
2052*	76,915,000

* Final maturity.

The average life of the Series 2025A Bonds maturing on July 1, 2052 is approximately 26.899 years.

Extraordinary Optional Redemption

The Fixed Bonds are subject to redemption prior to maturity as a whole or in part at any time, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date set for redemption, from (i) proceeds from title insurance with respect to any Operating Assets and related payments, (ii) proceeds from the condemnation of any Operating Assets in whole or in part or from agreements with, or action by, a public authority in the nature of or in lieu of condemnation proceedings and related payments and (iii) proceeds from insurance and related payments received in connection with the loss, damage or destruction of any Operating Assets, in each case to the extent that such proceeds are not used for any other purpose permitted by the Loan Agreement.

The Fixed Bonds are also subject to redemption prior to maturity, as a whole or in part, on the earliest possible date in the event that (i) the Obligated Group Members determine in good faith that continued operation of any portion of the Operating Assets is not financially feasible or is otherwise disadvantageous to the Obligated Group Members; (ii) as a result thereof, the Obligated Group Members sell, lease or otherwise dispose of such portion of the Operating Assets to a person or entity unrelated to the Obligated Group Members; and (iii) there is delivered to the Authority and the Trustee a written statement of Bond Counsel to the effect that, unless such Fixed Bonds are redeemed, retired or defeased either prior to or concurrently with such sale, lease or other disposition, or on a subsequent date prior to the first date on which the Fixed Bonds are subject to redemption at the option of the Authority at the direction of the Obligated Group Representative, Bond Counsel will be unable to render an unqualified opinion that such sale, lease or other disposition of such Operating Assets will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest on the Fixed Bonds. Any such redemption shall be at a Redemption Price equal to the greater of:

(i) one hundred percent (100%) of the Amortized Value (as described below) of such Fixed Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or

(ii) an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Fixed Bonds to be redeemed from and including the date of redemption to the stated maturity date of such Fixed Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below) for such Fixed Bonds plus/minus 0.0 basis points (0.000%).

The "Applicable Tax-Exempt Municipal Bond Rate" for such Fixed Bonds will be the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of such Fixed Bonds as published by Municipal Market Data at least five (5) Business Days, but not more than twenty-five (25) Business Days, prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the Comparable AAA General Obligations yield curve rate, then the "Applicable Tax-Exempt Municipal Bond Rate" will equal the Consensus Scale yield curve rate published by Municipal Market Analytics for the applicable year.

In the further event that Municipal Market Analytics no longer publishes the Consensus Scale, the "Applicable Tax-Exempt Municipal Bond Rate" for the Fixed Bonds will be determined by Morgan Stanley or a successor determined by the Authority upon consultation with the Obligated Group Representative, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings with a maturity date equal to the stated maturity date of such Fixed Bonds having characteristics (other than the ratings) most comparable to those of such Fixed Bonds in the judgment of the quotation agent. The quotation agent's determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

The "Amortized Value" will equal the principal amount of the Fixed Bonds to be redeemed multiplied by the price of such Fixed Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such Fixed Bonds and a yield equal to such Fixed Bonds' original reoffering yield as set forth on the cover of this Official Statement.

The Redemption Price of the Fixed Bonds described above will be determined by an independent accounting firm, investment banking firm or financial advisor (which accounting firm or financial advisor shall be selected by the Authority upon consultation with the Obligated Group Representative and retained by the Obligated Group Members at the expense of the Obligated Group Members to calculate such Redemption Price). The Trustee, the Authority and the Obligated Group may conclusively rely on the determination by such accounting firm, investment banking firm, or financial advisor of such Redemption Price, and will bear no liability for any such reliance.

Redemption Subject to Deposit of Funds and Other Conditions

Any redemption of Fixed Bonds (other than redemption from the Sinking Fund Installments for such Fixed Bonds) shall be subject to the deposit of funds for such redemption by or on behalf of the Institution and may be subject to such other conditions as the Authority shall determine.

Selection of Fixed Bonds to Be Redeemed

If fewer than all of the Fixed Bonds shall be called for redemption (other than redemption from the Sinking Fund Installments for such Fixed Bonds), then the maturities of the Fixed Bonds or portions thereof to be redeemed shall be selected by the Authority at the request of the Institution, except as otherwise provided in the Indenture.

So long as the Fixed Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Fixed Bonds of any one maturity to be credited with any

partial redemption shall be made as described below under "BOOK-ENTRY ONLY SYSTEM" except as otherwise directed by the Authority.

At any other time, if fewer than all of the Fixed Bonds of any one maturity shall be called for redemption, the Indenture Trustee shall select or cause to be selected the particular Fixed Bonds or portions of Fixed Bonds to be redeemed from such maturity by lot or in such other manner as shall be deemed appropriate by the Indenture Trustee except as otherwise directed by the Authority, provided that the portion of any such Fixed Bond not so redeemed shall be in a principal amount equal to an authorized denomination for such Fixed Bond.

Notice of Redemption

So long as the Fixed Bonds are maintained under a book-entry system, notice of the call for any redemption of the Fixed Bonds shall be given as described in "Book-Entry Only System" in Appendix C. At any other time, the Indenture Trustee shall mail notice of the call for any redemption at least 20 days before the redemption date to the registered owners of the Fixed Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Indenture Trustee, but failure so to mail any such notice to any of such registered owners shall not affect the validity of the proceedings for the redemption of any Fixed Bonds. The Fixed Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture, provided that funds for such redemption shall be on deposit at that time with the Indenture Trustee and that all conditions to such redemption shall have been satisfied.

Acceleration

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Fixed Bonds may be accelerated. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies" in Appendix D.

THE SERIES 2025B BONDS

General

The Series 2025B Bonds are dated the date of their initial delivery, bear interest from such date, payable on July 1, 2025 and semiannually thereafter on each January 1 and July 1 and, subject to the purchase and redemption provisions set forth below, mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2025B Bonds initially will bear interest at the Long-Term Rate for the Long-Term Interest Rate Period set forth on the inside cover page of this Official Statement, but may be converted to another Interest Rate Mode. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Conversions" in Appendix D. During the initial Long-Term Interest Rate Period applicable to the Series 2025B Bonds, interest on such Series 2025B Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Prior to any conversion of the interest rate on the Series 2025B Bonds to an Interest Rate Mode other than the initial Long-Term Mode, prospective purchasers of the Series 2025B Bonds will be furnished with an amendment or supplement to this Official Statement

describing the method of determining the interest rate and the interest payment dates on such converted Series 2025B Bonds.

During the Long-Term Interest Rate Period, the Series 2025B Bonds are issued only as fully registered bonds in denominations of $5,000 and any integral multiple thereof. The Series 2025B Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2025B Bonds and payments of the principal, Purchase Price or Redemption Price of and interest on the Series 2025B Bonds will be made as described in "Book-Entry Only System" in Appendix C. If the book-entry system is discontinued, the Authority will issue bonds of the same series, having the same maturity date and bearing interest at the same rate directly to the Participants or, to the extent requested by any Participant, to the Beneficial Owners of Series 2025B Bonds. The Authority shall make provisions to notify Participants and the Beneficial Owners of such Series 2025B Bonds, by mailing an appropriate notice to the Securities Depository, or by other means deemed appropriate, that it will issue such Series 2025B Bonds directly to the Participants or, to the extent requested by any Participant, to Beneficial Owners of such Series 2025B Bonds as of a date set forth in such notice, which shall be a date at least 10 days after the date of mailing of such notice (or such fewer number of days as shall be acceptable to the Securities Depository).

Mandatory Tender

Mandatory Purchase Dates

During the initial Long-Term Interest Rate Period applicable to the Series 2025B Bonds, the Series 2025B Bonds are subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof plus accrued interest thereon on each Long-Term Rate Mandatory Purchase Date which shall be the first day following the last day of each Long-Term Interest Rate Period applicable to such Series 2025B Bonds. Notice of any Long-Term Rate Mandatory Purchase Date shall be given by the Indenture Trustee to the holders of the Series 2025B Bonds subject to mandatory tender at least 20 days prior to such Long-Term Rate Mandatory Purchase Date. The failure to give any such notice or any defect therein will not affect the requirement that such Series 2025B Bonds be purchased on such Long-Term Rate Mandatory Purchase Date. The Institution is unconditionally obligated under the terms of the Multimodal Bond Loan Agreement to pay the purchase price of the Series 2025B Bonds on each Long-Term Rate Mandatory Purchase Date applicable to such Series 2025B Bonds. If the Institution fails to purchase the Series 2025B Bonds on any Long-Term Rate Mandatory Purchase Date for such Series 2025B Bonds, an Event of Default will exist under the Indenture, and the due date for the payment of the principal amount of such Series 2025B Bonds will be subject to acceleration. The Series 2025B Bonds will constitute Parity Obligations under the Loan Agreement.

Prior to the conversion of the Series 2025B Bonds to a new Interest Rate Mode or a new Long-Term Interest Rate Period following the initial Long-Term Interest Rate Period, prospective purchasers of the Series 2025B Bonds will be furnished with an amendment or supplement to this Official Statement describing such new Interest Rate Mode including any mandatory tender for purchase provisions and other terms applicable to the Series 2025B Bonds following such

conversion to a new Long-Term Interest Rate Period or to an Interest Rate Mode other than the Long-Term Mode.

Delivery of Series 2025B Bonds on Mandatory Purchase Date

Each Series 2025B Bond shall be delivered by the holder thereof to the Indenture Trustee on each Long-Term Rate Mandatory Purchase Date applicable to such Series 2025B Bond. So long as the Series 2025B Bonds are maintained under a book-entry system, the Series 2025B Bonds shall not be required to be physically delivered to the Indenture Trustee on any Long-Term Rate Mandatory Purchase Date provided that the Beneficial Owners thereof make arrangements to have their respective interests in such Series 2025B Bonds transferred to the Indenture Trustee on such date. See "BOOK-ENTRY ONLY SYSTEM." Any such Series 2025B Bond that is not delivered for purchase on or prior to a Long-Term Rate Mandatory Purchase Date applicable to such Series 2025B Bond for which there has been irrevocably deposited in trust with the Indenture Trustee an amount sufficient to pay the purchase price of such Series 2025B Bond shall be deemed to have been tendered to the Indenture Trustee for purchase, and the holders of such Series 2025B Bonds shall not be entitled to any payment (including any interest accruing from and after such Long-Term Rate Mandatory Purchase Date) other than the purchase price of such Series 2025B Bond, and such Series 2025B Bond shall not be entitled to any benefits of the Indenture except for payment of such purchase price out of the money so deposited for such payment.

No Liquidity Facility

The Series 2025B Bonds are *not* supported by a liquidity facility.

Redemption Provisions

Optional Redemption

During the initial Long-Term Interest Rate Period applicable to the Series 2025B Bonds, the Series 2025B Bonds are subject to redemption prior to maturity beginning on July 1, 2030, at the option of the Authority upon the direction of the Institution, as a whole or in part at any time, at the redemption prices (expressed as a percentage of the principal amount of the Series 2025B Bonds to be redeemed) set forth in the schedule attached hereto as Appendix F, plus accrued interest thereon, if any, to the date fixed for redemption.

Purchase in Lieu of Redemption

In lieu of redeeming any Series 2025B Bonds called for redemption, at the option of the Authority, the Institution will have the right to purchase such Series 2025B Bonds or cause such Series 2025B Bonds to be purchased on the date named for redemption at the redemption prices (expressed as a percentage of the principal amount of the Series 2025B Bonds to be redeemed) set forth in the schedule attached hereto as Appendix F, plus accrued interest thereon, if any, to the date set for redemption, and by their acceptance of the Series 2025B Bonds, the holders thereof will be deemed to have agreed to sell such Series 2025B Bonds to or upon the order of the Institution on such date. If there shall have been deposited with the Indenture Trustee the purchase

price of such Series 2025B Bonds on such date, then such Series 2025B Bonds shall be deemed to have been purchased on such date whether or not the holders thereof surrender such Series 2025B Bonds for purchase and such holders shall not be entitled to interest accruing on such Series 2025B Bonds subsequent to such date and shall have no claims with respect thereto except to receive the purchase price of such Series 2025B Bonds so held by the Indenture Trustee.

Sinking Fund Redemption

The Series 2025B Bonds maturing on July 1, 2045 will be subject to redemption prior to maturity, at a Redemption Price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory Sinking Fund Installments becoming due on July 1 of the following years in the following amounts:

Term Bonds Due July 1, 2045

Year	Sinking Fund Installment
2041	$9,815,000
2042	30,795,000
2043	16,610,000
2044	15,070,000
2045*	340,000

* Final maturity.

The average life of the Series 2025B Bonds maturing on July 1, 2045 is approximately 17.909 years.

Extraordinary Optional Redemption

The Series 2025B Bonds are subject to redemption prior to maturity as a whole or in part at any time, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date set for redemption, from (i) proceeds from title insurance with respect to any Operating Assets and related payments, (ii) proceeds from the condemnation of any Operating Assets in whole or in part or from agreements with, or action by, a public authority in the nature of or in lieu of condemnation proceedings and related payments and (iii) proceeds from insurance and related payments received in connection with the loss, damage or destruction of any Operating Assets, in each case to the extent that such proceeds are not used for any other purpose permitted by the Loan Agreement.

The Series 2025B Bonds are also subject to redemption prior to maturity, as a whole or in part, on the earliest possible date in the event that (i) the Obligated Group Members determine in good faith that continued operation of any portion of the Operating Assets is not financially feasible or is otherwise disadvantageous to the Obligated Group Members; (ii) as a result thereof, the Obligated Group Members sell, lease or otherwise dispose of such portion of the Operating Assets to a person or entity unrelated to the Obligated Group Members; and (iii) there is delivered to the Authority and the Trustee a written statement of Bond Counsel to the effect that, unless such Series 2025B Bonds are redeemed, retired or defeased either prior to or concurrently with such

sale, lease or other disposition, or on a subsequent date prior to the first date on which the Series 2025B Bonds are subject to redemption at the option of the Authority at the direction of the Obligated Group Representative, Bond Counsel will be unable to render an unqualified opinion that such sale, lease or other disposition of such Operating Assets will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest on the Series 2025B Bonds. Any such redemption shall be at a Redemption Price equal to the greater of:

(i) one hundred percent (100%) of the Amortized Value (as described below) of such Series 2025B Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or

(ii) an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Series 2025B Bonds to be redeemed from and including the date of redemption to the stated maturity date of such Series 2025B Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below) for such Series 2025B Bonds plus/minus 0.0 basis points (0.000%).

The "Applicable Tax-Exempt Municipal Bond Rate" for such Series 2025B Bonds will be the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of such Series 2025B Bonds as published by Municipal Market Data at least five (5) Business Days, but not more than twenty-five (25) Business Days, prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the Comparable AAA General Obligations yield curve rate, then the "Applicable Tax-Exempt Municipal Bond Rate" will equal the Consensus Scale yield curve rate published by Municipal Market Analytics for the applicable year.

In the further event that Municipal Market Analytics no longer publishes the Consensus Scale, the "Applicable Tax-Exempt Municipal Bond Rate" for the Series 2025B Bonds will be determined by Morgan Stanley or a successor determined by the Authority upon consultation with the Obligated Group Representative, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings with a maturity date equal to the stated maturity date of such Series 2025B Bonds having characteristics (other than the ratings) most comparable to those of such Series 2025B Bonds in the judgment of the quotation agent. The quotation agent's determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

The "Amortized Value" will equal the principal amount of the Series 2025B Bonds to be redeemed multiplied by the price of such Series 2025B Bonds expressed as a percentage,

calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such Series 2025B Bonds and a yield equal to such Series 2025B Bonds' original reoffering yield as set forth on the cover of this Official Statement.

The Redemption Price of the Series 2025B Bonds described above will be determined by an independent accounting firm, investment banking firm or financial advisor (which accounting firm or financial advisor shall be selected by the Authority upon consultation with the Obligated Group Representative and retained by the Obligated Group Members at the expense of the Obligated Group Members to calculate such Redemption Price). The Trustee, the Authority and the Obligated Group may conclusively rely on the determination by such accounting firm, investment banking firm, or financial advisor of such Redemption Price, and will bear no liability for any such reliance.

Redemption Subject to Deposit of Funds and Other Conditions

Any redemption of Series 2025B Bonds (other than redemption from the Sinking Fund Installments for such Series 2025B Bonds) shall be subject to the deposit of funds for such redemption by or on behalf of the Institution and may be subject to such other conditions as the Authority shall determine.

Selection of Series 2025B Bonds to Be Redeemed

If fewer than all of the Series 2025B Bonds shall be called for redemption (other than redemption from the Sinking Fund Installments for such Series 2025B Bonds), then the maturities of the Series 2025B Bonds or portions thereof to be redeemed shall be selected by the Authority at the request of the Institution, except as otherwise provided in the Indenture.

So long as the Series 2025B Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2025B Bonds of any maturity to be credited with any partial redemption shall be made as described below under "BOOK-ENTRY ONLY SYSTEM" except as otherwise directed by the Authority.

At any other time, if fewer than all of the Series 2025B Bonds of any maturity shall be called for redemption, the Indenture Trustee shall select or cause to be selected the particular Series 2025B Bonds or portions of Series 2025B Bonds to be redeemed from such maturity by lot or in such other manner as shall be deemed appropriate by the Indenture Trustee except as otherwise directed by the Authority, provided that the portion of any such Series 2025B Bond not so redeemed shall be in a principal amount equal to an authorized denomination for such Series 2025B Bond.

Notice of Redemption

So long as the Series 2025B Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2025B Bonds shall be given as described in "Book-Entry Only System" in Appendix C. At any other time, the Trustee shall mail notice of the call for any redemption at least 20 days before the redemption date to the registered owners of the Series 2025B

Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Indenture Trustee, but failure so to mail any such notice to any of such registered owners shall not affect the validity of the proceedings for the redemption of any Series 2025B Bonds. The Series 2025B Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture, provided that funds for such redemption shall be on deposit at that time with the Indenture Trustee and that all conditions to such redemption shall have been satisfied.

Acceleration

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Series 2025B Bonds may be accelerated. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies" in Appendix D.

BOOK-ENTRY ONLY SYSTEM

All of the Series 2025 Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC" and, together with any successor securities depository for the Series 2025 Bonds, the "Securities Depository"), will act as securities depository. The Series 2025 Bonds will be issued as fully–registered securities registered in the name of Cede & Co., DTC's partnership nominee. Purchases of beneficial interests in the Series 2025 Bonds will be in book-entry form only and purchasers of beneficial ownership interests will not receive certificates representing their interests in the Series 2025 Bonds purchased. So long as the Series 2025 Bonds are in book-entry only form, the principal of and interest on the Series 2025 Bonds will be payable, and redemption and other notices with respect to the Series 2025 Bonds will be given, only to DTC, as the registered owner of the Series 2025 Bonds, and not to the beneficial owners of such Bonds, and neither the Authority nor the Trustee will have any responsibility or obligation with respect to payments or notices to beneficial owners. Beneficial owners may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2025 Bonds, such as ascertaining whether the nominee holding the Series 2025 Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners or providing their names and addresses to the Trustee and requesting that copies of the notices be provided directly to them. For a further description of the book-entry only system, see Appendix C.

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ANNUAL DEBT SERVICE REQUIREMENTS OF OUTSTANDING PARITY DEBT

The following table sets forth for each 12-month period ending July 1: (i) the principal (whether at maturity or by mandatory redemption), interest and total debt service requirements of the Series 2025 Bonds becoming due during such period; (ii) the total debt service requirements of the Series 2025C Bonds and other Outstanding Parity Debt becoming due during such period (exclusive of the Refunded Bonds and the amount required to repay any amounts that may be advanced under letters of credit securing other outstanding Parity Debt and interest on such amounts); and (iii) the total debt service requirements of all Outstanding Parity Debt becoming due during such period.

	Series 2025 Bonds[1]					
Year	Principal	Interest	Total	Series 2025C Bonds[2]	Other Outstanding Parity Debt[3]	Total Debt Service on Outstanding Parity Debt[1] [2] [3]
2025	$5,540,000	$6,078,451	$11,618,451	$1,999,315	$93,274,115	$106,891,881
2026	3,595,000	15,465,750	19,060,750	5,250,000	90,361,402	114,672,152
2027	4,025,000	15,286,000	19,311,000	5,250,000	90,867,033	115,428,033
2028	3,720,000	15,084,750	18,804,750	5,258,449	89,967,965	114,031,164
2029	4,175,000	14,898,750	19,073,750	5,241,551	84,399,807	108,715,108
2030	4,645,000	14,690,000	19,335,000	5,250,000	90,816,798	115,401,798
2031	8,630,000	14,457,750	23,087,750	5,250,000	88,481,298	116,819,048
2032	9,580,000	12,936,800	22,516,800	5,258,449	89,010,302	116,785,551
2033	7,085,000	12,457,800	19,542,800	5,241,551	93,244,794	118,029,145
2034	7,790,000	12,103,550	19,893,550	5,250,000	95,142,468	120,286,018
2035	2,440,000	11,714,050	14,154,050	5,250,000	98,352,744	117,756,794
2036	2,640,000	11,592,050	14,232,050	5,258,449	98,446,034	117,936,533
2037	2,855,000	11,460,050	14,315,050	5,241,551	98,466,718	118,023,319
2038	3,085,000	11,317,300	14,402,300	5,250,000	101,277,910	120,930,210
2039	3,330,000	11,163,050	14,493,050	5,250,000	97,460,163	117,203,213
2040	3,585,000	10,996,550	14,581,550	5,258,449	371,643,905	391,483,904
2041	13,675,000	10,817,300	24,492,300	5,241,551	69,691,474	99,425,325
2042	34,940,000	10,280,775	45,220,775	5,250,000	49,070,711	99,541,486
2043	16,610,000	8,995,700	25,605,700	5,250,000	67,004,586	97,860,286
2044	15,070,000	8,414,350	23,484,350	5,258,449	69,039,980	97,782,779
2045	340,000	7,886,900	8,226,900	5,241,551	84,215,409	97,683,860
2046	--	7,875,000	7,875,000	5,250,000	85,601,158	98,726,158
2047	--	7,875,000	7,875,000	5,250,000	85,605,548	98,730,548
2048	--	7,875,000	7,875,000	5,258,449	85,609,936	98,743,385
2049	--	7,875,000	7,875,000	5,241,551	85,612,587	98,729,138
2050	--	7,875,000	7,875,000	5,250,000	85,621,519	98,746,519
2051	73,085,000	7,875,000	80,960,000	5,250,000	--	86,210,000
2052	76,915,000	4,038,038	80,953,038	5,258,449	--	86,211,487
2053	--	--	--	53,531,551	--	53,531,551
2054	--	--	--	53,539,850	--	53,539,850
2055	--	--	--	53,540,550	--	53,540,550

(1) Assumes that the Series 2025B Bonds bear interest at 3.50% per annum after the initial Long-Term Rate Mandatory Purchase Date.
(2) Assumes that the Series 2025C Bonds bear interest at 3.50% per annum.
(3) Based upon the assumption that (a) Parity Debt bearing interest at variable rates bear interest at 3.50% per annum, (b) Parity Debt in the Long-Term Mode bears interest at 3.50% per annum after the Mandatory Purchase Dates and (c) Prior Multimodal Bonds (as defined herein) are not required to be purchased or redeemed prior to maturity other than sinking fund installments for such Parity Debt. See "OTHER PARITY DEBT – Outstanding Parity Debt."

OTHER PARITY DEBT

Outstanding Parity Debt

Upon the issuance of the Series 2025 Bonds, in addition to the Series 2025 Bonds, there will be outstanding (exclusive of the Series 2025C Bonds and the Refunded Bonds) approximately $1.63 billion aggregate principal amount of other Parity Debt, consisting of (i) revenue bonds bearing interest at fixed rates until maturity aggregating $1,155,340,000 in principal amount; (ii) multimodal bonds in the aggregate principal amount of approximately $461,160,000 (collectively, the "Prior Multimodal Bonds") and related obligations under credit facility agreements; (iii) a loan to the Obligated Group Members in the aggregate principal amount of approximately $12,350,000 (the "Term Loan"); and (iv) a $250,000,000 revolving line of credit (the "RLOC") which is primarily used for temporary working capital needs and bridge financing.

One series of the Prior Multimodal Bonds currently bears interest at a variable rate set daily and may be required to be purchased by the Obligated Group prior to maturity at the option of their holders. These Prior Multimodal Bonds are secured by a letter of credit issued by a bank and the obligations of the Obligated Group to reimburse such bank for amounts advanced under such letter of credit and to pay interest thereon constitute a Parity Obligation. The letter of credit expires on October 15, 2026. The other Prior Multimodal Bonds currently bear interest at a spread over a percentage of the Secured Overnight Financing Rate or the Securities Industry and Financial Markets Association Municipal Swap Index and are subject to purchase, at the option of the holders thereof, on various dates from 2026 through 2028. The Prior Multimodal Bonds may be accelerated upon the occurrence of certain events, including any failure of the provider of any credit or liquidity facility supporting such Prior Multimodal Bonds to extend such facility and the inability of the Obligated Group to obtain a substitute facility, to convert such Prior Multimodal Bonds to a mode not requiring a credit or liquidity facility and remarket such Prior Multimodal Bonds or to refund such Prior Multimodal Bonds and any inability of the Obligated Group to remarket or refund any of the Prior Multimodal Bonds that are not supported by a credit or liquidity facility on any mandatory purchase date. See "UTILIZATION AND FINANCIAL INFORMATION – Variable Rate Demand and Direct Purchase Bonds" in Appendix A.

The Term Loan was made to the Institution by the Authority under its pooled loan program. The Term Loan bears interest at a variable rate, has an outstanding principal balance of $12,350,000, and a maturity date of April 1, 2035. The RLOC is provided to the Institution by a syndicate of banks. Draws under the RLOC bear interest at variable rates. The RLOC has a current expiration date of August 23, 2025; as of October 31, 2024 and June 30, 2024, the amount outstanding under the RLOC was $70.0 million and $0.0 million, respectively. The $70.0 million borrowing was fully repaid in November 2024.

Additional Bonds and Parity Obligations

The Resolution permits the issuance of Additional Bonds for any purpose for which obligations may be issued by the Authority under the Act, including (without limitation) to (i) refund or advance refund outstanding Long-Term Indebtedness of any Obligated Group Member for which bonds of the Authority may be issued; (ii) obtain funds necessary to finance or refinance the acquisition or construction of any Additional Facilities; or (iii) obtain funds necessary to finance or refinance the completion of the acquisition or construction of any Additional Facilities. Additional Parity Obligations may be issued by or on behalf of any Obligated Group Member for

any lawful purpose. Additional Bonds and additional Parity Obligations may be issued to pay the costs incurred in connection with the issuance and sale of any Parity Debt, to capitalize interest and to establish reserves.

Additional Bonds and Parity Obligations must meet the requirements for additional Indebtedness or secured Hedging Transactions (as the case may be) under the Loan Agreement. See "Additional Indebtedness" and "Certain Hedging Transactions" under "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" in Appendix D.

Parity Debt Equally and Ratably Secured

The Series 2025 Bonds will be secured equally and ratably on parity with all other outstanding Parity Debt as to the security of the Receipts and the Revenues to the extent provided in the Resolution, but (i) the Series 2025 Bonds are not secured by the debt service reserve fund securing other outstanding Bonds or certain funds and accounts created for other Parity Debt and may not be secured by funds and accounts established in the future for any other Parity Debt and (ii) no Parity Debt that is not entitled to the benefits of the Bond Indemnification Program will be secured by or payable from amounts received by the Authority or the Trustee thereunder with respect to any other Parity Debt. See "REGULATORY ENVIRONMENT – Maryland Hospital Bond Program" below and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Events of Default and Remedies – *Priority of Payments Following Default*" in Appendix D.

THE AUTHORITY

The Authority is a body politic and corporate of the State of Maryland, constituting an instrumentality organized and existing under and by virtue of the Act. The purpose of the Authority, as stated in the Act, is to assist certain educational institutions, including institutions of higher education and noncollegiate educational institutions, and health care institutions, including hospitals and certain life care and continuing-care retirement communities, in the construction, financing and refinancing of certain capital projects approved by the Authority.

Membership and Organization

The Act provides that the Authority shall consist of nine members, one of whom shall be the Treasurer of the State of Maryland, *ex officio*, and eight of whom shall be residents of the State appointed by the Governor. All members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties in relation to the Authority. The Governor annually designates one of the members of the Authority to serve as Chairman and one to serve as Vice-Chairman. There is currently one vacancy. Subject to the approval of the Governor, the Authority appoints an Executive Director as chief administrative officer to assume responsibility for day-to-day general management of the Authority's affairs. Barlow T. Savidge has served as Executive Director of the Authority since July 1, 2019.

The members of the Authority and some of their past and present affiliations are:

Arnold Williams, Chairman; term as member expired July 1, 2024[*] resident of Baltimore County; Managing Director – Abrams Foster, Nole & Williams, P.A.; Immediate Past Chairman of the Board – Baltimore Development Corporation; Chairman – Neighborhood Impact Investment Fund; Vice Chair – Baltimore City Board of Finance; Qlarant, Inc.; and The Greater Baltimore Committee; Member – Maryland Association of Certified Public Accountants; American Institute of Certified Public Accountants; and National Association of Black Accountants; former Board Chairman – Bon Secours Health Systems, Inc. and Liberty Medical Center; former Member – Baltimore City Chamber of Commerce; Past Chair and former Member – Maryland State Board of Accountancy; and Emeritus Member – The Presidents' Roundtable.

Dereck E. Davis, Ex Officio; resident of Prince George's County; Treasurer of State of Maryland; Chair – Maryland Capital Debt Affordability Committee; Commission on State Debt; and Board of Trustees of the Maryland State Retirement and Pension System; Member – Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans; Maryland Environmental Service Board of Directors; and Board of Revenue Estimates.

Bisma Beg, M.B.B.S., M.D., MPH, PMP, Member, term expires July 1, 2028; resident of Howard County; MPH – Bloomberg School of Public Health – Johns Hopkins University; Member – Board of Health Howard County, Maryland; Associate Medical Director/Administrator – Surgery & Trauma Center; Program Lead (Curriculum & Program Developer & Implementor) Women's Health Education Program for Maryland Department of Public Safety & Corrections; Adjunct Faculty Professor Nursing and Applied Health – Baltimore City Community College, Maryland; Chair Membership Committee – APPNA Maryland – Association of Pakistan Physicians of North American Descent; former OB-GYN – IVF & ICSI; Chief Medical Officer – Tertiary Care Center and teaching hospital (Pakistan).

Frederick W. Meier, Jr., Member; term expires July 1, 2025; resident of Baltimore City; Senior Advisor – Lord Baltimore Capital Partners; former Executive Vice President – First Maryland Bancorp; Director – Rodney Trust Company; Attransco; and AMA Capital Partners; Member – Board of Finance of the City of Baltimore; former Vice President and Trustee – The Baltimore Museum of Art; Honorary Trustee and former President of Board of Trustees – The Boys' Latin School of Maryland; former Director and Board Member – Provident Bankshares; former Member of Board of Governors – The Center Club; and former Director – Forestal San Jose (Chile); Jugos delSur (Argentina); Norden A/S (Denmark); and Empresas Navieras, S.A. (Chile).

Mamie J. Perkins, Member; term expires July 1, 2027; resident of Howard County; Retired Deputy Superintendent of Howard County Public Schools; former Interim Superintendent of Anne Arundel County Public School System; Chair and former Member – Board of Trustees of Howard County Community College; former Member of Horizon Foundation of Howard County and Grassroots Board of Howard County; former Board Member of numerous educational and non-profit organizations; and Leadership Coach – Anne Arundel County Public School System.

[*] By the terms of the Authority's enabling act, members continue to serve until their successors are appointed.

John Phelps, Member; term expired July 1, 2024[*]; resident of Baltimore County; President and CEO – Carroll Independent Fuel Company/Highs of Baltimore LLC; former Member and Chairman – Citgo Petroleum National Distributor Council; former member – Mobil Oil National Jobber Council; British Petroleum U.S. Distributor Council; and Sunoco Refining Jobber Council; Chairman Board of Trustees – Saint Frances Academy; Member – M&T Bank Mid Atlantic Advisory Board; and Chairman – Parish Council Chairman Our Lady of Grace Catholic Church.

Arthur S. Varnado, Member; term expires July 1, 2028; resident of Howard County; former Vice President of T. Rowe Price Group; Board Member – Stanford University Athletics; National Multiple Sclerosis Society (DC/MD Chapter); former Board Member – St. Ignatius Loyola Academy; Notre Dame Preparatory High School; and Junior Achievement of Central Maryland; Student sponsor – St. Ignatius Loyola Academy and Sisters of Academy of Baltimore; GBMC Leadership Class of 2004.

W. Daniel White, Member; term expires July 1, 2025; resident of Baltimore County; retired Executive Vice President, Assistant Secretary, Assistant Treasurer and Member of the Board of Directors – The Whiting-Turner Contracting Company; Board Member – Notre Dame Preparatory High School; and Maryland Family Network; former Board Member of numerous educational, economic development and non-profit organizations.

Powers

The Act authorizes the Authority, among other things, to issue bonds, bond anticipation notes and other obligations and to refund the same; to fix and collect rates, rentals, fees and charges for services and facilities that a project provides or makes available; to directly, or through a participating institution acting as its designated agent, acquire, improve, maintain, operate, lease as lessee or lessor, and regulate a project and enter into contracts for any of these purposes and for the management of a project for certain educational institutions, including institutions of higher education and noncollegiate educational institutions, and health care institutions, including hospitals and life care and continuing-care retirement communities; to directly or, through a participating institution acting as its designated agent, establish rules and regulations for the use of a project; to accept a grant, loan or other assistance in any form from any private source subject to the provisions of the Act; to mortgage, pledge or otherwise encumber a project and its site or hold a mortgage or other encumbrance on a project and its site for the benefit of the holders of bonds issued to finance a project; to make a loan to a participating institution to improve or acquire a project in accordance with an agreement between the Authority and a participating institution; to refinance any part of a project and refund or repay bonds, mortgages, advances, loans or other obligations of a participating institution to the Authority, any person or any unit of federal, state or local government incurred to finance any part of a project; and to do all acts and things necessary or convenient to carry out the powers expressly granted by the Act.

Bonds and Notes

As of July 1, 2024, the Authority had issued bonds and notes aggregating approximately $30.8 billion in principal amount, of which approximately $8.4 billion remained outstanding under

[*] By the terms of the Authority's enabling act, members continue to serve until their successors are appointed.

the applicable bond resolution or trust agreement. Since July 1, 2024, the Authority has issued additional series of bonds aggregating $518.8 million in principal amount.

The several series of outstanding bonds and notes issued by the Authority are special obligations of the Authority, payable solely from revenues of the Authority received in connection with the respective projects financed or refinanced, and do not constitute general obligations of the Authority, and the full faith and credit of the Authority is not pledged to the payment of the principal or redemption price of and interest on these bonds or notes.

Other than money available from the administrative fees received from participating institutions, it is not anticipated that the Authority will have any assets of its own. Property and funds held by or mortgaged to the Authority for a particular issue of bonds are not available to satisfy claims of holders of other issues of the Authority's bonds. The Authority has no taxing powers.

The Authority expects to enter into separate agreements with other hospitals and related institutions, institutions for higher education and noncollegiate educational institutions to finance and refinance eligible projects. The Authority intends to issue other series of bonds and notes for the purpose of financing and refinancing projects pursuant to such agreements, and each such series will be issued pursuant to a resolution or trust agreement separate and apart from any other resolution or trust agreement, except to the extent a series of bonds may be issued on parity with bonds of another series if permitted by the applicable resolution or trust agreement.

THE 2025 PROJECT

The Institution will use a portion of the net proceeds of the Series 2025A Bonds and other available funds to finance the cost of the 2025 Project which primarily consists of the construction of the Shore Regional Medical Center Project in Easton, Maryland and the Center for Advanced Medicine Project at UMMC in downtown Baltimore, Maryland.

The Shore Regional Medical Center Project is a 383,000 square foot medical center serving the residents of five counties of Maryland's mid-shore region in Easton, Maryland. The six-story main hospital tower is expected to have 147 beds (122 licensed beds in private rooms and 25 observation beds), 27 Emergency Department treatment bays, seven operating rooms, and a helipad. Additionally, an adjacent two-story multi-service building will be constructed which will contain outpatient clinics and a full-service laboratory, along with educational and administrative space.

The Center for Advanced Medicine Project at UMMC's downtown Baltimore campus consists of the construction of a 155,000 square foot nine-story addition above the main hospital entrance to expand cancer treatment services. This project includes a new two-story main entrance, five floors dedicated to cancer care, one shelled floor, and a cancer center office. Additionally, 75,000 square feet of existing space will be renovated.

For additional information about the 2025 Project and the funding of the costs of the 2025 Project, see "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of the Series 2025 Bonds – *Shore Regional Medical Center Project*" and " – *Center for Advanced Medicine Project*" in Appendix A.

REGULATORY ENVIRONMENT

Maryland Health Care Commission

Under current law, a non-federal healthcare facility in the State of Maryland may not develop, operate or participate in a covered healthcare project unless the Maryland Health Care Commission (the "Health Care Commission") has issued a certificate of need ("CON") for such project. The Health Care Commission is an independent commission functioning within the Maryland Department of Health. Covered healthcare projects include, among other things, the construction, development or other establishment of a new healthcare facility, certain relocations of healthcare facilities, certain changes in the type or scope of healthcare services offered by a healthcare facility, certain changes in bed capacity, certain changes in operating room capacity, certain health service-related obligations or capital expenditures and the offering of certain new health services.

A CON is not required under existing law for certain projects, including, among others: (i) certain transfers or acquisitions of existing healthcare facilities not involving changes in services or bed capacity, (ii) capital expenditures by a healthcare facility for the acquisition and installation of major medical equipment, (iii) patient care related capital expenditures made by or on behalf of a hospital that do not exceed the lesser of 25% of the hospital's gross regulated charges for the immediately preceding year or $50 million as further adjusted for inflation (the "hospital capital threshold"), if the expenditures do not involve the addition of new beds or certain healthcare services, (iv) patient care related capital expenditures for construction or renovation in excess of the hospital capital threshold, so long as the project does not require a total cumulative increase in patient charges or hospital rates of more than $1.5 million for the capital costs associated with the project over the entire period or schedule of debt service as determined by the Health Care Commission, (v) capital expenditures made by hospitals that are not related to patient care and do not increase patient charges or other rates, and (vi) the closure of a hospital provided certain conditions are met. In addition, qualified mergers and consolidations between or among healthcare facilities are exempt from CON review if certain findings are made by the Health Care Commission. In 2019, the Maryland General Assembly enacted legislation, which increased hospital capital threshold and eliminated the CON capital threshold that previously applied to other healthcare facilities. Although the capital threshold has been eliminated for other healthcare facilities, a CON is still required to establish, relocate, change the bed capacity, or engage in other CON regulated actions (as described above) pertaining to such facilities. The Health Care Commission annually adjusts the hospital capital expenditure threshold based on the Consumer Price Index-Urban for the Mid-Atlantic Area published by the U.S. Department of Labor, Bureau of Labor Statistics, rounded to the nearest $50,000.

CON approval is required, and has been granted, in connection with the 2025 Project. On January 18, 2024, the Health Care Commission granted a CON for the establishment of the replacement hospital for the Shore Regional Medical Center at Easton. As for the Center for Advanced Medicine, on August 20, 2020, the Health Care Commission granted a CON for the capital expenditure needed to construct a new addition at UMMC to house consolidated cancer services, among other purposes.

According to the Health Care Commission, the CON program is intended to ensure that new healthcare facilities and services are developed in the State of Maryland only as needed and if determined to be needed, that they are the most cost-effective approach to meeting identified

needs, of high quality, geographically and financially accessible, and financially viable. If the Health Care Commission determines that the new healthcare facilities or services are needed, the Health Care Commission seeks to ensure that such facilities or services will not have a significant negative impact on the cost, quality, or viability of existing healthcare facilities or services.

Maryland Health Services Cost Review Commission

General

Hospital rate regulation was established by an act of the Maryland legislature in 1971, which created the Maryland Health Services Cost Review Commission (the "Rate Commission" or the "HSCRC"). The Rate Commission 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 Rate Commission in accordance with the procedures established under the Rate Commission Act. The Rate Commission 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 provides in part that the Rate Commission, in discharging its duties, shall permit any nonprofit institution subject to its jurisdiction to charge reasonable rates which will permit the institution to provide, on a solvent basis, effective and efficient service in the public interest. The Rate Commission Act states that, in considering a request for change in or initiating a review of rate schedules or other charges, the Rate Commission shall permit any institution subject to the Rate Commission Act to charge rates which will in the aggregate produce sufficient total revenue to enable the institution reasonably to meet all of the obligations and requirements specified in the Rate Commission Act. The Rate Commission Act also provides that, in the determination of reasonable rates, the Rate Commission shall take into account all of the costs of complying with the determinations made by the Health Care Commission.

The Rate Commission Act requires all payors to pay Rate Commission-approved rates for appropriately billed, covered hospital services. Differentials up to 7.7% are allowed if the payor meets certain conditions. These differentials apply to Medicare and Medicaid as discussed in the next section.

Maryland Medicare Waiver

In 1977, Medicare signed a contract with the Rate Commission agreeing to pay Maryland acute care general hospitals, as an experimental program and subject to certain limitations, on the basis of Rate Commission-approved rates, less a 6% differential. This contract, commonly referred to as the "Medicare Waiver," was in effect from 1977 through 2013, with several renewals. Under the Medicare Waiver, Maryland hospitals were exempted from reimbursement under the

Medicare Inpatient Prospective Payment System and Outpatient Prospective Payment System pursuant to Section 1814(b)(3) of the Social Security Act.

Continuation of the Medicare Waiver was contingent on Maryland's performance on certain factors, including Maryland's aggregate rate of increase in Medicare cost per hospital admission as compared to the national rate of increase (the "Waiver Test"). Since the Waiver Test was primarily focused on inpatient services and factors such as cost-per-discharge and length of stay, the system did not provide regulated hospitals with incentives with respect to population health management and coordinated care and Maryland's performance on the Waiver Test deteriorated over time.

Following the enactment of the Affordable Care Act (hereinafter defined), on February 11, 2014, the Centers for Medicare and Medicaid Services ("CMS"), the Governor of Maryland, the Maryland Department of Health (formerly Department of Health and Mental Hygiene) and the Rate Commission (collectively, the "State") signed the Maryland All-Payer Model Agreement (the "Agreement") pursuant to Section 1115A(b) of the Social Security Act. Pursuant to the Agreement, at the election of the State, reimbursement under Section 1814(b)(3) of the Social Security Act was terminated and the State elected instead for regulated hospitals to be reimbursed under the terms of the All-Payer Model (the "Model" or the "Waiver Model") described below. The Agreement replaced the Waiver Test and provided that CMS would waive certain requirements of the Social Security Act as applied to regulated hospitals subject to the conditions of the Agreement. The Agreement obligated Maryland to continue its all-payor rate-setting system. The Model did not cover physician services and other non-hospital services.

The Agreement covered a performance period of five calendar years (each, a "Performance Year") which commenced January 1, 2014 and ended December 31, 2018 (collectively, the "Performance Period"). The Agreement provided that, during the Performance Period, Medicare would continue to pay for services provided by Maryland hospitals regulated by the Rate Commission at rates established by the Rate Commission.

Performance under the Agreement was measured using the following five metrics: total inpatient and outpatient hospital revenue growth per capita; Medicare per beneficiary total hospital cost growth; transition to population-based payment reimbursement; hospital acquired conditions rate; and reductions in hospital Medicare readmission rates.

All Total Inpatient and Outpatient Hospital Cost Growth Per Capita

During the first, second and third Performance Years, the State was to limit the cumulative annual all-payer per capita total hospital revenue growth for Maryland residents to an amount less than or equal to the per capita growth ceiling. For the first, second and third Performance Years, the growth ceiling was fixed at 3.58% per capita per year, which represented the State's per capita gross state product ("GSP") compound annual growth rate from 2002 through 2012. In the third quarter of the third Performance Year, the State could, subject to prior approval by CMS, update the annual all-payer per capita total hospital revenue growth limit for the fourth and fifth Performance Years to the State of Maryland's most recent 10-year per capita GSP growth rate. The State did not request an update of the annual all-payer per capita total hospital revenue growth limit for the fourth and fifth Performance Years.

Following the execution of the Agreement, a majority of regulated Maryland hospitals and health systems entered into rate-setting agreements with the Rate Commission under which the hospitals' total revenue for services regulated by the Rate Commission is capped at a predetermined amount (the "Global Budget Revenue" or "GBR"). Each hospital is required to adjust its rates from time to time so as not to exceed its GBR. If a hospital's volume declines, it may increase its rates by up to five percent to maintain its revenues at the specified GBR level. Rates may be increased by up to 10 percent to offset volume declines with the approval of Rate Commission staff.

Each hospital's Global Budget Revenue is updated annually with positive or negative adjustments for inflation, population changes and changes in market share. A hospital's GBR may also be increased or decreased based on the hospital's performance (or in the case of a health system, the health system's performance) under the Maryland Readmission Reduction Program, the Maryland Hospital-Acquired Conditions Program and other measurements adopted by the Rate Commission to measure hospital quality. The Rate Commission may also adjust a hospital's GBR to provide funding for specific projects or objectives, such as population health management and infrastructure development. In addition, the Rate Commission may adjust hospitals' GBRs based on the State's performance on the metrics reflected in the Agreement with CMS.

In 2016, the Maryland General Assembly enacted legislation allowing an acute general hospital in Maryland to convert to a freestanding medical facility upon: (1) issuance of CON exemption from the Health Care Commission; and (2) authorization from the Rate Commission to regulate rates for outpatient services provided in the freestanding medical facility, including observation services and ancillary services needed to support emergency and observation services. In Maryland, freestanding medical facilities operate as freestanding emergency departments and must be physically separate from but operated as part of an acute general hospital. Accordingly, services provided at the freestanding medical facility are billed as part of the main hospital provider and are subject to the parent hospital's GBR. When an acute care hospital in Maryland converts to a freestanding medical facility, the Rate Commission evaluates the expected volume shifts and determines the consolidated GBR that will apply to the parent hospital and newly converted freestanding medical facility.

Total Cost of Care Model

In early 2017, the State and federal government negotiated an extension and revision to the State's Medicare Model, which was approved by CMS in 2018. The new program is called the "Total Cost of Care Model" ("TCOC Model"). The TCOC Model went into effect beginning January 1, 2019, for a term of ten years, requiring Maryland to meet model performance requirements for the term to remain in effect. The currently negotiated performance period will end on December 31, 2026. On November 1, 2024, CMS and the State of Maryland agreed that Maryland will participate in the States Advancing All-Payer Equity Approaches and Development Model ("AHEAD Model") as the next framework for the reimbursement of covered providers in Maryland.

The TCOC Model is the first CMS Innovation model to hold a state fully at risk for the total cost of care for Medicare beneficiaries. The TCOC Model extends the use of the GBR model. The new model builds upon the previous All-Payer Model by including spending for non-hospital healthcare providers in the program. Under the TCOC Model, State growth in Medicare spending

per beneficiary must not exceed the national growth rate by more than 1% any year and must not exceed the national growth rate by any amount for two or more consecutive years. Hospital cost growth per capita is not to exceed 3.58% per year for all payers under the model. The State may adjust the growth limit, subject to federal approval. Under the model, all Maryland Medicare fee-for-service beneficiaries are prospectively attributed to a Maryland hospital, and hospitals are accountable for the Medicare total cost of care of these beneficiaries by placing a maximum of 1% of a hospital's Medicare revenue at-risk for its performance against a total cost of care benchmark amount. The model includes a commitment from Maryland to save $300 million in annual total Medicare spending for Medicare Part A and Part B by the end of 2023, which the State achieved, and $408 million by the end of 2026; voluntary programs to assist physicians and other providers in leveraging voluntary initiatives, federal programs, and incentive programs to align participation in care coordination and improvement efforts; aggressive quality of care goals; and a range of population health goals. The model allows for hospitals to participate in the Maryland Primary Care Program and the Care Redesign Programs such as the Episode Care Improvement Program, which provides financial incentives when the total cost of care for a service bundle, e.g., joint replacement, can be provided lower than a defined target. Further, Maryland has chosen its own measures and targets in six high-priority areas in which it desires to improve population health, including diabetes, hypertension, and obesity. It selects its own measures and targets within each area for CMS approval, and can earn credit for its performance on these measures and targets.

Under the TCOC Model, Maryland's waivers under the All-Payer Model pursuant to the Agreement continue. Maryland has been waived from the CMS Value-Based Purchasing, Hospital Acquired Conditions, and Hospital Readmissions Reduction programs, but will continue to operate comparable programs applied on an all-payer basis. Maryland's waivers remain in effect during the term of the TCOC Model to the extent Maryland remains in compliance with the TCOC Model. The TCOC Model includes three programs: (1) Hospital Payment Program, (2) Care Redesign Program and (3) Maryland Primary Care Program.

Hospital Payment Program. This program tests population-based payments for Maryland hospitals, by providing each hospital a population-based payment amount to cover all hospital services provided during the course of the year. This creates a financial incentive for hospitals to provide value-based care and to reduce the number of unnecessary hospitalizations, including readmissions.

Care Redesign Program. This program allows hospitals to make incentive payments to nonhospital healthcare providers who partner and collaborate with the hospital and perform care redesign activities aimed at improving quality of care. To be eligible to make these payments, a participating hospital must attain certain savings under its GBR and the total amount of incentive payments made cannot exceed such savings. Further, a participating hospital must enter into a Care Redesign Program participation agreement with CMS and the State.

Maryland Primary Care Program. The Maryland Primary Care Program is structured to provide an incentive for primary care providers in Maryland to offer advanced primary care services to their patients, including care management services. Participating practices will receive additional per beneficiary per month payments directly from CMS to cover care management services, and may receive performance-based incentive payments or negative adjustments based on certain cost and quality metrics. These practices may contract with Care Transformation Organizations to provide certain of the advanced primary care services and administrative services required under the program.

The States All-Payer Health Equity Approaches and Development Model

As noted above, on November 1, 2024, CMS and the State of Maryland entered an agreement for the State to participate in the new AHEAD Model, which enables Maryland to continue its all-payer rate setting system. The AHEAD Model is a new voluntary state total cost of care model. CMS's stated goals in the AHEAD Model are to collaborate with states to curb health care cost growth; improve population health; and advance health equity by reducing disparities in health outcomes. Through AHEAD, CMS will support participating states through various AHEAD Model components that aim to increase investment in primary care, provide financial stability for hospitals, and support beneficiary connection to community resources.

Under the agreement to enter the AHEAD Model, Maryland will continue state-wide efforts to improve healthcare quality and control costs started under the current TCOC Model. The AHEAD Model agreement includes three defined time periods. The Pre-Implementation Period commenced on July 1, 2024 and continues for nine years until December 31, 2025; the Implementation Period begins on January 1, 2026 and expires on December 31, 2034; and a Transition Period, following expiration of the implementation period or earlier termination, may last up to five years.

Like the TCOC Model, the AHEAD Model includes requirements to meet certain health care cost savings targets, among other goals, such as health quality and equity and population health. During the Implementation Period, the State will be accountable for meeting targets in the following seven categories: (1) Medicare fee-for-service total cost of care; (2) all-payer total cost of care growth; (3) Medicare fee-for-service primary care investment; (4) all-payer primary care investment; (5) statewide quality and equity; (6) statewide population health; and (7) all-payer revenue limit. Maryland's targets for Medicare fee-for-service total cost of care savings under the AHEAD Model are more modest than those required under the current TCOC Model.

Maryland Hospital Bond Program

In 1985, the Maryland General Assembly enacted comprehensive health care legislation for the purpose of encouraging the reduction of excess capacity in the Maryland health care system. Pursuant to this legislation, the Maryland Hospital Bond Program (the "Bond Indemnification Program" or the "Program") was created to preserve the access of Maryland health care facilities to adequate financing by establishing a program to facilitate the refinancing and payment of certain public obligations of a closed or delicensed hospital. The terms of the Program are set forth in Part IV of the Act consisting of Sections 10-340 through 10-353 of the Economic Development Article of the Annotated Code of Maryland.

As defined in the Act, "public obligations" include all bonds, notes or other obligations for the payment of borrowed money issued by the Authority, the State of Maryland, any political subdivision thereof or any of their instrumentalities, except any obligation or portion of an obligation (a) insured by an effective municipal bond insurance policy, if a hospital voluntarily closes, or (b) issued to finance a facility that is used primarily (i) to provide outpatient services at a location other than the hospital, or (ii) by physicians who are not employees of the hospital to provide services to nonhospital patients. All of the Series 2025 Bonds constitute public obligations under the provisions of the Act as currently in effect.

The Act provides that the Bond Indemnification Program shall provide for the payment and refinancing of public obligations of a hospital if:

(a) the hospital is (i) closed in accordance with Section 19-120(l) of the Health-General Article of the Annotated Code of Maryland, as amended, or (ii) delicensed in accordance with Section 19-325 of the Health-General Article of the Annotated Code of Maryland, as amended, upon the petition of the Health Care Commission and the Rate Commission after efforts to encourage the hospital to reduce its excess capacity have failed;

(b) a public obligation issued on behalf of the hospital is outstanding;

(c) the hospital plan for closure or delicensure and the related financing plan is acceptable to the Secretary of the Maryland Department of Health and the Authority; and

(d) in the case of the Series 2025 Bonds and any other public obligations issued after October 1, 2008 (i) the Rate Commission determines that implementation of the Program is in the public interest, taking into account the amount of system-wide savings to the health care system in the State of Maryland that might be expected as a result of the closure, and (ii) the hospital provides to the Health Care Commission a closure plan including the hospital's plan for the provision of care to its patients and the population in its service area.

The Bond Indemnification Program may also be used to provide for the payment of certain closure costs of a closed or delicensed hospital if the Rate Commission determines, after consideration of the system-wide savings to the Maryland health care system expected to result from the closure or delicensure of the hospital, that the payment of such costs is necessary or appropriate to encourage and assist the hospital to close or to implement the Program.

The Act authorizes the Authority to issue bonds or notes to refund any eligible public obligations and to pay closure costs approved by the Rate Commission in accordance with the Act.

Under the Program, the Rate Commission must assess a fee on all Maryland hospitals whose rates have been approved by the Rate Commission in an amount sufficient to pay any eligible public obligations or any bonds that the Authority issues to refund such public obligations and to pay any eligible closure costs. The fee assessed each hospital is proportionate to that hospital's gross patient revenues compared with the total gross patient revenues of all Maryland hospitals. In the event that the Rate Commission is terminated by law, the Secretary of the Maryland Department of Health shall impose the fee.

The Bond Indemnification Program has paid for the public obligations of several Maryland hospitals closed in accordance with the Program.

The Bond Indemnification Program does *not* provide for the payment of any hospital obligations unless the hospital closes or is delicensed as described above. Accordingly, default in the payment of bonds or other default, including the initiation of bankruptcy proceedings by or against a hospital, would not, in and of itself, require or permit the implementation of the Program. Further, there can be no assurance that the Program will not be modified or eliminated by future legislation amending or repealing the Act. The initiation of bankruptcy or similar proceedings by

or against a closed or delicensed hospital could preclude or substantially delay the implementation of the Program with regard to the public obligations of such hospital.

Other Laws and Regulations Affecting Nonprofit Health Care Institutions

The Obligated Group Members are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including, in the case of the nonprofit Obligated Group Members, their operation for charitable purposes. At the same time, the Obligated Group Members conduct significant business transactions. As a result, the Obligated Group Members must ensure consistency between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of complex health care organizations.

The operations and practices of nonprofit, tax-exempt hospitals are routinely challenged for inconsistent or inadequate compliance with the regulatory requirements for, and societal expectations of, nonprofit charitable tax-exempt organizations. An overarching concern is that nonprofit hospitals may not be providing community benefits that equal or exceed the benefit received from their tax-exempt status. In addition to required compliance with federal and state statutes and regulations, such as those related to the Medicare and Medicaid programs, the core business practices of health care organizations are routinely examined. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation and private use of facilities financed with tax-exempt obligations. Questions regarding the business practices of nonprofit hospitals have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the "Internal Revenue Service" or "IRS"), labor unions, the United States Congress, state legislatures, the press and patients, and in a variety of forums, including hearings, audits and litigation.

For more than a decade, the IRS has been concerned with excessive compensation of and benefits to officers and other insiders of tax-exempt organizations. In 2009, the IRS issued its Hospital Compliance Project Final Report, which indicated that the IRS would continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations and, in certain circumstances, may conduct further investigations or impose fines on such organizations. The IRS, pursuant to the intermediate sanctions excise taxes set forth in Code Section 4958), may impose taxes on certain excess benefit transactions, whereby an exempt organization's insiders unduly benefit from a transaction with the organization. Excessive compensation is a form of excess benefit transaction subject to these taxes. The Tax Cuts and Jobs Act imposes on most tax-exempt organizations a 21% excise tax on compensation exceeding $1 million paid to an organization's five highest-paid employees. This excise tax does not apply to compensation for the direct provision of medical services by licensed medical professionals.

In 2010, the IRS revised the Form 990 return required to be filed annually by tax-exempt organizations to include a new schedule, Schedule H, which hospitals must use to report their community benefit activities, including the cost of providing charitable care and other information pertinent to their tax-exempt status.

The IRS initiative to ensure that an organization's tax-exempt status is used for charitable purposes and not for any private benefit includes a schedule to Form 990, Schedule K, which is

intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. Schedule K also requires tax-exempt organizations to report on the investment and use of tax-exempt bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of tax-exempt bond-financed facilities.

The Affordable Care Act expanded these initiatives and imposed additional requirements for tax-exemption and reporting obligations, including obligations to adopt and publicize financial assistance and emergency medical care policies; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients; and control billing and collection processes. Additionally, tax-exempt hospitals must conduct community health needs assessments and adopt an implementation strategy to meet the health needs identified in the assessment at least once every three years. Failure to satisfy these conditions may result in the imposition of excise taxes and the loss of tax-exempt status. See "CERTAIN BONDHOLDERS' RISKS – Affordable Care Act" herein.

The foregoing are some examples of certain challenges facing nonprofit health care organizations. These challenges, and any resulting examinations, legislation, regulations, judgments or penalties could have a material adverse effect on the Obligated Group's ability to make payments with respect to the Series 2025 Bonds and other outstanding Parity Debt.

CERTAIN BONDHOLDERS' RISKS

Payment of the Series 2025 Bonds is dependent primarily upon the ability of the Obligated Group to generate revenues sufficient to provide for their payment while meeting their operating expenses, debt service on other indebtedness and other cash requirements. Future revenues and expenses of the Obligated Group are subject to future events and conditions that cannot be determined at this time.

The paragraphs below discuss certain Bondholders' risks, but are not intended to be a complete statement of all risks associated with the purchase or holding of the Series 2025 Bonds. The order in which such risks are presented does not necessarily reflect the relative importance of such risks or the likelihood that any of the events or circumstances described below will occur or exist.

General

No representation can be made or assurance given that revenues will be realized by the Obligated Group in amounts sufficient to make the payments necessary to meet the obligations of the Obligated Group. Future revenues and expenses of the Obligated Group are subject to, among other things, the capabilities of the management of the Obligated Group and future economic conditions and other conditions which are unpredictable, and which may affect the revenues of the Obligated Group and, therefore, payments of principal of and interest on the Series 2025 Bonds as well as other obligations of the Obligated Group.

Future economic and other conditions that may adversely affect the future financial condition of the Obligated Group and, consequently, its ability to make payments of the principal of and premium, if any, and interest on the Series 2025 Bonds include (without limitation) decreases in the demand for healthcare services, technological developments and demographic

changes, loss of confidence of physicians and patients in the Medical System Hospitals, malpractice claims and other litigation, competition, changes in regulations and procedures of the Rate Commission or other governmental bodies exercising jurisdiction over the Medical System Hospitals, changes in the methods and rates of payment for healthcare services, increases in costs, the availability and affordability of insurance, including without limitation malpractice and casualty insurance, availability of nursing and other professional personnel and failure to obtain gifts and contributions from donors. There can be no assurance given that the financial condition of the Obligated Group and utilization of the facilities of the Obligated Group will not be adversely affected by future events.

Obligated Group

The Loan Agreement provides that other entities may be admitted to the Obligated Group from time to time and that Obligated Group Members other than the Institution may withdraw from the Obligated Group upon the satisfaction of certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Loan Agreement – Obligated Group." Thus, there is no assurance that any entity other than the Institution will remain a part of the Obligated Group. The covenants included in the Loan Agreement apply only to Obligated Group Members.

Inflation and Supply Chain Issues

Currently the United States is experiencing high levels of inflation which is having an impact on the costs of goods and services needed by the Obligated Group to operate its facilities. Additionally, supply chain crises may also negatively impact the Obligated Group's ability to maintain its facilities and construct new facilities. As a result, the Obligated Group may experience delays and increased costs associated with inflation and supply chain issues.

Security for the Series 2025 Bonds

While the Series 2025 Bonds are secured by a pledge of the Receipts of the Obligated Group Members, the Series 2025 Bonds will *not* be secured by a mortgage or any other lien on or security interest in any other real or personal property of the Obligated Group Members.

The Authority's security interest in the Receipts is subject to, among other things, Permitted Encumbrances and the following:

(i) statutory liens or rights arising in favor of the Authority and the Trustee by virtue of the operation of the Act;

(ii) other statutory liens;

(iii) rights arising in favor of the United States of America or any agency thereof;

(iv) prohibitions against assignment contained in state or federal statutes, including those governing Medicare and Medicaid and the absence of an express provision permitting assignment of receivables due under contracts with other third-party payors;

(v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;

(vi) state and federal insolvency or bankruptcy laws affecting Receipts earned by any current or future Obligated Group Member within the statutorily prescribed preference period prior to any effectual institution of bankruptcy proceedings by or against such Obligated Group Member and thereafter;

(vii) rights of third parties in any Receipts, including Receipts converted to cash, not in the possession of the Trustee; and

(viii) the requirement that appropriate financing and continuation statements be filed in accordance with the Uniform Commercial Code as in effect from time to time.

The Authority's security interest in the Receipts may not extend to any revenues generated from the use and operation of any Group Facilities after any person who is not an Obligated Group Member obtains possession of such property, whether by voluntary transfer, foreclosure under a mortgage or other security agreement or enforcement of a statutory or judicially created lien.

Infectious Disease Outbreak, Pandemics, or Other Public Health Emergencies or Crisis

The business and financial results of the Obligated Group may be harmed by an international, national or localized outbreak of a highly contagious or epidemic disease, including but not limited to, COVID-19 or similar corona-type viruses, Ebola, Zika, or avian influenza may put stress on the capacity of all or a part of the Obligated Group's health care facilities, could result in an abnormally high demand for health care services, require that resources be diverted from one part of operations to another part, disrupt the supply chain for equipment and supplies necessary for the operations of the Obligated Group. In addition, unaffected individuals may decide to defer elective procedures or otherwise avoid medical treatment, resulting in reduced patient volumes and operating revenues at facilities of the Obligated Group. The effect of any future public health emergency or crisis on the Obligated Group's operations and finances could be material and cannot be predicted at this time.

Health care providers are also disproportionately likely to be exposed to and become ill from a highly contagious disease or pandemic, which may limit the ability of the Obligated Group to have staff on duty at all times sufficient to provide care. Business disruptions could also include temporary closures of the Obligated Group's facilities or the facilities of suppliers and their contract manufacturers, and a reduction in the business hours of healthcare facilities. Changes in operations at the Obligated Group Members' facilities may result in additional costs being incurred related to adjustments to the use of various facilities and to staffing during an outbreak, including overtime wages, wages paid to employees who are unable to work due to quarantine, and utilization of more expensive contract staff to provide care. In addition, health care providers may be required to provide significant amounts of uncompensated care. The Obligated Group cannot predict any costs associated with the potential treatment of an infection disease or pandemic or preparation for such treatment.

In the future, pandemic or other highly contagious disease at the Obligated Group's facilities may adversely affect the Obligated Group's operations and financial performance in

various ways, including but not limited to (1) an overburdening of facilities, (2) a quarantine, temporary shutdown or diversion of patients, (3) a disruption in the production or supply of pharmaceuticals, medical supplies and protective equipment and increases in the costs of such products, (4) professional or non-professional staff shortages or illnesses, (5) an increase in overhead costs due to additional costs incurred related to adjustments to the use of various facilities and to staffing during the outbreak, including overtime wages, mandated sick pay, and the use of more expensive contract staff to provide care, (6) significantly delayed payments from third-party payors, (7) increased numbers of professional liability lawsuits, (8) a larger number of uninsured patients due to increased unemployment rates, and (9) reduced patient volumes and operating revenues due to unaffected individuals deferring elective procedures or otherwise avoiding medical treatment.

Bankruptcy

Enforcement of the Resolution, the Loan Agreement, the Indenture, the Multimodal Bond Loan Agreement and the Series 2025 Bonds is subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2025 Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the Maryland General Assembly affecting the time and manner of payment or imposing other constraints upon enforcement. The obligation of an Obligated Group Member to make payments of debt service on the Series 2025 Bonds may not be enforceable under applicable state insolvency, fraudulent conveyance, bankruptcy, trust and other laws affecting the Obligated Group. Further, the obligations of any future Obligated Group Member to make payments of debt service on any Parity Debt, the proceeds of which were not loaned or otherwise made available to such Obligated Group Member, may not be enforceable under applicable state insolvency, fraudulent conveyance, bankruptcy, trust and other laws affecting such Obligated Group Member.

If an Obligated Group Member were to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group and its property. If the bankruptcy court so ordered, the property of the Obligated Group, including its accounts receivable and proceeds thereof, could be used for the benefit of the Obligated Group despite the claims of its creditors.

In a case under the Bankruptcy Code, an Obligated Group Member could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the debtor, and could result in the modification of rights of creditors generally, or the rights of any class of creditors, secured or unsecured. Under certain circumstances, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. Even if less than all the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests bound thereby.

The Bankruptcy Code permits a bankruptcy court to modify the rights of a secured creditor. In the event of a bankruptcy proceeding involving an Obligated Group Member, the Authority or the Trustee (as the case may be) could be treated under the Bankruptcy Code as one

holding a secured claim, to the extent provided in the Resolution and the Loan Agreement. The potential effects of the bankruptcy of any Obligated Group Member could be to delay substantially the enforcement of remedies otherwise available to the Authority and the Trustee and to allow the bankruptcy court, under certain circumstances (i) to substitute other assets of the Obligated Group for collateral under the Loan Agreement, (ii) to sell all or part of the collateral under the Loan Agreement without application of the proceeds to the payment of Parity Debt, (iii) to subordinate the Loan Agreement to liens securing borrowings approved by the bankruptcy court, (iv) to permit the Obligated Group Members to cure defaults and reinstate the Loan Agreement, (v) to compel termination of the Loan Agreement as to one or more of the Obligated Group Members by payment of an amount determined by the bankruptcy court to be the value of the collateral pledged by the Obligated Group thereunder (even though less than the total amount of Parity Debt outstanding), or (vi) to modify the terms of or payments due under the Loan Agreement. For additional detail, reference is made to the Bankruptcy Code, 11 U.S.C. §101 *et seq.*

In determining whether various covenants and tests contained in the Loan Agreement are met, the Obligated Group Members will be combined, notwithstanding any uncertainties as to the enforceability of certain obligations of the Obligated Group Members contained in the Loan Agreement which bear on the availability of the revenues of the Obligated Group Members for payment of debt service on Parity Debt, including the Series 2025 Bonds. In the event of bankruptcy of any Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action which would adversely affect the exclusion of interest on the Series 2025 Bonds from gross income of the Bondholders for federal income tax purposes.

In addition, the bankruptcy of a health plan or physician group that is a party to a significant managed care arrangement with the Obligated Group Members could have material adverse effects on the Obligated Group Members.

Additional Limitations on Enforceability

In addition to the limitations described above under "Bankruptcy," the obligation of any Obligated Group Member to make payments of debt service with respect to any Parity Debt, the proceeds of which were not loaned or otherwise made available to such Obligated Group Member, is subject to the application of charitable trust principles which may vary from jurisdiction to jurisdiction and may not be enforceable to the extent that such payments (i) will be made on Parity Debt issued for a purpose that is not consistent with the charitable purposes of the entity from which such payment is requested; (ii) will be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of such property for such payments; (iii) would result in the cessation or discontinuation of any material portion of the services previously provided by the entity from which such payment is requested; or (iv) will be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the property of any Obligated Group Member may be described above cannot be determined and could be substantial.

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such

corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other person who has interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

As described above under "Bankruptcy," in determining whether various covenants and tests contained in the Loan Agreement are met, the Obligated Group Members will be combined, notwithstanding uncertainties as to the enforceability of certain obligations of the Obligated Group Members contained in the Loan Agreement.

In addition to the limitations on enforceability described above, the realization of rights under the Resolution and the Loan Agreement upon a default by an Obligated Group Member depends upon the exercise of various remedies specified in the Resolution and the Loan Agreement, respectively. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Resolution and the Loan Agreement may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Resolution or the Loan Agreement. Accordingly, the ability of the Authority or the Trustee to exercise remedies under the Resolution and the Loan Agreement upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Facility Damage

Health care facilities are highly dependent on the condition and functionality of their physical facilities. Damage from natural causes, severe weather, fire, deliberate acts of destruction, terrorism or various facility system failures may have a material adverse impact on the business or financial condition of the Obligated Group, especially if insurance is inadequate to cover resulting property and business losses. Climate change may increase the frequency or severity of natural disasters.

Risks Related to Construction Projects

The Obligated Group has undertaken or has committed to undertake construction and renovation projects using Parity Debt and other funding sources, certain of which are described under "KEY STRATEGIC CAPITAL PROJECTS" in Appendix A hereto, and management expects to undertake construction and renovation projects in the future. The current projects are, and future projects may be, subject to the risk of delays due to a variety of factors including, among others, delays in obtaining the necessary permits, licenses and other governmental approvals, including building permits and environmental approvals, site difficulties, labor disputes, strikes, shortages of qualified contractors, delays in delivery and shortage of materials, weather conditions, fire and other casualties and default by the Obligated Group, construction managers or subcontractors. If completion of projects is delayed, receipt of revenues projected from their operation may be delayed and the ability of the Obligated Group to pay the Parity Debt and other obligations may be adversely affected.

Further, the cost of current and future construction and renovation projects may be affected by modifications to projects and by factors beyond the control of the Obligated Group and its contractors, including, but not limited to, rising costs, inflation, labor disputes, delays in delivery and shortage of materials, site difficulties, adverse weather conditions, subcontractor defaults, fire and casualty and unknown contingencies. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Obligated Group to borrow additional funds to complete projects.

The Series 2025 Bonds are being issued to finance only a portion of the costs of the 2025 Project. Successful and timely completion of the 2025 Project could be adversely affected by, and costs of the 2025 Project could be increased as a result of, final plans and construction contract pricing, possible changes to project scope that could be authorized by the Institution, delays due to acts or neglect of the Institution or by independent contractors employed by or on behalf of the Institution or by labor disputes, fire, unusual delay in transportation, disruptions in the supply of materials, adverse unanticipated site conditions, unavoidable casualties, force majeure or any other causes beyond the control of the Institution or the contractors. The Institution has entered into a guaranteed maximum price contract for the Center for Advanced Medicine Project. In connection with the Shore Regional Medical Center Project, the Institution has entered into a guaranteed maximum price contract for the sitework and expects to enter into a guaranteed maximum price contract for the construction of the Shore Regional Medical Center Project.

There can be no assurance that a guaranteed maximum price contract for the construction of the Shore Regional Medical Center Project will be available and, in each case, the possibility will remain that the cost of construction could be adjusted to a level in excess of these guaranteed maximum prices. Guaranteed maximum prices may be increased or decreased by written change orders authorized by the Institution or a construction contractor could be entitled to an increase in the guaranteed maximum price under certain circumstances, such as inflation or delays. In addition, costs of construction may increase to an amount in excess of the guaranteed maximum price as the result of certain insured casualties or suspension of work due to certain governmental actions. For additional information about the 2025 Project, see "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of the Series 2025 Bonds – *Shore Regional Medical Center Project*" and " – *Center for Advanced Medicine Project*" in Appendix A.

Utilization of the facilities of the Obligated Group may be adversely affected by disruption resulting from construction and renovation projects. Additionally, if construction is delayed or disrupted, the Institution would likely experience reductions or delays in the revenue expected to be earned from operation of any current or future projects and to an extent that could be material.

Hedging Transactions

As described in Appendix A under "UTILIZATION AND FINANCIAL INFORMATION – Interest Rate Swap Arrangements," the Obligated Group Members have entered into interest rate swap agreements (the "Existing Swap Agreements") with respect to certain outstanding Indebtedness and have posted certain collateral for a portion of these agreements. Under certain circumstances, the Obligated Group Members may be required to provide additional collateral to the counterparties under the Existing Swap Agreements. The obligation to provide collateral could materially adversely affect the financial condition of the Obligated Group. There can be no

assurance that the Existing Swap Agreements will remain in place for the term of such Indebtedness.

In addition to the Existing Swap Agreements, the Obligated Group Members and other System Affiliates from time to time may enter into additional hedging arrangements to hedge the interest payable or manage interest cost on Indebtedness, assets or any other derivative arrangements. Changes in the market value of such agreements could have a negative impact upon an Obligated Group Member's operating results and financial condition, and such impact could be material. Any future hedging agreement entered into by a System Affiliate may be subject to early termination upon the occurrence of certain events. If either an Obligated Group Member or other System Affiliate or the counterparty under a Swap Agreement or other hedging agreement terminates such agreement under then-current market conditions or on some future date on which market conditions are similarly unfavorable to such Obligated Group Member or other System Affiliate and such agreement has a negative value to such Obligated Group Member or System Affiliate, such Obligated Group Member or other System Affiliate would be obligated to make a substantial termination payment, which could materially adversely affect the financial condition of the Obligated Group Members.

Covenants Related to Other Indebtedness

The Existing Swap Agreements and certain other agreements entered into by the Obligated Group Members in connection with the issuance of Parity Debt contain, and future credit arrangements entered into by the Obligated Group Members (collectively, "Other Credit Agreements") may contain, certain covenants or terms that have been required by counterparties under the Existing Swap Agreements or the financial institutions purchasing Parity Debt or providing credit enhancement for outstanding Parity Debt that are more restrictive than those described herein. Certain defaults under the Other Credit Agreements, including a default under any Other Credit Agreement that constitutes a Parity Obligation or pursuant to which a Parity Obligation was issued which is not remedied within any applicable cure period or waived by the holder under such agreement would constitute an Event of Default under the Loan Agreement, whether or not the holder chooses to accelerate the due date for the payment of amounts due under such Other Credit Agreement. Any such Event of Default could cause an Event of Default under the Resolution and the Loan Agreement, which could result in a decline in the market value of the Series 2025 Bonds and an acceleration of the Series 2025 Bonds.

For a description of certain covenants and events of default in Other Credit Agreements that are in addition to, different or more stringent than those in the Loan Agreement, see "SUMMARY OF CERTAIN PROVISIONS OF OTHER CREDIT AGREEMENTS CONSTITUTING PARITY DEBT" in Appendix D.

Discretion of Board and Management

The Obligated Group Members may enter into transactions that could materially affect the business, organizational structure and control of the Obligated Group Members and other System Affiliates, subject to certain limitations contained in the Loan Agreement. Such transactions could include, among others, divestitures of affiliates, substantial new joint ventures and mergers, consolidations or other forms of affiliation in which control of the Obligated Group Members and other System Affiliates could be materially changed. Given the pace of change in the health care industry, it is likely that the Institution will be presented with opportunities to enter into

transactions of considerable magnitude or significance. The ability of the Obligated Group Members to generate revenues sufficient to pay debt service on the Series 2025 Bonds and other Parity Debt is dependent in large measure on the decisions of the board and management of the Institution with respect to any such opportunities. In addition, any such initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Institution may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Institution, any Obligated Group Member and the System Affiliates.

Impact of Investment Performance. The Institution has significant holdings in a broad range of investments. Investment income (including both realized and unrealized gains on investments) may contribute significantly to the Obligated Group's financial results. Market fluctuations have affected and will likely continue to affect materially the value of those investments, and those fluctuations may be, and historically have been, material. The state of the economy and market disruptions may exacerbate the market fluctuations. Reduction in investment income and the market value of its investments may have a negative impact on the financial condition of the Obligated Group and the System Affiliates, including their ability to fund capital expenses from cash and investments. See "UTILIZATION AND FINANCIAL INFORMATION – Investment Portfolio and Policy" in Appendix A for a more detailed description of the Medical System's investment policy and Appendix B for the Medical System's investment performance for the fiscal year ended June 30, 2024. In addition, the previously lower interest rate environment has caused many organizations to reduce the discount rate used to measure liabilities under defined benefit pension plans, resulting in increased liabilities and the need to increase funding levels under these plans.

Access to Credit Markets. Adverse conditions in the credit markets may limit the ability of the Obligated Group to borrow to fund capital expenditures and increased borrowing costs may result in the postponement or revision of planned and approved capital projects, which may be integral to the financial condition and operations of the Obligated Group.

Federal Debt Limit. The federal government has, through legislation, created a debt "ceiling" or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt ceiling that have threatened to shut down substantial portions of the federal government. Any failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt, pay its existing debt instruments and satisfy its obligations relating to the Medicare and Medicaid programs. Management of the Institution is unable to determine at this time what impact any future failure to increase the federal debt limit may have on the operations and financial condition of the Obligated Group, although such impact may be material. Additionally, the market price or marketability of the Series 2025 Bonds in the secondary market may be materially adversely impacted by any failure to increase the federal debt limit. Under the Fiscal Responsibility Act, signed into law on June 3, 2024, Congress suspended the federal debt ceiling until January 2025.

Federal Budget Cuts. The Budget Control Act of 2011 (the "Budget Control Act") mandated significant reductions and spending caps on the federal budget for fiscal years 2012-2021, including a reduction on all Medicare payments during this period. Subsequent legislation under the Bipartisan Budget Act of 2019 extended these reductions through 2029. It is possible

that Congress could act to extend or increase these across-the-board reductions. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have on the Obligated Group and System Affiliates. Further, with no long-term resolution in place for federal deficit reduction, hospital and physician reimbursement may continue to be targets for reductions with respect to any interim or long-term federal deficit reduction efforts. These and any additional reductions in Medicare and Medicaid spending could have a material adverse effect upon the financial condition or operations of the Obligated Group and the System Affiliates.

Variable Rate Bonds; Mandatory Purchase Requirements

The Prior Multimodal Bonds issued by the Authority for the benefit of the Obligated Group bear interest at variable rates. See "OTHER PARITY DEBT – Outstanding Parity Debt" above and "UTILIZATION AND FINANCIAL INFORMATION – Variable Rate Demand and Direct Purchase Bonds" in Appendix A. As such, the interest rate on such indebtedness will be subject to market conditions. No assurance can be given that future interest rates will not increase materially or that such increases will not materially adversely affect the financial condition or results of operations of the Obligated Group Members.

The interest rates on the Prior Multimodal Bonds are subject to increase if the corporate tax rate changes or if interest on the Prior Multimodal Bonds becomes subject to federal income taxation. If any change in law occurs that increases certain costs of the holders of the Prior Multimodal Bonds or their affiliates or reduces payments or rates of return thereon, the Obligated Group Members will be required to make additional payments pursuant to the agreements under which such Prior Multimodal Bonds were issued in order to provide additional compensation to such parties.

The Prior Multimodal Bonds are subject to mandatory purchase on various dates prior to maturity unless such mandatory purchase dates are extended or the Authority, at the request of Obligated Group, converts the interest mode applicable to such variable rate bonds to another interest mode for which a purchaser can be found or, in the case of Prior Multimodal Bonds secured by letters of credit, such letters of credit are extended or a substitute liquidity facility is obtained.

Acquisitions, Affiliations, Mergers and Divestitures

The Institution has undertaken a significant number of acquisitions and other affiliations in the last decade. The Institution has also conveyed all or a portion of its interest in certain operations and assets from time to time and may consider the divestiture of other operations or properties that are currently owned or operated by the Institution and affiliates. As part of its ongoing planning process, the Institution expects to consider potential affiliations and acquisitions of operations or properties in the future. Further acquisitions, affiliations, mergers and divestures could materially affect the business, organizational structure and control of the Medical System and could have a material adverse effect on the financial condition or results of operations of the Obligated Group.

The Cures Act

The 21st Century Cures Act (the "Cures Act") is intended to create broadened patient access to care, involving patients in new research, and leveraging technology to create efficiencies. The Cures Act will support efforts to improve telehealth services in Medicare and is intended to improve the process for determining which Medicare treatments are covered, potentially leading to increased access to treatments for Medicare beneficiaries. In addition to numerous provisions related to research and clinical trials, the Cures Act includes a number of changes to the Medicare program, some of which are described herein. New regulations for the Cures Act were finalized in May 2020. These regulations focus on patient access to healthcare records and interoperability of electronic healthcare records between providers to improve patient care. Additional regulations were finalized in June 2023 and January 2024 that generally establish penalties and disincentives for entities that engage in information blocking, which is defined as, "a practice that interferes with, prevents, or materially discourages access, exchange, or use of electronic health information." Another regulation finalized in December 2023 refined certain standards for health information technology, and established new requirements for the use of artificial intelligence and other predictive algorithms.

CARES Act Compliance

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") created a "Public Health and Social Services Emergency Fund" to reimburse eligible health care providers for "health care related expenses or lost revenues that are attributable to coronavirus" ("Provider Relief Fund"). Payments in excess of health care-related expenses or lost revenue attributable to COVID-19 were required to be repaid. The retention of funds from the Provider Relief Fund is conditioned on eligibility and the acceptance of terms and conditions, and other guidelines or requirements that may change from time to time, including with respect to recordkeeping and repayment requirements. The Department of Health and Human Services ("DHHS") is actively auditing recipients of Provider Relief Fund funds to ensure compliance with the terms and conditions thereof. Failure to comply with such terms and conditions could result in recoupment, False Claims Act liability, or other penalty.

Affordable Care Act

The discussion in this section and otherwise in this Official Statement describes risks associated with certain existing federal and state laws, regulations, rules, and governmental administrative policies and determinations to which the Obligated Group and the healthcare industry are subject. While these are regularly subject to change, many of the existing provisions were enacted by or promulgated pursuant to the Affordable Care Act, which has been politically controversial.

In 2010, the United States Congress enacted the Affordable Care Act. The comprehensive healthcare reform mandated by the Affordable Care Act was intended to expand the availability of health insurance coverage, control the costs of healthcare and improve the manner in which healthcare is delivered. The Affordable Care Act required all individuals, with certain exceptions, to purchase health insurance; substantially expands Medicaid coverage; provides premium subsidies to certain individuals; imposes certain taxes on individuals and employers; creates insurance pooling mechanisms or state run health insurance exchanges; imposes new requirements on the insurance industry regarding access and coverage; provides for certain cost containment

mechanisms and new models of care delivery; and includes provisions designed to reduce Medicare spending and improve the quality of outcomes and health system performance.

Funding cutbacks in Medicare are to be achieved by, among other means, reducing Medicare and Medicaid Disproportionate Share Hospital ("DSH") payments and annual market basket updates (used to adjust Medicare payments for inflation) for inpatient hospitals and other Medicare providers. DSH payments cover the increased costs of hospitals that provide a disproportionate amount of care to uninsured patients and low-income patients covered by Medicaid. Although these provisions will not directly impact Maryland hospitals, as long as the TCOC Model or AHEAD Model remain in effect, reductions in Medicare payments nationally will limit the amount of revenue that will be made available to Maryland hospitals by the Rate Commission. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" above. Under the CARES Act and the Consolidated Appropriations Act of 2021, Medicaid DSH funding cutbacks were eliminated for fiscal year 2020 and reduced for fiscal year 2021, and the remaining four years of Medicaid DSH cutbacks are delayed until calendar year 2025.

The Affordable Care Act also establishes a Shared Savings Program ("MSSP") that promotes accountability for the care of Medicare beneficiaries and encourages coordination of care and other efficiencies through entities called Accountable Care Organizations ("ACOs"). CMS has issued numerous updates to its MSSP rules in 2011 and each year from 2014 through 2024 updating various requirements governing the administration of MSSP. It remains unclear to what extent providers will pursue federal ACO status or whether the required investment would be warranted by increased payment. Nevertheless, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change. The potential impacts of these initiatives are unknown but introduce greater risk and complexity to health care finance and operations.

The Affordable Care Act extends existing pay for performance initiatives for hospitals and creates a value-based purchasing program ("VBP") for hospitals that are paid under Medicare's inpatient prospective payment system ("IPPS"). Under the VBP program, incentive payments are available to hospitals that achieve certain quality performance measures during performance periods. Hospitals that fail to report certain quality measures or satisfy the performance standards are subject to a decrease in their Medicare payments. Funding for the VBP program comes from withholding a percentage of annual reimbursement payments to hospitals. CMS continues to implement the VBP with annual updates to the performance standards and measures. As noted above, under the TCOC Model and AHEAD Model, Maryland has a waiver from the VBP contingent on the State's submission of a report that provides evidence of a similar state program each year and therefore the exemption is not guaranteed to continue.

Possible impacts of the Affordable Care Act on Maryland's rate-setting system in general and on the Obligated Group include, without limitation, significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste and abuse; decreased reimbursements for hospital services from third-party payers, including Medicare and Medicaid; significant changes to current payment methodologies for hospital services; and changes to costs of providing health insurance coverage to hospital employees. Although many of the reimbursement changes are not expected to directly affect Maryland hospitals, many of the changes will likely impact the TCOC Model and AHEAD Model, and it is likely that revenue increases approved by the Rate Commission for Maryland hospitals will be

constrained as regulators attempt to assure that Medicare spending in Maryland does not grow faster than Medicare spending nationally and generally to assure compliance with the terms of the TCOC Model and AHEAD Model. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" herein. Expansion of Medicaid coverage may result in a significant shift in the payer mix of the Medical System. Increased insurance coverage and a reduction in the number of uninsured patients could result in increased demand for the services of the Medical System, straining the existing operating capacity of the facilities of the Medical System, and is likely to create a need to recruit or employ additional physicians and other health services providers to meet increased demand.

The Affordable Care Act added Section 501(r) of the Internal Revenue Code of 1986, as amended (the "Code"), imposing the following new requirements on, among others, tax-exempt hospitals: (i) hospitals are required to conduct a community needs assessment at least every three years and adopt an implementation strategy to meet the community needs identified through such assessment; (ii) hospitals must adopt, implement and publicize a written financial assistance policy and an emergency medical care policy; (iii) hospitals must limit charges to individuals who qualify for financial assistance under the hospitals' financial assistance policies to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals; and (iv) hospitals may not undertake extraordinary collection actions (even if otherwise permitted by law) against individuals without first making reasonable efforts to determine whether the individuals are eligible for assistance under the hospitals' financial assistance policies. Failure to complete a community health needs assessment in any applicable three-year period can result in a financial penalty or revocation of the hospital's status as a Section 501(c)(3) organization.

The Affordable Care Act requires the Secretary of the Treasury, in consultation with the Secretary of DHHS, to submit annually a report to Congress with information regarding the levels of charity care, bad debt expenses and unreimbursed costs of government programs, as well as costs incurred by tax-exempt hospitals for community benefit activities. This statutory requirement is expected to increase IRS surveillance over such organizations and may increase the likelihood of IRS examinations challenging the Section 501(c)(3) status of hospitals, as well as the likelihood that Congress will consider additional requirements for Section 501(c)(3) hospitals in the future.

The Affordable Care Act requires states to either establish and operate a health insurance exchange or participate in a multi-state or federal exchange. Maryland established its own health insurance exchange. Maryland has also elected to pursue Medicaid expansion up to 138% of the federal poverty levels based on modified adjusted gross income. The increased Medicaid enrollment could affect State of Maryland budget allocations for Medicaid services and payment rates to healthcare providers.

Opponents of the Affordable Care Act have repeatedly taken steps to repeal and replace certain provisions of the Affordable Care Act. These actions include introducing and voting on various bills aimed at repealing and replacing all or portions of the Affordable Care Act. In addition to actual and possible legislative changes, implementation of the Affordable Care Act may be impacted by executive branch actions. To date, the Senate has not passed any legislation to repeal the Affordable Care Act in full. However, on December 22, 2017, the Tax Cuts and Jobs Act of 2017 was signed into law, which included a provision repealing the individual mandate penalty of the Affordable Care Act beginning in 2019. Individuals will still receive a premium tax credit for buying health coverage from a government marketplace. The repeal of the individual mandate

penalty has likely been the cause of an increase in the number of uninsured individuals. The Biden administration has issued executive orders rolling back a number of the prior administration's efforts, specifically opening a special enrollment period and rolling back rules that lessened the requirements for forming Association Health Plans and short-term, limited duration insurance. These changes could be expected to increase insurance coverages and reimbursements, but continued changes and reversals reflect the uncertainty of the insurance market under the Affordable Care Act.

Other efforts to weaken the Affordable Care Act include a federal case filed in Texas, where plaintiffs argued that the Affordable Care Act is unconstitutional as a result of the repeal of the individual mandate tax penalty. On December 14, 2018, a Texas Federal District Court judge, in the case of *Texas v. Azar* declared the Affordable Care Act unconstitutional, reasoning that the individual mandate tax penalty was essential to and not severable from the remainder of the Affordable Care Act. The case was appealed to the U.S. Court of Appeals for the Fifth Circuit (the "Court of Appeals") and on appeal the U.S. Department of Justice supported affirmation of the district court's judgment. On December 18, 2019, the Court of Appeals affirmed the district court's judgment that the individual mandate tax penalty was unconstitutional but vacated the district court's judgment that the remainder of the Affordable Care Act was also unconstitutional as inseverable from the individual mandate tax penalty. The Court of Appeals remanded the case to the district court for a detailed analysis as to whether all or a portion of the remaining provisions of the Affordable Care Act are severable from the individual mandate tax penalty and can remain law. The U.S. Supreme Court granted *certiorari* to review the decisions in this case. On June 17, 2021, the U.S. Supreme Court rendered an opinion that the plaintiffs had no legal standing to challenge the individual mandate of the Affordable Care Act and as a result the Affordable Care Act remains law.

In addition, the DHHS has taken steps to streamline the process by which states obtain waivers of Medicaid coverage mandates. DHHS has also permitted the implementation of work and community engagement requirements as a condition of eligibility for Medicaid benefits.

It is not possible to predict with any certainty whether or when the Affordable Care Act or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the healthcare industry and the Obligated Group, any of which individually or collectively may have a material adverse effect on the operations, financial condition, and financial performance of the Obligated Group. In addition, any repeal or modification of the Affordable Care Act could reduce the number of individuals qualifying for treatment as Medicaid patients, resulting in the Obligated Group's care for greater numbers of uninsured individuals.

Federal and State Reimbursement Regulation

Obligated Group Members are subject to regulatory actions and oversight by a number of governmental and private agencies, including those that administer the Medicare and Medicaid programs, the Rate Commission, The Joint Commission (a private nonprofit corporation that accredits health care programs and providers in the United States), other private agencies and federal, state and local agencies. These bodies may promulgate new regulatory provisions from time to time, and it is not possible to predict the effect of any such future promulgations on the

Obligated Group. Additionally, actions by the federal government with respect to Medicare and by the federal and state governments with respect to Medicaid that have the effect of reducing the total amount of funds available for either or both of these programs or changing the reimbursement regulations or their interpretation could adversely affect the amount of reimbursement available to the Obligated Group.

The federal government, the largest health care purchaser in the country, uses reimbursement as a key tool to implement health care policies, to allocate health care resources, and to control utilization and promote the use and development of health technology. The amount of reimbursement available to the Obligated Group is adversely affected by various federal cost containment programs designed to reduce federal payments to health care facilities by limiting the amount of reimbursement for health care costs. In particular, for inpatient services, Medicare pays hospitals fixed amounts for specific services based upon patient diagnosis. With certain exceptions, such payments are not adjusted for actual costs, varying services, or length of stay. Maryland currently has a waiver from this federal prospective payment system and, therefore, at present the Hospitals are paid for most services in accordance with the Rate Commission's rate-setting system. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" herein. However, there can be no assurance that Maryland's exemption from the federal prospective payment system will be maintained.

The Rate Commission's Global Budget Revenue program includes incentives for hospitals to control unnecessary utilization and improve population health. Because hospital annual patient service revenue under the Global Budget Revenue program is capped, the program puts hospitals at risk for managing utilization and costs and shifts incentives to focus on appropriate volume and patient health status. Moreover, to constrain cost growth over time, the Rate Commission may reduce hospital revenue budgets in line with volume declines and increase true population health risk incentives to hospitals. Hospitals that are unable to control utilization, reduce inappropriate volume, or reduce costs as volumes decline may perform poorly under the Global Budget Revenue program. Future actions by the Rate Commission, changes in Rate Commission regulations, rate approval guidelines, structure or operations, or the termination of the Waiver Model may adversely affect the operations of the Hospitals. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" herein. There can be no assurance that the Rate Commission will approve rates in the future sufficient to ensure payment by the Obligated Group of the outstanding Parity Debt.

A portion of the Obligated Group's revenues comes from nonhospital services that are not regulated by the Rate Commission, including the services of physicians and other licensed providers who participate in Medicare. For certain professional services provided to Medicare beneficiaries by its employees, Obligated Group Members bill under Part B of Medicare, which pays for the professional services of physicians and certain other licensed providers. Under Part B, these services are reimbursed in an amount equal to the lesser of actual charges or the amount determined under a fee schedule known as the "resource-based relative value scale" or "RBRVS." The RBRVS sets a relative value for each service and that value is then multiplied by a geographic adjustment factor and a nationally-uniform conversion factor to determine the amount Medicare will pay for each service. The relative values for professional services contained in the RBRVS are based on a work component intended to reflect the time and intensity of effort required to provide the service, a practice expense component which includes costs such as office rents, allied

health support salaries, equipment and supplies, and a component for the cost of malpractice insurance.

There can be no assurance that the current rate-setting system will continue in effect or that the Rate Commission will continue to utilize the current methodology by which it determines rate adjustments or approve rates in the future that produce revenues sufficient for the Hospitals to pay amounts payable due under the Series 2025 Bonds. Future action by the Rate Commission, changes in the Rate Commission regulations, rate approval guidelines, structure or operations, or the loss of the Medicare Waiver may adversely affect the operations of the Obligated Group.

The Medicare Physician Fee Schedule ("MPFS") covers payments for more than 7,000 types of services. The MPFS is adjusted regularly by CMS. Changes to the MPFS and other regulatory changes affecting reimbursement for physicians and other licensed providers may result in decreased revenue or, if bills are not submitted correctly, in false claims liability for the Obligated Group.

Medicare inpatient payments to hospitals are determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through the reduction of hospital inpatient care payments. Hospitals that perform poorly under the value-based purchasing program will receive reduced Medicare inpatient hospital payments. This reduction may be offset by incentive payments for hospitals that meet or exceed certain quality standards.

The Affordable Care Act established a voluntary Medicare bundled payment pilot program, under which Medicare will make a single payment for an episode of care, such as heart bypass surgery, covering some combination of hospital, physician, and post hospital care for the episode. CMS has also implemented a mandatory bundled payment demonstration for certain joint replacement procedures in selected urban areas. CMS issued a finalized rule on December 20, 2016 for additional clinical conditions. Private insurers are also developing bundled payment programs. While bundled payments offer opportunities to provide better coordinated care and to save costs, they also entail financial risk if the episode is not well managed.

Future actions by the federal government with respect to Medicare and by the federal and state governments with respect to Medicaid, reducing the total amount of funds available for either or both of these programs or changing the reimbursement regulations or their interpretation, could adversely affect the amount of reimbursement available to the Obligated Group. Revision and expansion of effective regulations or the proposal of additional regulations may affect hospitals and other healthcare facilities and providers which seek payment under the Medicare and Medicaid programs. See "CERTAIN BONDHOLDERS' RISKS – Medicare and Medicaid Programs" below. Furthermore, loss of accreditation by The Joint Commission could result in loss of Medicare and Medicaid reimbursement.

Future federal or state legislation or regulations and their impact upon the Obligated Group Members cannot be determined at this time. No assurance can be given that any future health care legislation that is enacted will not materially adversely affect the Obligated Group.

Effect of Healthcare Reform on the Insurance Market

The Affordable Care Act provides for insurance market reforms that, among other things, require individual and group health insurance plans to offer coverage (including renewability) on a guaranteed basis. The Affordable Care Act prohibits pre-existing conditions limitations, certain coverage limitations, lifetime and annual dollar limits for essential health benefits, and requires coverage of certain preventive health benefits. As part of the Affordable Care Act, every individual is required to enroll in a health plan through an employer, a federal government health program such as Medicare, Medicaid or Tricare, or purchase insurance through a health insurance exchange established by the state or run by the federal government, or pay a tax penalty. Tax reform legislation enacted in December 2017, colloquially known as the Tax Cuts and Jobs Act, eliminated the individual mandate penalty.

The Affordable Care Act establishes minimum essential benefits that must be covered by health plans offered to consumers on a state's healthcare exchange, sets minimum coverage amounts to be offered under each plan level, and limits the variations in premiums that may be charged for exchange coverage on the basis of age and tobacco use.

To address affordability, individuals with family income under 400% of the FPL are eligible for subsidized premiums, deductibles, and co-pays for coverage purchased on the exchange. Initially, only individuals and small employers will be able to access coverage through the exchanges.

In addition, new federal regulations on limited duration insurance coverage, which coverage will remain subject to state insurance law requirements, and on health reimbursement accounts may lead some insurers to offer less comprehensive, but more affordable, coverage without the Affordable Care Act consumer protections such as essential health benefits requirements, premium age-ratio limits, prohibitions on pre-existing condition limitations, guaranteed issue, and lifetime and annual coverage limits.

At this time, it is not possible to project what impact these developments might have on the number of uninsured or underinsured patients that the Obligated Group Members will still need to treat.

Medicare and Medicaid Programs

Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program, and Medicaid is a combined federal and state program. Medicare provides certain healthcare benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient and outpatient hospital services, some skilled nursing care, hospice and some home healthcare, and Medicare Part B covers physician services, outpatient services and some supplies. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states.

Medicare. Medicare is a federal governmental health insurance system under which physicians, hospitals and other healthcare providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons and persons with end-stage renal disease.

Medicare is administered by CMS within DHHS. In order to achieve and maintain Medicare certification, a healthcare provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and The Joint Commission. The federal government frequently revises the laws, regulations and policies governing Medicare eligibility, coverage, payment and participation under the Medicare program. The Affordable Care Act institutes multiple mechanisms for reducing the costs of the Medicare program. The demonstration and pilot projects authorized and funded by the Affordable Care Act are also likely to precipitate other significant modifications in the future to the Medicare payment system. Management cannot project the extent of these modifications, or what impact such modifications may have on the financial operations of the System. See "CERTAIN BONDHOLDERS' RISKS – Affordable Care Act" above. Also, at this time, it is not known whether future changes to such laws, regulations or policies will have a material adverse financial effect on the Obligated Group.

Future reductions in Medicare reimbursement, or the failure of increases in Medicare reimbursement to keep pace with increases in the costs of providing care, may have a material adverse financial effect on the Obligated Group.

Eligible hospitals are paid for a portion of their direct and indirect medical education costs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as programs to be reduced or eliminated in the legislative efforts to reduce the federal budget deficit. The formulae used to determine payments for medical education do not necessarily reflect the actual costs of such education, and the federal government is expected to continue to evaluate its policy on graduate medical education and teaching hospital payments. There can be no assurance that payments to a System Affiliate under the Medicare program will be adequate to cover their direct and indirect costs of providing medical education to interns, residents, fellows and allied health professionals.

Additional payments may be made to hospitals that treat a disproportionately large number of low-income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) in the form of DSH payments, but these payments are significantly reduced by the Affordable Care Act.

Additional payments are made to hospitals that treat patients who are costlier to treat than the average patient; these additional payments are referred to as "outlier payments." Following an audit of aggressive pricing strategies at one of the nation's largest hospital chains, and a determination that some hospitals might be manipulating current hospital charge data to maximize reimbursement from Medicare under the outlier payment provisions, the Office of the Inspector General of DHHS ("OIG") began investigating past outlier billing practices, and CMS amended the regulations on how outlier payments were to be calculated in the future. The methodology for calculating outlier payments is designed to prevent hospitals from manipulating the outlier formula to maximize reimbursement and allows for recovery of overpayments in certain cases.

The OIG continues to scrutinize outlier payments in an effort to determine whether outlier payments to the hospitals were paid in accordance with Medicare regulations or whether such payments were the result of potentially abusive billing practices. While the Obligated Group believes that it has calculated its outlier payments appropriately, there can be no assurance that the Obligated Group will not become the subject of an investigation or audit with respect to its past outlier payments, or that such an audit would not have a material adverse impact on the Obligated

Group. Moreover, there can be no assurance that any future revisions to the formula for calculating outlier payments will not reduce the payments to the Obligated Group.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process, or the "Two-Midnight" rule. The "Two-Midnight" policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. With some exceptions, stays not expected to extend past two midnights should not be admitted and instead be billed as outpatient. CMS delayed enforcement of the "Two-Midnight" rule on a number of occasions. Effective October 1, 2015, responsibility for enforcement of the "Two-Midnight" rule shifted from Medicare administrative contractors to quality improvement organizations ("QIO"), and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. The 2016 Medicare Hospital Outpatient Prospective Payment System ("OPPS") Final Rule, effective January 1, 2016, revised the "Two-Midnight" rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions that do not satisfy the two-midnight benchmark if documentation in the medical records supports that the patient required inpatient care. Following ongoing industry criticism and a legal challenge, in the 2017 IPPS final rule effective October 1, 2016, CMS removed the inpatient payment cuts of 0.2% that were in place from 2014-2016 to offset the estimated increase in IPPS expenditures as a result of the "Two Midnight" rule and provided a temporary increase of 0.6% in payment rates for fiscal year 2017 to help offset the prior cuts. The "Two-Midnight" rule has had an adverse financial impact on hospitals. In December 2016, the OIG issued a report concluding that "vulnerabilities remain" under the CMS "Two-Midnight" rule and that CMS needs to improve oversight of hospital billing under this policy. OIG issued a report on June 11, 2024 identifying weaknesses in CMS program safeguards for preventing and detecting improper payments related to the "Two Midnight" rule, and recommending that oversight of payments for inpatient stays be strengthened. Therefore, CMS may be increasing scrutiny of short inpatient stays in the near future.

Medicare Bad Debt Reimbursement. Under Medicare, the costs attributable to the deductible and coinsurance amounts that remain unpaid by a Medicare beneficiary can be added to the Medicare share of allowable costs as cost reports are filed. Hospitals generally receive interim pass-through payments during the cost report year which are determined by the Medicare Administrative Contractor ("MAC") from the prior cost report filing. Bad debts must meet the following criteria to be allowable:

- the debt must be related to covered services and derived from deductible and coinsurance amounts;
- the provider must be able to establish that reasonable collection efforts were made;
- the debt was actually uncollectible when claimed as worthless; and
- sound business judgment established that there was no likelihood of recovery at any time in the future.

The amounts uncollectible from specific beneficiaries are to be charged off as bad debts in the accounting period in which the accounts are deemed to be uncollectible. In some cases, an amount previously written off as a bad debt and allocated to the program may be recovered in a

subsequent accounting period. In these cases, the recoveries must be used to reduce the cost of beneficiary services for the period in which the collection is made. In determining reasonable costs for hospitals, the amount of bad debt otherwise treated as allowable costs is reduced by 35%. Amounts incurred by a hospital as reimbursement for bad debt are subject to audit and recoupment by the MAC. Bad debt reimbursement has been a focus of MAC audit/recoupment efforts in the past.

Medicare Advantage. Hospitals also receive payments from health plans under the Medicare Advantage program. The Affordable Care Act includes significant changes to federal payments to Medicare Advantage plans resulting in a transition to benchmark payments tied to the level of fee-for-service spending in the applicable county. For calendar year 2025, CMS announced that the effective growth rate for non-end stage renal disease payments under the Medicare Advantage programs will be 2.33%. However, these payments may be reduced again, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans and may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. Decreased federal payments to the Medicare Advantage plans could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

Electronic Health Information Systems, Medicare and Medicaid Incentive Payments and Payment Reductions. The American Recovery and Reinvestment Act of 2009 ("ARRA") provides for Medicare and Medicaid incentive payments that began in 2011 to hospital providers meeting designated deadlines for the installation and use of electronic health information systems. For those hospital providers failing to meet applicable deadlines, Medicare payments will be significantly reduced. Additionally, beginning in 2014, the federal government began auditing hospitals' and providers' records related to their attestation of being "meaningful users" in order to obtain the incentive payments. A hospital or provider that fails the audit will have an opportunity to appeal. Ultimately, hospitals or providers that fail on appeal will have to repay any incentive payments they received through those programs. In the fiscal year 2019 IPPS final rule, CMS overhauled the Medicare and Medicaid Electronic Health Record Incentive Programs to focus on interoperability, improve flexibility, relieve burden and place emphasis on measures that require the electronic exchange of health information between providers and patients. To better reflect this new focus, CMS has re-named the Meaningful Use program "Promoting Interoperability." The Medicaid Promoting Interoperability Program ended in calendar year 2022. The program is currently known as the Medicare Promoting Interoperability Program.

Physician Reimbursement under Medicare. Certain physician services are reimbursed by Medicare on a national fee schedule called the "resource-based-relative-value scale" ("RBRVS"). The RBRVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate ("SGR"), which is a limit on the growth of Medicare payments for physician services, is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Since 2003, Congress has passed legislation to delay application of the SGR. In April 2015, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") was enacted, which included a so-called "doc fix." This law replaces the SGR formula with statutorily prescribed physician payment updates and provisions, and substituted annual 0.5% payment increases through 2019. The Bipartisan Budget Act of 2018 reduced the 2019 update to 0.25 percent. Thereafter,

payment rates will be frozen at 2019 levels through 2025. Beginning in 2026, physicians and other professionals paid under the Medicare physician fee schedule will receive an annual update of 0.75% for participating in eligible alternative payment models, while all other professionals will receive annual updates of 0.25%. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of electronic health records requirements and demonstration of quality-based medicine. While the payment cuts associated with the SGR formula have been eliminated, there is uncertainty regarding the impact of the merit-based and alternative payment models, and it is possible that future legislative action will be taken that would once again trigger physician payment reductions.

MACRA has substantially altered how physicians and other practitioners are paid by Medicare for services furnished to program beneficiaries. Generally, physicians are required to choose whether to participate in an Advanced Alternative Payment Model or the Merit-based Incentive Payment System ("MIPS"). Payments to physicians and other practitioners are adjusted depending on which pathway is chosen, and based on performance within each pathway. A substantial amount of payments is linked to that performance: poorly performing practitioners will have Medicare payments reduced; while those who perform well against prescribed measures could have payment increased. These changes will influence physician referral and utilization behaviors, which could affect utilization of hospital services.

Hospital Outpatient Departments. Under the Bipartisan Budget Act, effective January 1, 2017, off-campus provider-based clinics, physician offices, and ambulatory surgical centers ("off-campus hospital outpatient departments") established or acquired after November 2, 2015 are scheduled to receive reimbursement payments for only the professional fee under the Medicare Physician Fee Schedule or Ambulatory Surgical Center Payment System and will no longer receive an additional facility fee paid under the OPPS. This decrease in reimbursement payments does not apply to (i) any off-campus hospital outpatient departments that existed and were billing as off-campus hospital outpatient departments for covered off-campus hospital outpatient department services prior to November 2, 2015, (ii) any on-campus hospital outpatient departments, (iii) dedicated emergency departments or (iv) any off-campus organizations, other than off-campus hospital outpatient departments, that are required to satisfy the provider-based regulations including satellite facilities and provider-based entities such as rural health clinics.

Effective January 1, 2016, the OPPS Final Rule required hospitals to use new modifiers for services provided to Medicare beneficiaries at off-campus hospital outpatient departments. The stated purpose of the new modifiers was to permit CMS to obtain information regarding the effect of the trend of the conversion of physician offices to off-campus hospital outpatient departments. CMS's interest in collecting this information demonstrated a potential intent to reduce reimbursement for certain services provided at certain types of off-campus hospital outpatient departments. Moreover, failure to use the modifiers correctly could jeopardize the provider-based status of associated off-campus locations.

CMS published a final rule implementing the site neutral provisions of the Bipartisan Budget Act on November 1, 2016. This final rule limited hospitals' ability to replace or expand their existing off-campus hospital outpatient departments and continue to be reimbursed under the OPPS Final Rule, issued in November 2015 and effective January 1, 2016. The final rule also established reduced reimbursement for services provided at new off-campus hospital outpatient departments established after enactment of the Bipartisan Budget Act.

The Cures Act, enacted in December 2016, expanded the categories of projects that would be exempt from the decrease in OPPS reimbursement payments. They include: (i) off-campus outpatient departments if the host hospital had submitted a voluntary provider-based attestation to CMS before December 2, 2015, as long as the construction of the new off-campus outpatient department was complete and the hospital was accepting or poised to accept patients; (ii) off-campus outpatient department locations providing services on or after January 1, 2018, that had a "binding written agreement with an outside unrelated party for the actual construction" of the new off-campus outpatient department before November 2, 2015, as long as the host hospital made certain attestations and certifications within 60 days of the enactment of the Cures Act; and (iii) off-campus outpatient departments of certain cancer hospitals that filed provider-based attestations within 60 days of the date of enactment of the Cures Act (for departments meeting provider-based requirements between November 2, 2015, and the date of enactment) or within 60 days of the date of meeting provider-based requirements.

The calendar year 2019 OPPS final rule reflected changes that demonstrated CMS's continued concern with payment disparities between off-campus hospital outpatient departments and physician clinics. Specifically, the rule applied the lower physician fee schedule facility rate to clinic visits in all provider-based, off-campus hospital outpatient departments, including those that were excepted from the reduced rate in 2018. This lower rate was set to be phased in over two years. Several industry stakeholders challenged this rule, but a federal appeals court rejected their claims in 2020 and the Supreme Court declined to consider the case in 2021, allowing CMS to fully implement the 2019 final rule.

Medicaid

Medicaid is a health insurance program for certain low-income and needy individuals and their dependents that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

Some states also participate in Medicaid waiver programs, which allow states to adjust eligibility criteria beyond what the federal requirements allow.

Medicaid. Maryland's Medicaid waiver program, known as HealthChoice, covers childless adults with incomes up to 138% of the federal poverty level. In 2009, the Maryland General Assembly imposed a tax on hospital net patient revenues to fund a deficit in the State of Maryland's Medicaid program. Although the assessment was intended to be temporary, it has been continued. A majority of the assessments for individual hospitals are built into the hospitals' rate structures. There can be no assurance that the Rate Commission will continue to provide funding to cover these assessments.

It cannot be determined at this time the impact of the TCOC Model or AHEAD Model on the State of Maryland's Medicaid program as the State implements the TCOC Model and AHEAD Model and its Medicaid plan to ensure compliance with the TCOC Model and AHEAD Model requirements.

See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" herein.

Section 340B Drug Pricing Program. Hospitals that participate in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the "340B Program") are able to purchase certain outpatient drugs for their patients at reduced cost. The Health Resources and Services Administration within DHHS ("HRSA"), through the Office of Pharmacy Affairs, administers the 340B Program.

There are a number of pending legal and regulatory actions that may impact the availability of 340B pricing to hospitals and other entities that participate in the program:

- Beginning in 2020, a number of pharmaceutical manufacturers implemented policies refusing or restricting 340B pricing for drugs dispensed through contract pharmacies. These restrictions have hampered the ability of hospitals to dispense certain drugs acquired at 340B pricing through relationships with outside pharmacies, and thereby reducing the savings available to hospitals through the 340B program. HRSA has challenged the manufacturers restrictions as violations of the 340B law in federal court; however, two federal appellate courts have upheld the restrictions in favor of the manufacturers (D.C. Circuit and 3rd Circuit) and a third appellate court has not yet issued its opinion (7th Circuit). Notably, Maryland enacted a state law (H.B. 1056) effective July 1, 2024 that prohibits manufacturers from denying, restricting or limiting the acquisition or delivery of 340B drugs to pharmacies contracting with Maryland hospitals and covered entities. While certain manufacturers have voluntarily complied with the law and restored access to 340B drugs for Maryland covered entities dispensed at contract pharmacies, this law is being challenged by PhRMA and several drug manufacturers in federal court and those suits are pending.

- There are several bills pending in the federal legislature that, if enacted, would modify the 340B statute and may impact the scope of the program.

- HRSA issued a Final Rule effective June 18, 2024 that clarifies provisions of its alternative dispute resolution ("ADR") process. The ADR process allows 340B covered entities (including hospitals) to bring claims against manufacturers for services on sales of drugs at the 340B discounted price, and also allows manufacturers to bring claims against 340B covered entities for violations of certain provisions of the 340B statute. The rule only clarifies the procedural requirements for covered entities and manufacturers to challenge violations of the 340B statute; however, it is possible this may lead to an uptick in manufacturer requests to HRSA for audits of 340B covered entities or challenges related to compliance with program requirements.

Medicare and Medicaid Audits. The Obligated Group Members participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement

claimed under those programs, and the representations upon which such reimbursements are claimed. There can be no assurance that any such future adjustments will not be material or that the reserves, if any, of the Obligated Group Members for such a purpose will be adequate to cover any such adjustments. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to an Obligated Group Member could have a material adverse effect on the financial condition and results of operations of the Obligated Group. In addition, contracts between hospitals and third-party payers often have contractual audit, setoff and withholding provisions that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of Obligated Group. No assurance can be given that in the future a Medicare payment or other payment will not be withheld that would materially and adversely affect the financial condition or results of operations of the Obligated Group.

Under both the Medicare and the Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. These penalties may be material and could include criminal, civil or administrative liability and exclusion from participation in the federal health care programs. Under certain circumstances, payments based on improper claims or overpayments that are not refunded on a timely basis can implicate the federal Civil False Claims Act (the "False Claims Act") or other federal statutes, subjecting the provider to civil and criminal sanctions. The United States Department of Justice has initiated a number of national investigations involving proceedings under the False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

CMS has implemented a Recovery Audit Contractor ("RAC") program on a nationwide basis where CMS contracts with private contractors to conduct pre- and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The Affordable Care Act expanded the RAC program's scope to include managed Medicare plans and Medicaid claims. CMS also employs Medicaid Integrity Contractors to perform post-payment audits of Medicaid claims and identify overpayments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Authorized by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Medicare Integrity Program ("MIP") was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and ensure the "integrity" of the Medicare program. CMS contracts with Medicare Unified Program Integrity Contractors ("UPICs"), formerly known as program safeguard contractors and zone program integrity contractors, to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. UPICs have the authority to deny and recover payments and to refer cases to the OIG. UPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

In addition, CMS has instituted a Medicaid Integrity Program, modeled on the MIP. Medicaid Integrity Program contractors assist state Medicaid agencies by analyzing Medicaid claims data to identify high-risk areas and potential vulnerabilities and conducting post-payment field audits and desk review audits of Medicaid provider payments.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments, may delay payments to providers pending resolution of the appeals process and may result in OIG investigations that could lead to monetary or other penalties. The Affordable Care Act explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The Affordable Care Act also amended certain provisions of the False Claims Act to include retention of overpayments as a violation and added provisions respecting the timing of the obligation to identify, report and reimburse overpayments.

Children's Health Insurance Program

The Children's Health Insurance Program ("CHIP") is a federally funded insurance program for children whose families are financially ineligible for Medicaid, but cannot afford commercial health insurance. The CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state.

Each state must submit its CHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program. Any such loss of funding or federal or state budget cuts to the program could have an adverse effect on provider revenues.

On May 6, 2016, CMS published a final rule to modernize and enhance the provision of quality care to Medicaid managed care and CHIP beneficiaries. The final rule aligns Medicaid and CHIP managed care requirements with other major health coverage programs; enhances the beneficiary experience of care and strengthens beneficiary protections; strengthens the actuarial soundness payment provisions and program integrity provisions; promotes quality of care; and supports efforts to reform the delivery systems that serve Medicaid and CHIP beneficiaries. It is uncertain what impact the final rule will have on the Medical System.

The Bipartisan Budget Act of 2018 extended CHIP funding through 2027, but the Affordable Care Act-increased funding for CHIP was phased-out through fiscal year 2020 and eliminated entirely in fiscal year 2021.

Patient Transfers

In response to concerns regarding inappropriate hospital transfers of emergency room patients based on the patient's ability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act ("EMTALA") in 1986. This law requires most hospitals to provide assessments and stabilizing treatment to all individuals who seek emergency care and imposes certain requirements that hospitals must meet before transferring a patient to another facility. Physicians who refuse to assess or care for patients covered by EMTALA are also subject to sanctions. Failure of a hospital to meet its responsibilities under EMTALA could result in termination of its provider agreements and civil monetary penalties, and repeated or flagrant violation of EMTALA by a physician could result in the physician's exclusion from the Medicare and Medicaid programs, all of which could adversely affect the financial condition of the Medical System. EMTALA and its implementing regulations are complex, and a hospital's compliance is dependent, in part, upon the volition of medical staff members. EMTALA also requires hospital departments that are located anywhere on the hospital's main campus to

comply with EMTALA, even if such departments are not located within the hospital itself. Allegations that an Obligated Group Member has violated EMTALA could have a material adverse effect on the future operations or financial condition of the Medical System.

Waiver Co-Payments and Deductibles

The Obligated Group may at times waive certain Medicare coinsurance and deductible amounts. Certain waiver programs may be considered to be in violation of certain rules and policies applicable to the Medicare program and may be subject to enforcement action. If an agency or court were to conclude that a waiver by an Obligated Group Member violates applicable law, there is a possibility that the Obligated Group Member involved could be assessed fines, which could be substantial, that certain Medicare payments might be withheld or, in a serious case, that the Obligated Group Member could be excluded from the Medicare program. While management is not aware of any challenge or investigation with respect to such matters, there can be no assurance that such a challenge or investigation will not occur in the future.

Health Insurance Portability and Accountability Act

Congress enacted HIPAA as part of a broad healthcare reform effort. Among other things, HIPAA established a program administered jointly by the Secretary of DHHS and the U.S. Attorney General designed to coordinate federal, state and local law enforcement programs to control fraud and abuse in connection with the federal healthcare programs. In addition, Congress greatly increased funding for healthcare fraud enforcement activity, enabling the OIG to substantially expand its investigative staff and authorizing the Federal Bureau of Investigation to quadruple the number of agents assigned to healthcare fraud. The result has been a dramatic increase in the number of civil, criminal and administrative prosecutions for alleged violations of the laws relating to payment under the federal healthcare programs, including the Anti-Kickback Law and the False Claims Act.

HIPAA added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate ("upcoding"), and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could result in civil monetary penalties, which could be substantial.

HIPAA also included administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of information formats and greater use of electronic technology present additional privacy and security risks due to the increased likelihood that databases of personally identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information.

Regulations of the DHHS to protect patient medical records and other personal health information maintained by health care providers, hospitals, health plans, health insurers and health care clearinghouses provide specific federal penalties for noncompliance with HIPAA. Non-criminal violations of the applicable standards may result in civil monetary penalties, while

criminal penalties are available under HIPAA for certain types of violations of the statute that are committed knowingly.

Like other major health systems, certain Obligated Group Members may be the subject of the OIG, U.S. Attorney General or Justice Department investigations and any Obligated Group Member may be the subject of such investigations in the future. Failure to comply with the complex Medicare and Medicaid billing laws can result in exclusion from the Medicare programs as well as civil and criminal penalties. A substantial failure of an Obligated Group Member to meet its responsibilities under the law could materially adversely affect the financial condition of such Obligated Group Member.

The Cures Act and Health Information Technology and Privacy

The Cures Act contains a number of provisions regarding health information technology and healthcare privacy, including: (i) the privacy of protected health information used and disclosed as part of research; (ii) permitted uses and disclosures of mental health and substance abuse treatment information; and (iii) the interoperability of certified electronic health record technology ("CEHRT") networks and patient access to their information in CEHRTs. The legislation calls for a number of studies and for guidance from DHHS implementing and clarifying Cures Act provisions. Certain of the Cures Act provisions and anticipated regulations are intended to reduce regulatory or administrative burdens related to CEHRTs in the Medicare CEHRT incentive program and other Medicare programs.

Health Information Technology for Economic and Clinical Health Act

ARRA appropriated funds for the development and implementation of health information technology standards and the adoption of electronic healthcare records. ARRA also includes the Health Information Technology for Economic and Clinical Health Act ("HITECH Act"), which contains a number of provisions that affect HIPAA' s privacy regulations that provide generally that covered entities must keep a person's personal health information private. The HITECH Act limits a covered entity's discretion in determining what healthcare information about a person may be properly disclosed under the HIPAA privacy regulations. The HITECH Act also significantly expanded the HIPAA privacy and security provisions applicable to covered entities and their business associates. The law includes an individual notice requirement when there is a breach of unsecured electronic personal health information, increases civil monetary and criminal penalties for HIPAA violations, and authorizes state attorneys general to enforce its provisions. The HITECH Act also provides that individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods to be established by DHHS for this private recovery, although DHHS has not yet issued rulemaking to effectuate this statutory provision. Each covered entity must report any breach involving over 500 individuals in a state to DHHS and the local media. All other breaches must be reported annually to DHHS. The financial costs of continuing compliance with HIPAA and its administrative simplification regulations are substantial and have increased as a result of ARRA amendments.

Covered entities that use an "electronic health record" are required by the HITECH Act to account for disclosures of information, payment and healthcare operations. In addition, if a covered entity maintains an electronic health record, individuals have a right to receive a copy of the protected health information maintained in the record in an electronic format.

The HITECH Act requires covered entities to comply with a patient's request to restrict disclosure of information to a health plan if the disclosure's purpose is to carry out payment or healthcare operations (not treatment) or if the information pertains solely to an item or service for which the provider was paid in full from sources other than such health plan. The HITECH Act also includes a prohibition on the payment or receipt of remuneration in exchange for protected health information without specific patient authorization, except in limited circumstances, and places additional restrictions on the use and disclosures of protected health information for marketing and fundraising communications.

The HITECH Act increases the civil monetary penalties associated with violations of HIPAA and provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases, through a monetary damages assessment or an injunction against the violator. However, because there has been limited regulatory guidance about the meaning and scope of certain requirements, no assurance can be given that Obligated Group Members would be found to be in full compliance with those requirements or that they will be HIPAA compliant in the future. Moreover, future regulations to implement the HITECH Act may increase the cost to Obligated Group Members of compliance with HIPAA and the HITECH Act.

Security Breaches and Unauthorized Releases of Personal Information

Federal, state and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. In addition to regulations promulgated under HITECH, many states, including Maryland, have enacted their own laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could damage a health care provider's reputation and materially adversely affect business operations.

Cybersecurity Risks

Similar to other large organizations, the Obligated Group Members rely on electronic systems and technologies to conduct its operations. There have been numerous attempts to gain unauthorized access to electronic systems of large organizations for the purposes of misappropriating assets or personal, operational, financial or other sensitive information, or causing operational disruption. These attempts, which are increasing, and often target health care organizations, include highly sophisticated efforts to electronically circumvent security measures or freeze assets as well as more traditional intelligence gathering aimed at obtaining information necessary to gain access. Any such breach or attack compromise information technology systems and the information stored thereon, including protected health information or other personally identifiable information of patients or employees, Obligated Group proprietary and confidential business performance data, payment systems or other sensitive or confidential data. Any such

disruptions or other loss of information could result in a disruption in the efficiency of the services provided or revenues received by the Obligated Group. The Obligated Group maintains a security posture designed to deter cyberattacks, and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations. However, no assurances can be given that the Obligated Group's security measures will prevent cyber-attacks on their electronic systems, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Obligated Group.

In March 2022, the Cyber Incident Reporting for Critical Infrastructure Act ("CIRCIA") was signed into law containing a provision that would require hospitals and health systems to report cybersecurity breaches within certain timeframes to the Cybersecurity and Infrastructure Agency ("CISA"). The CISA is developing regulations to implement CIRCIA, so the potential impact on the Obligated Group of CIRCIA's reporting requirements is presently unknown.

Additionally, the Obligated Group's IT systems routinely interface with and rely on third-party electronic systems that are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider could harm the Obligated Group's business or financial condition. An example of a recent cybersecurity event impacting the healthcare landscape was the Change Healthcare ransomware attack in February 2024. See "ADDITIONAL INFORMATION – Information Technology Strategy – Cybersecurity" in Appendix A.

Federal, State and Local Legislation

The Obligated Group Members are subject to a wide variety of federal, state and local regulatory actions and legislative and policy changes that could have a significant impact on the Obligated Group. Federal, state and local legislative bodies have broad discretion in altering or eliminating programs that contribute significantly to the revenues of the Obligated Group, including the Medicare and Medicaid programs. In addition, such entities may enact legislation which imposes significant new burdens on the operations of the Obligated Group Members. There can be no assurance that such legislative bodies will not make legislative policy changes (or direct governmental agencies to promulgate regulatory changes) that have adverse effects upon the ability of the Obligated Group Members to generate revenues or upon the favorable utilization of their facilities.

Corporate Compliance

Because penalties for noncompliance with various requirements imposed upon the Obligated Group Members for violation of Medicare, Medicaid and other healthcare laws and regulations may be substantial, the Obligated Group has implemented a comprehensive compliance plan consistent with the model compliance plan offered by the OIG ("Compliance Plan"). The purpose of a Compliance Plan is to detect and deter violations of law. One of the major goals is to identify and address issues involving the submission of claims to governmental payers such as Medicare and Medicaid and to assure that those claims comply with statutes, regulations and other guidance provided by the programs. Integral components of the Compliance Plan include education, adoption of written standards, policies and procedures, auditing and monitoring, and encouraging employees to identify potential compliance issues. It is possible that the Compliance Plan may bring to the attention of the Obligated Group issues with respect to prior practices and

payments. Depending upon the nature of the issue and whether an overpayment has occurred, voluntary or involuntary refunds to governmental payers may result. Although one goal of the Compliance Plan is to identify violations at an early stage or prevent inappropriate actions, there can be no assurance that the Compliance Plan will detect all potential violations and improprieties.

Managed Care and Commercial Payers

A significant portion of the revenues of the Obligated Group is received from health maintenance organizations, preferred provider organizations or other managed care arrangements, including Medicaid managed care health plans. These arrangements differ significantly from traditional indemnity insurers. Managed care plans generally accept uniform per-person payments, with fees based on the number of enrollees, and in return agree to provide all, or substantially all, of an enrollee's healthcare needs without additional charges. Managed care payers rely upon case management to reduce or eliminate unnecessary utilization, including discouraging admissions to a hospital unless absolutely necessary. Case management efforts of managed care payers may in the future adversely affect utilization of the facilities of the Obligated Group. In addition, some Medicaid managed care health plans may from time to time experience financial difficulties. The insolvency of such plans or their failure to pay amounts owed to the Obligated Group in a timely manner could have an adverse effect on the financial condition of the Obligated Group. As managed care enrollments increase, managed care payers become significant purchasers of healthcare services and often select health providers offering the most cost-effective services. Hospitals may be adversely affected by the ability of these payers to negotiate low payment rates and to exclude hospitals from participation in their programs. In general, Maryland hospitals currently are not allowed to grant discounts from rates approved by the Rate Commission to specific payers, but the Rate Commission does grant a uniform discount to managed care payers meeting certain criteria. Not all of the Obligated Group Members are covered by the Maryland rate-setting system and there can be no assurance that the Maryland rate-setting system will be maintained or that current Rate Commission methodology will continue to be used. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" above.

High deductible insurance plans have also become more common in recent years, and the Affordable Care Act has encouraged the increase in high deductible insurance plans as the healthcare exchanges include a variety of plans, many of which offer lower monthly premiums in return for higher deductibles and copayments. Many plans offered on the exchanges and an increasing number of employer group health plans have high deductibles. High deductible plans may contribute to lower elective inpatient admissions as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the admissions as a result of the high deductibles. There is also a potential concern that some patients with high deductible plans will not be able to pay their medical bills as they may not be able to cover costs that are not covered by their insurance plans as a result of the high deductible. This factor may increase bad debt expense for healthcare providers.

Certain health maintenance and preferred provider organization contracts of the Obligated Group can be terminated by the third-party payer at any time without the necessity of showing cause upon short notice. Termination could have an adverse effect on the financial performance of the Obligated Group. In addition, contracts between hospitals and third-party payers often have contractual audit, setoff and withholding provisions that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the

financial condition and results of operations of the Obligated Group. No assurance can be given that in the future payment will not be withheld that would materially and adversely affect the financial condition or results of operations of the Obligated Group Members.

Uninsured Patients

Future increases in unemployment in the areas served by the Obligated Group could adversely affect revenues and increase the acuity and costs of care. Those who lack health insurance may delay elective procedures. They also may delay screening and preventive or basic care and may ultimately require more extensive services as a result. In addition, in times of greater unemployment and economic hardship, the amount of uncompensated care provided by the Obligated Group would be expected to increase. Federal law requires hospitals to provide certain medical treatment to individuals who come to hospitals, regardless of the ability of the individuals to pay. The Maryland hospital rate-setting system currently includes a provision for charity care and bad debt, but not all of the Obligated Group Members are covered by the Maryland rate-setting system and there is no assurance that the current rate-setting system will continue in effect or that the Rate Commission will continue to utilize the current methodology by which it approves rates. See "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" above.

Although the Affordable Care Act may reduce uncompensated care by providing coverage to a larger portion of the population, there will continue to be individuals who lack insurance and will be unable to afford care. In addition, the Medicaid program is dependent on the continued availability of federal and state funding, which could be curtailed in the future in response to growing budget deficits at all governmental levels. The continued availability, comprehensiveness of coverage and adequacy of reimbursement for care for the indigent and disabled cannot be assured.

Pension and Benefit Funds

As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes which could have a material adverse effect on the Obligated Group. See "ADDITIONAL INFORMATION – Retirement Plans" in Appendix A hereto.

Cost and Availability of Medical Malpractice Insurance

The Obligated Group Members are subject to malpractice suits arising out of the services they provide. The Obligated Group Members are self-insured and maintain excess liability coverage for losses in excess of the self-insured retention. See "ADDITIONAL INFORMATION – Risk Management and Insurance" in Appendix A hereto. Although the Obligated Group Members maintain insurance coverage, to the extent that coverage is inadequate to cover judgments against them, such claims may be required to be discharged by payments from the Obligated Group's own funds. Further, if insurance coverage maintained by others with whom an Obligated Group Member has joint and several liability is inadequate, the Obligated Group Members (or their insurers to the extent of applicable coverage) may incur additional liability for such claims. Although legislation has been enacted in the State of Maryland to mitigate the impact

of malpractice claims, there can be no assurance that medical malpractice insurance will continue to be available at reasonable rates. Moreover, there is no guarantee that such legislation will not be amended in a manner that adversely affects healthcare providers such as the Obligated Group, or that the legislation will continue to withstand legal challenges. Further increases in the cost or limitations on the availability of malpractice insurance could adversely affect the operating results of the Obligated Group. In addition, increases in medical malpractice premiums could result in a shortage of medical professionals and may disrupt the delivery of healthcare. Any judgments or settlements that exceed insurance coverages or reserves could have a material adverse impact on the Obligated Group Members. For information relating to the insurance coverage of the Obligated Group Members, see "ADDITIONAL INFORMATION – Risk Management and Insurance" in Appendix A hereto.

Maryland Professional Liability Insurance

Over the past several years, Maryland's medical professional liability environment has become more difficult. Although the number of claims has remained flat from year to year, the severity of claims (the cost to resolve those claims) has gone up faster in Maryland than most other jurisdictions around the country. In 2019, a jury in Baltimore City awarded approximately $229 million in connection with a malpractice claim filed against another major health system. The Court of Special Appeals in Maryland later overturned the jury's award. However, the trend in increased severity of claims, coupled with this jury verdict, has caused several commercial excess insurance carriers to move their business out of Maryland, and those that remain are looking to raise their rates or reduce their capacity (the amount of insurance they are willing to provide). Should this trend continue, it could make it more difficult for any healthcare system in Maryland to secure the excess insurance coverages it needs.

Environmental Laws and Regulations

Healthcare facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations and facilities or properties owned or operated by hospitals. In their role as owners and operators of properties or facilities, hospitals may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, as well as any such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. For these reasons, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and increase their cost; may result in legal liability, damages, injunctions and fines; and may trigger investigations, administrative proceedings, penalties and other governmental agency actions.

There can be no assurance that the Obligated Group will not encounter such risks in the future, or that such risks will not result in material adverse consequences to the operations or financial condition of the Obligated Group. At the present time, management of the Institution is not aware of any pending or threatened claim, investigation or enforcement action regarding any environmental issues which, if determined adversely would have a material adverse effect on the results of operations or financial condition of the Obligated Group.

Tax Exemptions

Tax-Exempt Status of Interest on the Series 2025 Bonds

The Internal Revenue Code of 1986, as amended (the "Internal Revenue Code" or the "Code") imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2025 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of the Series 2025 Bonds and the facilities financed or refinanced with such proceeds, limitations on the investment of amounts deemed to be proceeds of the Series 2025 Bonds prior to expenditure, a requirement that certain investment earnings on amounts deemed to be proceeds of the Series 2025 Bonds be paid periodically to the United States and a requirement that the Authority file an information report with the IRS.

The Authority and the Obligated Group make certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2025 Bonds. Failure to comply with the requirements stated in the Code and related regulations, rulings, and policies may result in the treatment of interest on the Series 2025 Bonds as taxable, retroactively to the date of issuance. If interest on the Series 2025 Bonds were declared includable in gross income for purposes of federal income taxation, no additional amounts would be payable on the Series 2025 Bonds to compensate the holders or former holders thereof for the taxes which they may be required to pay, and the Series 2025 Bonds do not provide for a mandatory redemption in such event.

The IRS has increased the number of audits of tax-exempt bonds in the charitable organization sector in recent years and, as described above under "REGULATORY ENVIRONMENT – Other Laws and Regulations Affecting Nonprofit Health Care Institutions," IRS officials have indicated that more resources will be invested in these audits. Tax-exempt organizations must complete a number of schedules to IRS Form 990 - Return of Organizations Exempt From Income Tax, including Schedule H, which requires hospitals and health systems to report how they provide community benefit and specify certain billing and collection practices; Schedule K, which requires detailed information related to outstanding tax-exempt bond issues, including information regarding operating, management and research contracts, as well as private use compliance; and Schedule J, which requires reporting of compensation information for the organizations' officers, directors, trustees, key employees and other highly compensated employees. There can be no assurance that responses by the Obligated Group to Form 990 will not lead to an IRS audit.

No ruling with respect to the tax-exempt status of the Series 2025 Bonds has been or will be sought from the IRS, and the opinion of Bond Counsel to the Authority as to the excludability from gross income of the interest on the Series 2025 Bonds for federal income tax purposes is not binding on the IRS or the courts. See "TAX MATTERS."

If the Series 2025 Bonds were to be audited by the IRS, the market for and the market value of the Series 2025 Bonds could be adversely affected during the pendency of the examination and thereafter, even if the outcome of the audit were to be favorable.

Tax-Exempt Status of the Obligated Group Members

The tax-exempt status of the Series 2025 Bonds depends upon the maintenance by certain Obligated Group Members of their status as organizations described in Section 501(c)(3) of the Code. In addition, if an Obligated Group Member were to lose its tax-exempt status, its property and its revenues could become subject to federal, state and local income taxation. Loss of the tax-exempt status of an Obligated Group Member also could result in loss of the tax-exempt status of other debt issued on behalf of such Obligated Group Members, and defaults in covenants regarding the Series 2025 Bonds and other tax-exempt debt would likely result. For these reasons, loss of the tax-exempt status of an Obligated Group Member could have a material adverse effect on the financial condition of the Obligated Group.

The maintenance of the federal tax-exempt status of an organization is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by modern health care organizations.

One of the tools available to the IRS to discipline a tax-exempt entity for private inurement or unlawful private benefit is revocation of the entity's tax-exempt status. Although the IRS has not often revoked the tax-exempt status of an organization, it could do so in the future.

State Income Tax Exemption and Local Property Tax Exemption

It is likely that the loss by any Obligated Group Member of federal tax exemption would also result in a challenge to the state tax exemption of such Obligated Group Member. Depending on the circumstances, such event could be adverse and material.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax exemption of the health care providers has been questioned. The real property owned by tax-exempt entities and used for hospital and other tax-exempt purposes of the Obligated Group Members is currently exempt from real property taxation.

Unrelated Business Income

In recent years, the IRS and state, county and local taxing authorities also have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). Some Obligated Group Members engage in activities which generate UBTI. Management believes it properly accounts for and reports UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could affect the tax-exempt status of the Obligated Group Members as well as the

exclusion from gross income for federal income tax purposes of the interest payable on the Series 2025 Bonds and other tax-exempt debt issued on behalf of the Obligated Group Members.

Legislative Developments

Legislative proposals under consideration or proposed after issuance and delivery of the Series 2025 Bonds could adversely affect the market value of the Series 2025 Bonds. Further, if enacted into law, any such legislation could cause the interest on the Series 2025 Bonds to be subject, directly or indirectly, to federal income taxation, could limit the amount or availability of tax exempt financing for organizations described in Section 501(c)(3) of the Code or could otherwise alter or amend one or more of the provisions of federal tax law described below under "TAX MATTERS" or their consequences. Prospective purchasers of the Series 2025 Bonds should consult with their tax advisors as to the status and potential effect of legislative proposals, as to which Bond Counsel expresses no opinion.

Alliances and Affiliations with Physicians, Hospitals and Other Healthcare Providers

Many hospitals and health systems have pursued strategic alliances with physicians and other providers. These integration strategies involve multiple forms, including management service organizations, physician-hospital organizations, and ownership of physician practices. More recent integration models include joint ventures for delivery of services and assumption of risk. The Affordable Care Act encourages the development of healthcare delivery models that are designed to enhance quality, improve outcomes and reduce cost and that will effectively require greater integration between and collaboration among hospitals and physicians by allowing the formation of ACOs that meet quality thresholds to share in the savings achieved for the Medicare Program. The Affordable Care Act requires the Secretary of DHHS to implement a shared savings program through ACOs requiring integration between hospitals and physicians that will deliver healthcare services to Medicare beneficiaries, and to implement a demonstration project to develop ACOs for pediatric patients, under the MSSP. Participation in the Medicare ACOs is voluntary. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program and, depending on their participation status, may share in a portion of any losses suffered by the Medicare program.

To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. From the final rule establishing the MSSP in November 2011 to the recent final rule published on December 31, 2018, CMS policies governing the MSSP continue to evolve based on changes to the law, including MACRA's creation of the Quality Payment Program. The regulations are complex, involve different tracks or levels of participation and require participants to undergo realistic risk-reward projections that present challenges for healthcare provider communities. In spite of its complexity, CMS recognizes the need to waive the application of certain Medicare payment rules to ACO providers in order to accommodate and incentivize their participation. However, there remain regulatory risks for participating hospitals, as well as financial and operational risks. The outcomes of these final regulations and guidance, and the impact they will have upon the healthcare marketplace, are unknown. Commercial health insurance companies are also adopting incentive payment programs modeled after the Medicare ACOs.

Often, the sponsoring hospital or health system will be the primary capital source for such alliances. Depending on the size and organizational characteristics of a particular development, these capital requirements may be substantial. While there are many benefits which may be derived from such alliances, most are relatively new developments with uncertain outcomes, and, therefore, it is uncertain whether the benefits and savings will be adequate to recoup the initial investment. CMS is also developing and implementing more advanced ACO payment models, such as the Next Generation ACO Model, which require ACOs to assume greater risk for attributed beneficiaries.

These types of alliances are generally designed to respond to existing trends in the delivery of medical care, to increase physician availability to the community or to enhance the managed care capability of the affiliated hospital and physicians. However, these goals may not be achieved, and, if the development is not successful, it may produce materially adverse results that are counterproductive to some or all of the above-stated goals.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the anti-referral laws and relevant antitrust laws (discussed below under "– Other Regulatory and Contractual Matters" and "– Antitrust"). Such developments may also subject the Obligated Group to state insurance department regulation. Questions of federal or state tax exemption may arise in certain types of developments or as a result of formation, operation or future modification of such developments (see "CERTAIN BONDHOLDERS' RISKS – Tax Exemptions – Maintenance of Tax-Exempt Status of Tax-Exempt System Affiliates" above). In addition, depending on the type of development, a wide range of governmental billing and reimbursement issues may arise, including questions of the authorization of the entity to bill or collect revenue for or on behalf of the physicians involved. Other legal and regulatory risks may arise, relating to employment, pension and benefits, and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding healthcare. There can be no assurance that such issues and risks will not lead to material adverse consequences in the future.

Furthermore, the success of risk-based arrangements, including but not limited to ACOs, depends, in part, on the timeliness and quality of data. Contracts involving population health management frequently have multiple-year terms. Data regarding the covered patient population and performance of the providers, however, often may not be available until the contract is well underway. Any delay in the availability of quality data may materially impact a provider's ability to adjust care delivery practices and achieve success in managing risk-based arrangements. In addition, because of accounting guidance that requires accrual of deficiency reserves, a delay in receipt of data regarding a provider's under-performance in managing care for a covered patient population may be accelerated rather than amortized with the term of the contract if losses under a multi-year contract are not identified until the contract is well underway. Such a circumstance could cause a material and adverse effect on the financial condition of the provider in the particular fiscal period in which the loss must be recognized.

Antitrust

Enforcement of the antitrust laws against healthcare providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger,

affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to healthcare is still evolving, and enforcement activity by federal and state agencies appears to be increasing. At various times, the Obligated Group Members may be subject to an investigation by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Violators of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants.

The ability to consummate mergers, acquisitions or affiliations may also be impaired by the antitrust laws, potentially limiting the ability of healthcare providers to fulfill their strategic plans. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case.

Other Regulatory and Contractual Matters

The Obligated Group Members are subject to additional extensive federal, state and local regulations governing licensure, and operations. Failure by the Obligated Group Members to meet applicable standards could result in the loss of licensure, the delay in or loss of reimbursement or the loss of an ability to deliver services. There can be no assurance that federal, state or local governments will not impose additional restrictions on the operations of the Obligated Group Members that might adversely affect their businesses, financial condition and results of operations. In addition, enforcement activity against healthcare providers has increased, and enforcement authorities have adopted aggressive approaches. Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments and/or by instituting criminal action. The cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be both costly and damaging to the reputation and business of a hospital regardless of the outcome. See "REGULATORY ENVIRONMENT" for additional risks related to governmental regulation.

Anti-Fraud and Abuse Laws. The federal anti-kickback law (the "Anti-Kickback Law") makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal healthcare program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration is to obtain referrals or to induce further referrals. The Affordable Care Act amended the intent requirement to provide that a person need not have actual knowledge of the Anti-Kickback Law or specific intent to commit a kickback violation to violate the statute, and it added penalties for the failure to grant timely access to DHHS. Violation of the Anti-Kickback Law may result in imprisonment and fines, which could be substantial. In addition, DHHS, through the OIG, has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a healthcare program providing benefits to dependents of members of the uniformed services) and other federal healthcare programs for not less than five years. The Anti-Kickback Law also authorizes the imposition of penalties against any person who contracts with a provider that the person knows or should know is excluded from the federal healthcare programs. Although the Anti-Kickback Law applies only to federal healthcare programs, a number of states, including Maryland, have passed similar statutes that

contain similar types of prohibitions that are applicable to all other health plans or third-party payers. In addition to certain statutory exceptions to the Anti-Kickback Law, the OIG has promulgated regulatory "safe harbors" under the Anti-Kickback Law designed to protect certain payment and business practices. However, these safe harbors are narrow and do not cover a wide range of common economic relationships involving hospitals. The regulations do not purport to comprehensively describe all lawful or unlawful economic arrangements or other relationships between healthcare providers and referral sources. While the failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful, such failure may increase the likelihood of a regulatory challenge or the potential for investigation. To date, a limited number of final safe harbors have been established.

In November 2020, the OIG released a final rule implementing a number of new safe harbors and modifying existing safe harbors. This new rule may increase the Obligated Group's costs for remaining compliant with the Anti-Kickback Law, as the Obligated Group may have to make adjustments to remain compliant with the revised Anti-Kickback Law implementing regulations.

HIPAA created a new program operated jointly by DHHS and the U.S. Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse, including violations of the Anti-Kickback Law.

The Obligated Group Members seek to comply with the Anti-Kickback Law and have implemented mechanisms designed to assure compliance. Nevertheless, because of the breadth of the Anti-Kickback Law and the limitations of the safe harbor regulations, there can be no assurance that the Obligated Group Members will not be found to have violated the Anti-Kickback Law.

Stark Law. The federal physician self-referral law (commonly known as the "Stark Law") prohibits a physician who has a financial relationship, or whose immediate family has a financial relationship, with an entity (including a hospital) from referring federal health care program patients to such entity for the furnishing of designated health services, with limited statutory and regulatory exceptions. Designated health services under the Stark Law include physical therapy services, occupational therapy services, speech-language pathology services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. No finding of intent to violate the Stark Law is required. Violations of the Stark Law, even if inadvertent, carry substantial penalties, including denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in connection with prohibited referrals, exclusion from the federal health care programs and civil penalties, which could be significant. Knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements. Arrangements that implicate the Stark Law that do not fall within a statutory or regulatory exception are not subject to a case-by-case review, unlike violations of the Anti-Kickback Law. Rather, such arrangements are prohibited in all cases by the Stark Law.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this point in time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark law violations and make a voluntary disclosure to the agency. The limited publicly available information with respect to the self-disclosure program and the short period it has been available make it difficult to predict how CMS will react to any specific voluntary disclosure of a Stark violation. Any submission pursuant to the self-disclosure program does not waive or limit the ability of the OIG or Department of Justice to seek or prosecute violations of the Anti-Kickback Law or impose civil monetary penalties. In November 2020, CMS released a final rule implementing a number of new exceptions related to value-based arrangements, certain limited remuneration payments to physicians and the donation of electronic health record related items and services. The final rule also provides guidance regarding the application of the Stark Law and its exceptions, by making changes or clarifications to existing exceptions and to the definitions contained in the Stark Law's implementing regulations. This final rule may increase the Obligated Group's costs for remaining compliant with the Stark Law, as the Obligated Group may have to make adjustments to remain compliant with the revised Stark Law implementing regulations.

Maryland, like many other states, has enacted a statute (the "Maryland Patient Referral Law" or "MPRL") that is generally parallel to the Stark Law. The Maryland statute applies to all patients, not just those insured by a federal health care program as is the case under the Stark Law, and to all patients, not just those insured by a federal health care program as is the case under the Stark Law, and to all health care providers, not just physicians.

Because of the complexity of the Stark Law and the Maryland Patient Referral Law, there can be no assurance that the Obligated Group Members will not be found to have violated the Stark Law or the MPRL. Penalties for such violations, which may include exclusion from the Medicare and Medicaid programs and, for physicians and other practitioners, the loss of their license to practice, could have a material adverse effect on the future operations and financial condition of the Obligated Group, as could any significant penalties, demands for refunds or denials of payment.

False Claims Act and Civil Monetary Penalties Law. There are three principal federal statutes that address the issue of "false claims." First, the federal False Claims Act imposes civil liability (including substantial monetary penalties and treble damages) on any person or entity that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses or causes to be made or used a false record or statement to obtain payment; (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid; (4) has possession, custody, or control of property or money used, or to be used, by the federal government and knowingly delivers, or causes to be delivered, less than all of that money or property; (5) is authorized to make or deliver a document certifying receipt of property used, or to be used, by the federal government and, intending to defraud the federal government, makes or delivers the receipt without completely knowing that the information on the receipt is true; (6) knowingly buys, or receives as a pledge of an obligation or debt, public property from an officer or employee of the federal government, or a member of the U.S. Armed Forces, who lawfully may not sell or pledge property; or (7) knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the federal government, or knowingly conceals or knowingly

and improperly avoids or decreases an obligation to pay or transmit money or property to the federal government. One need not be found to have had specific intent to defraud the federal government to be found to have acted with knowledge. This statute authorizes private persons to file *qui tam* actions (sometimes called "whistleblower" actions) on behalf of the United States of America. The government may choose to intervene and jointly litigate *qui tam* actions. These private persons, also known as "relators," can collect between 15% and 30% of the proceeds of any fines or damages paid in the event their cases are successful, depending on whether the government intervenes.

False Claims Act investigations and cases have become common in the healthcare field and may cover a range of activity from submission of intentionally inflated billings to highly technical billing infractions, to allegations of inadequate care. Penalties under the False Claims Act are severe and may include damages equal to three times the amount of the alleged false claims, as well as substantial civil monetary penalties. As a result, violations or alleged violations of the False Claims Act frequently result in settlements that require multi-million dollar payments and costly corporate integrity agreements. In June 2016, the United States Department of Justice issued a rule that more than doubled civil monetary penalties under the False Claims Act.

Under the Affordable Care Act, the False Claims Act has been expanded to include overpayments that are discovered by a healthcare provider and are not promptly refunded to the applicable federal healthcare program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The final rule which took effect on March 14, 2016 requires that providers report and return identified overpayments by the later of 60 days after identification and quantification of the overpayment, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an "obligation" under the False Claims Act. This expansion of the False Claims Act exposes hospitals and other healthcare providers to liability under the False Claims Act for a considerably broader range of claims than in the past. There was initially great uncertainty in the industry as to when an overpayment is technically "identified" and the ability of a provider to determine the total amount of an overpayment and satisfy its repayment obligation within the required time period. The March 14, 2016 final rule clarified that an overpayment is considered to have been identified when the person has or should have, through the exercise of reasonable diligence, determined that the person has received an overpayment and quantified the amount of the overpayment. That final rule also established a six-year lookback period, meaning overpayments must be reported and returned only if a person identifies the overpayment within six years of the date the overpayment was received.

In June 2016, the United States Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*, No. 15-7 (U.S. June 16, 2016). Prior to *Escobar*, lower courts had split on the issue of whether the False Claims Act extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The United States Supreme Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government's determination as to whether to pay the claim. There is considerable uncertainty as to the application of the *Escobar* holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential False Claims Act liability for noncompliance with applicable laws, regulations and regulatory guidance.

The Civil Monetary Penalties Law ("CMP") authorizes the imposition of substantial civil monetary penalties against an entity that engages in activities such as, but not limited to, (1) knowingly presenting or causing to be presented to a federal or state officer, employee or agent a claim for services not provided as claimed or that is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a hospital patient covered under Medicare; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity that is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of DHHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute as well as to impose penalties on providers that contract with individuals or entities that the provider knows is excluded from the federal health care programs.

Finally, it is a federal criminal offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any health care benefit program; or (2) obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any health care benefit program. Penalties for a violation of this federal law include fines and imprisonment and forfeiture of any property derived from proceeds traceable to the offense.

A number of states (including Maryland) have passed similar statutes expanding the prohibition against the submission of false claims to nonfederal third-party payors.

Although the False Claims Act has been in effect for many years, in recent years there has been a significant increase in the number of allegations filed under the False Claims Act, a large number of which involve the health care and pharmaceutical industries. This is due in part to the ability of *qui tam* relators, acting on the government's behalf, to collect a sizable percentage of the verdict or settlement. In 2009, the Fraud Enforcement and Recovery Act ("FERA") was enacted, which authorized increased funding for fraud investigation and prosecution and expanded the scope of the False Claims Act.

The threats of large monetary penalties and exclusion from participation in Medicare, Medicaid and other federal health care programs, and the significant costs of mounting a defense, create serious pressures on providers that are targets of false claims actions or investigations to settle. Therefore, an action under the False Claims Act, FERA or CMP could have an adverse financial impact on the Obligated Group, whether or not the particular claims are valid.

Physician Recruitment. The IRS and DHHS have issued various pronouncements that could limit physician recruiting and retention arrangements. In an IRS General Counsel Memorandum concerning hospital-physician joint ventures, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to obtain an overriding public benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The IRS has also issued guidelines for its agents to follow in conducting audits that emphasize these restrictions, and has established special audit teams and procedures to ensure compliance. The OIG has taken the position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate

the federal Anti-Kickback Law unless a statutory or regulatory exception applies. While the OIG has promulgated a practitioner recruitment regulatory safe harbor, the safe harbor is limited to practice recruitment in areas that are health professional shortage areas and to the recruitment of new physicians who are relocating their practices. Therefore, the safe harbor does not cover physician retention arrangements.

The Stark Law also is implicated by physician recruiting and retention arrangements. An exception applies to payments from a hospital to a physician to induce the physician to relocate to the hospital's service area and join the hospital's medical staff, provided several requirements are met. No assurance can be given that future regulations under the Stark Law will not adversely affect the Obligated Group Members.

Joint Ventures. The OIG has expressed concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Law, since the parties to joint ventures are typically in a position to refer patients of federal health care programs.

In 2003, the OIG issued a Special Advisory Bulletin on so-called "contractual joint ventures," a subset of joint venture arrangements that the OIG believed were proliferating and that raise Anti-Kickback Law concerns. According to the OIG, contractual joint venture arrangements are arrangements where a provider such as a hospital expands into a new line of business by contracting with an entity that already provides the items or services.

As with any analysis under the Anti-Kickback Law, the government reviews the totality of the facts and circumstances presented by a proposed joint venture arrangement and concludes how much risk it poses under the Anti-Kickback Law, and whether, based on that risk, it would subject the parties to sanctions under the statute.

U.S. Supreme Court Ruling on the Chevron Doctrine

On June 28, 2024, in *Loper Bright Enterprises v. Raimondo, No. 22-451 and Relentless, Inc. v. Department of Commerce, No. 22-1219*, the United States Supreme Court overturned the decades-old Chevron doctrine of judicial deference to a federal agency's interpretation of an ambiguous statute. Although (i) the underlying cases were not health care related, (ii) the Court emphasized that prior decisions that relied on the *Chevron* framework are not overturned, and (iii) the Court stated that a court may look to the federal agency's interpretation of a statute, as reflected in regulation or other agency action, for guidance in interpreting its meaning, the decision may significantly affect the highly regulated health care industry.

At this time, management of the Institution is unable to predict the potential impact of this ruling on the Obligated Group or the health care industry in general. However, the ruling is expected to result in a delay or chill in future federal agency rulemaking and an increase in litigation challenging existing and future federal rules and regulations governing health care. Some have argued that federal agencies under DHHS, such as CMS, have exceeded the authority granted by Congress in the statutes governing government funded health programs such as Medicare and Medicaid. Therefore, the rules and regulations promulgated by such agencies may be particularly susceptible to challenge under the new ruling. Less judicial deference to federal agencies may introduce uncertainty in the federal regulatory framework governing health care, which could

make it more difficult for health care providers, such as the Obligated Group Members, to fully comply with the federal laws governing health care.

Risks in Healthcare Delivery

Utilization. A number of factors have contributed to a reduction of hospital utilization at various times in recent history. Changes in physicians' practice patterns have in some cases resulted in fewer inpatient admissions and shorter lengths of stay for those who are admitted. In addition, third-party payers, such as Medicare, Medicaid, Blue Cross and other insurers and health maintenance organizations, have sought to contain their costs by reviewing and questioning the need for certain procedures, inpatient admissions and hospital stays. Implementation of various aspects of the Affordable Care Act, including the development of accountable care organizations, may also impact hospital utilization.

Utilization of the facilities of the Obligated Group Members could be adversely affected by a decline in the population of their service areas, a change in the age composition of the population, a decline in the economic conditions of their service areas or other demographic shifts. Adverse economic conditions, particularly increased unemployment, in the service areas of the Obligated Group could reduce the number of potential patients carrying adequate health insurance coverage and decrease the number of patients who are able to pay fully for the cost of their care at the facilities of the Obligated Group Members.

Although the TCOC Model and AHEAD Model moderate the financial consequences to Maryland hospitals of utilization reductions, the long-term effect of reduced hospital utilization cannot be predicted at this time.

Competition. A significant portion of the Obligated Group's revenues is derived from the treatment of patients at their facilities by members of their medical staffs. Physicians on the medical staff have the option of treating a particular patient at the facilities of the Obligated Group Members or at other healthcare facilities with which the physicians may be affiliated. Although the referral practices of physicians who are employed by the Obligated Group Members may be governed by the terms of their employment agreements, physicians, even if employed, typically retain the right to direct patients in accordance with their understanding of the patient's best interests and patient choice. The revenues of the Obligated Group could decrease if medical staff members treat patients at, or refer or direct patients to, other healthcare providers or facilities, or if medical staff members employed by the Obligated Group Members leave their employment and become employed by, or choose to refer their patients to, competitors of the Obligated Group Members.

In addition to competition from other hospitals and inpatient facilities, increased competition from a wide variety of potential sources, including, but not limited to, ambulatory surgery facilities, radiology facilities and other outpatient healthcare facilities, clinics, physicians, home healthcare agencies, private pathology laboratories, drug and alcohol abuse programs and others, may adversely and increasingly affect the utilization and revenues of the Obligated Group. Existing and potential competitors may not be subject to various regulations and restrictions applicable to the Obligated Group Members, and may be more flexible in their ability to adapt to competitive opportunities and risks. Certain new competitors specifically target hospital patients as their prime source of revenue growth. Certain of these forms of healthcare delivery are designed to offer comparable services at lower prices and the federal government and private third-party

payers may increase their efforts to encourage the development and use of such programs. Competition may, in the future, arise from new sources not currently prevalent, such as telemedicine providers, or from other sources that have not yet been identified.

Also, payers are increasingly entering into narrow network contracts that exclude from participation in the network all providers who are not in the narrow network. Payers also enter into exclusive contracts with certain providers from time to time. In addition, increasingly, providers are pursuing ownership interest in health insurance companies that may exclude non-owner providers from certain products. The net effect of these practices, singularly or in the aggregate, may be to foreclose and exclude the Obligated Group Members from a material population of individuals who can choose or access the Obligated Group Members for their care and could have a material adverse effect on the Obligated Group.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient healthcare delivery may reduce utilization and revenues of the hospitals in the future or otherwise lead the way to new avenues of competition. These advances may add greatly to the costs of providing healthcare services with potentially no or little offsetting increase in reimbursement from payers and may also render obsolete certain of the health services provided by healthcare providers. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Throughout the past decade, market forces, including changes as a result of the Affordable Care Act and other reimbursement issues, have resulted in an increased trend toward consolidation of healthcare facilities, through either merger or acquisition, into larger hospitals or health systems. As a result of such consolidation, these hospitals and health systems are able to reduce costs and offer a wider variety of and greater access to core and specialty services. Many hospitals in Maryland have become members of larger systems. These changes may affect market share and may have a negative effect on the operations of the Obligated Group Members and utilization of their facilities, thereby potentially reducing revenues.

Labor Relations. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and reputation. Certain of the Obligated Group Members have employees covered by collective bargaining agreements. See "ADDITIONAL INFORMATION – Employees" in Appendix A hereto.

Physician Contracting and Relations. Certain of the Obligated Group Members have entered into a wide variety of relationships with physicians. Many of these relationships may be of material importance to the operations of the Obligated Group, and, in an increasingly complex legal and regulatory environment, these relationships pose a variety of legal and business risks.

The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership

curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have such membership or privileges curtailed, denied or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties. All hospitals, including the Obligated Group Members, are subject to such risks.

Certain contracts entered into with physicians or physician groups create exclusive relationships. With increased competition among healthcare providers and the increasing frequency of the application of antitrust principles in healthcare, such exclusive relationships are subject to challenge, generally by other physicians competing with those who have the exclusive relationship. Absent facts which may arise from a specific challenge or controversy, the validity of such agreements cannot in many cases be accurately determined, nor can the materiality of the loss of the exclusive relationship to a hospital or the damages, if any, which might be assessed against the parties to it. Certain of the Obligated Group Members presently have exclusive relationships of the type described above. As of the date hereof, management of Institution is not aware of specific controversies which management believes might lead to the loss of an exclusive contractual relationship, or to an award of damages, that would be material with respect to the operation or financial condition of the Obligated Group.

Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the physician organizations. These and other financial relationships with physicians (including hospital-physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state "anti-kickback" and federal "Stark" and related state issues (see "REGULATORY ENVIRONMENT," above), as well as other legal and regulatory risks, and these could have a material adverse impact on hospitals and health facilities.

The success of the Obligated Group will be partially dependent upon their ability to attract physicians to join the physician organizations and to participate in their networks, and upon the ability of the physicians, including the employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Obligated Group Members will be able to attract and retain the requisite number of physicians, or that physicians will deliver high quality healthcare services. Without paneling a sufficient number and type of providers, the Obligated Group could fail to be competitive, could fail to keep or attract payer contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Obligated Group.

Technology and Services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient healthcare delivery may reduce utilization and revenues of the Obligated Group in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated, and costly, equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or

operations. The American Recovery and Reinvestment Act of 2009 allocated $20 billion to healthcare information technology, and the Affordable Care Act mandated that certain healthcare providers implement electronic medical records by 2014 or be subject to reductions in reimbursement from federal programs.

The ability to adequately price and bill healthcare services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that the information systems of the Obligated Group Members will adequately address these challenges.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety and to the privacy, accessibility and preservation of health information. See "CERTAIN BONDHOLDERS' RISKS – Health Insurance Portability and Accountability Act" and "– Health Information Technology for Economic and Clinical Health Act" above. Technology malfunctions and any failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other healthcare professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by healthcare providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences for hospitals and healthcare providers.

Enforcement Affecting Clinical Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. The DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in its "Work Plans," has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health and other agencies of the U.S. Public Health Service. There have been a number of government investigations and settlements involving hospital use of federal grant funding in connection with clinical trials and also a settlement involving the submission of claims to Medicare for services provided in a clinical trial. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject the System Affiliates to sanctions as well as repayment

obligations. In January 2017, DHHS issued new final regulations governing clinical research activities (effective in 2019), which among other things, significantly changed the requirements applicable to institutions that engage in clinical research using human subjects. In addition to risks under the False Claims Act, should there be a finding of improper conduct on the part of any of the Obligated Group Members related to research, it is possible that the government could suspend such the Obligated Group Member's research operations or terminate its ability to participate in government-sponsored research programs.

The Cures Act contains many provisions related to research and clinical trials, including making significant changes to the way that FDA approves new drugs and medical devices. Among other things, the legislation calls on FDA to consider new types of data, such as patient experience data, in its drug approval process. The legislation also permits drug manufacturers to utilize new types of clinical trial designs in order to collect data in the drug approval process. The intent of many of the statute's provisions is to speed the approval of new drugs and medical devices. Whether the Cures Act realizes these goals will depend on the adoption of new FDA regulations, policy guidance, and FDA approval practices. Also see "CERTAIN BONDHOLDERS' RISKS – The Cures Act and Health Information Technology and Privacy" herein. Furthermore, final revisions to the Federal Policy for the Protection of Human Subjects (known as the "Common Rule") were issued on January 19, 2017 in order to reduce burden, delay and ambiguity for investigators and better protect human subjects involved in research. The impact of these and anticipated regulatory, policy and legislative changes on the operations of the System related to research could be adverse.

Class Actions. Hospitals and health systems have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, billing, charging and collections practices, and peer review litigation with physicians, among others. In recent years, class action litigation has emerged as a potentially significant source of liability for hospitals and health systems.

One frequent basis of class action litigation has been hospital billing and collections practices. Federal law and the laws of many states (including Maryland) impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards, and there has been a proliferation of lawsuits over these issues in recent years. Another basis of recent class actions relates to breaches of privacy. Class actions may also be used for a variety of other causes of action.

Class action lawsuits can involve multi-million dollar claims, judgments and settlements. Further, the subject matter of class action suits may involve uninsured risks. Since such actions often involve large potential classes of plaintiffs, a major class action decided or settled adversely to any of the Obligated Group Members could have a material adverse impact on the financial condition and results of operations of the Obligated Group.

Personnel Shortages. From time to time, the healthcare industry suffers from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained healthcare technicians. In addition, aging medical staffs and difficulties in recruitment to the medical profession are predicted to result in physician shortages. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. As hospitals and other healthcare providers transition to a population health model of care delivery, there is expected to be a greater need for

care coordinators and such need may outpace the supply of qualified personnel. In addition, state budget cuts to university programs may impact the training available for nursing personnel and other healthcare professionals. Competition for physicians and other healthcare professionals, coupled with increased recruiting and retention costs, will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for physicians and employees, coupled with increased recruiting and retention costs, may increase hospital operating costs, possibly significantly. This trend could have a material adverse impact on hospitals. As reimbursement amounts are reduced to healthcare facilities and organizations that employ or contract with physicians, nurses and other healthcare professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals.

The healthcare industry is facing a nationwide shortage of nursing and allied healthcare professionals, including registered nurses. A shortage of nursing staff and allied healthcare professionals could result in escalating labor costs, delays in providing care, and patient care management issues, among other adverse effects. The shortage of nurses and allied healthcare professionals may be exacerbated if the increase in access to coverage provided under the Affordable Care Act leads to an increase in demand for medical care or a greater reliance on nursing staff and allied healthcare professionals. The Affordable Care Act includes numerous workforce programs that should have an impact on existing and projected shortages of nurses and allied healthcare professionals and increase their availability. There can be no assurance that a shortage of nurses and allied healthcare professionals will not adversely affect the operations or financial condition of the Obligated Group.

In addition to personnel shortages, contract labor, including contract nurses, is substantially more expensive and has led to escalating operating expenses for hospitals and health care organizations. Continued increases in the cost of labor may adversely affect the financial condition of the Obligated Group.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services also could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other healthcare providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive healthcare services.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of healthcare services provided by hospitals and providers. The Affordable Care Act shifts the basis of payments from the volume of services to the value of services, based on various health outcome measures. Published rankings such as Medicare's "Hospital Compare" quality ranking systems, "score cards," "pay for performance" and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals, the members of their medical staffs and other providers and

influence the behavior of consumers and providers such as the System Affiliates. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital or a provider negatively may adversely affect its reputation and financial condition.

Licensing, Surveys, Investigations and Accreditations

Each of the Hospitals and certain of the facilities operated by the Obligated Group Members are certified as providers for Medicare services, and such Obligated Group Members intend to continue to participate in the Medicare program. The requirements for Medicare certification are subject to change, and in order to remain qualified for the program, it may be necessary for the Obligated Group Members to effect changes from time to time in their facilities, equipment, personnel, billing processes, policies and services.

Health facilities, including those of the Obligated Group Members, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, and private payers and accreditation by The Joint Commission. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by an Obligated Group Member. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse action could result in a loss or reduction in an Obligated Group Member's scope of licensure, certification or accreditation, or could reduce the payment received or require repayment of amounts previously remitted.

Management of the Institution currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations, nor does it anticipate a reduction in third-party payments from such events that would materially adversely affect the operations or financial condition of the Obligated Group. See "OPERATIONS OF THE MEDICAL CENTER – Major Medical Facilities" and "ADDITIONAL INFORMATION – Accreditations" in Appendix A hereto as to the current status of the licenses and accreditations of the Obligated Group Members. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the Obligated Group's inability to operate all or a portion of their health facilities, and, consequently, could have a material adverse effect on the Obligated Group's ability to make the debt service payments relating to the Series 2025 Bonds.

Additional Parity Debt

The Loan Agreement permits the Obligated Group to incur additional Indebtedness and other obligations constituting Parity Debt. Any such additional Parity Debt would be entitled to share ratably with the holders of the Series 2025 Bonds and other outstanding Parity Debt in any money realized from the exercise of remedies in the event of a default by the Obligated Group to the extent provided in the Resolution. See "OTHER PARITY DEBT."

Bond Ratings

There is no assurance that the ratings assigned to the Series 2025 Bonds at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Series 2025 Bonds.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2025 Bonds. Neither the Underwriters nor any other financial institution is obligated to make a market in the Series 2025 Bonds, and any financial institution that does so may discontinue its market-making activities at any time without notice. From time to time there may be no market for the Series 2025 Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of operations of the Obligated Group. The Series 2025 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Prepayment Risks

The Series 2025 Bonds are subject to redemption or purchase, without premium, in advance of their stated maturities under certain circumstances. Upon the occurrence of certain events of default, the payment of the principal of and interest on the Series 2025 Bonds may be accelerated. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Events of Default and Remedies" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies" in Appendix D. Thus, there can be no assurance that the Series 2025 Bonds will remain outstanding until their stated maturities.

Certain Other Risks

The following factors, among others, may also adversely affect the Obligated Group to an extent that cannot be determined at this time:

(1) The fact that the Institution is a teaching hospital is of considerable importance in attracting patients and highly qualified and skilled physicians to the Obligated Group Members; consequently, any adverse change in the Institution's relationship with the University of Maryland School of Medicine or loss of approved status for the residency programs of the Institution could have a significant adverse effect on the revenues of the Obligated Group.

(2) Changes in key management personnel.

(3) Reductions in utilization of health care facilities as a result of preventive medicine, improved occupational health and safety, development and utilization of medical and scientific research and technological advances and other developments.

(4) Future legislation and regulations affecting hospitals, governmental and commercial medical insurance and the health care industry in

general, including reductions in federal or state funding of Medicare, Medicaid or other government-financed health care reimbursement programs.

(5) Changes in reimbursement procedures or in contracts under public or private insurance programs.

(6) Increased costs of attracting and retaining or decreased availability of a sufficient number of physicians, registered nurses and other allied health professionals.

(7) Increased costs resulting from further unionization of the employees of the Obligated Group Members or the utilization by a non-union employee of an Obligated Group Member of proceedings available under the National Labor Relations Act. See "ADDITIONAL INFORMATION – Employees" in Appendix A.

(8) The health care facilities owned by the Obligated Group Members are comprised of special-purpose facilities which are not suitable for industrial or commercial use; consequently, it could be difficult to find a buyer or lessee for such facilities if the Obligated Group Members seek to sell any of their facilities.

(9) Depletion of the Medicare Trust Fund, further reductions in the funds of the state available for the payment of Medicaid reimbursement or any failure of third-party payors to pay amounts owed to the Obligated Group Members in a timely manner.

(10) Increases in costs, including costs associated with, among other things, salaries, wages and fringe benefits, supplies, technology and equipment, insurance, energy and other utilities, compliance with or violation of laws and regulations concerning work safety, accommodating persons with disabilities and other matters, and other costs that could result in a sizable increase in expenditures without a corresponding increase in revenues.

(11) Increased shift of health care costs from employer-based commercial insurance plans to employees, who may have insufficient resources to pay for health care services.

(12) Inability of the Obligated Group Members to obtain governmental approvals required to undertake additional projects necessary to remain competitive as to rates, charges and the quality and scope of care or any limitation on the availability of tax-exempt or other financing for future projects.

(13) The occurrence of natural disasters, including floods, hurricanes, tornadoes, epidemics, pandemics and earthquakes, or the occurrence

of criminal or terrorist acts, epidemics or other calamities, which could damage the facilities of the Obligated Group Members, interrupt utility service to their facilities or otherwise impair the operations of the Obligated Group Members and the generation of revenues from their facilities, and any failure of the insurance carried by the Obligated Group Members to cover any losses resulting from the occurrence of any such event.

(14) No legal opinion regarding title, liens or encumbrances or title insurance policies or similar evidence of title with respect to the Operating Assets of the Obligated Group Members was obtained in connection with the issuance of the Series 2025 Bonds.

The paragraphs above discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Series 2025 Bonds.

UNDERWRITING

The Series 2025 Bonds are being purchased by Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, Loop Capital Markets LLC and Siebert Williams Shank & Co., LLC (collectively, the "Underwriters"). The Underwriters have jointly and severally agreed to purchase the Series 2025 Bonds at an underwriting discount of $1,434,377.82 from the initial offering prices set forth on the inside cover page of this Official Statement. The bond purchase agreement provides that the Underwriters will purchase all the Series 2025 Bonds, if any are purchased, and requires the Obligated Group Members to indemnify the Underwriters and the Authority against losses, claims, damages and liabilities arising out of certain incorrect statements or information contained in this Official Statement.

The initial offering prices set forth on the cover of this Official Statement may be changed from time to time by the Underwriters.

The Underwriters may offer and sell Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the offering prices set forth on the inside cover page hereof.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned the Series 2025 Bonds long-term ratings of A2 and A, respectively, with stable outlooks. The Obligated Group Members furnished to the rating agencies certain materials and information respecting the Obligated Group and the Series 2025 Bonds. Generally, rating agencies base their ratings on such materials and information and on investigations, studies and assumptions by such rating agencies. These ratings reflect only the views of Moody's and S&P, respectively.

No assurance can be given that such ratings will remain in effect for any given period of time or that they may not be reduced or withdrawn by the rating agencies, or any of them, if in the

judgment of such rating agencies circumstances so warrant. Any downward change in or withdrawal of such ratings, or any of them, could adversely affect the market price of the Series 2025 Bonds.

TAX MATTERS

The following is only a general summary of certain provisions of the Internal Revenue Code, as enacted and in effect on the date hereof and does not purport to be complete; holders of the Series 2025 Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

Tax Exemptions

McKennon Shelton & Henn LLP, Bond Counsel to the Authority, is of the opinion that, under existing statutes, regulations and decisions (i) assuming compliance with certain covenants described herein, the interest on the Series 2025 Bonds is excludable from gross income for purposes of federal income taxation and (ii) by the terms of the Act, the interest on the Series 2025 Bonds, their transfer and any income derived from the Series 2025 Bonds, including profits made in their sale or transfer, are forever exempt from all Maryland state and local taxes. No opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2025 Bonds, their transfer or the income therefrom.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2025 Bonds in order for interest on the Series 2025 Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2025 Bonds. These include the following: (i) a requirement that certain earnings received from the investment of amounts deemed to be proceeds of the Series 2025 Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series 2025 Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2025 Bonds and the facilities financed or refinanced with proceeds of the Series 2025 Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2025 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Authority and the Obligated Group Members and certain of their affiliates have made certain covenants regarding actions required to maintain the excludability of interest on the Series 2025 Bonds from gross income for federal income tax purposes. It is the opinion of Bond Counsel that, assuming compliance with such covenants, the interest on the Series 2025 Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

Further, under existing statutes, regulations and decisions, Bond Counsel is of the opinion that under existing statutes, regulations and decisions, interest on the Series 2025 Bonds is not included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment, however, interest on the Series 2025 Bonds will be part of the adjusted financial statement income in computing the alternative minimum tax imposed on applicable corporations. For this purpose, in general, applicable corporations are corporations with more than $1.0 billion in average annual adjusted financial statement income determined over a 3-

year period. Interest income on the Series 2025 Bonds will be subject to the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

In rendering its opinion, McKennon Shelton & Henn LLP will rely on the Obligated Group's Tax and Section 148 Certificate and Agreement with respect to certain material facts within the knowledge of the Obligated Group Members relevant to the tax-exempt status of interest on the Series 2025 Bonds and will assume the correctness of the opinion of the Senior Vice President and General Counsel of the Institution with respect to the tax-exempt status of the Institution and certain of its affiliates, in each case without independent investigation.

The Indenture provides that under certain circumstances, following the receipt of a Favorable Opinion of Bond Counsel (as defined in the Indenture), the Authority may from time to time change the Interest Mode applicable to all or a portion of any series of the Series 2025 Bonds or change the Fixed Rate Periods applicable to all or a portion of any series of the Series 2025 Bonds, and the Multimodal Bond Loan Agreement permits the delivery of a substitute Credit Facility securing any series of the Series 2025 Bonds. Accordingly, Bond Counsel will express no opinion as to the effect of any action which must be preceded by delivery of a Favorable Opinion of Bond Counsel on the excludability of interest on the Series 2025 Bonds of any series from gross income for federal income tax purposes.

See Appendix E hereto for the proposed form of opinion of Bond Counsel for the Series 2025 Bonds.

Tax Accounting Treatment of Multimodal Discount Bonds

Certain maturities of the Series 2025A Bonds with fixed interest rates may be issued at an initial public offering price which is less than the amount payable on such Series 2025A Bonds at maturity (the "Multimodal Discount Bonds"). The difference between the initial offering price at which a substantial amount of the Multimodal Discount Bonds of each maturity was sold and the principal amount of such Multimodal Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Multimodal Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Multimodal Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or purchase or repayment at maturity). For federal income tax purposes (i) any holder of a Multimodal Discount Bond will recognize gain or loss upon the disposition of such Multimodal Discount Bond (including sale, early redemption, purchase or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Multimodal Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Multimodal Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Multimodal Discount Bonds will be attributed to permissible compounding periods during the life of any Multimodal Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Multimodal Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of

a permissible compounding period cannot exceed the length of the interval between debt service payments on the Multimodal Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Multimodal Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield on the Multimodal Discount Bond (adjusted as necessary for any initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Multimodal Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Multimodal Discount Bond during such period. The tax basis of a Multimodal Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Multimodal Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Multimodal Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Multimodal Discount Bonds should note that, under applicable regulations, the yield and maturity of a Multimodal Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Multimodal Discount Bond is redeemed or purchased in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) provided by the Underwriters shown on the cover of this Official Statement may not reflect the initial issue prices for purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Multimodal Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Multimodal Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Multimodal Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Multimodal Discount Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Multimodal Discount Bonds should consult their tax advisors.

Additional Federal Income Tax Considerations

Certain Federal Tax Consequences of Ownership

There are other federal income tax consequences of ownership of obligations such as the Series 2025 Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 25% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Series 2025 Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; (v) net gain realized upon the sale or other disposition of property such as the Series 2025 Bonds generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates; and (vi) receipt of certain investment income, including interest on the Series 2025 Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code.

Purchase, Sale and Retirement of Series 2025 Bonds

Except as noted below with respect to accrued market discount, the sale or other disposition of a Series 2025 Bond may result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2025 Bond will be its cost. Upon the sale or retirement of a Series 2025 Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such Series 2025 Bond (including sale, early redemption, mandatory tender or purchase or repayment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Series 2025 Bond, determined by adding to the original cost basis in such Series 2025 Bond the amount of original issue discount that is treated as having accrued as described above under "Tax Accounting Treatment of Multimodal Discount Bonds," as applicable. Such gain or loss will be long-term capital gain or loss if at the time of the sale or retirement the Series 2025 Bond has been held for more than one year. Under present law both long and short-term capital gains of corporations are taxed at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

If a holder acquires a Series 2025 Bond at a discount from its principal amount (or in the case of a Series 2025A Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such Series 2025A Bond was first issued), the holder will be deemed to have acquired the Series 2025 Bond at "market discount," unless the

amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Series 2025 Bond with market discount subsequently realizes a gain upon the disposition of the Series 2025 Bond, such gain shall be treated as taxable ordinary income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Series 2025 Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Series 2025 Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of such Series 2025 Bond's stated redemption or purchase price at maturity over the holder's cost of acquiring such Series 2025 Bond is less than 0.25% of the stated redemption or purchase price at maturity multiplied by the number of complete years between the date the holder acquires such Series 2025 Bond and its stated maturity date. In the case of a Series 2025A Bond issued with original issue discount, market discount will be *de minimis* if the excess of such Series 2025A Bond's revised issue price over the holder's cost of acquiring such Series 2025A Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires such Series 2025A Bond and its stated maturity date. For this purpose, a Series 2025A Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to such Series 2025A Bond during the period between its original issue date and the date of acquisition by the holder.

Tax Accounting Treatment of Premium Bonds

A Series 2025 Bond will be considered to have been issued at a premium if, and to the extent that immediately after the acquisition of such Series 2025 Bond, the holder's tax basis in such Series 2025 Bond exceeds the amount payable at maturity (or, in the case of a Series 2025 Bond callable prior to maturity, the amount payable on an earlier call date). Under regulations applicable to the Series 2025 Bonds, the amount of the premium is determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on a Series 2025 Bond. The holder will be required to reduce his tax basis in a Series 2025 Bond for purposes of determining gain or loss upon disposition of such Series 2025 Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Series 2025 Bonds.

Purchasers with questions concerning the detailed tax consequences of transactions in the Series 2025 Bonds issued at a premium should consult their tax advisors.

Legislative Developments

Legislative proposals under consideration or proposed after issuance and delivery of the Series 2025 Bonds could adversely affect the market value of the Series 2025 Bonds. Further, if enacted into law, any such legislation could cause the interest on the Series 2025 Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Series 2025 Bonds should consult with their tax advisors as to the status and potential effect of legislative proposals, as to which Bond Counsel expresses no opinion.

LEGALITY OF SERIES 2025 BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2025 Bonds are securities in which all public officers and public bodies of the State of Maryland and its political subdivisions, all insurance companies, state banks and trust companies, savings banks, savings and loan associations, investment companies, executors, administrators, trustees and other fiduciaries in the State of Maryland may properly and legally invest funds.

The Series 2025 Bonds, under the Act, may be deposited with and received by any State or municipal officer or any agency or political subdivision of the State of Maryland for any purpose for which the deposit of bonds or obligations of the State of Maryland may be authorized by law.

STATE NOT LIABLE ON SERIES 2025 BONDS

The Series 2025 Bonds are special obligations of the Authority payable solely from the Revenues and other amounts pledged therefor under the Resolution and the Indenture, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Authority, is pledged to the payment of the principal of or interest on the Series 2025 Bonds.

The sources of revenues or money of the Authority are limited to those provided by the Act, and the issuance of the Series 2025 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Authority to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

CORPORATE EXISTENCE OF THE AUTHORITY

The Act states that a law to terminate the Authority may not take effect until adequate provision is made to pay each outstanding bond and other obligation of the Authority. On termination of the Authority, its rights and property pass to the State of Maryland.

FINANCIAL ADVISORS

PFM Financial Advisors LLC ("PFM") has served as financial advisor to the Authority in connection with the issuance of the Series 2025 Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

The Obligated Group has retained Kaufman, Hall & Associates, LLC ("Kaufman Hall"), Chicago, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as financial advisor in connection with the issuance of the Series 2025 Bonds. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

LEGAL MATTERS

McKennon Shelton & Henn LLP is acting as Bond Counsel to the Authority in connection with the issuance of the Series 2025 Bonds. The proposed forms of Bond Counsel's approving opinions appear as Appendix E. Certain legal matters will be passed upon for the Underwriters by McGuireWoods LLP. Certain legal matters will be passed upon for the Obligated Group Members by the Senior Vice President and General Counsel of the Institution and Gallagher Evelius & Jones LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of the Institution and its subsidiaries as of June 30, 2023 and 2024 and for the years then ended included in Appendix B have been audited by Ernst & Young LLP, independent auditors as stated in their report appearing therein. Such financial statements include affiliates of the Institution that are *not* members of the Obligated Group.

CERTAIN RELATIONSHIPS

W. Daniel White serves as a member of the Authority and formerly served as an executive and director of The Whiting–Turner Contracting Company which, from time to time, provides construction management and general contracting services to the Institution and its affiliates. The Whiting-Turner Contracting Company currently has a guaranteed maximum price contract with the Institution related to the Shore Regional Medical Center Project.

Manufacturers and Traders Trust Company, which is serving as the trustee under the Resolution and the Indenture, provides various other credit facilities to certain of the Obligated Group Members.

McKennon Shelton & Henn LLP serves as general counsel to the Authority and is acting as Bond Counsel in connection with the issuance of the Series 2025 Bonds.

Morgan Stanley & Co. LLC, which is one of the underwriters of the Series 2025 Bonds, owns certain Prior Multimodal Bonds issued for the benefit of the Obligated Group. A portion of the proceeds of the Series 2025 Bonds will be used to repay the Prior Multimodal Bonds.

McGuireWoods LLP serves as counsel to the Underwriters in connection with the Series 2025 Bonds. McGuireWoods LLP also represents Manufacturers and Traders Trust Company, the trustee under the Resolution and the Indenture, from time to time in unrelated matters. Ava E. Lias-Booker serves as a member on the board of directors of the Institution and is a Partner at McGuireWoods LLP.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Obligated Group Members undertake for the benefit of the Holders of the Series 2025 Bonds to provide certain financial information or operating data and audited financial statements, and to provide notices of certain material events as described under "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT -- Continuing Disclosure" in Appendix

D. In addition, the Obligated Group Members have agreed to provide quarterly unaudited financial statements for the Institution and its subsidiaries not later than 45 days after the end of each of the first three fiscal quarters and not later than 90 days after the end of the fourth fiscal quarter for the benefit of the Holders of the Series 2025 Bonds.

The audited financial statements and certain annual financial and operating data and the quarterly financial information required to be filed by the Institution under the continuing disclosure undertaking then in effect were filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system, but not all filings were linked to all applicable CUSIPs; such filings were otherwise available on EMMA. The Obligated Group Members subsequently linked all CUSIPs to all applicable filings. In June 2021, Fitch Ratings withdrew its long term issuer default rating for the Medical System and the bond ratings for the Series 2017B, 2017C, 2017E, 2015 and 2013A bonds issued by the Authority. Notice was not timely filed, but the Obligated Group Members subsequently filed a notice of the rating withdrawal in January 2025. Except as described in this paragraph, during the prior five years, the Obligated Group has complied in all material respects with its other continuing disclosure undertakings.

MISCELLANEOUS

The references herein to the Act, the Resolution, the Loan Agreement, the Indenture, the Multimodal Bond Loan Agreement and other materials are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and, for full and complete statements of such provisions, reference is made to such instruments, documents and other materials, copies of which are on file at the offices of the Authority.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Obligated Group Members and official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The Authority has either provided or reviewed the information under the headings "THE AUTHORITY," "STATE NOT LIABLE ON SERIES 2025 BONDS" and "CORPORATE EXISTENCE OF THE AUTHORITY" as it relates to the Authority and will not be responsible for any other statements or information in this Official Statement. The Trustee did not participate or contribute to the creation of this Official Statement.

No litigation, administrative action, or proceeding seeks to restrain or enjoin the issuance or delivery of the Series 2025 Bonds, or contests or questions the proceedings and authority under which the Series 2025 Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Series 2025 Bonds.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing information.

The information contained herein has been reviewed by the Obligated Group Members and the approval of this Official Statement by an officer of the Institution has been duly authorized by the Obligated Group Members.

The execution and delivery of this Official Statement by the Chairman or other authorized Member and the Executive Director of the Authority have been duly authorized by the Authority.

MARYLAND HEALTH AND HIGHER
EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Arnold Williams
Arnold Williams
Chairman

By: /s/ Barlow T. Savidge
Barlow T. Savidge
Executive Director

Approved: January 22, 2025

UNIVERSITY OF MARYLAND
MEDICAL SYSTEM CORPORATION

By: /s/ Joseph E. Hoffman III
Joseph E. Hoffman III
Senior Vice President
and Chief Financial Officer

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APPENDIX A

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

This Official Statement contains statements related to future business and financial performance and future events or developments that may constitute forward-looking statements. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "intends," "plans," "budgets," "pro forma," "believes," "seeks," "estimates," "will," "may," "continue," "projects" or words of similar meaning. Such statements are based on the current expectations and certain assumptions of the University of Maryland Medical System Corporation ("UMMS"), and are, therefore, subject to various risks and uncertainties. A variety of factors, many of which are beyond UMMS' control, affect operations, performance, business strategy and results and could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied in any forward-looking statements. UMMS neither intends, nor assumes any obligation, to update or revise these forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which such statements are based, occur.

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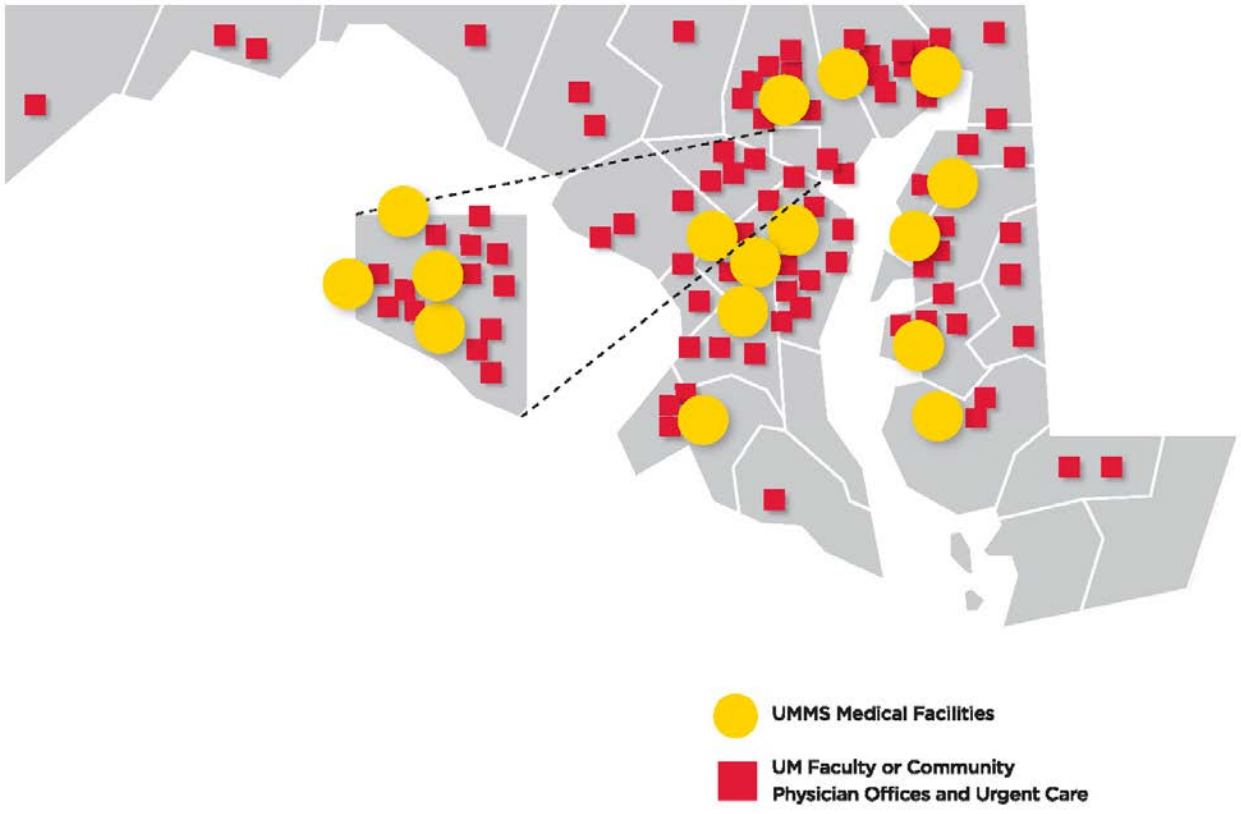
TABLE OF CONTENTS

INTRODUCTION

The University of Maryland Medical System (the "Medical System") is an academic health system focused on serving the health care needs of the State of Maryland and beyond. The Medical System brings innovation, discovery and research to the care provided all while educating future physicians and health care professionals through close collaboration with the University of Maryland Schools of Medicine, Nursing, Pharmacy, Social Work and Dentistry in Baltimore.

As one of the largest private employers in Maryland, the Medical System's more than 28,000 employees and 5,500 active medical staff provide primary and specialty care in more than 150 locations including 10 acute care hospitals and five freestanding medical facilities serving urban, suburban and rural communities located in 14 counties across the State of Maryland, including Baltimore City. The Medical System's flagship academic campus, University of Maryland Medical Center in Baltimore, is recognized regionally and nationally for excellence and innovation in specialized care.

The map below depicts the Medical System's geographic reach within Maryland. The yellow circles represent hospitals and major outpatient care facilities, and red squares represent physician practice locations.



General Background

University of Maryland Medical System Corporation ("UMMS") is a private, not-for-profit corporation formed in 1984 to provide health care services to the residents of Maryland. Together with its subsidiaries, UMMS owns and operates a multi-hospital regional health care delivery system that provides a wide range of health care services, including primary, secondary, tertiary and quaternary care, as well as rehabilitation, chronic care, sub-acute care and skilled nursing care.

As used in this Appendix A, "Medical System" means UMMS and each other entity that is consolidated with UMMS for financial reporting purposes under generally accepted accounting principles and "Medical System Hospitals" means the Medical System's 10 academic, community, and specialty hospitals which are located throughout Maryland, including University of Maryland Medical Center ("UMMC"), University of Maryland Medical Center Midtown Campus ("UM Midtown"), University of Maryland Rehabilitation and Orthopaedic Institute ("UM Rehab & Ortho Institute"), University of Maryland St. Joseph Medical Center ("UM St. Joseph"), University of Maryland Baltimore Washington Medical Center ("UM Baltimore Washington"), University of Maryland Shore Medical Center at Easton ("UM Easton"), University of Maryland Shore Medical Center at Chestertown ("UM Chestertown"), University of Maryland Upper Chesapeake Medical Center ("UM Upper Chesapeake"), University of Maryland Charles Regional Medical Center ("UM Charles Regional"), and University of Maryland Capital Region Medical Center ("UM Capital Region"). For a description of the Medical System Hospitals and other health care facilities, see "OPERATIONS OF THE MEDICAL SYSTEM – Major Medical Facilities" in this Appendix A. For a description of the Obligated Group Members, see "INTRODUCTION – Obligated Group Members" in this Appendix A.

The Medical System, which generated total operating revenues of $5.24 billion in fiscal year 2024, operates 10 hospitals which have 2,431 licensed acute and non-acute care beds and over 96,000 patient admissions per year, making the Medical System the largest provider of hospital-based care in the State of Maryland. The flagship hospital of the Medical System is UMMC, an 817-bed academic medical center located in downtown Baltimore, Maryland. The Medical System's primary service area includes 14 of Maryland's 24 counties, including Baltimore City, and encompasses approximately 67% of the population of the State of Maryland. The Medical System's primary service area is described in more detail under "SERVICE AREA AND COMPETITION" in this Appendix A. In addition to its hospitals, the Medical System's network of health care facilities includes freestanding medical facilities, physician practice offices, specialty clinics, ambulatory surgery sites, and urgent care clinics.

History

The UMMC facilities, consisting of University Hospital, The University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center ("Greenebaum Comprehensive Cancer Center"), the University of Maryland Children's Hospital, and the R Adams Cowley Shock Trauma Center ("Shock Trauma Center"), have collectively served as the teaching hospital of the University of Maryland School of Medicine (the "School of Medicine") of the University of Maryland, Baltimore ("UMB"), a constituent institution of the University System of Maryland (the "University System") since 1823. Established in 1807, the School of Medicine is the first public, and the fifth oldest, medical school in the United States. While neither the University System nor UMB is a part of the Medical System, UMMC's medical staff only includes clinical faculty members of the School of Medicine.

From 1823 to 1984, UMMS' downtown Baltimore facilities were state-owned, operated and financed as part of the University of Maryland, now a part of the University System. Efforts to establish UMMS as a separately governed entity began in 1981 as part of a plan to improve fiscal management, efficiency and quality of care. In 1984, the Maryland General Assembly, with the support of the University of Maryland's Board of Regents, adopted legislation (the "Governance Legislation") separating the major health care delivery components of the University System that were located in Baltimore City and mandating their transfer to UMMS, established under the Maryland General Corporation Law as a private, nonstock corporation. Pursuant to the Governance Legislation, UMMS and the University System, on behalf of UMB, enter into an annual contract with respect to the financial obligations, exchanges of services and other agreed upon relationships between the parties (the "Annual Contract"). Under the fiscal year 2024 Annual Contract, UMMS paid the University System approximately $213 million for the administration and supervisory services provided by University System faculty members.

The Governance Legislation provides that the Board of Public Works of the State of Maryland and the Board of Regents of the University System may determine that UMMS has failed to realize the purposes set out in the Governance Legislation, in which event the Board of Directors of UMMS must undertake appropriate legal proceedings to return all of the assets of UMMS to the State of Maryland, but only if adequate provision has been made for payment of any outstanding bonds, notes or other obligations of UMMS. UMMS is not aware that any such determination has ever been considered by the Board of Public Works or the Board of Regents.

Mission, Vision and Values of the Medical System

The Medical System's mission is to purposefully advance the shared principles that are foundational to the delivery of healthcare:

The Medical System's vision is to build upon a tradition of excellence in patient care and innovation to be a national leader in the transformation of health care and the premier health care system serving Maryland and the region.

To advance its mission and vision, the Medical System is aligned around five core values: compassion, discovery, excellence, diversity and integrity.

The Medical System distinguishes itself from its competitors by focusing on the health care needs of Marylanders, collaborating with the School of Medicine to provide innovative and cutting-edge

medicine, educating Maryland's future health care professionals, and providing world-class care in an efficient and affordable manner.

Over the past decade, regulatory shifts have created profound changes in delivery of health care services across the United States and within Maryland. The Medical System has been responsive to these changes, reacting swiftly to heightened expectations for quality, accessibility, efficiency and community health care. Across the Medical System, there have been demonstrable improvements in each of these focus areas over the past several years, without any sacrifices to the Medical System's longstanding reputation for financial stability, fiscal prudence and operational efficiency. Moving forward, the Medical System will strive to maintain its focus on population health management to deliver improved outcomes, reduced cost growth and enhanced satisfaction among patients and providers. Improvements in clinical performance are expected be driven through further standardization across the Medical System Hospitals and additional prioritization of clinical centers of excellence.

Key Strategic Priorities

The Medical System's mission of transforming healthcare delivery through increasing access, value and quality to the community and patients it serves is supported by four key strategic priorities:

Build Upon System Integration to Drive Clinical Leadership and Excellence

The Medical System intends to expand its market leadership in four clinical specialties to drive revenue and profitability growth. These key clinical specialties include musculoskeletal, cardiology, oncology and neuroscience. Within its service area, the Medical System is currently the market leader in musculoskeletal services (23% share of inpatient orthopedic discharges) and cardiology (21% share of inpatient cardiac care discharges) and shares the leading position in neuroscience (21% share of inpatient neuroscience discharges). The Medical System holds a 23% share of inpatient oncology discharges with the goal of becoming the market leader through the new Roslyn and Leonard Stoler Center for Advanced Medicine under construction at UMMC. For more information about the Center for Advanced Medicine Project (defined herein), see "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of Series 2025 Bonds – *Center for Advanced Medicine Project.*"

Redesign Rural Healthcare Delivery in Maryland's Mid-Shore Region

To support the growing healthcare needs of residents in Maryland's five-county area of the mid-shore region, the Medical System is constructing a new state-of-the art hospital in Easton, Maryland, to be known as the Shore Regional Medical Center, which is expected to serve as the central hub of comprehensive care and advance healthcare quality and expand access to support future community health needs. The new Shore Regional Medical Center will serve as a vital asset to recruit and retain physicians, advanced practice professionals and the clinical staff needed to provide high quality, clinically advanced medical care to the region. For more information about the Shore Regional Medical Center Project (defined herein), see "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of Series 2025 Bonds – *Shore Regional Medical Center Project*."

Diversify Revenue Base and Capture Cost Efficiencies to Drive Profitability

Given the complexities of healthcare delivery, the Medical System is focused on driving efficiency throughout its network, including in care delivery, and capturing cost savings to support its financial

discipline. As part of this key strategic priority, the Medical System has announced the construction of a new Logistics Operations Center to serve as a hub to drive operational efficiency. In addition to housing the Medical System's supply-chain operations, the Logistics Operations Center will house pharmacy operations with the intent to better manage high-cost drug purchasing and utilization, reduce waste and better serve the Medical System's facilities. For more information about the Logistics Operations Center, see "KEY STRATEGIC CAPITAL PROJECTS –Additional Major Capital Projects – *Logistics Operations Center*."

Advance Community Health and Health Equity within Maryland

With the goal of providing equitable access to medical care and promoting health equity for its patients, the Medical System is focused on the elimination of disparities in health outcomes, delivery of care, and clinical research. The Medical System continues to advance this key strategic priority through to the use of data metrics to identify and monitor health disparities and the deployment of targeted interventions to address social determinants of health.

Relationship with the University of Maryland School of Medicine

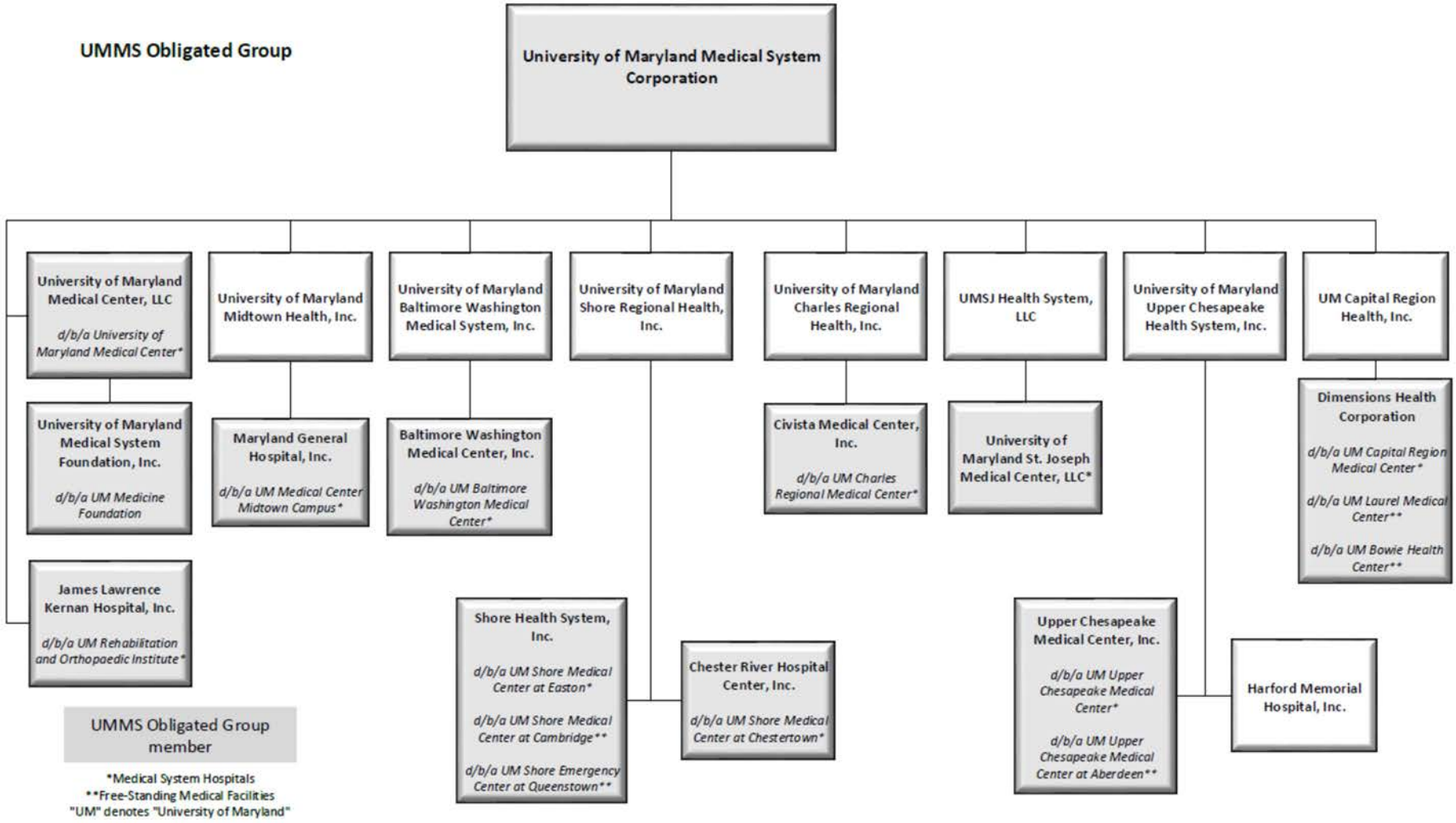
Now in its third century, the School of Medicine was chartered in 1807 as the first public medical school in the United States. It continues today as one of the fastest growing top-tier biomedical research enterprises in the world, with more than 40 academic departments, centers, institutes and programs, and a faculty of more than 3,000 physicians, scientists and allied health professionals. According to the Association for American Medical Colleges ("AAMC") fiscal year 2023 rankings, the School of Medicine is ranked 13th among public medical schools and 32nd among all 157 medical schools nationwide for total grants and contract awards. The AAMC also reports that the School of Medicine faculty has one of the highest levels of productivity among its peers.[1]

UMMS and the School of Medicine collaborate closely with a shared vision of being global leaders in health care, medical education, and biomedical research. Referring to this collaboration as "University of Maryland Medicine," each entity contributes its individual strengths to provide intensive, academic and clinically based care to more than 2.0 million patients each year. See "OPERATIONS OF THE MEDICAL SYSTEM – Research and Innovation Activities in Collaboration with the School of Medicine."

Organizational Structure

UMMS is, directly or indirectly, the sole member of, and retains certain reserved corporate powers over, the entities that own the Medical System Hospitals and the other members of the Medical System. The chart on the following page depicts the organizational structure of the Medical System and highlights the members of the Obligated Group.

(1) AAMC: Medical School Profile System, Institutional Data Table, as of July 25, 2024. Institutional Data Table last updated July 25, 2024. AAMC provides these data "as is" without warranty of any kind as to the completeness or accuracy, and AAMC shall have no and is released from any and all liability for inaccurate or incomplete information.


UMMS Obligated Group
University of Maryland Medical System Corporation
University of Maryland Medical Center, LLC
d/b/a University of Maryland Medical Center*
University of Maryland Midtown Health, Inc.
University of Maryland Baltimore Washington Medical System, Inc.
University of Maryland Shore Regional Health, Inc.
University of Maryland Charles Regional Health, Inc.
UMSJ Health System, LLC
University of Maryland Upper Chesapeake Health System, Inc.
UM Capital Region Health, Inc.
University of Maryland Medical System Foundation, Inc.
d/b/a UM Medicine Foundation
Maryland General Hospital, Inc.
d/b/a UM Medical Center Midtown Campus*
Baltimore Washington Medical Center, Inc.
d/b/a UM Baltimore Washington Medical Center*
Civista Medical Center, Inc.
d/b/a UM Charles Regional Medical Center*
University of Maryland St. Joseph Medical Center, LLC*
Dimensions Health Corporation
d/b/a UM Capital Region Medical Center*
d/b/a UM Laurel Medical Center**
d/b/a UM Bowie Health Center**
James Lawrence Kernan Hospital, Inc.
d/b/a UM Rehabilitation and Orthopaedic Institute*
Shore Health System, Inc.
d/b/a UM Shore Medical Center at Easton*
d/b/a UM Shore Medical Center at Cambridge**
d/b/a UM Shore Emergency Center at Queenstown**
Chester River Hospital Center, Inc.
d/b/a UM Shore Medical Center at Chestertown*
Upper Chesapeake Medical Center, Inc.
d/b/a UM Upper Chesapeake Medical Center*
d/b/a UM Upper Chesapeake Medical Center at Aberdeen**
Harford Memorial Hospital, Inc.
UMMS Obligated Group member
*Medical System Hospitals
**Free-Standing Medical Facilities
"UM" denotes "University of Maryland"

Obligated Group Members

The current members of the Obligated Group are: UMMS, University of Maryland Medical Center, LLC, Maryland General Hospital, Inc., The James Lawrence Kernan Hospital, Inc., Baltimore Washington Medical Center, Inc., Shore Health System, Inc., Chester River Hospital Center, Inc., Civista Medical Center, Inc., University of Maryland St. Joseph Medical Center, LLC, Upper Chesapeake Medical Center, Inc., Dimensions Health Corporation, and University of Maryland Medical System Foundation, Inc. ("UMMS Foundation"). The chart on the previous page indicates the ownership of Medical System Hospitals and freestanding medical facilities. The Obligated Group collectively generates 91.3% of the Medical System's operating revenues and owns 97.2% of the Medical System's assets, as of October 31, 2024. These percentages exclude Harford Memorial Hospital, Inc.; Harford Memorial Hospital, Inc. was removed from the Obligated Group in December 2024 as a result of the closure of the hospital it operated ("UM Harford Memorial") in Havre de Grace, Maryland, which was replaced with a freestanding medical facility known as UM Upper Chesapeake Medical Center at Aberdeen that is operated by another existing member of the Obligated Group.

All of the Obligated Group Members are charitable organizations as described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") as amended, exempt from taxation under Section 501(c) of the Code, and are not private foundations as defined in Section 509(a) of the Code.

THE OBLIGATED GROUP MEMBERS DESCRIBED ABOVE ARE THE ONLY MEMBERS OF THE MEDICAL SYSTEM OBLIGATED TO MAKE PAYMENTS UNDER THE MULTIMODAL BOND LOAN AGREEMENT AND THE LOAN AGREEMENT AND TO PAY THE PRINCIPAL OF, THE PREMIUM, IF ANY, AND THE INTEREST ON, THE SERIES 2025 BONDS. THE STATE OF MARYLAND, THE SCHOOL OF MEDICINE, THE UNIVERSITY SYSTEM AND UMB ARE NOT OBLIGATED GROUP MEMBERS AND ARE NOT OBLIGATED TO MAKE ANY PAYMENTS UNDER THE MULTIMODAL BOND LOAN AGREEMENT OR THE LOAN AGREEMENT TO PAY THE PRINCIPAL OF, THE PREMIUM, IF ANY, OR THE INTEREST ON, THE SERIES 2025 BONDS.

Hospital Rate Regulation in Maryland

All of the Medical System Hospitals are located in Maryland and are therefore subject to the hospital rate regulation authority of the Maryland Health Services Cost Review Commission ("HSCRC" or the "Rate Commission"). The HSCRC was established in 1971. In 1977, the federal government first agreed to "waive" the national payment system in Maryland and to allow the HSCRC to set hospital charge rates. Maryland's arrangement with the federal government, documented in a series of renewals of the initial waiver in 1977 and subsequent agreements, exempts Maryland hospitals from Medicare's Inpatient Prospective Payment System and Outpatient Prospective Payment System and instead requires Medicare, Medicaid, and all commercial payors to pay at the same rates as established by the HSCRC. Each Maryland hospital is assigned unique rates based on historical volume and charges which are adjusted at least annually based on a number of factors.

In 2014, the Center for Medicare and Medicaid Services ("CMS") and the State of Maryland entered the Maryland All-Payer Model Agreement (the "All-Payer Model"). Under the All-Payer Model, Maryland hospitals achieved over $600 million in cumulative Medicare cost savings – nearly two times the projected savings target between 2019 and 2024, resulting in both savings and improved quality of

care. However, this approach historically focused solely on the hospital setting, constraining the State of Maryland's ability to sustain its rate of Medicare savings and quality improvements.

Beginning in January 2019, the Maryland hospital reimbursement process was modified to reflect an innovative strategy for containment of the total cost of care. This model, called the Total Cost of Care Model ("TCOC Model"), holds Maryland fully at risk for the cost of care for Medicare beneficiaries. The TCOC Model builds on the success of the Maryland All-Payer Model by creating greater incentives for health care providers to coordinate with each other and provide patient-centered care, and by committing the State of Maryland to a sustainable growth rate in per capita total cost of care spending for Medicare beneficiaries. Practically speaking, success under the TCOC Model over its eight-year planned performance period, includes: (a) providing value-based care and reducing the number of unnecessary hospitalizations, including readmissions; (b) partnering and collaborating with nonhospital health care providers to conduct care redesign activities aimed at improving the quality of care; and (c) improving the quality and cost of care for high-priority medical conditions. The TCOC Model also includes a program to incentivize primary care providers to offer advanced services to their patients with a goal of reducing the hospitalization rate and improving the quality of care for Medicare beneficiaries, among other quality and utilization-based improvements.

CMS generally views the Maryland TCOC Model as a success and during the first four years under the TCOC Model, Maryland exceeded the required TCOC Model savings target. The new CMS Advancing All-Payer Equity Approaches and Development Model (the "AHEAD Model") is the multi-state cost of care model managed by the Center for Medicare and Medicaid Innovation ("CMMI") that builds upon the successes of the TCOC Model in reducing health care cost growth and improving statewide health care quality. The AHEAD Model advances Maryland's vision of empowering all Marylanders to achieve optimal health and well-being and puts additional focus on statewide alignment for population health and health equity improvement.

Maryland was awarded a cooperative agreement award in July 2024 to begin the AHEAD Model pre-implementation period. The AHEAD Model's implementation date is January 1, 2026, and the implementation date extends through December 2034.

The Maryland Department of Health views the AHEAD Model state agreement as creating a framework for collaboration between the State of Maryland and CMMI and memorializes CMMI's commitment to Maryland's all-payer hospital rates and preserves the State of Maryland's authority to set policy to manage hospital global budgets, population health, the Maryland Primary Care Program, and health equity.

Global Budget Revenue will continue under the AHEAD Model along with the continuation of TCOC Model savings targets. Other components of the current TCOC Model will remain such as new quality and population targets. Certain changes under the AHEAD Model are anticipated, including additional focus on primary care to include a Medicaid primary care program and a statewide health equity plan and targets to achieve.

Each Medical System Hospital has executed a Global Budget Revenue agreement with the HSCRC, which establishes a total annual amount that each hospital may charge for services regulated by the Rate Commission. Within the limits established by the HSCRC, hospitals adjust the rates for individual procedures and services in order to achieve total charges for a one-year period that approximate

their Global Budget Revenue. For fiscal year 2024, $4.43 billion or 85% of the Medical System's total operating revenue consisted of regulated, Global Budget Revenue.

For more details on Maryland hospital rate regulation and the HSCRC, see "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" in this Official Statement.

State Capital Grants and Operating Support

Since privatizing the Medical System in 1984, the State of Maryland has continued to be a significant strategic and financial partner for transforming the delivery of health care across Maryland. The State of Maryland in cooperation with the Medical System, contributes capital towards numerous facility and programmatic expansions through project-related grants. Each year, the State of Maryland's Capital Improvement Program ("CIP") is used to determine the annual grant awards. The CIP is maintained by the State of Maryland's Department of Budget and Fiscal Planning. The grants require inclusion in the Governor's budget and approval by the Maryland General Assembly on an annual basis. The CIP for legislative fiscal years 2025 through 2028 included total capital commitments by the State of Maryland of: (a) $8.0 million of a total $28.0 million for the third phase of on-going upgrades at the Shock Trauma Center and (b) $90.0 million of a total $100.0 million for the Shore Regional Medical Center Project. The CIP committed $125.0 million for the Center for Advanced Medicine Project during legislative fiscal years prior to 2025. For additional information on the capital projects supported by the CIP, see "KEY STRATEGIC CAPITAL PROJECTS" in this Appendix A.

Pursuant to a 2024 full rate application decision, the HSCRC approved approximately $18.6 million of operating support for the Shore Regional Medical Center that will replace UM Easton, through permanent global budget revenue rate increases that will be effective for fiscal year 2029 when it opens.

UM Capital Region annually receives operating support from the State of Maryland for UM Capital Region's new regional medical center which opened in 2022, with the State of Maryland committing to fund $13.5 million per year through 2028.

UMMC annually receives operating support for the Shock Trauma Center. Beginning with fiscal year 2025, the amount of annual operating support increased by $41.0 million to $44.7 million from its prior annual level of $3.7 million. Funds for this support are generated through a state motor vehicle registration surcharge.

There is no assurance that the State of Maryland capital grants or operating support will continue or that the Maryland General Assembly will continue to make appropriations at levels currently contemplated. Monies designated by the State of Maryland for specific purposes are not available for payment of amounts due with respect to the Series 2025 Bonds.

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Awards and Distinctions

The Medical System has earned a number of awards and distinctions for its clinical excellence. Although not exhaustive, a few examples of these awards and distinctions are described in the graphic below.

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CORPORATE GOVERNANCE AND MANAGEMENT

Board of Directors

UMMS was created pursuant to the Governance Legislation as a private nonstock corporation governed by a Board of Directors. The Board consists of six non-voting ex-officio members and not less than 22 and not more than 28 voting members; provided however, that the Governor of the State of Maryland may appoint an additional voting member who is a representative from each hospital that affiliates with UMMS on or after June 1, 2019. Under UMMS' articles of incorporation, and as required by the Governance Legislation, three voting members shall be members of the Board of Regents, one voting member shall be appointed by the President of the Maryland Senate, one voting member shall be appointed by the Speaker of the Maryland House of Delegates, and one voting member shall be the Governor's designee. The non-voting ex-officio members are the Chancellor of the University System, the President of UMB, the Chief Executive Officer of UMMS, the Dean of the School of Medicine, the President of the medical staff organization of UMMC, and the Associate Director of Nursing Services of UMMS (currently referred to as the "Chief Nurse Executive"). Each member of the Board must be a Maryland resident and no member may be an elected official of the government of the State of Maryland or any local jurisdiction within the State of Maryland. Voting members of the Board serve five-year terms and may not serve more than two consecutive full terms. Apart from voting directors initially appointed by the Governor as a representative of an affiliate hospital that first affiliates with UMMS on or after June 1, 2019, and the voting directors appointed by the President of the Maryland Senate and the Speaker of the House of Delegates, each voting director shall be appointed by the Governor with the advice and consent of the Maryland Senate.

Each Medical System Hospital is also governed by a board of directors comprised of local community leaders and one or two members of UMMS' Executive Leadership. As the sole member (directly or indirectly) of each entity in the Medical System that owns and operates a Medical System Hospital, UMMS has the right, either directly or indirectly, to elect or approve board members for each of these organizations and certain of their affiliates. UMMS holds reserved powers, either directly or indirectly, for the financial management, resource allocation and strategic planning for the Medical System Hospitals, each of which is owned by a member of the Obligated Group. Examples of some of the reserved powers that UMMS holds for the various Medical System Hospitals include approving annual budgets; strategic plans; the incurrence of debt; and acquisitions, leases and dispositions of assets and property in excess of certain thresholds. Each Medical System Hospital has a leadership team, including but not limited to a President and a Senior Finance Executive, who are responsible for day-to-day operations, and who are dually accountable to such Medical System Hospital's board of directors and to UMMS Executive Leadership.

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The current members of UMMS' Board of Directors are as follows.

Board Member	Principal Affiliation	Term Expires
R. Alan Butler - Chair [2][3]	CEO, Erickson Senior Living	2026
The Honorable Alexander Williams, Jr., Esq. - Vice Chair [3]	Retired Judge and Member, Silverman, Thompson, Slutkin & White, LLC	2025
Jeffrey Armiger	Market President, BB&T/Truist (Retired)	2026
Elisa M. Basnight, Esq.	EVP, Supply Chair, BioMedical Services, American Red Cross	2028
Brianna D. Bowling	Founder, Zekiah Technologies	2027
Joseph A. Ciotola, Jr., MD	Health Officer, Queen Anne's County Department of Health	2024 [4]
Faith Davis	Lead, Climate Change Investment Initiative, Exelon	2028
Jonathan Dorsey	Deputy Chief of Staff to Governor Wes Moore	2028 [1]
Wanda Queen Draper [2][3]	Executive Director, Reginald F. Lewis Museum of Maryland African American History and Culture	2027
Ellen Fish [2]	Market Leader, Sandy Spring Bank	2027 [1]
Jason Frankl, Esq. [3]	Senior Managing Director and Practice Leader, FTI Consulting	2026
James M. Harkins	Former County Executive – Harford County, Maryland	2025
RADM Joyce M. Johnson, DO, MA USPHS	Former Surgeon General, US Coast Guard	2029 [1]
Dori Bishop Kelso	President, Bishop & Associates Inc. and COO, 135 Advisory Management LLC	2026
Isiah "Ike" Leggett	Former County Executive – Montgomery County, Maryland	2029
Belkis "Bel" Leong-Hong	Founder, President, and CEO, Knowledge Advantage, Inc.	2028
Ava E. Lias-Booker	Partner, McGuireWoods LLP	2027 [1]
Michelle N. Lipkowitz	Managing Member, DC Office, Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C.	2027 [1]
Keith A. McMahan	Chair and CEO, Tri Gas & Oil Co., Inc.,	2026
Cassie Motz [2][3]	Executive Director, CollegeBound Foundation	2029 [1]
Edward P. Nevin [2][3]	Managing Partner, Deloitte & Touche, LLP	2025
Bonnie Lamdin Phipps, CPA [3]	Senior Consultant, Phipps Advisory (Independent Contractor)	2029
Louis M. Pope	President and Owner, Century 21 Trademark Realty	2027 [1]
Karen Price-Ward [2][3]	Director of Social Impact, Stanley Black & Decker	2029
Thomas E. Scott	Founding Member and President, LRS Federal, LLC	2025
Lynn Selby	Executive Director, Caroline Center	2025
Mohan Suntha, MD [3]	President and CEO, University of Maryland Medical System	Ex-Officio [1]
Mark T. Gladwin, MD [3]	Dean, University of Maryland, School of Medicine	Ex-Officio [1]
Bruce E. Jarrell, MD, FACS [3]	President, University of Maryland, Baltimore	Ex-Officio [1]
Margaret "Peggy" Norton-Rosko, DNP, RN	Senior Vice President and Chief Nurse Executive, University of Maryland Medical System	Ex-Officio [1]
Jay Allan Perman, MD	Chancellor, University System of Maryland	Ex-Officio [1]
Jill A. RachBeisel, MD, DFAPA	President, University of Maryland Medical Center Medical Staff	Ex-Officio [1]

(1) Board positions mandated by the Governance Legislation.

(2) Mr. Butler serves as the Chair of the Executive Committee. Ms. Fish serves as the Chair of the Audit and Compliance Committee. Mr. Nevin serves as the Chair of the Financial Affairs Committee. Ms. Phipps serves as the Chair of the Patient Safety & Quality Committee. Ms. Price-Ward serves as the Chair of the Equity, Diversity & Inclusion Committee. Ms. Motz serves as the Chair of the Governance & Nominating Committee. Ms. Draper serves as the Chair of the Development and Corporate Social Responsibility Committee.

(3) Denotes UMMS Executive Committee members.

(4) Board member continues to serve until reappointed, or a successor is appointed.

UMMS' Bylaws provide for an Executive Committee, an Audit and Compliance Committee, a Finance Committee (currently referred to as the "Financial Affairs Committee"), a Patient Safety and Quality Committee, a Diversity and Inclusion Committee, a Governance and Nominating Committee, and such other committees as the Board may appoint from among its members from time to time. As of the date of this Official Statement, such other committees include an Executive Compensation Committee, an Investments Sub-Committee and a Development and Corporate Social Responsibility Committee.

The Executive Committee is empowered, between meetings of the Board, to perform any of the powers of the Board except for certain powers which are reserved to the Board by law or by resolution of the Board. In addition, the Executive Committee may review the committees of UMMS and is responsible for setting executive compensation.

The Audit and Compliance Committee's role is to oversee internal controls regarding finance, accounting, compliance and ethics that management and the Board have established. Its primary duties include serving as an independent and objective party to monitor the Medical System's financial reporting process and internal control system; review and appraise the audit efforts of the Medical System's independent auditors and internal audit department; and review the Medical System's compliance with applicable laws, regulations and the corporate compliance program.

The Financial Affairs Committee's role is to oversee the Medical System's financial performance with specific focus on the review, recommendation, monitoring, and evaluation of finance operating and capital budgets, investment, major capital projects, procurement, and other matters.

The Board meets six times a year. The Executive Committee generally meets if an urgent matter needs to be addressed at a time other than a scheduled Board meeting. The Financial Affairs Committee generally meets bi-monthly, and the Audit and Compliance Committee generally meets quarterly. Other committees generally meet at least quarterly.

UMMS has a Conflicts of Interest policy covering all Board members and Executive Leadership, which requires periodic inquiry and annual disclosure of interests in matters that involve UMMS. The Policy includes standards for the disclosure of financial interests, for participation in business transactions with or for UMMS, and for recusal from voting.

Executive Leadership of the Medical System

The management of the Medical System ("Executive Leadership" or "Management") oversees the strategic, operational, and external affairs for the Medical System. The Executive Leadership includes officers of UMMS who oversee and coordinate acquisitions and divestitures for the Medical System to accomplish developed strategies, allocate overall financial resources and maintain and monitor a performance control system. Information regarding the key members of Executive Leadership is set forth below.

Mohan Suntha, MD, MBA, President and Chief Executive Officer. Dr. Suntha was appointed President and Chief Executive Officer ("CEO") of UMMS in November 2019 following an extensive career with both UMMS and the School of Medicine. During his tenure as President and CEO, Dr. Suntha has led the Medical System in driving clinical and operational integration, as well as advancing the Medical System's tradition of excellence in patient care and innovation across the State of Maryland. Immediately prior to his current position, Dr. Suntha served as the President and CEO of UMMC and UM

Midtown for three years. He also served as the President and CEO of UM St. Joseph from 2012 to 2016. Dr. Suntha first joined UMMC as a resident in the Department of Radiation Oncology in 1991. He has been a member of the faculty at the School of Medicine since 1995. Based on his clinical and academic accomplishments, he was awarded the Marlene and Stewart Greenebaum Professorship in Radiation Oncology in 2008. He has assumed numerous administrative roles within the Medical System and School of Medicine. He served as the Vice Chairman and Clinical Director in the Department of Radiation Oncology, School of Medicine, and the Associate Director for Clinical Affairs in the Greenebaum Comprehensive Cancer Center. In 2009, he was appointed Vice President for System Program Development for the Medical System. Dr. Suntha earned his Bachelor of Arts degree from Brown University in 1986 and his Medical Degree from Jefferson Medical College in 1990. He earned a Master of Business Administration degree from the Wharton School of Business at the University of Pennsylvania in 2009.

Lisa Adkins, RN, JD, Senior Vice President, Chief Compliance and Privacy Officer. Ms. Adkins provides overall direction for the compliance program in support of the mission and strategic goals of UMMS. Reporting to the Chair of the UMMS Audit and Compliance Committee of the Board, Ms. Adkins plays a critical role in proactively developing and optimizing relationships throughout the organization, continuing to maintain and evolve a culture that actively seeks compliance input to further its day-to-day operations. Prior to joining UMMS, Ms. Adkins served as the Vice President of Compliance and the Chief Compliance and Privacy Officer for Children's National Health System. Her background also includes serving as Vice President/Regional Compliance and Privacy Officer for Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. and corporate counsel for Anne Arundel Health System. A graduate of the University of Baltimore School of Law, Ms. Adkins received her Bachelor of Science degree in Nursing from Kent State University in Kent, Ohio.

Richelle Webb Dixon, Senior Vice President and System Chief Administrative Officer. Ms. Webb Dixon is responsible for working with the UMMS executive management team in planning and executing initiatives at the corporate and local member levels. Most recently, Ms. Webb Dixon served as Senior Vice President and Chief Operating Officer at Froedtert Hospital and previously worked in a variety of health care operations leadership roles for Catholic Health Initiatives/CommonSpirit. After graduating from the University of Michigan, earning a Bachelor of Arts in Psychology, she remained at the University to receive a Master of Health Services Administration.

Joseph Hoffman, Senior Vice President and Chief Financial Officer. Mr. Hoffman directs the Medical System's financial strategy, manages the accounting and finance departments and analyzes metrics to meet optimal financial goals. Prior to this role, Mr. Hoffman served as Senior Vice President and Chief Financial Officer of UMMC for four years and Executive Vice President and Chief Financial Officer of the University of Maryland Upper Chesapeake Health for over 20 years. Earlier in his career, he worked as the Director of Finance, Associate Administrator, and Chief Financial Officer of the Alfred I. DuPont Institute of the Nemours Foundation. Mr. Hoffman received his Bachelor of Arts (Accounting and Finance) from Lycoming College and his Master of Science in Health Care Finance from Widener University. Mr. Hoffman has communicated his intention to retire by the end of calendar year 2025, once his successor has been appointed and is fully transitioned into the role.

Roderick K. King, MD, MPH, Senior Vice President, Chief Equity, Diversity and Inclusion Officer. Dr. King oversees equity, diversity and inclusion ("EDI") efforts across UMMS to collaboratively develop a long-term plan for EDI that aligns with the Medical System's strategic plan. Dr.

King's responsibilities include developing EDI organizational goals, building a system-wide EDI infrastructure, providing executive level guidance, and developing and executing ongoing training. Dr. King serves as an adjunct professor at the University of Maryland School of Public Health in the Department of Health Policy and Management. Prior to his current role, Dr. King served as an associate professor at the University of Miami Miller School of Medicine and associate professor at the University of Miami Business School. Dr. King earned a Bachelor of Science in biomedical engineering from The Johns Hopkins University and his Medical Doctorate from Weill Cornell Medicine. After completing his pediatric training at Children's National Medical Center, he pursued a Master of Public Health degree from the Harvard School of Public Health as a Commonwealth Fund/Harvard University Fellow in Minority Health Policy.

Joel Klein, MD, Senior Vice President and Chief Information Officer. Dr. Klein was named Senior Vice President, Chief Information Officer in July 2019, and is responsible for system-level Information Technology applications, Epic, infrastructure, security and informatics. Dr. Klein formerly served as President of the Emergency Medicine practice and as Medical Director of Informatics at UM Baltimore Washington, starting in 2011. Dr. Klein joined the UMMS leadership team in 2014 as head of IT Product Development and was named Vice President of Information Technology and Associate Chief Information Officer in 2017. He completed a residency in emergency medicine at Johns Hopkins, received his Medical Degree from the University of Texas Southwestern Medical School, and holds a Bachelor of Arts from Yale University.

Peggy Norton-Rosko, DNP, RN, NEA-BC, Senior Vice President and Chief Nurse Executive. Dr. Norton-Rosko serves as the Medical System's leader for nursing practice, standards of care, nursing professional development and the partnership with schools of nursing. Additionally, she supports UMMS' strategic planning, nursing workforce development, continuous clinical improvement initiatives and the organization's High Reliability journey. Prior to her current role, Dr. Norton-Rosko served as the Regional Chief Nursing Officer for Trinity Health's Illinois and Indiana region. She has also served as the Chief Nursing Officer for George Washington University Hospital in Washington, DC. Dr. Norton-Rosko earned a Bachelor of Science in Nursing from Northern Illinois University, a Master of Science in Nursing from Loyola University of Chicago, and a Doctor of Nursing Practice from Chamberlain University.

Andrew Pollak, MD, Senior Vice President and Chief Clinical Officer. Dr. Pollak serves as Senior Vice President, Chief Clinical Officer and Chief of Orthopedics for the Medical System and is the James Lawrence Kernan Professor and Chair of the Department of Orthopedics at the School of Medicine. Previously, he served as Treasurer, Chair of the Extremity War Injuries Project Team and as chair of the board of specialty societies for the American Academy of Orthopedic Surgeons. He is a past president of the Orthopedic Trauma Association and the Maryland Orthopedic Association. Dr. Pollak has served on the faculty of the School of Medicine since 1994, after he completed a fellowship in orthopedic trauma at the University of California Davis Medical Center. He has served in the past as head of the division of Orthopedic Traumatology and Chief of Orthopedics at the Shock Trauma Center where he spent the majority of his professional career in clinical practice. Dr. Pollak formerly served as chair of the Maryland Health Care Commission and currently serves as the Publications Committee chair of the Major Extremity Trauma Research Consortium. Dr. Pollak received a Bachelor of Science and Medical Degree from Northwestern University and completed an orthopedic surgery residency at the integrated Case Western Reserve University and University Hospitals of Cleveland program.

Aaron Rabinowitz, JD, Senior Vice President and General Counsel. Mr. Rabinowitz leads the Medical System's legal team and provides guidance on all legal initiatives, including advising on corporate and commercial transactions (including joint ventures and other strategic alliances), litigation, employment, regulatory matters, intellectual property and other aspects of system development and integration. Mr. Rabinowitz's previous Medical System role was as the legal and strategic Senior Executive for UM Upper Chesapeake. Prior to joining the Medical System, Mr. Rabinowitz was an associate with Ober, Kaler, Grimes & Shriver, PC, in Baltimore where he advised hospitals, physicians, and other health care providers on a variety of Medicare and Medicaid regulatory and reimbursement issues, including compliance with fraud and abuse laws, bad debt reimbursement, and claims disputes. He counseled hospital and health system clients on the Affordable Care Act. After receiving his undergraduate degree in Economics from Haverford College, Mr. Rabinowitz earned his master's degree in Economic Policy Evaluation and Planning from the National University of Ireland, his law degree from Harvard and then a PhD in Health Policy from the Harvard Graduate School of Arts of Sciences.

Tammy Saunaitis, Senior Vice President and Chief Human Resources Officer. Ms. Saunaitis oversees every aspect of the team member life cycle: recruiting and onboarding, total rewards, organizational learning and development, team member engagement and well-being, individual growth and career development, and the human resource systems and data analytics. She was previously Chief Human Resource Officer at SCL Health (now Intermountain Healthcare) and held long-term leadership positions at Meriter Health Services (now UnityPoint Health – Meriter), Ascension Health, and Northwestern Memorial Hospital. Ms. Saunaitis holds a bachelor's degree in Accounting from the University of Illinois at Chicago and a Master of Business Administration degree in Human Resources and Marketing from Lewis University.

OPERATIONS OF THE MEDICAL SYSTEM

Differentiating Clinical Services

The Medical System is deeply committed to delivering the highest quality care to all patients across Maryland and beyond. Throughout the Medical System, clinical staff specialize in a complete range of health services to address the needs of patients and local communities. Over the past several decades, certain specialty areas have emerged as areas of expertise, drawing national attention and further solidifying the Medical System's reputation as a premier academic health system. While the Medical System remains committed to providing a comprehensive range of health services for all patients, it is anticipated that certain key programs of differentiation will continue to garner regional and nationwide interest, defining the reputation of the Medical System. These programs include:

Trauma and Emergency Services

The Shock Trauma Center is the nation's first and only integrated trauma hospital dedicated to treating the severely injured and employing groundbreaking research and innovative medical procedures with one goal in mind: saving lives. As Maryland's only Primary Adult Resource Center, the Shock Trauma Center is capable of providing the highest level of care for critically injured patients. The Shock Trauma Center stands as a cornerstone of Maryland's EMS Trauma System and has been the training ground for countless physicians, nurses and other clinical care professionals, across the Medical System and around the world. Importantly, the Shock Trauma Center has deep historical ties with the nation's armed forces and is host to the largest Center for the Sustainment of Trauma and Readiness Skills program

in the country, providing real-time training in trauma and critical care for U.S. Air Force personnel. UM Capital Region has the only Level II Trauma Center in Prince George's County. The UM Capital Region trauma team works in close collaboration with the Shock Trauma Center team to ensure patients receive the best lifesaving care possible.

Organ Transplantation

The Medical System has over 55 years of experience in organ transplantation, and over the last five years, teams within the Medical System have performed on average more than 315 transplants annually. UMMS' capabilities in kidney, heart, liver, pancreas and lung transplantation are well known regionally and nationally. UMMC's kidney transplant program was one of the first in the world to perform laparoscopic donor nephrectomy, an approach to transplantation that accelerates healing and minimizes complications. Since 1988, over 2,400 living donor kidney transplants have been performed at UMMC.

The thoracic transplant program continues to be a leader in innovative technologies expanding the volume of transplantable organs. UMMC's lung transplant team was the first in the country to use ex vivo lung perfusion to evaluate and repair donor lungs prior to transplantation. Additionally, UMMC advances the state of transplant science with procedures such as the world's first successful cardiac porcine xenotransplant in 2022.

Cancer Treatment and Care

The Medical System is a national leader in cancer treatment and care. The Greenebaum Comprehensive Cancer Center is one of two locations in Maryland currently performing Chimeric Antigen Receptor Therapy (CAR-T) which shows great potential to improve patient-specific cancer therapy in a profound way. In addition to this groundbreaking treatment, the School of Medicine faculty are developing new anti-cancer drugs and treatments through more than 480 clinical trials. In 2016, the Greenebaum Comprehensive Cancer Center was awarded the National Cancer Institute's highest designation as a Comprehensive Cancer Center. The prestigious distinction recognizes the Center's high caliber of scientific leadership and robust programs in basic, clinical and population science research, placing it in the top tier of cancer centers nationwide. In 2017, UMMC and School of Medicine faculty developed GammaPod, a non-invasive radiation therapy system designed specifically to treat early-stage breast cancer with significantly less radiation exposure to patients' vital organs.

In 2022, construction began on a nine-story patient care tower – The Roslyn and Leonard Stoler Center for Advanced Medicine – that will become the new home of the Greenebaum Comprehensive Cancer Center. The building expansion will enable UMMC to provide the most technologically advanced, integrated care to cancer patients throughout Maryland and the region well into the future. For additional information on the Center for Advanced Medicine, see "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of the Series 2025 Bonds – *Center for Advanced Medicine Project*" in this Appendix A.

The Greenebaum Comprehensive Cancer Center also serves as the heart of the University of Maryland Cancer Network, which includes cancer centers at several Medical System Hospitals – UM St. Joseph, UM Upper Chesapeake, UM Easton, UM Capital Region and UM Baltimore Washington.

Cardiovascular Care

Across the Medical System, heart and vascular patients receive care from teams of clinical care professionals in many different specialty areas, delivering care for multiple conditions. From closed-chest bypass surgery to complex aortic valve replacement procedures, Medical System clinicians and surgeons perform advanced procedures and treat complex cases. For example, in hybrid operating rooms and the cardiac surgery ICU at UMMC, care is delivered using the most advanced surgical technology and catheter-based treatments. In addition to the full range of cardiology and cardiac surgery services, the Heart Center at UMMC offers minimally invasive ventricular assist device implantation to provide quicker recovery, reduce the risk of infection and minimize blood loss. This provides the opportunity for those who are not eligible for a heart transplant to qualify for a ventricular assist device.

Advanced cardiac care, including open-heart surgery, is also available at UM St. Joseph, enabling patients to receive care close to home with the resources of an academic health system at the ready. The UM St. Joseph team of cardiac surgeons, who are faculty at the School of Medicine Division of Cardiac Surgery, have earned a distinguished three-star rating from The Society of Thoracic Surgeons for outstanding patient care and outcomes in coronary artery bypass grafting and aortic valve replacement, a rating that is earned by only 10-15% of cardiac surgery programs in the U.S.

The Heart and Vascular Institute at UM Capital Region also provides advanced heart and vascular care, including open-heart surgery, for patients in Prince George's County and the surrounding region. The cardiac surgery team at UM Capital Region has earned a distinguished three-star overall composite quality score from The Society of Thoracic Surgeons for coronary artery bypass grafting for the period January 2021 – December 2023.

UM Baltimore Washington cardiologists diagnose and treat the full spectrum of heart conditions. The hospital's catheterization laboratory has been designated a Cardiac Interventional Center by the Maryland Institute for Emergency Medical Services Systems, an independent state agency charged with organizing emergency care statewide, which coordinates Maryland's emergency medical system ("MIEMSS"). Members of the catheterization laboratory received second place at the Maryland Patient Safety Center's 2023 Minogue Awards for their work, "Adapting ST Elevation Myocardial Infarction ("STEMI") Care During a Pandemic" where the team worked together to move patients who experienced a STEMI into a progressive care unit designed to care for cardiac patients during their recovery. The unit is designed to care for patients that need additional supervision, but not necessarily intensive care. This change in process helped reduce the amount of time cardiac patients spent in the hospital and increased the availability of ICU beds. The program, which started as a 30-day pilot, has been running successfully at the hospital for four years, and decreased the average length of stay for heart attack patients from 72 hours to 24-36 hours.

Neurosciences

The Comprehensive Stroke Center at UMMC in Baltimore is one of the busiest in the region and is a statewide referral center for epilepsy and intensive neurodiagnostic monitoring. The Department of Neurology at the School of Medicine is one of the top 10 neurology programs in the country in research funding and is recognized nationally for advancements in the treatment of movement disorders and multiple sclerosis. Research and innovation in the Neurosurgery Department has established UMMC's Brain Tumor Treatment Center as a center of excellence. As national experts in neurotrauma, neurology

and neurosurgery, clinicians are working collaboratively with the National Football League ("NFL") as part of the "Brain Assessment Program" for former NFL players. Within the Medical System, several community hospitals offer accredited stroke centers including UM St. Joseph and UM Baltimore Washington.

UM Baltimore Washington is certified as a Primary Stroke Center by The Joint Commission and consistently receives recognition for the high-quality stroke care it provides to the communities it serves. In 2023, Anne Arundel County Executive Steuart Pittman designated the hospital as "Stroke Smart" in a proclamation recognizing the stroke care initiatives implemented by UM Baltimore Washington and the level of care offered by the hospital. UM Baltimore Washington also earned the 2024 Stroke Gold Plus with Target: Stroke Honor Roll Elite and Target: Type 2 Diabetes Honor Roll Achievement Awards from the American Heart Association's Get with the Guidelines Program.

UM Capital Region offers comprehensive care for strokes, from initial diagnosis to rehabilitation and recovery and is a designated Primary Stroke Center by The Joint Commission and by MIEMSS.

Musculoskeletal

The orthopedic doctors at the Medical System treat both simple and complex bone, muscle and joint problems — providing diagnosis, treatment and rehabilitation of the full spectrum of orthopedic conditions in adults and children. Doctors, who are leaders in their specialty areas, offer innovative orthopedics treatments including minimally invasive techniques that reduce recovery time. The Medical System's joint replacement surgeons are committed to surgical innovation and clinical excellence, using the latest robotic-assisted surgical approaches to knee replacement, optimizing implant positioning and improving patient outcomes, including a shorter hospital stay and faster recovery time.

Part of the world-renowned Shock Trauma Center team, orthopedic surgeons at UMMC also provide sports medicine care for the University of Maryland, College Park Terrapins and University of Maryland Baltimore County Retrievers athletes.

Research and Innovation Activities in Collaboration with the School of Medicine

"University of Maryland Medicine" is the name commonly used to describe the broad collaboration between UMMS and the School of Medicine, which strives for global leadership in health care, medical education, and biomedical research. The School of Medicine and UMMC jointly educate over 2,500 students, residents and fellows, representing an educational environment that trains more than half of Maryland's physicians.

The research vision of the School of Medicine is to increase the impact of research and discovery on human health, not only in the Maryland region but around the world. The School of Medicine is regarded as a leader in researching several key areas of medicine, including solid organ, stem cell and composite tissue transplantation, vaccine development, genomics, cancer, HIV/AIDS, heart disease, kidney disease, and neuroscience. The School of Medicine faculty is an innovator in translational medicine, with 600 active patents and 24 start-up companies. The Medical System facilities, principally UMMC, provide the environment through which these research and innovative activities are conducted.

Notable innovations of University of Maryland Medicine throughout its 201-year history include:

- Discovery of the relationship between insects and disease;
- Development of a plan to evacuate wounded soldiers and establishment of the first military hospital;
- Mapping the first complete genetic code of a free-living organism;
- Inventing the field of trauma medicine, and operating one of the top centers for treating trauma patients;
- Co-discovery of HIV as the cause of AIDS, followed by treating more than one million HIV positive patients from around the world at the Institute of Human Virology;
- Completing the world's most comprehensive face transplant to date, replacing both jaws, teeth, tongue, skin and underlying nerve and muscle tissue; and
- Performing the first surgery to remove an organ, the first vaginal hysterectomy, the first removal of the larynx, the first minimally invasive gall bladder removal, the first repeat Cesarean Section, the first artificial organ replacement, and the first genetically modified pig heart transplant into a patient.

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Major Medical Facilities

Acute Care Facilities

Under current Maryland law, the licensed bed capacity of all general acute care hospitals is adjusted effective as of July 1 of each year based upon the preceding year's occupancy. See "REGULATORY ENVIRONMENT – Maryland Health Care Commission" in the front portion of this Official Statement.

The Medical System Hospitals are collectively licensed for 2,431 acute and non-acute care beds; the licensed beds by type for the Medical System Hospitals are as shown in the following chart.

Licensed Beds by Facility and Category

Facility	Location	Licensed Acute Beds		Licensed Non-Acute Beds (1)	Total Licensed Beds (1)
		Medical/ Surgical	*Specialty*		
UMMC	Baltimore	608	133	76	**817**
UM Midtown	Baltimore	75	37	22	**134**
UM Rehab & Ortho Institute	Baltimore	4	-	134	**138**
UM St. Joseph	Towson	175	42	38	**255**
UM Baltimore Washington	Glen Burnie	262	44	18	**324**
UM Easton	Easton	72	26	33	**131**
UM Chestertown	Chestertown	5	0	0	**5**
UM Upper Chesapeake	Bel Air	208	10	25	**243**
UM Charles Regional	La Plata	81	18	15	**114**
UM Capital Region	Largo	183	45	42	**270**
Total		**1,673**	**355**	**403**	**2,431**

Source: Maryland Health Care Commission, Acute Hospital Inventory report dated July 1, 2024. Licensed Acute Care Beds exclude newborn nursery, NICU, and dedicated observation beds. The Medical System's 355 Specialty Licensed Acute Care Beds, include those designated for psychiatry (158), obstetrics (118), and pediatrics (79). The Medical System's 403 Licensed Non-Acute Beds include those designated for acute rehabilitation (97), chronic care (58), dually licensed rehabilitation/chronic care beds (16), newborn nursery (153), and neonatal ICU (79).
Note (1): In addition to the acute care beds identified above, 33 inpatient psychiatric beds are licensed to University of Maryland Upper Chesapeake Medical Center, Inc., d/b/a UM Upper Chesapeake Behavioral Health Pavilion at Aberdeen, a special psychiatric hospital.

Maryland Freestanding Medical Facilities

The Medical System has transitioned several of its acute care hospitals to freestanding medical facilities. In 2005 and 2007, the Maryland General Assembly enacted legislation authorizing certain pilot projects, and in 2016, the Maryland General Assembly enacted legislation authorizing acute general hospitals in Maryland to convert to freestanding medical facilities upon receipt of certain regulatory approvals. In Maryland, these facilities operate as freestanding emergency departments and must be physically separate from but operated as part of an acute care general hospital. Like traditional hospital-

based emergency departments, freestanding medical facilities provide emergency level care and are staffed with board-certified physicians, nurses and other clinical providers who have received advanced training in emergency care. In some cases, these facilities may also offer other outpatient services with approval from the Maryland Health Care Commission and Health Services Cost Review Commission, for more information, see "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission – All Total Inpatient and Outpatient Hospital Cost Growth Per Capita" in this Official Statement.

Below are brief overviews of each of the Medical System's acute care facilities and freestanding medical facilities, including descriptions of certain planned changes and replacements of these facilities pursuant to the modernization of health care delivery in Maryland.

These descriptions are supplemented by information on each facility that is included in "INTRODUCTION – Obligated Group Members" and "SERVICE AREA AND COMPETITION – Market Share within the Medical System's Primary Service Area" in this Appendix A.

University of Maryland Medical Center

One of Maryland's two large academic medical centers, UMMC was established in 1823 in close collaboration with the first public medical school in the nation. Since that time, UMMC has trained generations of physicians, nurses and other health providers as an international leader in patient care, research and education.

UMMC is comprised of University Hospital, an academic tertiary and quaternary care teaching hospital; the Greenebaum Comprehensive Cancer Center, specializing in the treatment of cancer patients; the University of Maryland Children's Hospital; and the Shock Trauma Center, specializing in the emergency medical treatment of patients suffering from severe trauma. In addition to meeting the medical needs of its immediate service area population, UMMC serves as a tertiary and quaternary referral center for the State of Maryland and the mid-Atlantic region and is a national leader in several specialty services: solid-organ transplantation, bone marrow transplantation, trauma care, cardiac care, oncology, neonatal and high-risk obstetrics, and innovative laparoscopic surgery. In fiscal year 2024, UMMC provided 194,487 days of care through 23,733 inpatient admissions (excluding normal newborn patients) and treated patients on an outpatient basis through approximately 225,000 general outpatient, approximately 37,000 emergency room, and approximately 16,000 ambulatory surgery visits.

Located eight blocks west of the Inner Harbor in Baltimore, UMMC occupies several buildings on approximately five acres in the heart of the University of Maryland, Baltimore campus, where the health care related graduate schools of the University System are located. UMMC provides a broad range of inpatient and outpatient services and functions as the primary teaching hospital for three graduate schools of the University System: the School of Medicine, the University of Maryland School of Dentistry ("School of Dentistry") and the University of Maryland School of Pharmacy ("School of Pharmacy"). It also functions as one of the teaching hospitals for the University of Maryland School of Nursing.

UMMC is consistently recognized in *U.S. News & World Report's* Best Hospitals report, and in the 2024-2025 report was ranked #2 in Maryland and the Baltimore Metro Area, top decile for Ear, Nose and Throat Care, and top decile for Cancer Care.

University Hospital. University Hospital generated approximately 85% of UMMC's total admissions and patient days through over 70 clinical services and programs in the fiscal year ended June 30, 2024. University Hospital offers an extensive range of primary, secondary, tertiary and quaternary care services and is the clinical setting for the School of Medicine and other health-related professional programs.

University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center. The Greenebaum Comprehensive Cancer Center specializes in the treatment of cancer patients, is the site for clinical cancer research conducted by the School of Medicine, and currently holds the designation of Comprehensive Cancer Center from the National Cancer Institute. This prestigious designation recognizes the cancer center's high caliber of scientific leadership and robust programs in basic, clinical and population science research, placing it in the top tier of cancer centers nationwide.

R Adams Cowley Shock Trauma Center. The Shock Trauma Center is a trauma center that specializes in emergency medical treatment of patients suffering severe trauma from such incidents as serious automobile accidents, occupational or recreational injuries, or violent crimes. The first of its kind in the nation and one of the highest volume trauma centers in the United States, the Shock Trauma Center is dedicated to treating the critically sick and severely injured. The Shock Trauma Center was envisioned by its namesake, Dr. R Adams Cowley, a pioneer of trauma care and the creator of the concept of the "Golden Hour," referring to the 60 minutes following a traumatic injury during which there is the highest likelihood that prompt medical attention and surgical treatment will prevent death. In furtherance of this concept, the Shock Trauma Center is supported by Maryland's Medical Evacuation ("MEDEVAC") helicopter program, a public service funded by the State of Maryland consisting of 10 helicopters stationed at seven sites across Maryland. The MEDEVAC program is not owned, operated or managed by UMMS, but rather is overseen by MIEMSS. MIEMSS has designated the Shock Trauma Center as the statewide referral center for multiple types of trauma care, including spinal cord injuries, head injuries, hyperbaric oxygen chamber care, severe orthopedics and severe critical care injuries. Since 2001, the U.S. Air Force has worked closely with UMMS and the School of Medicine to use the Shock Trauma Center as its readiness-training site for its worldwide medical personnel.

UMMC Medical Staff

All members of the medical staff at UMMC are members of the faculty of the School of Medicine or the School of Dentistry. The majority of the active admitters to UMMC are salaried full-time faculty of these schools.

As of June 30, 2024, there were more than 1,500 clinical faculty members on the medical staff, approximately 90% of whom were Board-certified in their respective specialties or subspecialties. These figures exclude temporary and honorary staff, all residents and interns, and those appointed as postdoctoral fellows in the School of Medicine.

The chairman of each clinical department of the School of Medicine is the chief of the corresponding clinical service at UMMC, and reports to the Dean of the School of Medicine for academic matters and to the CEO of UMMC for patient care matters. The physicians in these positions have management responsibilities for their clinical service areas. UMMS employs no medical staff directly (except for certain officers and its residents) and contracts with the School of Medicine, the School of Dentistry and the School of Pharmacy, pursuant to the Annual Contract, for all necessary administrative and supervisory services from the faculty.

Other Major Medical Facilities by Region

University of Maryland Medical Center Midtown Campus

UM Midtown is a 134-bed acute care hospital providing services to the residents of the west side of the City of Baltimore. UM Midtown offers a broad range of general and specialty patient care services, as well as inpatient acute rehabilitation services for neurologic, stroke, head injury, and comprehensive care patients. In addition, UM Midtown offers emergency care, ambulatory surgery, renal dialysis, general and specialty clinics, and various ancillary services on both an inpatient and outpatient basis. UM Midtown is located two miles north of the UMMC campus and is operated under a joint leadership team and Board of Directors with UMMC, functioning practically as a satellite location of the UMMC flagship hospital.

University of Maryland Rehabilitation & Orthopaedic Institute

UM Rehab & Ortho Institute is a 138-bed acute care/rehabilitation hospital located in Woodlawn, Maryland, eight miles west of the UMMC campus. UM Rehab & Ortho Institute is Maryland's largest and most comprehensive rehabilitation and orthopedic specialty hospital, offering a range of primary and secondary services and specializing in neurologic, spinal, stroke, head and comprehensive rehabilitation care, orthopedics, sports medicine, and physical therapy. UM Rehab & Ortho Institute also offers extensive affiliate educational programs for nursing and therapies (physical therapy, occupational therapy, speech therapy, and therapeutic recreation) across the country.

University of Maryland St. Joseph Medical Center

UM St. Joseph is a 255-bed acute care hospital located in Towson, Maryland, approximately eight miles north of Baltimore. UM St. Joseph has established Centers of Excellence in the following specialties: cancer care, orthopedics, cardiology and cardiac surgery, and mother/baby services.

In 2024, UM St. Joseph earned a 5-Star quality rating from CMS, one of only two hospitals in Maryland to receive such a rating. UM St. Joseph has earned the highest possible 3-Star quality rating for Coronary Artery Bypass Grafting Surgery by the Society of Thoracic Surgeons. Additionally, in 2024, UM St. Joseph ranked among Healthgrades' 50 Best Outpatient Joint Replacement Hospitals.

University of Maryland Baltimore Washington Medical Center

UM Baltimore Washington is a 324-bed acute care hospital providing comprehensive primary and specialty health care to the residents of northern Anne Arundel County and the surrounding region. UM Baltimore Washington offers a broad range of general and specialty patient care services, best highlighted through its multidisciplinary cancer care, specialized comprehensive breast center, vascular treatment and surgical center, cardiac diagnostic and interventional services, a comprehensive neurology/neurosurgery center, its joint replacement center, its women's center featuring advanced fetal care, and its diabetes and endocrinology center.

UM Baltimore Washington is a designated Cardiac Interventional Center by MIEMSS. In 2024, UM Baltimore Washington was awarded the American Heart Association's NSTEMI Gold Achievement Award with Target: Type 2 Diabetes and Stroke Gold Plus with Target: Stroke Honor Roll Elite and Target: Type 2 Diabetes Honor Roll Achievement Awards. *U.S. News & World Report* recognized

UM Baltimore Washington in its 2024-2025 rankings as a top 5 hospital in Maryland and the Baltimore Metro Area.

University of Maryland Shore Regional Health

University of Maryland Shore Regional Health ("UM Shore Regional Health") is a coordinated health network and the principal provider of comprehensive health care services for the more than 170,000 residents of Maryland's five county mid-shore region. University of Maryland Shore Regional Health operates two acute care hospitals and two freestanding medical facilities, all of which are described below.

UM Easton is a 131-bed acute care hospital located in Easton, Maryland that offers a broad range of general and specialty patient care services including medical and surgical acute care, obstetrics/gynecology, pediatrics, cardiology, oncology, behavioral health, critical care, stroke, and emergency services. In addition, UM Easton provides a broad array of diagnostic and therapeutic services. Other services include same-day surgery, a cardio-pulmonary rehabilitation program, as well as a broad range of neurologic and cardio-pulmonary diagnostic testing including a cardiac catheterization lab.

UM Easton is designated as a Primary Stroke Center and a Cardiac Interventional Center by MIEMSS. The Primary Stroke Center at UM Easton received the 2024 Get With The Guidelines Stroke Gold Plus with Target: Stroke Award and Rural Stroke Award from the American Heart Association/American Stroke Association.

As discussed below under "KEY STRATEGIC CAPITAL PROJECTS – Projects to be Financed with Proceeds of Series 2025 Bonds – Shore Regional Medical Center Project," site work related to the construction of a replacement hospital for UM Easton began in 2024. The replacement hospital is expected to open during the summer of 2028 and will offer the same broad range of general and specialty patient care services that UM Easton offers patients today. UM Easton will remain in operation at its existing location until the replacement hospital opens.

UM Chestertown is a 5-bed acute care hospital providing medical and surgical services to the residents of Kent and Queen Anne's Counties and the surrounding region. UM Chestertown is approximately 36 miles north of Easton.

UM Shore Regional Health also operates two freestanding medical facilities: UM Shore Regional Health Center at Cambridge, located approximately 15 miles south of Easton, which was a conversion and relocation of the former University of Maryland Shore Medical Center at Dorchester ("UM Dorchester"), an acute care hospital that was located in Cambridge, and UM Shore Emergency Center at Queenstown, located near the eastern end of the Chesapeake Bay Bridge.

University of Maryland Upper Chesapeake Health

University of Maryland Upper Chesapeake Health is a coordinated health network and the principal provider of comprehensive health care services in Harford County, Maryland and currently operates one acute care hospital, one freestanding medical facility, and a specialty psychiatric hospital, which are described below.

UM Upper Chesapeake is a 243-bed acute-care hospital located in Bel Air, Maryland, approximately 30 miles north of the UMMC campus. UM Upper Chesapeake provides services primarily to residents of Harford County, eastern Baltimore County, and western Cecil County.

UM Upper Chesapeake received the Gold Beacon Award for Excellence from the American Association of Critical Care Nurses in 2024.

UM Upper Chesapeake Medical Center at Aberdeen ("UM Aberdeen") is a freestanding medical facility located in Harford County, Maryland that features a full-service emergency department and health and wellness center. The facility, which opened in 2024, was a conversion and relocation of the former UM Harford Memorial, an acute care hospital located in Havre de Grace, Maryland.

UM Upper Chesapeake Behavioral Health Pavilion is a 33-bed specialty psychiatric hospital located on the same campus as UM Aberdeen.

University of Maryland Charles Regional Medical Center

UM Charles Regional is a 114-bed acute care hospital located in the southern Maryland town of La Plata, approximately 63 miles south of Baltimore and 34 miles south of Washington, D.C. UM Charles Regional provides a broad range of acute care services, as well as diagnostic and laboratory services on an outpatient basis. The UM Charles Regional Center for Wound Healing offers highly specialized wound care treatments for chronic wounds. Leading edge treatments at the center include negative pressure wound therapy, bio-engineered tissues, biosynthetic dressings, growth factor therapies and hyperbaric oxygen therapy.

In 2024, UM Charles Regional received an "A" rating for patient safety from The Leapfrog Group. In 2023, the Center for Wound Healing at UM Charles Regional received the Center of Distinction award from Healogics for its clinical outcomes and patient satisfaction.

University of Maryland Capital Region Health

University of Maryland Capital Region Health is a coordinated health network located in the Washington, D.C. suburbs providing a broad range of health care services at its principal facilities in Prince George's County, Maryland. University of Maryland Capital Region Health operates an acute care hospital and two freestanding medical facilities, which are described below.

UM Capital Region is a 270-licensed bed acute care teaching hospital and regional referral center located in Largo, near Maryland's eastern border with Washington, D.C. UM Capital Region provides a wide array of services including emergency medicine, behavioral health, cardiac surgery and rehabilitation, critical care, diabetes treatment, rehabilitation, women's care, and operates the only Level II trauma center in Prince George's County.

University of Maryland Laurel Regional Hospital ("UM Laurel Regional") was converted from an acute care hospital to a freestanding medical facility in January 2019 and was renamed University of Maryland Laurel Medical Center ("UM Laurel").

UM Bowie Medical Center ("UM Bowie") is a freestanding medical facility located in Bowie, Maryland that offers emergency services as well as diagnostic imaging, lab and pharmacy services.

Outpatient Care and Other Health Care Services

The Medical System is committed to providing excellent health care services both inside and outside the walls of its hospitals and offers comprehensive outpatient care across the State of Maryland for patients whose conditions do not require a hospital stay as well as those who have completed their stay but need follow-up care.

Outpatient services provided by the Medical System include primary, urgent and specialty care; radiology and imaging; ambulatory surgery; rehabilitation and more. Services are accessed at convenient locations throughout Maryland communities. Experienced doctors and advanced practice providers offer specialized care in an office setting and surgical procedures at a variety of outpatient facilities in the area.

The entities and lines of business discussed below are considered significant components of the Medical System. These entities, and the entities which operate these lines of business, while they are wholly-owned and consolidated with the Medical System for financial reporting purposes, are not members of the Obligated Group, and revenues and assets attributable to them are not available to any member of the Obligated Group for the payment of debt service on the Series 2025 Bonds.

University of Maryland Physician Network

University of Maryland Physician Network ("UM Physician Network") is the trade name for affiliated physician practice groups owned by UMMS. The UM Physician Network offers an extensive network of primary care physicians, specialists and surgeons who see patients at locations throughout Maryland. These physicians provide expert care across all specialties, including primary care, pediatrics, women's health, orthopedics, neurology and neurosurgery, vascular care and more. Within the UM Physician Network, UMMS owns and operates 196 practice groups and employs 2,400 clinical and administrative staff, including nearly 1,000 clinicians, that provide primary and specialty care at 168 locations throughout Maryland.

UMMS Ambulatory Care, LLC

UMMS Ambulatory Care, LLC owns and operates 10 urgent care centers throughout Maryland, located in areas surrounding the Medical System's major medical facilities throughout central Maryland and on the Eastern Shore. The urgent care centers treated approximately 125,000 patients in fiscal year 2024.

University of Maryland Quality Care Network

In conjunction with a shift in focus towards population health management, which was advanced through the creation of the UM Physician Network, UMMS has developed a Clinically Integrated Network of aligned physicians and providers who collaborate closely on clinical and care delivery improvement, known as the University of Maryland Quality Care Network, LLC ("UM Quality Care Network"). A wholly-owned subsidiary, UM Quality Care Network is comprised of Medical System employed physicians and independent physician practices in the Medical System's service area. The participants bear shared responsibility for the care of a defined population of patients and can contract as one entity with payors. UM Quality Care Network has established value-based contracting arrangements with a number of insurers in Maryland.

Joint Venture Arrangements

UMMS has entered into certain arrangements to promote the Medical System's goal of creating a statewide network of care that encompasses community-based health care providers, tertiary health care providers, and cutting-edge medical research. Below are brief descriptions of two significant joint ventures. See also Note 4 of the audited consolidated financial statements attached to this Official Statement as Appendix B for additional information regarding various unconsolidated joint ventures.

Mt. Washington Pediatric Hospital, Inc.

The Medical System's most significant joint venture is Mt. Washington Pediatric Hospital, Inc., which owns and operates a pediatric rehabilitation and specialty facility licensed for 102 beds serving the Baltimore metropolitan area. On July 1, 2006, UMMS entered into an affiliation agreement with Johns Hopkins Health System Corporation ("JHHS"), whereby 50% of the equity interest in Mt. Washington Pediatric Hospital, Inc. was sold to JHHS. In accordance with accounting principles generally accepted in the United States, UMMS does not consolidate the financial results of Mt. Washington Pediatric Hospital, Inc. but instead treats such results as an investment in a joint venture.

Mt. Washington Pediatric Hospital, Inc. is not an Obligated Group Member and is not obligated to make any payments under the Multimodal Bond Loan Agreement or the Loan Agreement.

Terrapin Insurance Co., Ltd.

UMMS owns a 50% equity interest in Terrapin Insurance Co., Ltd, an off-shore captive insurance company ("Terrapin Insurance"). The other 50% is owned by FPI. Terrapin Insurance provides insurance coverage for professional and general liability claims. For more information regarding Terrapin Insurance, see "ADDITIONAL INFORMATION – Risk Management and Insurance" and see also Note 15 of the audited consolidated financial statements attached to this Official Statement as Appendix B.

Terrapin Insurance is not an Obligated Group Member and is not obligated to make any payments under the Multimodal Bond Loan Agreement or the Loan Agreement.

Future Affiliations

From time to time, UMMS evaluates possible affiliation opportunities in order to support its strategic initiatives. UMMS and other Obligated Group Members may enter into additional arrangements with other organizations. The effect of any such future arrangements on the Medical System Hospitals and the Obligated Group cannot be determined at this time.

Philanthropy and Supporting Foundations

In addition to the UMMS Foundation, which is an Obligated Group Member, several other foundations solicit, receive and maintain funds for support of the Medical System (collectively, the "Supporting Foundations"). The Supporting Foundations combined raised nearly $205 million in philanthropic gifts over the past five fiscal years. The Supporting Foundations received contributions and donation pledges in fiscal years 2022, 2023 and 2024 of $36.2 million, $34.7 million and $60.4 million, respectively.

Certain portions of the Center for Advanced Medicine Project, Shore Regional Medical Center Project, and other key strategic priorities of the Medical System will be supported with proceeds of philanthropic capital campaigns led by the Supporting Foundations, including:

- A $40.0 million capital campaign to support the Center for Advanced Medicine Project. Upon surpassing the initial target, the campaign goal amount was increased to $55.0 million. For more information on the Center for Advanced Medicine Project, see "KEY STRATEGIC CAPITAL PROJECTS" in this Appendix A.

- A $50.0 million capital campaign to support the construction and equipping of a new UM medical center in Easton, Maryland, to be known as the Shore Regional Medical Center. To date, this campaign has raised more than half of its goal amount. For more information on the Shore Regional Medical Center Project, see "KEY STRATEGIC CAPITAL PROJECTS" in this Appendix A.

For more information about the funds held by the Supporting Foundations as of June 30, 2023 and June 30, 2024, see Note 11 of the audited financial statements attached to this Official Statement as Appendix B. Other than with respect to the UMMS Foundation, which is an Obligated Group Member, holders of the Series 2025 Bonds should not consider the assets of the Supporting Foundations as being available to pay debt service on the Series 2025 Bonds.

KEY STRATEGIC CAPITAL PROJECTS

In furtherance of its key strategic objectives, the Medical System's Executive Leadership and Board of Directors have identified multiple projects and initiatives as part of its five-year strategic capital plan. Each of the projects are transforming the delivery of patient care and are expected to better position the Medical System for the future of providing care in lower-cost environments, consolidating inpatient capacity and focusing on patient-centered care.

Projects to be Financed with Proceeds of Series 2025 Bonds

Proceeds of the Series 2025 Bonds will be applied, together with other funds as described below, to the costs of the following projects:

Shore Regional Medical Center Project

The "Shore Regional Medical Center Project" consists of the construction of a new, 383,000 square foot medical center in Easton, Maryland, to be known as the Shore Regional Medical Center, located approximately three miles from the location of the existing hospital, to principally serve the residents of the five counties of Maryland's mid-shore region. The six-story main hospital tower is expected to have 147 beds (122 licensed beds in private rooms and 25 observation beds), 27 Emergency Department treatment bays, seven operating rooms, and a helipad. Additionally, an adjacent two-story multi-service building will be constructed which will contain outpatient clinics and a full-service laboratory, along with educational and administrative space. Core programs and specialty centers will include acute rehabilitation, behavioral health, birthing, cardiac intervention, critical care medicine, emergency services, orthopedics, vascular services, and women's services. This new facility, located on

Longwoods Road in Easton, is expected to open for occupancy in the second quarter of 2028 and will ultimately replace the existing UM Easton, located on South Washington Street in Easton.

This new facility is a critical component of UM Shore Regional Health and the Medical System plan that has been underway for the past decade, to transform health care delivery in the rural, five-county region surrounding Easton. The facility is designed to advance health care quality and access for the more than 450,000 residents of Maryland's Eastern Shore and is anticipated to serve as a vital asset to recruit and retain physicians, advanced practice professionals and the clinical and support staff needed to provide high quality, clinically advanced medical care to the region.

The project budget is $539.6 million excluding certain related financing costs. The project is expected to be funded with proceeds from the Series 2025 Bonds, state capital grants, philanthropy, proceeds from future financing arrangements, and cash flow from operations. For more information on the state capital grants and philanthropy expected to be available to fund project costs, see "INTRODUCTION – State Capital Grants and Operating Support" and "OPERATIONS OF THE MEDICAL SYSTEM – Philanthropy and Supporting Foundations."

Site work for the Shore Regional Medical Center started in July 2024 and is anticipated to take 18 months. It is expected that building construction will begin in the second quarter of 2025, with completion in the second quarter of 2028, and occupancy in the third quarter of 2028. A guaranteed maximum price contract for the sitework has been executed with the general contractor. A guaranteed maximum price contract is expected to be executed for the building after construction drawings are finalized.

Center for Advanced Medicine Project

The "Center for Advanced Medicine Project" at the UMMC downtown Baltimore campus consists of the construction of a 155,000 square foot nine-story addition above the main hospital entrance to expand cancer treatment services (the "Center for Advanced Medicine"). This project includes a new two-story main entrance, five floors dedicated to cancer care, one shelled floor, and a cancer center office. Additionally, 75,000 square feet of existing space will be renovated. Services provided at the facility will include oncology, blood and marrow transplants, and outpatient treatment services. Construction of the Center for Advanced Medicine started in October 2023. The project is expected to be complete in the second quarter of 2026 and open for occupancy in the third quarter of 2026.

The Center for Advanced Medicine will be the new home of the Greenebaum Comprehensive Cancer Center and will double its current space. The center will provide state-of-the-art inpatient and outpatient cancer services to the more than 3,000 patients treated annually (tripling over the past 15 years) and meet the increasing demands for cancer care well into the future. The new facility will house all the cancer center's functions in the same building, streamlining the transition from inpatient to outpatient. While housing vital advances in treatment and care delivery, it will offer patients and their guests greater convenience and, ultimately, improve the patient experience.

The project budget is $339.2 million excluding certain related financing costs. The project is expected to be funded with proceeds from the Series 2025 Bonds, state capital grants, philanthropy, proceeds from a prior financing arrangement, and cash flow from operations. For more information on the state capital grants and philanthropy expected to be available to fund project costs, see "INTRODUCTION – State Capital Grants and Operating Support" and "OPERATIONS OF THE

MEDICAL SYSTEM – Philanthropy and Supporting Foundations" in this Appendix A. A guaranteed maximum price contract has been executed with the general contractor.

Additional Major Capital Projects

In furtherance of its mission, UMMS is advancing certain other major capital investments included in the Medical System's strategic capital plan. Some of those major investments are described below. Proceeds of the Series 2025 Bonds will not be used for the following projects.

Logistics Operations Center

The Logistics Operations Center is a 414,960 square-foot facility being constructed at the Tradepoint Atlantic complex in the Sparrows Point area of Baltimore County. The Logistics Operations Center will allow the Medical System to stage, store, process and deliver medical supplies and services across its network of hospitals and outpatient care facilities, and enable efficient staging and repair of medical equipment. In addition to serving as a medical supply distribution center for the Medical System, the facility will include other essential services including a pharmaceutical supply distribution, space to expand the existing contract and specialty pharmacy programs, space to centralize laboratory operations and expand the reference lab services. The facility will also include centralized services such as sterile processing and clinical equipment repair and staging. The site has immediate access to interstate and regional road networks allowing for ease of transport to the Medical System's facilities across the State of Maryland.

The Logistics Operations Center is leased under a long-term master lease which includes a fit-out allowance. The cost to build out the facility is expected to be $47 million. Construction on the facility is currently underway with an opening expected in the second quarter of 2025. The project is expected to be funded with proceeds from cash flow from operations, which may be supplemented with proceeds from a future financing arrangement.

UMMC Inpatient Rehabilitation Services Project

UMMS is engaged in a project to integrate major elements of the rehabilitation services provided at UM Rehab & Ortho Institute in northwest Baltimore City with UMMC's downtown campus. The relocation of acute inpatient service lines, including for the care of traumatic brain injury (TBI) and spinal cord injury (SCI), along with associated chronic care beds, will better align these services with the care delivered at the Shock Trauma Center and at UMMC more broadly. The project is designed to enhance patient safety and quality of care, enhance access to care, improve the overall efficiency of care provided to TBI and SCI patients across the continuum of care, and provide numerous clinical benefits.

The project contemplates the relocation of 25 acute inpatient rehabilitation TBI beds, 18 acute rehabilitation SCI beds, 5 chronic care beds, and 10 dually licensed acute inpatient rehabilitation and chronic care beds. The project consists of four floors, plus a mechanical penthouse, to be added to the top of the Center for Advanced Medicine, an ongoing project described above. The project, which was approved by the Maryland Health Care Commission on July 18, 2024 through a CON exemption, includes 107,246 square feet of new construction and the renovation of 63,299 square feet of space at a cost of $235.9 million.

Shock Trauma Center Facility and Technology Renewal - Phase III

The Shock Trauma Center Facility and Technology Renewal – Phase III program continues to build upon the past facility improvement programs of Phases I and II. The Phase III investment is a staged, multi-year capital investment over eight years. Prior to fiscal year 2025, Phase III included the completion of upgrades for the facilities mechanical, electrical, and life-safety infrastructure. In the coming fiscal years, the capital program will complete the remaining components which include: (1) a renovation, expansion and upgrade of the trauma and critical care resuscitation space ("TRU"); (2) renovation and upgrade to TRU-adjacent and supporting operations for diagnostic imaging and transfusion services (Blood Bank); (3) phased renovation of a 16-bed acute care orthopedic unit; and (4) upgraded mechanical equipment and minor renovation of the hyperbaric chamber.

Capital Allocation Process

The Medical System annually evaluates the capital and programmatic investment needs at each of its major facilities in comparison to projected cash flows from operations and other available resources. In general, modest capital projects including routine repairs, renovations and programmatic growth initiatives are allocated based on member organization need and profitability. Executive Leadership and the Board of Directors routinely evaluate major capital projects that are considered strategically important to the Medical System, certain of which may become approved for funding from the "system capital pool" that is designated as part of the Medical System's long-range financial planning process. Executive Leadership places importance on structure and discipline in its capital investment decision-making process, incorporating conservatism in its modeling so that periods of weakened cash flows are expected to have limited impact on progress toward completing capital projects.

There can be no assurance given that the capital projects described in this Appendix A will be completed. Projects are subject to change and new projects may be added as the Medical System's long-term strategic capital plan is evaluated from year to year.

SERVICE AREA AND COMPETITION

Service Area and Patient Origin

The primary service area ("PSA") of the Medical System is Central Maryland and portions of Southern Maryland and Maryland's Eastern Shore, including the City of Baltimore and 13 counties (Anne Arundel, Baltimore, Caroline, Carroll, Cecil, Charles, Dorchester, Harford, Howard, Kent, Prince George's, Queen Anne's, and Talbot). The Medical System defines its PSA as that geographic area within which the Medical System Hospitals draw the largest cumulative percentage of patients, and the counties in which Medical System Hospitals are located. As of June 30, 2024, 91.7% of the Medical System's discharged patients resided within this PSA. The Medical System's secondary service area ("SSA") consists of the remaining portions of the State of Maryland, including Western Maryland, the Washington D.C. suburbs, the southern Eastern Shore of Maryland and Southern Maryland (excluding Charles County which is part of the PSA). As of June 30, 2024, 95.8% of the Medical System Hospitals' discharged patients resided within the combined PSA and SSA.

The following table summarizes the distribution of acute care admissions for the Medical System Hospitals by service area for the fiscal years ended June 30, 2022, 2023 and 2024.

Acute Care Admissions for Medical System Hospitals by Service Area

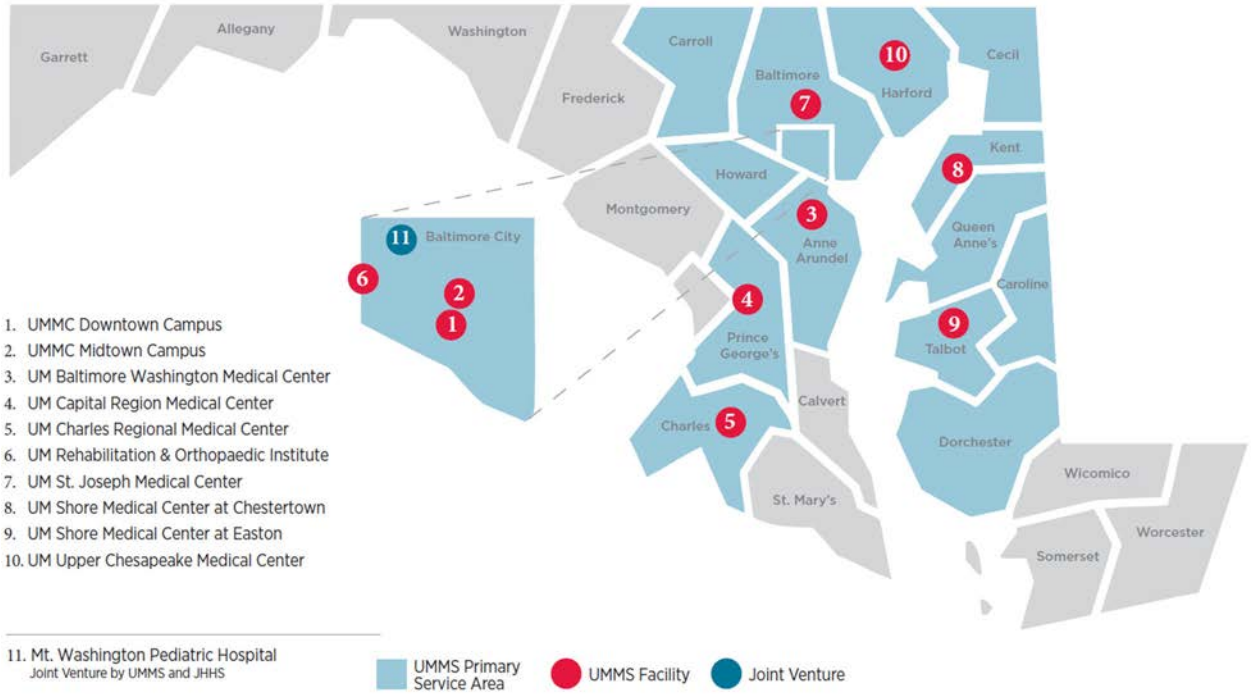
	Percentage of Total Admissions[1,2] Fiscal Years Ended June 30,		
	2022	**2023**	**2024**
Primary Service Area	91.4%	91.6%	91.7%
Secondary Service Area	4.2%	4.2%	4.1%
Outside of Maryland	3.8%	3.6%	3.5%
Unknown	0.6%	0.6%	0.7%
Total	**100%**	**100%**	**100%**

Source: HSCRC non-confidential database for all Maryland hospitals.

(1) *Includes UMMC, UM Midtown, UM Charles Regional, UM Upper Chesapeake, UM Easton, UM Chestertown, UM Baltimore Washington, UM Rehab & Ortho Institute, UM St. Joseph, UM Charles Regional, UM Capital Region, UM Harford Memorial, UM Laurel Regional and UM Dorchester. UM Harford Memorial, UM Laurel Regional, and UM Dorchester have since been converted to free-standing medical facilities.*

(2) *Primary Service Area includes Anne Arundel, Baltimore, Baltimore City, Caroline, Carroll, Cecil, Charles, Dorchester, Harford, Howard, Kent, Prince George's, Queen Anne's and Talbot Counties.*

The following map depicts the Medical System's PSA and SSA, including the location of each of the Medical System Hospitals.



Market Regulation and Reimbursement in Maryland

The Medical System Hospitals operate under the Maryland TCOC Model and are subject to the rate-setting authority of the HSCRC, which provides an oversight structure for many of the health care services provided by the Medical System. For more information, see "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" and "CERTAIN BONDHOLDERS' RISKS – Federal and State Reimbursement Regulation" in the forepart of this Official Statement, and "INTRODUCTION – Hospital Rate Regulation in Maryland" in this Appendix A).

Under current law, a health care facility in Maryland generally may not develop, operate, or participate in any covered health care project unless the Maryland Health Care Commission ("Health Care Commission" or "MHCC") has issued a certificate of need ("CON") for the project. Generally, covered health care projects include the construction, development or other establishment of a new health care facility, certain relocations of health care facilities, certain changes in the type or scope of health care services offered by a health care facility, certain changes in bed capacity, certain health service-related capital expenditures, and the offering of certain new health services. A CON is not required for certain health care projects. For more information on CON requirements, see "REGULATORY ENVIRONMENT – Maryland Health Care Commission" in the forepart of this Official Statement. According to the MHCC, the CON program is intended to ensure that new health care facilities and services are developed in Maryland only as needed and if determined to be needed, that they are the most cost-effective approach to meeting identified needs, of high quality, geographically and financially accessible, financially viable, and will not have a significant negative impact on the cost, quality, or viability of other health care facilities and services.

On January 18, 2024, the Health Care Commission granted a CON for the establishment of the Shore Regional Medical Center as a replacement hospital for UM Easton. As for the Center for Advanced Medicine, on August 20, 2020, the Health Care Commission granted a CON for the capital expenditures needed to construct a new addition at UMMC to house consolidated cancer services, among other purposes.

As of the date of this Official Statement, the Medical System does not have any pending, unapproved CON applications.

Service Area Demographics

As shown in the table below, the Medical System's PSA and the State of Maryland have experienced a slightly slower pace of annual population growth over the past 10 years as compared to the United States as a whole. The 2020 to 2030 projected rate of annual population growth for residents ages 65 and older is slightly lower for Maryland than for the rest of the United States. The Medical System's PSA and the State of Maryland compare favorably to the United States on indicators of health care utilization and cost, in that the PSA and the State have fewer uninsured residents than the rest of the United States. Maryland's median household income consistently ranks as one of the highest in the nation, and over 40% of Maryland residents have a bachelor's degree or higher.

The Medical System's Primary Service Area Demographics

	Medical System's PSA	State of Maryland (PSA and SSA)	United States
Population Statistics			
Average Annual Population Growth (2010-2020)	0.4%	0.5%	0.6%
Projected Average Annual 65+ Population Growth (2020-2030)	N/A*	2.8%	3.1%
Statistics Relating to Healthcare Utilization and Cost			
Percentage of Population that is Age 65 or Older	17.9%	17.3%	17.7%
Percentage of Population without Health Insurance (Under 65)	6.0%	7.4%	9.5%
Service Area Employment Level Statistics			
Median Household Income (2018-2022)	$93,046	$98,461	$75,149
Percentage of Population with a Bachelor's degree or Higher	37.0%	42.2%	34.3%

Source: U.S. Census Bureau Quick Facts and U.S. Centers for Disease Control WONDER data bases (as of June 2022).
**Information not available at the county level.*

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According to the 2022-2023 *Brief Economic Facts* report published by the Maryland Department of Commerce, the Medical System is the sixth largest employer in the State of Maryland, as shown in the following table.

Major Statewide Employers in Maryland, 2022-2023

Employer	Employment	Product or Service
Fort George G. Meade	53,125	Federal military installation
University System of Maryland	41,875	Higher education
Naval Air Station Patuxent River	33,500	Military installation
Johns Hopkins Health System	30,750	Medical services
Amazon	30,000	eCommerce fulfillment center
University of Maryland Medical System	**29,300**	**Medical services**
Fort Detrick Campus	18,375	Federal military installation
Ahold Dehaize (Giant, Food Lion, and Martin's)	17,950	Supermarkets
National Institutes of Health*	17,900	HQ / Medical research
Johns Hopkins University	16,850	Higher education
MedStar Health	13,900	Medical services
Aberdeen Proving Ground (APG)*	13,600	Federal military installation; R&D
Northrop Grumman Mission Systems	12,900	HQ / Electronic surveillance products
Walmart / Sam's Club	12,825	Consumer goods
U.S. Social Security Administration	12,425	HQ / Income security program
Joint Base Andrews Naval Air Facility Washington	11,650	Federal military installation
U.S. Food and Drug Administration	8,500	HQ / Food and drug R&D and standards

Source: Maryland Department of Commerce "Brief Economic Facts" Report.

Note: Excludes state and local governments, national retail and national foodservice; includes higher education, federal and military employers excludes contractors to the extent possible; embedded contractors may be included; Fort George G. Meade includes employees of the National Security Agency.

Market Share within the Medical System's Primary Service Area

There are 30 acute care hospitals in the Medical System's PSA, which includes a total of 6,843 licensed acute care beds as of July 1, 2024. The Medical System Hospitals include 2,028, or approximately 29.6% of the total licensed acute care beds in the Medical System's PSA. In fiscal year 2024, the Medical System Hospitals accounted for 27.5% of all discharged patients who resided within the PSA. The facilities, county location, number of licensed acute care beds and the market share percentage of the hospitals located in the Medical System's PSA are shown on the following page. Market share is defined as the percentage of inpatient acute care discharges from patients who reside within the Medical System's PSA. Of all patients within the PSA who were discharged in fiscal year 2024, 92.0% were discharged from hospitals within the Medical System's PSA, and 8.0% were discharged outside of the Medical System's PSA.

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Market Share within Medical System's Primary Service Area

System Affiliation / Facility Name	County / City	Licensed Acute Care Beds	PSA Market Share*
University of Marland Medical System			
UMMC	Baltimore City	741	6.1%
UM Midtown	Baltimore City	112	0.9%
UM Rehab & Ortho Institute	Baltimore City	4	0.4%
UM Baltimore Washington	Anne Arundel County	306	4.8%
UM Charles Regional	Charles County	99	1.4%
UM Easton	Talbot County	98	1.9%
UM Chestertown	Kent County	5	0.1%
UM Upper Chesapeake	Harford County	218	3.5%
UM Harford Memorial	Harford County	-	1.0%
UM St. Joseph	Baltimore County	217	4.3%
UM Capital Region Health	Prince George's County	228	3.1%
UMMS Subtotal		**2,028**	**27.5%**
Johns Hopkins Health System			
Johns Hopkins Hospital	Baltimore City	1,145	9.3%
Johns Hopkins Bayview	Baltimore City	385	4.6%
Howard County General Hospital	Howard County	262	4.8%
Johns Hopkins Health Subtotal		**1,792**	**18.7%**
MedStar Health			
MedStar Franklin Square Hospital	Baltimore County	353	5.3%
MedStar Union Memorial Hospital	Baltimore City	187	2.2%
MedStar Good Samaritan Hospital	Baltimore City	147	2.2%
MedStar Harbor Hospital	Baltimore City	119	1.9%
MedStar Southern Maryland Hospital Center	Prince George's County	190	2.5%
Medstar Subtotal		**996**	**14.2%**
LifeBridge Health			
Sinai Hospital	Baltimore City	399	4.3%
Levindale	Baltimore City	-	0.2%
Carroll County General Hospital	Carroll County	164	2.6%
Northwest Hospital Center	Baltimore County	199	2.0%
LifeBridge Subtotal		**762**	**9.1%**
Other Service Area Hospitals			
Greater Baltimore Medical Center	Baltimore County	211	4.4%
Ascension Saint Agnes Hospital	Baltimore City	182	3.2%
Luminis Health Anne Arundel Medical Center	Anne Arundel County	377	7.3%
Mercy Medical Center	Baltimore City	145	3.2%
Christiana Care Union Hospital	Cecil County	99	1.5%
Luminis Doctors Community Medical Center	Prince George's County	218	2.5%
Adventist HealthCare Fort Washington Medical Center	Prince George's County	33	0.5%
Other Subtotal		**1,265**	**22.5%**
Subtotal		**6,843**	**92.0%**
Other Hospitals (Non-PSA)		**2,560**	**8.0%**
Grand Total		**9,403**	**100.0%**

Source: MHCC Update: Licensed Acute Care Hospital Beds Fiscal Year 2025; HSCRC non-confidential database for all Maryland hospitals.
** Source: Sg2 Data Annualized (July 2023-December 2023).*
Note: Market share includes newborns.
Note: Primary Service Area includes Anne Arundel, Baltimore, Baltimore City, Caroline, Carroll, Cecil, Charles, Dorchester, Harford, Howard, Kent, Prince George's County, Queen Anne's and Talbot Counties

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UTILIZATION AND FINANCIAL INFORMATION

Selected Summary Utilization Information

The following table sets forth certain operating statistics for the Medical System Hospitals for the fiscal years ended June 30, 2023 and June 30, 2024 and for the four-month periods ended October 31, 2023 and October 31, 2024.

Historical Utilization of Medical System Hospitals

	Fiscal Years Ended June 30,		Four Months Ended October 31,	
	2023	**2024**	**2023**	**2024**
Admissions [(1)]	94,970	96,218	32,089	31,936
Patient Days [(1)]	583,305	607,591	197,873	203,132
Average Length of Stay [(1)]	6.10	6.30	6.17	6.36
Newborn Patient Days [(1)]	40,531	41,647	14,784	14,113
Average Daily Census [(1)]	1,594	1,660	1,609	1,651
Emergency Room Visits [(1)]	333,190	345,651	113,185	119,875
Observation Visits [(1)]	31,968	31,511	11,653	9,796
Outpatient Visits [(1)]	644,290	631,508	213,645	205,796
Ambulatory Surgeries [(1)]	73,872	74,000	24,736	25,100
Case Mix Index: UMMC Only	3.27	3.20	3.26	3.30
Licensed Beds	2,588	2,495	2,495	2,431

Source: UMMS Internal Volume of Service Report.

(1) Excludes normal newborns.

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Payor Mix

The following table sets forth net patient service revenues for the Medical System Hospitals, by payor source, for fiscal years 2024 and 2023. Management does not believe that the mix of revenues by payor has changed materially since June 30, 2024.

Payor Mix Based on Net Patient Service Revenues

	Fiscal Years Ended June 30,	
	2024	**2023**
Medicare	42%	42%
Medicaid	23%	23%
Commercial and HMO	31%	30%
Self-Pay and Other	4%	5%
Total	100%	100%

Source: Footnote 16 within Appendix B – Fiscal Year 2024 Audited Consolidated Financial Statements.

Summary of Financial Results

The following table presents summary consolidated statements of operations for the Medical System for the fiscal years ended June 30, 2024 and June 30, 2023 (derived from the audited consolidated financial statements of the Medical System for the years then ended) and for the four-month periods ended October 31, 2024 and October 31, 2023. This table should be read in conjunction with the audited consolidated financial statements as of and for the year ended June 30, 2024 of the Medical System attached to this Official Statement as Appendix B. All material intercompany balances have been eliminated. The following consolidated financial information includes all adjustments, consisting of normal recurring and other accruals, which management of the Medical System considers necessary for a fair presentation of the financial position and results of operations, for the periods shown, in conformity with U.S. generally accepted accounting principles ("GAAP"). All statistical data presented is unaudited. Accordingly, the data does not include all of the information and footnotes required by GAAP for complete financial statements.

In accordance with GAAP, the following summary financial information and the consolidated statements of operations included in Appendix B include revenues, expenses and operating information for UMMS Foundation, Memorial Hospital Foundation, Inc., Chester River Health Foundation, Inc., Charles Regional Health Foundation, Inc., St. Joseph Foundation, Inc., and Upper Chesapeake Health Foundation, Inc. See "OPERATIONS OF THE MEDICAL SYSTEM – Philanthropy and Supporting Foundations." The following summary financial information and the consolidated financial statements do, however, include financial information with respect to certain entities in which UMMS has invested, which entities are not Obligated Group Members or otherwise obligated with respect to the Series 2025 Bonds. Such entities include joint ventures and other subsidiaries that are not Obligated Group Members, as previously described in this Appendix A. As of October 31, 2024, the Obligated Group Members, exclusive of their subsidiaries, represented approximately 97.2% of the consolidated assets of the Medical System and 91.3% of the annual consolidated operating revenues of the Medical System.

The following table presents the consolidated statements of operations of the Medical System for the four-month periods ended October 31, 2024 and October 31, 2023 and for the fiscal years ended June 30, 2024 and June 30, 2023.

Consolidated Statements of Operations

($'s in thousands)	Four Months Ended October 31,		Fiscal Years Ended June 30,	
	2024	2023	2024	2023
Operating Revenue, Gains, and Other Support:				
Net Patient Service Revenue	$1,716,387	$1,617,903	$4,863,479	$4,682,343
State and County Support	18,245	4,567	20,922	13,700
Other Revenue	139,618	105,555	359,556	372,557
Total Operating Revenue, Gains, and Other Support	**1,874,250**	**1,728,025**	**5,243,957**	**5,068,600**
Operating Expenses:				
Salaries, Wages, and Benefits	935,040	897,995	2,736,955	2,693,388
Expendable Supplies	363,014	319,796	1,001,582	924,459
Purchased Services	294,309	270,281	791,085	768,454
Contracted Services	126,834	119,038	365,713	328,588
Depreciation and Amortization	91,319	91,239	275,808	277,955
Interest Expense	24,453	21,279	65,803	57,942
Total Operating Expenses	**1,834,969**	**1,719,628**	**5,236,946**	**5,050,786**
Operating Income	**39,281**	**8,397**	**7,011**	**17,814**
Operating Income Margin	**2.1%**	**0.5%**	**0.1%**	**0.4%**
Operating EBIDA	**155,053**	**120,915**	**348,622**	**353,711**
Operating EBIDA Margin	**8.3%**	**7.0%**	**6.6%**	**7.0%**
Non-Operating Income and Expenses, Net				
Unrestricted Contributions	2,785	983	2,122	7,434
Equity in Net Income (Loss) of Joint Ventures	3,385	(320)	7,194	5,209
Investment Income, Net	29,052	24,157	61,348	13,378
Change in Fair Value of Investments	35,915	(85,138)	119,536	108,297
Change in Fair Value of Undesignated Interest Rate Swap	(3,896)	29,810	13,916	35,020
Other Non-Operating Losses, Net	(6,147)	(8,417)	(38,894)	(25,859)
Total Non-Operating Income/(Expense)	**61,094**	**(38,925)**	**165,222**	**143,479**
Excess (Deficit) of Revenues Over Expenses	**$100,375**	**($30,528)**	**$172,233**	**$161,293**

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The following table presents the consolidated balance sheets of the Medical System for the four-month period ended October 31, 2024 and the fiscal years ended June 30, 2024 and June 30, 2023.

Consolidated Balance Sheets

($'s in thousands)	As of October 31,	As of June 30,	
	2024	2024	2023
Current Assets			
Cash and Cash Equivalents	$145,583	$165,649	$274,721
Assets Limited as to Use, Current Portion	100,783	150,074	67,049
Accounts Receivable:			
Patient Accounts Receivable, Net	845,643	839,158	634,459
Other	102,106	127,346	92,543
Inventories	100,321	98,409	100,781
Prepaid Expenses and Other Current Assets	96,290	84,440	35,542
Total Current Assets	**1,390,726**	**1,465,076**	**1,205,095**
Investments	1,729,980	1,612,389	1,490,962
Assets Limited as to Use, Less Current Portion	607,114	666,572	750,672
Property and Equipment, Net	2,964,873	2,949,564	2,876,463
Investments In Joint Ventures	146,851	145,096	134,642
Other Assets	602,487	577,985	559,429
Total Assets	**$7,442,031**	**$7,416,682**	**$7,017,263**
Current Liabilities			
Trade Accounts Payable	297,265	372,943	294,022
Accrued Payroll and Benefits	303,313	359,083	314,725
Advances From Third-Party Payors	177,991	181,919	186,984
Lines of Credit	70,216	-	80,000
Other Current Liabilities	201,603	201,160	160,256
Long-Term Debt Subject to Short-Term Refinancing Agreements	163,100	91,390	-
Current Portion of Long-Term Debt	36,646	34,059	32,115
Total Current Liabilities	**1,250,135**	**1,240,554**	**1,068,102**
Long-Term Debt, Less Current Portion	1,629,888	1,736,659	1,864,194
Other Long-Term Liabilities	579,459	583,405	547,832
Interest Rate Swap Liabilities	59,066	55,170	70,350
Total Liabilities	**3,518,548**	**3,615,788**	**3,550,478**
Net Assets			
Without Donor Restrictions	3,554,044	3,445,024	3,226,247
With Donor Restrictions	369,439	355,870	240,538
Total Net Assets	**3,923,483**	**3,800,894**	**3,466,785**
Total Liabilities and Net Assets	**$7,442,031**	**$7,416,682**	**$7,017,263**

Management's Discussion and Analysis of Recent Financial Performance

The following is a discussion and analysis of recent financial performance of the Medical System for all periods presented, including the results of entities which are not Obligated Group Members. Certain financial data set forth in this discussion are derived from the audited consolidated financial statements as of and for the year ended June 30, 2024 of the Medical System attached to this Official Statement as Appendix B. References to the Medical System in this discussion include those entities whose operations are included in such consolidated financial statements, including entities that are not or were not Obligated Group Members during the periods presented.

The majority of the Medical System's operations relate to its 10 Maryland acute care hospitals and five freestanding medical facilities, which are reimbursed under the TCOC Model (formerly the Maryland "All-Payer" Model administered by the HSCRC). Beginning in January 2014 (during fiscal year 2014), all Medical System Hospitals became subject to either Global Budget Revenue or Total Patient Revenue agreements with the HSCRC, which effectively provide a fixed revenue stream as an incentive to reduce the cost of health care in the State of Maryland. For additional information, see "INTRODUCTION – Hospital Rate Regulation in Maryland" in this Appendix A.

In recognition of the challenges of the current and future health care environment, the Medical System is in the continual process of identifying and implementing quality of care improvements and cost reductions. For further information on these challenges, see "REGULATORY ENVIRONMENT – Maryland Health Services Cost Review Commission" in the forepart of this Official Statement.

Financial Results for the Four Months Ended October 31, 2024 and 2023

The Medical System's operating income for the four months ended October 31, 2024 was $39.3 million, compared to $8.4 million for the four months ended October 31, 2023, an increase of $30.9 million. The operating margin of 2.1% for the four months ended October 31, 2024, increased by 1.6% from the operating margin for the same period of the prior year of 0.5%. Operating earnings before interest, depreciation and amortization ("Operating EBIDA") for the four-month period ended October 31, 2024 were $155.1 million, compared to $120.9 million for the four months ended October 31, 2023, an increase of $34.2 million, representing an Operating EBIDA Margin of 8.3% versus 7.0%, respectively. The Medical System's total operating revenues for the four months ended October 31, 2024 were $1,874.3 million, compared to $1,728.0 million for the four months ended October 31, 2023, an increase of $146.3 million or 8.5%, while total operating expenses for the four months ended October 31, 2024 were $1,835.0 million compared to $1,719.6 million for the four months ended October 31, 2023, an increase of $115.3 million, or 6.7%.

During the four months ended October 31, 2024, total operating revenues increased by $146.3 million, or 8.5%, as compared with the same four-month period in fiscal year 2024. The increase to total operating revenues was driven by increases to net patient service revenue, state support and other operating revenues. Net patient service revenue increased by $98.5 million primarily due to increased hospital revenues under the HSCRC's Global Budget Revenue methodology. Each year, the HSCRC adjusts approved rates by an Update Factor representing inflation coverage. The Update Factor for fiscal year 2025 and the HSCRC's Care Transformation Initiative drove most of the increases in net patient service revenues compared to the prior period. State support and other operating revenue has increased by $47.7 million, primarily as a result of increased state support for the Shock Trauma Center and increases in retail and specialty pharmacy revenue. Pharmacy supply costs related to the retail and specialty pharmacy line

of business have also increased (as described below). For additional discussion of state support, refer to "INTRODUCTION – State Capital Grants and Operating Support" in this Appendix A.

During the four months ended October 31, 2024, total operating expenses increased by $115.4 million, or 6.7%, as compared with the same four-month period in fiscal year 2024. The primary drivers are increases in salary, wages and benefits of $37.0 million, supplies and drugs of $43.2 million and purchased services of $24.0 million. The increases in salary, wages, and benefits are primarily due to planned market rate increases, increased health benefit costs, and impacts from the increases in patient volumes, partially offset by lower agency labor costs. Further analysis of the impact of labor costs is described in "UTILIZATION AND FINANCIAL INFORMATION – Management's Discussion and Analysis of Recent Financial Performance – *Labor Trends*" in this Appendix A. The increase in supply and drug costs of $43.2 million is driven by growth in retail and specialty pharmacy, market inflation, and utilization of certain higher cost drugs in the clinical facilities. The increase in purchased services compared to the prior period is driven by higher volume in several high-cost service areas including transplants, contract pharmacy and offsite infusion services, as well as timing of routine repairs and maintenance.

Total non-operating income, net of expenses was $61.1 million and ($38.9) million for the four months ended October 31, 2024 and 2023, respectively, an increase of $100.0 million. The increase was attributed to favorable market conditions resulting in increases in total return on investments offset by changes in the fair value of interest rate swaps.

As a result of the changes in operating and non-operating activities discussed above, the excess (deficit) of revenues over expenses of the Medical System increased to $100.4 million for the four-month period ended October 31, 2024 from ($30.5) million for the four-month period ended October 31, 2023.

The unrestricted cash and investments (at market value) of the Medical System were $1,875.6 million and $1,778.0 million as of October 31, 2024 and June 30, 2024, respectively, representing 135.2 and 131.2 days of cash operating expenses, respectively. The increase in unrestricted cash and investments is primarily attributable to investment returns offset by changes in working capital associated with the routine timing of payments.

Long-term debt (outstanding debt excluding current maturities but including amounts subject to short-term refinancing arrangements) balances of the Medical System decreased by $35.0 million to $1,793.0 million as of October 31, 2024 from $1,828.0 million as of June 30, 2024. This decrease was primarily the result of scheduled principal payments made during the four-month period.

The Medical System's ratio of unrestricted cash and investments to long-term debt was 104.6% at October 31, 2024 and 97.3% at June 30, 2024.

Net assets without donor restrictions increased by 3.2%, or $109.0 million, during the four-month period ended October 31, 2024, primarily as a result of the excess of revenues over expenses for that period.

As a result of the changes in long-term debt and net assets without donor restrictions previously discussed, the Medical System's ratio of long-term debt to total capitalization (long-term debt plus net assets without donor restrictions) decreased to 33.5% at October 31, 2024 from 34.7% at June 30, 2024.

Additionally, the Medical System has a $250.0 million revolving line of credit in place with a syndicate of banks, which is primarily used for temporary working capital needs and bridge financing. The line of credit is a parity obligation and has a three-year term with a current expiration date of August 23, 2025. For more information on parity obligations, see "OTHER PARITY DEBT" in the front part of this Official Statement. The line of credit is a key component of its liquidity management framework and therefore the Medical System intends to extend the facility prior to its expiration. As of October 31, 2024 and June 30, 2024, the amount outstanding under the line of credit was $70.0 million and $0.0 million, respectively. The $70.0 million borrowing was fully repaid in November 2024.

Financial Results, Fiscal Years 2024 and 2023

Operating income for the fiscal year ended June 30, 2024 was $7.0 million, as compared to operating income of $17.8 million for the fiscal year ended June 30, 2023. The fiscal year 2024 operating margin was 0.1% as compared to 0.4% in fiscal year 2023. Operating EBIDA were $348.6 million and $353.7 million for the twelve months ended June 30, 2024 and June 30, 2023, respectively, correlating to Operating EBIDA margins of 6.6% and 7.0% respectively, in those years. Total operating revenues increased 3.5% to $5,244.0 million in fiscal year 2024 from $5,068.6 million in fiscal year 2023, while total operating expenses increased 3.7% to $5,236.9 million in fiscal year 2024 from $5,050.8 million in fiscal year 2023.

Operating revenues increased by $175.4 million, or 3.5% for the twelve months ended June 30, 2024 as compared to the twelve months ended June 30, 2023, primarily driven by increases to net patient service revenue from the Medical System's hospitals. Each year, the HSCRC adjusts approved rates by an Update Factor representing inflation coverage. The Update Factor for fiscal year 2024 drove the majority of the increase in hospital net patient service revenue over the prior year. State support and other operating revenue decreased by $5.8 million, or 1.5%, primarily because of a decrease in funding associated with the COVID-19 pandemic, offset by increased state support for Shock Trauma and increases in retail and specialty pharmacy revenue. Pharmacy supply costs related to the retail and specialty pharmacy line of business have also increased (as described below).

Total operating expenses increased by $186.2 million, or 3.7% for the twelve months ended June 30, 2024 as compared to the twelve months ended June 30, 2023. The operating expense increase in fiscal year 2024 compared to fiscal year 2023 is composed of the following:

Salaries, wages, and benefits increased $43.6 million, or 1.6%. Salaries and wages increased due to market wage increases given to improve retention, offset by declines in utilization of external contract labor. Further analysis of the impact from increased labor costs is described in "UTILIZATION AND FINANCIAL INFORMATION – Management's Discussion and Analysis of Recent Financial Performance – *Labor Trends*" in this Appendix A.

Supplies and drugs increased $77.1 million, or 8.3%, due to increased pharmacy costs related to retail and specialty pharmacy operations (offset in other operating revenue), market inflation and higher volumes in supply-intensive services lines.

Purchased and contracted services increased $59.8 million, or 5.4%, due to increased legal costs, talent acquisition costs and consulting fees associated with operational improvement strategies. There were also higher volumes in key service areas driving an increase in purchase services, including transplants, contract pharmacy and offsite infusion services.

Total non-operating income, net of expenses was $165.2 million and $143.5 million for the twelve months ended June 30, 2024 and 2023, respectively, an increase of $21.7 million, or 15.2%. The increase for fiscal year 2024 was due to favorable market conditions resulting in increases in total return on investments offset by changes in the fair value of interest rate swaps.

As a result of the changes in operating and non-operating activities discussed above, the excess of revenues over expenses of the Medical System was $172.2 million and $161.3 million for the twelve months ended June 30, 2024 and 2023, respectively, an increase of $10.9 million, or 6.8%.

The Medical System's unrestricted cash, investments (at market value) and Board-designated fund were approximately $1,778.0 million at June 30, 2024 and $1,795.7 million at June 30, 2023, representing 131.2 and 137.3 days of cash operating expenses, respectively. This $17.7 million or 1.0% decrease in unrestricted cash, investments and Board-designated funds is primarily attributable to an increase in accounts receivable offset by investment gains and changes in working capital associated with the routine timing of payments.

The Medical System's Patient Accounts Receivable increased significantly between June 30, 2023 and June 30, 2024 (and remained elevated at October 31, 2024). During the second half of fiscal year 2024, the Medical System experienced billing and collections delays resulting from the Change Healthcare cyberattack[2] and due to the prolonged completion of two other intentional changes in billing procedures and practices. These delays have persisted into fiscal year 2025. Management remains focused on reducing the Patient Accounts Receivable balance such that Days in Accounts Receivable will return to historical ranges.

The Medical System's long-term debt (outstanding debt excluding current maturities but including amounts subject to short-term refinancing arrangements) decreased $36.2 million to $1,828.0 million at June 30, 2024, from $1,864.2 million at June 30, 2023. The decrease in long-term debt was primarily the result of scheduled principal payments.

The Medical System's ratio of unrestricted cash, investments and Board-designated funds to long-term debt was 97.3% as of June 30, 2024 and 96.3% as of June 30, 2023.

Net assets without donor restrictions were $3,445.0 million and $3,226.2 million as of June 30, 2024 and 2023, respectively. This increase of $218.8 million was driven largely by the excess of revenues over expenses of $172.2 million, capital support received by the State of Maryland of $27.0 million and releases from restriction of $10.3 million used for purchases of property and equipment.

As a result of these changes in long-term debt and net assets without donor restrictions, the Medical System's ratio of long-term debt to total capitalization (long-term debt plus net assets without donor restrictions) decreased to 34.7% at June 30, 2024 from 36.6% at June 30, 2023.

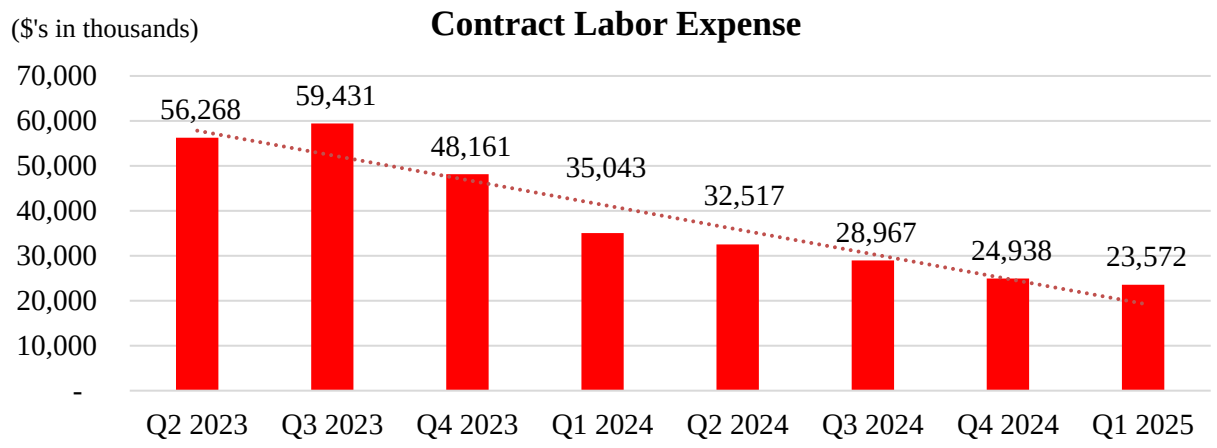
Labor Trends

Beginning in fiscal year 2021 the Medical System, like many of its peers, experienced wage inflation pressure compounded by the shortage of certain clinical personnel, leading to an increased use of external contract labor. These shifts in the labor market had a negative financial impact on the Medical System's labor costs and operating margin. To address the ongoing workforce and labor market

[2] See "ADDITIONAL INFORMATION – Information Technology Strategy" section of this Appendix A for additional details.

challenges, the Medical System developed an internal staffing program allowing for expanded talent mobility opportunities (the "UMMS Staffing Center"). The UMMS Staffing Center provides clinical personnel that can rotate among the Medical System facilities based on the current staffing needs, at a reduced hourly rate compared to external contract labor costs. Further, the Medical System provided market wage increases to base rates, expanded international nurse recruitment and continues to promote careers within health care at high schools and colleges. These initiatives have contributed to a 35% decline in the utilization of external contract labor as of October 2024 as compared to October 2023. However, the reduction to labor costs from the decline in utilization of external contract labor has been offset by the impact of increased volumes at certain facilities necessitating on-going recruiting efforts that include sign-on bonuses, orientation costs and premium wages.

The following table depicts the Medical System's progress in reducing utilization of external contracted labor:



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Historical and Pro Forma Debt Service Coverage

The following table sets forth the Obligated Group's historical coverage of the maximum annual debt service requirements on long-term indebtedness of the Obligated Group for the fiscal years ended June 30, 2024 and June 30, 2023. The table also sets forth the Obligated Group's coverage of the pro forma maximum annual debt service requirements for the fiscal years ended June 30, 2023 and 2024 on long-term indebtedness of the Obligated Group which is expected to be outstanding upon the issuance of the Series 2025A, Series 2025B, and Series 2025C Bonds.

Historical and Pro Forma Long-Term Debt Service Coverage Ratios

($s in thousands)	Obligated Group Consolidated Financial Results for the Fiscal Years Ended June 30,	
	2024	**2023**
Excess (Deficit) of Revenues Over Expenses	$278,151	$271,789
Add (Less):		
Depreciation and Amortization	$266,771	$270,329
Interest Expense	$64,175	$56,467
Changes in Fair Value of Investments	($113,480)	($104,687)
Changes in Fair Value of Swaps	($13,916)	($35,020)
Income Available for Debt Service	**$481,701**	**$458,878**
Historical Maximum Annual Debt Service ("MADS") [(1)]	$115,141	$115,141
Historical MADS Coverage Ratio (x)	**4.2**	**4.0**
Pro-Forma MADS [(2)(3)]	$127,199	$127,199
Pro-Forma MADS Coverage Ratio (x)	**3.8**	**3.6**

(1) Based upon the assumptions that (a) indebtedness bearing interest at variable rates with respect to which any Obligated Group Member has entered into interest rate swap agreements bears interest at an average annual rate equal to the fixed rates payable under such swap agreements and (b) Prior Multimodal Bonds are not required to be purchased or redeemed (other than from the sinking fund installments for such indebtedness) prior to maturity. See "Other Parity Debt -- Outstanding Parity Debt" in the forepart of this Official Statement. In addition, the calculation of historical maximum annual debt service and historical maximum annual debt service coverage ratio in the table above assumes that the maturity date of certain balloon indebtedness will be extended and debt service will continue in accordance with existing interest rate and amortization terms.

(2) The pro-forma maximum annual debt service coverage ratio in the table above is being calculated based on the pro forma maximum annual debt service in order to demonstrate the maximum impact that issuance of the Series 2025A, Series 2025B, and Series 2025C Bonds would have had on the Obligated Group's historical maximum annual debt service coverage ratio. The calculation of pro forma maximum annual debt service and pro forma maximum annual debt service coverage ratio in the table above assumes that the principal amount of certain balloon indebtedness will be amortized in full from the date of its issuance in substantially equal annual installments of principal and interest over a term of 30 years.

(3) Assumes all outstanding variable rate bonds and put bonds after their mandatory redemption dates bear interest at 3.50%.

Capitalization

The table below sets forth the capitalization of the Obligated Group as of June 30, 2024 and "As Adjusted" to reflect the issuance of the Series 2025A, Series 2025B, and Series 2025C Bonds, as if such issuance had occurred on June 30, 2024.

Capitalization of the Obligated Group

($'s in thousands)	Actual	As Adjusted
MHHEFA Bonds	$1,818,330	$2,106,035
Various Lines of Credit & Term Loans	-	-
Other Indebtedness[(1)]	56,923	56,923
Unamortized premiums, discounts, and deferred financing costs	24,536	36,354
Total Debt	1,899,789	2,199,312
Total Net Assets Without Donor Restrictions	3,464,031	3,464,031
Total Capitalization	5,363,820	5,663,343
Total Debt, as a Percentage of Total Capitalization	35.4%	38.8%

(1) Includes financing leases ($44.57 million) and MHHEFA Pooled Loan Program ($12.35 million).

Unrestricted Cash and Investments

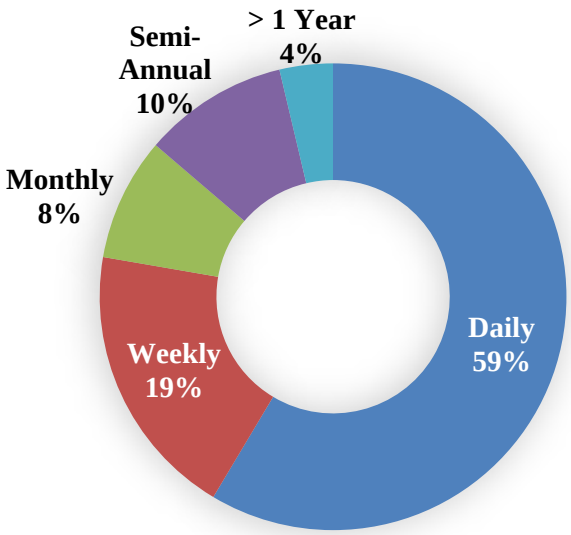
Unrestricted cash, investments and Board-designated funds as of October 31, 2024, June 30, 2024, and June 30, 2023 are shown in the table below. The Medical System's cash and investment balances by their nature reflect changes in the fair value of investments as well as in the timing of the receipt of revenue collections and the payment of expenses.

Unrestricted Cash and Investments/Days Cash on Hand

($'s in thousands)	As of October 31 2024	As of June 30 2024	As of June 30 2023
Cash & Cash Equivalents	$145,583	$165,649	$274,721
Investments	1,729,980	1,612,389	1,490,962
Board Designated Investments	-	-	30,000
Total Unrestricted Cash & Investments	**$1,875,563**	**$1,778,038**	**$1,795,683**
Days of Unrestricted Cash & Investments on Hand	**135.2**	**131.2**	**137.3**

Liquidity Management

As of October 31, 2024, the liquidity tenor of the Medical System's unrestricted cash and investments were as follows (inclusive of the full available balance under its revolving line of credit):



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Investment Portfolio and Policy

UMMS has retained various professional investment managers to oversee its investments in different classes of securities according to asset allocation targets that are set in conjunction with UMMS' overall strategic and financial plan. The various fixed income and equity portfolios have individual investment guidelines for style, objectives, concentration limitations, credit quality, performance benchmarks and allowable/non-allowable investments and performance and compliance relative to these guidelines and objectives are reviewed quarterly by the Investments Sub-Committee of the Financial Affairs Committee of the Board.

The asset allocations of the investment portfolios of UMMS at June 30, 2024 and at June 30, 2023 were as follows:

UMMS Investment Portfolio Allocations

	Fiscal Years Ended June 30,	
	2024	**2023**
Cash equivalents	6%	14%
Corporate obligations	2%	3%
Fixed income funds	7%	3%
U.S. government and agency securities	8%	9%
Common stocks	30%	32%
Alternative investments[1]:		
Hedge Funds/Private Equity	4%	4%
Commingled Funds	43%	36%
Total	**100%**	**100%**

(1) Alternative investments include hedge funds, private equity, and commingled investment funds which are valued using their net asset value (NAV) as a practical expedient. Commingled Fund investments include holdings in various equity, fixed income, global, and broad mandate investment strategies. The majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

UMMS classifies its investment portfolios as "trading," with all changes in holding gains/ (losses) as a component of nonoperating income and expenses, net in its Consolidated Statement of Operations.

For further information on investments, see the audited consolidated financial statements of the Medical System attached to this Official Statement as Appendix B.

Debt Policy

UMMS maintains a debt policy to help manage the risks associated with UMMS' debt obligations and debt related derivatives. The policy is intended to balance the following objectives: (i) maximize access to capital; (ii) reduce the risk of economic losses; (iii) minimize the anticipated cost of capital; and (iv) mitigate unexpected operating performance volatility. This policy provides an internal framework to maintain consistent objectives, practices, controls and authorizations to manage debt and derivative related risks.

Interest Rate Swap Arrangements

UMMS enters into interest rate swap contracts ("Swaps") from time to time to increase or decrease its variable rate debt exposure and to achieve a targeted mix of fixed and floating rate indebtedness. As of June 30, 2024, UMMS had 14 floating-to-fixed rate Swaps outstanding, representing a total notional amount of $982.3 million, under which UMMS pays a fixed rate and receives a variable rate from the Swap counterparty. Four of these Swaps have forward-starting effective dates and are not currently requiring or providing any cash flows. The Swaps are derivatives which carry a daily mark-to-market value and UMMS reflects that value as a component of its balance sheet. As of June 30, 2024, the Swaps had a negative mark-to-market value and are reflected as a liability of the Medical System in the amount of $55.2 million. The estimated fair values of the Swaps are determined using available market information and valuation methodologies. UMMS recognizes changes in the fair value of Swaps in its excess (deficit) of revenues over expenses.

UMMS is required to post collateral on two of its 14 Swaps representing the negative mark-to-market value, less a credit threshold; the amount of collateral posted by UMMS as of June 30, 2024 was $4.4 million.

Each of the Swaps may be terminated by UMMS at its option at any time. Swap counterparties may also terminate Swaps upon the occurrence of certain termination events or events of default. If either UMMS or a counterparty terminates a Swap with a negative mark-to-market value, UMMS may be required to make a termination payment to such counterparty, and such payment could be material in amount.

Variable Rate Demand and Direct Purchase Bonds

To diversify its risk, UMMS has entered into agreements with several financial institutions to provide liquidity for certain variable rate demand bonds ("VRDBs") and to purchase directly certain bonds ("Direct Purchase Bonds").

As of October 31, 2024, $50.0 million of VRDBs were outstanding. These bonds are issued by the Maryland Health and Higher Educational Facilities Authority on behalf of the Obligated Group, bear interest at variable rates, are secured by a direct-pay letter of credit from T.D. Bank, N.A. which expires on October 15, 2026, and are subject to optional and mandatory tender for purchase by holders.

As of October 31, 2024, approximately $428.1 million of Direct Purchase Bonds were outstanding. Direct Purchase Bonds are long term revenue bonds issued by the Maryland Health and Higher Educational Facilities Authority on behalf of the Obligated Group purchased directly by financial institutions, each of which bears interest at a variable rate.

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The following table sets forth certain information with respect to the Direct Purchase Bonds as of October 31, 2024:

Bond Series	Principal Amount Outstanding	Holder	Mandatory Purchase Date	Fiscal Year of Final Maturity
2016B	$50.3 million	PNC Bank, N.A.	January 6, 2027	2042
2016C	$50.3 million	Banc of America Public Capital Corp.	October 1, 2028	2042
2016E	$39.3 million	JP Morgan Chase Bank, N.A.	October 17, 2026	2040
2016F	$42.2 million	Banc of America Public Capital Corp.	October 1, 2028	2040
2021A	$154.6 million	Vanguard MF	December 8, 2027	2042
2021B	$91.4 million	Barclays	December 1, 2024*	2043

**On the Mandatory Purchase Date of December 1, 2024, the Series 2021B Bonds were placed with Morgan Stanley & Co. LLC under an agreement that contains a revised Mandatory Purchase Date of March 1, 2025.*

Each agreement related to VRDBs or Direct Purchase Bonds generally contains the same or similar financial covenants with which the Obligated Group must comply, including maintaining a debt service coverage ratio of not less than 1.1x, and days cash on hand of not less than 70. However, the terms, provisions and conditions of each individual VRDB and Direct Purchase Bond agreement vary slightly and can contain different and, in some cases, additional or more restrictive financial covenants, additional or different events of default, or greater rights or remedies in the event of a default. In addition, all the agreements contain a "most favored nation" clause, which essentially gives the liquidity providers securing VRDBs and holders of Direct Purchase Bonds the same default and acceleration provisions as the agreements with the most restrictive financial covenants and most stringent default provisions so long as the agreements containing such restrictive or stringent provisions remain in effect. Any such default would constitute an Event of Default under the Loan Agreement and could result in the acceleration of the Series 2025 Bonds and other outstanding bonds. See "SUMMARY OF CERTAIN PROVISIONS OF OTHER CREDIT AGREEMENTS CONSTITUTING PARITY DEBT" in Appendix D.

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ADDITIONAL INFORMATION

Accreditations

The Maryland Department of Health issued licenses to each of the Medical System Hospitals. Each Medical System Hospital is accredited by The Joint Commission. Accreditations are customarily valid for up to 36 months however, The Joint Commission may perform unannounced surveys between 18 and 36 months after its previous full survey, the outcomes of which may impact accreditation. The following table lists the most recent hospital accreditation by The Joint Commission for each Medical System Hospital.

Medical System Hospital	Most Recent Accreditation
UMMC	February 2024
UM Midtown	July 2022
UM Rehab & Ortho Institute	July 2023
UM St. Joseph	August 2024
UM Baltimore Washington	June 2022
UM Upper Chesapeake	May 2022
UM Easton	July 2022
UM Chestertown	February 2022
UM Charles Regional	October 2022
UM Capital Region	October 2022

Risk Management and Insurance

UMMS maintains self-insurance programs for professional and general liability risks, employee health, employee long term disability and workers' compensation. The Maryland Medicine Comprehensive Insurance Program Self Insurance Trust ("MMCIP") is a joint venture of UMMS and University of Maryland Faculty Physicians, Inc. ("FPI") which provides self-insurance for the primary professional and general liability risks of UMMS, primary professional liability and excess general liability for FPI, as well as associated risk management services. Additionally, MMCIP administers the self-insured workers' compensation program for UMMS entities and a program of commercial insurances for selected risks. MMCIP was established in 1985 to manage the mutual insurance and risk management interests of UMMS and FPI and their affiliated physicians. A 12-member board of directors, equally represented by key leadership from UMMS and FPI oversees the program. Participants in MMCIP include all affiliates of UMMS.

UMMS provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and un-asserted incidents.

UMMS and each of its affiliates are self-insured via a grantor trust, for professional liability claims up to the limits of $1.0 million on individual claims on an each and every claim basis; and, for $3.0 million

on an each and every claim basis for general liability. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin Insurance. Terrapin Insurance provides insurance for claims in excess of $1.0 million individually. For claims which may exceed the self-insured retentions covered through Terrapin Insurance, a tower of commercial reinsurance is in place with limits up to $150.0 million individually and $150.0 million in the aggregate. For claims in excess of the coverage limits of Terrapin Insurance, if any, UMMS retains the risk of loss.

The employee health self-insurance program is overseen by Kelly & Associates in conjunction with UMMS' third-party administrator, CareFirst Administrators, LLC. The long-term disability self-insurance program third-party administrator is The Lincoln National Life Insurance Company.

Workers' compensation claims are self-insured up to $500,000 per claim retention for UMMS, UMMC, UM Rehab & Ortho Institute, and UM Midtown; and, up to $450,000 per claim retention for UM Baltimore Washington, UM St. Joseph, UM Shore Regional Health, UM Upper Chesapeake, UM Charles Regional and UM Capital Region. All UMMS programs maintain excess workers' compensation insurance coverage, above the self-insured limits, with statutory limits as defined by the State of Maryland.

Litigation, Investigations and Certain Regulatory Matters

The nature of the Obligated Group's operations generates claims and litigation against the Obligated Group Members arising in the ordinary course of their activities. At any given time, Obligated Group Members may have lawsuits pending against them based on alleged medical malpractice or other activities. Taking into account the insurance coverage of each Obligated Group Member, and the nature of outstanding claims, it is Management's opinion, based on consultation with counsel, that resolution of claims and litigation now pending is not expected to materially adversely affect the ability of the Obligated Group Members to meet their obligations with respect to the Series 2025 Bonds in the event of an adverse result.

The health care industry is subject to numerous federal, state and local laws, ordinances and regulations. See "REGULATORY ENVIRONMENT" and "CERTAIN BONDHOLDERS' RISKS" in the front portion of this Official Statement for more information regarding the regulatory environment. Compliance with these laws is subject to government review and interpretation. Obligated Group Members are involved from time to time in a variety of compliance and regulatory matters.

Information Technology Strategy

The information technology investments of the Medical System underlie all facets of its operations and are a key component of its strategy to remain a top tier healthcare organization.

The Medical System uses the Epic system for electronic medical records across all hospitals and ambulatory practices. The patient portal, online scheduling, billing and revenue management, quality management, and population health systems are all part of the Epic system utilized by the hospitals and ambulatory practices of the Medical System; laboratory management is expected to also transition to the Epic system in 2026. Because a majority of the United States healthcare system (including many other healthcare facilities in Maryland) are also utilizing the Epic system, the Medical System is able to share electronic medical records to and from many other facilities.

While Epic is the core system utilized for electronic medical records in its clinical operations, the Medical System has also invested in multiple other specialty and business technology systems based on clinical and operational needs.

Cybersecurity. Cybersecurity has been and will continue to be a top area of focus for the Medical System. The Board maintains oversight of the Medical System's cybersecurity initiatives through its Audit and Compliance Committee, and the Medical System addresses cybersecurity as a component of its overall risk management program. The Medical System utilizes firewalls, encryption methods, such as VPNs, and cybersecurity platforms to protect against cybersecurity threats, including email phishing attacks. Additionally, the Medical System engages in an annual cybersecurity risk assessment, routine cybersecurity simulations and periodic cyber-event readiness assessments performed by independent consultants. To supplement its cybersecurity controls, the Medical System maintains cyber-insurance and has experienced declining cyber-insurance premiums in both of its most recent plan years (2023 and 2024).

Recent cybersecurity events impacting the Medical System included the Change Healthcare cyberattack in February 2024 and the global Microsoft Windows outage in July 2024 caused by an errant update from CrowdStrike. Prior to the Change Healthcare cyberattack, Change Healthcare provided the Medical System with the technology for revenue cycle and payment management, eligibility verifications and pharmacy billing operations. Following the Change Healthcare cyberattack, the Medical System accelerated its transition to a new vendor for these services and resumed normal revenue cycle and billing practices within 45 days of the incident. The Medical System experienced no material impacts to its financial condition or operations during the CrowdStrike event.

Employees

As of June 30, 2024, the Medical System had approximately 28,600 employees, approximately 20,100 of whom are full-time equivalent employees of facilities owned and operated by the Obligated Group. There are five unions actively representing approximately 7% of the Medical System's employees. In addition, in June 2024, 3% of the Medical System's employees voted to be represented by a single union and the inaugural contract is currently being negotiated as discussed further below. Unions are projected to represent approximately 10% of the Medical System's employees once pending negotiations are completed.

UMMC entered a contract effective February 1, 2024, for a term of three years which expires on February 1, 2027 ("UMMC Union Contract") with Council 67 and Local 2751 of the American Federation of State, County and Municipal Employees, AFL-CIO ("AFSCME") for certain employees at UMMC. Approximately 320 UMMC employees are covered under the UMMC Union Contract. Employees covered under the UMMC Union Contract are hourly non-professional staff in the housekeeping and food service departments. Many of the policies in the UMMC Union Contract mirror UMMC personnel and payroll policies. Management believes that UMMC and AFSCME enjoy a good working relationship.

Maryland General Hospital, Inc. entered a contract effective November 15, 2022, for a term of three years which expires on July 1, 2025 ("UM Midtown Union Contract") with 1199 SEIU for the employees at UM Midtown. Approximately 250 employees are covered under the UM Midtown Union Contract. These employees include hourly non-professional staff including, but not limited to, dietary aides, housekeeping assistants, nursing assistants, couriers, unit clerks, and maintenance staff. Many of the policies in the UM Midtown Union Contract mirror the UM Midtown personnel and payroll policies.

At this time, there are no actions to expand enrollment to other staff or professionals. Management believes that UM Midtown and 1199 SEIU enjoy a good working relationship.

In June 2024, UMMC and UM Midtown resident employees voted to form a union. The residents will be affiliating with the American Federation of Teachers ("AFT"). There are approximately 900 residents employed by UMMC. UMMC management is engaged in the negotiation process with AFT and the expectation is an agreement will be reached without disruption to operations.

Civista Medical Center, Inc. d/b/a UM Charles Regional reached a tentative Collective Bargaining Agreement with 1199 SEIU that has been executed as of September 12, 2024, and continues negotiations ("UM Charles Regional Union Contract"). Approximately 170 nurses are covered under the UM Charles Regional Union Contract. Many of the policies in the UM Charles Regional Union Contract mirror the UM Charles Regional personnel and payroll policies. Currently, there are no actions to expand enrollment to other staff or professionals. Management believes that UM Charles Regional and the 1199 SEIU enjoy a good working relationship with no outstanding major bargaining issues at this time.

UM Capital Region is party to two Collective Bargaining Agreements with 1199 SEIU, both of which were effective through June 15, 2024. UM Capital Region is engaged in the negotiation process with 1199 SEIU. UM Capital Region management expects to reach an agreement with no disruption to operations. The agreements cover a total of 1,150 employees, which include two bargaining units: one of registered nurses and the other of service and maintenance workers. Many of the policies in the union contracts mirror the UM Capital Region personnel and payroll policies. At this time, there are no planned actions to expand enrollment to other staff or professionals. UM Capital Region management has a productive relationship with 1199 SEIU.

At the present time, none of the employees of the other Obligated Group Members are members of unions or receive union wages and benefits and, except as described above, Management is unaware of any active union organization campaigns at any other facilities of the Obligated Group Members. Management considers its relationship with its employees to be good.

Retirement Plans

Employees of the Obligated Group Members are included in various defined benefit and defined contribution retirement benefit plans. Participation by employees in specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became a part of the Medical System, if applicable. For a brief description of each of the retirement plans, see Note 9 to the audited consolidated financial statements provided in Appendix B of this Official Statement.

UMMS recognizes the funded status (*i.e.*, the difference between the fair market value of plan assets and the projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheet. For the fiscal year ended June 30, 2024, UMMS recorded an accrued pension asset of approximately $17.6 million.

Management estimates that the funded status of the defined benefit pension plans remains materially unchanged as of the date of this Official Statement.

For further information on these benefit plans, see the audited consolidated financial statements of the Medical System attached to this Official Statement as Appendix B.

Community Benefits

As part of its charitable mission to enhance and improve health in the community, the Medical System provides many community benefits programs intended to address community needs and priorities, including health care services provided to vulnerable or underserved populations, financial or in-kind support of public health programs, donations of funds, property or other resources that contribute to a community priority, health care cost containment activities, and health education, screening and prevention services.

The following table reflects the estimated cost of providing these services and activities, along with descriptions of selected activities during the fiscal year ended June 30, 2023 (amounts in thousands of dollars):

	Community Benefit Costs	**Less: Offsetting Revenue**	**Net Community Benefit Costs**
Charity care and public programs	$57,287	-	**$57,287**
Other benefits to the community:			
Community health improvement services	15,603	$688	**14,915**
Health professions education	254,552	1,766	**252,786**
Subsidized health services	217,268	85,743	**131,525**
Cash and in-kind contributions to charitable organizations	4,896	2,762	**2,134**
Other community benefit activities	3,623	-	**3,623**
Total	**$553,229**	**$90,959**	**$462,270**

The Medical System provides a broad range of health and support activities to meet the needs of the community. In support of their charitable mission, Medical System Hospitals have adopted a financial assistance policy, under which they provide charity care to those patients in need. Charity care includes providing medically necessary patient care services that are discounted or free of charge to uninsured or underinsured persons who qualify for assistance due to insufficient resources. The criteria for charity care assistance are determined based on eligibility for insurance coverage, household income, qualified assets, eligibility for other means-tested government programs, and information supporting a patient's inability to pay for services provided. The estimated cost of charity care services provided is determined in accordance with the Medical System's accounting policies, using a cost-to-charge ratio.

Medical System Hospitals also provide a broad range of community health services, including community health education and clinics, such as classes and workshops on health topics for little or no charge, health screenings, support groups, resource centers and medical libraries. Medical System

Hospitals evaluate and implement various community health services as part of their triennial Community Health Needs Assessments, as required by the Patient Protection and Affordable Care Act. Health fairs were offered in the communities served by Medical System Hospitals as well as programs designed to address chronic disease prevention, maternal child health, infectious disease prevention, violence prevention, access to care, and workforce development. Health professions education includes programs to train medical students, nurses, and other health professionals, including students in imaging, pharmacy, physical rehabilitation, laboratory, and other areas. Subsidized health services consist of clinical programs provided despite a financial loss (after excluding the cost of charity care, bad debt, and unreimbursed cost of Medicare and Medicaid), such as emergency and trauma care, women's and children's services, behavioral health services, and outpatient clinic services. Cash and in-kind contributions to charitable organizations include providing grants to community organizations that are addressing identified community health needs and providing free medications to individuals in need who are identified through community outreach programs and regular free health clinics. Other community benefit activities include research, community building activities, and community benefit operations.

APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

University of Maryland Medical System Corporation and Subsidiaries
Years Ended June 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2024 and 2023

Contents

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Report of Independent Auditors

The Board of Directors
University of Maryland Medical System Corporation

Opinion

We have audited the consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation at June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating and combining/combined information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

October 28, 2024

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	June 30	
	2024	**2023**
Assets		
Current assets:		
Cash and cash equivalents	**$ 165,649**	$ 274,721
Assets limited as to use, current portion	**150,074**	67,049
Accounts receivable:		
Patient accounts receivable, net	**839,158**	634,459
Other	**127,346**	92,543
Inventories	**98,409**	100,781
Prepaid expenses and other current assets	**84,440**	35,542
Total current assets	**1,465,076**	1,205,095
Investments	**1,612,389**	1,490,962
Assets limited as to use, less current portion	**666,572**	750,672
Property and equipment, net	**2,949,564**	2,876,463
Investments in joint ventures	**145,096**	134,642
Other assets	**577,985**	559,429
Total assets	**$ 7,416,682**	$ 7,017,263
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	**$ 372,943**	$ 294,022
Accrued payroll and benefits	**359,083**	314,725
Advances from third-party payors	**181,919**	186,984
Lines of credit	**–**	80,000
Other current liabilities	**201,160**	160,256
Long-term debt subject to short-term refinancing agreements	**91,390**	–
Current portion of long-term debt	**34,059**	32,115
Total current liabilities	**1,240,554**	1,068,102
Long-term debt, less current portion	**1,736,659**	1,864,194
Other long-term liabilities	**583,405**	547,832
Interest rate swap liabilities	**55,170**	70,350
Total liabilities	**3,615,788**	3,550,478
Net assets:		
Without donor restrictions	**3,445,024**	3,226,247
With donor restrictions	**355,870**	240,538
Total net assets	**3,800,894**	3,466,785
Total liabilities and net assets	**$ 7,416,682**	$ 7,017,263

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2024	**2023**
Operating revenue, gains, and other support:		
Net patient service revenue	**$ 4,863,479**	$ 4,682,343
State and county support	**20,922**	13,700
Other revenue	**359,556**	372,557
Total operating revenue, gains, and other support	**5,243,957**	5,068,600
Operating expenses:		
Salaries, wages, and benefits	**2,736,955**	2,693,388
Expendable supplies	**1,001,582**	924,459
Purchased services	**791,085**	768,454
Contracted services	**365,713**	328,588
Depreciation and amortization	**275,808**	277,955
Interest expense	**65,803**	57,942
Total operating expenses	**5,236,946**	5,050,786
Operating income	**7,011**	17,814
Nonoperating income and expenses, net:		
Unrestricted contributions	**2,122**	7,434
Equity in net income of joint ventures	**7,194**	5,209
Investment income, net	**61,348**	13,378
Change in fair value of investments	**119,536**	108,297
Change in fair value of undesignated interest rate swaps	**13,916**	35,020
Other nonoperating losses, net	**(38,894)**	(25,859)
Excess of revenues over expenses	**$ 172,233**	$ 161,293

Continued on page 6

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2022	$ 3,041,971	$ 234,092	$ 3,276,063
Excess of revenues over expenses	161,293	–	161,293
Investment gains, net	–	4,565	4,565
State support for capital	17,094	–	17,094
Contributions, net	2,027	19,558	21,585
Net assets released from restrictions used for operations and nonoperating activities	–	(9,473)	(9,473)
Net assets released from restrictions used for purchase of property and equipment	3,948	(3,948)	–
Change in economic and beneficial interests in the net assets of related organizations	1,058	(7,672)	(6,614)
Change in funded status of defined benefit pension plans	11,300	–	11,300
Other	(12,444)	3,416	(9,028)
Increase in net assets	184,276	6,446	190,722
Balance at June 30, 2023	3,226,247	240,538	3,466,785
Excess of revenues over expenses	**172,233**	**–**	**172,233**
Investment gains, net	**–**	**17,646**	**17,646**
State support for capital	**27,000**	**75,795**	**102,795**
Contributions, net	**–**	**31,423**	**31,423**
Net assets released from restrictions used for operations and nonoperating activities	**–**	**(8,435)**	**(8,435)**
Net assets released from restrictions used for purchase of property and equipment	**10,265**	**(10,265)**	**–**
Change in economic and beneficial interests in the net assets of related organizations	**114**	**7,355**	**7,469**
Change in funded status of defined benefit pension plans	**6,065**	**–**	**6,065**
Other	**3,100**	**1,813**	**4,913**
Increase in net assets	**218,777**	**115,332**	**334,109**
Balance at June 30, 2024	**$ 3,445,024**	**$ 355,870**	**$ 3,800,894**

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2024	**2023**
Operating activities		
Increase in net assets	**$ 334,109**	$ 190,722
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**275,808**	277,955
Amortization of bond premium and deferred financing costs	**(2,226)**	(2,366)
Net realized gains and change in fair value of investments	**(180,884)**	(121,675)
Equity in net income of joint ventures	**(7,194)**	(5,209)
Change in economic and beneficial interests in net assets of related organizations	**(5,873)**	6,163
Change in fair value of interest rate swaps	**(13,916)**	(35,020)
Change in funded status of defined benefit pension plans	**(6,065)**	(11,300)
Restricted contributions, grants and other support, net	**(151,864)**	(24,123)
Gain on sale of home health agency	**–**	(3,500)
Change in operating assets and liabilities:		
Patient accounts receivable	**(204,699)**	(62,850)
Other receivables, prepaid expenses, other current assets, and other assets	**(104,463)**	133,453
Inventories	**2,372**	(3,328)
Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities	**155,368**	(104,168)
Advances from third-party payors	**(5,065)**	(79,137)
Net cash provided by operating activities	**85,408**	155,617
Investing activities		
Purchases and sales of investments and assets limited as to use, net	**286,377**	237,903
Purchases of alternative investments	**(144,855)**	(169,987)
Sales of alternative investments	**58,312**	139,103
Purchases of property and equipment	**(357,117)**	(326,313)
Sale of home health agency, net cash proceeds	**–**	4,753
Contributions to joint ventures, net	**(1,054)**	(29,808)
Net cash used in investing activities	**(158,337)**	(144,349)

Continued on page 8

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows (continued)
(In Thousands)

	Year Ended June 30	
	2024	**2023**
Financing activities		
Repayment of long-term debt and finance leases	**$ (31,975)**	$ (39,958)
Repayments of lines of credit, net	**(80,000)**	(1,000)
Restricted contributions, grants, and other support	**151,864**	24,123
Funds administered for others	**57,397**	–
UM Health Plan, LLC earnout proceeds	**–**	939
Net cash provided by (used in) financing activities	**97,286**	(15,896)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**24,357**	(4,628)
Cash, cash equivalents, and restricted cash, beginning of year	**369,795**	374,423
Cash, cash equivalents, and restricted cash, end of year	**$ 394,152**	$ 369,795
Cash and cash equivalents	**$ 165,649**	$ 274,721
Restricted cash included in assets limited as to use	**228,503**	95,074
Cash, cash equivalents, and restricted cash, end of year	**$ 394,152**	$ 369,795
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	**$ 67,107**	$ 58,809
Amount included in accounts payable for construction in progress	**$ 40,556**	$ 48,764

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(In Thousands)

June 30, 2024

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation, providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Prior to that time, the founding hospital was state-owned, operated and financed as part of the University of Maryland, now a part of the University System. As part of the privatization process, the Maryland General Assembly and the University of Maryland's Board of Regents adopted legislation (the Governance Legislation) separating the major health care delivery components from the University System to UMMS. This Governance Legislation provides for a certain level of oversight by the State of Maryland to ensure UMMS' founding purposes are consistently set forth in its functions and operating practices.

Over its history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in Note 4.

The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 710-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

1. Organization and Summary of Significant Accounting Policies (continued)

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 85% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 15% of admissions and patient days. The Medical Center also operates 36 South Paca Street, LLC, a wholly owned subsidiary that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2024 and 2023 was approximately $212,707 and $201,509, respectively.

University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 138 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 138 licensed beds, including 116 acute care beds and 22 chronic care beds and a wholly owned subsidiary providing primary care.

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Baltimore Washington Medical System (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 307-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

University of Maryland Shore Regional Health (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Shore Medical Center at Easton (UM Easton), a 98-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Shore Medical Center at Cambridge (UM Cambridge), a freestanding medical facility, providing outpatient services in Cambridge, Maryland; University of Maryland Shore Medical Center at Chestertown (UM Chester River), a 5-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds to support certain Shore Regional facilities. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation and, accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Charles Regional Health (Charles Regional)

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 104-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

University of Maryland St. Joseph Health System (St. Joseph)

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 221-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 203-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), a free-standing emergency and medical facility; a physician practice; and a land holding company. During fiscal year 2024, UM Harford Memorial was closed, and a new freestanding medical facility was opened, with inpatient activity transferring to UM Upper Chesapeake.

University of Maryland Capital Region Health (Capital Region)

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Capital Region Medical Center (UM Capital Region), a 233-bed acute care teaching hospital and Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a free standing medical facility providing emergency medicine and outpatient surgery; and UM Bowie Health Center (UM Bowie), a free standing medical facility providing emergency medicine and diagnostic imaging and lab services.

University of Maryland Medical System Foundation (UM Medicine Foundation)

The UM Medicine Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Medical Center and certain other subsidiaries of UMMS.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

Investments and Assets Limited as to Use

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported in the consolidated balance sheets as long-term assets at June 30, 2024 and 2023. Investment income earnings on cash and short-term investments associated with business operations are recorded in other operating revenues. Unrealized holding gains and losses on trading securities with readily determinable market values, as well as alternative investments, are included in nonoperating income. Investment income related to long-term investments, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law. UMMS serves as the Paymaster for the Maryland Health Services Cost Review Commission (HSCRC)'s Episode Quality Improvement Program, whereby UMMS receives and disburses awards earned under the Program. At June 30, 2024, the Corporation held $81,024 of funds that are pending disbursement to Program beneficiaries, an amount that is included in current portion of assets limited as to use (Note 2) with an equal and offsetting liability recorded in other current liabilities. Assets limited as to use also includes the Corporation's economic interests in financially interrelated organizations (Note 11).

1. Organization and Summary of Significant Accounting Policies (continued)

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

Fair Value Measurements

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors – The carrying amounts reported in the consolidated balance sheets approximate the related fair values. Assets limited as to use and investments include managed funds, which include hedge funds, hedge fund-of-funds, multi-strategy commingled funds, private equity investments and other investments (collectively "alternative investments") which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. The Corporation applies Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its alternative investments and *pension plan assets*. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV. These amounts are not required to be categorized in the fair value hierarchy. Fair value is based on the proportionate share of the NAV based on the most recent statements received for the fund managers.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by accounting principles generally accepted in the United States of America that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted

1. Organization and Summary of Significant Accounting Policies (continued)

quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

As of June 30, 2024 and 2023, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 2 and 10 utilize the following valuation techniques and inputs:

U.S. Government and agency securities

The fair value of investments in U.S. Government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads. U.S. Government and agency securities also include treasury notes that are based on quoted market prices in active markets.

1. Organization and Summary of Significant Accounting Policies (continued)

Corporate obligations

The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options. The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes. Corporate obligations also include commercial paper that is based on quoted market prices in active markets.

Derivative liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Net Patient Service Revenue and Patient Accounts Receivable

In accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenue, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors (including commercial payors and government programs) and others. Revenue is recognized over time as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The services provided to a patient during an inpatient stay or outpatient visit represent a bundle of goods and services that are distinct and accounted for as a single performance obligation.

1. Organization and Summary of Significant Accounting Policies (continued)

The Corporation's estimate of the transaction price includes the Corporation's standard charges for the goods and services provided, with a reduction recorded related to explicit price concessions for such items as contractual allowances, charity care, adjustments that may arise from payment and other reviews, and implicit price concessions, such as uncollectible amounts. The price concessions are determined using the portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical experience, a significant portion of the self-pay population will be unable or unwilling to pay for services and only the amount anticipated to be collected is recognized in the transactions price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are considered bad debt expense and recorded within operating expenses in the Consolidated Statements of Operations and Changes in Net Assets and was not material for the years ended June 30, 2024 and 2023. Estimates for uncollectible amounts are based on the historical collections experience for similar payors and patients, current market conditions, and other relevant factors. The Corporation recognizes a significant amount of patient service revenue even though it does not assess the patient's ability to pay.

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates regulated by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered. See Note 17 for further discussion on the HSCRC and regulated rates.

Patient accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients and are recorded at the net realizable value based on certain assumptions determined by each payor. The Corporation reports patient accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments.

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The Corporation has elected to apply the optional exemption in ASC 606-10-50-14a, as all performance obligations relate to contracts with a duration of less than one year. Under this exemption, the Corporation was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

Net patient service revenue by line of business is as follows:

	Year Ended June 30	
	2024	**2023**
Hospital inpatient and outpatient services	**$ 4,520,934**	$ 4,367,049
Physician services	**326,722**	305,467
Other	**15,823**	9,827
Net patient service revenue	**$ 4,863,479**	$ 4,682,343

Other Accounts Receivable

Other accounts receivable primarily includes receivables related to the hospital outpatient pharmacies, pharmacy rebate accruals, grants, and third-party contracts.

Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or net realizable value.

Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation’s economic interests in these financially interrelated organizations are recognized in the accompanying consolidated statements of changes in net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

1. Organization and Summary of Significant Accounting Policies (continued)

Investments in Joint Ventures

When the Corporation does not have controlling interest over the operating and financial policies of the investee, but has significant influence over an entity, the Corporation applies the equity method of accounting, and operating results flow through equity in net income of joint ventures in the nonoperating income and expenses, net section of the consolidated Statement of Operations and Changes in Net Assets. Dividends received are recorded as a reduction in the carrying amount of the investment. Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

Other Assets

Other Assets primarily includes reinsurance receivables (Note 15), Operating lease right of use (ROU) assets (Note 5), prepaid expenses, retirement plan assets and intangible assets, net of accumulated amortization.

Accrued Vacation

The Corporation's employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to certain limits, at which time no additional vacation hours can be earned. The Corporation records a liability within accrued payroll and benefits in the Consolidated Balance Sheets for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances From Third-Party Payors

The Corporation receives advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed for hospitals in the State of Maryland. Advances are recorded as a current liability in the consolidated balance sheets

Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

1. Organization and Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals for its derivative financial instruments are to: (a) manage interest rate sensitivity by modifying the repricing or maturity characteristics of some of its debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value; however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

All derivative instruments are reported as interest rate swap liabilities or other assets in the consolidated balance sheets and measured at fair value. Currently, the Corporation is accounting for its interest rate swaps as economic hedges at fair value, with changes in the fair value recognized in other nonoperating income and expenses.

Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), incurred claims are estimated primarily based upon actuarial methods which include incurred but not reported claims analysis and reported claims the severity of incidents and the expected timing of claim payments. These estimates are continually reviewed and adjusted as necessary based on experience. These adjustments are recorded within the current period operating income.

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions on the accompanying consolidated statements of operations and changes in net assets. Contributed nonfinancial assets received from donors are subsequently monetized. Net assets also include endowments that are subject to donor-imposed restrictions that are to be maintained permanently by the Corporation.

Contributions to be received after one year are discounted at a fixed discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

1. Organization and Summary of Significant Accounting Policies (continued)

Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of the Corporation's charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately $52,818 and $51,325 for the years ended June 30, 2024 and 2023, respectively.

Other Operating Revenue

Other operating revenue consists of pharmacy prescription sales, cafeteria sales, grant revenues, net assets released from restriction, and other non-patient service revenue.

Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include income earned on long-term investments, equity in the net income of joint ventures, general donations and fund-raising activities, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment.

1. Organization and Summary of Significant Accounting Policies (continued)

Excess of Revenue over Expenses

The accompanying consolidated statements of operations and changes in net assets include a performance indicator, excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, state support for capital, and other items that are required by generally accepted accounting principles to be reported separately.

Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code), pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Going Concern

Management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation’s ability to continue as a going concern within one year after the date the consolidated financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Corporation’s ability to continue as a going concern.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts in the footnotes to the consolidated financial statements have been reclassified to conform to the current year presentation.

New and Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 was effective for the Corporation July 1, 2023. There was no significant impact on the Corporation’s consolidated financial statements during the year ended June 30, 2024.

(In Thousands)

2. Investments and Assets Limited as to Use

The carrying values of assets limited as to use were as follows:

	June 30 2024	2023
Investments held for collateral	**$ 4,419**	$ 5,667
Debt service and reserve funds	**55,845**	54,279
Construction funds – held by trustee	**91,906**	195,843
Construction funds – held by the Corporation	**52,262**	102,828
Board designated funds	**–**	30,000
Self-insurance trust funds	**289,634**	245,536
Funds restricted by donors	**182,353**	130,238
Economic and beneficial interests in the net assets of related organizations *(Note 11)*	**59,203**	53,330
Other assets limited as to use	**81,024**	–
Total assets limited as to use	**816,646**	817,721
Less amounts available for current liabilities	**(150,074)**	(67,049)
Total assets limited as to use, less current portion	**$ 666,572**	$ 750,672

Assets limited as to use (short and long term) consisted of the following:

	June 30 2024	2023
Cash and cash equivalents	**$ 267,578**	$ 183,526
Corporate obligations	**15,336**	73,129
Fixed income funds	**21,904**	21,235
U.S. Government and agency securities	**48,950**	135,043
Common stocks, including mutual funds	**67,483**	61,092
Alternative investments	**49,894**	48,012
Assets held by other organizations	**345,501**	295,684
Total assets limited as to use	**$ 816,646**	$ 817,721

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of cash, stocks and fixed-income, corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets. These assets include the Corporation's portion of the investment pool shared with University of Maryland Faculty Physicians, Inc., which is part of the University of Maryland School of Medicine.

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), funds restricted by donors, and other restricted use funds are included in the accompanying consolidated statements of cash flows for the years ended June 30, 2024 and 2023.

The carrying values of investments were as follows:

	June 30	
	2024	**2023**
Cash and cash equivalents	**$ 99,805**	$ 204,856
Corporate obligations	**35,604**	41,764
Fixed income funds	**114,145**	51,589
U.S. Government and agency securities	**123,270**	131,370
Common stocks	**488,734**	471,822
Alternative investments:		
Hedge funds/private equity	**62,674**	52,843
Commingled funds	**688,157**	536,718
	$ 1,612,389	$ 1,490,962

2. Investments and Assets Limited as to Use (continued)

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using NAV as a practical expedient. As of June 30, 2024 and 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately $229,795 and $91,619 of the alternative investments were subject to 31–60-day notice requirements and can only be redeemed monthly, quarterly, or annually as of June 30, 2024, and 2023, respectively. Other funds as of June 30, 2024, and 2023, totaling approximately $88,985, and $ 75,897, respectively, are subject to over 60-day notice requirements and can only be redeemed quarterly or annually. There is approximately $38,455 and $29,968 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from three to ten years as of June 30, 2024, and 2023, respectively. The Corporation had approximately $76,928 and $53,294 of unfunded commitments in alternative investments as of June 30, 2024 and 2023, respectively.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	**$ 99,805**	**$ –**	**$ –**	**$ 99,805**
Corporate obligations	**–**	**35,604**	**–**	**35,604**
Fixed income funds	**114,145**	**–**	**–**	**114,145**
U.S. Government and agency securities	**79,441**	**43,829**	**–**	**123,270**
Common stocks, including mutual funds	**488,734**	**–**	**–**	**488,734**
	$ 782,125	**$ 79,433**	**$ –**	**861,558**
Alternative investments, reported using NAV:				
Hedge funds/private equity				**62,674**
Commingled funds				**688,157**
Total investments				**$ 1,612,389**
Assets limited as to use:				
Cash and cash equivalents	**$ 267,578**	**$ –**	**$ –**	**$ 267,578**
Corporate obligations	**2,027**	**13,309**	**–**	**15,336**
Fixed income funds	**21,904**	–	**–**	**21,904**
U.S. Government and agency securities	**47,898**	**1,052**	**–**	**48,950**
Common stocks, including mutual funds	**67,483**	–	**–**	**67,483**
Economic and beneficial interests	**–**	**–**	**59,203**	**59,203**
	$ 406,890	**$ 14,361**	**$ 59,203**	**480,454**
Alternative investments, reported using NAV:				
Investments held by other organizations*				**286,298**
Hedge funds/private equity				**13,121**
Commingled funds				**36,773**
				$ 816,646

*"Investments held by other organizations" recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds. As of June 30, 2024, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 204,856	$ –	$ –	$ 204,856
Corporate obligations	17,960	23,804	–	41,764
Fixed income funds	51,589	–	–	51,589
U.S. Government and agency securities	95,759	35,611	–	131,370
Common stocks, including mutual funds	471,822	–	–	471,822
	$ 841,986	$ 59,415	$ –	901,401
Alternative investments, reported using NAV:				
Hedge funds/private equity				52,843
Commingled funds				536,718
Total investments				$ 1,490,962
Assets limited as to use:				
Cash and cash equivalents	$ 183,526	$ –	$ –	$ 183,526
Corporate obligations	16,945	56,184	–	73,129
Fixed income funds	21,235	–	–	21,235
U.S. Government and agency securities	134,680	363	–	135,043
Common stocks, including mutual funds	61,092	–	–	61,092
Economic and beneficial interests	–	–	53,330	53,330
	$ 417,478	$ 56,547	$ 53,330	527,355
Alternative investments, reported using NAV:				
Investments held by other organizations*				242,354
Hedge funds/private equity				15,643
Commingled funds				32,369
				$ 817,721

*"Investments held by other organizations" recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds. As of June 30, 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Changes to Level 1 and Level 2 securities between June 30, 2024 and 2023 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

The Corporation's total return on its investments and assets limited as to use was as follows:

	Year Ended June 30	
	2024	**2023**
Dividends and interest, net of fees	**$ 44,180**	$ 30,823
Net realized (losses) gains	**37,846**	(13,329)
Change in fair value of trading securities and alternative investments	**120,665**	112,488
Total investment return	**$ 202,691**	$ 129,982

Total investment return is classified in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended June 30	
	2024	**2023**
Other operating revenue	**$ 4,161**	$ 3,742
Nonoperating investment income, net	**61,348**	13,378
Change in fair value of unrestricted investments	**119,536**	108,297
Investment gains (losses) on net assets with donor restrictions	**17,646**	4,565
Total investment return	**$ 202,691**	$ 129,982

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

(In Thousands)

3. Property and Equipment

The following is a summary of property and equipment:

	June 30	
	2024	**2023**
Land	**$ 206,705**	$ 204,676
Buildings	**2,377,325**	2,123,014
Building and leasehold improvements	**1,085,106**	1,265,355
Equipment	**1,892,095**	2,479,644
Construction in progress	**283,363**	367,056
	5,844,594	6,439,745
Less accumulated depreciation and amortization	**(2,895,030)**	(3,563,282)
	$ 2,949,564	$ 2,876,463

During the year ended June 30, 2024 and 2023, the Corporation retired long-lived assets determined to have no future value. During 2024, the original cost and corresponding accumulated depreciation of these long-lived assets was $963,174 and $956,821, respectively. During 2023, the original cost and corresponding accumulated depreciation of these long-lived assets was $10,237 and $6,993, respectively. No proceeds from retirement were received in 2024 or 2023.

Interest cost capitalized was $8,782 and $11,552 for the years ended June 30, 2024 and 2023, respectively. Remaining contractual commitments on construction projects were approximately $185,842 at June 30, 2024.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation’s facilities.

(In Thousands)

4. Investments in Joint Ventures

The Corporation has equity method investments valued at approximately $145,096 and $134,642 at June 30, 2024 and 2023, respectively, in the following unconsolidated joint ventures:

	Ownership %	2024	2023
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	50%	**$ 79,581**	$ 76,305
Terrapin Insurance (Terrapin)	50%	**975**	975
Other investments	Various	**64,540**	57,362
		$ 145,096	$ 134,642

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30:

	2024			
	Mt. Washington	**Terrapin**	**Others**	**Total**
Current assets	**$ 18,051**	**$ 459,871**	**$ 57,141**	**$ 535,063**
Noncurrent assets	**146,477**	**–**	**112,556**	**259,033**
Total assets	**$ 164,528**	**$ 459,871**	**$ 169,697**	**$ 794,096**
Current liabilities	**$ 19,077**	**$ 966**	**$ 13,111**	**$ 33,154**
Noncurrent liabilities	**2,810**	**456,955**	**26,915**	**486,680**
Net assets	**142,641**	**1,950**	**129,671**	**274,262**
Total liabilities and net assets	**$ 164,528**	**$ 459,871**	**$ 169,697**	**$ 794,096**
Total operating revenue	**$ 66,412**	**$ 37,342**	**$ 143,632**	**$ 247,386**
Total operating expenses	**(70,798)**	**(63,193)**	**(120,775)**	**(254,766)**
Total nonoperating (losses) gains, net	**8,647**	**25,851**	**(3,225)**	**31,273**
Contributions from (to) owners	**–**	**–**	**43,484**	**43,484**
Other changes in net assets, net	**1,833**	**–**	**(3,721)**	**(1,888)**
Increase in net assets	**$ 6,094**	**$ –**	**$ 59,395**	**$ 65,489**

(In Thousands)

4. Investments in Joint Ventures (continued)

	2023			
	Mt. Washington	**Terrapin**	**Others**	**Total**
Current assets	$ 15,230	$ 439	$ 50,799	$ 66,468
Noncurrent assets	142,885	417,714	49,590	610,189
Total assets	$ 158,115	$ 418,153	$ 100,389	$ 676,657
Current liabilities	$ 14,754	$ 2,518	$ 7,491	$ 24,763
Noncurrent liabilities	6,659	413,685	22,622	442,966
Net assets	136,702	1,950	70,276	208,928
Total liabilities and net assets	$ 158,115	$ 418,153	$ 100,389	$ 676,657
Total operating revenue	$ 65,570	$ 48,408	$ 111,790	$ 225,768
Total operating expenses	(68,508)	(58,379)	(92,806)	(219,693)
Total nonoperating (losses) gains, net	5,657	9,971	(2,838)	12,790
Contributions from (to) owners	–	–	(8,343)	(8,343)
Other changes in net assets, net	2,675	–	1,077	3,752
Increase in net assets	$ 5,394	$ –	$ 8,880	$ 14,274

5. Leases

The Corporation determines if an arrangement is a lease at inception of the contract. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheets. The Corporation's leases primarily consist of real estate leases for medical and administrative office buildings.

(In Thousands)

5. Leases (continued)

Lease liabilities are recognized based on its present value, net of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses, and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services, net, but are not included in the ROU asset or liability balances. Lease agreements may include one or more renewal options which are at the Corporation's sole discretion. The Corporation does not consider the renewal options to be reasonably likely to be exercised; therefore, they are not included in ROU assets and lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases.

In accordance with ASC 842, *Leases*, the Corporation has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Corporation recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

The following table summarizes the components of operating and finance lease assets and liabilities classified as current and noncurrent on the accompanying consolidated balance sheets:

	Consolidated Balance Sheet Classification	**June 30 2024**	**2023**
Operating leases			
Operating lease ROU assets	Other assets	**$ 108,621**	$ 92,700
Operating lease obligation current	Other current liabilities	**(16,550)**	(16,092)
Operating lease obligation long-term	Other long-term liabilities	**(94,054)**	(80,473)
Finance leases			
Finance lease ROU assets	Property and equipment, net	**$ 36,581**	$ 37,860
Current finance lease liabilities	Other current liabilities	**(1,083)**	(1,055)
Long-term finance lease liabilities	Other long-term liabilities	**(43,489)**	(44,572)

(In Thousands)

5. Leases (continued)

The components of lease expense were as follows:

	Year Ended June 30	
	2024	**2023**
Finance lease expense:		
Amortization of ROU assets	**$ 1,279**	$ 1,065
Interest on lease liabilities	**1,570**	1,564
Total finance lease expense	**2,849**	2,629
Operating lease expense	**19,928**	19,681
Short-term/variable lease expense	**12,909**	15,370
Total lease expense	**$ 35,686**	$ 37,680

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2024 are as follows:

	Operating	**Finance**
2025	$ 20,091	$ 2,625
2026	19,472	2,522
2027	15,817	2,006
2028	13,430	2,006
2029	11,548	2,006
Thereafter	48,618	43,037
Total	128,976	54,202
Less: Present value discount	(18,372)	(9,630)
Lease liabilities	$ 110,604	$ 44,572

(In Thousands)

5. Leases (continued)

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	Year Ended June 30	
	2024	**2023**
Operating leases	**$ 19,837**	$ 19,222
Financing leases	**2,625**	2,109
Total cash paid	**$ 22,462**	$ 21,331

Other information is as follows:

	Year Ended June 30	
	2024	**2023**
Weighted average remaining lease terms (in years):		
Finance leases	**6.40**	7.34
Operating leases	**8.51**	8.83
Weighted average discount rate:		
Finance leases	**3.50%**	3.48%
Operating leases	**3.52%**	2.79%

During fiscal year 2024, the Corporation entered into a lease agreement with an expected commencement date effective in fiscal year 2025. The lease has a 15-year term with annual base rental payments starting at $4,793 for the initial lease year, increasing at 3% per year.

6. Line of Credit

For the years ended June 30, 2024 and 2023, the Corporation had a $250,000 revolving line of credit in place with a syndicate of banking partners. The line of credit has a three year term, and its current expiration date is August 23, 2025. Interest is calculated based on a variable rate option, at either a daily Base Rate or a 30-day term percentage based on the Secured Overnight Financing Rate (SOFR) plus a credit spread. As of June 30, 2024 and 2023, the amount outstanding on the line of credit was $0 and $80,000, respectively.

(In Thousands)

7. Long-Term Debt and Other Borrowings

Long-term debt consists of the following:

	Interest Rate	Payable in Fiscal Year(s)	June 30 2024	2023
MHHEFA project revenue bonds:				
Corporation issue, payments due annually:				
Series 2021A/B Bonds	Variable rate	2023–2043[(1)]	**$ 254,340**	$ 262,405
Series 2020B/D Bonds	3.05%–5.00%	2041–2051[(1)]	**752,680**	752,680
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	**189,965**	189,965
Series 2017B/C Bonds	1.98%–5.00%	2018–2040	**202,845**	219,405
Series 2016A–F Bonds	Variable rate	2017–2042[(1)]	**186,180**	190,060
Series 2015 Bonds	3.00%–5.00%	2016–2042	**67,265**	68,965
Series 2013 Bonds	4.00%–5.00%	2014–2044	**115,055**	115,055
Series 2008D/ Bonds	Variable rate	2025–2042	**50,000**	50,000
MHHEFA Pooled Loan Program	Variable rate	2017–2035	**12,350**	13,300
Other long-term debt:				
Other loans, mortgages and notes payable	3.25%–6.50%	Monthly, 2001–2026	**6,892**	7,714
Total debt			**1,837,572**	1,869,549
Less current portion of long-term debt			**(34,059)**	(32,115)
Less long-term debt subject to short-term refinancing, due to mandatory tender in next 12 months			**(91,390)**	–
			1,712,123	1,837,434
Plus unamortized premiums			**34,842**	37,935
Less unamortized deferred financing costs			**(10,306)**	(11,175)
			$ 1,736,659	$ 1,864,194

[(1)] Mandatory bond tender is scheduled to occur in the following fiscal years, unless extended or refinanced: 2016B (2027), 2016C (2029), 2016E (2027) 2016F (2029), 2020B-1 (2026), 2020B-2 (2028), 2021A (2028) and 2021B (2025).

(In Thousands)

7. Long-Term Debt and Other Borrowings (continued)

Pursuant to an Amended and Restated Master Loan Agreement, dated August 1, 2022 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Easton and UM Cambridge), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Capital Region, UM Laurel, UM Bowie, and the UM Medicine Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

The aggregate annual future maturities of long-term debt including mandatory bond tender, according to the original terms of the Master Loan Agreement and all other loan agreements, are as follows for the years ending June 30:

2025	$ 125,449
2026	113,408
2027	162,950
2028	248,575
2029	112,220
Thereafter	1,074,970
	$ 1,837,572

The Corporation’s Series 2008D Bonds are variable rate demand bonds requiring a remarketing agent to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into a letter-of-credit agreement with a banking institution. The agreement has a term that expires in 2027. If the bonds are not successfully

(In Thousands)

7. Long-Term Debt and Other Borrowings (continued)

remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in 48 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements within the consolidated balance sheet according to the maturity of the bond's related letter of credit agreements. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2024 and 2023.

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows:

	June 30	
	2024	**2023**
Series 2008D Bonds	**4.95%**	3.60%
Series 2016B Bonds	**4.79**	4.59
Series 2016C Bonds	**4.78**	4.56
Series 2016E Bonds	**5.02**	4.89
Series 2016F Bonds	**4.78**	4.56
Series 2021A Bonds	**4.42**	4.55
Series 2021B Bonds	**4.16**	4.29
MHHEFA Pooled Loan Program	**3.75**	4.00

8. Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

(In Thousands)

8. Interest Rate Risk Management (continued)

At June 30, 2024 and 2023, the Corporation's notional values of outstanding interest rate swaps and the corresponding mark-to-market values are as follows:

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Mark to Market
June 30, 2024					
Swap #1	**$ 59,423**	3.59%	70% of SOFR	7/1/2031	**$ (914)**
Swap #2	**84,000**	3.93	68% of SOFR	7/1/2041	**(9,502)**
Swap #3	**21,000**	4.24	68% of SOFR	7/1/2041	**(3,043)**
Swap #4	**25,275**	3.99	67% of SOFR	7/1/2034	**(1,477)**
Swap #5	**18,470**	3.54	70% of SOFR	7/1/2031	**(260)**
Swap #6	**196,000**	3.93	68% of SOFR	7/1/2041	**(14,327)**
Swap #7	**49,000**	4.24	68% of SOFR	7/1/2041	**(4,486)**
Swap #8	**58,950**	4.00	67% of SOFR	7/1/2034	**(1,395)**
Swap #9	**1,245**	3.63	67% of SOFR	7/1/2032	**(17)**
Swap #10	**82,500**	3.92	67% of SOFR	1/1/2043	**(4,267)**
Swap #11	**-**	0.51	67% of SOFR + 0.5133%	1/1/2038	**–**
Swap #12	**196,000**	4.02	68% of SOFR	10/1/2028	**(8,495)**
Swap #13	**49,000**	4.33	68% of SOFR	10/1/2028	**(2,781)**
Swap #14	**58,950**	4.09	67% of SOFR	10/1/2028	**(2,235)**
Swap #15	**82,500**	3.99	67% of SOFR	11/3/2028	**(3,420)**
					(56,619)
Valuation adjustments					**1,449**
Total					**$ (55,170)**
June 30, 2023					
Swap #1	$ 70,512	3.59%	70% of SOFR	7/1/2031	$ (1,465)
Swap #2	84,000	3.93	68% of SOFR	7/1/2041	(12,758)
Swap #3	21,000	4.24	68% of SOFR	7/1/2041	(3,907)
Swap #4	27,225	3.99	67% of SOFR	7/1/2034	(2,004)
Swap #5	21,870	3.54	70% of SOFR	7/1/2031	(424)
Swap #6	196,000	3.93	68% of SOFR	7/1/2041	(18,612)
Swap #7	49,000	4.24	68% of SOFR	7/1/2041	(5,539)
Swap #8	63,550	4.00	67% of SOFR	7/1/2034	(1,722)
Swap #9	1,375	3.63	67% of SOFR	7/1/2032	(27)
Swap #10	85,950	3.92	67% of SOFR	1/1/2043	(5,452)
Swap #11	67,490	0.51	67% of SOFR + 0.5133%	1/1/2038	(467)
Swap #12	196,000	4.02	68% of SOFR	10/1/2028	(11,948)
Swap #13	49,000	4.33	68% of SOFR	10/1/2028	(3,780)
Swap #14	63,550	4.09	67% of SOFR	10/1/2028	(3,183)
Swap #15	85,950	3.99	67% of SOFR	11/3/2028	(4,883)
					(76,171)
Valuation adjustments					5,821
Total					$ (70,350)

8. Interest Rate Risk Management (continued)

Swaps #6, #7, #8 and #10 are forward starting swaps, whereas cash settlements do not commence until their effective dates in October and November 2028.

As of July 1, 2023, swap payments based on the 1-month London Interbank Offered Rate (LIBOR) have transitioned to the applicable SOFR fallback rate. For 1-month LIBOR, the fallback rate is calculated as daily SOFR compounded over 30 days plus 0.11448%. UMMS implemented this transition with all of its swap counterparties by adhering to the International Swap and Derivatives Association 2020 LIBOR fallbacks protocol.

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

The Corporation recorded a net nonoperating gain on changes in the fair value of nonqualifying interest rate swaps of $13,916 and $35,020 for the years ended June 30, 2024 and 2023, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of $55,170 and $70,350 as of June 30, 2024 and 2023, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was $4,419 and $5,667 at June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

9. Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

Defined Benefit Plans

The Corporation's defined benefit plans include the following:

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan covering substantially all nonunion employees. In 2006, Midtown froze the defined benefit pension plan.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years.

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age.

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the newly consolidated Corporate Plan. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

Effective December 31, 2022, the benefit accruals in both the Baltimore Washington and Charles Regional (non-union only) plans were frozen.

9. Retirement Plans (continued)

Dimensions Health Corporation Pension Plan (Capital Region Pension Plan) – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. On December 31, 2007, the Capital Region Pension Plan was frozen. Effective August 30, 2023, all non-union Capital Region Pension Plan participants were spun off into a separate plan. In February 2024, UMMS terminated the non-union Capital Region Pension Plan and incurred a $11,100 settlement charge recorded in other nonoperating losses on the consolidated statement of operations and changes in net assets.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

(In Thousands)

9. Retirement Plans (continued)

The following tables set forth the combined benefit obligations and assets of the defined benefit plans:

	June 30	
	2024	**2023**
Change in projected benefit obligations		
Benefit obligations at beginning of year	**$ 331,858**	$ 360,582
Settlements	**(182,243)**	(1,258)
Service cost	**331**	1,333
Interest cost	**14,407**	17,214
Actuarial (gain) and other	**(240)**	(21,770)
Benefit payments	**(17,417)**	(24,243)
Projected benefit obligations at end of year	**$ 146,696**	$ 331,858
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 355,759**	$ 374,003
Actual return on plan assets	**6,440**	(1,114)
Settlements	**(184,797)**	–
Employer contributions	**4,308**	7,114
Benefit payments	**(17,417)**	(24,244)
Fair value of plan assets at end of year	**$ 164,293**	$ 355,759

(In Thousands)

9. Retirement Plans (continued)

The funded status of the plans and amounts recognized as other assets in the accompanying consolidated balance sheets are as follows:

	June 30	
	2024	**2023**
Funded status, end of period:		
Fair value of plan assets	**$ 164,293**	$ 355,759
Projected benefit obligations	**146,696**	331,858
Net funded status	**$ 17,597**	$ 23,901
Accumulated benefit obligation at end of year	**$ 146,538**	$ 331,767
Amounts recognized in consolidated balance sheets at June 30:		
Accrued pension asset	**$ 17,597**	$ 23,901
	$ 17,597	$ 23,901
Amounts recognized in net assets without donor restrictions at June 30:		
Net actuarial loss	**$ (36,190)**	$ (42, 255)
Prior service cost	**–**	–
	$ (36,190)	$ (42,255)

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2025 are as follows:

Net actuarial loss	$ 3,877
Prior service cost	–
	$ 3,877

(In Thousands)

9. Retirement Plans (continued)

The components of net periodic benefit cost are as follows:

	Year Ended June 30	
	2024	**2023**
Service cost	**$ 331**	$ 1,333
Interest cost	**14,407**	17,214
Expected return on plan assets	**(11,661)**	(15,051)
Prior service cost recognized	**–**	841
Recognized losses	**13,601**	3,596
Net periodic benefit cost	**$ 16,678**	$ 7,933

Components of net benefit cost other than the service cost of $331 and $1,333 in 2024 and 2023, respectively, were recorded in other nonoperating losses, net in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2024 and 2023. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans:

	June 30	
	2024	**2023**
Discount rate	**5.49–5.78%**	5.53%–5.67%
Rate of compensation increase (for nonfrozen plan)	**–**	3.00%
Interest crediting rate	**3.00–5.05%**	3.00%–5.00%

(In Thousands)

9. Retirement Plans (continued)

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans:

	Year Ended June 30	
	2024	**2023**
Discount rate	**5.53–5.67%**	4.37%–5.55%
Rate of compensation increase (for nonfrozen plan)	**0.00–3.00%**	0.00–3.00%
Expected long-term return on plan assets	**4.00–4.50%**	4.15%

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2024 and 2023, by asset category, are as follows:

		Percentage of Plan Assets as of June 30	
Asset Category	**Target Allocation**	**2024**	**2023**
Cash and cash equivalents	0%–20%	**14.59%**	18.15%
Fixed income securities	75%–90%	**80.13**	76.93
Equity securities	0%–10%	**5.27**	4.87
Hedge funds/private equity	0%–20%	**0.01**	0.05
		100.00%	100.00%

(In Thousands)

9. Retirement Plans (continued)

The target allocations for equity and fixed income securities include investments in commingled funds that are categorized in accordance with each fund's respective investment holdings.

The table below presents the Corporation's combined investable assets of the defined benefit pension plans aggregated by the fair value hierarchy as described in Note 1:

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
June 30, 2024					
Cash and cash equivalents	**$ 24,945**	**$ –**	**$ –**	**$ –**	**$ 24,945**
Fixed income funds	**5,570**	**–**	**–**	**–**	**5,570**
Common stocks, including mutual funds	**7,691**	**–**	**–**	**–**	**7,691**
Alternative investments:					
Hedge funds/private equity	**–**	**–**	**–**	**22**	**22**
Commingled funds	**–**	**–**	**–**	**126,065**	**126,065**
	$ 38,206	**$ –**	**$ –**	**$ 126,087**	**$ 164,293**
June 30, 2023					
Cash and cash equivalents	$ 66,776	$ –	$ –	$ –	$ 66,776
Common stocks, including mutual funds	14,900	–	–	–	14,900
Alternative investments:					
Hedge funds/private equity	–	–	–	188	188
Commingled funds	–	–	–	273,895	273,895
	$ 81,676	$ –	$ –	$ 274,083	$ 355,759

*Fund investments reported at NAV as practical expedient.

(In Thousands)

9. Retirement Plans (continued)

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2024 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. The Corporation had no unfunded commitments as of June 30, 2024 and 2023.

The Corporation expects to contribute $195 to its defined benefit pension plans for the fiscal year ended June 30, 2025.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30:

2025	$ 11,816
2026	12,087
2027	11,849
2028	11,944
2029	11,588
2030–2034	52,479

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2024.

Defined Contribution Plans

The Corporation offers a number of defined contribution benefits through 403(b) and 401(k) programs that were established by its affiliate hospitals. These plans allow for deferral of compensation or employer matching of compensation, subject to vesting requirements.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $60,810 and $54,237 for the years ended June 30, 2024 and 2023, respectively. Such amounts are included in salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

(In Thousands)

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 are restricted to:

	2024	2023
Subject to expenditures for a specified purpose:		
Facility construction and renovations, research, education, and other	**$ 241,308**	$ 131,849
Economic and beneficial interests in the net assets of related organizations	**59,203**	53,330
Total subject to expenditure for a specified purpose	**300,511**	185,179
Funds, cash and securities held into perpetuity:		
Health care services	**55,359**	55,359
Total held into perpetuity	**55,359**	55,359
Total net assets with donor restrictions	**$ 355,870**	$ 240,538

Net assets were released from donor restrictions by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	Year Ended June 30	
	2024	2023
Purchases of equipment and construction costs	**$ 10,265**	$ 3,948
Research, education, uncompensated care, and other	**8,435**	9,473
	$ 18,700	$ 13,421

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the State of Maryland as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the

(In Thousands)

11. Economic and Beneficial Interests in the Net Assets of Related Organizations

endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations:

	June 30	
	2024	**2023**
Economic interests in:		
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	**$ 43,028**	$ 37,636
Baltimore Washington Medical Center Foundation, Inc.	**10,491**	10,316
Total economic interests	**53,519**	47,952
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	**4,355**	4,049
University of Maryland Capital Region Health Foundation, Inc.	**1,267**	1,267
Laurel Regional Hospital Auxiliary, Inc.	**62**	62
	$ 59,203	$ 53,330

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

11. Economic and Beneficial Interests in the Net Assets of Related Organizations (continued)

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Auxiliary, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities.

12. State and County Support

The Corporation received $9,910 and $3,700 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2024 and 2023, respectively.

The Corporation received $11,012 and $10,000 in support for Capital Region operations from the State of Maryland for the years ended June 30, 2024 and 2023, respectively.

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recorded $102,795 and $17,094 during the years ended June 30, 2024 and 2023, respectively within state support for capital on the statement of changes in net assets.

(In Thousands)

13. Functional Expenses

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows:

	Healthcare Services			Shared		
	Hospital & Ambulatory	**Retail Pharmacy**	**Physician Practices**	**Services and Other**	**Eliminations**	**Total**
Year ended June 30, 2024						
Operating expenses:						
Salaries, wages, and benefits	**$ 2,005,243**	**$ 9,714**	**$ 351,770**	**$ 599,426**	**$ (229,198)**	**$ 2,736,955**
Expendable supplies	**756,100**	**171,555**	**67,695**	**13,667**	**(7,435)**	**1,001,582**
Purchased services:						
Purchased services	**1,083,383**	**18,209**	**74,861**	**339,353**	**(724,721)**	**791,085**
Contracted services	**392,175**	**–**	**35,650**	**66**	**(62,178)**	**365,713**
Depreciation and amortization	**267,634**	**–**	**2,057**	**6,117**	**–**	**275,808**
Interest expense	**65,803**	**–**	**–**	**–**	**–**	**65,803**
Total operating expenses	**$ 4,570,338**	**$ 199,478**	**$ 532,033**	**$ 958,629**	**$(1,023,532)**	**$ 5,236,946**

	Healthcare Services			Shared		
	Hospital & Ambulatory	**Retail Pharmacy**	**Physician Practices**	**Services and Other**	**Eliminations**	**Total**
Year ended June 30, 2023						
Operating expenses:						
Salaries, wages, and benefits	$ 2,003,080	$ 8,846	$ 334,076	$ 567,457	$ (220,071)	$ 2,693,388
Expendable supplies	716,372	145,694	54,466	10,650	(2,723)	924,459
Purchased services:						
Purchased services	1,010,343	17,515	71,724	337,978	(669,106)	768,454
Contracted services	353,736	–	31,344	8	(56,500)	328,588
Depreciation and amortization	264,626	–	2,305	11,024	–	277,955
Interest expense	57,942	–	–	–	–	57,942
Total operating expenses	$ 4,406,099	$ 172,055	$ 493,915	$ 927,117	$ (948,400)	$ 5,050,786

Shared services are allocated primarily using a percentage of net patient service revenue.

(In Thousands)

14. Liquidity and Availability of Resources

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2024 and 2023, as follows:

	2024	2023
Cash and cash equivalents	**$ 165,649**	$ 274,721
Receivables, net	**966,504**	727,002
Assets limited as to use – board designated	**–**	30,000
Investments	**1,612,389**	1,490,962
Total financial assets available within one year	**2,744,542**	2,522,685
Less:		
Amounts unavailable for general expenditures within one year due to:		
Alternative investments subject to lockup restrictions	**38,455**	29,968
Total financial assets available to management for general expenditure within one year	**$ 2,706,087**	$ 2,492,717

15. Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation with accrued liabilities included in other liabilities on the accompanying consolidated balance sheets. The accrued liabilities for these programs were as follows:

	June 30	
	2024	2023
Professional and general liabilities	**$ 451,024**	$ 425,660
Employee health	**23,870**	14,417
Employee long-term disability	**1,645**	2,185
Workers' compensation	**24,576**	26,854
Total self-insured liabilities	**501,115**	469,116
Less: current portion	**(63,335)**	(56,295)
	$ 437,780	$ 412,821

15. Insurance (continued)

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include $321,739 and $297,272 as of June 30, 2024 and 2023, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1,000 on individual claims and $3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of $1,000 individually and $3,000 in the aggregate up to $164,000 individually and $227,000 in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in Note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by University of Maryland Faculty Physicians, Inc.

Total malpractice insurance expense, net of investment return on self-insurance trust funds, for the Corporation during the years ended June 30, 2024 and 2023, was approximately $44,492 and $63,970, respectively.

16. Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities, located in the State of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

(In Thousands)

16. Business and Credit Concentrations (continued)

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits and, as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had receivables from patients and third-party payors as follows:

	June 30	
	2024	**2023**
Medicare	**32%**	29%
Medicaid	**26**	29
Commercial insurance and HMOs	**32**	33
Self-pay and others	**10**	9
	100%	100%

The Corporation recorded net patient service revenues from patients and third-party payors as follows:

	Year Ended June 30	
	2024	**2023**
Medicare	**42%**	42%
Medicaid	**23**	23
Commercial insurance and HMOs	**31**	30
Self-pay and others	**4**	5
	100%	100%

17. Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the state of Maryland. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland HSCRC;
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements, and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

17. Certain Significant Risks and Uncertainties (continued)

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

The Corporation recognizes the increasing importance of cybersecurity in today's digital landscape. As a result, the Corporation has implemented various measures to mitigate the risk of cyber threats and protect our systems and data as well as monitor the risks that our vendors have. However, we understand that no system is completely immune to cyberattacks, and there is a possibility that an unauthorized access, data breach, or other cybersecurity incident may occur at either one of our systems or at one of vendors' systems. In the event of a significant cyber incident, there could be a significant impact to the Corporation's future operating results, financial condition, or liquidity. However, to mitigate the potential impact to the Corporation if such an event were to occur, the Corporation maintains cyber insurance coverage. While we believe our cybersecurity measures and our vendors' measures are robust, there can be no assurance that they will prevent all cyber threats or that there will not be a cyber incident in the future that may not have a significant adverse effect on our financial condition, liquidity, or results of operations.

In February 2024, one of the Corporation's vendors, Change Healthcare, experienced a cybersecurity event. Change Healthcare provides billing process assistance to the Corporation. Upon learning of this event, the Corporation immediately ceased all digital communications and connections with Change Healthcare, which hindered the Corporation's ability to transmit billing information to its patients and relevant third-party payors. Consequently, this disruption led to an increase in the Corporation's accounts receivables and a decline in cash flows.

To mitigate the impact on operational cash flows, the Corporation accessed its revolving line of credit periodically during the disruption, ensuring that all disbursements were made in a timely manner. As of June 30, 2024, no outstanding balances remained on the revolving line of credit. The Corporation has included provisions for the financial impact of these events in its consolidated financial statements and, while the Corporation incurred operational interruptions associated with the event, it believes that the resolution of this matter, based on the facts available to us at this

17. Certain Significant Risks and Uncertainties (continued)

time, will not have a material adverse effect on the consolidated financial statements. This disclosure does not account for any potential future developments, such as fines, claims, or other unforeseen issues related to this event.

18. Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the HSCRC agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Easton, UM Cambridge, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Upper Chesapeake Medical Center Aberdeen, UM Capital Region, UM Laurel, and UM Bowie. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless they are canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2024 and 2023. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year's GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

19. Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2024 and through October 28, 2024, the date the consolidated financial statements were issued. The Corporation did not have any material subsequent events during the period.

Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division
(In Thousands)

June 30, 2024

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Assets											
Current assets:											
Cash and cash equivalents	$ 19,896	$ 6,802	$ 3,337	$ 56,630	$ 4,081	$ 11,108	$ 3,041	$ 4,151	$ 56,603	$ –	$ 165,649
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:											
Patient accounts receivable, net	476,888	19,986	66,976	54,434	65,536	26,367	67,386	63,433	–	(1,848)	839,158
Other	60,065	–	2,448	4,137	3,218	1,997	3,244	16,364	345,468	(309,595)	127,346
Inventories	56,724	1,815	6,591	4,003	4,929	1,743	8,560	8,292	5,752	–	98,409
Prepaid expenses and other current assets	4,952	319	2,436	332	493	163	503	14,720	60,522	–	84,440
Total current assets	699,549	28,922	81,788	119,536	78,257	41,378	82,734	106,960	537,395	(311,443)	1,465,076
Investments	543,523	55,279	223,267	215,626	21,832	32,837	385,623	3,459	130,943	–	1,612,389
Assets limited as to use, less current portion	132,096	51,994	10,491	85,929	27,352	8,878	55,953	3,906	298,135	(8,162)	666,572
Property and equipment, net	811,427	36,763	256,485	176,159	243,058	111,836	441,252	626,172	246,412	–	2,949,564
Investments in joint ventures	–	16,977	–	960	15,399	4,600	6,396	15,010	86,276	(522)	145,096
Other assets	173,686	10,486	1,710	36,682	33,210	5,846	74,132	7,234	411,095	(176,096)	577,985
Total assets	$ 2,360,281	$ 200,421	$ 573,741	$ 634,892	$ 419,108	$ 205,375	$ 1,046,090	$ 762,741	$ 1,710,256	$ (496,223)	$ 7,416,682
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	$ 84,746	$ 6,643	$ 11,551	$ 9,094	$ 15,502	$ 6,733	$ 16,792	$ 26,915	$ 194,967	$ –	$ 372,943
Accrued payroll and benefits	32,116	1,011	8,200	8,029	12,984	2,961	10,688	6,200	276,894	–	359,083
Advances from third-party payors	105,352	5,558	14,366	9,064	13,231	5,263	11,356	17,730	(1)	–	181,919
Lines of credit	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	246,576	1,277	4,306	14,002	29,795	13,302	39,313	108,829	55,725	(311,965)	201,160
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	13,118	377	4,261	2,547	4,772	1,024	9,112	5,028	–	(6,180)	34,059
Total current liabilities	481,908	14,866	42,684	42,736	76,284	29,283	87,261	164,702	618,975	(318,145)	1,240,554
Long-term debt, less current portion	573,370	16,477	186,260	111,312	190,849	40,148	398,302	207,602	12,339	–	1,736,659
Other long-term liabilities	16,760	38	7,287	32,792	125,669	4,324	9,385	65,893	497,353	(176,096)	583,405
Interest rate swap liabilities	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,072,038	31,381	236,231	186,840	392,802	73,755	494,948	438,197	1,183,837	(494,241)	3,615,788
Net assets:											
Without donor restrictions	1,125,922	124,006	325,119	388,063	(10,131)	130,262	526,289	319,440	516,054	–	3,445,024
With donor restrictions	162,321	45,034	12,391	59,989	36,437	1,358	24,853	5,104	10,365	(1,982)	355,870
Total net assets	1,288,243	169,040	337,510	448,052	26,306	131,620	551,142	324,544	526,419	(1,982)	3,800,894
Total liabilities and net assets	$ 2,360,281	$ 200,421	$ 573,741	$ 634,892	$ 419,108	$ 205,375	$ 1,046,090	$ 762,741	$ 1,710,256	$ (496,223)	$ 7,416,682

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations by Division
(In Thousands)

Year Ended June 30, 2024

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Operating revenue, gains and other support:											
Net patient service revenue	$ 2,139,151	$ 124,908	$ 551,474	$ 395,233	$ 510,083	$ 179,623	$ 502,094	$ 434,788	$ 30,742	$ (4,617)	$ 4,863,479
State support	9,910	–	–	–	–	–	–	11,012	–	–	20,922
Other revenue	291,224	1,388	5,756	9,977	10,380	1,358	11,361	6,983	934,583	(913,454)	359,556
Total operating revenue, gains, and other support	2,440,285	126,296	557,230	405,210	520,463	180,981	513,455	452,783	965,325	(918,071)	5,243,957
Operating expenses:											
Salaries, wages and fringe benefits	916,475	72,643	305,332	219,092	284,874	81,408	268,235	228,644	588,307	(228,055)	2,736,955
Expendable supplies	607,866	14,338	84,408	46,779	77,806	20,708	85,606	53,691	17,815	(7,435)	1,001,582
Purchased services	543,528	24,534	110,841	97,399	116,105	45,982	97,090	103,789	330,300	(678,483)	791,085
Contracted services	217,540	10,283	21,246	27,272	8,459	14,793	22,458	47,758	2	(4,098)	365,713
Depreciation and amortization	102,625	7,615	31,846	19,807	27,278	9,026	32,306	42,000	3,305	–	275,808
Interest expense	20,439	453	7,830	4,878	9,304	1,713	15,131	8,011	(1,956)	–	65,803
Total operating expenses	2,408,473	129,866	561,503	415,227	523,826	173,630	520,826	483,893	937,773	(918,071)	5,236,946
Operating income (loss)	31,812	(3,570)	(4,273)	(10,017)	(3,363)	7,351	(7,371)	(31,110)	27,552	–	7,011
Nonoperating income and expenses, net:											
Unrestricted contributions	2,932	–	–	(705)	(160)	101	(74)	–	28	–	2,122
Equity in net income of joint ventures	492	439	–	185	2,052	38	804	1,254	1,930	–	7,194
Investment income, net	21,071	2,117	7,880	6,416	796	1,906	13,505	218	7,439	–	61,348
Change in fair value of investments	38,347	4,415	16,908	19,022	1,262	2,763	26,513	262	10,044	–	119,536
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating gains and losses, net	(11,595)	(2)	(3,090)	(6,341)	(3,012)	(1,168)	(2,936)	(12,105)	1,355	–	(38,894)
Excess (deficiency) of revenues over expenses	$ 83,059	$ 3,399	$ 17,425	$ 8,560	$ (2,425)	$ 10,991	$ 30,441	$ (41,481)	$ 62,264	$ –	$ 172,233

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Obligated Group
(In Thousands)

June 30, 2024

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals***	UM Capital Region	Shared Services****	Eliminations	Obligated Group Total
Assets											
Current assets:											
Cash and cash equivalents	$ 13,900	$ 6,802	$ 5,504	$ 50,277	$ 369	$ 9,450	$ 194	$ –	$ 56,673	$ –	$ 143,169
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:											
Patient accounts receivable, net	475,695	19,986	57,877	49,707	57,210	25,293	62,242	61,031	68	–	809,109
Other	59,383	–	33,611	22,198	580	1,818	522	11,241	443,167	(287,510)	285,010
Inventories	56,724	1,815	6,558	4,003	4,859	1,743	7,553	8,292	5,236	–	96,783
Prepaid expenses and other current assets	4,367	319	2,319	70	205	159	140	14,155	60,522	–	82,256
Total current assets	691,093	28,922	105,869	126,255	63,223	38,463	70,651	94,719	634,716	(287,510)	1,566,401
Investments	543,463	55,279	223,267	161,928	20,192	31,318	360,409	3,459	130,943	–	1,530,258
Assets limited as to use, less current portion	132,096	51,994	10,491	150,793	37,271	13,431	87,352	3,906	298,135	(8,162)	777,307
Property and equipment, net	802,751	36,763	235,996	173,028	231,187	85,029	411,013	624,027	242,603	–	2,842,397
Investments in joint ventures	4,002	16,977	–	960	15,399	4,860	–	11,223	79,581	(522)	132,480
Other assets	169,885	10,486	1,711	33,481	23,873	4,658	66,418	7,234	405,716	(175,574)	547,888
Total assets	$ 2,343,290	$ 200,421	$ 577,334	$ 646,445	$ 391,145	$ 177,759	$ 995,843	$ 744,568	$ 1,791,694	$ (471,768)	$ 7,396,731
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	$ 84,317	$ 6,643	$ 7,083	$ 7,929	$ 12,925	$ 6,292	$ 15,065	$ 24,719	$ 191,074	$ –	$ 356,047
Accrued payroll and benefits	32,094	1,011	4,043	4,415	5,308	1,929	7,293	6,022	276,661	–	338,776
Advances from third-party payors	105,352	5,558	14,366	9,064	13,231	5,263	11,356	17,730	–	–	181,920
Lines of credit	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	243,480	1,277	2,663	5,252	27,222	12,880	35,021	107,687	48,594	(287,510)	196,566
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	13,118	377	4,261	2,547	4,234	916	9,112	4,745	–	(6,180)	33,130
Total current liabilities	478,361	14,866	32,416	29,207	62,920	27,280	77,847	160,903	607,719	(293,690)	1,197,829
Long-term debt, less current portion	573,370	16,477	186,260	111,312	185,048	40,130	398,302	207,457	12,341	–	1,730,697
Other long-term liabilities	16,759	38	1,110	32,793	125,668	4,182	9,381	65,893	490,393	(176,096)	570,121
Interest rate swap liabilities	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,068,490	31,381	219,786	173,312	373,636	71,592	485,530	434,253	1,165,623	(469,786)	3,553,817
Net assets:											
Without donor restrictions	1,112,479	124,006	345,157	414,408	(18,618)	105,462	460,206	305,224	615,707	–	3,464,031
With donor restrictions	162,321	45,034	12,391	58,725	36,127	705	50,107	5,091	10,364	(1,982)	378,883
Total net assets	1,274,800	169,040	357,548	473,133	17,509	106,167	510,313	310,315	626,071	(1,982)	3,842,914
Total liabilities and net assets	$ 2,343,290	$ 200,421	$ 577,334	$ 646,445	$ 391,145	$ 177,759	$ 995,843	$ 744,568	$ 1,791,694	$ (471,768)	$ 7,396,731

* Includes Medical Center, UM Midtown and UM Medicine Foundation

** Includes Shore Health System and UM Chester River

*** Includes UM Upper Chesapeake and UM Harford Memorial

**** Includes University of Maryland Medical System Corporation (Parent)

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets Without Donor Restrictions – Obligated Group
(In Thousands)

June 30, 2024

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals***	UM Capital Region	Shared Services****	Eliminations	Obligated Group Total
Operating revenue, gains, and other support:											
Net patient service revenue	$ 2,132,495	$ 124,892	$ 463,393	$ 336,365	$ 416,346	$ 167,272	$ 424,907	$ 422,692	$ 2,191	$ (4,617)	$ 4,485,936
State and county support	9,910	–	–	–	–	–	–	1,012	–	–	10,922
Other revenue	289,046	1,345	3,375	12,239	4,125	1,193	3,431	6,137	922,056	(900,832)	342,115
Total operating revenue, gains, and other support	2,431,451	126,237	466,768	348,604	420,471	168,465	428,338	429,841	924,247	(905,449)	4,838,973
Operating expenses:											
Salaries, wages, and benefits	911,804	72,570	217,776	150,816	169,863	70,452	192,255	212,670	567,396	(228,055)	2,337,547
Expendable supplies	607,446	14,338	58,330	39,804	73,929	20,102	54,902	53,037	5,542	–	927,430
Purchased services	539,469	24,487	104,649	86,343	85,942	42,936	97,200	108,580	315,672	(677,394)	727,884
Contracted services	212,892	10,283	31,048	31,246	34,194	14,513	24,851	32,441	–	–	391,468
Depreciation and amortization	102,052	7,615	30,166	19,292	25,936	8,639	28,960	41,721	2,390	–	266,771
Interest expense	20,272	453	7,830	4,878	9,035	1,704	13,967	7,991	(1,955)	–	64,175
Total operating expenses	2,393,935	129,746	449,799	332,379	398,899	158,346	412,135	456,440	889,045	(905,449)	4,715,275
Operating income	37,516	(3,509)	16,969	16,225	21,572	10,119	16,203	(26,599)	35,202	–	123,698
Nonoperating income and expenses, net:											
Unrestricted contributions	2,932	–	–	–	–	15	–	–	–	–	2,947
Equity in net income of joint ventures	492	439	–	185	2,052	(55)	–	259	1,693	–	5,065
Investment income, net	21,071	2,117	7,880	4,767	700	1,803	12,748	120	7,438	–	58,644
Change in fair value of investments	38,347	4,415	16,908	13,210	1,531	2,377	26,388	262	10,042	–	113,480
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating losses, net	(11,595)	(2)	(2,331)	(31)	(174)	(930)	(13,540)	(10,994)	(2)	–	(39,599)
Excess (deficiency) of revenues over expenses	88,763	3,460	39,426	34,356	25,681	13,329	41,799	(36,952)	68,289	–	278,151
State support for capital	–	–	–	–	–	–	–	27,000	–	–	27,000
Net assets released from restrictions used for purchase of property and equipment	70	–	–	–	–	–	–	–	10,195	–	10,265
Change in economic and beneficial interests in the net assets of related organizations	–	–	–	1,701	–	–	–	–	115	–	1,816
Capital transfers (to) from member organization	(2,081)	(48)	(23,703)	(16,628)	(27,730)	(5,189)	(16,327)	(12,422)	(18,060)	–	(122,188)
Change in funded status of defined benefit pension plans	872	–	1,624	–	–	(1,880)	–	5,449	–	–	6,065
Other	(943)	(100)	(251)	305	3,142	(100)	(244)	(2,651)	5,325	–	4,483
Increase (decrease) net assets without donor restrictions	$ 86,681	$ 3,312	$ 17,096	$ 19,734	$ 1,093	$ 6,160	$ 25,228	$ (19,576)	$ 65,864	$ –	$ 205,592

* Includes Medical Center, UM Midtown and UM Medicine Foundation

** Includes Shore Health System and UM Chester River

*** Includes UM Upper Chesapeake and UM Harford Memorial

**** Includes University of Maryland Medical System Corporation (Parent)

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format
(In Thousands)

June 30, 2024

	Medical Center	Rehabilitation & Orthopaedic Institute	UM Midtown	UM Baltimore Washington	Shore Health System	UM Chester River	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals		UM Capital Region	All Other Entities	Eliminations	Consolidated Total
									UM Upper Chesapeake	UM Harford Memorial				
Assets														
Current assets:														
Cash and cash equivalents	$ 5,381	$ 6,802	$ 1,210	$ 5,504	$ –	$ 50,277	$ 369	$ 9,450	$ 194	$ –	$ –	$ 86,462	$ –	$ 165,649
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:														
Patient accounts receivable, net	440,858	19,986	34,837	57,877	47,461	2,246	57,210	25,293	60,703	1,539	61,031	30,117	–	839,158
Other	45,659	–	9,047	36,365	475	6,173	580	1,818	438	84	11,241	305,353	(289,887)	127,346
Inventories	52,838	1,815	3,886	6,558	3,436	567	4,859	1,743	7,553	–	8,292	6,862	–	98,409
Prepaid expenses and other current assets	2,362	319	2,005	2,319	70	–	205	159	140	–	14,155	62,706	–	84,440
Total current assets	628,122	28,922	50,985	108,623	51,442	59,263	63,223	38,463	69,028	1,623	94,719	560,550	(289,887)	1,465,076
Investments	532,162	55,279	5,365	223,267	158,196	3,732	20,192	31,318	214,029	146,380	3,459	219,010	–	1,612,389
Assets limited as to use, less current portion	156,490	51,994	1,029	10,491	142,108	8,685	37,271	13,431	87,352	–	3,906	467,034	(313,219)	666,572
Property and equipment, net	664,803	36,763	137,947	235,996	165,189	7,839	231,187	85,029	411,013	–	624,027	349,771	–	2,949,564
Investments in joint ventures	3,479	16,977	–	–	960	–	15,399	4,860	–	–	11,223	98,133	(5,935)	145,096
Other assets	161,123	10,486	556	1,711	33,480	–	23,873	4,658	66,418	–	7,234	444,542	(176,096)	577,985
Total assets	$ 2,146,179	$ 200,421	$ 195,882	$ 580,088	$ 551,375	$ 79,519	$ 391,145	$ 177,759	$ 847,840	$ 148,003	$ 744,568	$ 2,139,040	$ (785,137)	$ 7,416,682
Liabilities and net assets														
Current liabilities:														
Trade accounts payable	$ 74,555	$ 6,643	$ 9,258	$ 7,083	$ 6,399	$ 1,529	$ 12,925	$ 6,292	$ 15,007	$ 58	$ 24,719	$ 208,475	$ –	$ 372,943
Accrued payroll and benefits	27,728	1,011	4,040	4,043	4,098	317	5,308	1,929	7,293	–	6,022	297,294	–	359,083
Advances from third-party payors	98,311	5,558	7,041	14,366	8,358	706	13,231	5,263	9,109	2,247	17,730	(1)	–	181,919
Lines of credit	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	238,822	1,277	3,706	2,663	13,534	425	26,644	12,731	30,986	1,731	101,455	57,073	(289,887)	201,160
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	12,536	377	582	4,261	2,473	75	4,234	916	9,112	–	4,745	–	(5,252)	34,059
Total current liabilities	451,952	14,866	24,627	32,416	34,862	3,052	62,342	27,131	71,507	4,036	154,671	654,231	(295,139)	1,240,554
Long-term debt, less current portion	547,922	16,477	25,448	186,260	108,087	3,225	185,048	40,130	398,302	–	207,457	18,303	–	1,736,659
Other long-term liabilities	16,425	38	333	1,110	32,480	311	125,668	4,182	8,185	1,196	65,893	503,680	(176,096)	583,405
Interest rate swap liabilities	–	–	–	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,016,299	31,381	50,408	219,786	175,429	6,588	373,058	71,443	477,994	5,232	428,021	1,231,384	(471,235)	3,615,788
Net assets:														
Without donor restrictions	991,766	124,006	99,102	347,911	324,018	66,133	(18,040)	105,611	319,739	142,771	311,456	707,187	(76,636)	3,445,024
With donor restrictions	138,114	45,034	46,372	12,391	51,928	6,798	36,127	705	50,107	–	5,091	200,469	(237,266)	355,870
Total net assets	1,129,880	169,040	145,474	360,302	375,946	72,931	18,087	106,316	369,846	142,771	316,547	907,656	(313,902)	3,800,894
Total liabilities and net assets	$ 2,146,179	$ 200,421	$ 195,882	$ 580,088	$ 551,375	$ 79,519	$ 391,145	$ 177,759	$ 847,840	$ 148,003	$ 744,568	$ 2,139,040	$ (785,137)	$ 7,416,682

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations – Hospital Format
(In Thousands)

June 30, 2024

	Medical Center					Shore Regional						Upper Chesapeake Hospitals				Capital Region Hospitals					
						Shore Health System						UM Upper Chesapeake									
	University Hospital	Shock Trauma Center	Rehabilitation & Orthopaedic Institute	UM Midtown	UM Baltimore Washington	UM Easton	UM Cambridge	QAEC	UM Chester River	UM St. Joseph	UM Charles Regional	Medical Center	Behavioral Health Center	Aberdeen Medical Center	UM Harford Memorial	UM Capital Region	UM Laurel	UM Bowie	All Other Entities	Eliminations	Consolidated Total
Operating revenue, gains and other support:																					
Net patient service revenue	$ 1,665,894	$ 232,656	$ 124,908	$ 233,945	$ 463,393	$ 264,856	$ 16,635	$ 7,402	$ 47,473	$ 416,346	$ 167,272	$ 351,653	$ 4,301	$ 12,066	$ 56,887	$ 369,690	$ 33,535	$ 19,468	$ 382,448	$ (7,349)	$ 4,863,479
State support	–	9,910	–	–	–	–	–	–	–	–	–	–	–	–	–	1,012	–	–	10,000	–	20,922
Other revenue	257,208	572	1,388	31,265	3,374	10,904	815	–	520	4,126	1,193	3,032	–	128	270	6,129	7	–	1,163,019	(1,124,394)	359,556
Total operating revenue, gains, and other support	1,923,102	243,138	126,296	265,210	466,767	275,760	17,450	7,402	47,993	420,472	168,465	354,685	4,301	12,194	57,157	376,831	33,542	19,468	1,555,467	(1,131,743)	5,243,957
Operating expenses:																					
Salaries, wages and fringe benefits	709,213	84,325	72,643	118,266	217,776	117,161	10,103	5,348	18,203	169,863	70,452	146,314	4,719	8,663	32,559	187,704	17,127	7,839	967,875	(229,198)	2,736,955
Expendable supplies	527,285	32,686	14,338	47,475	58,330	35,255	1,103	968	2,479	73,929	20,102	48,968	578	1,070	4,286	46,729	4,870	1,438	87,128	(7,435)	1,001,582
Purchased services	428,651	51,619	24,532	59,199	104,649	64,907	5,883	1,407	14,148	85,943	42,936	74,082	4,259	4,103	14,755	89,414	13,311	5,855	426,154	(724,722)	791,085
Contracted services	162,010	16,590	10,283	37,573	55,769	46,924	222	173	9,546	59,697	16,738	42,312	261	1,172	2,103	30,532	7,212	560	36,424	(170,388)	365,713
Depreciation and amortization	79,330	6,778	7,616	15,943	30,166	14,509	2,650	37	2,096	25,936	8,639	25,267	801	769	2,123	35,996	4,748	977	11,427	–	275,808
Interest expense	19,191	–	453	1,081	7,830	4,446	320	112	–	9,035	1,704	11,767	886	851	463	7,991	–	–	(327)	–	65,803
Total operating expenses	1,925,680	191,998	129,865	279,537	474,520	283,202	20,281	8,045	46,472	424,403	160,571	348,710	11,504	16,628	56,289	398,366	47,268	16,669	1,528,681	(1,131,743)	5,236,946
Operating income (loss)	(2,578)	51,140	(3,569)	(14,327)	(7,753)	(7,442)	(2,831)	(643)	1,521	(3,931)	7,894	5,975	(7,203)	(4,434)	868	(21,535)	(13,726)	2,799	26,786	–	7,011
Nonoperating income and expenses, net:																					
Unrestricted contributions	212	–	–	–	–	–	–	–	–	–	15	–	–	–	–	–	–	–	1,895	–	2,122
Equity in net income of joint ventures	491	–	439	–	–	185	–	–	–	2,052	(55)	–	–	–	–	259	–	–	3,823	–	7,194
Investment income, net	20,279	–	2,117	187	7,880	4,246	–	–	521	700	1,803	8,222	–	–	4,526	120	–	–	10,747	–	61,348
Change in fair value of investments	36,898	–	4,415	409	16,908	12,934	–	–	276	1,531	2,377	16,235	–	–	10,153	262	–	–	17,138	–	119,536
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating gains and losses, net	(3,384)	–	(3)	(1,077)	(2,330)	(654)	–	–	623	(174)	(930)	(7,656)	–	–	(5,884)	(9,718)	(872)	(404)	(6,431)	–	(38,894)
Excess (deficiency) of revenues over expenses	$ 51,918	$ 51,140	$ 3,399	$ (14,808)	$ 14,705	$ 9,269	$ (2,831)	$ (643)	$ 2,941	$ 178	$ 11,104	$ 22,776	$ (7,203)	$ (4,434)	$ 9,663	$ (30,612)	$ (14,598)	$ 2,395	$ 67,874	$ –	$ 172,233

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APPENDIX C

Book-Entry Only System

The information in this section has been obtained from sources that the Authority, the Obligated Group Members and the Underwriters believe to be reliable, but none of the Authority, the Obligated Group Members or the Underwriters takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC" or, together with any successor securities depository for the Series 2025 Bonds, the "Securities Depository"), will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate of each maturity of each series of the Series 2025 Bonds will be issued in principal amount equal to the aggregate principal amount of such maturity of each series of the Series 2025 Bonds and will be deposited with DTC or its agent.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Ownership of Series 2025 Bonds

Purchases of the Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interests in the Series 2025 Bonds except in the event that use of the book-entry only system for the Series 2025 Bonds is discontinued under the circumstances described below under "Discontinuance of Book-Entry Only System."*

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct and Indirect Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2025 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2025 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Series 2025 Bonds may wish to ascertain that the nominee holding the Series 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee or the Indenture Trustee, as applicable, and request that copies of the notices be provided directly to them.

So long as a nominee of DTC is the registered owner of the Series 2025 Bonds, references herein to the Bondholders or the holders or owners of the Series 2025 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2025 Bonds. The Authority, the Trustee and the Indenture Trustee will recognize DTC or its nominee as the holder of all of the Series 2025 Bonds for all purposes, including the payment of the principal or Redemption Price of and interest on, and the purchase price of, the Series 2025 Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution or Indenture, as applicable. None of the Authority, the Trustee or the Indenture

Trustee will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.

Payments on and Redemption or Purchase of Series 2025 Bonds

So long as the Series 2025 Bonds are held by DTC under a book-entry system, principal and interest payments on the Series 2025 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the Trustee or the Indenture Trustee on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee, the Indenture Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority, the Trustee or the Indenture Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

So long as the Series 2025 Bonds are held by DTC under a book-entry only system, the Trustee or the Indenture Trustee, as applicable, will send any notice of redemption or purchase with respect to the Series 2025 Bonds only to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption or purchase of any series of the Series 2025 Bonds or of any other action premised on such notice.

None of the Authority, the Trustee, the Indenture Trustee, the Underwriters or the Obligated Group Members can give any assurances that DTC or the Direct or Indirect Participants will distribute payments of the principal or Redemption Price of and interest on or the purchase price of the Series 2025 Bonds paid to DTC or its nominee, as the registered owner of the Series 2025 Bonds, or any redemption, purchase or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuance of Book-Entry Only System

DTC may discontinue its services as a securities depository for any series of the Series 2025 Bonds at any time by giving reasonable notice to the Authority, the Obligated Group Members and the Trustee or the Indenture Trustee, as applicable, or the Authority may discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, such series of Series 2025 Bonds are required to be printed and delivered in fully certificated form to the Participants shown on the records of DTC provided to the Trustee or the Indenture Trustee, as applicable, or, to the extent requested by

any Participant, to the Beneficial Owners of such series of the Series 2025 Bonds shown on the records of such Participant provided to the Trustee or the Indenture Trustee, as applicable.

Registration and Exchange of Series 2025 Bonds

So long as the Series 2025 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2025 Bonds will be made as described above under "Book-Entry Only System." If the book-entry only system is discontinued, any Series 2025 Bond may be exchanged for an equal aggregate principal amount of Series 2025 Bonds of the same maturity and series and bearing interest at the same rate of other authorized denominations, and the transfer of any Series 2025 Bond may be registered, upon presentation and surrender of such Bond at the designated office of the Trustee or the Indenture Trustee, as applicable, together with an assignment duly executed by the registered owner or his attorney or legal representative. The Authority and the Trustee or the Indenture Trustee, as applicable, may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith. Neither the Authority nor the Trustee or the Indenture Trustee, as applicable, shall be required to register the transfer of any Series 2025 Bond or make any such exchange of any Series 2025 Bond during the 15 days preceding the date of mailing of any notice of redemption or purchase or after such Series 2025 Bond or any portion thereof has been selected for redemption or purchase.

APPENDIX D

SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS

TABLE OF CONTENTS

DEFINITIONS OF CERTAIN TERMS
REGARDING RESOLUTION AND LOAN AGREEMENT

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Words and terms used and not defined herein shall have the respective meanings set forth in the Resolution and the Loan Agreement.

"**Additional Facilities**" means any project undertaken by any Obligated Group Member or the Authority that is financed or refinanced by the issuance of Additional Bonds, Parity Obligations or Subordinate Obligations.

"**Administrative Expenditures**" means any expenditures of the Authority for insurance, fees and expenses of auditing, fees and expenses of the Trustee (whether as Trustee, Registrar, paying agent or escrow agent for any Bonds) not otherwise paid or provided for by the Obligated Group Members, and all other expenditures reasonably and necessarily incurred by the Authority by reason of its issuance of any Bonds or Subordinate Obligations, the certification of any Parity Obligations or Subordinate Obligations, the execution and delivery of the Resolution and the Loan Agreement and the performance of its obligations thereunder, including (without limitation) legal, financing and administrative expenses, fees and expenses of the Authority's financial advisor and expenses incurred by the Authority to compel full and punctual performance of the provisions of the Loan Agreement in accordance with the terms thereof.

"**Agency Obligations**" means direct obligations (including bonds, notes or participation certificates) of, or obligations timely payment of the principal of and the interest on which are unconditionally guaranteed by, any agency or instrumentality of the United States of America.

"**Annual Administrative Fee**" means the annual fee for the general administrative services of the Authority in such amount per year not exceeding an amount equal to one-tenth of one percent (1/10%) of the aggregate principal amount of Bonds issued under the Resolution as shall be prescribed by the Authority from time to time.

"**Balloon Long-Term Indebtedness**" means Long-Term Indebtedness, 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required by the documents governing such Long-Term Indebtedness to be amortized by redemption prior to such period. Optional Tender Indebtedness shall not be deemed to constitute Balloon Long-Term Indebtedness solely by reason of the option of the holder thereof to require the redemption or purchase thereof or any required purchase or redemption thereof in connection with any termination of any Credit Facility securing such Indebtedness, any conversion of the interest rate on such Indebtedness or otherwise prior to the stated maturity thereof.

"**Book Value**," when used with respect to any property or interest therein, means the value of such property or interest, net of accumulated depreciation, as it is carried on the books of its owner or its lessee in conformity with generally accepted accounting principles and, when used with respect to any property of the Obligated Group, shall be determined in such manner that no portion of such property is included more than once.

"**Business Day**" means any day other than a Saturday, a Sunday, a day on which the New York Stock Exchange is closed or a day on which banks located in the city in which the offices of the Authority or the Designated Office of the Trustee is located are authorized or required to remain closed.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal income tax statute or code, and the applicable regulations thereunder.

"**Coverage Ratio**" means, when used with respect to any period, the quotient obtained by dividing (a) the aggregate of the Net Income Available for Debt Service of all of the Obligated Group Members for such period by (b) the Maximum Annual Debt Service on all outstanding Long-Term Indebtedness as of the last day of such period; provided, however, that in any calculation of the actual or projected Coverage Ratio for any Fiscal Year that occurs prior to the earlier of (i) the first Fiscal Year in which any principal amount of any Long-Term Indebtedness issued to finance any Capital Improvements becomes due and payable and (ii) the first Fiscal Year in which any interest on such Long-Term Indebtedness ceases to be paid from amounts deposited in escrow for the payment of interest on such Long-Term Indebtedness, such Long-Term Indebtedness shall not be taken into account in calculating Maximum Annual Debt Service.

"**Credit Facility**" means any liquidity facility, letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond, Parity Obligation or other Indebtedness of any Obligated Group Member.

"**Credit Facility Agreement**" means the agreement pursuant to which any Credit Facility is issued.

"**Current Value**" means, when used with respect to any property as of any particular date, at the option of the Obligated Group (a) the fair market value of such property (i) in the case of tangible real or personal property, as shown on a written appraisal made by an M.A.I. appraiser not more than three years prior to such date and delivered to the Authority and the Trustee and (ii) in the case of any other property, as determined in accordance with generally accepted accounting principles or (b) the Book Value of such property.

"**Debt Service Requirements**" means, when used with respect to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of calculation, the amount required to pay the sum of (a) the interest on such Long-Term Indebtedness payable during the period from the second day of such Fiscal Year through the first day of the immediately succeeding Fiscal Year, and (b) the principal of, the Sinking Fund Installment for and any other amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during the period from the second day of such Fiscal Year through the first day of the immediately succeeding Fiscal Year, less any amount of such interest or principal for the payment of which money or Investment Obligations, the principal of and interest on which when due will provide for such payment, are held in trust, including (without limitation) any accrued interest and capitalized interest on deposit in any Interest Account, Construction Fund or other fund established for the payment thereof. For the purpose of calculating Debt Service Requirements:

(i) with respect to any Variable Rate Indebtedness:

(A) for the purpose of calculating any debt service reserve fund requirement, the amount required to be deposited in any debt service reserve fund for any Parity Obligation and the principal amount of Balloon Long-Term Indebtedness constituting Variable Rate Indebtedness payable in any Fiscal Year described in clause (ii)(D) below, such Indebtedness shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate on the date of the issuance thereof for the term thereof;

(B) for all other purposes, Variable Rate Indebtedness shall be deemed to bear interest at an annual rate equal to (1) in the case of any period during which such Indebtedness shall have been outstanding, the weighted average interest rate per annum borne by such Indebtedness during such period and (2) in any other case, the higher of (I) the weighted average interest rate per annum borne by such Indebtedness during a 12-month period ending not more than 60 days prior to the calculation date (or, in the case of any Variable Rate Indebtedness to be issued or issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding Indebtedness having comparable terms and issued by, or secured by agreements issued by, entities of comparable creditworthiness as the obligors with respect to such Variable Rate Indebtedness during such 12-month period), and (II) the interest rate per annum borne by such Indebtedness on the date of calculation;

(C) notwithstanding (B) above, and in lieu of (B) above, at the option of the Obligated Group Representative, Variable Rate Indebtedness shall be deemed to bear interest as provided in the following sentence: for purposes of calculating debt service associated with interest on Variable Rate Indebtedness, there shall be included the expected impact of interest rate swap settlements, whether they be payments or receipts, associated with interest rate swaps that were, according to GAAP, effective hedges of interest on existing Indebtedness at the time such swap agreements were entered into; provided that if the total notional amount of interest rate swaps in effect on the date of the calculation exceeds the outstanding principal balance of Variable Rate Indebtedness, only those settlements associated with the notional amount that matches such principal balance will be included;

(ii) with respect to any Balloon Long-Term Indebtedness:

(A) unless such Indebtedness meets the requirements of clause (B), (C) or (D) below, the principal amount of such Indebtedness shall be deemed to be payable during the Fiscal Year in which such principal amount becomes due, except as provided in clause (E) below;

(B) if a liquidity facility is then in effect with respect to such Indebtedness, the principal amount of such Indebtedness payable in each Fiscal Year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year if such liquidity facility were used or drawn upon to purchase or retire such Indebtedness on the stated maturity date thereof or on any date established for the mandatory redemption thereof less the aggregate amount required to be on deposit in any irrevocable sinking fund established to provide for the payment of such Indebtedness in accordance with clause (C) below during such Fiscal Year, except as provided in clause (E) below;

(C) if (1) pursuant to a resolution duly adopted by the governing body of an Obligated Group Member, an irrevocable sinking fund shall have been established to provide for the payment of such Indebtedness when due, (2) deposits to such sinking fund are current and timely and (3)

verification of such timely deposits is contained in the most recent audited financial statements of the Medical System or a written statement from an Independent Public Accountant, then the principal amount of such Indebtedness payable in each Fiscal Year may be deemed to be the amount required to be deposited in such sinking fund for such Fiscal Year, except as provided in clause (E) below;

(D) the principal amount of such Indebtedness payable in each Fiscal Year may be deemed to be the amount that would be payable during such Fiscal Year if such Indebtedness were required to be amortized in full from the date of calculation in either (i) substantially equal annual installments of principal (such principal to be rounded to the nearest $5,000) and interest over a term equal to 30 years or (ii) assuming an amortization that the Obligated Group Representative would otherwise use to refinance the Indebtedness with a final maturity no greater than 30 years; and

(E) for purposes of calculating the Debt Service Reserve Fund Requirement and the amount required to be deposited in any debt service reserve fund for any Parity Obligation that constitutes Balloon Long-Term Indebtedness, the principal amount of such Indebtedness payable in each Fiscal Year shall be determined in accordance with clause (D) above;

(iii) with respect to any Optional Tender Indebtedness, the option of the holder thereof to demand the purchase or redemption of such Indebtedness and any requirement that such Indebtedness be purchased or redeemed in connection with any termination of any Credit Facility securing such Indebtedness, any conversion of the interest rate thereon or otherwise prior to the maturity thereof shall be disregarded;

(iv) with respect to any Guaranty of any Indebtedness that would constitute Long-Term Indebtedness if incurred directly by an Obligated Group Member:

(A) so long as no default shall have occurred and be continuing with respect to such Indebtedness and no demand for payment shall have been made under such Guaranty during the immediately preceding five years, there shall be excluded the percentage of the debt service requirements of such guaranteed Indebtedness set forth in the following table to the extent that the aggregate income available for debt service (determined on a basis consistent with the determination of Net Income Available for Debt Service) of all primary obligors with respect to such guaranteed Indebtedness for their most recent fiscal year, expressed as a percentage of the maximum annual debt service on all outstanding long-term Indebtedness with respect to which such persons are primary obligors for such fiscal year (determined on a basis consistent with the determination of Maximum Annual Debt Service on Long-Term Indebtedness), is equal to the amount set forth in the following table:

Income available for debt service as a percentage of maximum annual debt service	Percentage of debt service requirements to be excluded
150% or more	100%
At least 125 but less than 150%	75
At least 110 but less than 125%	50
At least 100 but less than 110%	25
Less than 100%	0

(B) if a default shall have occurred with respect to such Indebtedness or a demand for payment shall have been made under such Guaranty during the immediately preceding five years, 100% of the debt service requirements of such Indebtedness shall be taken into account in such calculation; and

(C) such Indebtedness shall be taken into account only once in calculating the debt service requirements of Long-Term Indebtedness;

(v) with respect to any Credit Facility Agreement, except as provided in clause (ii)(B) above, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation;

(vi) with respect to any Joint Indebtedness, the amount of the debt service requirements of such Joint Indebtedness that, pursuant to the agreement between or among the primary obligors with respect to such Indebtedness, is required to be paid by persons that are not Obligated Group Members shall be excluded to the extent of the amount of such debt service requirements that would be excluded if a Guaranty of such amount of such Joint Indebtedness were delivered by an Obligated Group Member, determined in accordance with clause (iv) above;

(vii) with respect to any University Indebtedness, 100% of the debt service requirements of such Indebtedness shall be excluded from the calculation of Debt Service Requirements; and

(viii) with respect to any Non-Recourse Indebtedness:

(A) 100% of the debt service requirements of such Non-Recourse Indebtedness shall be excluded from the calculation of Debt Service Requirements if the net income available for debt service derived from or in connection with the property securing such Non-Recourse Indebtedness for the most recent Fiscal Year for which audited financial statements of the Medical System are available (determined in a manner consistent with the determination of Net Income Available for Debt Service) is not less than 100% of the maximum annual debt service on all outstanding long-term Indebtedness incurred in connection with such property (determined in a manner consistent with the determination of Maximum Annual Debt Service) and such income shall not be included in the calculation of Net Income Available for Debt Service and Total Revenues of any Obligated Group Member for such Fiscal Year, provided that all Non-Recourse Indebtedness secured by the same property shall be treated in the same manner in the calculation of the Debt Service Requirements for such Fiscal Year;

(B) if the requirements of clause (A) above shall not have been met, (1) 100% of the debt service requirements of such Indebtedness shall be taken into account in the calculation of Debt Service Requirements and (2) there shall be taken into account in the calculation of Net Income Available for Debt Service and Total Revenues for such Fiscal Year all revenues and expenses or all revenues (as the case may be) derived from or in connection with or attributable to all property securing such Non-Recourse Indebtedness; and

(C) notwithstanding the foregoing provisions of this paragraph (viii), in making any calculation required by this paragraph (viii) for any Fiscal Year that occurs before the first Fiscal Year in

which the principal of any Non-Recourse Indebtedness issued to finance any Capital Improvements becomes due and payable or any interest on such Indebtedness ceases to be paid from amounts deposited in escrow or available to be drawn under any credit facility for payment of interest on such Indebtedness, such Indebtedness shall not be taken into account in calculating Maximum Annual Debt Service if the projected net income available for debt service to be derived from or in connection with all of the facilities financed or refinanced with the proceeds of such Indebtedness (determined in a manner consistent with the determination of Net Income Available for Debt Service) for each of the first two Fiscal Years beginning after the date of completion of the construction or acquisition of such facilities is not less than the maximum annual debt service on all outstanding long-term Indebtedness incurred in connection therewith (determined in a manner consistent with the determination of Maximum Annual Debt Service).

"**Favorable Opinion of Bond Counsel**" means, when used with respect to or in connection with any action, a written opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds theretofore issued.

"**Finance Lease**" means any sales-type lease or direct financing lease of real or personal property that, in accordance with GAAP, constitutes indebtedness of a Person and involves the transfer of risks and rewards of asset ownership to the lessee. Any lease agreement whereby the risks and rewards of ownership remain with the lessor, which is classified under GAAP as an operating lease, is not a Finance Lease.

"**Fiscal Year**" means the period of 12 consecutive months beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year, or such other fiscal year as the Obligated Group Members shall establish as the fiscal year of the Obligated Group, written notice of which shall be provided to the Authority.

"**Government Obligations**" means direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

"**Group Facilities**" means all real and personal property in which any Obligated Group Member shall have any interest.

"**Guaranty**" means any guaranty, loan commitment or other obligation of any Obligated Group Member guaranteeing in any manner, whether directly or indirectly, any Indebtedness of any other person (other than another Obligated Group Member).

"**Hedging Transaction**" means any transaction entered into by an Obligated Group Member in order to hedge the interest payable or manage interest cost on all or a portion of any Indebtedness, any asset or any other derivative arrangement then in effect, including (without limitation) an interest rate swap, a forward or futures contract or an option, such as (without limitation) a call, put, cap, floor or collar. The purpose of any Hedging Transaction shall be determined by resolution of the governing body of the Obligated Group Representative or other Obligated Group Member that is a party to such Hedging Transaction.

"**Indebtedness**" means (a) any indebtedness or liability for borrowed money, (b) any installment sale obligation, (c) any Finance Lease and (d) any guaranty of any of the foregoing. Indebtedness shall not include any obligation of any Obligated Group Member to any other Obligated Group Member.

"**Investment Obligations**" means:

(a) Government Obligations;

(b) Agency Obligations;

(c) negotiable or nonnegotiable certificates of deposit issued by commercial banks, trust companies or savings and loan associations (including the Trustee) that are (i) continuously secured for the benefit of the Authority and the Trustee, either (A) by lodging with a bank or trust company, acting as agent for the Trustee or the Authority as collateral security, Government Obligations or Agency Obligations or, with the approval of the Authority, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or applicable state law or regulations, having a market value not less than the amount of such deposit, or (B) if the furnishing of security as provided in clause (A) of this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds or (ii) fully insured by the Federal Deposit Insurance Corporation;

(d) repurchase agreements for Government Obligations or Agency Obligations or investment agreements which are, or are issued or guaranteed by an entity, rated by Moody's or S&P in its highest rating category or fully collateralized by Government Obligations or Agency Obligations (any such collateralized investment agreement being referred to herein as a "Collateralized Investment Agreement"); provided that (i) such Government Obligations or Agency Obligations shall be delivered to the Trustee or supported by a safekeeping receipt or other confirmatory documentation satisfactory to the Authority; (ii) the Trustee or the Authority shall have a perfected security interest in such Government Obligations or Agency Obligations; (iii) such Government Obligations or Agency Obligations shall be free and clear of any other liens or encumbrances; and (iv) such repurchase agreements or Collateralized Investment Agreements shall provide that the value of the underlying Government Obligations or Agency Obligations shall be continuously maintained at a current market value of not less than 102% of the repurchase price or the amount deposited thereunder, respectively (the value of such Government Obligations or Agency Obligations to be determined by the Trustee at least once in each seven day period);

(e) obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof which are rated in one of the three highest rating categories of Moody's or S&P;

(f) obligations of any state of the United States of America or any political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been irrevocably deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment;

(g) commercial paper which is rated in the highest rating category of Moody's or S&P; and

(h) shares in investment companies at least 90% of the assets of which consist of obligations described in clauses (a) through (g) above and repurchase agreements backed by such obligations (including any proprietary mutual fund, money market fund or short term investment fund maintained by the Trustee and for which the Trustee or an affiliate is investment advisor, or provides other services, and receives reasonable compensation for such services).

"**Joint Indebtedness**" means any Indebtedness for which one or more Obligated Group Members and one or more persons that are not Obligated Group Members are jointly and severally liable.

"**Long-Term Indebtedness**" means all of the following Indebtedness incurred or assumed by any Obligated Group Member:

(i) any obligation for the payment of money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) any Finance Lease with an original term longer than one year;

(iii) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year;

(iv) at the election of the Obligated Group Representative, any obligation having an original term of one year or less that is intended to be refinanced at maturity;

(v) any obligation that would constitute Short-Term Indebtedness if a liquidity facility were not in effect with respect thereto; and

(vi) any Guaranty of any Indebtedness that would be described in item (i), (ii), (iii) or (iv) above if such Indebtedness were incurred directly by an Obligated Group Member.

"**Management Consultant**" means an independent professional management consultant having a favorable national reputation for skill and experience in hospital consulting work appointed for the Obligated Group by the Authority in accordance with the Loan Agreement.

"**Maximum Annual Debt Service**" means, when used with reference to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of computation, the greatest amount required in the then current or any future Fiscal Year to pay the Debt Service Requirements of such Long-Term Indebtedness.

"**Medical System**" means the Institution and each other entity that is consolidated with the Institution for financial reporting purposes under generally accepted accounting principles.

"**Net Income Available for Debt Service**" means, when used with reference to any Obligated Group Member, for any period, an amount determined in accordance with generally accepted accounting principles by deducting (a) the expenses of such Obligated Group Member, exclusive of depreciation, interest and amortization from (b) the sum of all unrestricted operating and nonoperating revenues of such Obligated Group Member; provided, however, that there shall be excluded from such calculation (i) amounts received by any Obligated Group Member from or on behalf of the University System with

respect to any University Indebtedness, (ii) all revenues and expenses from or in connection with any property securing any Non-Recourse Indebtedness to the extent required in the calculation of Debt Service Requirements of such Indebtedness, (iii) any other non-cash items of a nonrecurring nature, (iv) all unrealized gains and losses on investments and Hedging Transactions, including (without limitation) any permanent impairment resulting from such loss, (v) any losses due to any impairments of goodwill, intangible assets or other long-lived assets and (vi) any nonoperating gains or losses on the sale or disposition of any asset (other than any investment security) or on the extinguishment of debt, including (without limitation) any gain or loss on the termination of any Hedging Transaction.

"**Non-Recourse Indebtedness**" means Indebtedness that does not constitute a general obligation of any Obligated Group Member and that is payable solely from (a) property of an Obligated Group Member, or the revenues of such property (i) the purchase or improvement of which was financed by such Indebtedness or (ii) that could be disposed of by an Obligated Group Member under the provisions of the Loan Agreement; (b) payments made to any Obligated Group Member pursuant to pledges or contributions to such Obligated Group Member; or (c) guarantees or payments from a person other than an Obligated Group Member.

"**Operating Assets**" means any land, building, machinery, equipment, hardware, inventory or other property or any interest therein (except cash, accounts receivable, investment securities and other property held for investment purposes) of any Obligated Group Member used in its trade or business.

"**Optional Tender Indebtedness**" means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including, without limitation, any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness or otherwise) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable by any Obligated Group Member.

"**Parity Debt**" means all Bonds and Parity Obligations, collectively.

"**Parity Obligation**" means the existing Parity Obligations and any other bond, note, lease, agreement or other obligation of any Obligated Group Member, including (without limitation) any Hedging Transaction that is certified as a Parity Obligation under the Resolution. See "Other Parity Debt – Outstanding Parity Debt."

"**Permitted Encumbrance**" means:

(a) any lien arising by reason of any good faith deposit by any Obligated Group Member in connection with any lease of real estate, bid or contract (other than any contract for the payment of money), any deposit by any Obligated Group Member to secure any public or statutory obligation, or to secure, or in lieu of, any surety, stay or appeal bond, and any deposit as security for the payment of taxes or assessments or other similar charges;

(b) any lien arising by reason of any deposit with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license or to enable any Obligated Group Member to maintain self-insurance or to participate in any funds established to cover any insurance risk or in

connection with workers' compensation, unemployment insurance, any pension or profit sharing plan or other social security, or to share in the privileges or benefits required for the participation of such Obligated Group Member in such arrangements;

(c) any judgment lien against any Obligated Group Member that does not exceed five percent (5.0%) of the Total Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared, so long as such judgment is being contested in good faith and is fully bonded or covered by insurance reasonably acceptable to the Authority;

(d) any right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any property of any Obligated Group Member; any lien on any property of any Obligated Group Member for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic, materialman, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity of which is being contested and execution thereon stayed;

(e) the Resolution and the Agreement;

(f) any lien or encumbrance on the Receipts securing any Indebtedness permitted by Section 7.11 of the Agreement, *provided* that, except in the case of liens and encumbrances securing Parity Debt, such lien or encumbrance is subordinate to the lien of the Agreement;

(g) any lien with respect to money deposited by patients or others with any Obligated Group Member as security for, or as prepayment of, the cost of patient or other client care and any lien arising under law or by contract with respect to initial deposits made under life care contracts;

(h) any lien on property received by any Obligated Group Member through any gift, grant or bequest constituting a restriction imposed by the donor, grantor or testator on such gift, grant or bequest or the income therefrom;

(i) any lien of any third-party payor for recoupment of amounts paid to any Obligated Group Member for patient care;

(j) any lien or encumbrance on inventory that does not exceed 25% of the Current Value thereof;

(k) statutory reverters under Hill-Burton grants (42 U.S.C. Section 291, *et seq*.) and similar federal or state legislation;

(l) any lien on any property securing any Non-Recourse Indebtedness;

(m) any lien granted for the benefit of all holders of outstanding Parity Debt in accordance with the Resolution and the Agreement;

(n) any operating or ground lease of any Operating Assets which is reasonably necessary or appropriate for or incidental to the operation thereof;

(o) any lien placed upon any real or tangible personal property being acquired or constructed by any Obligated Group Member to secure all or a portion of the cost of acquisition or construction thereof; and any landlord's lien under any lease;

(p) any lien or encumbrance on any property of any Obligated Group Member existing on the date on which such Obligated Group Member became an Obligated Group Member or on the date on which such property was acquired by an Obligated Group Member, including (without limitation) any acquisition as a result of a merger or consolidation permitted by Section 7.10 of the Agreement involving the owner of such property, *provided* that (i) such lien was not created to avoid the limitations on the creation of liens contained in the Agreement, (ii) such lien is not extended, renewed or modified to apply to any property of any Obligated Group Member not subject to such lien on such date, unless the lien, as so extended, renewed or modified, otherwise qualifies as a Permitted Encumbrance without reference to this clause and (iii) the Indebtedness secured by such lien does not constitute Parity Debt;

(q) any lien or encumbrance on any accounts receivable, *provided* that the aggregate principal amount of all Indebtedness secured by any such lien or encumbrance does not exceed 25% of the total net accounts receivable of the Obligated Group Members;

(r) any lien or encumbrance securing any Hedging Transaction permitted under the Loan Agreement;

(s) any lien or encumbrance arising by reason of any escrow or reserve fund established to pay debt service or the redemption price or purchase price of Indebtedness;

(t) any lien or encumbrance in favor of a trustee on the proceeds of Indebtedness and earnings thereon prior to the application of such proceeds and such earnings;

(u) liens in favor of banking or other depository institutions encumbering the deposits of any Obligated Group Member held in the ordinary course of business by such banking institutions (including any rights of setoff or statutory bankers' liens) so long as such deposit account is not established or maintained for the purpose of providing such lien, right of setoff or bankers' lien;

(v) such easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances as do not materially impair the use of the Operating Assets for their intended purposes; and

(w) any other lien or encumbrance;

provided, *however*, that the Book Value of all property subject to any lien described in clause (l), (o), (r) or (w) above, in the aggregate, shall not exceed twenty-five percent (25%) of the Book Value of the unrestricted assets of the Obligated Group Members for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared.

"**Revenue Test**" means, when used in connection with any admission to or withdrawal from the Obligated Group, the disposition of any assets, the incurrence of any Indebtedness or any other action, that:

(a) there shall have been delivered to the Authority and the Trustee a certificate of the Obligated Group Representative to the effect that the Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared was not less than 1.10, and

(b) either

(i) the Coverage Ratio for each of the two most recent Fiscal Years for which audited financial statements have been prepared would not have been less than 1.25 if such action had occurred as of the first day of such Fiscal Year; or

(ii) after giving effect to such action, the projected Coverage Ratio for each of the first two full Fiscal Years after the date on which such action is taken or, at the option of the Obligated Group in the case of the incurrence of any Indebtedness in order to finance any Capital Improvements, the date on which such Capital Improvements are expected to be placed in service, whichever is later, is either:

(A) not less than 1.25; or

(B) with the consent of the Authority, not less than 1.00, provided that (1) the Coverage Ratio is greater than the projected Coverage Ratio for each such Fiscal Year assuming such action is not taken or (2) under applicable governmental requirements, the Obligated Group Members are unable to achieve a higher Coverage Ratio.

For the purposes of the Resolution and the Loan Agreement, compliance with paragraph (b)(ii) above shall be evidenced by the written opinion of a Management Consultant, provided that compliance therewith may be determined by a certificate of the Obligated Group Representative setting forth the Net Income Available for Debt Service of the Obligated Group and the Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared and the projected Net Income Available for Debt Service of the Obligated Group and the Coverage Ratio for each of the two Fiscal Years referred to in clause (b)(ii) above, if the Coverage Ratio for each Fiscal Year set forth in such certificate is not less than 1.50.

For the definition of "**Revenues**," see "Security and Sources of Payment for the Series 2025 Bonds – Pledge of Revenues."

"**Short-Term Indebtedness**" means (a) any Indebtedness incurred or assumed by any Obligated Group Member for a term not exceeding 365 days, except any such Indebtedness (i) with respect to which a liquidity facility is then in effect or (ii) that is expected to be refinanced at maturity and that the Obligated Group elects to treat as Long-Term Indebtedness, and (b) any Guaranty of any Indebtedness that would be described in clause (i) above if such Indebtedness were incurred directly by an Obligated Group Member. Optional Tender Indebtedness shall not be deemed to constitute Short-Term Indebtedness for the purposes of the Loan Agreement solely by reason of the option of the holder thereof to require the redemption or purchase thereof or any required redemption or purchase thereof in

connection with the termination of the liquidity facility securing such Indebtedness or otherwise prior to the stated maturity thereof.

"**Sinking Fund Installment**" means the amount of money required to redeem or pay at maturity term Bonds at the times and in the amounts provided in the Resolution or the financing agreements pursuant to which certain Bonds were issued, less the amount of any credit against such amount arising from the purchase of term Bonds in any prior year as provided in the Resolution or such financing agreements.

"**Subordinate Obligations**" means any subordinate Indebtedness issued by the Authority or an Obligated Group Member as described under "Summary of Certain Provisions of the Resolution -- Subordinate Obligations" below.

"**Tax-Exempt Bonds**" means any Indebtedness of any Obligated Group Member with respect to which there shall have been delivered to the Authority a written opinion of Bond Counsel to the effect that the interest on such Indebtedness is excludable from gross income for federal income tax purposes.

"**Total Operating Expenses**" means, for any period, the sum of all expenses of the Obligated Group for such period, exclusive of (i) depreciation, amortization and other non-cash items, (ii) the provision for bad debt, determined in accordance with accounting principles generally accepted in the United States of America in effect from time to time, (iii) any losses due to any impairments of goodwill, intangible assets or other long-lived assets, (iv) all unrealized gains and losses on any investments, including (without limitation) any permanent impairment resulting from such loss, (v) all unrealized gains and losses on Hedging Transactions, and (vi) any nonoperating losses on the sale or disposition of any asset (other than any investment security) or on the extinguishment of debt, including (without limitation) any loss on the termination of any Hedging Transaction.

"**Total Revenues**" means, when used with reference to the Obligated Group for any period, the sum of all operating and nonoperating revenues of the Obligated Group for such period, determined in accordance with generally accepted accounting principles; provided, however, that there shall be excluded from such calculation (i) amounts received by any Obligated Group Member from or on behalf of the University System with respect to any University Indebtedness; (ii) all revenues derived from or in connection with any property securing any Non-Recourse Indebtedness to the extent required in the calculation of the Debt Service Requirements of such Indebtedness; and (iii) any unrealized gain on any investment or any Hedging Transaction and any nonoperating gain on the disposition of any asset (other than any investment) or on the termination of any Hedging Transaction.

"**University Indebtedness**" means Long-Term Indebtedness issued to finance or refinance any facilities used by the University System, provided that, among other things, net lease payments made by the University System are sufficient to provide for the payment of all principal of and interest on such Indebtedness.

"**University System**" means the University System of Maryland, a body corporate and an agency of the State of Maryland.

"**Unrestricted Liquid Funds**" means (a) unrestricted cash, cash equivalents and marketable securities, including (without limitation) board-designated funds, exclusive of (i) all money held by a

lender or trustee under any agreement securing any Indebtedness, (ii) borrowed money payable in one year or less or upon demand, unless there exists a firm refinancing commitment from a financial institution rated "A2" or "A" or higher by Moody's or S&P, respectively, and (iii) the market value of any collateral securing any Hedging Transaction (other than any collateral securing all outstanding Parity Debt) reduced by (b) if any Obligated Group Member shall have determined to terminate any Hedging Transaction during the immediately succeeding Fiscal Year, any termination payments that are expected to be payable with respect thereto.

"**Variable Rate Indebtedness**" means, as of any particular date, Long-Term Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. It is not a complete recital of the terms of the Resolution and reference should be made to the Resolution for a complete statement of its terms.

Funds and Accounts
(Sections 4.01 and 4.02)

An Insurance and Condemnation Award Fund is created by the Resolution for the benefit of the holders of all Parity Debt outstanding. Upon the occurrence of any Event of Default under the Loan Agreement, a Revenue Fund and an Operating Fund shall be established for the benefit of the holders of outstanding Parity Debt. The Revenue Fund and the Insurance and Condemnation Award Fund shall be held by the Trustee. The Operating Fund shall be held by the Authority, but the Authority shall deposit the Operating Fund with the Trustee, which shall act as custodian thereof.

Insurance and Condemnation Award Fund
(Section 4.11)

Money in the Insurance and Condemnation Award Fund shall be (i) disbursed to or at the direction of the Obligated Group Representative to pay the costs of repair or replacement of lost, damaged, destroyed or taken property or (ii) applied to the redemption of outstanding Long-Term Indebtedness in accordance with the provisions of the Loan Agreement described below under "Summary of Certain Provisions of the Loan Agreement – Application of Proceeds of Insurance and Condemnation."

Additional Bonds
(Section 2.06)

The Resolution authorizes the issuance of Additional Bonds for the purposes and with the effect described under "Other Parity Debt – Additional Bonds and Parity Obligations." Any Supplemental Resolution authorizing the issuance of Additional Bonds may provide for the creation of a separate Debt Service Fund, Construction Fund, Debt Service Reserve Fund and Redemption Fund for such Bonds.

Subordinate Obligations
(Section 2.07)

The Authority is authorized to issue and deliver, in addition to Additional Bonds, Subordinate Obligations for the benefit of any Obligated Group Member for the benefit of whom the Authority's obligations may be issued under the Act and to certify any obligations of any Obligated Group Member as Subordinate Obligations. The Authority may pledge the Revenues and the Obligated Group Members may pledge the Receipts to the payment of any Subordinate Obligations, but any such pledge must be junior and subordinate to the pledge of the Revenues and Receipts to secure Parity Debt. So long as no Event of Default under the Resolution or the Loan Agreement shall have occurred and be continuing, the Authority may pay or prepay, or authorize the prepayment of, the principal of and interest on any Subordinate Obligation and the holders of Parity Debt shall have no recourse against the person to whom any such payment shall have been made unless such person shall have had, at the time of receipt of such payment, actual knowledge that an Event of Default has occurred under the Resolution or the Loan Agreement. During the continuance of any Event of Default under the Resolution or the Loan Agreement, no payments shall be made with respect to the principal of or interest on any Subordinate Obligation.

Amendments or Modifications of Resolution and Loan Agreement
(Sections 8.01, 8.02, 8.04 and 8.05)

Without notice to or the consent of the holders of the Parity Debt, the Authority may adopt at any time or from time to time a Supplemental Resolution supplementing, modifying or amending the Resolution, any Supplemental Resolution or any Bond for the following purposes, among others: (i) to grant to the Trustee for the benefit of the holders of Parity Debt any additional rights or security; (ii) to add to the agreements of the Authority contained in the Resolution; (iii) to cure any ambiguity or to cure or correct any defect or inconsistent provisions in the Resolution or to make such provisions in regard to matters or questions arising under the Resolution as may be necessary or desirable and not inconsistent with the Resolution; (iv) to authorize the issuance of Additional Bonds or to certify Parity Obligations, including (without limitation) any modifications or amendments required to secure for the holders of such Additional Bonds and Parity Obligations a parity interest in the security granted to the holders of then outstanding Parity Debt, or to authorize or certify Subordinate Obligations; (v) to permit the qualification of the Resolution or any Supplemental Resolution under any federal statute or state blue sky law; (vi) to obtain or maintain ratings on Parity Debt; (vii) to make any other change in the Resolution, including (without limitation) any change necessary in connection with the issuance of any Subordinate Obligation, which shall not materially prejudice the rights of the holders of Parity Debt; and (viii) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued.

A Supplemental Resolution may be adopted amending or supplementing the provisions of the Resolution, any Supplemental Resolution or any Bond, to modify any of the provisions thereof or to release the Authority from any of the agreements therein contained with the prior written consent of the holders of a majority in aggregate principal amount of the Parity Debt outstanding as of the effective date of such Supplemental Resolution.

Without notice to or the consent of the holders of Parity Debt, the Authority may at any time and from time to time enter into any amendment of the Loan Agreement that, among other things, is (i)

required or permitted by the provisions of the Loan Agreement, including (without limitation) any supplements thereto required in connection with any admission to or withdrawal from the Obligated Group permitted by the Loan Agreement, (ii) required to cure any ambiguity or defect or omission therein, (iii) permitted by the Resolution and the Loan Agreement with respect to amendments of any Financed Facilities, (iv) required or permitted pursuant to the Resolution in connection with the issuance of any Additional Bonds, Parity Obligations or Subordinate Obligations, or (v) not prejudicial in any material respect to the rights of the holders of Parity Debt or Subordinate Obligations. Otherwise, the Authority shall not enter into any amendment of the Loan Agreement without the prior written consent of the holders of a majority in aggregate principal amount of the Parity Debt Outstanding at the effective date of such amendment.

Notwithstanding the provisions of the Resolution described above, no amendment of the Resolution that adversely affects the Obligated Group Members or the Trustee will be made without the prior written consent of the Obligated Group Representative or the Trustee, respectively, and except as otherwise provided in the Resolution, nothing contained therein shall permit (i) a change in any terms of redemption or purchase of any Bond or Subordinate Obligation, the due date for the payment of the principal of or interest on any Bond or Subordinate Obligation or any reduction in the principal or Redemption Price or purchase price of or interest rate on any Bond or Subordinate Obligation without the consent of the holder of such Bond or Subordinate Obligation, (ii) a preference or priority of any Parity Debt over any other Parity Debt without the consent of the holder of such other Parity Debt or (iii) a reduction in the percentage of Parity Debt the consent of the holders of which is required for any modification of the Resolution, without the unanimous consent of the holders of all Parity Debt.

Enforcement of Loan Agreement
(Sections 5.03 and 10.07)

The Authority shall take all reasonable actions to cause the Obligated Group Members to perform fully all duties and acts and comply fully with the covenants contained in the Loan Agreement. The holders of a majority in aggregate principal amount of the Parity Debt shall have the right, by an instrument in writing executed and delivered to the Authority, to direct the method and place of conducting all remedial proceedings to be taken by the Authority under the Loan Agreement; provided that such direction shall not be otherwise than in accordance with law or the provisions of the Loan Agreement, and shall not be unjustly prejudicial to holders of Parity Debt not parties to such direction.

The Authority, in its discretion, may assign its rights under the Loan Agreement to the Trustee. In the event of any such assignment, all references in the Resolution and the Loan Agreement to actions to be taken by the Authority under or with respect to the Loan Agreement shall be deemed to be references to the Trustee.

Events of Default and Remedies

Events of Default
(Section 7.01)

Events of Default under the Resolution include, among others: the failure to pay the principal of or interest on any Bond when the same shall become due and payable; the failure to pay the purchase price of any Bond when the same shall become due and payable; and default by the Authority in the

performance of any of its agreements contained in any outstanding Bond or in the Resolution, which default shall continue for 30 days after written notice shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the Request of the holders of not less than five percent in aggregate principal amount of the outstanding Parity Debt, provided that if the Authority shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Authority to complete such curative action through the exercise of due diligence.

Remedies
(Sections 7.02 and 7.03)

Upon the happening and continuance of any Event of Default under the Resolution, the Trustee may, and upon the written request of the holders of not less than 10% in aggregate principal amount of the Bonds shall, declare the principal of all of the outstanding Bonds to be due and payable. The Trustee also shall declare the principal of all outstanding Bonds due and payable upon the written direction of the Authority following the occurrence of any Event of Default under the Loan Agreement.

Upon the giving of written notice of such declaration, such principal shall become and be immediately due and payable. The Trustee may annul such declaration under certain circumstances set forth in the Resolution.

Upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the holders of not less than 10% in aggregate principal amount of Parity Debt outstanding shall proceed, to protect and enforce its rights and the rights of the holders of Parity Debt under the laws of the State of Maryland and under the Resolution and any Credit Facility.

By the terms of the Resolution, the Obligated Group Members are not prohibited from taking any action, to the extent permitted by applicable law, to remedy any Event of Default to the same extent and with the same effect as if the Authority had remedied such Event of Default.

Priority of Payments Following Default
(Sections 4.06 and 7.04)

If the Authority shall take possession of any of the Group Facilities following an Event of Default under the Loan Agreement, the Revenues received from the Group Facilities by the Authority during each calendar month shall be paid over by the Authority to the Trustee on or before the fifth Business Day of the immediately succeeding month for deposit to the credit of the Revenue Fund. Amounts so deposited in the Revenue Fund and all Receipts transferred to the Trustee for deposit in the Revenue Fund pursuant to the Loan Agreement upon the occurrence of any Event of Default under the Loan Agreement shall be paid by the Trustee on the first day of each month and in the following order of priority:

FIRST: (i) if the Authority is in possession of any of the Group Facilities, to the Authority for deposit in the Operating Fund, the lesser of (A) the balance in the Revenue Fund and (B) the sum certified by the Authority as sufficient to cover operating expenses for the Group Facilities for the month in which payment is made by the Trustee; and (ii) if the Obligated Group Members are in possession of

any of the Group Facilities, to the Obligated Group Members, the amount, if any, which the Authority in its discretion deems desirable in order to permit the Obligated Group Members to pay the Operating Expenses for the Group Facilities; and

SECOND: to the Interest Accounts, the Principal Accounts and the Debt Service Reserve Funds and to the holders of outstanding Parity Obligations in accordance with the provisions of the Resolution described below.

At such time as the Trustee shall be required to make any payments described in clause SECOND above, the Trustee shall establish a Debt Service Fund including an Interest Account and a Principal Account for each series of Bonds for which no Debt Service Fund shall have theretofore been established. The Trustee shall allocate the money required to be deposited in accordance with clause SECOND as follows: (1) to each Interest Account and to the holders of the outstanding Parity Obligations, the interest expected to accrue on the outstanding Bonds secured thereby or such Parity Obligations, respectively, until the first day of the immediately succeeding calendar month, proportionately, on the basis of the respective amounts of such interest (assuming any Parity Debt on which the interest rate is not fixed during such period continues to bear interest at the rate then borne by such Parity Debt), or such lesser amount as shall be required to make the amount on deposit in such Interest Account or theretofore paid to such holders equal the amount of such interest that will have accrued as of such date; (2) to each Principal Account and to the holders of the outstanding Parity Obligations, one-twelfth (1/12) of the principal of (which shall include any Sinking Fund Installments for) the outstanding Bonds secured by such Principal Accounts or the scheduled principal payable on such Parity Obligations, respectively, on the immediately succeeding July 1, proportionately, on the basis of the respective amounts of such principal, or such lesser amount as shall be required to make the amount on deposit in such Principal Account or theretofore paid to such holders equal the amount of such interest that will have accrued as of such date; and (3) between the Debt Service Reserve Funds established for Bonds other than the Series 2025 Bonds and any debt service reserve fund established for such Parity Obligations, proportionately, on the basis of the respective aggregate principal amounts of outstanding Parity Debt secured thereby.

Amounts deposited in the Revenue Fund that remain in the Revenue Fund at the end of any month shall be retained in the Revenue Fund and applied in the next month to the payments described above.

If at any time there shall have occurred and be continuing an Event of Default under the Resolution, after payment of all Administrative Expenditures, amounts held by the Trustee under the Resolution together with any money thereafter becoming available for such purpose shall be paid to the persons entitled thereto as provided in the following paragraphs (a) and (b).

(a) Unless the principal of all outstanding Parity Debt shall have become or shall have been declared due and payable, all such money shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the outstanding Parity Debt, in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment, ratably, according to the amounts due on such installment, to the persons

entitled thereto without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Parity Debt;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any outstanding Parity Debt that shall have become due and payable, in the order of the due dates for such payments, with interest upon the principal amount of such Parity Debt from the respective dates upon which it shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Parity Debt due and payable on any particular due date, together with such interest, then to the payment first of the interest, ratably, according to the amount of interest due on such date, and then to the payment of the principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Parity Debt; and

THIRD: to the payment of the interest on and the principal of the Parity Debt outstanding as the same become due and payable.

(b) If the principal of all outstanding Parity Debt shall have become due and payable either by its terms or by a declaration of acceleration, then the money held by the Trustee under the Resolution shall be applied to the payment of the principal and interest then due and unpaid upon such Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto.

Notwithstanding the foregoing, (1) amounts on deposit in the funds and accounts securing certain Bonds shall be applied only to the payment of such Bonds, (2) amounts on deposit in the Redemption Fund and the Additional Facilities Fund constituting the proceeds of Bonds and the investment earnings on such amounts shall be applied solely to the payment of amounts due on the Bonds, (3) amounts on deposit in any debt service fund, debt service reserve fund, redemption fund or other similar fund created for any Parity Obligation and any amount on deposit in any fund or account constituting the proceeds of such Parity Obligation or investment earnings on such proceeds shall be applied solely to the payment of amounts due on such Parity Obligation, (4) the Trustee shall allocate any other amounts held by the Trustee under the Resolution among the Outstanding Bonds and Parity Obligations after giving effect to the application of amounts on deposit in the funds and accounts maintained for such Bonds and Parity Obligations, respectively, and (5) prior to the application of any amounts that constitute proceeds of any Tax-Exempt Bonds or the investment earnings on such proceeds to the payment of any other Bonds or any Parity Obligations, the Trustee shall obtain a Favorable Opinion of Bond Counsel as to such application.

Restrictions upon Action by Individual Holders
(Section 7.07)

No holder of any Parity Debt shall have any right to institute any suit, action or other proceeding in equity or at law on any Parity Debt, for the execution of any trust under the Resolution or for any other remedy under the Resolution unless such holder previously shall have given to the Trustee written notice of the Event of Default on account of which such proceeding is to be instituted, and the holders of not less than 10% in aggregate principal amount of the Parity Debt outstanding shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall

have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such proceeding in its or their name, and further, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time; provided, however, that the holders of not less than 10% in aggregate principal amount of the Parity Debt outstanding may institute any such action, suit or proceeding in their own names for the benefit of all holders of Parity Debt.

Defeasance
(Section 9.01)

If the Authority shall pay or cause to be paid the principal or Redemption Price of and interest on all Parity Debt and Subordinate Obligations at the times and in the manner stipulated in the Resolution, then the pledge of any Revenues and other property pledged by the Resolution to the Parity Debt and Subordinate Obligations and all other rights granted by the Resolution to the Parity Debt and Subordinate Obligations shall be discharged and satisfied.

Any money held by the Trustee in trust for the payment of any of the Parity Debt which remains unclaimed for four years after the later of the date at which such Parity Debt became due and payable and the date of deposit of such money shall be repaid by the Trustee to the Authority or to such officer, board or body as may then be entitled by law to receive such money, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto.

Authority Protected in Acting in Good Faith
(Section 10.06)

In the exercise of the powers and the performance of the duties of the Authority and its members, officers, employees and agents under the Resolution or the Loan Agreement, including, without limitation, the application of money, the investment of funds and the pursuit of or failure to pursue any remedy in the event of default by the Obligated Group Members, the Authority and its members, officers, employees and agents shall not be accountable to the Trustee or any holder of any Parity Debt for any action taken or omitted by it or its members, officers, employees and agents in good faith and believed in good faith by it or them to be authorized or within the discretion or rights conferred by the Resolution or the Loan Agreement. The Authority and its members, officers, employees and agents shall be protected in its or their acting upon any instrument or document believed in good faith by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel or other experts and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the Trustee or any holder of any Parity Debt for any claims based on the Resolution or the Loan Agreement or on any Bond against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit of such person.

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Concerning the Trustee

Responsibilities of the Trustee; Indemnification
(Sections 6.02 and 6.03)

Except as otherwise expressly provided in the Resolution, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Parity Debt for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any money paid to the Authority or others in accordance with the Resolution except as to the application of any money paid to it in its capacity as Trustee. The duties of the Trustee shall be determined by the express provisions of the Resolution, and the Trustee shall not be liable except for the performance of such duties as are specifically set forth in the Resolution. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under the Resolution except for its own negligence or default.

The Trustee shall be under no obligation to institute suit, to undertake any proceeding under the Resolution or to take any steps in the execution of the trusts created thereby or in the enforcement of any rights and powers thereunder until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct. Nevertheless, the Trustee may take such action without indemnity, and in such case the Authority shall reimburse the Trustee from the Revenues for all costs and expenses properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Resolution and shall be entitled to a preference therefor over any Parity Debt and Subordinate Obligations Outstanding under the Resolution.

Resignation and Removal
(Sections 6.08 and 6.09)

The Trustee may resign and be discharged by giving written notice to the Authority and each holder of any outstanding Parity Debt. Such resignation shall take effect upon the appointment of a successor by the Authority or the holders of Parity Debt and acceptance of such appointment by such successor.

The Trustee may be removed at any time by the Authority or, if an Event of Default has occurred and is continuing, the holders of a majority in aggregate principal amount of the Parity Debt outstanding by a written instrument by such holders or their attorneys-in-fact. The Trustee may also be removed for any breach of trust or for acting, or for failing to act, or proceeding in violation of any provision of the Resolution, by any court upon the application of the Authority or of the holders of not less than 10% in aggregate principal amount of the Parity Debt outstanding.

Successor Trustee
(Section 6.10)

If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator shall be appointed for the Trustee's property, or if any public officer shall take charge or control of the Trustee or of its property or

affairs, the position of the Trustee shall become vacant and a successor Trustee shall be appointed by the Authority.

If no appointment of a successor Trustee is made within 45 days after the giving of written notice of resignation by any Trustee, or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any holder of Parity Debt may apply to any court for the appointment of such a successor. Any successor Trustee shall be a commercial bank or trust company or national banking association (i) having a capital and surplus aggregating at least $50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by the Resolution.

Replacement Master Trust Indenture
(Supplemental Resolution and Agreement)

Upon the satisfaction of various conditions set forth below, together with (i) the consent of the Authority, (ii) receipt by the Trustee under the Resolution of the consent of the holders of not less than a majority in aggregate principal amount of Parity Debt then outstanding under the Resolution, and (iii) the direction by the Obligated Group Representative to implement a replacement master trust indenture (the "Replacement Master Indenture") with a corporate trustee (the "Replacement Master Trustee"), (a) the security interest of the Trustee as assignee of the Authority in the Receipts will be assigned to the Replacement Master Trustee, (b) certain covenants in the Resolution and the Loan Agreement may be amended or eliminated, and (c) all Parity Debt will be secured by a certification or other obligation issued by the Obligated Group under the Replacement Master Indenture and duly authenticated by the Replacement Master Trustee (each an "Obligation"), evidencing that all Parity Debt issued under the Resolution or certified as Parity Debt under the Resolution is thereafter secured on a parity basis by the Receipts and any other collateral granted by the Obligated Group Members then constituting security for such Parity Debt under the Replacement Master Indenture (the "Replacement MTI Transaction"). The Replacement MTI Transaction shall be subject to the following conditions:

(a) a copy of an original executed counterpart of the Replacement Master Indenture executed by or on behalf of the Obligated Group Representative for and on behalf of itself and the other Obligated Group Members (which shall include the Institution and may include the other current Obligated Group Members) by the Replacement Master Trustee meeting the eligibility requirements for a successor trustee as set forth in the Resolution;

(b) an opinion of independent counsel addressed to the Trustee to the effect that: (1) the Replacement Master Indenture and each Obligation issued in connection with the Replacement MTI Transaction have been duly authorized, executed and delivered by or on behalf of the Obligated Group and are the valid and binding obligation of each member of the Obligated Group (subject to customary exceptions), (2) all requirements and conditions to the issuance of the Obligations issued in connection with the Replacement MTI Transaction have been complied with and satisfied; and (3) registration of the Obligations under the Securities Act of 1933, as amended, issued in connection with the Replacement MTI Transaction is not required or, if registration is required, such registration has occurred;

(c) an Opinion of Bond Counsel that the Replacement MTI Transaction will not adversely affect the validity of any Bonds or any exemption for the purposes of federal or state income taxation to which interest on such Bonds would otherwise be entitled;

(d) the Revenue Test shall have been satisfied at the time of the adoption of the Replacement Master Indenture; and

(e) Evidence that (1) written notice of the proposed Replacement MTI Transaction, together with a copy of the Replacement Master Indenture and related documents, has been given by the Obligated Group Representative to the Authority and each Rating Agency then maintaining a rating on any of the Bonds then Outstanding prior to the date such Replacement MTI Transaction is to take effect, (2) if the then current ratings on the Bonds are at or above A-, A3 or corresponding ratings in effect at the time, such ratings will not be withdrawn or lowered (without regard to numerical modifier) below A-, A3 or corresponding ratings in effect at the time by any Rating Agency as a result of such Replacement MTI Transaction and (3) if the then current ratings on the Bonds are below A-, A3 or corresponding ratings in effect at the time, such ratings will not be withdrawn or lowered (without regard to ratings outlook) by any Rating Agency as a result of such Replacement MTI Transaction. The Obligated Group Representative will provide to each Rating Agency such information as such Rating Agency may request with respect to the operations and financial condition of the Obligated Group when determining the rating impact of the Replacement MTI Transaction.

In connection with the delivery of a Replacement Master Indenture the provisions of this Section shall not permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Bonds or other obligation secured by the Receipts; (ii) a reduction in the principal amount of the Bonds, or other secured obligation; (iii) a change in the redemption premiums or rates of interest on the Bonds or other secured obligation; or (iv) a preference or priority of any Obligation over any other Obligation, unless the Replacement Master Trustee under the Replacement Master Indenture receives the prior written consent of the Holders of all such Bonds or obligations outstanding.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This is not a complete recital of the terms of the Loan Agreement and reference should be made to it for its complete terms.

Admission to and Withdrawal from Obligated Group
(Sections 3.02 and 3.03)

Other entities may be admitted to the Obligated Group, from time to time, upon the satisfaction of the following conditions, among others, on and as of the date of admission:

(a) the entity proposing to become an Obligated Group Member (the "Applicant") shall grant to the Authority a lien on and security interest in all of the Applicant's Receipts, subject only to Permitted Encumbrances;

(b) the Authority shall have received a Favorable Opinion of Bond Counsel; and

(c) the Revenue Test shall have been satisfied.

Any Obligated Group Member other than the Institution may withdraw from the Obligated Group upon the satisfaction of the following conditions, among others, on and as of the date of such withdrawal:

(a) the Authority and the Trustee shall have received a Favorable Opinion of Bond Counsel; and

(b) the Revenue Test shall have been satisfied.

Upon the withdrawal of any person from the Obligated Group, such person will have no further liability as obligor or guarantor of any obligation under the Loan Agreement.

Operation and Maintenance of the Operating Assets; Payment of Impositions
(Sections 6.01 and 7.09)

The Obligated Group Members shall operate the Operating Assets in a sound and economical manner, shall maintain, preserve and keep the Operating Assets in good condition and repair and shall make all necessary and proper repairs, replacements and renewals so as to conduct the operation of the Operating Assets in substantial compliance with applicable law; provided, however, that nothing in the Loan Agreement shall be deemed to require the Obligated Group Members to operate and maintain any Operating Assets to the extent that the Obligated Group Members determine that to do so is not in the best economic interest of the Obligated Group.

The Obligated Group Members shall pay all governmental impositions and assessments, if any, levied or assessed upon or with respect to the Operating Assets or any revenues therefrom; provided, however, that the foregoing shall not be construed to prevent any Obligated Group Member from contesting in good faith any governmental imposition or assessment with respect to the Operating Assets, provided that such contest shall not materially adversely affect the ability of the Obligated Group Members to make the payments required by the Loan Agreement or the security for the Parity Debt or Subordinate Obligations or the effective use or operation of the Operating Assets in any material respect.

Limitations on Merger, Consolidation or Transfer of Assets
(Section 7.10)

No Obligated Group Member shall merge or consolidate with, or transfer all or substantially all of its assets to, any other person, unless each of the following conditions is satisfied, among others:

(a) the surviving, resulting or transferee corporation is an Obligated Group Member or, as part of such transaction, becomes an Obligated Group Member;

(b) the Revenue Test shall have been satisfied; and

(c) there shall be filed with the Authority and the Trustee a Favorable Opinion of Bond Counsel.

The Loan Agreement provides that the transfer of any or all of the assets of any Obligated Group Member to any other Obligated Group Member shall not constitute a merger, consolidation or transfer of substantially all of any Obligated Group Member's assets within the meaning of the provisions described above.

Additional Indebtedness
(Section 7.11)

No Obligated Group Member shall incur or permit to exist any Indebtedness except as follows:

(a) Indebtedness with respect to certain Parity Debt issued on or before the date of execution of the original Loan Agreement prior to amendment or supplement;

(b) Short-Term Indebtedness in an aggregate principal amount that shall not exceed 20% of the Total Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared, *provided* that the Obligated Group shall have no such Indebtedness outstanding on any day unless, during the 12 calendar month period immediately preceding such day, there has been a period of at least 15 consecutive days during which all such Indebtedness outstanding has not exceeded five percent of the Total Revenues for such 12-month period, unless there is delivered to the Authority a Certificate of the Obligated Group to the effect that such Indebtedness was incurred or continues to exist as a result of a temporary delay in the receipt by any Obligated Group Member of amounts due from third-party payors, governmental agencies or grantors and that the outstanding amount of such Indebtedness has been reduced to the minimum amount practicable under the circumstances;

(c) Long-Term Indebtedness issued for the purpose of refunding any outstanding Indebtedness of any Obligated Group Member, if the Authority shall have received a certificate of the Obligated Group to the effect that, after giving effect to the proposed refunding, the Maximum Annual Debt Service on all Outstanding Long-Term Indebtedness will not be increased by more than 10%;

(d) Non-Recourse Indebtedness;

(e) any other Long-Term Indebtedness, if the Revenue Test shall have been satisfied;

(f) any additional Long-Term Indebtedness, provided that the aggregate principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness described in clause (b) above and this clause (f), that is then outstanding, shall not exceed 25% of the Total Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared; and

(g) certain Indebtedness under Credit Facility Agreements.

The Obligated Group Representative shall give Notice to the Authority regarding (i) the principal amount of the Indebtedness to be incurred, (ii) the date on which such Indebtedness is to be incurred and (iii) the provisions of this Section being relied upon to permit such Indebtedness to be incurred, at least three Business Days prior to incurring any Indebtedness pursuant to clause (b), (c), (d), (e) or (f) above (or such other notice as shall be acceptable to the Authority), *provided,* however, that with respect to clause (b) such Notice shall only be required at the time the agreement to incur such Indebtedness is

initially entered into. The Obligated Group Representative shall furnish to the Authority such Certificates of an Independent Public Accountant as the Authority may reasonably request to evidence compliance with the provisions of this Section.

Parity Obligations
(Section 7.12)

Each Obligated Group Member has the right under the Loan Agreement to issue, or to have issued on its behalf, Parity Obligations for any lawful purpose, upon the satisfaction of the conditions described above under "Additional Indebtedness" or described below under "Certain Hedging Transactions" and of certain other conditions. Parity Obligations shall be secured equally and ratably by the Receipts and the Revenues to the extent provided in the Resolution, except that the security of the funds and accounts maintained for any Bonds and amounts on deposit in the Additional Facilities Fund constituting the proceeds of Bonds and the investment earnings on such amounts shall not secure any Parity Obligation and any debt service fund, debt service reserve fund, redemption fund or other similar fund created for any Parity Obligation and any amount on deposit in any fund or account securing any Parity Obligation constituting proceeds of such Parity Obligation or investment earnings on such proceeds shall not secure the Bonds.

Liens and Encumbrances
(Section 7.13)

Except as otherwise expressly permitted by the Loan Agreement, no Obligated Group Member may create any lien or encumbrance or allow any lien or encumbrance to remain against any of its property (except Permitted Encumbrances) without the prior written consent of the Authority, which consent shall not be unreasonably withheld.

Disposition of Assets
(Section 7.14)

Subject to the further provisions of the Loan Agreement, an Obligated Group Member may demolish, remove, sell, lease, loan, assign, transfer or otherwise dispose of any property in any Fiscal Year if:

(i) the aggregate Current Value of all property disposed of by the Obligated Group Members pursuant to this clause (i) in such Fiscal Year does not exceed ten percent of the aggregate Current Value of the unrestricted net assets (defined as net assets without donor restriction under GAAP) of the Obligated Group Members as of the last day of the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared; or

(ii) such Obligated Group Member shall receive, in consideration of the disposition of such property, money or other property at least equal to the fair market value of such property immediately prior to such disposition; or

(iii) such Obligated Group Member shall have delivered to the Authority and Trustee either (1) a Certificate to the effect that the Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared would not have been less than 1.50 if the disposition of such property had taken place on the first day of such Fiscal Year or (2) an opinion of a

Management Consultant stating that the Coverage Ratio for each of the first two Fiscal Years after the date of the disposition of such property should be greater than the Coverage Ratio for each such Fiscal Year assuming that such property had not been disposed of; or

(iv) the disposition of property that is unused or surplus or has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining property of the Obligated Group; or

(v) the disposition of property to any Person, provided such property is received by such Obligated Group Member as a gift, grant, bequest or donation and is restricted as to use for a particular purpose inconsistent with its use for payment of debt service on Indebtedness and such Person has as one of its corporate purposes the receipt of gifts, bequests and donations and the application of such property in accordance with such restrictions; or

(vi) the Revenue Test shall have been satisfied.

In addition to dispositions of property permitted by the preceding paragraph, an Obligated Group Member may sell, lease or otherwise transfer any of its property (1) to any other Obligated Group Member or (2) if such property has become inadequate, obsolete or worn out.

Certain Hedging Transactions
(Section 7.15)

The Obligated Group Members may secure any agreement entered into in connection with any Hedging Transaction (a "Hedge Agreement") by providing a lien on or security interest in any property of the Obligated Group constituting a Permitted Encumbrance, provided that prior to entering into such Hedge Agreement, there shall be delivered to the Authority (a) a copy of such Hedge Agreement, and (b) a certificate of the Obligated Group Representative (i) demonstrating that the Obligated Group would be entitled to dispose of assets pursuant to the Loan Agreement in an amount equal to the Maximum Adverse Termination Payment (hereinafter defined) that would be payable if an early termination date were to occur under all Hedging Transactions to which any Obligated Group Member is then a party as of the date on which the Obligated Group Members enter into such Hedging Transaction, determined as provided below and (ii) certifying that such Hedge Agreement complies with the policies adopted by the respective board of trustees or directors of the Obligated Group Representative.

The Maximum Adverse Termination Payment shall be determined as follows:

(i) The value of one standard deviation of fixed swap rates for Hedging Transactions of a similar duration and basis (*e.g.*, SIFMA) shall be calculated. The standard deviation used in this calculation shall be the greater of the value determined using five years and the value determined using ten years of historical data. The probable range of fixed rates with a 95% confidence level shall then be estimated by adding the value of 1.96 standard deviations to the current fixed rate to establish an upper level, and deducting the value of 1.96 standard deviations from the current fixed rate to determine the lower level. The value of a Hedging Transaction shall be calculated by using the fixed rates at the upper and lower levels to determine the mark to market valuation of such Hedging Transaction.

(ii) In the case of basis swap transactions, the value of one standard deviation of basis ratios for basis swaps of similar duration and basis shall be calculated. The standard deviation used in this calculation shall be the greater of the value determined using five years and the value determined using ten years of historical data. The probable range of ratios with a 95% confidence level shall then be estimated by adding the value of 1.96 standard deviations to the current ratio to establish an upper level, and deducting the value of 1.96 standard deviations from the current ratio to determine the lower level.

(iii) The Maximum Adverse Termination Payment shall be equal to the largest negative value determined as provided in paragraphs (i) and (ii) above; provided that if Obligated Group Members are party to more than one Hedging Transaction as of the date of calculation, the Maximum Adverse Termination Payment shall be calculated by summing the positive and negative values of all Hedging Transactions then in effect, including the Hedging Transaction entered into as of the date of calculation.

(iv) Notwithstanding the foregoing, the Maximum Adverse Termination Payment for swap transactions and other Hedging Transactions may be determined in accordance with such other methodology based upon market practices as shall be reasonably satisfactory to the Authority.

The Maximum Adverse Termination Payment shall be evidenced by a certificate of the counterparty under a Hedging Transaction or other person having skill and experience in the valuation of Hedging Transactions.

No error or other defect in the calculation of the Maximum Adverse Termination Payment shall affect the validity of any Hedge Agreement duly authorized, executed or delivered by an Obligated Group Member.

Notwithstanding the foregoing, the Obligated Group Members shall not be required to comply with the foregoing provisions in connection with any amendment to or modification or novation of any existing Hedge Agreement entered into for the purpose of managing the Obligated Group's risk position under existing Hedging Transactions, including replacing any counterparty on substantially the same terms as such existing Hedge Agreement, eliminating or reducing any security requirement under such Hedge Agreement and otherwise amending, modifying or novating such Hedge Agreement provided that the Obligated Group's exposure under such Hedge Agreement is not materially increased.

Events of Default
(Section 8.01)

"Events of Default" under the Loan Agreement include the following, among others: failure by the Obligated Group Members to pay when due amounts sufficient to pay the principal, purchase price or Redemption Price of or interest on any Bonds; failure by the Obligated Group Members to pay when due any other payment required to be made under the Loan Agreement, which failure shall continue for a period of 30 days after written notice is given to the Obligated Group Representative by the Authority; failure by any Obligated Group Member to comply with any of the other terms contained in the Loan Agreement, which failure shall continue for a period of 30 days after written notice shall have been given to the Obligated Group Representative by the Authority or the Trustee, provided that such period may be extended if any such Obligated Group Member shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days; the insolvency or bankruptcy of certain Obligated Group Members; except as otherwise provided in the

Resolution with respect to certain Bonds, loss of excludability from gross income for federal income tax purposes of the interest on any Tax-Exempt Bonds as a result of any action by any Obligated Group Member; default in the payment of principal of or interest on any outstanding Indebtedness of any Obligated Group Member in an amount exceeding one-half of one percent (1/2%) of the Total Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared, or default under any indenture, agreement or other similar instrument under which any such Indebtedness may be issued, which default permits the acceleration of the maturity of such Indebtedness; or if any event shall occur or circumstance shall exist (other than any termination at the option of an Obligated Group Member or resulting from the bankruptcy, insolvency or default of the counterparty under a Hedging Transaction or Hedge Agreement) as a result of which any Obligated Group Member could be required to pay to a counterparty under any Hedging Transactions or Hedge Agreements an aggregate amount the payment of which would cause the amount of the Unrestricted Liquid Funds of the Obligated Group to be less than an amount equal to 50% of the Unrestricted Liquid Funds then held by the Obligated Group, which event or circumstance continues beyond any applicable grace period.

Continuing Disclosure
(Section 7.18 and Supplemental Resolution and Agreement)

In accordance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Obligated Group has undertaken for the benefit of the holders of the Series 2025 Bonds to provide (a) financial information or operating data with respect to each of the Obligated Group Members of the type contained in the charts in Appendix A to the Official Statement under the captions: "Operations of the Medical System – Major Medical Facilities – Acute Care Facilities – Licensed Beds by Facility and Category" and "Utilization and Financial Information" "– Selected Summary Utilization Information – Historical Utilization of Medical System Hospitals," "– Summary of Financial Results – Consolidated Statements of Operations," "– Payor Mix – Payor Mix Based on Net Patient Service Revenues," "– Historical and Pro Forma Debt Service Coverage – Historical and Pro Forma Long-Term Debt Service Coverage Ratios (excluding pro forma maximum annual debt service and pro forma maximum annual debt service coverage ratio)," "– Capitalization – Capitalization of the Obligated Group," "– Unrestricted Cash and Investments – Unrestricted Cash and Investments/Days Cash on Hand," and " –Investment Portfolio and Policy – UMMS Investment Portfolio Allocations" to the extent such information is not included in the financial statements referred to in clause (b) below; and (b) audited financial statements with respect to the Institution and its subsidiaries, prepared in accordance with accounting principles generally accepted in the United States (collectively, the "Continuing Disclosure") to the Authority and the Trustee, and in a timely manner not in excess of ten business days after the occurrence thereof, to provide notice of the occurrence of any of the following events with respect to the Series 2025 Bonds (each, an "Enumerated Event"):

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2025 Bonds, or other material events affecting the tax status of any such Bonds;

(vii) modifications to rights of holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2025 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event with respect to any Obligated Group Member;

(xiii) the consummation of a merger, consolidation, or acquisition involving any Obligated Group Member or the sale of all or substantially all of the assets of any Obligated Group Member, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of any Obligated Group Member, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any Obligated Group Member, any of which affect Holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any Obligated Group Member, any of which reflect financial difficulties.

For purposes of the foregoing, "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board (the "MSRB") consistent with the Rule.

The Continuing Disclosure is required to be filed by the Obligated Group with the MSRB in an electronic format prescribed by the MSRB not later than 120 days after the end of each Fiscal Year. Notices of Enumerated Events are required to be filed by the Obligated Group with the MSRB in an electronic format prescribed by the MSRB.

In addition, the Obligated Group Members have agreed to provide (i) to the MSRB in an electronic format prescribed by the MSRB unaudited quarterly financial statements of the Medical System not later than 45 days after the end of the first three fiscal quarters and within 90 days after the end of the fourth fiscal quarter of each Fiscal Year and (ii) to any holder of any outstanding Series 2025 Bonds who shall have filed a written request therefor with the Obligated Group Representative, the Continuing Disclosure and the quarterly financial statements described in clause (i) of this paragraph at the time such items are filed with the MSRB. Any of the Continuing Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission.

The sole and exclusive remedy for the failure of the Obligated Group to provide the required information shall be an action brought by or on behalf of the holders of the Series 2025 Bonds for specific performance by the Obligated Group of its undertakings. The failure of the Obligated Group to provide the required information shall not constitute an Event of Default under the Loan Agreement.

With the consent of the Authority, the Obligated Group may modify the information required to be provided to the extent that such modification complies with the Rule as it exists at the time of modification.

Insurance
(Section 6.04)

The Obligated Group Members shall keep the Operating Assets adequately insured at all times and shall maintain with responsible insurers with respect to their facilities and operations insurance of such types, in such amounts and against such risks as are customarily maintained by persons in similar circumstances having facilities of a comparable type and size and offering comparable services as those of the Obligated Group Members. The Obligated Group Members may satisfy these requirements by establishing and maintaining a self-insurance plan protecting each Obligated Group Member against the risks required to be insured against by such requirements. Neither the Authority nor the Trustee shall have any responsibility with respect to any insurance required under the Loan Agreement, except that the Trustee shall receive the letters and opinions required to be delivered in accordance therewith and shall hold the same for inspection by any holder of outstanding Parity Debt.

Application of Proceeds of Insurance and Condemnation
(Section 6.05)

The Authority and the Obligated Group Members shall pay over to the Trustee for deposit in the Insurance and Condemnation Award Fund (i) all proceeds received under any title insurance policy relative to any Operating Assets ("title insurance proceeds"), (ii) the proceeds of all or any Operating Assets taken in the exercise of the power of eminent domain, condemnation or similar proceedings or agreements ("condemnation proceeds"), and (iii) any insurance proceeds payable in connection with the loss, damage or destruction of any Operating Assets ("casualty insurance proceeds"); provided, however, that payments or awards of title insurance proceeds, casualty insurance proceeds or condemnation proceeds received in any Fiscal Year from a single casualty, loss or taking that are in an amount less than or equal to 10% of the Book Value of the Operating Assets of the Obligated Group as of the last day of the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared shall be paid to the Obligated Group Representative unless the amount of

such title insurance proceeds, casualty insurance proceeds, and condemnation proceeds, when added to the aggregate of such proceeds theretofore paid in such Fiscal Year, is in excess of 10% of the Book Value of such Operating Assets, in which case the entire amount of such payment or award shall be paid to the Trustee for deposit in the Insurance and Condemnation Award Fund.

If title insurance proceeds, casualty insurance proceeds or condemnation proceeds are in an aggregate amount in any single Fiscal Year in excess of 10% of the Book Value of the Operating Assets of the Obligated Group as of the last day of the most recent Fiscal Year for which audited financial statements of the Medical System have been prepared, the proceeds paid to the Trustee shall be applied as described below:

(i) The Obligated Group Members may elect within six months of such loss, damage, destruction or taking to apply such proceeds to the repair or replacement of the lost, damaged, destroyed or taken property if, among other things, the Obligated Group Members deliver to the Authority a written statement from a Management Consultant that the Coverage Ratio (taking into account proceeds of insurance available to the Obligated Group Members) for each Fiscal Year during the period of restoration and for the first two full Fiscal Years thereafter is projected to be at least 1.10.

(ii) The Obligated Group Members may elect to apply such proceeds to the payment or redemption of outstanding Long-Term Indebtedness if:

(A) the Obligated Group Members either (1) satisfy the Revenue Test after giving effect to such payment or redemption or (2) deliver to the Authority a written report of a Management Consultant to the effect that (after giving effect to the payment or redemption of such Long-Term Indebtedness) the Coverage Ratio for each Fiscal Year during the period covered by projections prepared by such Management Consultant, which shall be a period of at least two full Fiscal Years, is projected to be at least 1.10; or

(B) the Obligated Group Members shall pay to the Trustee for deposit in the Insurance and Condemnation Award Fund an amount of money that, together with any other funds held to the credit of the funds and accounts created by the Resolution and any money on deposit in the funds and accounts created for any Parity Debt, shall be sufficient to provide for the payment or redemption of all Outstanding Parity Debt in the manner provided by the Resolution.

(iii) The Obligated Group Members may elect to apply a portion of such proceeds to the repair or replacement of the lost, damaged, destroyed or taken property and to apply the remaining proceeds to the redemption of Outstanding Long-Term Indebtedness so long as the Obligated Group Members shall satisfy the requirements described in (i) above.

(iv) The Obligated Group Members shall elect to apply such proceeds in accordance with paragraph (i), (ii) or (iii) above within six months of such loss, damage, destruction or taking. If the Obligated Group Members do not make such election or are not entitled to apply such proceeds in accordance with paragraph (i), (ii) or (iii) above, the Authority shall employ a Management Consultant at the expense of the Obligated Group Members, within six months of such loss, damage, destruction or taking, to submit a written report including recommendations as to the use of such proceeds that should result in the maximum feasible Coverage Ratio. Such written report shall include a financial projection for a period extending at least through the second full Fiscal Year after the date of completion of any

repairs or replacements recommended by such Management Consultant. Such proceeds shall be applied in accordance with the recommendations of such Management Consultant.

The proceeds of any use and occupancy or business interruption insurance policy representing the coverage of the Debt Service Requirements of any Bonds shall be paid to the Trustee for deposit in the Debt Service Funds.

As used in the Loan Agreement, the terms "repair" and "replace" include (without limitation) the construction or acquisition of replacement or substitute property, structures, machinery, equipment or other improvements, which need not necessarily have the same function as the property lost, damaged, destroyed or taken. The provisions of the Loan Agreement described above are subject to the rights of the holders of any Permitted Encumbrances taking priority over the rights of the Authority in the property which is subject to such Permitted Encumbrances.

Release of Liens and Security Interests
(Section 7.16)

The Authority and the Trustee, at the direction of the Authority, shall, at the expense of the Obligated Group Members, execute and deliver any instrument necessary or appropriate (i) to confirm, grant or convey any property or interest therein transferred in accordance with the Loan Agreement and to release such property or interest therein from the liens and security interests granted to the Authority and the Trustee as security for outstanding Parity Debt and (ii) to grant or confirm the priority of any lien or encumbrance of certain Permitted Encumbrances over the liens and security interests granted to the Authority and the Trustee as security for outstanding Parity Debt.

In addition, the Authority may, in its reasonable discretion, and the Trustee shall, at the direction of the Authority, execute and deliver any instrument, including (without limitation) any release of any property or interest therein from the liens and security interests securing outstanding Parity Debt, necessary or appropriate to confirm or give effect to any other Permitted Encumbrance to the extent such lien is permitted to be senior to the lien on such property or interest therein securing outstanding Parity Debt.

DEFINITIONS OF CERTAIN TERMS REGARDING INDENTURE AND MULTIMODAL BOND LOAN AGREEMENT

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Words and terms used and not defined herein shall have the respective meanings set forth in the Indenture and the Multimodal Bond Loan Agreement.

"**Administrative Expenditures**" means any expenditures of the Authority for insurance, fees and expenses of auditing and fees and expenses of the Indenture Trustee, including reasonable counsel fees, costs and expenses under the Indenture or the Multimodal Bond Loan Agreement not otherwise paid or provided for by the Institution, and all other expenditures reasonably and necessarily incurred by the Authority by reason of its financing and refinancing of the Project, including (without limitation) legal, financing and administrative expenses, fees and expenses of the Authority's financial advisor and expenses incurred by the Authority to compel full and punctual performance of the Multimodal Bond Loan Agreement in accordance with the terms thereof.

"**Authorized Officer**" means (i) in the case of the Authority, the Chairman, the Vice-Chairman, any other Member or the Executive Director of the Authority, and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or execute such document; and (ii) in the case of the Institution, the President, any Vice-President, the Secretary or the Treasurer of the Institution and, when used with reference to any act or document also means any other person authorized by appropriate action of the Board of Trustees of the Institution to perform such act or execute such document on behalf of the Institution.

"**Business Day**" means a day other than (i) a Saturday, Sunday or other day on which banking institutions in the State of Maryland or the city in which the Designated Office of the Indenture Trustee is located are authorized or required to close; or (ii) a day on which the New York Stock Exchange is closed.

"**Calculation Agent**" means an agent as shall be appointed by the Authority with the approval of the Institution, which may be the Remarketing Agent, and its successors.

"**Credit Facility**" means any liquidity facility, letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing the bonds of any Series.

"**Fiscal Year**" means the fiscal year of the Institution, being the period commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year, or such other 12-month period as the Institution shall establish as its fiscal year.

"**Fixed Rate**" means the fixed interest rate or interest rates per annum on Fixed Bonds to their maturity date determined prior to the Conversion of the Series 2025 Bonds to the Fixed Rate Mode as provided in the Indenture.

The Fixed Rates for the Series 2025A Bonds are set forth on the inside cover page of the Official Statement.

"**Fixed Rate Conversion Date**" means, when used with respect to or in connection with Series 2025 Bonds, the effective date of a Conversion of such Series 2025 Bonds into a Fixed Rate Period or from one Fixed Rate Period to a new Fixed Rate Period.

"**Fixed Rate Mode**" means the Interest Rate Mode during which Series 2025 Bonds bear interest at a Fixed Rate or Fixed Rates to their maturity date or earlier Conversion.

"**Fixed Rate Period**" means the period to the maturity date or earlier Conversion during which Series 2025 Bonds constitute Fixed Bonds.

"**Holder**," "**holder**," "**owner**" or any similar term, when used with reference to a Series 2025 Bond, means the registered owner of such Series 2025 Bond.

"**Interest Rate Mode**" means a Long-Term Mode or any other interest rate mode authorized under the Indenture.

"**Interest Rate Period**" means a Long-Term Interest Rate Period or any other interest rate period authorized under the Indenture.

"**Long-Term Bonds**" means Series 2025 Bonds that bear interest at Long-Term Rates.

"**Long-Term Interest Rate Period**" means each period during the Long-Term Period for which a particular Long-Term Rate is in effect.

"**Long-Term Mode**" means the Interest Rate Mode during which the Series 2025 Bonds bear interest at the Long-Term Rate.

"**Long-Term Period**" means, when used with respect to Series 2025 Bonds of a Series, the period during which such Series 2025 Bonds constitute Long-Term Bonds, which Long-Term Period shall generally be comprised of multiple Long-Term Interest Rate Periods.

"**Long-Term Rate**" means the established interest rate per annum determined on a periodic basis as provided in the Indenture.

The Long-Term Rates for the Series 2025B Bonds are set forth on the inside cover page of the Official Statement.

"**Long-Term Rate Mandatory Purchase Date**" means, when used with respect to or in connection with Long-Term Bonds, the first day following the last day of each Long-Term Interest Rate Period applicable to such Series 2025 Bonds.

"**Mandatory Purchase Date**" means, when used with respect to or in connection with Series 2025 Bonds of a Series any Long-Term Rate Mandatory Purchase Date applicable to such Series 2025 Bonds.

"**Notice Parties**" means when, used with respect to or in connection with Series 2025 Bonds of a Series, the Authority, the Institution, the Indenture Trustee, the Remarketing Agent, if any, for such Series 2025 Bonds, the Market Agent, if any, for such Series 2025 Bonds and the Rating Agencies, if any.

"**Operating Assets**" means has the meaning set forth in the Multimodal Bond Loan Agreement.

"**Purchase Date**" means, when used with respect to or in connection with Series 2025 Bonds, each date on which such Series 2025 Bonds are subject to optional or mandatory purchase, including (without limitation) each Mandatory Purchase Date applicable to such Series 2025 Bonds.

"**Purchase Price**" means, when used with respect to or in connection with a Series 2025 Bond, an amount equal to the outstanding principal amount thereof, plus accrued interest thereon to the Purchase Date or, in the case of the Conversion of such Series 2025 Bond on a date that is not a Mandatory Purchase Date applicable to such Series 2025 Bond (without regard to such Conversion), the Redemption Price that would be applicable to such Series 2025 Bond if such Bond were redeemed on such date, plus accrued interest thereon to the Purchase Date.

"**Record Date**" means, with respect to any Interest Payment Date, with respect to the Series 2025 Bonds, the fifteenth day of the month preceding such Interest Payment Date, whether or not such day is a Business Day and any special record date established by the Indenture Trustee for the payment of the overdue interest written notice of which shall mailed be by the Indenture Trustee to each holder of Series 2025 Bonds at least 10 days prior to such date.

"**Redemption Price**" means, when used with respect to a series of Series 2025 Bonds or any portion thereof, the principal amount of such Series 2025 Bonds or portion thereof plus the premium, if any, payable upon redemption thereof.

"**Remarketing Agent**" means, when used with respect to or in connection with the Series 2025 Bonds of a Series, any remarketing agent for such Series 2025 Bonds appointed pursuant to the Indenture, and its successors.

"**Revenues**" means (i) all payments to the Authority or the Indenture Trustee pursuant to the Multimodal Bond Loan Agreement for the payment of the Series 2025 Bonds, (ii) all amounts received by the Indenture Trustee from the Trustee for the payment of Series 2025 Bonds, and (iii) all other receipts of the Authority attributable to the financing and refinancing of the project by the issuance of the Series 2025 Bonds; *provided*, however, that "Revenues" shall not include payments to the Authority of its initial fee, the Annual Administrative Fees or any Administrative Expenditures or any indemnity payments to the Authority.

"**Securities Depository**" means The Depository Trust Company or such other securities depository as the Authority may designate by written notice to the other Notice Parties, and its successors.

"**SIFMA**" means the Securities Industry & Financial Markets Association (formerly the Bond Market Association).

"**SOFR**" with respect to any day means the secured overnight financing rate published for such U.S. Government Securities Business Day immediately preceding such effective date by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"**Undelivered Bond**" means any Series 2025 Bond that is not delivered to the Indenture Trustee on any Purchase Date applicable to such Series 2025 Bond.

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. It is not a complete recital of the terms of the Indenture and reference should be made to the Indenture for a complete statement of its terms.

Conversions
(Section 2.15)

The Authority, upon the Request of the Institution, may elect to convert the Series 2025 Bonds of any Series or any portion thereof to another interest mode permitted under the Indenture. Notwithstanding the giving of any notice of any Conversion, the Authority, after consultation with the Institution, shall have the right to rescind its election to implement any Conversion in which event such Series 2025 Bonds or portions thereof shall not be subject to mandatory tender (unless the proposed Conversion Date is a Mandatory Purchase Date without regard to the giving of any Notice of Conversion), and shall continue in the Interest Rate Mode and Interest Rate Period in effect immediately prior to such proposed Conversion Date.

No Conversion shall take effect under the Indenture unless each of the following conditions shall have been satisfied:

(i) funds in the Purchase Account and available on the Conversion Date shall not be less than the amount required to purchase all of the Series 2025 Bonds to be converted at the applicable Purchase Price;

(ii) in the case of any Conversion of Bonds to any Interest Rate Mode, prior to the Conversion Date the Authority, with the consent of the Institution, shall have appointed a Remarketing Agent and there shall have been executed and delivered a Remarketing Agreement;

(iii) if fewer than all of the Series 2025 Bonds of a Series or sub-series shall be converted, the Series 2025 Bonds of the Series or sub-series shall be designated as a separate Series or sub-Series as provided in the Indenture;

(iv) in connection with any Conversion that would require the mandatory tender for purchase of Series 2025 Bonds at a Purchase Price greater than the principal amount thereof, the Institution, as a condition to implementing such Conversion, shall deliver to the Indenture Trustee on or prior to the Conversion Date, immediately available funds for the purpose of paying such premium;

(v) the aggregate principal amount of Series 2025 Bonds to be converted on any Conversion Date may not be less than the lesser of $5,000,000 or the full principal amount thereof;

(vi) on or before the Conversion Date, there shall have been delivered to the Authority a Favorable Opinion of Bond Counsel; and

(vii) the Remarketing Agent shall determine the interest rate on such Bonds on the date required by the Indenture.

If, on a Conversion Date, any condition precedent to a proposed Conversion shall not have been satisfied, then such Conversion shall not occur, such Series 2025 Bonds or portions thereof shall not be subject to mandatory tender (unless the proposed Conversion Date is a Mandatory Purchase Date without regard to the giving of any Notice of Conversion) and the Series 2025 Bonds or portion thereof to have been converted shall continue in the Interest Rate Mode and Interest Rate Period in effect immediately prior to such proposed Conversion Date.

The Authority, upon the Request of the Institution, shall give Notice of its intent to exercise its option to implement any Conversion with respect to Series 2025 Bonds of a Series to the Indenture Trustee and the other Notice Parties not fewer than five days prior to the date on which the Indenture Trustee is required to provide notice of Conversion to the Holders of such Series 2025 Bonds (or such fewer number of days as shall be acceptable to the Indenture Trustee), which Notice shall specify the Series or portion thereof to be converted and the proposed Conversion Date. The failure to duly give any notice required by the Indenture or any defect in such notice will not affect the validity of any Conversion.

Funds and Accounts
(Sections 4.01 and 4.05)

A Construction Fund, including a Costs of Issuance Account, and a Debt Service Fund, including an Interest Account, a Principal Account and a Purchase Account, shall be created for the Series 2025 Bonds and shall be held and maintained by the Indenture Trustee in trust under the Indenture. Upon the Order of the Authority, a Rebate Fund shall be created under the Indenture for the Series 2025 Bonds. Pending the application of amounts on deposit in the Construction Fund, Interest Account and Principal Account of the Debt Service Fund as provided in the Indenture, such amounts are pledged to the payment of the principal of and interest on all Outstanding Series 2025 Bonds. The amounts on deposit in the Purchase Account are pledged and assigned to the payment of the holders of the Series 2025 Bonds purchased or to be purchased with such amounts. Neither the Costs of Issuance Account nor the Rebate Fund is pledged to the payment of any principal of or interest on the Series 2025 Bonds.

Payments of principal and interest on the Series 2025 Bonds shall be made from the Principal Account and Interest Account. On each Purchase Date, the Purchase Price of Series 2025 Bonds required to be purchased on such date shall be paid by the Indenture Trustee from amounts on deposit in the Purchase Account.

Modification or Amendment of Indenture and Multimodal Bond Loan Agreement

Supplemental Indentures Without Consent
(Section 8.01)

Without notice to or the consent of the Holders, the Authority and the Indenture Trustee may enter into Supplemental Indentures from time to time supplementing the Indenture or any Supplemental Indenture so as to modify or amend the Indenture, such Supplemental Indenture or the Series 2025 Bonds for one or more of the following purposes:

(i) to grant to the Indenture Trustee for the benefit of the Holders any additional rights, remedies or security that lawfully may be granted to the Indenture Trustee for the benefit of the Holders;

(ii) to add to the agreements of the Authority contained in the Indenture other agreements thereafter to be observed;

(iii) to surrender any right reserved to the Authority by the Indenture;

(iv) to confirm, as further assurance, any pledge under the Indenture, and the subjection to any lien on, or claim or pledge of (whether created or to be created by the Indenture), the Trust Estate;

(v) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or to make such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable and not contrary to or inconsistent with the Indenture;

(vi) to facilitate the use of, or to terminate, the Book-Entry System;

(vii) in connection with the delivery of any Credit Facility in order to provide for (A) the realization of money thereunder at times and in amounts sufficient to provide for the payment of the principal or Redemption Price of and interest on, and the Purchase Price of, the Series 2025 Bonds of a series when due, (B) the deposit of payments by the Institution in such accounts and at such times as may be necessary to obtain such Credit Facility, or (C) to obtain any rating on the Series 2025 Bonds of a series from any nationally recognized statistical rating organization or otherwise protect the interests of the holders of such Series 2025 Bonds;

(viii) to make any other change in the Indenture that, in the opinion of the Authority, shall not prejudice in any material respect the rights of the holders of the Series 2025 Bonds outstanding at the date as of which such change shall become effective; or

(ix) to make any other change in the Indenture, *provided* that, such change shall not become effective with respect to any Series 2025 Bond unless either (i) the effective date of such change is a Mandatory Purchase Date with respect to such Series 2025 Bond or (ii) at least 20 days' Notice of such change has been given to the holder of such Series 2025 Bond, and such Series 2025 Bond is in the Weekly Mode or the Daily Mode.

Notwithstanding the foregoing, no Supplemental Indenture amending, modifying or supplementing the Indenture shall become effective without the prior written consent of the Institution.

Supplemental Indentures Requiring Consent of Holders
(Section 8.02)

At any time or from time to time with the consent of the Institution and the holders of a majority of the Series 2025 Bonds, the Authority and the Indenture Trustee may enter into a Supplemental Indenture amending or supplementing the Indenture, any Supplemental Indenture or any Series 2025 Bond to modify any of the provisions of the Indenture, any Supplemental Indenture or any Series 2025 Bond or to release the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained.

Notwithstanding the foregoing, except as expressly provided in the Indenture, nothing contained therein shall permit (i) except as otherwise permitted to grant to the Indenture Trustee for the benefit of the Holders any additional rights, remedies or security that lawfully may be granted to the Indenture Trustee for the benefit of the Holders, a change in the due date for the payment of the principal of or interest on any Series 2025 Bond, any reduction in the principal, Redemption Price or Purchase Price of or interest rate on any Series 2025 Bond or, except as otherwise permitted by the Indenture, any change in the dates on which any Series 2025 Bond is subject to redemption or purchase without the consent of the Holder of such Series 2025 Bond or (ii) the creation of a claim or lien upon, or a pledge of, the Revenues ranking prior to or on parity with the claim, lien and pledge created by the Indenture, a preference or priority of any Series 2025 Bond over any other Series 2025 Bond or a reduction in the aggregate principal amount of Series 2025 Bonds the consent of the Holders of which is required for any modification of the Indenture, without the unanimous consent of the Holders.

Amendment of Multimodal Bond Loan Agreement
(Section 8.04)

Without the consent of or notice to the Holders, the Authority may from time to time enter into any amendment, change or modification of the Multimodal Bond Loan Agreement (i) as may be required for the purpose of curing any ambiguity or formal defect, (ii) in connection with the delivery of any Credit Facility in order to provide for (A) the payment of the principal or Redemption Price of and interest on, and the Purchase Price of, the Series 2025 Bonds of a series and the reimbursement of the provider of such Credit Facility for amount advanced for the payment thereof when due and (B) to obtain such Credit Facility, or (C) to obtain any rating on such Series 2025 Bonds from any nationally recognized statistical rating organization or otherwise protect the interests of the holders of such Series 2025 Bonds, (ii) to make any other change in the Multimodal Bond Loan Agreement, *provided* that such change shall not become effective unless, either (A) the effective date of such change is on or after a Mandatory Purchase Date with respect to each of such Series 2025 Bonds affected thereby or (B) at least 20 days' Notice of such change has been given to the holders of the outstanding Series 2025 Bonds of a series and such Series 2025 Bonds are in the Weekly Mode or the Daily Mode or (iii) that, in the judgment of the Authority, shall not prejudice in any material respect the rights of the Holders of such series of Series 2025 Bonds.

Except as provided in paragraph above, the Authority shall not enter into any amendment, change or modification of the Multimodal Bond Loan Agreement without the written consent of the Holders of a majority of the Series 2025 Bonds. Without the prior written consent of the Indenture Trustee, no amendment, change or modification of the Multimodal Bond Loan Agreement shall be effective against the Indenture Trustee to the extent that it adversely affects the Indenture Trustee's rights, duties, indemnities or obligations.

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Deemed Consent
(Section 8.05)

The parties hereby confirm that the purchasers of any Series 2025 Bonds upon the original issuance thereof or upon any Purchase Date in accordance with the Indenture may be deemed to have consented to any amendment to the Indenture, any Supplemental Indenture, any Series 2025 Bond or the Multimodal Bond Loan Agreement permitted to be made with the consent of the Holders of Series 2025 Bonds with the same effect as if such Holders shall have filed a written consent to such amendment.

Enforcement of Multimodal Bond Loan Agreement
(Section 5.03)

The Authority shall take reasonable action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of the Institution contained in the Multimodal Bond Loan Agreement. The holders of a majority of the Series 2025 Bonds shall have the right, by an instrument in writing executed and delivered to the Authority, to direct in writing the method and place of conducting all remedial proceedings to be taken by the Authority under the Multimodal Bond Loan Agreement, *provided* that such direction shall not be otherwise than in accordance with law or the provisions of the Multimodal Bond Loan Agreement and shall not be unjustly prejudicial to holders of Series 2025 Bonds not parties to such direction.

Events of Default and Remedies

Events of Default
(Section 7.01)

Each of the following events constitutes an Event of Default under the Indenture: (a) payment of the principal or Redemption Price of or interest on any Series 2025 Bond shall not be made when the same shall have become due and payable, either at maturity, by proceedings for redemption, upon any acceleration or otherwise; (b) payment of the Purchase Price of certain Series 2025 Bonds in Interest Modes specified under the Indenture shall not be made when the same shall have become due and payable; or (c) the Authority shall default in any material respect in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Series 2025 Bonds or in the Indenture on the part of the Authority to be performed, which default shall continue for 30 days after Notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Institution by the Indenture Trustee; *provided* however, that if the Authority or the Institution shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Authority or the Institution to complete such curative action through the exercise of due diligence.

Remedies
(Sections 7.02 and 7.03)

Upon the happening and continuance of any Event of Default, the Indenture Trustee may, and upon the Request of the Holders of not less than 25% of the Series 2025 Bonds shall, by a notice in writing to the Authority, the Master Trustee and the Institution, declare the principal of all of the

Outstanding Series 2025 Bonds to be due and payable. Upon the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Series 2025 Bonds or in the Indenture to the contrary notwithstanding. Upon any such declaration of acceleration, if money for the payment of the principal of and accrued interest on the Series 2025 Bonds are held by the Indenture Trustee, interest on the Series 2025 Bonds shall cease to accrue. The Indenture Trustee may annul such declaration under certain circumstances set forth in the Indenture.

If any Event of Default occurs, the Indenture Trustee may, and upon the Request of the Holders of not less than 25% of the Series 2025 Bonds shall, proceed (subject to the provisions of the Indenture) to protect and enforce its rights and the rights of the Holders under the laws of the State of Maryland or under the Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained in the Indenture or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy as the Indenture Trustee shall deem most effectual to protect and enforce such rights.

The provisions of the Indenture do not prohibit the Institution from taking any action, to the extent permitted by applicable law, to remedy any Event of Default.

Priority of Payments following Default
(Section 7.04)

If an Event of Default occurs and the money held by the Indenture Trustee under the Indenture (other than money set aside under the Indenture for the payment of any Series 2025 Bonds that have not been presented for payment at maturity or on any redemption date or Purchase Date) shall not be sufficient to pay the principal or Redemption Price of and interest on, or the Purchase Price of, the Series 2025 Bonds as the same become due and payable (either by their terms or by acceleration of maturity under the Indenture), such money together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied by the Indenture Trustee, after payment of the Administrative Expenditures:

(a) unless the principal of all the Series 2025 Bonds shall be due and payable, all such money shall be applied:

FIRST: to the payment to the persons entitled thereto of the interest then due on the Series 2025 Bonds and, if the amount available shall not be sufficient to pay in full all such interest, then to the payment of such interest, ratably, to the persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the persons entitled thereto of the unpaid principal then due on any of the Outstanding Series 2025 Bonds in the order of the due dates for such payments, with interest upon such principal from the respective dates upon which such amounts shall have become due and payable (whether upon proceedings for redemption or otherwise), and, if the amount available shall not be sufficient to pay in full the principal or Redemption Price due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal or Redemption Price, ratably, according to the amount due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: to the payment of the interest on and the principal of the Series 2025 Bonds as the same become due and payable (whether upon proceedings for redemption or otherwise); and

(b) if the principal of all the Series 2025 Bonds shall have become due and payable, either by their terms or by a declaration of acceleration, all such money shall be applied to the payment of the principal and interest then due and unpaid upon the Outstanding Series 2025 Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2025 Bond over any other Series 2025 Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

Whenever money is to be applied by the Indenture Trustee pursuant to the provisions of the Indenture, such money shall be applied by the Indenture Trustee at such times, and from time to time, as the Indenture Trustee in its sole discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. The setting aside of such money in trust for the benefit of all Holders of the Outstanding Series 2025 Bonds shall constitute proper application by the Indenture Trustee, and the Indenture Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such money, so long as the Indenture Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Indenture Trustee. Whenever the Indenture Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be an Interest Payment Date unless the Indenture Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Series 2025 Bonds paid on such date shall cease to accrue. The Indenture Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Indenture Trustee shall not be required to make payment to the Holder of any Series 2025 Bond unless such Series 2025 Bond shall be presented to the Indenture Trustee for appropriate endorsement.

Majority of Holders May Control Proceedings
(Section 7.06)

Except as otherwise provided in the Indenture, the Holders of a majority of the Series 2025 Bonds shall have the right, by an instrument in writing executed and delivered to the Indenture Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Indenture Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Indenture Trustee shall have the right to decline to follow any such direction that, in the opinion of the Indenture Trustee, would be unjustly prejudicial to Holders not parties to such direction.

Restrictions upon Action by Individual Holders
(Section 7.07)

No Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, unless (i) such Holder previously shall have given to the Indenture Trustee Notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not less than 25% of the Series 2025 Bonds shall have made Request

to the Indenture Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Indenture Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Indenture Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Indenture Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Indenture Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder; *provided*, however, that notwithstanding the foregoing, the Holders of not less than a majority of the Series 2025 Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Holders.

Defeasance
(Section 9.01)

If the Authority shall pay or cause to be paid the principal or Redemption Price of and interest on, and the Purchase Price of, all of the Series 2025 Bonds, then the pledge of the Indenture Trust Estate and other money and securities and funds thereby pledged to the Series 2025 Bonds and all other rights granted under the Indenture to the Indenture Trustee and the Holders shall be discharged and satisfied. In such event, upon the Request of the Authority, the Indenture Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Indenture Trustee shall pay or deliver all money, securities and funds held by it pursuant to the Indenture that are not required for the payment, redemption or purchase of Series 2025 Bonds not theretofore surrendered for such payment, redemption or purchase to the Authority or to such officer, board or body as may then be entitled by law to receive the same.

A Series 2025 Bond shall be deemed to have been paid within the meaning of and with the effect expressed in this and the above paragraph if (i) sufficient money for the payment of the principal or Redemption Price of and interest on, and the Purchase Price of, such Series 2025 Bond shall then be held by the Indenture Trustee (through deposit by the Authority of money for such payment or otherwise, regardless of the source of such money), whether at or prior to the maturity or the redemption date or Purchase Date of such Series 2025 Bond, or (ii) if the maturity or redemption date or Purchase Date of any such Series 2025 Bond shall not then have arrived, provision shall have been made for the payment of the principal or Redemption Price of and interest on, and the Purchase Price of, such Series 2025 Bond on the due dates for such payments, by deposit with the Indenture Trustee (or other method satisfactory to the Indenture Trustee) of noncallable Government Obligations, the principal of and the interest on which when due will provide sufficient money for such payments and the Authority shall have made provision, satisfactory to the Indenture Trustee, for the giving of notice to the holder of such Series 2025 Bond that such money is so available for such payment; *provided*, however, that if any such Series 2025 Bond is to be redeemed prior to the maturity thereof, provisions satisfactory to the Indenture Trustee shall have been made for the giving of notice of such redemption. In determining the sufficiency of the money or Government Obligations deposited pursuant to this paragraph, the Indenture Trustee shall be entitled to receive, at the expense of the Institution, and may conclusively rely on a verification report of a firm of nationally recognized independent certified public accountants.

Anything in the Indenture to the contrary notwithstanding, any money held by the Indenture Trustee in trust for the payment or purchase of any of the Series 2025 Bonds that remains unclaimed for

four years after the date on which the principal or Redemption Price of or interest on, or the Purchase Price of, such Series 2025 Bonds became due and payable, either at their stated maturity dates, by call for earlier redemption or on any Purchase Date, if such money was held by the Indenture Trustee at such date, or for four years after the date of deposit of such money if deposited with the Indenture Trustee after such date, shall, at the written Request of the Authority, be repaid by the Indenture Trustee to the Authority or to such officer, board or body as may then be entitled by law to receive such money, as its absolute property and free from trust, and the Indenture Trustee shall thereupon be released and discharged.

Authority Protected in Acting in Good Faith
(Section 10.06)

In the exercise of the powers and the performance of duties of the Authority and its members, officers, employees and agents under the Indenture and the Multimodal Bond Loan Agreement, including (without limitation) the application of money and the investment of funds, the Authority shall not be accountable to the Institution, the Indenture Trustee or any Holder for any action taken or omitted by it or its members, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred under the Indenture or by the Multimodal Bond Loan Agreement. The Authority and such members, officers, employees or agents shall be protected in its or their acting upon any paper or document reasonably believed in good faith by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel as to matters of law and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the Institution, the Indenture Trustee or any Holder for any claims based on the Indenture or the Multimodal Bond Loan Agreement against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit of such person.

Concerning the Indenture Trustee

Indenture Trustee Entitled to Indemnity
(Section 6.01)

The Indenture Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under the Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created under the Indenture or in the enforcement of any rights and powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees, costs and expenses and other reasonable disbursements, and against all liability. The Indenture Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Indenture Trustee, without indemnity, and in such case the Authority shall reimburse the Indenture Trustee from the Indenture Trust Estate for all costs and expenses, outlays and counsel fees, costs and expenses and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Indenture Trustee, upon at least five days' prior written notice to the Authority, may reimburse itself from any money in its possession under the provisions of the Indenture and shall be entitled to a preference therefor over any Series 2025 Bonds Outstanding thereunder.

Responsibilities of Indenture Trustee
(Section 6.02)

Except as otherwise provided in the Indenture, the Indenture Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Series 2025 Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Indenture Trustee; (iii) the application of any money, including (without limitation) the proceeds of the Series 2025 Bonds, paid out by the Indenture Trustee so long as such payment is in accordance with the provisions of the Indenture; (iv) the use and application of money received by any paying agent; (v) determining whether the interest payable on the Series 2025 Bonds is excludable from gross income for federal or State of Maryland income taxation or maintaining any such tax-exemption; (vi) any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Series 2025 Bonds, except for any information provided by the Indenture Trustee; or (vii) compliance with any state or federal securities laws in connection with the Series 2025 Bonds.

The duties and obligations of the Indenture Trustee shall be determined solely by the express provisions of the Indenture and the Multimodal Bond Loan Agreement, and the Indenture Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture or the Multimodal Bond Loan Agreement and no implied covenants and obligations shall be read into the Indenture or the Multimodal Bond Loan Agreement against the Indenture Trustee. The Indenture Trustee shall have no duty to review or analyze any financial statements delivered to it or to verify the accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Series 2025 Bondholders and the Indenture Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Resignation of Indenture Trustee
(Section 6.06)

The Indenture Trustee may at any time resign and be discharged of its duties and obligations under the Indenture by giving not less than 30 days' Notice to the other Notice Parties and each of the Holders. Such resignation shall take effect upon the appointment of a successor Indenture Trustee and the acceptance of such appointment by such successor.

Removal of Indenture Trustee
(Section 6.07)

The Indenture Trustee may be removed at any time (i) so long as no Event of Default shall have occurred and be continuing, by the Authority by filing with the Indenture Trustee an instrument signed by an Authorized Officer of the Authority; or (ii) if any Event of Default shall have occurred and be continuing, the holders of a majority of the Series 2025 Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such holders or by their attorneys-in-fact, duly authorized and delivered to the Authority, the Indenture Trustee and the Institution. The Indenture Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Indenture Trustee by any court of competent jurisdiction upon the application of the Authority, the Institution or of the Holders of not less than 10% of the Series 2025

Bonds. Such removal shall take effect upon the appointment of a successor Indenture Trustee and the acceptance of such appointment by such successor.

Successor Indenture Trustee
(Section 6.08)

In case the Indenture Trustee shall resign, be removed, be dissolved, become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Indenture Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Indenture Trustee, or of its property or affairs, a successor Indenture Trustee shall be appointed by (i) so long as no Event of Default shall have occurred and be continuing, the Authority; or (ii) if any Event of Default shall have occurred and be continuing, the holders of a majority of the Series 2025 Bonds.

If in a proper case no appointment of a successor shall be made within 45 days after the giving by the Indenture Trustee of notice of resignation in accordance with the Indenture or after the occurrence of any other event requiring or authorizing such appointment, the Indenture Trustee, at the expense of the Institution, or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint a successor.

Any successor appointed under the provisions of the Indenture shall be a commercial bank having trust powers or a trust company chartered under the laws of any state of the United States or a national banking association organized under the laws of the United States having trust powers, in each case that has capital and surplus aggregating at least $50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE MULTIMODAL BOND LOAN AGREEMENT

The following is a summary of certain provisions of the Multimodal Bond Loan Agreement. It is not a complete recital of the terms of the Multimodal Bond Loan Agreement and reference should be made to the Multimodal Bond Loan Agreement for a complete statement of its terms.

Loan Payments
(Section 3.02)

In order to provide for the payment of the amounts due under the Multimodal Bond Loan Agreement with respect to the Series 2025 Bonds, the Institution shall pay on the fifth Business Day prior to each date on which any principal of, Sinking Fund Installment for or interest on any outstanding Series 2025 Bond becomes due, an amount equal to the sum of the amounts due on such date.

Operation and Maintenance of 2025 Project
(Section 5.01)

The Institution shall operate the 2025 Project in a sound and economical manner and shall maintain, preserve and keep the 2025 Project in good condition and repair. The Institution shall make all necessary and proper repairs, replacements and renewals so as to conduct the operation of the 2025 Project in accordance with all material governmental operating standards.

Events of Default
(Article VI)

"Events of Default" under the Multimodal Bond Loan Agreement include the following, among others: failure by the Institution to pay when due amounts sufficient to pay the principal, purchase price or Redemption Price of or interest on any Series 2025 Bonds; failure by the Institution to pay when due any other payment required to be made under the Multimodal Bond Loan Agreement, which failure shall continue for a period of 30 days after written notice is given to the Institution by the Authority; and failure by the Institution to comply with any of the other terms contained in the Multimodal Bond Loan Agreement, which failure shall continue for a period of 30 days after written notice shall have been given to the Institution by the Authority, provided that such period may be extended if the Institution shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days; or the insolvency or bankruptcy of the Institution.

SUMMARY OF CERTAIN PROVISIONS OF OTHER CREDIT AGREEMENTS CONSTITUTING PARITY DEBT

The Obligated Group Members have entered into separate agreements for Parity Debt with (1) TD Bank, N.A. ("TD Bank") in connection with its issuance of a letter of credit securing the Series 2008D Bonds and in connection with its issuance of a letter of credit securing the Authority's Series 1985A and 1985B Pooled Loan Program Bonds (collectively, the "TD Bank Agreements"), (2) PNC Bank, National Association ("PNC"), in connection with its purchase of the 2016B Bond (the "PNC Agreement"), (3) Banc of America Public Capital Corp ("Banc of America Public Capital") in connection with its purchase of the 2016C Bond and the 2016F Bond (the "Banc of America Agreements"), (4) DNT Asset Trust and JPMorgan Chase Bank, N.A. ("JPMorgan") in connection with the purchase of the 2016E Bond (the "JPMorgan Agreement"), and (5) M&T Bank, as Administrative Agent for itself and other banks ("M&T Bank") in connection with a revolving line of credit (the "RLOC Agreement"). The TD Bank Agreements, the PNC Agreement, the Banc of America Agreements, the JPMorgan Agreement and the RLOC Agreement are hereinafter collectively referred to as the "Other Credit Agreements". TD Bank, PNC, Banc of America Public Capital, JPMorgan and M&T Bank are hereinafter collectively be referred to as the "Banks."

In general, the Other Credit Agreements include all of the provisions of the Loan Agreement or, in the alternative, require the Obligated Group to comply with such provisions. In addition, the Other Credit Agreements include additional requirements, including, among others, the provisions summarized below. Any failure to comply with the provisions of the Other Credit Agreements that is not remedied during any applicable cure period or waived by the Banks (whether or not waived by the holders of a majority in aggregate principal amount of the Parity Debt, in the case of provisions included in the Loan

Agreement), would constitute an Event of Default under the Loan Agreement, which could result in an acceleration of the Series 2025 Bonds and other Parity Debt.

The following is a summary of certain provisions of the Other Credit Agreements, but it is not a complete recital of such terms. Words and terms used in this summary shall have the meanings set forth in the Loan Agreement, except where otherwise noted.

Rate Covenant

Notwithstanding the provisions of the Loan Agreement described under "Security and Sources of Payment for the Series 2025 Bonds -- Loan Agreement -- Rate Covenant," if the Authority determines that the employment of a Management Consultant is not necessary, certain Banks require that an Independent Public Accountant deliver a statement to the Authority certifying that the failure to meet the Rate Covenant was due to the effect of applicable governmental requirements on rates fixed, charged and collected by any Obligated Group Member for such Fiscal Year.

In lieu of the requirement to retain a Management Consultant following any failure to meet the Rate Covenant, certain Banks have provided in their respective Agreements that a failure to meet the Rate Covenant constitutes an Event of Default after 60 days have elapsed from the applicable reporting date; provided that it shall constitute an immediate Event of Default if the Coverage Ratio is less than 1.0, similar to the provisions of the Loan Agreement.

Liquidity Covenant

The Obligated Group Members, on a consolidated basis, must maintain not less than 70 Days of Cash on Hand on June 30 and December 31 of each year (the "Liquidity Requirement"). Under the Other Credit Agreements, "Days of Cash on Hand" means, as of any particular date of calculation, the ratio of (a) Unrestricted Liquid Funds of the Obligated Group to (b) the quotient obtained by dividing (i) the Total Operating Expenses for the immediately preceding Fiscal Year by (ii) 365 (or 366 with respect to any leap year).

If the Obligated Group Members fail to satisfy the Liquidity Requirement as of any June 30 or December 31 testing date, the Authority, at the expense of the Obligated Group Members, shall employ a Management Consultant.

If the Authority waives the requirement for the appointment of a Management Consultant or if the Obligated Group Members shall revise such fees, rentals, rates and other charges in conformity with the recommendations of the Management Consultant and otherwise follow the recommendations of the Management Consultant, then the failure of the Obligated Group Members to satisfy the Liquidity Requirement as of any date shall not constitute an Event of Default; provided, however, that any failure of the Obligated Group Members to maintain at least 45 Days of Cash on Hand shall constitute an Event of Default.

In lieu of the requirement to retain a Management Consultant following any failure to satisfy the Liquidity Requirement, certain Banks have provided in their respective Agreements that a failure to satisfy the Liquidity Requirement constitutes an Event of Default after 60 days have elapsed from the

applicable reporting date; provided, however, that any failure of the Obligated Group Members to maintain at least 45 Days of Cash on Hand shall constitute an immediate Event of Default.

Ratings Requirement

Under certain of the Other Credit Agreements, if any rating assigned by a rating agency to the unenhanced long-term Parity Debt of the Obligated Group Members is lower than (i) in the case of Moody's, "Baa3" or (ii) in the case of S&P or Fitch, "BBB-", it shall constitute an Event of Default after ninety (90) days have elapsed.

Limits on Mergers, Consolidations and Transfers of Assets and Disposition of Assets

The Other Credit Agreements require that, in addition to the requirements of the Loan Agreement governing mergers and consolidations of, and transfers of substantially all of the assets of, Obligated Group Members and certain sales, leases and dispositions of property of the Obligated Group Members, immediately after giving effect to any such action, the Liquidity Requirement must be satisfied based on the most recently prepared financial statements.

Events of Default

Events of Default under the Other Credit Agreements include substantially the same Events of Default as provided in the Loan Agreement as well as the following, among others:

(a) if any representation, warranty or statement made in any certificate, financial statement or other instrument furnished to the Banks by or on behalf of any of the Obligated Group Members in connection with the Other Credit Agreements or any of the other Bond Documents proves to have been incorrect, false or misleading in any material respect when made;

(b) if the Obligated Group fails to provide to the Banks any of the financial reports required pursuant to the Other Credit Agreements within 30 days after the date due;

(c) if any of the Obligated Group Members is dissolved, merged, consolidated or reorganized in contravention of the Other Credit Agreements, or any change occurs in the ownership or control of any of the Obligated Group Members in contravention of the Other Credit Agreements without the prior written consent of the Banks;

(d) if any amendment to any of the Bond Documents which adversely affects the Banks shall have become effective without the prior written consent of the Banks;

(e) if any material provision of the Other Credit Agreements or the Loan Agreement at any time for any reason ceases to be valid and binding on the Obligated Group Members or is declared to be null and void, or the validity or enforceability thereof is contested by any Obligated Group Member or the Institution denies that it has any or further liability or obligation under the Other Credit Agreements or any of the other Bond Documents.

The following are additional and/or modified Events of Default in certain of the Other Credit Agreements:

(a) as described above, if the Obligated Group Members failure to satisfy the Rate Covenant, the Liquidity Requirement, or the Ratings Requirement, subject to the applicable grace periods described above; and

(b) under the TD Bank Agreements, the failure of any Obligated Group Member to retain its non-profit status under and in accordance with Section 501(c)(3) of the Internal Revenue Code, except as otherwise permitted under the TD Bank Agreements.

It is expected that in connection with the issuance of the Series 2025C Bonds, the Institution will enter into separate agreements with two or more banks for the issuance of letters of credit to secure the Series 2025C Bonds (the "Future Other Credit Agreements") and that such agreements will include additional requirements, including among others, those summarized above. Similar to the Other Credit Agreements provisions described above, it is to be expected that any failure to comply with the provisions of the Future Credit Agreements that is not remedied during any applicable cure period or waived by the banks issuing the letters of credit (whether or not waived by the holders of a majority in aggregate principal amount of the Parity Debt, in the case of provisions included in the Loan Agreement), would constitute an Event of Default under the Loan Agreement, which could result in an acceleration of the Series 2025 Bonds and other Parity Debt.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Maryland Health and Higher
Educational Facilities Authority
Baltimore, Maryland

Members of the Authority:

As Bond Counsel to Maryland Health and Higher Educational Facilities Authority (the "Authority") in connection with the issuance by the Authority of its $234,725,000 Revenue Bonds, University of Maryland Medical System Issue, Series 2025A and $72,630,000 Revenue Bonds, University of Maryland Medical System Issue, Series 2025B (collectively, the "Bonds"), as special obligations of the Authority, we have examined:

(i) Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland (2024 Replacement Volume), as amended (the "Act");

(ii) the Indenture of Trust (the "Indenture") dated as of February 1, 2025, between the Authority and Manufacturers and Traders Trust Company, as trustee;

(iii) the Loan Agreement (the "Multimodal Bond Loan Agreement") dated as of February 1, 2025, between the Authority and University of Maryland Medical System Corporation (the "Institution");

(iv) the form of Bond;

(v) relevant provisions of the Constitution and laws of the State of Maryland;

(vi) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(vii) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Indenture and the Bonds.

In rendering this opinion, (i) we have relied on the Obligated Group's Tax and Section 148 Certificate and Agreement dated this date made by the Institution on its own behalf and on behalf of the other Obligated Group Members with respect to certain material facts within the knowledge of the Obligated Group Members and (ii) we have assumed the correctness of the opinion of the Senior Vice President and General Counsel to the Institution, dated this date regarding, among

other things, the tax-exempt status of the Institution and certain of its affiliates, in each case without investigation.

We have made no investigation of, and are rendering no opinion regarding, the title to, liens on or security interests in real or personal property.

Based upon the foregoing, it is our opinion that, under existing statutes, regulations and decisions:

(a) The Indenture and the Multimodal Bond Loan Agreement have been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the valid and binding obligations of the Authority.

(b) The Authority is duly authorized and entitled to issue the Bonds. Bonds executed and authenticated as provided in the Indenture have been duly and validly issued and constitute valid and binding special obligations of the Authority payable solely from the Revenues (as defined in the Indenture) and other amounts pledged to such payment under the Indenture.

(c) The Indenture, the Multimodal Bond Loan Agreement and the Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity, and enforceability of the indemnification provisions of the Multimodal Bond Loan Agreement may be limited by applicable public policy.

(d) By the terms of the Act and the Indenture, the Bonds do not constitute a debt or liability of the State of Maryland, of any political subdivision thereof or of the Authority. None of the State of Maryland, any political subdivision thereof or the Authority shall be obligated to pay the Bonds or the interest thereon except from the Revenues and other amounts pledged to the payment of the Bonds under the Indenture. Neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Authority is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Authority to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

(e) By the terms of the Act, the interest on the Bonds, the transfer of the Bonds and any income derived from the Bonds, including profits made in their sale or transfer, are forever exempt from all Maryland state and local taxes; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

(f) Assuming compliance with the covenants referred to herein, interest on the Bonds is excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds in order for interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain

circumstances (or that certain payments in lieu of rebate be made), (ii) other requirements applicable to the investment of the proceeds of the Bonds, and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with the proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Authority and the Obligated Group and certain of their affiliates have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(g) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Interest on the Bonds will be part of adjusted financial statement income, fifteen percent of which is included in the computation of the corporate alternative minimum tax imposed on applicable corporations. Interest income on the Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change this opinion after the date hereof. This opinion is limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

Very truly yours,

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Optional Redemption Prices of Series 2025B Bonds in Initial Long-Term Interest Rate Period

Redemption Date	Redemption Price (%)	Redemption Date	Redemption Price (%)
7/1/2030	101.603	1/1/2031	100.815
7/2/2030	101.599	1/2/2031	100.810
7/3/2030	101.594	1/3/2031	100.806
7/4/2030	101.590	1/6/2031	100.792
7/5/2030	101.585	1/7/2031	100.787
7/8/2030	101.572	1/8/2031	100.783
7/9/2030	101.568	1/9/2031	100.778
7/10/2030	101.563	1/10/2031	100.774
7/11/2030	101.559	1/13/2031	100.760
7/12/2030	101.554	1/14/2031	100.755
7/15/2030	101.541	1/15/2031	100.751
7/16/2030	101.536	1/16/2031	100.746
7/17/2030	101.532	1/17/2031	100.741
7/18/2030	101.528	1/20/2031	100.728
7/19/2030	101.523	1/21/2031	100.723
7/22/2030	101.510	1/22/2031	100.719
7/23/2030	101.505	1/23/2031	100.714
7/24/2030	101.501	1/24/2031	100.709
7/25/2030	101.496	1/27/2031	100.696
7/26/2030	101.492	1/28/2031	100.691
7/29/2030	101.479	1/29/2031	100.687
7/30/2030	101.474	1/30/2031	100.682
7/31/2030	101.470	1/31/2031	100.677
8/1/2030	101.470	2/3/2031	100.668
8/2/2030	101.465	2/4/2031	100.664
8/5/2030	101.452	2/5/2031	100.659
8/6/2030	101.448	2/6/2031	100.655
8/7/2030	101.443	2/7/2031	100.650
8/8/2030	101.439	2/10/2031	100.637
8/9/2030	101.434	2/11/2031	100.632
8/12/2030	101.421	2/12/2031	100.627
8/13/2030	101.417	2/13/2031	100.623
8/14/2030	101.412	2/14/2031	100.618
8/15/2030	101.408	2/17/2031	100.605
8/16/2030	101.403	2/18/2031	100.600
8/19/2030	101.390	2/19/2031	100.596
8/20/2030	101.386	2/20/2031	100.591
8/21/2030	101.381	2/21/2031	100.587
8/22/2030	101.377	2/24/2031	100.573
8/23/2030	101.373	2/25/2031	100.569
8/26/2030	101.359	2/26/2031	100.564
8/27/2030	101.355	2/27/2031	100.560
8/28/2030	101.351	2/28/2031	100.555
8/29/2030	101.346	3/3/2031	100.533

Optional Redemption Prices of Series 2025B Bonds
in Initial Long-Term Interest Rate Period
(continued)

Redemption Date	Redemption Price (%)	Redemption Date	Redemption Price (%)
8/30/2030	101.342	3/4/2031	100.528
9/2/2030	101.333	3/5/2031	100.524
9/3/2030	101.328	3/6/2031	100.519
9/4/2030	101.324	3/7/2031	100.515
9/5/2030	101.320	3/10/2031	100.501
9/6/2030	101.315	3/11/2031	100.497
9/9/2030	101.302	3/12/2031	100.492
9/10/2030	101.298	3/13/2031	100.488
9/11/2030	101.293	3/14/2031	100.483
9/12/2030	101.289	3/17/2031	100.470
9/13/2030	101.284	3/18/2031	100.465
9/16/2030	101.271	3/19/2031	100.461
9/17/2030	101.267	3/20/2031	100.456
9/18/2030	101.263	3/21/2031	100.452
9/19/2030	101.258	3/24/2031	100.438
9/20/2030	101.254	3/25/2031	100.434
9/23/2030	101.241	3/26/2031	100.429
9/24/2030	101.236	3/27/2031	100.425
9/25/2030	101.232	3/28/2031	100.421
9/26/2030	101.227	3/31/2031	100.407
9/27/2030	101.223	4/1/2031	100.407
9/30/2030	101.210	4/2/2031	100.403
10/1/2030	101.206	4/3/2031	100.398
10/2/2030	101.201	4/4/2031	100.394
10/3/2030	101.197	4/7/2031	100.380
10/4/2030	101.192	4/8/2031	100.376
10/7/2030	101.179	4/9/2031	100.372
10/8/2030	101.175	4/10/2031	100.367
10/9/2030	101.171	4/11/2031	100.363
10/10/2030	101.166	4/14/2031	100.349
10/11/2030	101.162	4/15/2031	100.345
10/14/2030	101.149	4/16/2031	100.341
10/15/2030	101.144	4/17/2031	100.336
10/16/2030	101.140	4/18/2031	100.332
10/17/2030	101.136	4/21/2031	100.318
10/18/2030	101.131	4/22/2031	100.314
10/21/2030	101.118	4/23/2031	100.310
10/22/2030	101.114	4/24/2031	100.305
10/23/2030	101.109	4/25/2031	100.301
10/24/2030	101.105	4/28/2031	100.288
10/25/2030	101.101	4/29/2031	100.283
10/28/2030	101.088	4/30/2031	100.279
10/29/2030	101.083	5/1/2031	100.274
10/30/2030	101.079	5/2/2031	100.270

Optional Redemption Prices of Series 2025B Bonds
in Initial Long-Term Interest Rate Period
(continued)

Redemption Date	Redemption Price (%)	Redemption Date	Redemption Price (%)
10/31/2030	101.075	5/5/2031	100.257
11/1/2030	101.075	5/6/2031	100.252
11/4/2030	101.061	5/7/2031	100.248
11/5/2030	101.057	5/8/2031	100.244
11/6/2030	101.053	5/9/2031	100.239
11/7/2030	101.048	5/12/2031	100.226
11/8/2030	101.044	5/13/2031	100.222
11/11/2030	101.031	5/14/2031	100.217
11/12/2030	101.027	5/15/2031	100.213
11/13/2030	101.022	5/16/2031	100.209
11/14/2030	101.018	5/19/2031	100.195
11/15/2030	101.014	5/20/2031	100.191
11/18/2030	101.001	5/21/2031	100.187
11/19/2030	100.996	5/22/2031	100.182
11/20/2030	100.992	5/23/2031	100.178
11/21/2030	100.988	5/26/2031	100.165
11/22/2030	100.983	5/27/2031	100.161
11/25/2030	100.970	5/28/2031	100.156
11/26/2030	100.966	5/29/2031	100.152
11/27/2030	100.962	5/30/2031	100.147
11/28/2030	100.957	6/2/2031	100.139
11/29/2030	100.953	6/3/2031	100.134
12/2/2030	100.940	6/4/2031	100.130
12/3/2030	100.936	6/5/2031	100.126
12/4/2030	100.931	6/6/2031	100.121
12/5/2030	100.927	6/9/2031	100.108
12/6/2030	100.923	6/10/2031	100.104
12/9/2030	100.910	6/11/2031	100.100
12/10/2030	100.905	6/12/2031	100.095
12/11/2030	100.901	6/13/2031	100.091
12/12/2030	100.897	6/16/2031	100.078
12/13/2030	100.893	6/17/2031	100.074
12/16/2030	100.880	6/18/2031	100.069
12/17/2030	100.875	6/19/2031	100.065
12/18/2030	100.871	6/20/2031	100.061
12/19/2030	100.867	6/23/2031	100.048
12/20/2030	100.862	6/24/2031	100.044
12/23/2030	100.849	6/25/2031	100.039
12/24/2030	100.845	6/26/2031	100.035
12/25/2030	100.841	6/27/2031	100.031
12/26/2030	100.837	6/30/2031	100.018
12/27/2030	100.832	7/1/2031	100.000
12/30/2030	100.819		
12/31/2030	100.815		

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MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

REVENUE BONDS, UNIVERSITY OF MARYLAND MEDICAL SYSTEM ISSUE, SERIES 2025A (FIXED RATE) AND SERIES 2025B (LONG-TERM RATE)

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