

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2020A Bonds is exempt from the State of Maine income tax imposed on individuals. See "TAX MATTERS" herein.*



**\$212,700,000**  
**MAINE HEALTH AND HIGHER**  
**EDUCATIONAL FACILITIES AUTHORITY**  
**Revenue Bonds, MaineHealth Issue, Series 2020A**

**MaineHealth**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The above-referenced bonds (the "Series 2020A Bonds") are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2020A Bonds. Purchases of the Series 2020A Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Series 2020A Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee for DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2020A Bonds.

Principal and semiannual interest on the Series 2020A Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Interest will be payable on January 1, 2021 and semiannually thereafter on January 1 and July 1. **The Series 2020A Bonds are subject to redemption prior to maturity, including redemption at par under certain circumstances, as described herein under "THE SERIES 2020A BONDS - Redemption."**

The Series 2020A Bonds are special, limited obligations of the Maine Health and Higher Educational Facilities Authority (the "Authority") payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged therefor or otherwise available to U.S. Bank National Association (the "Bond Trustee") under the Bond Indenture dated as of July 1, 2020 between the Authority and the Bond Trustee (the "Bond Indenture"), consisting solely of payments made by MaineHealth (the "Institution") pursuant to the Loan Agreement, dated as of July 1, 2020 (the "Agreement"), between the Authority and the Institution, all as more fully described herein. The Institution will evidence its obligations under the Agreement by delivery of a promissory note with respect to the Series 2020A Bonds (the "Note"). To secure the payments under the Agreement, MaineHealth Services ("MaineHealth Services"), the parent corporation of the Institution, will issue a Guaranty Note dated as of July 1, 2020 with respect to the Note (the "Guaranty") to the Bond Trustee pursuant to and under a Master Trust Indenture dated as of March 1, 1999, as supplemented through and including Supplemental Master Trust Indenture No. 58 (the "Master Indenture"), between MaineHealth Services and U.S. Bank National Association, as successor master trustee (the "Master Trustee"). The payment obligation of MaineHealth Services under the Guaranty is also secured by pledges of Gross Revenues (as defined herein) of MaineHealth Services to the Master Trustee pursuant to the Master Indenture and of the Institution to the Master Trustee pursuant to a contract by the Institution for the benefit of holders of all Obligations issued under the Master Indenture.

**THE SERIES 2020A BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF MAINE OR ANY POLITICAL SUBDIVISION THEREOF BUT SHALL BE PAYABLE SOLELY FROM PLEDGED REVENUES UNDER THE BOND INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MAINE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2020A BONDS. THE AUTHORITY HAS NO TAXING POWER.**

The Series 2020A Bonds are being offered when, as and if issued by the Authority and accepted by the Underwriters, subject to prior sale or to withdrawal or modification of the offer without notice and subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Institution by Pierce Atwood LLP, Portland, Maine and by in-house counsel to the Institution and MaineHealth Services, and for the Underwriters by Locke Lord LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Authority by Verrill Dana LLP, Portland, Maine. It is expected that the Series 2020A Bonds will be available for delivery to DTC in New York, New York, on or about July 29, 2020.

**Morgan Stanley**

**Raymond James**

**BofA Securities**

**Goldman Sachs & Co. LLC**

**Wells Fargo Securities**

**\$212,700,000**  
**MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY**  
**Revenue Bonds, MaineHealth Issue, Series 2020A**

**AMOUNTS, INTEREST RATES, MATURITIES, YIELDS, AND CUSIPS**

\$100,720,000 Serial Bonds

<u>Due (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield*</u>	<u>CUSIP†</u>
2026	\$4,705,000	5.00%	0.920%	56042RXS6
2027	4,940,000	5.00	1.120	56042RXT4
2028	5,190,000	5.00	1.260	56042RXU1
2029	5,450,000	5.00	1.380	56042RXV9
2030	5,720,000	5.00	1.480	56042RXW7
2031	6,005,000	5.00	1.560*	56042RXX5
2032	6,305,000	5.00	1.660*	56042RXY3
2033	6,625,000	5.00	1.770*	56042RXZ0
2034	6,955,000	5.00	1.800*	56042RYA4
2035	7,300,000	5.00	1.850*	56042RYB2
2036	7,665,000	4.00	2.090*	56042RYC0
2037	7,975,000	4.00	2.160*	56042RYD8
2038	8,290,000	4.00	2.200*	56042RYE6
2039	8,625,000	4.00	2.240*	56042RYF3
2040	8,970,000	4.00	2.280*	56042RYG1

\$50,515,000 4.00% Term Bonds Due July 1, 2045, Yield 2.380%\*, CUSIP Number 56042RYH9†

\$61,465,000 4.00% Term Bonds Due July 1, 2050, Yield 2.430%\*, CUSIP Number 56042RYJ5†

\* Priced at the stated yield to the first optional redemption date of July 1, 2030.

† "CUSIP" is a copyright of American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2020A Bonds and none of the Authority, the Institution, MaineHealth Services or the Underwriters makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS LISTED ON THE COVER PAGE HERETO (“THE UNDERWRITERS”) MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020A 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, salesman or other person has been authorized by the Maine Health and Higher Educational Facilities Authority, the Institution, MaineHealth Services or the Underwriters to give any information or to make any representations with respect to the Series 2020A Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein under the heading “The Authority” has been furnished by the Maine Health and Higher Educational Facilities Authority. All other information contained herein has been obtained from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed to be the representation of, the Maine Health and Higher Educational Facilities Authority or the Underwriters. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of, the Series 2020A Bonds in any state in which it is unlawful to make such offer, solicitation or sale.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect current beliefs, expectations or intentions regarding future events. These statements include in general forward-looking statements.

Statements that are not historical facts, including statements that use terms such as “anticipates,” “believes,” “expects,” “intends,” “plans,” “projects,” “seeks” and “will” and that relate to plans and objectives of the Institution or MaineHealth Services for future operations, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Official Statement should not be considered as a representation by any person that the objectives or plans of the Institution or MaineHealth Services will be achieved. These forward-looking statements may include, without limitation, expectations with respect to the synergies, future financial and operating results of the Institution and MaineHealth Services, and the Institution’s or MaineHealth Services’ plans, objectives, expectations and intentions with respect to future operations and services.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of the Institution and MaineHealth Services and are difficult to predict. These risks and uncertainties also include those set forth under “Bondholders’ Risks” herein.

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**MAINE HEALTH AND HIGHER EDUCATIONAL  
FACILITIES AUTHORITY**

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OFFICIAL STATEMENT

Relating to

**\$212,700,000**

**Maine Health and Higher Educational Facilities Authority  
Revenue Bonds, MaineHealth Issue, Series 2020A**

**INTRODUCTORY STATEMENT**

The descriptions and summaries of various documents set forth herein do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See Appendix C for Certain Provisions of Principal Documents and for definitions of certain capitalized words and terms used but not defined elsewhere in this Official Statement.

**Purpose**

The purpose of this Official Statement, including the cover page and appendices hereto, is to set forth certain information concerning the Maine Health and Higher Educational Facilities Authority (the “Authority”) and its \$212,700,000 Revenue Bonds, MaineHealth Issue, Series 2020A (the “Series 2020A Bonds”), issued pursuant to a Bond Indenture dated as of July 1, 2020 (the “Bond Indenture”), between the Authority and U.S. Bank National Association, Boston, Massachusetts, as Bond Trustee (the “Bond Trustee”), and authorized by the Authority’s Bond Resolution adopted June 19, 2020 (the “Bond Resolution”). The Series 2020A Bonds are issued and secured under the Bond Indenture and the Bond Resolution in accordance with the Maine Health and Higher Educational Facilities Authority Act, being Chapter 413 of Title 22, Sections 2051 to 2077, inclusive, of the Maine Revised Statutes Annotated, as it may be amended from time to time (the “Act”). The Series 2020A Bonds and any additional bonds that may be issued pursuant to the Bond Indenture are referred to collectively as the “Bonds.”

**Use of Proceeds**

The proceeds of the Series 2020A Bonds will be loaned by the Authority to MaineHealth (the “Institution”). The Institution will enter into a Loan Agreement dated as of July 1, 2020 (the “Agreement”) with the Authority, pursuant to which the Authority will loan the proceeds of the Series 2020A Bonds to the Institution and the Institution will agree to make payments sufficient to repay its loan and make certain other payments. See Appendix C – “Certain Provisions of Principal Documents – Certain Provisions of the Agreement.”

The proceeds of the Series 2020A Bonds, together with other available funds, are expected to be used to: (i) finance (including through reimbursement to the Institution) (a) the construction of a new seven-story hospital tower (Congress Tower) on the Portland, Maine campus of the Institution and (b) the renovation of a Southern Maine Health Care inpatient behavioral health unit located in Sanford, Maine; and (ii) pay the costs of issuance of the Series 2020A Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein and Appendix A – “Information Concerning MaineHealth and MaineHealth Services – The Project.”

## Security

The Series 2020A Bonds are special obligations of the Authority, equally and ratably secured by and payable from amounts received by the Bond Trustee from the Institution pursuant to the Agreement. The Institution will evidence its obligations under the Agreement by delivery of a promissory note with respect to the Series 2020A Bonds under the Agreement (the “Note”). Simultaneously with the issuance of the Series 2020A Bonds and the Note, and as further security for the obligations of the Institution under the Agreement, MaineHealth Services will issue a Guaranty Note dated as of July 1, 2020 with respect to the Note (the “Guaranty”) to the Bond Trustee pursuant to and under a Master Trust Indenture dated as of March 1, 1999, as supplemented through and including Supplemental Master Trust Indenture No. 58 (the “Master Indenture”), between MaineHealth Services, the current sole member of the Obligated Group thereunder, and U.S. Bank National Association, as successor master trustee (the “Master Trustee”). The Guaranty will be issued to the Bond Trustee for the sole benefit of the holders of the Series 2020A Bonds and the holders of any Additional Bonds issued pursuant to the Bond Indenture (collectively, the “Holders”). The Guaranty will have terms and conditions to provide payments thereunder sufficient to pay all amounts to become due on the Series 2020A Bonds. See Appendix C – “Certain Provisions of Principal Documents.”

The Guaranty will be secured under the Master Indenture on a parity basis with all outstanding Obligations (other than Obligations secured by non-parity Liens that constitute Permitted Encumbrances as such terms are defined in the Master Indenture) issued and to be issued and secured under the Master Indenture. Under the Master Indenture, MaineHealth Services is required to (i) cause certain affiliates of MaineHealth Services designated thereunder, including the Institution (together with MaineHealth Services, the “MTI Designated Affiliates”), and (ii) use reasonable efforts to cause each of the other MaineHealth Services system affiliates (together with the MTI Designated Affiliates and MaineHealth Services, the “System Affiliates”), to pay, loan or otherwise transfer to MaineHealth Services such amounts as are necessary to make the payments due under the Guaranty. The obligation of the MTI Designated Affiliates, including the Institution, to fund such amounts is memorialized in a Second Amended and Restated System Funding Agreement dated as of January 1, 2019 (the “System Funding Agreement”) among MaineHealth Services and the other MTI Designated Affiliates (which parties to the System Funding Agreement are referred to as the “SFA Designated Affiliates”). In addition, all Obligations issued and to be issued under the Master Indenture will be secured by pledges of Gross Revenues of MaineHealth Services pursuant to the Master Indenture and Supplemental Master Trust Indenture No. 41 and of the Institution pursuant to a contract between the Institution, MaineHealth Services, as Obligated Group Agent under the Master Indenture, and the Master Trustee dated as of July 1, 2018 for the benefit of the holders of all Obligations issued under the Master Indenture (the “Gross Revenues Contract”). See “SECURITY FOR THE SERIES 2020A BONDS – MaineHealth Services Guaranty, Master Indenture and System Funding Agreement” herein.

**Other than the pledges of Gross Revenues of MaineHealth Services and the Institution, neither the Series 2020A Bonds nor the Guaranty will be secured by a pledge of any other property (real or personal) of MaineHealth Services, the Institution or any other System Affiliate.**

Shortly after the date of issuance of the Series 2020A Bonds, the Institution expects to borrow approximately \$37,000,000 in proceeds of a conventional bank loan (the “2020 Loan”) for the purpose of legally defeasing certain portions of the Authority’s Revenue Bonds, Series 2011A, Series 2011C and Series 2012A, allocable to the Institution (representing loans to Maine Medical Center, Miles Memorial Hospital, St. Andrews Hospital, Franklin Memorial Hospital, Penobscot Bay Medical Center and Spring Harbor Hospital) and first subject to optional redemption in 2021 and 2022, respectively. The incurrence of the 2020 Loan for the refundings is dependent upon market conditions, approval by MaineHealth Services (as guarantor) and the Institution, credit approval from a commercial bank (the “2020 Loan Lender”) and other conditions that are not assured. The 2020 Loan will be secured by a guaranty of

MaineHealth Services issued pursuant to the Master Indenture on a parity basis with the Guaranty issued with respect to the Series 2020A Bonds and any other Obligations issued or to be issued and secured under the Master Indenture. The agreement between the Institution and the 2020 Loan Lender relating to the 2020 Loan is expected to contain provisions that are solely for the benefit of the 2020 Loan Lender and do not apply to the Series 2020A Bonds. See “SECURITY FOR THE SERIES 2020A BONDS – Additional Bonds and Additional Indebtedness.”

### **Special Obligations**

The Series 2020A Bonds are special obligations of the Authority. Neither the State of Maine (the “State”) nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Series 2020A Bonds, except from the Pledged Revenues under the Bond Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2020A Bonds. The Authority does not have taxing power.

### **Bondholders’ Risks**

For information concerning certain risks relating to future revenues and expenses of the Institution and MaineHealth Services, health care legislation which might affect the operations of the Institution and MaineHealth Services, and other considerations, see the material included under the captions “THE INSTITUTION” and “BONDHOLDERS’ RISKS” herein and in Appendix A hereto, which material should be read in its entirety.

HOLDERS OF SERIES 2020A BONDS ARE ADVISED TO READ CAREFULLY THE SECTIONS ENTITLED “SECURITY FOR THE SERIES 2020A BONDS” AND “BONDHOLDERS’ RISKS” HEREIN AND APPENDIX A HERETO FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2020A BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, careful evaluation should be made of certain factors that may adversely affect the ability of (i) the Institution to generate sufficient revenues to pay its expenses of operation, including the principal of, premium, if any, and interest on the Series 2020A Bonds, and (ii) MaineHealth Services and the other SFA Designated Affiliates to generate sufficient revenues to pay their expenses of operation, including payments under the Guaranty.

### **Proposed Suspension of Master Indenture Covenant Related to Debt Service Coverage Ratio for Fiscal Year Ending September 30, 2020**

In anticipation of a possible Historical Debt Service Coverage Ratio of less than 1.10 for the MaineHealth system as of the fiscal year ending September 30, 2020, due to the effects of the COVID-19 pandemic, in Supplemental Master Trust Indenture No. 58, the Institution has determined to amend Section 407 of the Master Indenture, entitled “Historical Debt Service Coverage Ratio,” to suspend Section 407 of the Master Indenture and the requirements for the Obligated Group to maintain an Historical Debt Service Coverage Ratio of not less than 1.10 and (should it fail to meet the 1.10 threshold) to retain a consultant for the fiscal year ending September 30, 2020 (the “DSCR Amendment”). Section 702 of the Master Indenture provides that amendments to the Master Indenture of this type will take effect on such date that the holders of not less than 51% in aggregate principal amount of Obligations outstanding under the Master Indenture have consented thereto. **By their purchase of the Series 2020A Bonds, the Holders thereof shall consent and shall be deemed to have consented to direct the Bond Trustee, as the holder of the Obligation comprised of the Guaranty, to provide written consent to the DSCR Amendment and to waive notice thereof, if any, required to be given to the Holders of the Series 2020A Bonds or the Bond Trustee pursuant to the Master Indenture (the “2020A**

**Consent”).** In addition, TD Bank, N.A. (“TD Bank”), as the holder of the Obligation comprised of the guaranty of MaineHealth Services securing the payments by the Institution under the loan agreement for the Authority’s Revenue Bonds, MaineHealth Issue, Series 2018C (the “Series 2018C Bonds”), has agreed to consent to the DSCR Amendment (the “TD 2018C Consent”) so long as an aggregate of at least 51% in outstanding principal amount of holders of Obligations (including TD Bank) provide such consent. In connection with the incurrence of the 2020 Loan shortly after the issuance of the Series 2020A Bonds, MaineHealth Services will require that the 2020 Loan Lender consent to the DSCR Amendment in its capacity as the holder of an Obligation comprised of the guaranty of MaineHealth Services securing the payments by the Institution under the 2020 Loan (the “2020 Loan Consent”). MaineHealth Services is also in the process of obtaining the consent of additional current holders of Obligations outstanding under the Master Indenture in such amount (the “Additional Consents”) that, when aggregated with the 2020A Consent, the TD 2018C Consent and the 2020 Loan Consent, the holders of not less than 51% in aggregate principal amount of Obligations then outstanding under the Master Indenture will have consented to the DSCR Amendment. Therefore, following issuance of the Series 2020A Bonds, the incurrence of the 2020 Loan and the legal defeasance of the applicable Series 2011A, Series 2011C and Series 2012A Bonds, and the receipt of sufficient Additional Consents, the holders of not less than 51% in aggregate principal amount of Obligations then outstanding under the Master Indenture will have consented to the DSCR Amendment and the DSCR Amendment will thereupon go into effect. In addition, TD Bank has conditionally agreed to consent to similar amendments to the debt service coverage ratios contained in loan agreements for other TD Bank loans to MaineHealth Services and subsidiaries of MaineHealth Services that are not secured by Master Trust Indenture Obligations, as long as all other similarly situated lenders also consent to such amendments to their respective loan agreements. One such lender exists, who has also consented to suspend the covenants discussed above.

## **THE AUTHORITY**

### **General**

The Authority was created and established by the Act as a public body corporate and politic and an instrumentality of the State. The purpose of the Authority, among others, is to assist health care institutions, social service institutions and institutions for higher education in the undertaking of projects involving the acquisition, construction, improvement, reconstruction and equipping of health care, social service and educational facilities and the refinancing of existing indebtedness.

The Act provides that the Authority members shall be the State Superintendent of Financial Institutions, ex-officio, the Commissioner of the Department of Human Services, ex-officio, the Commissioner of the Department of Education, ex-officio, the Treasurer of the State, ex-officio, and eight other members appointed by the Governor of the State who are required to be residents of the State and not more than four of whom shall be members of the same political party. Three of the appointed members shall be trustees, directors, officers or employees of health care facilities, two shall be trustees, members of a corporation or board of governors, officers or employees of institutions for higher education and one shall be a person having a favorable reputation for skill, knowledge and experience in state and municipal finance, either as a partner, officer or employee of an investment banking firm which originates and purchases state and municipal securities or as an officer or employee of an insurance company or bank whose duties relate to the purchase of state and municipal securities as an investment and to the management and control of a state and municipal securities portfolio. The members of the Authority are entitled to be paid necessary expenses incurred while engaged in the performance of their duties. The Authority elects from its members a Chairman and a Vice Chairman and appoints an Executive Director who is not a member.



## Authority Membership and Organization

The present members of the Authority and the dates their terms expire are set forth below:

<u>Name</u>	<u>Term Expires</u> <sup>†</sup>	<u>Affiliation</u>
James Clair, Chairman	11/03/15	MaineGeneral Board Member, Business & Health Care Consultant, & Former CEO, Goold Health Systems, Augusta, Maine
Barbara Raths, Vice Chairman	01/29/20	Senior Treasury Management Sales Advisor, Senior Vice President, Camden National Bank Portland, Maine
Glen Cyr	11/03/19	Chief Financial Officer, North Country Associates, Lewiston, Maine
Evan B. Livada	11/03/18	Former President, Livada Securities, Portland, Maine
Neal Meltzer	11/03/13	Executive Director, Waban Projects, Sanford, Maine
George Spann	11/03/15	Former President, Thomas College, Waterville, Maine
Kenneth Stafford	11/03/21	Certified Public Accountant, Stafford Advisors, Falmouth, Maine
Gerald Reid	02/27/20	Retired Director, Maine Bureau of Alcoholic Beverages & Lottery Operations, Augusta, Maine
A. Pender Makin	Ex-Officio	Commissioner, Department of Education, State of Maine, Augusta, Maine
Jeanne M. Lambrew	Ex-Officio	Commissioner, Department of Health and Human Services, State of Maine, Augusta, Maine
Lloyd P. LaFountain III	Ex-Officio	Superintendent of Financial Institutions, Bureau of Financial Institutions, State of Maine, Augusta, Maine
Henry E.M. Beck, Esq.	Ex-Officio	Treasurer of State, State of Maine, Augusta, Maine

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<sup>†</sup>All members serve until the appointment and qualification of a successor. The State Treasurer, if not reelected, serves for a period of not less than 30 days after the end of his or her term and until qualification of a successor.

Teresea M. Hayes is Executive Director of the Authority and is responsible for the general management of the Authority's affairs. Ms. Hayes also serves as Executive Director of the Maine Municipal Bond Bank, the Maine Governmental Facilities Authority and the Maine Public Utility Financing Bank.

Verrill Dana LLP, Portland, Maine, is serving as counsel to the Authority. Hawkins Delafield & Wood LLP, New York, New York, is serving as Bond Counsel to the Authority and will submit its approving opinion with regard to the legality of the Series 2020A Bonds substantially in the form attached hereto as Appendix E.

The Act provides that the Authority may employ such other consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers and such other employees and agents as are necessary in its judgment.

### **Powers of the Authority**

Under the Act, the Authority is authorized and empowered, among other things: to issue bonds and notes and to refund the same; to make loans to participating hospitals, nursing homes, licensed residential care facilities, licensed continuing care retirement communities, assisted living facilities, community mental health facilities, a licensed scene response air ambulance, community health centers and community health or social services facilities ("participating health care facilities") or institutions for higher education or eligible institutions providing an educational program to its members or the general public for the cost of projects; to refinance existing indebtedness incurred by participating health care facilities or institutions for higher education to finance facilities; to charge and collect rates, rents, fees and charges for the use of and for the services furnished by a project; to acquire, construct, reconstruct, renovate, improve, replace, maintain, repair, extend, enlarge, operate, lease as lessee or lessor and regulate any project financed under the Act; to enter into contracts for any and all such purposes, including contracts for the management and operation of a project, and to designate a participating health care facility or a participating institution for higher education as its agent in connection with a project; to mortgage any project and the site thereof; to acquire directly or through a participating health care facility or a participating institution for higher education, as its agent, by purchase or by gift or devise such lands, structures, property, real or personal, rights, rights of way, franchises and easements as the Authority deems necessary; to sue and be sued; to receive and accept grants from the federal government, the State, or any other public agency; and to do all things necessary or convenient to carry out the purposes of the Act.

### **Financing Programs of the Authority**

Pursuant to its powers under the Act, the Authority has adopted five resolutions establishing separate financing programs with respect to which the Authority issues bonds and makes loans to participating institutions. The five resolutions are (1) the General Bond Resolution adopted June 5, 1973 (which for presentation purposes in the Authority's financial statements includes all transactions completed under separate bond indentures not secured by a common reserve fund, such as the Series 2020A Bonds), (2) the Reserve Fund Resolution adopted December 6, 1991, (3) the Medium Term Financing Reserve Fund Resolution adopted March 5, 1992, (4) the Taxable Finance Reserve Fund Resolution adopted December 15, 1992 (the "First Taxable Resolution") and (5) the Taxable Finance Reserve Fund Resolution adopted July 11, 2003 (the "Second Taxable Resolution"). None of the common reserve funds or the funds and accounts established under the Authority's various programs are pledged to the security of the Series 2020A Bonds.

## **Outstanding Indebtedness of the Authority**

Pursuant to the following bond resolutions of the Authority, the following principal amounts of bonds, other than the Series 2020A Bonds, were outstanding as of June 30, 2020:

- (1) General Resolution: \$1,364,644,710;
- (2) Reserve Fund Resolution: \$437,885,000;
- (3) Medium Term Financing Reserve Fund Resolution: \$0;
- (4) First Taxable Resolution: \$0; and
- (5) Second Taxable Resolution: \$0.

The Authority may issue other series of bonds or notes for the purpose of financing projects for participating health care institutions and institutions of higher education and financing student loan programs. Each such series of bonds or notes will be issued pursuant to a resolution or bond indenture separate and apart from the Bond Resolution and the Bond Indenture authorizing the Series 2020A Bonds and will be secured by instruments separate and apart from the instruments securing the Series 2020A Bonds; provided, however, that any such series of bonds or notes issued by the Authority on behalf of the Institution could be issued as Additional Bonds pursuant to and secured by the Bond Indenture. See “SECURITY FOR THE SERIES 2020A BONDS – Additional Bonds and Additional Indebtedness.”

## **Certain Legislation Affecting the Authority**

In 1995, the Legislature of the State passed the State Government Evaluation Act (the “Evaluation Act”), Maine Revised Statutes Annotated, Title 3, Chapter 35, Sections 951 through 963. The stated purpose of the Evaluation Act is to establish a system for periodic review of agencies and independent agencies of state government and requires the Legislature to evaluate their efficacy and performance. The Evaluation Act provides that the legislative committee with jurisdiction may conduct an analysis and evaluation of the Authority either in accordance with the scheduling guidelines or as necessary. Based on such review and analysis, such committee may recommend termination of an agency to the Legislature. The Authority was reviewed favorably by the Legislature’s Joint Standing Committee on Education and Cultural Affairs in its report submitted January 30, 2020.

## **THE SERIES 2020A BONDS**

### **General Description**

The Series 2020A Bonds shall be dated their date of delivery. The Series 2020A Bonds will bear interest from their dated date at the stated rates, and will mature, subject to the right of redemption described below, in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Series 2020A Bonds are issuable only as fully registered bonds in the denominations of \$5,000 or any multiple thereof, as provided in the Bond Indenture. Interest will be computed on the basis of a 360-day year of twelve thirty-day months and is payable commencing on January 1, 2021, and semiannually thereafter on each January 1 and July 1, until maturity or prior redemption.

### **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2020A Bonds. The Series 2020A 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 Series 2020A Bond certificate will be issued for each maturity of the Series 2020A Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. 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 U.S. and non-U.S. 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 ("Indirect Participants"). DTC has a Standard & Poor's ("S&P") rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2020A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020A Bond ("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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020A Bonds, except in the event that use of the book-entry system for the Series 2020A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020A Bonds deposited by Direct 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 2020A 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 2020A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A 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 the Series 2020A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect

to the Series 2020A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2020A Bonds may wish to ascertain that the nominee holding the Series 2020A 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 registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020A Bonds within a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal (including sinking fund installments, if any), redemption premium, if any, and interest payments on the Series 2020A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on the payable 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 Participant and not of DTC, the Paying Agent, the Institution, the Bond 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020A Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2020A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but none of the Authority, the Institution, MaineHealth Services or the Underwriters takes any responsibility for the accuracy thereof.

NEITHER THE BOND TRUSTEE NOR THE AUTHORITY SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2020A BONDS UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE BOND TRUSTEE AS BEING A BONDHOLDER, WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN

RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE, IF ANY, OR INTEREST ON THE SERIES 2020A BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE BOND INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020A BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER.

In the event that the book-entry only system is discontinued, principal and redemption price will be payable upon surrender of the Series 2020A Bonds at the corporate trust office of the Paying Agent and interest will be payable on each Interest Payment Date, by check or draft mailed or, at the option of the Holder of at least \$500,000 aggregate principal amount of Series 2020A Bonds, by wire transfer, to the Bondholders as of the close of business on the Record Date.

If the book-entry only system is discontinued and Series 2020A Bond certificates have been delivered as described in the Bond Indenture, the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder. Thereafter, Series 2020A Bonds may be exchanged for an equal aggregate principal amount of Series 2020A Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Bond Trustee, as Registrar. The transfer of any Series 2020A Bond may be registered on the books maintained by the Bond Trustee, as Registrar, for such purpose only upon the surrender thereof to the Bond Trustee with a duly executed assignment in form satisfactory to the Bond Trustee. For every exchange or registration of transfer of Series 2020A Bonds, the Bond Trustee, as Registrar, may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondholder for any exchange or registration of transfer of the Series 2020A Bonds. The Bond Trustee will not be required to register the transfer of or exchange any Series 2020A Bond during the period from the Record Date to the Bond Payment Date or if such Series 2020A Bond (or any part thereof) has been or is being called for redemption.

## **Redemption**

Optional Redemption. The Series 2020A Bonds maturing after July 1, 2030 are subject to redemption prior to maturity, at the option of the Authority upon direction of the Institution, on and after July 1, 2030, in whole or in part at any time at a Redemption Price of par plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Series 2020A Bonds maturing July 1, 2045 and July 1, 2050 are subject to mandatory sinking fund redemption prior to maturity at a Redemption Price equal to the principal amount of such Series 2020A Bonds to be redeemed plus accrued interest, if any, thereon to the Redemption Date, without premium, on each July 1 of the years listed below and in the following amounts:

Series 2020A Term Bonds due July 1, 2045

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2041	\$9,325,000	2044	\$10,490,000
2042	9,700,000	2045 <sup>†</sup>	10,910,000
2043	10,090,000		

<sup>†</sup> Final Maturity

Series 2020A Term Bonds due July 1, 2050

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2046	\$11,350,000	2049	\$12,765,000
2047	11,800,000	2050 <sup>†</sup>	13,275,000
2048	12,275,000		

<sup>†</sup> Final Maturity

Extraordinary Optional Redemption. The Series 2020A Bonds are also subject to redemption prior to maturity at the option of the Institution, in whole or in part at any time, at a Redemption Price equal to the principal amount of such Series 2020A Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium, from insurance proceeds received with respect to casualty losses or condemnation awards to the extent such proceeds or awards have not been used to restore, repair or replace such Property, Plant and Equipment.

Selection of Series 2020A Bonds to be Redeemed. In the event of any redemption of less than all Outstanding Series 2020A Bonds, any maturity or maturities and amounts within maturities of Series 2020A Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Institution. If less than all of the Series 2020A Bonds of a maturity are to be redeemed, the Institution shall select the Series 2020A Bonds to be redeemed in such manner as the Institution may determine, provided that, for so long as the book-entry only system is in effect, the particular Series 2020A Bonds or portions thereof to be redeemed shall be selected by DTC in such a manner as DTC and the participants may determine. In making such selection, the Institution (or DTC) shall treat each Series 2020A Bond as representing that number of Series 2020A Bonds of the lowest authorized denomination (\$5,000) as is obtained by dividing the principal amount of such Series 2020A Bond by such denomination.

Partial Redemption of Series 2020A Bonds. Upon the selection and call for redemption of, and the surrender of, any Series 2020A Bond for redemption in part only, the Authority shall cause to be executed and, upon a certificate of an Authority Representative, the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Institution, a new Series 2020A Bond or Series 2020A Bonds of authorized denominations in an aggregate face amount equal to the unredeemed portion of the Series 2020A Bond surrendered, which new Series 2020A Bond or Series 2020A Bonds shall be a fully registered Series 2020A Bond or Series 2020A Bonds without coupons, in authorized denominations. Any optional redemption of the Series 2020A Bonds will be credited against mandatory sinking fund redemption requirements, if applicable, in such manner and order as may be directed by the Institution.

Effect of Call for Redemption. On the date designated for redemption by notice given as provided in the Bond Indenture, the Series 2020A Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Series 2020A Bonds on such date. If on the date fixed for redemption moneys for payment of the Redemption Price and accrued interest are held by the Bond Trustee or paying agents as provided in the Bond Indenture, interest on such Series 2020A Bonds so called for redemption shall cease to accrue, such Series 2020A Bonds shall cease

to be entitled to any benefit or security under the Bond Indenture except the right to receive payment from the moneys held by the Bond Trustee or the paying agents and the amount of such Series 2020A Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Notice of Redemption. Not less than twenty (20) nor more than forty-five (45) days prior to the date set for redemption of any Series 2020A Bonds, the Bond Trustee will send notice by mail to all registered Holders of Series 2020A Bonds to be redeemed. Such redemption notice will set forth the details of such redemption. Failure to so mail such notice or any defect in such notice shall not affect the validity of any proceedings for the redemption of any Series 2020A Bonds with respect to which notice was so mailed or with respect to which no such defect occurred. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected shall not affect the validity of the redemption. Such notice shall state that any optional or extraordinary optional redemption is conditional and shall be made only from and to the extent that funds shall be on deposit with the Bond Trustee and available for such purpose on the redemption date.

Purchase in Lieu of Redemption. Any Series 2020A Bonds called for optional redemption pursuant to the Bond Indenture, at the option of the Institution may, in lieu of redemption, be purchased by the Institution or by a Person designated by the Institution on the redemption date by payment of a purchase price equal to the applicable Redemption Price of such Series 2020A Bonds as set forth in the Bond Indenture, as if such Series 2020A Bonds had been called for redemption on such purchase date, and if so purchased, such Series 2020A Bonds shall, except as otherwise provided in the Bond Indenture, continue to be Outstanding under the Bond Indenture for all purposes and shall continue to be subject to optional redemption as provided in the Bond Indenture.

### **Acceleration**

If a Bond Indenture Event of Default occurs, including a Bond Indenture Event of Default resulting from a payment default on the part of the Institution under the Agreement, the principal of the Series 2020A Bonds may be accelerated and become immediately due and payable, at par, with interest payable thereon to the accelerated payment date. For a description of the Bond Indenture Events of Default, see Appendix C – “Certain Provisions of Principal Documents – Certain Provisions of the Agreement – Defaults and Remedies” and “– Certain Provisions of the Indenture – Defaults and Remedies.”

### **Transfer and Exchange**

Except while the book-entry only system is in effect as described above, Series 2020A Bonds may be exchanged upon presentation and surrender thereof to the Registrar for an equal aggregate principal amount of Series 2020A Bonds with the same interest rate and maturity. See “THE SERIES 2020A BONDS – Book-Entry Only System.”

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## Debt Service Requirements

Principal, interest and mandatory sinking fund redemption requirements on the Series 2020A Bonds and all other outstanding long-term debt of the System Affiliates, including the expected issuance of the 2020 Loan and excluding the Series 2011A, Series 2011C and Series 2012A Bonds to be legally defeased with proceeds of the 2020 Loan, are shown below:

Year Ending <u>September</u> <u>30</u>	Series 2020A <u>Principal</u>	Series 2020A <u>Interest</u>	Total Debt Service on Series <u>2020A Bonds</u>	Total Debt Service on all other System Affiliate Long <u>Term Debt<sup>(1)</sup></u>	Total Debt <u>Service</u>
2020	-	-	-	\$55,360,788	\$55,360,788
2021	-	\$8,392,176	\$8,392,176	59,460,412	67,852,589
2022	-	9,099,950	9,099,950	58,852,506	67,952,456
2023	-	9,099,950	9,099,950	58,615,358	67,715,308
2024	-	9,099,950	9,099,950	58,212,032	67,311,982
2025	-	9,099,950	9,099,950	56,929,739	66,029,689
2026	\$4,705,000	9,099,950	13,804,950	41,578,416	55,383,366
2027	4,940,000	8,864,700	13,804,700	40,185,801	53,990,501
2028	5,190,000	8,617,700	13,807,700	44,118,491	57,926,191
2029	5,450,000	8,358,200	13,808,200	38,279,052	52,087,252
2030	5,720,000	8,085,700	13,805,700	32,801,621	46,607,321
2031	6,005,000	7,799,700	13,804,700	31,265,528	45,070,228
2032	6,305,000	7,499,450	13,804,450	29,074,806	42,879,256
2033	6,625,000	7,184,200	13,809,200	28,917,875	42,727,075
2034	6,955,000	6,852,950	13,807,950	28,001,342	41,809,292
2035	7,300,000	6,505,200	13,805,200	27,283,934	41,089,134
2036	7,665,000	6,140,200	13,805,200	27,145,521	40,950,721
2037	7,975,000	5,833,600	13,808,600	19,498,200	33,306,800
2038	8,290,000	5,514,600	13,804,600	19,493,550	33,298,150
2039	8,625,000	5,183,000	13,808,000	19,134,300	32,942,300
2040	8,970,000	4,838,000	13,808,000	19,131,300	32,939,300
2041	9,325,000	4,479,200	13,804,200	19,136,850	32,941,050
2042	9,700,000	4,106,200	13,806,200	19,132,700	32,938,900
2043	10,090,000	3,718,200	13,808,200	19,132,900	32,941,100
2044	10,490,000	3,314,600	13,804,600	19,135,800	32,940,400
2045	10,910,000	2,895,000	13,805,000	12,950,000	26,755,000
2046	11,350,000	2,458,600	13,808,600	12,950,750	26,759,350
2047	11,800,000	2,004,600	13,804,600	12,949,150	26,753,750
2048	12,275,000	1,532,600	13,807,600	12,949,250	26,756,850
2049	12,765,000	1,041,600	13,806,600	0	13,806,600
2050	<u>13,275,000</u>	<u>531,000</u>	<u>13,806,000</u>	<u>0</u>	<u>13,806,000</u>
Total <sup>(2)</sup>	\$212,700,000	\$177,250,726	\$389,950,726	\$921,677,972	\$1,311,628,698

<sup>(1)</sup> The Total Debt Service includes debt service on the Authority bonds used to fund the applicable reserve fund amounts and estimated debt service on the 2020 Loan, and excludes debt service on the Series 2011A Bonds, Series 2011C and Series 2012A Bonds expected to be defeased. The interest rate on the 2020 Loan is assumed to be 1.74%. The interest rate on the Series 2018C Bonds is assumed to be 4.833% based on a combination of existing interest rate swaps for the hedged portion and the Forward 1-Month LIBOR curve for the unhedged portion. Two MaineHealth Services loans with TD Bank assume fixed swap rates of 3.848%. For other notes, loans and capital leases under \$3 million outstanding, Total Debt Service assumes level debt service amortized over 10 years at 4.00% per annum. See Appendix A – “Information Concerning MaineHealth and MaineHealth Services – FINANCIAL INFORMATION OF THE SYSTEM – Indebtedness and Guarantees of the System.”

<sup>(2)</sup> Totals may not add due to rounding.

## **SECURITY FOR THE SERIES 2020A BONDS**

### **General**

The Series 2020A Bonds constitute special obligations of the Authority payable solely from, and secured by a pledge of, the revenues of the Authority received from or on account of the Institution and amounts on deposit from time to time in the funds and accounts established under the Bond Indenture (except the Rebate Fund), including the earnings thereon, subject to the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Series 2020A Bonds will be secured on a parity with any Additional Bonds that may be issued under the Bond Indenture.

### **Bond Indenture**

The Series 2020A Bonds will be issued by the Authority pursuant to the Bond Indenture. The Bond Indenture constitutes a contract among the Authority, the Bond Trustee and the Holders of the Series 2020A Bonds and the pledges and covenants made therein are for the equal and ratable benefit and security of the Holders of the Series 2020A Bonds. The Bond Indenture provides that the Series 2020A Bonds shall be special obligations of the Authority, payable solely from and secured solely by the payments made by the Institution under the Agreement, and the funds available in the Bond Fund established under the Bond Indenture. As security for its obligations under the Bond Indenture with respect to the Series 2020A Bonds, the Authority has pledged to the Bond Trustee the payments of the Institution received or receivable by the Authority pursuant to the Agreement, all funds held by the Bond Trustee under the Bond Indenture (except the Rebate Fund) and all income derived from the investment of such funds, and will assign to the Bond Trustee all such pledged funds, all of the Authority's right, title and interest in the Agreement (except the right of the Authority to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses).

The Bond Indenture provides that the security interest granted by the Authority to the Bond Trustee therein is for the equal and proportionate benefit and security of the Holders from time to time of the Series 2020A Bonds issued, authenticated, delivered and outstanding under the Bond Indenture, without preference, priority or distinction as to lien or otherwise of any Bonds over any other Bonds to the end that each Holder of any Bonds has the same rights, privileges and lien under and by virtue of the Bond Indenture.

### **Agreement**

The Agreement is the individual full faith and credit general obligation of the Institution, by which the Institution is required to make payments to the Authority that will meet all debt service payments on the Series 2020A Bonds. The Agreement is to remain in full force and effect until all Series 2020A Bonds have been fully paid or otherwise discharged.

### **Master Indenture and MaineHealth Services Guaranty**

Simultaneously with the issuance of the Series 2020A Bonds and the Note, and as further security for the obligations of the Institution under the Agreement, MaineHealth Services will issue the Guaranty to the Bond Trustee pursuant to the Master Indenture and Supplemental Master Trust Indenture No. 58, dated as of July 1, 2020 (the "Supplemental Master Indenture"), by and between MaineHealth Services and the Master Trustee. The Guaranty will be issued to the Bond Trustee for the sole benefit of the Holders of the Series 2020A Bonds and the holders of any Additional Bonds issued pursuant to the Bond Indenture. The Guaranty will have terms and conditions to provide payments thereunder in the aggregate sufficient to pay all amounts to become due on the Series 2020A Bonds under the Agreement. See Appendix C – "Certain Provisions of Principal Documents."

The Guaranty will be secured under the Master Indenture on a parity basis with all outstanding Obligations (other than Obligations secured by non-parity Liens that constitute Permitted Encumbrances as such terms are defined in the Master Indenture) issued and to be issued and secured under the Master Indenture. Under the Master Indenture, MaineHealth Services is required to (i) cause the MTI Designated Affiliates, and (ii) use reasonable efforts to cause each of the other System Affiliates, to pay, loan or otherwise transfer to MaineHealth Services such amounts as are necessary to make the payments due under the Guaranty. As of the date of issuance of the Series 2020A Bonds and the Note and the effective date of the Guaranty, and taking into account the expected issuance of the 2020 Loan, (i) the MTI Designated Affiliates are MaineHealth Services, the Institution, LincolnHealth Cove's Edge and Quarry Hill, and (ii) MaineHealth Services has issued currently outstanding Obligations under the Master Indenture to secure loans by the Authority to the Institution and the other MTI Designated Affiliates of portions of the proceeds of the Authority's bonds issued pursuant to the Reserve Fund Resolution, loans from the proceeds of other bonds and other loans, outstanding in the aggregate principal amount of \$588,551,822. Under the Master Indenture, MaineHealth Services has agreed to comply with certain covenants, to cause each MTI Designated Affiliate to comply with certain covenants, and to take such action as it deems reasonably necessary to ensure that the System Affiliates comply with certain covenants, for so long as the Guaranty is outstanding. See "CERTAIN FINANCIAL COVENANTS" and Appendix C – "Certain Provisions of Principal Documents – Certain Provisions of the Master Indenture."

In addition, the Guaranty and all other Obligations issued and to be issued under the Master Indenture will be secured by pledges of Gross Revenues of MaineHealth Services pursuant to the Master Indenture and Supplemental Master Trust Indenture No. 41 and of the Institution pursuant to the Gross Revenues Contract for the benefit of the holders of all Obligations issued under the Master Indenture. The existence of such security interest shall not prevent the expenditure, deposit or commingling of Gross Revenues by MaineHealth Services and the Institution so long as no Event of Default exists under the Master Indenture and all required payments under the Guaranty are made when due. MaineHealth Services and the Institution may grant parity security interests in or Permitted Encumbrances on their respective Gross Revenues and other property to secure additional indebtedness incurred in the future, subject to certain conditions set forth in the Master Indenture.

The security interest in Gross Revenues is subject to and may be limited by the laws of the United States and the State with respect to bankruptcy, insolvency and creditors' rights generally. For example, all or substantially all Gross Revenues received by MaineHealth Services or the Institution after the commencement of a bankruptcy proceeding in which it is the debtor may not be subject to the foregoing security interest, and the same may be true with respect to Gross Revenues received within 90 days prior to the commencement of such a proceeding. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Revenues (such as gifts, donations or insurance proceeds) prior to actual receipt by MaineHealth Services or the Institution.

The effectiveness of the security interests in Gross Revenues granted pursuant to the Master Indenture and the Gross Revenues Contract may also be limited by a number of factors, to the extent applicable, including: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; and (iv) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Maine Uniform Commercial Code as from time to time in effect.

**Other than the pledges of Gross Revenues of MaineHealth Services and the Institution, neither the Series 2020A Bonds nor the Guaranty will be secured by a pledge of any other property (real or personal) of MaineHealth Services, the Institution or any other System Affiliate.**

## **System Funding Agreement**

The Note and the Guaranty will constitute “Designated Indebtedness” under (and as defined in) the System Funding Agreement. Under the System Funding Agreement, if there is a default in the timely payment of the principal of, premium, if any, or interest on any Designated Indebtedness, each SFA Designated Affiliate has agreed, when and as requested by MaineHealth Services in order to cure such a default, to transfer assets to MaineHealth Services in an amount equal to its allocable share of the amount needed to cure such default; provided, however, that in directing or effecting such a transfer of assets, neither MaineHealth Services nor any SFA Designated Affiliate shall be required to violate (i) its charitable purposes, (ii) the terms of any restricted gifts, or (iii) the covenants of its debt instruments. Such contributions of each SFA Designated Affiliate’s allocable share are determined in part by the ratio of each SFA Designated Affiliate’s total revenues for a historic test period to the total revenues of all SFA Designated Affiliates for such period. The ability of the SFA Designated Affiliates to make payments under the System Funding Agreement may be subject to restrictions regarding the incurrence of additional indebtedness contained in other debt agreements of the SFA Designated Affiliates. As of the date of issuance of the Series 2020A Bonds and the Note, the current SFA Designated Affiliates are MaineHealth Services, the Institution, LincolnHealth Cove’s Edge and Quarry Hill. See Appendix D – “Summary of Second Amended and Restated System Funding Agreement.” Notwithstanding the limitations of the System Funding Agreement, under the Master Indenture, MaineHealth Services is required to cause the MTI Designated Affiliates to pay, loan or otherwise transfer to MaineHealth Services such amounts as are necessary to make the payments due under the Guaranty.

## **Additional Bonds and Additional Indebtedness**

The Authority may issue Additional Bonds on a parity with the Series 2020A Bonds under certain conditions provided in the Bond Indenture. Neither the Agreement nor the Master Indenture restricts the ability of the Institution or MaineHealth Services to incur additional indebtedness. The System Funding Agreement contains certain restrictions on the ability of the SFA Designated Affiliates to incur additional indebtedness that constitutes Designated Indebtedness thereunder, whether or not issued or incurred under the Master Indenture. The System Funding Agreement does not otherwise restrict the ability of the SFA Designated Affiliates to incur additional indebtedness. See Appendix C – “Certain Provisions of Principal Documents – Certain Provisions of the Agreement,” “– Certain Provisions of the Master Indenture” and Appendix D – “Summary of Second Amended and Restated System Funding Agreement.”

As discussed under “INTRODUCTORY STATEMENT – Security,” shortly after the date of issuance of the Series 2020A Bonds, the Institution also expects to borrow approximately \$37,000,000 in fixed rate, fully amortizing 2020 Loan proceeds from the 2020 Loan Lender, coupled with two tax-exempt bond forward purchase agreements for bonds expected to be issued by the Authority in 2021 and 2022 (collectively, the “Future Bonds”), for the purpose of legally defeasing and subsequently refunding a portion of the Authority’s Series 2011A, Series 2011C and Series 2012A Bonds. The 2020 Loan and the Future Bonds will be secured by Obligations of MaineHealth Services issued pursuant to the Master Indenture on a parity basis with any Obligations issued and to be issued and secured under the Master Indenture. The Institution is expected to be bound to certain covenants with respect to the 2020 Loan that are similar to those in the Master Indenture. The 2020 Loan Lender is expected to have the right to accelerate payment of the 2020 Loan after a period of 150 days if the credit rating of the Institution (i) were to be withdrawn or suspended for credit-related reasons by each rating agency then rating MaineHealth bonds or (ii) were to fall below “BBB” or its equivalent by each rating agency then rating MaineHealth bonds.

Certain interest rate hedge agreements of MaineHealth Services related to certain loans of MaineHealth Services provide that if any collateral is provided by MaineHealth Services to the lender to secure such loans, such collateral shall be pledged by MaineHealth Services on a parity basis to the hedge

counterparty to secure the hedge agreements. The posting of any such collateral is subject to the provisions of the Master Indenture related to Permitted Encumbrances and parity liens thereunder. See Appendix A – “Information Concerning MaineHealth and MaineHealth Services – Financial Information of the System – Indebtedness and Guarantees of the System” hereto.

## CERTAIN FINANCIAL COVENANTS

Pursuant to the Master Indenture, MaineHealth Services, as the current sole Member of the Obligated Group, has agreed to certain financial covenants, including as described below. For defined terms, see Appendix C – “Certain Provisions of Principal Documents.”

### Rate Covenant

In accordance with Section 407 of the Master Indenture, except as permitted under certain circumstances described in the Master Indenture, the members of the Obligated Group shall cause the MaineHealth system to maintain for each Fiscal Year the ratio of Income Available for Debt Service to Debt Service Requirements on Long-Term Indebtedness at least at 1.10. If such ratio, as calculated at the end of any Fiscal Year, is below 1.10, the members of the Obligated Group, except as permitted under certain circumstances described in the Master Indenture, covenant to retain a Consultant to make recommendations to increase such ratio for subsequent Fiscal Years at least to the required level of 1.10; provided, however, that no Consultant recommendations are required if certain Consultant opinions are delivered to the Master Trustee and the ratio is at least 1.00. The members of the Obligated Group have covenanted in the Master Indenture to follow, and to cause each MTI Designated Affiliate to follow, the Consultant’s recommendations to the extent feasible and permitted by law. **As described above under “INTRODUCTORY STATEMENT – Proposed Suspension of Master Indenture Covenant Related to Debt Service Coverage Ratio for Fiscal Year Ending 2020,” the Institution expects to obtain consents from the holders of not less than 51% in aggregate principal amount of Obligations outstanding under the Master Indenture for the suspension of Section 407 and the requirements described in this paragraph for the Fiscal Year ending September 30, 2020.**

### Liens on Property

The Master Indenture provides that (i) Designated Members of the Combined Group (as defined in the Master Indenture) shall not incur any Lien on the Gross Revenues of such Designated Member of the Combined Group, and (ii) Designated Members of the Combined Group shall not incur any Liens on any other Property of such Designated Member of the Combined Group, in each case except for Permitted Encumbrances (as defined in the Master Indenture). The Designated Members of the Combined Group, as of the date hereof, are MaineHealth Services and the Institution.

### Designation of the Institution

In no event shall the Institution cease to be an MTI Designated Affiliate without the prior written consent of the Authority. See Appendix C – “Certain Provisions of Principal Documents – Certain Provisions of the Master Indenture” for a more complete description of the foregoing covenant and other covenants contained in the Master Indenture and Supplemental Master Indentures.

## THE INSTITUTION

The Institution, which former legal name was Maine Medical Center, is a nonprofit, 501(c)(3) organization established to provide health care services through its acute care, specialty care, and ambulatory care facilities. MaineHealth Services is the sole corporate member of the Institution. The Institution owns and operates Maine Medical Center, Maine’s largest acute care hospital, and is the

surviving corporate entity from the 2019 unification of Maine Medical Center and certain other subsidiaries of MaineHealth Services. In addition to Maine Medical Center, the Institution operates the following hospitals: Franklin Memorial Hospital, LincolnHealth, Stephens Memorial Hospital, Maine Behavioral Healthcare, Southern Maine Health Care, Penobscot Bay Medical Center and Waldo County General Hospital. See Appendix A – “Information Concerning MaineHealth and MaineHealth Services” for more information about MaineHealth Services and the Institution.

## **PLAN OF FINANCE**

The proceeds of the Series 2020A Bonds, together with other available funds, are expected to be used to: (i) finance (including through reimbursement to the Institution) (a) the construction of a new seven-story hospital tower (Congress Tower) on the Portland, Maine campus of the Institution and (b) the renovation of a Southern Maine Health Care inpatient behavioral health unit located in Sanford, Maine; and (ii) pay the costs of issuance of the Series 2020A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein and Appendix A – “Information Concerning MaineHealth and MaineHealth Services – THE PROJECT.”

## **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Series 2020A Bonds are expected to be applied as follows:

### Sources of Funds

Principal Amount of the Series 2020A Bonds	\$212,700,000
Net Original Issue Premium	<u>39,472,695</u>
Total Sources of Funds	\$252,172,695

### Uses of Funds

Deposit to Construction Fund*	\$250,000,796
Legal, Financing and other costs (including Underwriters’ discount and the Authority’s fees and expenses)	<u>2,171,899</u>
Total Uses of Funds	\$252,172,695

\* See “PLAN OF FINANCE” herein.

## **BONDHOLDERS’ RISKS**

The discussion herein of risks that could affect payments to be made by the Institution with respect to the Series 2020A Bonds is not intended to be comprehensive or definitive, but rather is intended to summarize certain matters that could affect the ability of the Institution to make such payments.

### **General**

The Series 2020A Bonds are payable solely from and secured by funds available therefor under the Bond Indenture, including payments made pursuant to the Agreement and the Guaranty. Future revenues and expenses of the Institution will be affected by events and conditions relating generally to,

among other things, demand for the services of the Institution; the ability of the Institution to provide the services required by patients; physicians' relationships with the hospitals; management capabilities; the correctness of the design and success of the Institution's and MaineHealth Services' strategic plans; economic developments in the Institution's service area; the Institution's ability to control expenses and maintain relationships with HMOs and other managed care organizations and third-party payers; the level of investment returns; competition; rates; costs; third-party reimbursement; legislation; and government regulation. While the Institution reasonably expects in the future to generate sufficient revenues to cover its expenses, third-party payments, statutes and regulations governing research grants, and contractual terms and provisions may change, and unanticipated events and circumstances may occur that cause variations from this expectation, and the variations may be material. Accordingly, there is no assurance that either Institution will realize sufficient income from operations in future years to meet its obligations, including payments with respect to the Series 2020A Bonds. The following general factors, among others, could affect the level of revenues to the Institution or its financial condition or otherwise result in risks for Bondholders.

### **Enforceability of Master Indenture and Other Risks Related to Master Indenture Financings**

The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by a corporation in favor of the creditors of another, or the obligation of a member of an obligated group to make debt service payments on behalf of another member of such obligated group, is unsettled. The ability to enforce a master indenture or any obligations, including the Guaranty, against any member of the Obligated Group that would be rendered insolvent thereby could be subject to challenge. A member of the Obligated Group may not be required to make any payment or to provide for the payment of any obligations, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such member of the obligated group, to the extent that such transfer would render the member of the Obligated Group insolvent or which would conflict with, not be permitted by or is subject to recovery for the benefit of other creditors of such member of the Obligated Group under applicable laws. In particular, such obligations may be voidable under the United States Bankruptcy Code and the Maine fraudulent conveyance statute if the obligation is incurred without "fair", "valuable" or "fairly equivalent" consideration to the obligor and if the incurrence of the obligation thereby renders a member of the Obligated Group insolvent. The standards for determining the fairness or value of consideration and the manner of determining insolvency may vary under the United States Bankruptcy Code, state fraudulent conveyance statutes and applicable judicial decisions. There is no clear precedent in the law as to whether such payments from a member of an obligated group in order to pay debt service on an obligation may be voided by a trustee in bankruptcy in the event of bankruptcy of the member of such obligated group, or by third-party creditors in an action brought pursuant to state fraudulent conveyance statutes.

Although the Master Indenture permits other persons to become members of the Obligated Group, MaineHealth Services, the current sole member, might remain the only member of the Obligated Group throughout the term of the Series 2020A Bonds. Also, because it is not known which entities, if any, may become additional members of the Obligated Group, it is unknown what risks the addition of such entities to the Obligated Group, in light of their financial condition and the nature of their businesses, may present to the Holders of the Series 2020A Bonds. In addition, members may be permitted to withdraw from the Obligated Group, and be released from all obligations previously incurred by the Obligated Group, if certain conditions are met. See Appendix C – "Certain Provisions of Principal Documents – Certain Provisions of the Master Indenture."

The obligations of the members of the Obligated Group will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and the application of general principles of creditors' rights and other debtor relief laws.

## **Enforceability of System Funding Agreement**

The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of obligations incurred by a corporation in favor of the creditors of another, or the obligation of a member of an obligated group to make debt service payments on behalf of another member of such obligated group, is unsettled. The ability to enforce such obligations, including the System Funding Agreement, against any SFA Designated Affiliate that would be rendered insolvent thereby could be subject to challenge. An SFA Designated Affiliate may not be required to make any payment or to provide for the payment of any obligations, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such SFA Designated Affiliate, to the extent that such transfer would render the SFA Designated Affiliate insolvent or would conflict with, not be permitted by or be subject to recovery for the benefit of other creditors of such SFA Designated Affiliate under applicable laws. In particular, such obligations may be voidable under the United States Bankruptcy Code and the Maine fraudulent conveyance statute if the obligation is incurred without “fair”, “valuable” or “fairly equivalent” consideration to the obligor and if the incurrence of the obligation thereby renders an SFA Designated Affiliate insolvent. The standards for determining the fairness or value of consideration and the manner of determining insolvency may vary under the United States Bankruptcy Code, state fraudulent conveyance statutes and applicable judicial decisions. There is no clear precedent in the law as to whether such payments from an SFA Designated Affiliate in order to pay debt service on an obligation may be voided by a trustee in bankruptcy in the event of bankruptcy of the SFA Designated Affiliate, or by third-party creditors in an action brought pursuant to state fraudulent conveyance statutes.

The System Funding Agreement permits other persons to become SFA Designated Affiliates. Because it is not known which entities, if any, may become additional SFA Designated Affiliates, it is unknown what risks the addition of such entities as SFA Designated Affiliates under the System Funding Agreement, in light of their financial condition and the nature of their businesses, may present to the Holders of the Series 2020A Bonds. In addition, an SFA Designated Affiliate may be permitted to withdraw from the System Funding Agreement, and be released from all obligations previously incurred under the System Funding Agreement, if certain conditions are met. However, in no event shall the designation of the Institution as an SFA Designated Affiliate be terminated or withdrawn. See Appendix D – “Summary of Second Amended and Restated System Funding Agreement” hereto.

The obligations of the SFA Designated Affiliates will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors’ rights generally and the application of general principles of creditors’ rights and other debtor relief laws.

## **Enforceability of Security Interests in Gross Revenues in the Event of Bankruptcy**

The obligation of MaineHealth Services to make payments under the Guaranty is secured in part by a security interests in all Gross Revenues of MaineHealth Services and the Institution granted to the Master Trustee under the Master Indenture and the Gross Revenues Contract, as applicable. In the event of bankruptcy of MaineHealth Services or the Institution, the Bankruptcy Code of 1978, Title 11 of the United States Code, as amended, currently provides that certain Gross Revenues received by MaineHealth Services or the Institution, as applicable, within ninety days before the commencement of a case in bankruptcy and, thereafter, may not be subject to the lien of the Master Trustee. In such event the Master Trustee would occupy the position of an unsecured creditor with respect to such Gross Revenues. In addition, the enforcement of the security interest in Gross Revenues would be subject to the exercise of equitable jurisdiction by a court which, under certain circumstances, may have power to direct the use of such receipts to meet expenses of MaineHealth Services or the Institution, as applicable, before payment of debt service.



## **Covenant to Maintain Tax-Exempt Status of the Series 2020A Bonds**

The tax-exempt status of the Series 2020A Bonds is based on the continued compliance by the Authority and the Institution with certain covenants contained in the Agreement. These covenants relate generally to the maintenance of the Institution's tax-exempt status, arbitrage limitations, rebate of certain investment earnings to the federal government, and restrictions on the amount of costs of issuance financed with the proceeds of the Series 2020A Bonds. Failure to comply with any of these covenants may result in the treatment of interest on the Series 2020A Bonds as taxable retroactive to the date of issuance. See "TAX MATTERS – Series 2020A Bonds" herein.

## **Tax-Exempt Status of the Institution**

The Institution is tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of health care facilities for not-for-profit organizations. Consequently, the Code and changes thereto could adversely affect the Institution's ability to finance its future capital needs and could have other adverse effects on the Institution that cannot be predicted at this time. The Code also continues to subject unrelated business income of not-for-profit organizations to taxation.

As a tax-exempt organization, no part of the net earnings of the Institution may inure to the benefit of any private individual. Accordingly, there are certain restrictions on the types of business arrangements that the Institution may enter into without jeopardizing its tax-exempt status. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt health care providers and nonexempt individuals or entities. While the management of the Institution believes that its arrangements with private persons and entities are generally consistent with guidance by the IRS, there can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Institution.

The IRS has intensified its scrutiny of a broad variety of contractual relationships commonly entered into by tax-exempt hospitals with physicians and for-profit entities, such as income guarantees and joint ventures, and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS has also commenced intensive audits of select health care providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a hospital's tax-exempt status. Any suspension, limitation, or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a material adverse effect on the Institution.

In certain instances, pursuant to the intermediate sanctions regulations, penalty excise taxes may be imposed in lieu of (and in certain situations, in addition to) revocation of tax-exempt status where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person," meaning that organization insiders have received some type of unreasonable compensation or excessive economic benefit from the organization. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participates in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit."

From time to time, Congress has introduced legislation affecting the tax-exempt status of not-for-profit organizations. Taxing authorities in certain jurisdictions have sought to impose or increase taxes related to the property and operations of such organizations, particularly where such authorities have been dissatisfied with the amount of service provided to indigents. Any legislation affecting the tax-exempt status of the Institution or imposing increasing taxes related to its property and operations could have a material adverse effect on its future operations or financial condition.

In 2004, the U.S. Department of Health & Human Services (“DHHS”), through its Centers for Medicare and Medicaid Services (“CMS”) and the Office of the Inspector General (“OIG”), provided guidance to hospitals on whether offering discounts to uninsured and underinsured patients is consistent with health care fraud and abuse laws, such as the Anti-Kickback Law, and Medicare reimbursement principles. In particular, the guidance made clear that the Anti-Kickback Law does not prohibit a hospital’s offering of discounts to uninsured or underinsured patients, provided that the discount is not linked in any manner to the generation of business payable under a federal health care program. Furthermore, CMS strongly encouraged hospitals to offer discounts and cost-sharing waivers to uninsured and underinsured patients, including Medicare beneficiaries.

While the management of the Institution is not aware of any challenge or investigation concerning the Institution and its tax-exempt status, there can be no assurance that none will occur in the future. Such challenges could have adverse consequences for the Institution.

### **Construction Risks**

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay occupancy and thus delay receipt of revenue from the Project. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors. Cost overruns could cause the costs to exceed available funds, the availability of which funds may be dependent on the success of future fundraising by the Institution.

### **Factors That Could Affect the Future Financial Condition of the MaineHealth System**

The future financial condition of the Institution and other subsidiaries of MaineHealth Services could be adversely affected by legislation, regulatory actions, increased competition from other health care providers, third party reimbursement, especially Medicaid in light of recent and predicted State budgetary shortfalls, demand for health care services, demographic changes, pandemics such as the outbreak and continuance of the COVID-19 disease, malpractice claims and litigation and other factors, including the following:

*Federal Legislation.* The increasing cost of health care and concerns about the quality of and access to the health care system are issues which continue to receive a great deal of attention at the federal level. In light of these concerns, legislation may be enacted which could result in limitations on hospital revenues, third-party payments and costs or charges or which could require an increase in the quantity of indigent care. Future federal legislation also could reduce the number of individuals covered by the Medicaid program or by the federally-subsidized health insurance plans established under the Affordable Care Act. It is impossible to predict the content or impact of any future legislation, regulations and government policies on hospitals, but it is possible that fundamental changes in the health care delivery and financing system could result from legislative enactments. Government revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to health care institutions such as the MaineHealth system

subsidiaries. There is no assurance that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all operating and fixed costs. Legislative proposals to reduce or contain Medicare and Medicaid spending are frequently made in Congress, often as part of larger federal spending or cost containment proposals. Similar proposals are likely in the future. The Institution is dependent on the Medicare program as a major source of revenue, and federal cost-reducing and cost-cutting measures may negatively impact reimbursement rates and the scope of covered services in the future. The Tax Cuts and Jobs Act (Public Law 115-97) was enacted into law on December 22, 2017 and repealed the individual mandate under the Affordable Care Act. Although still uncertain at this time, it is estimated that such repeal may eventually result in millions of Americans being unable to purchase health insurance, which in turn would likely have a substantial adverse effect on health care organizations and the healthcare system, including MaineHealth Services. Finally, there continues to be growing pressure on providers to take downside risk through contracting through Accountable Care Organization contracts.

*Maine Legislation and Rules.* In recent years, proposals to control or reduce Medicaid spending, or to reallocate Medicaid spending from services provided by hospitals to less expensive health care providers, have been studied by or been introduced in, and in some cases enacted by, the Maine Legislature. In addition, the financial operations of hospitals were closely regulated by the State in the past and may, sometime in the future, again be closely regulated by the State. As a result of significant budgetary pressure, there continue to be legislative and rulemaking proposals to control and reduce benefits and Medicaid reimbursement to health care institutions. The Institution is dependent on the Medicaid program as a major source of revenue, and State cost-reducing and cost-cutting measures may negatively impact reimbursement rates and the scope of covered services in the future. Further, there is a large population in Maine which suffers from mental health challenges. The MaineHealth system, being an integrated system of community-based and in-patient services, is particularly vulnerable to the declining State resources available to treat such a population. The State has not adjusted its rates for nine years, in some cases, and the State system is in a precarious state. A collapse in this State system could result in significant subsidies from hospitals or increased pressure on facility emergency departments to provide increased treatment to patients with comorbid conditions. Finally, Maine had a high rate of participation in the Affordable Care Act Exchange products, so continued threats to those subsidies could result in increased rates of uninsured. Because Maine is one of the few states that mandates hospital free care for patients whose income falls below 150% of the federal poverty line, such cuts could have an impact on hospital revenues.

The MaineHealth system is unable to predict the negative effects, if any, on operations that may be caused by changes in legislation, rules or both. In January 2019, Maine implemented Medicaid expansion, with coverage for newly-covered beneficiaries retroactive to July 2, 2018.

*Regulatory and Contractual Actions that Could Affect Health Care Institutions.* Health care institutions are subject to regulatory actions and policy or contractual changes by those governmental and private agencies that administer the Medicare and Medicaid programs and actions by, among others, the National Labor Relations Board, applicable professional review organizations, The Joint Commission, and the various federal, state and local health planning agencies.

Policy or contractual changes may also be imposed by various private insurers and health benefit programs, especially in light of the Affordable Care Act. Managed care contracting between health care institutions and third-party payors, whereby payors for health services contract with health care institutions or become involved with the provision of health care services for the purpose of reducing costs, is becoming more prevalent in Maine and may result in decreased revenues and increased financial risks for health care institutions. It is not possible to know the content of any private contracts that exist between non-governmental payors and health care institutions. Additionally, it is not possible to predict the effects that the Affordable Care Act or some other future change in the health care regulatory

environment may have on non-governmental payors and any private contracts that exist between non-governmental payors and health care institutions.

So-called “consumer directed health plans” are a fairly new development in the insurance market. Typically these plans involve a high deductible health plan, coupled with a health reimbursement arrangement (“HRA”) or, most recently, a health savings account (“HSA”). Enrollees are responsible for the deductibles, and the HRA or HSA provides a source of funding that can be used to pay the deductibles in the event the enrollee incurs medical expenses. Although the potential for increased bad debt and charity care exists with any high deductible insurance product, because this product is fairly new to the marketplace, its impact on MaineHealth Services, if any, is currently unknown.

*State of Maine Population.* Maine has experienced a limited population growth which is not expected to change substantially in the near term. While the population of Maine has remained relatively constant, further declines in population, particularly among residents between ages 20 and 60, may negatively impact the payor mix for health care services and the ability of private payors to provide employees and other consumers of health care with insurance benefit configurations sufficient to cover the total cost of care.

*Economic Health of Service Area, Physician Supply and Workforce Considerations.* The financial results of hospitals are influenced by the economic health of the regions in which they are located. To the extent that state, county or city governments are unable to provide a safety net of medical services for the uninsured and underinsured populations, pressure is applied to local hospitals to increase free care. Economic downturns and lower funding and additional eligibility restrictions for MaineCare and other health care programs may increase the number of patients treated by hospitals who are uninsured or otherwise unable to pay for some or all of their care. These conditions may cause increases of bad debt and indigent care utilization. At the same time, non-operating revenue from investments may be reduced or eliminated during negative economic cycles and philanthropy may decline. These factors may have a material adverse effect on the Institution.

Sufficient community-based physician supply is important to hospitals. CMS, an agency of the United States Department of Health and Human Services, annually reviews overall physician reimbursement formulas for Medicare and MaineCare. Changes to physician compensation under these programs could lead to physicians’ limiting their acceptance of Medicare and/or MaineCare patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue serving the population base and maintain market share.

Workforce shortages for various types of healthcare professionals and health information technology specialists are affecting health care organizations at the local, regional and national level. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect the Institution’s ability to provide healthcare services, control costs and its financial performance.

In order to recruit and retain professional and nursing staff to strengthen clinical services, the Institution has offered, and in the future intends to offer, competitive salaries to both newly recruited individuals and existing staff. In some years such salaries have increased, and in the future may continue to increase, more than the rate of inflation. Such increases in the future may exceed increases in the Institution’s rates of payment.

Hospitals and other health care providers often are large employers with a wide diversity of employees. Employees of hospitals and other providers in other locales are becoming unionized, and many hospitals and other providers 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. Negotiation and renegotiation of collective bargaining agreements upon expiration may result in significant cost increases to the affected entities. In addition, employee strikes or other adverse labor actions may have an adverse impact on hospitals and other health care providers. Although there is currently no unionization in the System other than approximately 55 FTE employees of MaineHealth Services Care at Home, any future unionization at the Institution could have a material adverse effect on the Institution.

*Information Technology Systems.* The ability to price health care services adequately and to report financial results accurately depends on the accuracy, completeness, manipulability and accessibility of the data stored within information systems. Information systems, including the System's SeHR system, require an ongoing commitment of significant resources for their maintenance, protection and enhancement. Additionally, the System will be required to expend resources to obtain or develop new information systems to keep pace with continuing changes in information processing technology and evolving regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are 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 in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. Technology malfunctions or failure to 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 health care 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 health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on health care providers. For more information regarding the implementation of SeHR at the System, see Appendix A – "Information Concerning MaineHealth and MaineHealth Services – Strategic Plan – Electronic Health Record System" herein.

*Risks of COVID-19 and Other Infectious Disease Outbreaks.* The Institution and MaineHealth Services have been and will continue to be materially adversely impacted by the national and localized outbreak in 2020 of the highly contagious COVID-19 disease. Emergency protocols implemented by federal, state, local and MaineHealth Services officials in response to the pandemic have adversely affected the normal operations and the financial performance of the Institution and MaineHealth Services, including the temporary repurposing of certain hospital facilities to treat COVID-19 patients. In addition, senior long-term care facilities are particularly vulnerable to outbreaks of COVID-19. The treatment of patients with COVID-19 at the facilities of the Institution and other healthcare facilities of MaineHealth Services has resulted in decreased revenues and increased expenses due to longer patient stays, reduced reimbursement rates, the diversion of patients unaffected by the virus, supply chain delays, transmission of the virus to workforce personnel and overburdening of facilities. The decision by unaffected individuals to defer elective procedures or otherwise avoid medical treatment has resulted in reduced patient volumes and operating revenues. See also Appendix A – "Information Concerning MaineHealth and MaineHealth Services – Financial Information of the System – Management's Discussion of the Financial Performance of the System."

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), CMS’s expanded Accelerated and Advance Payment Program and the Federal Emergency Management Agency’s Public Assistance Program have provided, and may continue to provide, economic relief to the Institution and MaineHealth Services during the pandemic, along with possible other future legislation. The extent to which federal and state emergency funding and business interruption insurance would be available in connection with pandemic-related circumstances, however, is dependent on the specific facts of the events, and there can be no assurance that adequate supplemental funding or business interruption insurance coverage would be available to fully mitigate losses. In addition, financial markets in the United States and globally have experienced sharp declines attributed to the COVID-19 disease, which have had an adverse effect on the value of investments and cash reserves of businesses, including the Institution.

In early May 2020, the Governor of the State established an Economic Recovery Committee to develop recommendations to mitigate the damage to the State’s economy caused by the ongoing COVID-19 pandemic and to jumpstart a long-term economic recovery for Maine residents, businesses and organizations. The State is in the midst of a four-stage plan for gradually restarting the economy. The continued spread of COVID-19, any resurgence of virus transmission due to the reopening of businesses, increased interaction of Maine residents, possible seasonality of the virus, lack of development of treatments or vaccines, or any other similar future outbreaks may further materially adversely affect the financial performance and operations of the Institution and MaineHealth Services. The magnitude and length of the impact of COVID-19 on the operations and finances of the Institution and MaineHealth Services cannot be predicted at this time. The duration of the current pandemic-related conditions will depend on the success of government, private businesses, and individuals in containing the spread of the outbreak.

## **Competition**

Many hospitals in Maine have consolidated into a few systems, increasing competition among these systems as well as between individual hospitals. Hospitals are expanding or reconfiguring their service lines to capture incremental market share, entering potentially lucrative services lines, or reducing or limiting unprofitable services. This may further increase competitive pressures on acute care hospitals. In addition, the further expansion of marketing efforts by larger health systems located outside of Maine, the enhancement of clinical relationships by providers in such systems with in-state providers, and the development of preferred provider arrangements by such systems with nationwide payor or employer-sponsored health benefit plans may intensify competition between such out of state health systems and the Institution and may negatively impact revenues of the Institution.

The Institution faces and will continue to face competition from other hospitals, integrated delivery systems, and ambulatory care providers that offer similar health care services. In addition, alternative modes of health care delivery offering lower priced services to the same population, such as ambulatory surgery centers, private laboratories, private radiology services, skilled nursing facilities, and home care, compete with the hospitals.

The management of the Institution believes that insurers will continue to encourage competition among hospitals and other providers on the basis of price and payment terms. To some degree, payers have used the threat of patient steerage, carve outs of certain services, and network exclusion to drive provider prices lower. Insurers are also introducing network products that segregate hospitals and other providers into tiers that are based in part on the relative costs and quality of the providers and that provide financial incentives to subscribers who use the services of providers in the less costly and higher quality tiers. This may lead to increased competition among hospitals based on price.

The management of the Institution believes that sustained growth in patient volume, together with firm cost controls, have been and will remain fundamental to its financial stability. There are many limitations on the ability of the Institution to increase volume and control costs, and there can be no assurance that volume increases or expense reductions needed to maintain the financial stability of the Institution will occur.

A number of third-party payors, including Medicare, have formulated reimbursement mechanisms whereby a hospital and its associated physicians and other providers (collectively, an “Accountable Care Organization” or “ACO”) will assume some degree of financial risk for the cost-effective delivery of health care services to a defined population. The Institution is actively involved in ACO arrangements, at the present time with both gain sharing and risk sharing. No assurance can be given that the Institution or MaineHealth Services will be able successfully to structure or maintain an ACO in a manner that results in positive financial performance.

### **Legislative, Regulatory and Contractual Matters Affecting Revenues**

The health care industry is heavily regulated by federal and state governments and is dependent on governmental sources for a substantial portion of revenues. Governmental revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by Medicare Administrative Contractors (i.e., the non-governmental organizations or agencies that contract with the federal government to process Medicare claims) and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to providers of health care services. In the past, there have been frequent and significant changes in the methods and standards used by government agencies to reimburse and regulate the operations of providers. Many of these changes are implemented retroactively, resulting in significant prior year adjustments. There is reason to believe that substantial additional changes will occur in the future.

Legislation is periodically introduced in Congress and in the Maine Legislature that could result in reductions in provider revenues, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to maintain tax-exempt status. No assurance can be given that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Institution cannot be predicted.

From time to time, legislative proposals are made at the federal and state level to engage in broader reform of the health care industry, including proposals to promote competition in the health care industry, to contain health care costs, to provide national health insurance, to impose additional requirements for hospitals to qualify for tax exempt status, and to impose additional requirements and restrictions on health care insurers, providers, and other health care entities. The effects of future reform efforts on the Institution cannot be predicted.

The Institution is also subject to regulatory and administrative actions by CMS and Maine Department of Health and Human Services (the administrators of the Medicare and Medicaid programs, respectively) and other federal, state, and local government agencies. In addition, the Institution and certain of the services and educational programs which they offer are subject to accreditation by The Joint Commission and other entities. While management believes that the Institution is in substantial compliance with the standards of the aforementioned regulatory and accrediting bodies, there can be no assurance that a challenge or investigation will not occur in the future. An adverse finding by one or more of the said organizations could materially adversely affect future operations or revenue of the Institution.

Renewal and continuation of the operating licenses, certifications, and accreditations of the Institution are based on inspections, surveys, investigations and other reviews, some of which may require or include affirmative action or response by the Institution. These activities are conducted in the normal course of business of health care facilities, both in connection with periodic renewals and in response to specific complaints, which may be made to governmental agencies, private agencies, or the media by patients, ombudsmen, or employees, among others.

The Institution receives, from time to time, subpoenas, civil investigatory demands, and other formal inquiries from state and federal governmental agencies or investigators. It is often impossible to determine the specific nature of the investigation or whether the Institution might have any potential liability under a cause of action that might subsequently be asserted by the government. Moreover, the Institution is generally not informed when such investigations are resolved without the assertion of any claims. The management of the Institution considers these investigations to be a routine part of operations in the current health care climate, and expects them to continue in the future.

### **Certificate of Need Restrictions**

The State has implemented a Certificate of Need (“CON”) program pursuant to which health care facilities, including acute care hospitals are required to obtain State approval before expending funds in excess of a specified dollar amount on capital projects or offering certain innovative services or new technologies. The existence of the CON program has two different implications for hospitals. First, the program may limit a provider’s ability to respond on a timely basis to competitive programs offered by other providers. Routine large project CON applications may only be submitted in the month of January of each year and processing is typically not complete for six months. Second, while the existence of the CON program may limit a provider’s ability to expand or add services needed to compete, the program has also, in certain instances, served as a barrier to entry that prevents would-be competitors from entering or expanding operations in a particular field of service. Maine officials have recently expressed interest in abolishing the State’s CON program, and the program has come under additional public scrutiny during the COVID-19 pandemic. Enactment of such a law could impact the Institution by making it easier for competitors to compete with the Institution.

### **Federal and State “Fraud and Abuse” Laws and Regulations**

There is an expanding and complex body of laws, regulations and policies relating to federal and state health programs that are not directly related to payment. These include reporting and other technical rules, as well as broadly stated prohibitions regarding inducements for referrals, all of which carry potentially significant penalties for noncompliance. The prohibitions on inducements for referrals are so broadly drafted (and so broadly interpreted by several applicable federal cases and in statements by OIG officials) that they may create liability in connection with a wide variety of business transactions. These laws apply to a variety of cases where hospitals and physicians conduct joint business activities, such as practice purchases, physician recruiting and retention programs, various forms of hospital assistance to individual physicians, medical practices or physician contracting entities, physician referral services, hospital-physician service or management contracts, and space or equipment rentals between hospitals and physicians.

Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the federal health programs (which account for a significant portion of revenue and cash flow of most providers, including the Institution). Criminal penalties may also be imposed. Much of this risk cannot be assessed accurately due to the lack of case law or material guidance by the OIG. While management of the Institution is not aware of any challenge or investigation with respect to such matters, there can be no assurance that one or more will not occur in the future.



One of the broadest prohibitions is the Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the “Anti-Kickback Law”), which makes it a criminal felony offense to knowingly and willfully offer, pay, solicit or receive remuneration in return for or to induce, business that may be paid for, in whole or in part, under a federal health care program including, but not limited to, the Medicare or Medicaid programs. Under the Affordable Care Act, a violation of the Anti-Kickback Law is deemed to be a violation of the federal False Claims Act, and penalties may be imposed for “each offer, payment, solicitation, or receipt of remuneration and that each action constitutes a separate violation.” “Safe harbor” regulations, published by the OIG, provide defenses from prosecution or administrative enforcement action for a limited scope of arrangements. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relations that many hospitals, physician and other health care providers consider to be legitimate business arrangements. However, failure to satisfy the conditions of a safe harbor does not necessarily indicate a violation of the applicable statute.

The Institution may have certain relationships with physicians and other referral sources that do not necessarily meet all of the requirements of applicable safe harbors. Nonetheless, management of the Institution believes that it is presently in material compliance with the Anti-Kickback Law. However, in light of the narrowness of the safe harbor regulations and the scarcity of case law interpreting the Anti-Kickback Law, there can be no assurance that the Institution will not be found to have violated the Anti-Kickback Law, and if so, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of the Institution.

In addition, Maine has a Medicaid anti-kickback statute. Unlike the federal statute, the Maine anti-kickback statutes lack an intent requirement and do not incorporate safe harbor provisions. Violations of the Maine anti-kickback statutes may result in criminal and/or civil penalties. The management of the Institution believes that the business arrangements of the Institution are in material compliance with the Maine anti-kickback statutes, but considering the lack of available defenses and general applicability, there can be no assurance that a third party reviewing such arrangements would not find a violation, and such a finding could have a material and adverse effect on the Institution.

### **Federal and State False Claims Acts**

The federal False Claims Act is another broad statute that the government often utilizes in fighting fraud and abuse. In a health care context, the most commonly used provisions under the False Claims Act prohibit a person from “knowingly” presenting or causing to be presented a false or fraudulent claim for payment or approval to the federal government and from “knowingly” making, using, or causing to be made a false record or statement to get a false or fraudulent claim paid or approved by the federal government. These prohibitions extend to claims submitted to federal health care programs, including, but not limited to, Medicare or Medicaid.

The False Claims Act broadly defines the terms “knowing” and “knowingly.” Specifically, knowledge will have been proven for purposes of the False Claims Act if the person: (1) has actual knowledge of the information; (2) acts in deliberate ignorance of the truth or falsity of the information; or (3) acts in reckless disregard of the truth or falsity of the information. Moreover, the statute specifically provides that a specific intent to defraud is not required in order to prove that the law has been violated.

A person found to have violated this statute is liable for per claim civil penalties, plus three times the amount of damages sustained by the federal government. In certain limited cases involving prompt disclosure of False Claims Act violations, the statute provides for double, rather than treble, damages.

The Affordable Care Act and regulations promulgated thereunder obligate healthcare entities receiving payment from governmental health programs to identify and return overpayments made in error

or as a result of improper claim submissions by the later of 60 days after the date on which the overpayment was identified, or the date any corresponding cost report is due, if applicable. Overpayments can result from, among other circumstances, errors attributable to Medicare contractors or providers and from receipt of payment for claims arising from violations of other health law fraud and abuse laws. Providers are required to exercise “reasonable diligence” by undertaking proactive compliance activities to monitor claims and by performing reactive investigations after receiving “credible information about a potential overpayment.” If an overpayment is identified, a provider is required to “look back” six years to identify and return similar overpayments that may have been received during that extended time period. Failure to adhere to the foregoing requirements represents a “knowing” failure to report and return an overpayment and constitutes a violation of the False Claims Act.

Private individuals may also bring suit under the qui tam provisions of the False Claims Act and may be eligible for incentive payments for providing information that leads to recoveries or sanctions that arise in a variety of contexts in which hospitals and health care providers operate.

Additionally, Maine has a Medicaid False Claims Act that makes it a criminal violation for any person to “knowingly and willfully make or cause to be made any false statement or representation of a material fact in any application” for a Medicaid benefit. The Maine Attorney General may also seek civil remedies for violations of this law.

The Institution conducts a variety of activities that pose varying degrees of risk under the federal and state False Claims Acts, and other fraud and abuse laws, rules and regulations. While management believes that the Institution complies with these laws, there can be no assurance that a reviewing third party would not find some violation of the fraud and abuse laws that would justify the bringing of a federal or state False Claims Act suit. Such actions, if they result in an adverse outcome, could have a materially adverse effect on the Institution.

### **Limitations on Certain Arrangements Imposed by Federal Ethics in Patient Referrals Act**

The Federal Ethics in Patient Referrals Act (commonly known as the “Stark Law”) prohibits a physician (or an immediate family member of such physician) with a financial relationship with an entity from referring a Medicare or Medicaid patient to such entity for the furnishing of certain designated health services and prohibits such entity from presenting or causing to be presented a claim for payment under the Medicare or Medicaid program for designated health services furnished pursuant to a prohibited referral. The designated health services subject to these prohibitions are clinical laboratory services, physical and occupational therapy services, radiology services (including magnetic resonance imaging, computerized tomography, and ultrasound), radiation therapy services, durable medical equipment, parenteral and enteral nutrients (including equipment and supplies), orthotic and prosthetic devices, speech language pathology, home health services, outpatient prescription drugs and inpatient and outpatient hospital services.

A financial relationship for purposes of the Stark Law is defined as either an ownership or investment interest in the entity or a compensation arrangement with the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services.

The Stark Law and regulations provide certain exceptions to these restrictions. Unlike the Anti-Kickback Law’s safe harbors discussed above (where the failure to meet a safe harbor does not necessarily mean the referral is prohibited), failure to satisfy an exception to the Stark provisions means that the referral itself is prohibited, and that the entity receiving the referral is prohibited from seeking payment for such service.

Violations of the Stark Law can result in denial of payment, substantial civil monetary penalties, and exclusion from the Medicare and Medicaid programs. In certain circumstances, knowing violations may also create liability under the False Claims Act. The Stark Law is a strict liability statute. Intent behind violations does not matter and even technical violations can result in harsh penalties. As required under the Affordable Care Act, CMS released a protocol under which health care providers can make self-disclosures of actual and potential Stark violations, with reduced penalties for self-disclosure violations.

The management of the Institution believes that it is in compliance with Stark Law, but there can be no assurance that a third party reviewing the financial relationships between the Institution and referring physicians would find full compliance. The failure of arrangements between the Institution and a referring physician to fall within one or more of the exceptions could have a materially adverse effect on the Institution.

### **OIG Compliance Guidelines**

The OIG has encouraged all health care providers to adopt and implement programs to promote compliance with federal and state laws, including the False Claims Act, the Anti-Kickback Law and the Stark Law. In 1998, the OIG published Compliance Program Guidance (“CPG”) for the hospital industry. In recognition of the significant changes in the delivery and reimbursement for hospital services that have occurred since the CPG’s publication, the OIG published Supplemental Compliance Program Guidance on January 31, 2005. These Publications (collectively, the “Guidances”) provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable federal and state law and the program requirements of federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that a health care provider will not be investigated by one or more federal or state agencies that enforce health care fraud and abuse laws or that it will not be required to make repayments to various health care insurers (including the Medicare and/or Medicaid programs). Management of the Institution believes that the Institution has implemented effective compliance programs.

### **Regulation of Patient Transfers**

Federal law requires hospitals that have emergency rooms to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Congress enacted the Emergency Medical Treatment and Active Labor Act (“EMTALA”) in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient’s inability to pay for the services provided. This law mandates that certain medical screening and stabilizing treatment requirements be met before a patient who is medically unstable or in labor may be transferred to another facility, unless the patient asks to be transferred or a physician certifies that the benefits of the transfer outweigh the risks. The law further prohibits hospitals from delaying such screening or treatment in order to inquire about an individual’s method of payment. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties, of up to \$50,000 per violation. In addition, the hospital is liable for claims brought by any individual who has suffered harm as a result of such violation. Accordingly, failure of acute care hospitals to meet their responsibilities under the law could adversely affect their financial condition. Management of the Institution believes that the Institution is in compliance with these requirements.

## **Laws Relating to the Privacy and Security of Protected Health Information**

Congress enacted The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) to mandate portability of health insurance and protect the use and disclosure of personal health information. Congress also included in HIPAA certain “administrative simplification” provisions intended to reduce the administrative costs of processing health care payments by encouraging the electronic exchange of health information and the use of standardized formats for health care claims and other transactions. As a result of the enactment of HIPAA and subsequent legislation, the Secretary of Health and Human Services has enacted federal regulations governing standard electronic transactions, the privacy of individuals’ health information, the security of electronic health information, and mandated reporting of breaches of individual health information. The Health Information Technology for Economic and Clinical Health (“HITECH”) Act of 2009 and associated regulations amended HIPAA, expanding the accountability and responsibilities of Business Associates (as defined below) with respect to the safeguarding of Protected Health Information (“PHI”).

HIPAA and its regulations apply to “Covered Entities,” including health plans, health care clearinghouses, and those health care providers who electronically conduct certain financial and administrative transactions (e.g., electronic health care claim submissions) and “Business Associates,” which is defined broadly as any party that creates, receives, maintains, or transmits PHI (e.g., consultants, clearinghouses, vendors, financial services firms, billing firms, accountants, attorneys, auditors, accreditation organizations, health information organizations, E-prescribing gateways, and management firms), including subcontractors that create, receive, maintain, or transmit information on behalf of a Business Associate. The Institution and the other subsidiaries of MaineHealth Services that provide healthcare services are all Covered Entities subject to the HIPAA regulations. The transaction standards regulations require Covered Entities to conduct certain electronic transactions in compliance with the applicable transactions and code sets standards published by Secretary of Health and Human Services. The privacy regulations define the permitted uses and disclosure of PHI, create patient rights to access their own health information, and mandate administrative processes documenting efforts to protect the privacy of medical information. The information security regulations require Covered Entities and their subcontractors to safeguard the confidentiality, integrity and availability of electronic PHI by the use of administrative, physical, and technical safeguards. Technical safeguards include, among other things, encryption, passwords, and firewalls. The breach notification regulations require Covered Entities to notify the Secretary of Health and Human Services and individual patients in the event a breach of unsecured PHI. In some instances, notification of the media or other public notice of a breach also may be required.

Under HIPAA, there will be specific federal penalties if a patient’s right to privacy is violated. Civil violations, including disclosures made in error, will carry monetary penalties and criminal penalties for intentional violations.

Compliance with HIPAA has required changes in information technology platforms, major operational and procedural changes in the handling of data, and vigilance in monitoring of ongoing compliance with the various regulations. The Institution is actively engaged in monitoring compliance with the HIPAA regulations and has HIPAA Implementation Compliance Plans in place.

## **Federal and State Laws Relating to the Privacy and Security of Personal Health Information**

Under HIPAA, DHHS has issued regulations to standardize and facilitate the electronic transfer of health care information for purposes that include the processing of health care payments, privacy regulations that protect patient medical records and other personal health information maintained by health care providers, health plans and health care clearinghouses, and security regulations that require health care providers to implement administrative, physical and technical safeguards to protect the

confidentiality, integrity and availability of the electronic health information that they receive or create. HIPAA also requires that health care providers enter into business associate agreements to assure that contractors and other entities performing activities on their behalf related to treatment, payment, or health care operations protect the privacy and security of patient information.

Data breaches may result from employee error, wrongful use or disclosure of PHI by employees or contractors, hacking incidents, ransomware, or other incidents. Any of these events could lead to the imposition of civil penalties, liability to patients, or damage to reputation.

The HIPAA privacy and security, regulations were strengthened under HITECH. HITECH expanded certain privacy and security provisions of HIPAA and created new avenues of enforcement, including the ability of state attorneys general to bring HIPAA enforcement actions. HITECH made Business Associates directly liable for HIPAA security compliance and established breach notification obligations for providers in the event of a breach of unsecured PHI. Violations of the privacy and security standards can result in substantial civil monetary penalties and criminal penalties for intentional misuse of PHI that include fines and imprisonment. The Institution believes that its operations and information systems comply with the HIPAA standardized electronic transfer, privacy, security and data breach notification regulations, although there can be no assurance that the Institution will not be found to have violated these regulations in any one instance.

### **Affiliation, Merger, Acquisition and Divestiture**

As part of its ongoing planning and property management functions, MaineHealth Services reviews the use, compatibility and financial viability of many of its operations and from time to time may pursue changes in the use, or disposition, of its facilities. Likewise, MaineHealth Services may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of MaineHealth Services in the future or about the potential sale of some of the operations and properties of MaineHealth Services. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect the Institution, are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently owned by MaineHealth Services or the Institution may change, subject to the provisions in the financing documents that apply to merger, sale, disposition or purchase of assets.

### **Antitrust**

Enforcement of the antitrust laws against health care providers may arise in a wide variety of circumstances including medical staff privilege disputes, payer contracting, physician relations, joint ventures, merger, affiliation and acquisition activities and certain pricing and salary setting activities. From time to time the Institution may be involved with all of these types of activities. Actions can be brought by federal and state enforcement agencies seeking criminal and civil penalties and, in some instances, by private litigants seeking damages for harm from allegedly anticompetitive behavior. Liability may be substantial, depending on the facts and circumstances of each case. In addition, if any provider with whom the Institution is (or becomes) affiliated is determined to have violated the antitrust laws, the Institution may be subject to liability as a joint actor with the provider.

While management believes that MaineHealth Services and the Institution are currently in compliance with relevant antitrust laws, there can be no assurance that a third party reviewing the activities of MaineHealth Services or the Institution would find such activities to be in full compliance with such laws.

## **Environmental Matters**

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. Health care organizations such as the Institution are subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated from, their properties or for the improper off-site disposal of such substances and the harm to persons or property that such release or disposal may cause. At the present time, management of the Institution is not aware of any pending or threatened environmental claim, investigation or enforcement action, which, if determined adversely to the Institution, could have material adverse consequences.

## **Malpractice Lawsuits**

Although the number of malpractice lawsuits filed against physicians and hospitals has stabilized in recent years, the dollar amounts of patient damage recoveries remain potentially significant. A number of insurance carriers have withdrawn from this segment of the insurance market citing underwriting losses, and premiums have increased sharply in the last several years. The effect of these developments has been to significantly increase the operating costs of hospitals and physicians, including the Institution and other MaineHealth Services subsidiaries.

## **Professional and General Liability Claims**

General-liability, professional-liability (including claims that may arise from medical staff peer review activities), directors' and officers' liability and employment-practices liability insurance are provided for the Institution. Claims against health care providers alleging wrongful acts or omissions such as negligence may seek punitive damages in addition to compensatory damages, but insurance usually does not cover judgments for punitive damages. As is the case with most forms of directors' and officers' liability insurance, certain risks and losses of the Institution in connection with allegations of mismanagement may not be covered by the insurance provided to the Institution. While management considers the current types and amounts of liability insurance coverage maintained by the Institution to be adequate, no assurance can be given that the Institution will continue to maintain in the future the types and coverage amounts currently in place, that the coverage will be sufficient to cover all insurable liability judgments rendered against or settlements entered into by the Institution or that adequate coverage will continue to be available at reasonable cost. Any such uninsured losses would be incurred directly by the Institution, and such losses, if material, could adversely affect the results of operations and financial condition of the Institution.

## **Investment and Gift Matters**

The Institution derives a portion of its excess of revenues over expenses from income from investments and gifts. Any significant deterioration in the securities markets generally or adverse results in the specific investments which the Institution has made, or in its ability to generate investment gains or receive gifts, would reduce the Institution's income and cash flow and, therefore, could impair its ability to finance its operating and capital needs and future growth.

## **Other Risk Factors**

The following additional factors, among others, may adversely affect the operations of health care providers, including the Institution, to an extent that cannot be determined at this time:

- Increased unemployment or other adverse economic conditions in the Institution's service area, which might increase the proportion of patients without health insurance benefits or who are unable to pay fully for the costs of their care; and in addition, increased unemployment caused by a general downturn in the economy of the service area or by the closing of operations of one or more major employers in the service area may result in a loss of Blue Cross/Blue Shield or other private health insurance benefits;
- Efforts by employers to reduce the costs of health insurance by having employees bear a greater portion of their health care costs, causing employees to be more selective and cost-conscious in choosing health care services;
- Reduced need for hospitalization or other health care services arising from medical and scientific advances;
- Adoption of legislation that would establish State or a national health program or special programs of care for the uninsured or the long term effect of Congress's recent repeal of the individual mandate for individuals to purchase health care insurance under the Affordable Care Act;
- Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs or shortages of nurses or other qualified personnel that limit the availability of needed services;
- Reduced need for hospital services as a result of medical and technological changes which allow equivalent care to be provided in non-hospital settings;
- Reduced demand for the services of the hospitals that might result from decreases in population;
- Declines in financial position or fund balance due to poor investment returns;
- Any increase in the quantity of indigent care provided;
- Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of the hospitals by such means as preventive medicine, improved occupational health and safety and outpatient care;
- Developments affecting the federal or state tax-exempt status of nonprofit organizations or the municipal real estate tax exemption applicable to nonprofit organizations, including the possibility of the imposition of a municipal service fee in lieu of taxes;
- Increases in cost and limitations in the availability of any insurance, such as fire, terrorism and/or business interruption, automobile and comprehensive general liability, that the Institution generally carries; and
- Acts of war or acts of so-called terrorists, including the use of weapons capable of mass destruction.
- Vulnerability of information technology systems to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues, which could impair operations or lead to the inadvertent disclosure of protected health information or other confidential information.

## UNDERWRITING

The Series 2020A Bonds are being purchased by the Underwriters, for whom Morgan Stanley & Co. LLC is acting as representative. The Underwriters have agreed to purchase the Series 2020A Bonds at an aggregate purchase price of \$251,151,095.75 (consisting of the principal amount of the Series 2020A Bonds, less underwriters' discount of \$1,021,598.80, plus net original issue premium of \$39,472,694.55). The Contract of Purchase for the Series 2020A Bonds provides that the Underwriters will purchase all of the Series 2020A Bonds if any are purchased. The initial public offering prices or yields may be changed by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective 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.

### **Certain Relationships**

The Underwriters have provided the following sentences in this paragraph for inclusion in this Official Statement. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Authority. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority. One or more of the Underwriters or their affiliates has served, is serving and may in the future serve as counterparty to the Institution in hedging transactions unrelated to the Series 2020A Bonds. In addition, one or more affiliates of the Underwriters have served, are serving and may in the future serve as lenders to MaineHealth Services or its subsidiaries in lending transactions unrelated to the Series 2020A Bonds. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2020A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020A Bonds.

BofA Securities, Inc., an underwriter of the Series 2020A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020A Bonds.



Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the underwriters of the Series 2020A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2020A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2020A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

## **RATINGS**

Moody’s Investors Service and S&P Global Ratings have assigned ratings of “A1” with a stable outlook and “A+” with a stable outlook, respectively, to the Series 2020A Bonds. Any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it might not be revised downward or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating might have an adverse effect on the market price of the Series 2020A Bonds.

## **LITIGATION**

There is not now pending or to the knowledge of the Authority threatened any litigation restraining or enjoining the issuance or delivery of the Series 2020A Bonds or the Note or questioning or affecting the validity of the Series 2020A Bonds or the Note or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Authority, nor the title of the present members or other officers of the Authority to their respective offices, is being contested. There is no litigation pending or threatened which in any manner questions the right of the Authority to issue the Series 2020A Bonds to finance the Project in accordance with the provisions of the Act, the Bond Resolution, the Master Indenture, the Bond Indenture, the Guaranty, the System Funding Agreement and the Agreement. See Appendix A with respect to any material litigation affecting MaineHealth Services and the Institution.

## **LEGALITY OF SERIES 2020A BONDS FOR INVESTMENT AND DEPOSIT**

Under the Act, bonds of the Authority (including the Series 2020A Bonds) are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, trust companies, banks, bankers, banking associations, savings banks and savings associations, including savings and loan associations, credit unions, building and loan associations, investment companies, executors, administrators, trustees and other fiduciaries, pension, profit-sharing, retirement funds and other persons carrying on a banking

business and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Under the Act, the bonds of the Authority (including the Series 2020A Bonds) are securities that may properly and legally be deposited with and received by any State or municipal public officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

### **SERIES 2020A BONDS NOT LIABILITY OF THE STATE OF MAINE**

The Series 2020A Bonds are special obligations of the Authority, payable solely from payments made pursuant to the Agreement and the Guaranty and from certain funds held by the Bond Trustee under the Bond Indenture. The Series 2020A Bonds do not constitute or create any debt or liability of or on behalf of the State or any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof, but will be payable solely from the funds provided under the Bond Indenture. The issuance of the Series 2020A Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

### **AGREEMENT OF THE STATE**

Under the Act, the State pledges and agrees with the holders of the bonds issued under the Act, and those parties entering into contracts with the Authority, that the State will not limit, alter, restrict or impair the rights vested in the Authority to acquire, construct, reconstruct, maintain and operate any project under the Act or to establish, revise, charge and collect rates, rents, fees and other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of maintenance and operations thereof and to fulfill the terms of any agreements with holders of bonds or in any way impair the rights and remedies of such holders, until the bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of bondholders are fully met and discharged. The Act provides that the foregoing does not preclude such limitation or alteration if and when adequate provision is made by law for the protection of bondholders.

### **LEGAL MATTERS**

All legal matters incidental to the issuance of the Series 2020A Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion, in substantially the form set forth in Appendix E hereto, will be delivered concurrently with the Series 2020A Bonds. Certain legal matters are subject to the approval of Verrill Dana LLP, Portland, Maine, counsel to the Authority in connection with the Series 2020A Bonds. Certain legal matters will be passed upon for the Institution by Pierce Atwood LLP, Portland, Maine and by in-house counsel to the Institution and MaineHealth Services, and for the Underwriters by Locke Lord LLP, Boston, Massachusetts.

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Series 2020A Institutions and others in connection with the

Series 2020A Bonds, and Bond Counsel has assumed compliance by the Authority and the Series 2020A Institutions with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020A Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinions of counsel to the Series 2020A Institutions regarding, among other matters, the current qualification of the Series 2020A Institutions as organizations described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of Maine or any political subdivision thereof.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2020A Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2020A Bonds in order that interest on the Series 2020A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2020A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2020A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Series 2020A Institutions have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2020A Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2020A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2020A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2020A Bonds.

Prospective owners of the Series 2020A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2020A Bonds may be taken into

account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2020A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2020A Bonds. In general, the issue price for each maturity of Series 2020A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2020A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2020A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant-yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2020A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant-yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with

the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2020A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2020A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2020A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2020A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2020A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2020A Bonds.

Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors regarding the foregoing matters.

### **INDEPENDENT AUDITORS**

The consolidated financial statements as of and for the fiscal years ended September 30, 2019 and 2018 of MaineHealth Services and Subsidiaries, included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in Appendix B to this Official Statement. KPMG LLP’s report refers to the 2018 financial statements of certain entities being audited by other auditors. KPMG LLP’s opinion on the consolidated financial statements as of and for the fiscal year ended September 30, 2018 of MaineHealth Services and Subsidiaries, insofar as it relates to amounts included in the 2018 consolidated financial statements, included in Appendix B to this Official Statement, is based solely on the reports of those other auditors.

The unaudited summarized consolidated financial statements of MaineHealth Services and its subsidiaries as of March 31, 2020 and for the six-month periods ended March 31, 2020 and 2019, included in Appendix A to this Official Statement, are preliminary and subject to change.

## **MUNICIPAL ADVISOR**

Hilltop Securities Inc., Lincoln, Rhode Island, is acting as municipal advisor (the “Municipal Advisor”) to the Authority in connection with the issuance of the Series 2020A Bonds. The Municipal Advisor has not independently verified the factual information contained in this Official Statement, and makes no guarantee as to its completeness or accuracy. In addition, the Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the tax status of the Series 2020A Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Authority may engage the Municipal Advisor to perform other services, including, without limitation, providing certain investment services with regard to the investment of Bond proceeds. The participation of the Municipal Advisor should not be seen as a recommendation to buy or sell the Series 2020A Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has received the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

## **FINANCIAL ADVISOR**

Cain Brothers & Company, LLC (“Cain Brothers”) has been retained by MaineHealth as its Financial Advisor in connection with the issuance of the Series 2020A Bonds and, in such capacity, has assisted MaineHealth Services and the Institution in the preparation of documents. Although the Financial Advisor has read and participated in the preparation of this Official Statement, such firm has not independently verified any of the information set forth herein. No guarantee is made by the Financial Advisor as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

## **CONTINUING DISCLOSURE**

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2020A Bonds and the Authority will not provide any such information. MaineHealth Services has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Authority shall have no liability to the Bondholders or any other person with respect to such disclosures.

MaineHealth Services has covenanted for the benefit of Bondholders to comply with and carry out all of the provisions of a Continuing Disclosure Agreement (the “Disclosure Agreement”) dated the date of delivery of the Series 2020A Bonds, by and between MaineHealth Services and U.S. Bank National Association, as Dissemination Agent. Under the Disclosure Agreement, MaineHealth Services has agreed to provide certain unaudited financial information and operating data relating to the MaineHealth system not later than 60 days after the end of each of the first, second and third fiscal quarters (i.e., the fiscal quarters ending December 31, March 31 and June 30), not later than 120 days after the end of the fourth fiscal quarter ending September 30, 2020 and not later than 90 days after the end of the fourth fiscal quarter thereafter, and consolidated audited financial statements of the MaineHealth system subsidiaries by no later than 175 days following the end of MaineHealth Services’ Fiscal Year beginning with the Fiscal Year ending September 30, 2020, and to provide notices of the occurrence of certain enumerated significant events. The quarterly and annual reports and notices of

significant events will be filed by or on behalf of MaineHealth Services with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. The specific nature of the information to be contained in the quarterly statements and annual reports and the notices of significant events is summarized in Appendix F – “Form of Continuing Disclosure Agreement.” These covenants have been made in order to assist the Underwriters in complying with the Rule.

### MISCELLANEOUS

The references herein and in the appendices hereto to the Series 2020A Bonds, the Act, the Bond Resolution, the Agreement, the Bond Indenture, the Guaranty, the Master Indenture, the System Funding Agreement and the Tax Regulatory Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such statute and documents for full and complete statements therein. The agreements of the Authority with the Holders of the Series 2020A Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Series 2020A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2020A Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Bond Trustee.

The information relating to DTC and the book-entry only system described under the heading “The Series 2020A Bonds – Book-Entry Only System” has been furnished by DTC. Such information is believed to be reliable, but none of the Authority, the Institution or the Underwriters makes any representations or warranties whatsoever with respect to such information.

The Institution has reviewed the information contained herein which relates to it and has approved all such information for use in this Official Statement. The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Authority.

MAINE HEALTH AND HIGHER EDUCATIONAL  
FACILITIES AUTHORITY

By: /s/ Teresea M. Hayes

Teresea M. Hayes  
Executive Director

Dated: July 16, 2020

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**APPENDIX A**  
**INFORMATION CONCERNING MAINEHEALTH**  
**AND MAINEHEALTH SERVICES**

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July 16, 2020

Maine Health and Higher Educational Facilities Authority  
127 Community Drive  
Augusta, Maine 04330

Dear Members of the Authority:

In connection with the issuance by the Maine Health and Higher Educational Facilities Authority (“MHHEFA”) of its Revenue Bonds, MaineHealth Issue, Series 2020A (the “Series 2020A Bonds”), we are pleased to submit the following information regarding MaineHealth Services and its subsidiaries, including MaineHealth (collectively, the “System”), for inclusion in the Official Statement of MHHEFA relating to the Series 2020A Bonds (the “Official Statement”). Unless otherwise indicated, all data are from the records of MaineHealth or MaineHealth Services, and all referenced years, unless specifically labeled as a calendar year, are the fiscal year ending September 30.

## INTRODUCTION

The System is the largest healthcare system in Maine, providing a full range of integrated healthcare services to patients in Maine and New Hampshire. MaineHealth Services, formerly known as MaineHealth, is a Maine nonprofit corporation qualified as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). MaineHealth Services is the sole ultimate parent organization of numerous entities, including MaineHealth (“MaineHealth”), which former legal name was Maine Medical Center. The System provides healthcare services in a wide range of community-based settings and includes ten hospitals with 1,302 licensed beds and bassinets, over 400 ambulatory sites, nine emergency room facilities, over 1,000 employed physicians, 400 licensed and other long-term care beds (including skilled, residential care, assisted living and independent living) and occupational health, home health, lab and other ancillary services. MaineHealth operates the following hospitals: Maine Medical Center (“MMC”), Franklin Memorial Hospital, LincolnHealth, Stephens Memorial Hospital, Maine Behavioral Healthcare, Southern Maine Health Care, Penobscot Bay Medical Center and Waldo County General Hospital. MaineHealth is an equal partner with Anthem Partnership Holding Company LLC (Anthem Blue Cross Blue Shield) in a Medicare Advantage joint venture called AMH Health, LLC.

The System collectively owns a 90% membership in the limited liability company known as MaineHealth Accountable Care Organization, LLC. MaineHealth Services is also the parent company to two additional hospital subsidiaries, The Memorial Hospital at North Conway, N.H., and Mid Coast Hospital, as well as NorDx Lab and a home-based health service, MaineHealth Care at Home. See “MAINEHEALTH SERVICES– Organizational Chart (March 11, 2020).”

The System is the largest private employer in the State of Maine (“Maine”) and one of the largest healthcare providers in New England. MMC is the largest hospital in the System. For calendar year 2018, MaineHealth had a reported share of 75% of inpatient hospital discharges of persons residing in Service Area 1 of the System’s service area, comprised of York, Cumberland and Sagadahoc Counties in Maine. See “MAINEHEALTH SERVICE AREA” herein.

The outbreak of the COVID-19 pandemic (“COVID-19”) and the national state of emergency declared by the President of the United States are significant events that have had and will continue to have ongoing, material effects on the finances and operations of the System. Historic information in this

Appendix A about the System’s finances and operations largely predate the outbreak of COVID-19 and should be considered in light of the possible or probable negative effects that COVID-19 may have on the current and future finances and operations of the System. See “FINANCIAL INFORMATION OF THE SYSTEM – Management’s Discussion of the Financial Performance of the System – Impact of COVID-19.”

## MAINEHEALTH SERVICES

### General

MaineHealth Services was formed out of a vision to align MMC and other hospitals to create a health system that would consolidate duplicative services, seek economies of scale, reduce costs and enhance the healthcare services available in Maine communities. Maine Medical Center Foundation (the “Foundation”), the predecessor corporation to MaineHealth Services, was formed in 1987 as a vehicle to support MMC’s expanded ventures in a heavily regulated healthcare environment. The Foundation adopted a strategic plan in 1994 to develop a premier community care network that would provide a broad range of integrated healthcare services for populations in Maine and throughout northern New England.

Through the Foundation’s affiliated organizations, the goal was for the network to provide services along the full continuum of care, to improve the health status of the populations it served in a cost-effective manner. In 1997, the Foundation changed its name to MaineHealth and in 2019 MaineHealth changed its name to MaineHealth Services, in connection with the corporate unification of MMC and other System subsidiaries into the integrated MaineHealth corporation.

MaineHealth Services monitors and oversees the activities of its subsidiaries. The organizational chart on page A-5 provides the names of the subsidiaries and strategic affiliations of MaineHealth Services. **MaineHealth will be the direct obligor for repayment of the Series 2020A Bonds, and MaineHealth Services will guarantee such obligation. MaineHealth Services’ guaranty will be supported by MaineHealth Services’ obligation under the Master Trust Indenture to cause MaineHealth, along with the other MTI Designated Affiliates, to pay any amounts due under the guaranty. MaineHealth Services has memorialized this obligation through a Second Amended and Restated System Funding Agreement between certain MaineHealth Services subsidiaries and MaineHealth Services (collectively, the “SFA Designated Affiliates”) (the “System Funding Agreement”) entered into as of January 1, 2019. The SFA Designated Affiliates are all of the MTI Designated Affiliates (being MaineHealth Services, MaineHealth, LincolnHealth Cove’s Edge, and Quarry Hill). MaineHealth Services is the ultimate corporate parent of each of the other SFA Designated Affiliates. The SFA Designated Affiliates are shaded in the organizational chart on page A-5. For more information regarding the System Funding Agreement, see the forepart of this Official Statement under the heading “SECURITY FOR THE SERIES 2020A BONDS – MaineHealth Services Guaranty, Master Indenture and System Funding Agreement.”**

**For the fiscal year ended September 30, 2019, the SFA Designated Affiliates designated as of such date accounted for approximately 87.4% of total System revenues and approximately 94.2% of total System assets (after eliminations). See “FINANCIAL INFORMATION OF THE SYSTEM – Summarized Fiscal 2019 Financial Information by Subsidiary” herein for more information regarding the total assets, unrestricted net assets, revenues and operating income of MaineHealth Services, the SFA Designated Affiliates and other System members for the fiscal year ending**

**September 30, 2019, including the percentage of each category that such entity represents in the total System.**

System Unification

Effective January 1, 2019, the MaineHealth System successfully completed its three-year plan to unify its corporate governance structure and operations (referred to herein as the “Unification Plan”). Under the Unification Plan, the MaineHealth System consolidated governance of eight of its hospital subsidiaries together with their related regional parent and philanthropic foundations, comprised of MMC, Coastal Healthcare Alliance (and its subsidiaries Pen Bay Waldo Healthcare Foundation, Penobscot Bay Medical Center and Waldo County General Hospital), Franklin Community Health Network (and its subsidiary Franklin Memorial Hospital), LincolnHealth Group (and its subsidiary LincolnHealth), Maine Behavioral Healthcare, Southern Maine Health Care and Western Maine Health Care Corporation (and its subsidiaries Stephens Community Healthcare Foundation and Stephens Memorial Hospital Association) (collectively, the “Merged Subsidiaries”) into a single board of trustees and completed a merger of the non-MMC subsidiaries into MaineHealth as the surviving corporate entity. The Merged Subsidiaries each became “local operating divisions” of MaineHealth, with the Board of Trustees of each Merged Subsidiary becoming a committee of the MaineHealth Board of Trustees (a so-called “Local Board”), with delegated responsibility for quality and patient safety, provider credentialing and privileging, philanthropy, and local community affairs relevant to its respective local operating division. Upon Unification, all revenue, assets and liabilities of the Merged Subsidiaries became the revenue, assets and liabilities of MaineHealth.

MaineHealth now holds the operating licenses for the Merged Subsidiaries. The individual hospitals and other subsidiaries of the System continue to operate under their current licensed names and contracts. MaineHealth Services remains a separate corporation at the parent level, as the sole corporate member of MaineHealth and the MaineHealth Services subsidiaries other than MaineHealth.

Both MaineHealth Services and MaineHealth have overlapping Boards of 26 voting Trustees comprised of the same persons on each Board. Except for ex-officio Trustees, Trustees are permitted and expected to hold up to three 3-year terms on the MaineHealth Board. The MaineHealth Board has an executive committee, a governance/nominating committee, an audit committee, an investment committee, a finance committee, a quality and patient safety committee, a program and strategic planning committee and an education and research committee.

Recent System Subsidiary

Mid Coast–Parkview Health (“MCPH”) has been a strategic affiliate of the MaineHealth System since 1999. MCPH is the parent corporation of Mid Coast Hospital, Mid Coast Health Management Corporation (with a subsidiary Thornton Oaks Development Corporation), Mid Coast Medical Group, Mid Coast Geriatric Services Corporation, and Community Health and Nursing Services. The MCPH system comprises a 93 bed acute care hospital, known as Mid Coast Hospital, a 98 unit long term care center, known as Mid Coast Senior Health Center, and a home care agency, known as CHANS Home Health & Hospice. MCPH provides a critically necessary continuum of high quality community hospital inpatient and outpatient health care services for the residents of its service area (see “MAINEHEALTH SERVICE AREA”).

Effective March 1, 2020, MCPH joined the MaineHealth System, becoming a subsidiary of MaineHealth Services. This transaction was contemplated in 2019, at which time it was decided that MCPH and Mid

Coast Hospital would ultimately merge into MaineHealth, allowing full clinical and financial integration of these hospitals and providing for the advancement of one or more of the stated charitable purposes of both MCPH and MaineHealth. The merger of these two entities into MaineHealth is planned to become effective on January 1, 2021. Following such merger, MCPH will become a “local operating division” of MaineHealth, and the Board of MCPH, just as the Boards of the other Merged Subsidiaries did, will transition into a Local Board committee of the MaineHealth Board with the same delegated responsibility for quality and patient safety, provider credentialing and privileging, philanthropy, and local community affairs relevant to its respective local operating division. Upon the MCPH/Mid Coast Hospital merger, MaineHealth will become the sole corporate member of the remaining MCPH entities, which will become direct subsidiaries of MaineHealth.

### System Affiliations

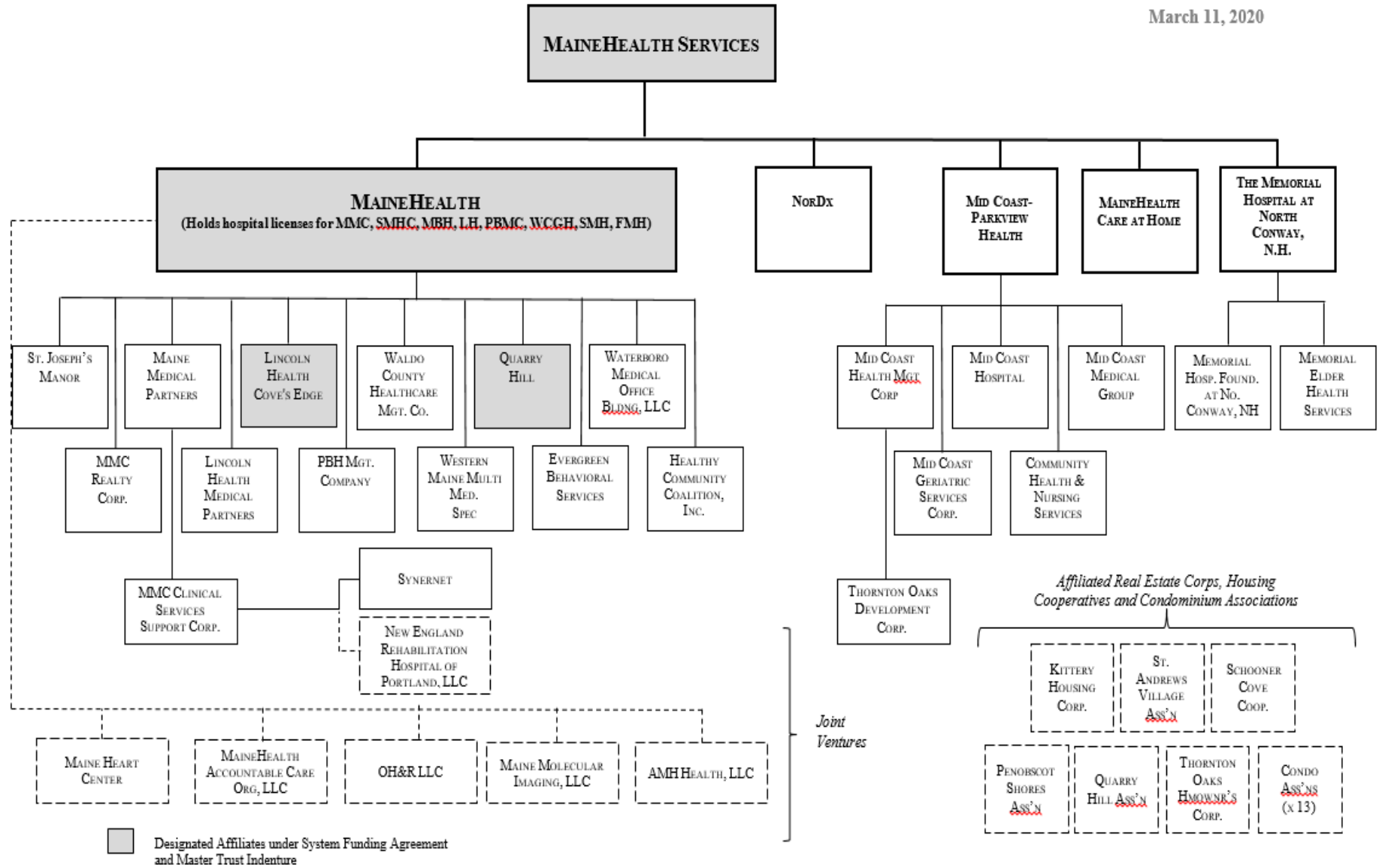
MaineHealth Services also has strategic affiliations with two unrelated entities, MaineGeneral Health and St. Mary’s Health System/Covenant Health Systems, Inc. The primary purpose of these strategic affiliations is to provide the parties with an opportunity to work cooperatively to improve quality and achieve efficiencies in the pursuit of respective goals and visions in serving the health care needs of the communities and constituencies served by each of them, including providing a forum to work directly with MaineHealth Services and its subsidiaries on such initiatives.

Finally, in recognition of the growing numbers of Medicare eligible patients opting for Medicare Advantage insurance plans, MaineHealth formed the AMH Health, LLC joint venture with Anthem Blue Cross Blue Shield to offer a Medicare Advantage insurance plan. The plan was offered to consumers at the end of 2019 for enrollment beginning January 1, 2020.

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March 11, 2020



## MaineHealth Services Subsidiaries

### ***MaineHealth***

MaineHealth was incorporated in 1951 under the name “Maine Medical Center” and traces its roots to a hospital that opened in 1874. MMC initially served as an administrative umbrella for Maine General Hospital (“MGH”), Maine Children’s Hospital (“MCH”) and the Maine Eye and Ear Infirmary (“MEEI”) before operations of the three hospitals were consolidated into MMC in 1956. Each entity continued to exist separately until merging into MMC in 1965 (MGH) and 1982 (MCH and MEEI), followed by Maine Cytometry Research Institute (1991) and Brighton Medical Center (1997). In conjunction with the Unification Plan, Maine Medical Center changed its name to MaineHealth. **As the surviving entity of the merger executed pursuant to the Unification Plan, MaineHealth is an SFA Designated Affiliate under the System Funding Agreement and an MTI Designated Affiliate (as defined in the forepart of this Official Statement) under the Master Indenture, which designation requires MaineHealth Services to cause MaineHealth, along with any other MTI Designated Affiliates, to pay any amounts due under the MaineHealth Services Guaranty securing the Series 2020A Bonds. MaineHealth may not be undesignated as an MTI Designated Affiliate without the consent of MHHEFA.** See the forepart of this Official Statement under the heading “SECURITY FOR THE SERIES 2020A BONDS – MaineHealth Services Guaranty, Master Indenture and System Funding Agreement.”

MaineHealth operates the following hospitals (which merged into MaineHealth as part of the Unification Plan) under assumed names or “d/b/a’s”:

- ***Maine Medical Center***

MMC is Maine’s largest referral hospital, offering various services not available elsewhere in Maine. It also serves as a community hospital for Greater Portland. A series of construction and renovation projects in 2008 created the present-day complex of more than one million square feet. MMC provides a wide range of medical and surgical care, intensive and coronary care, obstetrical and pediatric services. In addition, MMC has a number of specialty services, including: The Barbara Bush Children’s Hospital at Maine Medical Center (“BBCH”); the Cancer Institute; the Cardiovascular Institute; Emergency Medicine; the Family Birth Center; the Joint Replacement Center; the MMC Research Institute; and the Neuroscience Institute. MMC (including BBCH) has 637 licensed beds and 20 bassinets in service. MMC is a teaching hospital affiliated with Tufts University School of Medicine (“TUSM”) and is a three-time Magnet™ hospital, the highest level of recognition for hospital nursing awarded by the American Nurses Credentialing Center.

BBCH, which operates as a department of MMC, is Maine’s only full-service children’s hospital facility, offering family-centered services including specialized medical and surgical treatment of complex illnesses and injuries. BBCH uses state-of-the-art technology to provide advanced specialty services and personalized care to children that is responsive to their unique needs. *U.S. News & World Report* ranked BBCH among the top hospitals in the country for pediatric diabetes and endocrinology care in the 2014-15 Best Children’s Hospitals rankings.

Maine Medical Partners, a multi-specialty physician practice and a subsidiary of MMC, serves the healthcare needs of patients through patient-centered care and high technology medicine. The

Maine Medical Partners team of over 400 physicians and 1,000 employees provides a wide range of primary, specialty and sub-specialty care delivered through a network of more than 40 locations in and near Greater Portland, Maine. See “MAINE MEDICAL CENTER – Medical Staff” herein.

MMC and TUSM have a medical education partnership whereby MMC serves as a clinical site for TUSM undergraduate training. The partnership has shared governance through a joint steering and operations committee, a TUSM academic dean staffed by and located at MMC, a ten-year renewable partnership term, mutual agreement on program goals and policies and a collaborative process of student recruitment, selection and curriculum development. In addition to medical education, the partnership creates opportunities for collaboration, including signature clinical programs and research. TUSM has active research programs in genomics, clinical research/evidence based medicine, regenerative medicine, drugs and biologics, which match the focus at the MMC Research Institute.

The Hannaford Center for Safety, Innovation and Simulation is part of MMC’s Department of Medical Education and is the only center of its kind in Maine. The facility features three distinct learning environments: the Simulation Lab, the Standardized Patient Lab and the Skills Lab. Each provides a realistic, high-tech setting that allows students and licensed clinicians to build or enhance their clinical skills and team communication through repeated practice on a variety of computerized patient simulators and actor patients. The center includes realistic operating and trauma rooms and provides a safe, efficient method to practice medical knowledge and obtain clinical experience in a virtual environment.

MMC supports approximately 273 residents and fellows in 16 residencies and 10 fellowships approved by the Accreditation Council for Graduate Medical Education as of July 1, 2020. Each program is the responsibility of a full-time program director and more than 500 attending physicians serve as faculty. Clinical practice is supported by nursing and allied health professional staff and a skilled ancillary staff. MMC Residency Programs include Anesthesiology, Dentistry, Emergency Medicine, Family Medicine, General Surgery, Internal Medicine, Internal Medicine/Pediatrics, OB/GYN, Pediatrics, Psychiatry, Diagnostic Radiology, Interventional Radiology, Neurology, Preventive Medicine, Urology and Vascular Surgery. MMC Fellowship Programs consist of Cardiology, Child Psychiatry, Geriatrics, Hospice/Palliative Medicine, Infectious Disease, Integrative Medicine, Nephrology, Pulmonary/Critical Care, Sports Medicine, and Addiction Medicine.

- ***LincolnHealth***

LincolnHealth Group (“LHG”) was formed in 2007 and became the parent organization of St. Andrews Hospital and Miles Health Care (which was then the parent of Miles Memorial Hospital), LincolnHealth Cove’s Edge (f/k/a Cove’s Edge Inc.) (“Cove’s Edge”) and other subsidiaries. St. Andrews Hospital joined the System in 1996. Miles Health Care joined the System in 1997. In 2008, Miles Health Care merged into LHG, leaving LHG as the direct parent of St. Andrews Hospital, Miles Memorial Hospital and Cove’s Edge. As of October 1, 2013, the two hospitals merged to form a single LHG subsidiary, LincolnHealth, with two hospital campuses. Other subsidiaries of LHG included LincolnHealth Medical Partners, Inc. (f/k/a Lincoln County Medical Group), a multi-specialty physician practice with offices in Boothbay Harbor, Damariscotta, Waldoboro and Wiscasset, Maine. **As part of the Unification Plan, on January 1, 2019, LHG**

**and LincolnHealth merged into MaineHealth.** Lincoln Health Medical Partners and LincolnHealth Cove's Edge did not merge into MaineHealth, but its sole corporate member became MaineHealth. **LincolnHealth Cove's Edge is a SFA Designated Affiliate under the System Funding Agreement and an MTI Designated Affiliate under the Master Indenture.**

LincolnHealth is designated as a Critical Access Hospital by the federal and Maine State governments. Its two campuses have an aggregate of 25 licensed beds and 5 bassinets in service. The LincolnHealth - Miles Campus offers hospital services including: acute hospital care, ICU, general and orthopedic surgical services, obstetrics and a broad spectrum of outpatient services. LincolnHealth also offers skilled and long-term nursing care, assisted living and Alzheimer's care at St. Andrews Village in Boothbay Harbor. In addition, it manages the St. Andrews Village Association, an independent cooperative of retirement cottages. Awards of distinction include the Top Rural Hospital Leapfrog in 2013-2017. LincolnHealth is also one of only three Maine hospitals to earn four or more Leapfrog Top Hospital Awards. LincolnHealth also received the Vizient performance achievement award for reducing hospital-acquired infections. The LincolnHealth - St. Andrews Campus has been serving Boothbay Harbor and the surrounding communities since 1908 and offers a fully-staffed urgent care center and a broad range of outpatient services.

Cove's Edge in Damariscotta provides the following services: skilled and long-term nursing care at Cove's Edge, assisted living and Alzheimer's care at Chase Point, and home health and hospice services in Lincoln County and adjacent communities through Miles & St. Andrews Home Health & Hospice. Cove's Edge also manages the Schooner Cove retirement community, an independent cooperative of retirement congregate living apartments. It was Maine's first retirement community with a hospital affiliation. Cove's Edge was a 2017 recipient of the Bronze Commitment to Quality Award by the American Health Care Association for its dedication to improving lives of residents through quality care.

- ***Stephens Memorial Hospital***

Western Maine Health Care Corporation ("Western Maine") was formed in 1987 and joined the System in 1999. Stephens Memorial Hospital Association, formerly a subsidiary of Western Maine, opened in 1957 and has 25 licensed beds. It is designated as a Critical Access Hospital by the federal and Maine State governments. Other former subsidiaries of Western Maine include Western Maine Multi-Medical Specialists and Stephens Community Healthcare Foundation. **As part of the Unification Plan, on January 1, 2019, Western Maine, Stephens Memorial Hospital Association and Stephens Community Healthcare Foundation, merged into MaineHealth. Western Maine Multi-Medical Specialists did not merge, but its sole corporate member became MaineHealth.**

Services available at Stephens Memorial Hospital include: ambulance service; cancer care; diabetes care; emergency services; family birthplace; general surgery; hospitalist program; imaging services; joint replacement; laboratory; obstetrics and gynecology; orthopedics; pediatrics; physical rehabilitation; primary care; and various support groups.

- ***Maine Behavioral Healthcare***

Maine Behavioral Healthcare (formerly known as Spring Harbor Hospital) joined the System in 1999. In 2014, the following corporate entities, which primarily provided outpatient and community mental health services, merged into Spring Harbor Hospital: Maine Mental Health Partners, Community Counseling Center, Counseling Services, Inc. and Spring Harbor Community Services. Contemporaneously with this merger, Spring Harbor Hospital changed its name to Maine Behavioral Healthcare (“MBH”), thus bringing these organizations together as one unified organization providing both inpatient and outpatient mental health services on March 31, 2014. MBH’s hospital facility, which continues to operate under the name Spring Harbor Hospital, is located in Westbrook, Maine. It is southern Maine’s only nonprofit, private psychiatric hospital and a comprehensive provider of inpatient services for individuals who experience acute mental illness or dual disorder issues. Spring Harbor Hospital consists of a licensed 100-bed facility set on 50 private acres and offers children, adolescents, and adults a comfortable and pleasant environment for psychiatric treatment. Spring Harbor Hospital provides 24-hour information and referral, voluntary and involuntary hospitalization and comprehensive discharge planning. As part of the MaineHealth System, the MBH network is clinically integrated with other System mental health providers, hospitals and primary care sites to ensure easy and timely access to treatment and safe and effective transitions between services. Through a unique collaboration with MMC, MBH is able to offer the most complete array of psychiatric treatment, physician-training, and medical-research programs north of Boston. MBH was designated as a Joint Commission Top Performer on key quality measures in 2017. **As part of the Unification Plan, on January 1, 2019, MBH merged into MaineHealth.**

- ***Southern Maine Health Care***

Southern Maine Health Care (“SMHC”) is the surviving entity of the 2014 merger of Henrietta D. Goodall Hospital and Southern Maine Medical Center. Southern Maine Medical Center joined the System in 2009. Goodall Hospital joined the System in 2012. Their merger in 2014 made SMHC the fifth largest healthcare entity in Maine, offering a comprehensive array of medical care and services, including: emergency departments in Biddeford and Sanford, Maine; a multi-specialty physician services group comprised of more than 125 physicians providing comprehensive primary and specialty services; non-emergency Walk-In Care; Centers for Breast Care, Sleep Disorders and Wound and Ostomy Care; behavioral health; eldercare services and a wide range of diagnostic and rehabilitation services. SMHC has more than 20 physician offices located in Biddeford, Kennebunk, Old Orchard Beach, Saco, Sanford and Waterboro. SMHC has 229 licensed beds. **As part of the Unification Plan, on January 1, 2019, SMHC merged into MaineHealth.**

- ***Penobscot Bay Medical Center (Pen Bay) and Waldo County General Hospital (WCGH)***

Coastal Healthcare Alliance (CHA) was the surviving entity of the 2015 merger of Waldo County Health Care, Inc. and Pen Bay Healthcare. **As part of the Unification Plan, on January 1, 2019, CHA, Pen Bay Waldo Healthcare Foundation, Pen Bay and WCGH merged into MaineHealth.**

## WCGH

WCGH serves the healthcare needs of Waldo County residents through Waldo County General Hospital, five rural health centers, public health nursing, physicians' offices, and educational programs. WCGH is a nonprofit community hospital with 25 licensed beds. It is designated as a Critical Access Hospital by the federal and Maine State governments. WCGH was named a Critical Access Hospital to Know in 2017 and was recognized as a Certified Quality Breast Center of Excellence in the National Quality Measurers for Breast Centers Program. WCGH was recognized as one of the Top Rural Hospitals in 2019 by the Leapfrog Group.

## Pen Bay

In 1982 Penobscot Bay Medical Center and Camden Health Care Center formed the Northeast Health System, since June 2006 called Pen Bay Healthcare (PBMC). PBMC opened in 1975 and has 99 licensed beds. PBMC has been recognized with "Straight A's" from the Hospital Safety Score rankings by the Leapfrog Group from 2012-2017 and was a Joint Commission Top Performer on key quality measures in 2017. The Knox Center for Long Term Care and Quarry Hill are subsidiaries of MaineHealth. Through all of these organizations, with a staff of more than 100 physicians and more than 1,500 healthcare professionals, Pen Bay provides the people of mid-coast Maine with a continuum of both routine and specialty patient-centered medical services.

- ***Franklin Memorial Hospital***

Franklin Community Health Network was formed in 1991 as the parent entity for a system that includes 65-bed Franklin Memorial Hospital. Franklin Memorial Hospital offers healthcare services to 40,000 residents in and around Franklin County, Maine. Franklin Memorial Hospital has received awards and recognitions, including a Leapfrog Group grade of "A" in 2014-2020, Top Rural Hospital by Leapfrog 2014-2020, and a 2014 and 2017 award for Top Performer on Key Quality Measures by the Joint Commission. **As part of the Unification Plan, on January 1, 2019, Franklin Community Health Network (including its subsidiary Franklin Memorial Hospital) merged into MaineHealth.**

### ***Other Subsidiaries or Joint Ventures of MaineHealth***

**MaineHealth Accountable Care Organization, LLC** The MaineHealth Accountable Care Organization ("MHACO"), a limited liability corporation, was formed in 2011 to participate as an accountable care organization in the Medicare Shared Savings Program. In 2016, it merged with the MMC Physician-Hospital Organization and Community Physicians of Maine and expanded its scope to include contracting with commercial insurers and other government payment programs. MHACO contracts with Medicare and multiple commercial insurers to arrange for the provision of medical and hospital services by approximately 1,600 independent and MaineHealth member employed physicians and ten hospitals. Through MHACO, the System has entered into multiple contracts for care under value-based arrangements, including the Medicare Shared Savings Program and similar contracts with commercial insurance organizations. See "STRATEGIC PLANS – MaineHealth Accountable Care Organization, LLC" herein.

**HealthSouth/Maine Medical Center LLC** MaineHealth is involved in a joint venture with HealthSouth Corporation ("HealthSouth"), HealthSouth/Maine Medical Center Limited Liability

Company, operating under the assumed name of New England Rehabilitation Hospital of Portland. It is a Maine limited liability company owned equally by HealthSouth and MaineHealth. HealthSouth is a national health care organization based in Birmingham, Alabama. New England Rehabilitation Hospital of Portland provides inpatient and outpatient physical rehabilitation services, is licensed and accredited, and maintains provider status in its own name.

**AMH Health, LLC** Recognizing the growing numbers of Medicare eligible patients opting for Medicare Advantage insurance plans, MaineHealth and Anthem Blue Cross Blue Shield collaborated to form a joint venture that offers a Medicare Advantage insurance plan. The plan was offered to consumers at the end of 2019 for enrollment beginning January 1, 2020.

A limited liability company, AMH Health, LLC, was formed with 50/50% ownership by Anthem and MaineHealth with three representatives of each entity on the Board of the LLC plus one additional member chosen by Anthem from a list of candidates provided by MaineHealth. The company offers Medicare Advantage products not only in the portion of Maine within the MaineHealth footprint, but in other areas that are outside the MaineHealth footprint but where Anthem already has an advantage provider network and where the prospects for profitable operations are good. The MaineHealth Accountable Care Organization will enter into a contract with the joint venture to serve as the principal provider in those areas of Maine covered by the MHACO footprint. The network will be open in order to facilitate the most rapid growth of volume for the joint venture.

Anthem has agreed to front all start-up costs and reserves that may be necessary for insurance purposes. MaineHealth will limit its claim to joint venture income until such time as MaineHealth investment in the company is equal to Anthem. The joint venture is licensed to operate under the “Blue” trademark of Blue Cross/Blue Shield, and also under the trademark of “MaineHealth.” As of March 31, 2020 approximately 5,000 individuals were enrolled in AMH Health, LLC products.

Anthem has agreed that it will not offer another Medicare Advantage product in competition with the joint venture product, absent MaineHealth’s consent. MaineHealth has agreed that it will not invest in another joint venture with another carrier for Medicare Advantage business, but MaineHealth remains free to continue to enter into provider contracts with other insurance companies that offer Medicare Advantage products.

### ***Other Subsidiaries or Joint Ventures of MaineHealth Services***

**NorDx** NorDx is a nonprofit diagnostic reference laboratory established in 1976 as the first licensed independent clinical laboratory in Maine. NorDx manages and operates the clinical diagnostic and anatomic pathology laboratories for the MaineHealth System hospitals. Additionally, through its regional laboratory business line, NorDx services patients, providers and nursing homes throughout MaineHealth’s service area in Maine as well as select areas in New Hampshire. NorDx’s core laboratory operation provides a cost efficient and high quality specialized lab testing facility for MaineHealth. NorDx’s main site is located at a technologically advanced facility in Scarborough, Maine. The facility covers approximately 40,000 square feet and consists of high-technology laboratory instrumentation equipped to accommodate robotics and a referral laboratory service. NorDx billable laboratory test volume consisted of 4.3 million billable tests in Fiscal Year 2019.

**Mid Coast–Parkview Health** Mid Coast–Parkview Health is a non-profit community healthcare system located in Brunswick, Maine that provides a variety of high-quality healthcare services to the Midcoast region. A member of the MaineHealth Services system since March 2020, Mid Coast–Parkview Health was formed in 2015 when Mid Coast Health Services merged with Parkview Adventist Medical Center.

MCPH comprises a number of facilities that serve the community’s diverse needs, including Mid Coast Hospital, a 93-bed community hospital with a Level 2 trauma facility, 24-hour Emergency Department, and in-house pharmacy, with an active medical staff of more than 200 providers. Additionally, MCPH comprises CHANS Home Health & Hospice, Mid Coast Senior Health, and a group of multi-specialty outpatient practices known as Mid Coast Medical Group.

In addition to being accredited by The Joint Commission, Mid Coast Hospital has been recognized as a Magnet facility by the American Nurses Credentialing Center since 2009, certified as Joint Commission Primary Stroke Center since 2012, and certified by the Commission on Cancer of the American College of Surgeons.

**The Memorial Hospital at North Conway, N.H. (New Hampshire)** The Memorial Hospital at North Conway, N.H. (“Memorial Hospital”), a nonprofit, critical access community hospital with 25 licensed beds in North Conway, New Hampshire, was founded in 1910 and became the first out-of-state member of the System when it became a subsidiary of MaineHealth Services on January 1, 2014. Memorial Hospital services include a 24-hour emergency department, surgery center, clinical laboratory, cancer care, heart & cardiovascular care, heart health & wellness programs, family birthing center, imaging services, outpatient physical therapy, hospital medicine, sleep clinic, wound care, rehabilitation services, and walk-in clinic. Physician practices include Mount Washington Valley Rural Health covering primary care and family medicine, pediatrics, diabetes care, behavioral health and podiatry; women’s health; surgery & urology; and orthopedics & sports medicine.

The Merriman House, a 45-bed nursing home specializing in Alzheimer’s and other memory disorders, is owned by Memorial Elder Health Services, a subsidiary of Memorial Hospital, and is also located on the hospital campus. Memorial Hospital serves the health needs of the Mt. Washington Valley and surrounding communities in Carroll County, New Hampshire. Prior to its affiliation with the System, clinicians at Memorial Hospital referred complex cases not amenable for treatment at Memorial Hospital to specialists practicing at MMC.

**MaineHealth Care at Home** MaineHealth Care at Home (formerly known as HomeHealth – Visiting Nurses of Southern Maine) has been a member of the System since 2004. In 2016, it acquired the operations of the home health subsidiaries of WCHI and PBHC and in 2018, Miles & St Andrews Home Health and Hospice. These transactions allowed the System to develop a more regional approach to the delivery of home health and hospice services. In 2019, MaineHealth Care at Home had 10,107 admissions and 161,250 home visits.



## MAINEHEALTH SERVICE AREA

### Demographic Overview

For internal operational and certain planning purposes, MaineHealth views its core service area as comprised of three sub-service areas. The System's most heavily populated service area is comprised of York, Cumberland and Sagadahoc Counties (shown and referred to as "Service Area 1" on the following service area map). The U.S. Census Bureau estimates the total year-round resident population for the three counties as of 2018 at 534,133. The Service Area 1 counties comprise Maine's most populous and prosperous region, with a median household income of \$76,758 in 2019, according to Sg2 (an independent healthcare data consultant), and an unemployment rate of 3.2% in 2019, according to the Center for Workforce Research and Information and Office of Policy and Management data on the State of Maine's website. The System's share of inpatient hospital discharges of persons residing in Service Area 1 who were discharged from a Maine-based hospital in fiscal year 2019 was 75%, according to the Maine Health Data Organization ("MHDO"). The System's primary non-affiliated hospital competitors with facilities located in Service Area 1 include (i) Eastern Maine Healthcare Systems d/b/a Northern Light Health ("Northern Light Health"), including Mercy Hospital (9% share in fiscal year 2019), and (ii) York Hospital (6% share in fiscal year 2019). The MHDO does not provide comparable data for residents of Service Area 1 who receive healthcare services from providers located outside of Maine. Service Area 1 accounted for approximately 64% of the System's discharges of Maine residents in fiscal year 2019.

The System's "Service Area 2" is comprised of Lincoln, Knox and Waldo Counties (shown and referred to as "Service Area 2" on the following service area map). The U.S. Census Bureau estimates the total year-round resident population for the three counties as of 2018 at 113,660. The Service Area 2 counties comprise the mid-coast region of Maine dominated by the tourism and fishing industries, with a median household income of \$58,860 in 2019, according to Sg2, and an unemployment rate of 4.2% in 2019, according to the Center for Workforce Research and Information and Office of Policy and Management data on the State of Maine's website. The System's share of inpatient hospital discharges in Service Area 2 in fiscal year 2019 was 74%. Northern Light Health's share of inpatient discharges of residents from Service Area 2 receiving care at a Maine-based hospital was 11% in fiscal year 2019. The MHDO does not provide comparable data for residents of Service Area 2 who receive healthcare services from providers located outside of Maine. In addition to hospital and physician services, System members are the principal providers of long-term care, home health care, senior living and community mental health services in the Service Area 2 region. Service Area 2 accounted for approximately 17% of the System's discharges of Maine residents in fiscal year 2019.

The System's "Service Area 3" is comprised of Androscoggin, Oxford, Franklin, Kennebec and Somerset Counties in Maine and Carroll County in New Hampshire (shown and referred to as "Service Area 3" on the following service area map). The U.S. Census Bureau estimates the total year-round resident population for these counties as of 2018 at 411,809. The Service Area 3 region includes urban centers along the I-95 corridor (e.g., Lewiston/Auburn and Augusta/Waterville) and large rural areas extending into the mountains of western Maine and New Hampshire. The Service Area 3 counties have a median household income of \$56,396 in 2019, according to Sg2, and an unemployment rate of 4.2% in 2019, according to the Center for Workforce Research and

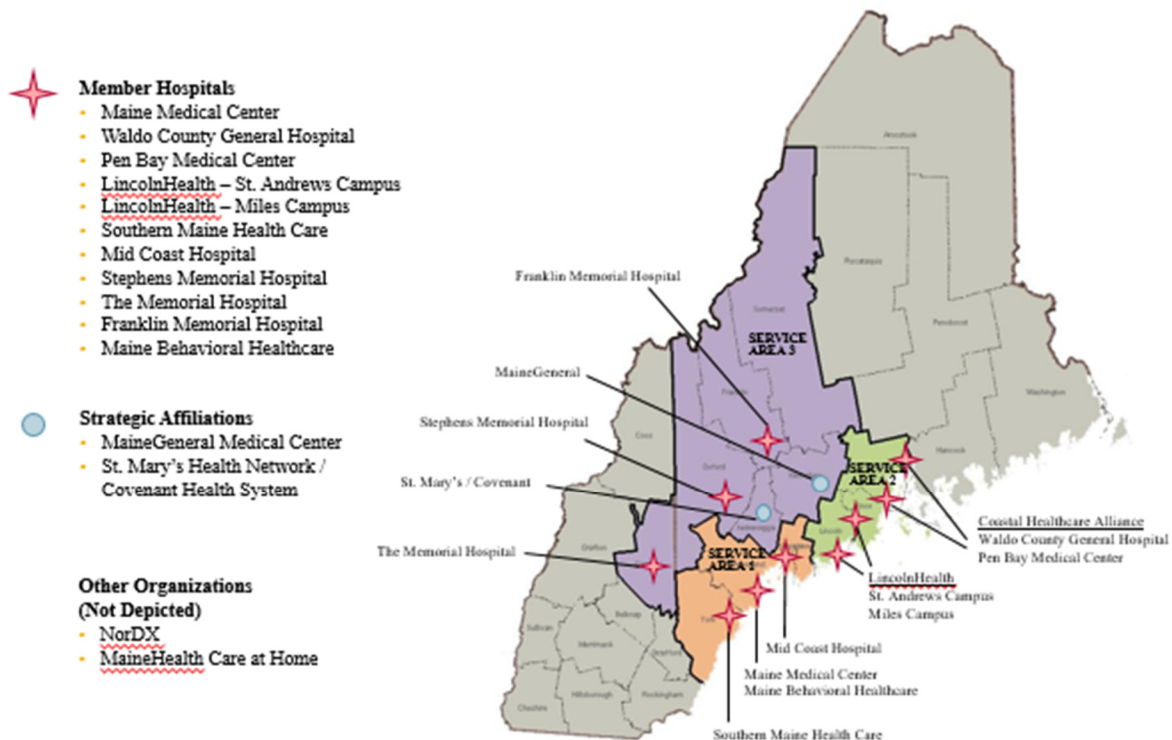
Information and Office of Policy and Management data on the State of Maine’s website (with respect to Maine data) and the New Hampshire Bureau of Labor (with respect to New Hampshire data). The System’s share of discharges of Maine residents in Service Area 3 in fiscal year 2019 was 24%. The System’s primary non-affiliated competitors with facilities located in Service Area 3 consist of Central Maine Medical Center (21% share in fiscal year 2019) and Northern Light Health (including Mercy Hospital) (1% share in fiscal year 2019). The MHDO does not provide comparable data for residents of Service Area 3 who receive healthcare services from providers located outside of Maine. Service Area 3 accounted for approximately 19% of the System’s discharges of Maine residents in fiscal year 2019.

MaineGeneral Health and St. Mary’s Regional Medical Center are located in or draw patients from Service Area 3, are strategic affiliates of MaineHealth, and are sources of referrals to MMC’s tertiary care services from Service Area 3, which accounted for approximately 11% of the System’s discharges in fiscal year 2019.

Northern Light Health, Central Maine Healthcare and York Hospital each have clinical affiliations with Massachusetts General Hospital, a founding member of the Mass General Brigham system (formerly known as Partners HealthCare System), which is headquartered in Boston, Massachusetts.

The following map of the System’s service area shows the locations of Service Area 1, Service Area 2 and Service Area 3, the System member hospitals and the System’s strategic affiliations.

### Map of MaineHealth Service Area



## Service Area Discharges

The following table shows hospital discharges (including newborns) for fiscal year 2019 in Service Area 1, Service Area 2 and Service Area 3, grouped by System hospital members, MaineHealth strategic affiliation hospitals and other hospitals. According to Sg2 (an independent healthcare data consultant) in 2015, 36% of reported discharges of Carroll County, New Hampshire residents to hospitals were to Memorial Hospital.

Hospital Affiliation	Hospital	Service Area 1		Service Area 2		Service Area 3	
		Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
MaineHealth Members	Maine Medical Center	21,833	47.47%	2,134	17.32%	5,747	13.80%
	Southern Maine Health Care	6,879	14.96%	22	0.18%	58	0.14%
	Mid Coast*	4,196	9.12%	750	6.09%	584	1.40%
	Penobscot Bay Medical Center	76	0.17%	3,060	24.84%	51	0.12%
	Spring Harbor*	1,508	3.28%	125	1.01%	332	0.80%
	Franklin Memorial	21	0.05%	5	0.04%	1,830	4.39%
	LincolnHealth	34	0.07%	1,610	13.07%	15	0.04%
	Stephens Memorial	109	0.24%	2	0.02%	1,380	3.31%
	WCGH	8	0.02%	1,430	11.61%	5	0.01%
<b>Total MaineHealth Members</b>		<b>34,664</b>	<b>75.36%</b>	<b>9,138</b>	<b>74.17%</b>	<b>10,002</b>	<b>24.02%</b>
MaineHealth Strategic Affiliations	MaineGeneral	237	0.52%	978	7.94%	10,224	24.55%
	St. Mary's Regional Medical Center	641	1.39%	64	0.52%	5,388	12.94%
	New England Rehabilitation	1,441	3.13%	98	0.80%	205	0.49%
<b>Total MaineHealth Strategic Affiliations</b>		<b>2,319</b>	<b>5.04%</b>	<b>1,140</b>	<b>9.25%</b>	<b>15,817</b>	<b>37.98%</b>
Other	Central Maine Medical Center	1,058	2.30%	171	1.39%	8,749	21.01%
	Mercy	4,230	9.20%	105	0.85%	382	0.92%
	York	2,805	6.10%	2	0.02%	20	0.05%
	Eastern Maine Medical Center	81	0.18%	1,244	10.10%	1,717	4.12%
	Other	838	1.82%	521	4.23%	4,957	11.90%
<b>Total Other</b>		<b>9,012</b>	<b>19.59%</b>	<b>2,043</b>	<b>16.58%</b>	<b>15,825</b>	<b>38.00%</b>
<b>Grand Total</b>		<b>45,995</b>	<b>100.00%</b>	<b>12,321</b>	<b>100.00%</b>	<b>41,644</b>	<b>100.00%</b>

\*Spring Harbor Hospital is a d/b/a of Maine Behavioral Health. See "MAINEHEALTH SERVICES – MaineHealth Services Subsidiaries – Maine Behavioral Healthcare." Mid Coast joined the System in 2020 and was therefore not a System member during this reporting period.

## STRATEGIC PLAN

### General

MaineHealth develops a strategic plan every three years. MaineHealth's current strategic plan covers the fiscal years (October through September) from 2020 through 2022. This plan was approved by the MaineHealth Board of Trustees in August, 2019. The MaineHealth strategic plan outlines four strategic priorities and defines a goal (or goals) under each. Those goals are supported by annual objectives which are tracked and performance is monitored by the Planning and Program Committee of the MaineHealth Board of Trustees.

## Executive Summary:

The MaineHealth strategic plan sets forth, at a high level, the organization’s course over the next three years and articulates a shared mission and vision, as MaineHealth and its local health systems work together toward common goals. It explains strategic priorities and offers direction for on-going planning, helping to guide critical decisions regarding resource allocation, including both capital and human resources, as well as how MaineHealth navigates the opportunities and challenges ahead. This strategic plan outlines a clear path for advancing MaineHealth’s vision for the future, and provides the framework for establishing its detailed set of “annual objectives.”

### Mission:

- MaineHealth is a not-for-profit healthcare provider dedicated to improving the health of our patients and communities by providing high-quality affordable care, educating tomorrow’s caregivers, and researching better ways to provide care.

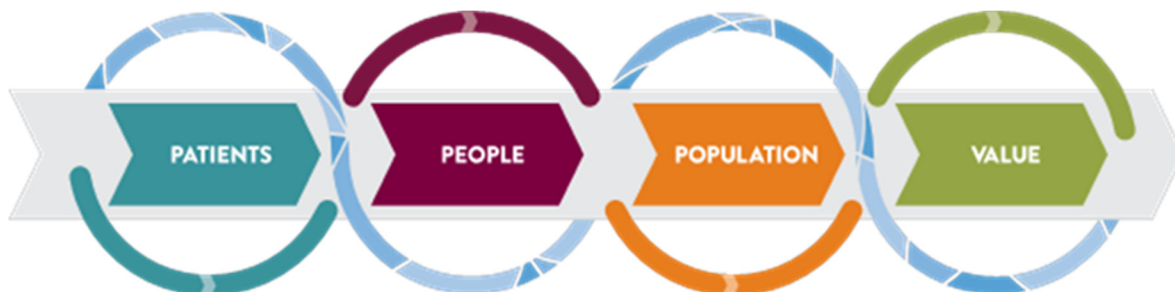
### Vision:

- Working together so our communities are the healthiest in America.

### Values:

- Patient Centered
- Respect
- Integrity
- Excellence
- Ownership
- Innovation

The following four strategic priorities form the foundation for our efforts over the next three years and determine the System’s strategic direction. In essence, these priorities are our interpretation of the Quadruple Aim: (1) Enhance the Patient Experience (including quality, safety and service); (2) Improve Care Team Well-Being; (3) Improve Population Health; and (4) Make Care More Affordable.



## **Patients:**

Patient-centered care is the first of MaineHealth's six values, and the first of its four strategic priorities. Putting patients and their families first means focusing on the health outcomes that are important to them. It involves informing and involving patients and their families in a care plan, providing care that is respectful and responsive to individual preferences, and ensuring that a patient's values guide clinical decisions. Patient-centered care at MaineHealth empowers patients and their families to become active participants in their care and helps them achieve their best health outcome.

Goal: MaineHealth will deliver high-quality, safe, effective, patient-centered care, and will aspire to top-decile performance in nationally benchmarked metrics.

A positive patient and family experience at MaineHealth is of paramount importance. MaineHealth strives to live its values by ensuring well-coordinated care, providing information in easily understood terms, ensuring physical and emotional comfort, and involving patients and their families in the care plan. Each care team member is empowered to enhance patients' experiences based on compassion, mutual respect, and partnering with patients and their families.

Goal: MaineHealth will aspire to top-quartile performance in nationally benchmarked measures of patient experience in all facets of the care delivery system.

## **People:**

Each MaineHealth employee, whether providing direct care to patients or supporting direct caregivers, is a member of the MaineHealth care team. The correlation between an engaged, supported care team and superior organizational performance is well established. Health care provider organizations with higher engagement scores have higher quality scores, lower infection rates, higher safety scores, higher patient experience scores, and lower overall turnover and vacancy rates. Engagement is an operational imperative. MaineHealth must nurture a culture that enables members of the care team to perform their best; fully commit to the health system's goals and objectives; contribute to a positive patient experience; and enhance their own well-being.

Goal: MaineHealth will aspire to achieve top-quartile performance in nationally benchmarked measures of care team engagement.

MaineHealth believes that its employees are the most important asset in the pursuit of its mission and vision. They are the core of MaineHealth's success and are valued for the care they deliver, the work they perform, and the passion they demonstrate for high-quality care each day.

Talent management is intensely competitive in healthcare, as well as in other industries. Contributing factors include labor shortages, MaineHealth's service area regions' - and the country's - aging population, slow population growth in such regions, and a wide range of employment choices. To succeed, MaineHealth must deliver breakthrough strategies that position the System for success. MaineHealth must invest in innovative recruitment and retention efforts while providing attractive and targeted education and training opportunities to team members through the advancement of career pathways, both internally and with external partners.

Goal: MaineHealth will exceed the national median in retention and recruitment performance through the deployment of innovative programs, with education and training experiences that advance its mission and vision.

**Population:**

Management of MaineHealth believes that its commitment to population health improvement differentiates the System from others and forms the basis for innovative, proactive initiatives that measurably improve the health status of individuals and communities alike. MaineHealth's vision has supported this unique focus for two decades. MaineHealth acknowledges the impact of a community's environment, individual behaviors and public policy in addition to clinical care on overall health status. MaineHealth strives to broaden its focus beyond the disease prevention and wellness strategies historically implemented and adopt actions that more deeply impact the social determinants of health and reduce health disparities.

Goal: MaineHealth will continue to lead and collaborate in the development and implementation of disease prevention initiatives and adopt innovative strategies that measurably and positively impact the determinants of health and the overall health of its service area.

**Value:**

As the largest health system in its region, management of MaineHealth believes that it is uniquely capable of having a profound impact on the affordability of health care in the communities it serves. Management of MaineHealth intends to seize the opportunities available to it to further reduce the cost of care delivered by the System and improve the overall value proposition. MaineHealth, within its purview, will continue to take action to manage the total cost of care and make care more affordable for the residents of the service area.

Goal: MaineHealth will aspire to deliver health care services at a cost below the national median.

**Synopsis:**

This strategic plan and its four strategic priorities serve as a compass for MaineHealth and guide its efforts to fulfill its mission and vision.

**MaineHealth Accountable Care Organization, LLC**

MaineHealth Services and MaineHealth, through its Merged Subsidiaries, formed MHACO in 2011 to lead the System's involvement in accountable care initiatives. In 2016, three additional members entered into the LLC, including two additional MaineHealth acute care hospitals and an independent, for-profit organization, Maine Specialty IPA.

MHACO has over 1,600 physicians affiliated with one of MaineHealth Services' hospitals, Mid Coast Hospital, and St. Mary's Regional Medical Center. MHACO provides administrative and clinical implementation to service ACO beneficiaries.

MHACO's participation in the Medicare Shared Savings Program ("MSSP") began on July 1, 2012. In October 2014 the Centers for Medicare & Medicaid Services ("CMS") informed MHACO that it had been successful in achieving 100% on MSSP quality measures, saving \$19.2 million in care delivered to 48,273 Medicare beneficiaries attributed to the ACO-MSSP physicians. Achievement of these savings resulted in a payment to MHACO of \$9.4 million in FY 2015. According to CMS, of the 220 ACOs that participated in Year 1 of the MSSP, MHACO is one of 29 ACOs that met the threshold to share in savings for Year 1. MHACO has not received any shared savings in subsequent years. A major independent primary care practice based in Portland joined MHACO's provider network on January 1, 2014, adding more than 5,000 attributed beneficiaries to the covered population. An independent hospital in southern Maine joined the ACO-MSSP network on January 1, 2016 for the second agreement period with CMS. MHACO currently participates in "Level B" of the MSSP, which allows participating ACOs to share with the government in any savings achieved but does not require the organization to share in losses if financial targets are not achieved. The Level B ACO-MSSP agreement continues through December 31, 2020 and covers 54,000 Medicare beneficiaries. MHACO will enter into a new track – Level C of the MSSP in 2021, which has both upside and downside risk.

MHACO also has value-based agreements with Aetna, Anthem, CIGNA, Harvard Pilgrim Health Care, Martin's Point Generations Advantage, Uniform Services Family Health Plan, MaineCare, Community Health Options, Humana, United Health Care, MaineHealth Services' subsidiaries and Beacon. These agreements have financial and/or quality targets that rely on the collective success of the network. These commercial and Medicare Advantage agreements cover over 230,000 beneficiaries attributed to ACO primary care physicians.

#### Other Strategic Payor Relationships

MaineHealth Services' subsidiaries are actively engaged in collaborative efforts with all of the major commercial payers in the market. As described above under "MaineHealth Accountable Care Organization, LLC," through MHACO, its physicians and hospital members participate in over fifteen (15) value-based arrangements with attributed lives in excess of 230,000 patients. Engagement in these value-based arrangements includes Medicare Advantage, more than 65 commercial products, and MaineHealth Services' own employee health plan. Through the Maine Heart Center, a specialty care network comprised of MaineHealth Services hospitals, physicians, and affiliates, MaineHealth Services engages with the four largest commercial payers in comprehensive bundled payment arrangements for cardiovascular procedures. Over 1,000 cardiovascular procedures are bundled annually. MaineHealth Services and its affiliates also serve as the anchor provider system for three different high-value network products sponsored by Anthem, Harvard Pilgrim Health Care, and Aetna.

#### Electronic Health Record System

As part of a prior strategic plan, MaineHealth invested in a System-wide shared electronic health record system ("SeHR"), which project commenced in 2007 and is expected to be completed in 2021. SeHR is an integrated suite of technology solutions to support healthcare delivery for System members, providers and the communities the System serves. Epic and Lawson solutions provide an integrated suite of software solutions for managing most clinical, business and financial processes throughout the System. The integration of these solutions enabled caregivers and

patients, regardless of the setting, to obtain a more comprehensive view of information to facilitate further improvements in the delivery of safe, effective, and efficient care and advance the System’s vision of “one patient, one record.”

### Capital Plans

As the System refines its long-range planning process, the need for additional capital expenditures will be assessed, which MaineHealth and MaineHealth Services may determine to finance through future long-term indebtedness. No decisions, however, have been made of the level of future capital expenditures or future borrowings to achieve the goals of the strategic plan. Aside from the Series 2020A Bonds, and a conventional bank loan in the approximate amount of \$37 million (the “2020 Bank Loan”) to be incurred shortly after the date of issuance of the Series 2020A Bonds to legally defease the portion of MHHEFA’s Series 2011A, 2011C and 2012A Bonds allocable to MaineHealth (the “Defeased Bonds”), MaineHealth does not contemplate any major debt issuance in the strategic plan. See “FINANCIAL INFORMATION OF THE SYSTEM – Indebtedness and Guarantees of the System” herein.

### Affiliations and Mergers

As part of its ongoing planning, from time to time MaineHealth Services may conduct discussions with third parties about the potential acquisition of operations or properties that may become part of the System in the future, or about the potential sale of some of the operations and properties of the subsidiaries of the System. Management of MaineHealth Services evaluates affiliation opportunities as they arise, and such discussions are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently owned by the members of the System may change from time to time, subject to the provisions in the financing documents that apply to merger, sale, disposition or purchase of assets. Any affiliation or other similar transaction would be completed in compliance with the covenants in the Master Indenture.

## **STRATEGIC CAPITAL PROJECTS**

### MMC Master Facility Plan

MMC embarked on its multi-phase Master Facility Plan (“MFP”) project in 2006 with Phase I. The primary facility improvements in Phase I were the construction of the East Tower and the expansion of the emergency department into the newly constructed East Tower. Phase IIA, completed in 2015 and referred to as Surgery 2, included a vertical expansion of the Bean Building to house five new operating rooms and expanded surgical preparatory and recovery spaces. In Phase IIB, which commenced in 2018, MMC continues to upgrade, renovate and improve its Portland campus and ambulatory outpatient sites. The MFP Phase IIB project scope includes the following, a portion of which is completed and the remaining portion of which will be financed with proceeds of the Series 2020A Bonds, including through reimbursement to MaineHealth of previously expended funds, fundraising or equity:

#### ***Completed MFP Projects***

- Two new floors on the existing East Tower building (renamed “Coulombe Family Tower” in 2019) to house an additional 64 private patient rooms



- A 2,400-space employee parking garage on St. John Street (“Employee Garage”)
- Additional levels on the existing visitor parking garage to house 225 spaces (“Visitor Garage”)

### ***MFP Projects Underway***

- A new seven-story medical building with 64 private patient rooms and 19 procedure rooms on Congress Street in place of the current employee parking garage (“Congress Tower”)
- Additional investments in ambulatory site renovations

### **Strategic Rationale**

With the median age in Maine ranking as the highest in the nation (U.S. Census Bureau 2018 data), demand for services – especially those regarded as tertiary – is expected to continue to grow. The industry-wide growth in outpatient procedures means that far fewer lower acuity patients require inpatient care. Meanwhile, technology and evolving care standards are driving patients with more complex conditions to higher volume, tertiary care hospitals such as Maine Medical Center. The end result is that MMC’s Case Mix Index, which is a CMS measure of how complex cases are at a given institution, is rising steadily. MMC’s Case Mix Index rose from 1.75 in 2012 to 2.01 in 2019. Admissions are also growing at MMC, increasing from 29,253 in 2013 to 31,965 in 2019. As the hospital with the largest share of both tertiary and non-tertiary patients in Maine, these trends are especially pronounced for MMC. Between FY 2013 and FY 2019, total occupancy of available beds at MMC rose from 60% to 73%.

Many of the patients treated at MMC today have conditions that require them to be in a private room. This fact, combined with concerns such as matching patients in semi-private rooms with common infections or by gender, on a typical day leads to 60 or more bed closures. Capacity is further strained because many licensed beds are reserved for a specific purpose, notably patients requiring critical and intermediate care, often in emergent and urgent situations, and thus cannot be regularly used for inpatients with less urgent conditions. The MFP Phase IIB project will add 128 single patient rooms, all of which will be both private and universal, allowing them to be used for standard, intermediate or critical care, depending on trends in inpatient admissions. This flexibility is expected to greatly ease the constraints now placed on MMC’s bed capacity.

Surgical and other procedural capacity is also stressed at MMC due to high demand. The vast majority of procedure rooms at the hospital are more than 30 years old. These facilities do not conform to current new building standards of size because they are about two-thirds the size of modern rooms. In addition, supportive infrastructure such as preparatory and recovery bays, family waiting rooms and sterilization facilities are not properly suited to meet patient needs in the future. The MFP Phase IIB project includes appropriately-sized universal procedure rooms that can accommodate the latest technology as well as facilities that will better support pre- and post-operative care.

Growing patient demand and changing technology are straining the dated infrastructure at MMC. Meeting future demand from a larger, aging patient population with more complex needs will

require more private rooms and modern procedure rooms. These facilities updates will enable MMC to continue to provide superior, state-of-the-art care to patients who want to remain in Maine for their care, close to their families and primary care givers. It will facilitate transfers from other Maine hospitals and relieve pressure on an Emergency Department that is frequently backed up with patients waiting for an inpatient bed. Many of MMC’s existing clinical facilities are not configured in a way that will allow for retrofitting to meet modern standards.

The Maine Department of Health and Human Services (“DHHS”) issued a Certificate of Need (CON) for the MFP Phase IIB project on September 26, 2017. The CON approved \$555,900,000 of capital expenditures associated with the MFP Phase IIB project. If project costs exceed \$556,900,000, the project would require subsequent review by DHHS.

In addition to the MFP Portland campus projects, construction of an ambulatory facility in Scarborough, comprised of a new 108,000 square foot medical office building for specialty practices, is currently underway and is expected to be completed in 2021. All State and local building permits and approvals have been received, construction contracts are in effect, and construction has commenced. The building is planned to house Neuroscience, Otolaryngology (ENT), and Vascular Surgery. The campus is expected to receive inpatient designation, and there remains space on the site for future expansion. See also “MAINE MEDICAL CENTER – Physical Plant and Capital Projects” herein.

MFP Project Status

During the first few months of calendar year 2020, several portions of the MFP project were completed and became operational. These portions include the addition to the Visitor Garage, the expansion and renovation of the Coulombe Family Tower, containing a dual helipad landing area, and the opening of the new Employee Garage on Saint John Street. These three elements of the project were finished on schedule and under budget.

Funding Plan for Remainder of MFP Phase IIB

The breakdown of expenditures and anticipated funding for the remainder of Phase IIB of the MFP is as follows:

	<i>(In millions)</i>
	<b>Remainder of Phase IIB</b>
<u>Project Component / Use of Funds</u>	<u>Estimate*</u>
Congress Street Tower	\$317.4
Ambulatory Facilities	59.0
<b>TOTAL USES</b>	<b>376.4</b>
<u>Sources of Funds</u>	
Philanthropy	\$100.0
Equity	35.2
Series 2020A Bond Proceeds	241.2
<b>TOTAL SOURCES</b>	<b>\$376.4</b>

\* Estimated; subject to change.

Photos and Renderings of MFP Projects

The following are architect's renderings and recent photographs of aerial views of the MMC Portland campus after completion of the aforementioned projects, the expanded and renovated Coulombe Family Tower, interior views of the new patient and operating rooms in the Coulombe Family Tower, and the proposed Congress Tower entrance.

**MMC Portland Campus Aerial Views (Architect's Renderings)**



**Coulombe Family Tower (Recent Photographs)**



### **Patient and Operating Rooms (Architect's Renderings)**



### **Entrance to Congress Tower (Architect's Renderings)**



### **Other MaineHealth Project**

In addition to the MFP projects, MaineHealth also expects to use a portion of the Series 2020A Bond proceeds to renovate a Southern Maine Health Care inpatient behavioral health unit located in Sanford, Maine. The unit will consist of a 30 to 40 bed adult services facility to serve the region. MaineHealth will provide assessment, short-term acute care, and recovery-based services at this location.

## **GOVERNANCE**

### **MaineHealth Services**

MaineHealth Services is governed by a Board of Trustees (the “MaineHealth Services Board”) comprised of no less than 15 and up to 26 voting Trustees. The MaineHealth Services Board currently has 26 voting Trustees. The MaineHealth Services Board includes one nonvoting elected trustee and three nonvoting ex officio trustees: the Chief Executive Officer of MaineHealth,

the President of MaineHealth, the Chief Medical Officer of MaineHealth. The MaineHealth Services Board has an Executive Committee, a Finance Committee, a Governance Committee, an Audit Committee, an Investment Committee, a Quality and Safety Committee, a Programming and Planning Committee, and an Education and Research Committee. Elected trustees are limited to three successive three-year terms unless initially elected to fill a vacancy. Each subsidiary of MaineHealth Services maintains a Board of Directors, subject to certain governance and oversight by MaineHealth Services specified in their Articles of Incorporation and, in some cases, an executed Definitive Agreement. These documents generally reserve to MaineHealth Services approvals of certain activities of the subsidiary, such as adoption of annual operating and capital budgets; adoption of business, marketing, and strategic plans; election of the corporate boards; the sale, lease, disposition, mortgage, or encumbrance of any assets dedicated to their operations of a certain value; entry by the subsidiaries into any merger, consolidation, business combination or joint venture, or the creation or acquisition of any subsidiary organization; the filing of a voluntary petition or application under federal or state law seeking relief from debtors, reorganization, liquidation or dissolution; the commencement of litigation other than routine collection actions; amendment of certain governing corporate documents; incurring any indebtedness in excess of a predetermined value, other than incurred in the ordinary course of business or included within any approved operating or capital budget; developing, implementing, or terminating programs and services other than those included for such change within any approved strategic or financial plan; and the election of the member organization's President/CEO.

The current members of the MaineHealth Services Board are as follows.

<b><u>Name</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Current Term Expires</u></b>	<b><u>Maximum Term Expiration</u></b>
William L. Caron, Jr.	Chief Executive Officer, MaineHealth Services	<i>Ex officio</i>	<i>Ex officio</i>
Rich Petersen	President, MaineHealth Services	<i>Ex officio</i>	<i>Ex officio</i>
Joan Boomsma, ME	Chief Medical Officer	<i>Ex officio</i>	<i>Ex officio</i>
William A. Burke <i>Chair</i>	Media Executive, Turner Broadcasting/Time Warner	2020	2028
Greg Dufour <i>Vice Chair</i>	President & Chief Executive Officer, Camden National Corporation	2020	2026
Lisa Beaulé, MD	Urology Physician, MMP Urology	2022	2028
Clint Boothby, Esq.	Attorney	2022	2028
Kathrine B. Coster	Banker – Retired	2020	2026
Christopher Emmons	Banker – Retired	2021	2027
Morris Fisher	President, CBRE Boulos Asset Management	2021	2027
Bruce P. Garren	Attorney – Retired	2021	2027
Nancy Hasenfus, MD	Physician – Retired	2021	2026
Kate Herlhy, MD	Pediatric Physician	2020	2027
George Hissong	Small Business Owner	2022	2028
Ann Hooper	Radiology Technician - Retired	2022	2028
George Isaacson	Attorney	2020	2026
Ed Kelley	Executive – Retired	2020	2021

<u>Name</u>	<u>Principal Affiliation</u>	<u>Current Term Expires</u>	<u>Maximum Term Expiration</u>
David James Kumaki, M.D.	Chief Medical Information Officer, Western Maine Health Care	2022	2028
Bret Loffredo, MD	Family Practice Physician	2021	2027
Daniel Loiselle, MD	Internal Medicine Physician	2020	2026
Peter Manning, MD	OB/GYN Physician	2021	2027
Marie J. McCarthy	Chief of HR, LL Bean	2021	2027
Jere Michelson	Chair, Maine Medical Center Board President & COO and CFO Libra Foundation	2022	2028
Sandra Morrell-Rooney	Retired Small Business Owner	2022	2028
Brian Noyes	Investment Advisor, RM Davis	2020	2028
Thomas J. Ryan, Jr., M.D.	Medical Director, Cardiac Catheterization Laboratory, Maine Medical Center	2020	2026
Melissa Smith	President & CEO, WEX	2020	2026
Susannah Swihart	Banker – Retired	2021	2028
Stuart H. Watson	CEO Medical Device/Software Company	2022	2028

### MaineHealth

MaineHealth is governed by a Board of Trustees which mirrors the form and function of the MaineHealth Services Board. See “GOVERNANCE – MaineHealth Services” above.

### Transactions with Board Members

From time to time, the members of the System and affiliated organizations do business with firms with which their Trustees and directors may be affiliated. Management believes such transactions are on terms no less favorable than could be obtained from other parties. All members of the System are subject to a conflict of interest policy pursuant to which trustees having a potential conflict of interest must disclose such potential interest on an annual basis or when the interest becomes a matter for Board (or Committee) action and abstain from participating in and voting on the matter. The responsibility for monitoring such disclosure rests with the officers of each Board. The officers report annually to the full Board and make recommendations regarding specific disclosures.

## **MANAGEMENT**

Presented below are the biographies of the chief administrative officers of MaineHealth Services and MaineHealth.

William L. Caron, Jr. (age 66) is the Chief Executive Officer of MaineHealth Services and MaineHealth. Mr. Caron served as President and Chief Executive Officer of MaineHealth from 2000 until 2019. Prior to that he served as Executive Vice President and Treasurer at MaineHealth and Vice President and Treasurer at MMC. He previously was a partner with Ernst & Young and headed their East Region healthcare consulting practice in Philadelphia, Pennsylvania. He received his Master’s degree in Accounting from Northeastern University and his undergraduate

degree from the College of the Holy Cross in Worcester, Massachusetts. Mr. Caron continues to be active in the Greater Portland community and statewide economic development initiatives. He was a long-time member of the Portland Community Chamber of Commerce and the Regional Chamber. Mr. Caron held several officer positions with the Portland Community Chamber, including the position of President. Mr. Caron has also been active with Greater Portland United Way – serving as the Annual Campaign Chair in 2005 and 2010. He has served on the People’s United Bank Advisory Board and serves on the board of the Maine Hospital Association. Mr. Caron has been recognized as a Hall of Fame Laureate by Junior Achievement, was recognized by the United Way of Greater Portland as its 2009 Legacy Award winner and was awarded a 2020 Champion Award by the Portland Regional Chamber.

Richard W. Petersen (age 64) has served as President of MaineHealth Services and MaineHealth since 2019. Prior to this appointment he served as President and CEO of Maine Medical Center (MMC, the flagship medical center of MaineHealth) since 2009. Mr. Petersen served as Chief Operating Officer at MMC from 1998-2009. Before joining MMC, Mr. Petersen served as Senior Vice President for Kaleida Health Systems located in Buffalo, New York. Mr. Petersen earned an Associate’s degree in Business Administration from Broome Community College in Binghamton, New York and a Bachelor’s degree in Health Care Administration from Ithaca College in Ithaca, New York. Mr. Petersen also holds a Master’s degree in Business Administration with a concentration in accounting and finance from Canisius College in Buffalo, New York. Mr. Petersen currently serves as a Trustees and Treasurer on The Foundation for Maine’s Community Colleges, and Trustee of The John T. Gorman Foundation. He is a Fellow in the American College of Healthcare Executives.

#### Update on MaineHealth Services Chief Executive Officer and President Recruitment

William Caron, MaineHealth Services Chief Executive Officer and Richard Petersen, MaineHealth Services President, whose expected dates of retirement were in 2020 and 2021, respectively, have postponed their retirements to provide continuity in leadership for the System through the COVID-19 pandemic crisis and in the months to follow. MaineHealth Services has temporarily suspended its search for a new CEO and delayed the start of the search for a new President. As MaineHealth Services cannot predict the course and duration of this pandemic, it has not established a revised recruitment search timeline. Prior to the pandemic, the Board of Trustees had formed a Search Committee that included physicians and board members with expertise in human resources, finance and business. A national search for both positions had been planned and is expected to resume later this year.

Albert G. Swallow III (age 58) currently serves as the Chief Financial Officer and Treasurer of MaineHealth Services and MaineHealth. Prior to this he was the Chief Financial Officer and Treasurer at MaineHealth Services, a role he held since 2015. He has held various leadership positions in finance for MMC and MaineHealth Services since 1994. In those roles he was responsible for general finance, budgeting, payer contracting and reimbursement, registration, billing, and supply chain. Mr. Swallow has over 30 years of experience in healthcare finance, having been previously employed by Ernst & Young and Newman, Noyes and Associates (now Baker Newman Noyes), where he served many healthcare clients. He earned a Bachelor of Science in Accounting from Thomas College and is a Certified Public Accountant, and he also has certifications from the Healthcare Financial Management Association. Mr. Swallow serves on the

boards of the Portland Regional Chamber of Commerce and the Maine State Chamber of Commerce. He also serves as the Chair of the Maine Community College System Investment Committee.

Robert S. Frank (age 66) was appointed General Counsel of the System in October 2014, after serving as Deputy General Counsel since 2009. Prior to his work at MaineHealth Services, Mr. Frank was an associate at the Morrison & Foerster law firm in San Francisco (1979-82), an assistant attorney general at the Maine Department of Attorney General (1982-1987), an associate and then partner in the Maine law firm Verrill Dana (known as Verrill) (1987-1995), and a founding member and partner of Harvey & Frank (1995-2009). Mr. Frank also served as a visiting lecturer of antitrust law for three terms at The University of Maine Law School (1987-1990). Mr. Frank is a graduate of Emory University (B.A. Physics), and Yale Law School (J.D.).

Joan Boomsma, M.D., M.B.A. (age 62) joined MaineHealth Services as Chief Medical Officer (CMO) in 2016 and now serves as the CMO of the System. She has held numerous physician leadership roles throughout her career at community hospitals as well as large integrated health systems including SSM and Advocate Health Care. In 2011 she became CMO of Access Community Health Network in Chicago. In 2013 she joined Atlantic Health System, one of the largest hospital systems in New Jersey, first as CMO at one of its hospitals and later as CMO of the system's medical group of 800+ physicians. Dr. Boomsma received her undergraduate degree from Calvin College and attended the University of Michigan Medical School. She completed an internal medicine residency at Northwestern University, and a fellowship in pulmonary and critical care at the University of Illinois College of Medicine, followed by a distinguished clinical career practicing at Northwestern Memorial Hospital in Chicago. She earned an MBA from Kellogg Graduate School of Management at Northwestern University.

Lugene A. Inzana (age 58) is Chief Financial Officer of MMC and Associate Chief Financial Officer of MaineHealth. He is a Certified Public Accountant with over 30 years of experience in healthcare finance. Prior to joining MMC in 2014, Mr. Inzana was most recently Vice President of Finance and Support Services/Chief Financial Officer at Lawrence + Memorial Corporation/Hospital in New London, Connecticut. Mr. Inzana holds both a B.A. in Accounting and an MBA in Finance from St. Bonaventure (NY) University. He is a member of the Healthcare Financial Management Association (HFMA) and Past President of the Western New York Chapter. In addition to his professional endeavors, Mr. Inzana has been an active volunteer for many years, serving on a wide range of boards and committees for community organizations.

Jeffrey D. Sanders (age 51) has been the President of MMC since 2019 and served as its Executive Vice President and Chief Operating Officer of MMC since 2010. Before joining MMC, Mr. Sanders worked at Intermountain Healthcare in Utah for a decade. During his time at Intermountain, he served as an operations officer at Intermountain Medical Center in Murray and McKay-Dee Hospital in Ogden with strategic and operational oversight for clinical and administrative services. Mr. Sanders earned his Bachelor of Arts degree from Saint Anselm College in Manchester, New Hampshire, and his Masters of Healthcare Administration degree from The University of North Carolina at Chapel Hill. He is a member of the American College of Healthcare Executives.



Joel L. Botler, M.D. (age 65) serves as MMC’s Chief Medical Officer, overseeing all clinical, medical management, and programmatic aspects of health care delivery. In this role he also serves as the primary liaison between MMC management and the private physician practice community. In addition, Dr. Botler is currently serving as the President of Maine Medical Partners, a subsidiary of MMC. Dr. Botler’s relationship with MMC dates to 1979 when he began his Internal Medicine internship and residency after earning his medical degree at the State University of New York (SUNY) in Brooklyn. Since that time, he has served the southern Maine community as a primary care internist for 30 years; helped to found InterMed in 1995; and held numerous leadership roles at MMC focusing on areas such as Family Medicine, Geriatrics, and Adult Medicine. Most recently, Dr. Botler held the title of MMC Vice President, Adult Medicine Service Line, and co-chair of the Maine Medical Partners Finance Committee. Dr. Botler earned his Bachelor of Arts degree from Princeton University.

## UTILIZATION

### Licensed Bed Capacity/In-Service Beds and Bassinets

The current licensed acute care bed capacity (which excludes bassinets) and the total number of beds and bassinets in service for MMC and for all of the other hospitals in the System are as follows:

	<u>MMC Beds</u>	<u>Other System Hospital Beds</u>	<u>Total Combined Beds</u>
<b>Licensed Bed Capacity</b>	<u>637</u>	<u>572</u>	<u>1,230</u>
<b>Beds in Service:</b>			
Medical/Surgical	330	234	564
Intensive Care	93	34	127
Coronary Care	82	0	82
Obstetrics	70	41	111
Pediatrics	37	5	42
Psychiatry	<u>25</u>	<u>130</u>	<u>155</u>
Total Beds in Service	637	444	1,081
<b>Nursery Bassinets</b>	<u>20</u>	<u>48</u>	<u>68</u>
Total Hospital Beds and Bassinets in Service	<u>657</u>	<u>492</u>	<u>1,149</u>

The following table illustrates the System’s utilization statistics for the fiscal years ended September 30, 2017, 2018 and 2019 and for the six months ended March 31, 2019 as compared to March 31, 2020:

**MaineHealth System Wide Utilization (excluding newborns)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>FY to Date 3/31/2019</u>	<u>FY to Date 3/31/2020</u>
Inpatient Discharges (excluding newborns)	49,421	49,333	48,669	23,930	23,713
Patient Days	267,359	269,696	272,513	135,548	138,513
Observation Bed Days	15,599	18,429	20,587	10,000	10,000
Occupancy (beds in service)	68.3%	68.7%	69.1%	69.1%	69.0%
Average Length of Stay (days)	5.41	5.47	5.60	5.66	5.84
Surgical Cases - Inpatient	16,260	16,029	16,391	7,944	8,072
Surgical Cases - Outpatient	36,369	36,548	37,497	18,201	18,621
Births	4,443	4,509	4,555	2,152	2,211
Emergency Visits	208,486	205,711	206,494	97,772	109,149
Urgent Care Visits	77,976	82,590	87,143	40,943	41,009
Radiology Exams	340,296	339,731	347,627	170,280	159,967
CT Scans	96,835	99,578	105,935	50,664	51,367
MRI Studies	34,714	33,588	35,218	16,799	17,234

Management’s Discussion of Utilization

Total System inpatient discharges have decreased from 49,421 in FY 2017 to 48,669 in FY 2019 or 1.5%. This decrease is off-set by a steady increase of observation patients as illustrated by the increase in observation bed days, which is also an indication of facility bed utilization. Observation bed days increased by 32.0% from 15,599 in FY 2017 to 20,587 in FY 2019.

Average inpatient occupancy across the System has increased from 68.3% in FY 2017 to 69.1% in FY 2019 indicating a strong demand for inpatient services and the increasing acuity and length-of-stay of those inpatients.

The combined inpatient and outpatient surgical procedures of 52,629 in FY 2017 grew by 2.4% to 53,888 in FY 2019. Inpatient surgical procedures increased from 16,260 to 16,391 or 0.8% from FY 2017 to FY 2019. Outpatient surgical procedures increased from 36,369 in FY 2017 to 37,497 in FY 2019 or 3.1%. Total surgical volume at MMC accounts for approximately 62% of the System’s total surgical procedures.

System-wide emergency visits have decreased from 208,486 in FY 2017 to 206,494 in FY 2019. The decline in emergency room visits has been off-set by an increase in urgent care and walk-in patients from 77,976 in FY 2017 to 87,143 in FY 2019.

Inpatient discharges for the six-month period ending March 31, 2020 were 23,713 compared to 23,930 for the six month period ending March 31, 2019. Mid Coast Hospital became a member of the system on March 1, 2020, contributing 415 inpatient discharges to the total System discharges for the six-month period ending March 31, 2020. When comparing inpatient discharges, excluding Mid Coast Hospital, between the six-month periods ending March 31, 2019 and March 31, 2020, a decline of 632 inpatient discharges was recorded. The decline is due to the drop in inpatient discharges in the month of March due to the COVID-19 virus. Total inpatient

and outpatient surgical cases were 26,693 for the six-month period ending March 31, 2020, compared to 26,145 for the sixmonth period ending March 31, 2019, for an increase of 548. Mid Coast Hospital contributed 515 total surgical cases in the month of March 2020.

## **FINANCIAL INFORMATION OF THE SYSTEM**

The following summary consolidated balance sheets of MaineHealth Services and its subsidiaries as of September 30, 2017 through 2019, and the summary consolidated statements of operations for the years then ended, were derived from the audited consolidated financial statements of MaineHealth Services and subsidiaries.

Appendix B to this Official Statement sets forth the audited consolidated balance sheets of MaineHealth Services and subsidiaries as of September 30, 2018 and 2019 and the related audited consolidated statements of operations, changes in net assets, and cash flows for the years then ended, together with supplemental consolidating information. The summary consolidated balance sheets and summary consolidated statements of operations of the System and the other financial information contained in this Appendix A should be read in conjunction with the audited consolidated financial statements of MaineHealth Services and subsidiaries for the fiscal years ended September 30, 2018 and 2019, together with the related notes included in Appendix B. Appendix B includes financial information for entities that are not SFA Designated Affiliates under the System Funding Agreement. For the fiscal year ended September 30, 2019, the SFA Designated Affiliates in effect as of such date accounted for approximately 87.4% of total System revenues and approximately 94.2% of total System assets. See the table under “FINANCIAL INFORMATION OF THE SYSTEM – Summarized Fiscal 2019 Financial Information by Subsidiary.”

Pages A-34 and A-35 herein present the unaudited summary consolidated financial information for the six months ended March 31, 2019 and March 31, 2020 (fiscal years 2019 and 2020), prepared by management of MaineHealth Services, and is derived from the financial records of MaineHealth Services and its subsidiaries. Unaudited consolidated financial information includes all adjustments, consisting of normal recurring accruals that management considers necessary for a fair presentation of the financial position and results of operations for these periods. Unaudited results for the six months ended March 31, 2019 and 2020 are not necessarily indicative of the results that may be expected for the entire fiscal year ending September 30, 2020. The summary financial information on pages A-34 and A-35 includes financial information for entities that are not SFA Designated Affiliates under the System Funding Agreement.

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**MAINEHEALTH SERVICES AND SUBSIDIARIES**

Summary Consolidated Balance Sheets

September 30, 2017, 2018 and 2019

(In thousands)

<b>Assets</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Current assets:			
Cash and cash equivalents	\$230,303	\$353,300	\$292,618
Investments	455,801	497,533	781,005
Patient accounts receivable – net	243,191	238,805	259,807
Other current assets	<u>130,508</u>	<u>214,286</u>	<u>169,823</u>
Total current assets	1,059,803	1,303,924	1,503,253
Investments whose use is limited by:			
Board designation & plant replacement funds	249,716	251,629	57,570
Other	<u>226,749</u>	<u>269,537</u>	<u>258,606</u>
Total investments whose use is limited	476,465	521,166	316,176
Property, plant, and equipment – net	1,101,990	1,138,413	1,250,506
Other assets	<u>144,640</u>	<u>126,084</u>	<u>131,866</u>
Total assets	<u>\$2,782,898</u>	<u>\$3,089,587</u>	<u>\$3,201,801</u>
<b>Liabilities and Net Assets</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Current liabilities:			
Current portion of long-term debt	\$28,695	\$33,095	\$36,621
Other current liabilities	<u>361,729</u>	<u>348,539</u>	<u>339,499</u>
Total current liabilities	390,424	381,634	376,120
Accrued retirement benefits	323,379	270,359	398,266
Long-term debt – less current portion	427,395	593,642	567,287
Other liabilities	<u>87,677</u>	<u>84,070</u>	<u>94,625</u>
Total liabilities	1,228,875	1,329,705	1,436,298
Net assets:			
Without donor restrictions	1,364,261	1,546,130	1,542,445
With donor restrictions	<u>189,762</u>	<u>213,752</u>	<u>223,058</u>
Total net assets	<u>1,554,023</u>	<u>1,759,882</u>	<u>1,765,503</u>
Total	<u>\$2,782,898</u>	<u>\$3,089,587</u>	<u>\$3,201,801</u>

**MAINEHEALTH SERVICES AND SUBSIDIARIES**

Summary Consolidated Statements of Operations

Years ended September 30, 2017, 2018 and 2019

(In thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Unrestricted revenues and other support:			
Net patient service revenue	\$2,171,749	\$2,313,030	\$2,465,108
Other revenue	<u>196,293</u>	<u>210,846</u>	<u>252,229</u>
Total unrestricted revenues and other support	<u>2,368,042</u>	<u>2,523,876</u>	<u>2,717,337</u>
Expenses:			
Salaries & employee benefits	1,461,774	1,544,905	1,653,844
Professional fees, purchased services and supplies	563,506	609,272	682,954
Interest	16,223	16,157	13,981
Depreciation and amortization	125,601	134,658	134,993
Other	<u>143,674</u>	<u>150,992</u>	<u>148,742</u>
Total expenses	<u>2,310,778</u>	<u>2,455,984</u>	<u>2,634,514</u>
Income from operations	<u>57,264</u>	<u>67,892</u>	<u>82,823</u>
Nonoperating gains (losses):			
Gifts and donations – net of related expenses	113	7,021	1,686
Other	<u>55,730</u>	<u>43,296</u>	<u>34,608</u>
Total nonoperating gains – net	<u>55,843</u>	<u>50,317</u>	<u>36,294</u>
Excess of revenues and nonoperating gains – net over expenses	113,107	118,209	119,117
Retirement benefit plan adjustments	64,339	51,580	(132,636)
Other	<u>3,198</u>	<u>12,080</u>	<u>9,834</u>
Increase in unrestricted net assets	<u>\$180,644</u>	<u>\$181,869</u>	<u>(\$3,685)</u>

**MAINEHEALTH SERVICES AND SUBSIDIARIES**

Summary Consolidated Balance Sheets  
September 30, 2019 and March 31, 2020  
(In thousands)

<b>Assets</b>	<b>Audited 9/30/2019</b>	<b>Unaudited 3/31/2020</b>
Current assets:		
Cash and cash equivalents	\$292,618	\$286,081
Investments	781,005	779,069
Patient accounts receivable – net	259,807	276,382
Other current assets	169,823	177,623
Total current assets	<u>1,503,253</u>	<u>1,519,155</u>
Investments whose use is limited by:		
Board designation & plant replacement funds	57,570	131,339
Other	258,606	283,638
Total investments whose use is limited	<u>316,176</u>	<u>414,977</u>
Property, plant, and equipment – net	1,250,506	1,373,757
Right of use asset	0	123,611
Other assets	131,866	143,178
Total assets	<u>\$3,201,801</u>	<u>\$3,574,678</u>
<b>Liabilities and Net Assets</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>9/30/2019</b>	<b>3/31/2020</b>
Current liabilities:		
Current portion of long-term debt	\$36,621	\$36,733
Other current liabilities	339,499	420,693
Total current liabilities	376,120	457,426
Accrued retirement benefits	398,266	388,709
Long-term debt – less current portion	567,287	585,684
Other liabilities	94,625	214,343
Total liabilities	1,436,298	1,646,162
Net assets:		
Without donor restrictions	1,542,445	1,676,531
With donor restrictions	223,058	251,985
Total net assets	<u>1,765,503</u>	<u>1,928,516</u>
Total	<u>\$3,201,801</u>	<u>\$3,574,678</u>

**MAINEHEALTH SERVICES AND SUBSIDIARIES**

Summary Consolidated Statements of Operations

Six Months Ended March 31, 2019 and 2020

(In thousands)

	<b>Unaudited 3/31/2019</b>	<b>Unaudited 3/31/2020</b>
Unrestricted revenues and other support:		
Net patient service revenue	\$1,211,881	\$1,261,881
Other revenue	118,937	136,267
Total unrestricted revenues and other support	1,330,818	1,398,148
Expenses:		
Salaries & employee benefits	812,667	889,825
Professional fees, purchased services and supplies	327,995	354,100
Interest	7,185	7,652
Depreciation and amortization	66,661	72,932
Other	77,212	82,030
Total expenses	1,291,720	1,406,539
Income from operations	39,098	(8,391)
Nonoperating gains (losses):		
Gifts and donations – net of related expenses	250	361
Contribution of net assets from acquired subsidiaries (note 1)	0	157,656
Other	8,840	(20,260)
Total nonoperating gains – net	9,090	137,757
Excess of revenues and nonoperating gains – net over expenses	48,188	129,366
Other	6,593	4,720
Increase in unrestricted net assets	\$54,781	\$134,086

Management’s Discussion of the Financial Performance of the System

***Overview***

The System generated income from operations of \$57.3 million in FY 2017, \$67.9 million in FY 2018 and \$82.8 million in FY 2019. For the first six months of FY 2020, the System generated a loss from operations of \$8.4 million, compared to \$39.1 million in income from operations for the same period in FY 2019. See further details below regarding the year to date loss from operations. The growth in income from operations from FY 2017 to FY 2019 is due primarily to the increase in operating income at MMC and significantly improved performance at Southern Maine Health Care and Coastal Healthcare Alliance, the System’s second and third largest subsidiaries, respectively. The loss of income in the first six months of FY 2020 compared to the first six months of FY 2019 is due to the impact of the world-wide COVID-19 pandemic and the need to cancel elective procedures and non-critical outpatient office visits part way through the month of March 2020. See “Impact of COVID-19” below. Additionally, Mid Coast–Parkview Health and Subsidiaries became subsidiaries of MaineHealth Services in March 2020, accounting for \$8.8 million of the year to date loss.

SMHC's operating gain was \$523 thousand in FY 2017, compared to an operating gain of \$5.7 million in FY 2019. The improved financial performance is the result of an increase in inpatient discharges, the successful recruitment and retention of several physician providers and the efficient management of operating expenses. CHA's operating gain was \$150 thousand in FY 2017, compared to a \$7.9 million operating gain in FY 2019. Improvement in CHA's financial performance was due to stronger performance at Pen Bay Medical Center, including the recruitment and retention of physician providers and the successful consolidation of certain functions between its two locations. A discussion of the combined results of the System is set forth below. All references to years refer to fiscal years unless noted otherwise.

### ***March 2019 Compared with March 2020 (six-month period)***

The System's financial performance was severely impacted by the interruption in operations due to the COVID-19 virus. An operating loss of \$39.9 million was recorded in the month of March 2020, resulting in an operating loss for the six-month period ending March 31, 2020 of \$8.4 million. Prior to the month of March, the System had recorded operating income of \$31.5 million through the first five months of FY 2020 compared to operating income of \$31.1 million through the first five months of FY 2019.

#### Revenues

When comparing the six months ending March 31, 2020 to the six months ending March 31, 2019, total unrestricted revenues and other support increased by \$67.3 million, of which \$11.4 million of the increase was from MidCoast Parkview Hospital and Subsidiaries joining MaineHealth Services in March 2020. MMC's increase in total unrestricted revenues and support was \$57.4 million and was due to increases in hospital discharges of 2.5%, hospital patient days of 4.5% and hospital lengths of stay of 4.2%. The System's self-pay deductions from revenue decreased from \$79.2 million to \$62.7 million, largely due to the expansion of the State Medicaid plan.

#### Expenses

From March 2019 to March 2020, the combined expenses of the System increased from \$1.292 billion to \$1.407 billion. This increase of \$114.8 million can be attributed mostly to MMC's increase in expenses of \$78.0 million and \$20.2 million due to the addition of MidCoast Parkview in March of 2020. The increase in MMC's expenses is a result of increases in employee compensation rates and volume related expenses. A System-wide increase in depreciation expense of \$6.3 million is largely attributed to the full implementation of the SeHR project and depreciation at MMC related to their capital expansion.

### ***Impact of COVID-19***

#### COVID-19 Outbreak

In February 2020, the Center for Disease Control ("CDC") confirmed the spread of the COVID-19 disease to the United States, and the State of Maine confirmed its first case on March 12, 2020. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The federal government has declared COVID-19 a national emergency, and many federal and state authorities have implemented aggressive measures to "flatten the curve" of individuals diagnosed



with COVID-19 both to curtail the spread of the virus and to avoid overwhelming the health care system. On March 18, CMS issued guidance that all elective surgeries and procedures, including medical and dental, should be postponed nationwide to mitigate the burden on health systems of increasing COVID-19 incidence and to make necessary facilities, equipment, supplies (including personal protective equipment, or “PPE”) and personnel available to treat patients presenting COVID-19 symptoms. In response to the global outbreak of the COVID-19 disease, the System implemented emergency preparedness and response protocols related to the current outbreak of the global COVID-19 disease, resulting in various operational challenges. COVID-19 has had, and is likely to continue to have, a material adverse impact on the economic conditions throughout much of the world, including the United States, the State of Maine and the System.

In an effort to slow the spread of the disease, the Governor of the State of Maine declared a state of emergency on March 15, followed by orders requiring schools and nonessential businesses to close, limiting gatherings, and ordering people to stay at home.

MaineHealth responded quickly to the pandemic by developing a System-wide COVID-19 Response Plan. The following are some key components of the Plan.

#### *The System’s Response to COVID-19: Operations and Patient Care*

The System began delaying or cancelling all non-emergent or elective procedures on March 16 as directed by CMS-issued guidance. MaineHealth concurrently implemented restrictions on visitors in its inpatient facilities, outpatient centers, emergency departments, labor and delivery units and psychiatric care units.

MaineHealth has been in close contact with local, state and federal officials to help coordinate efforts in responding to the COVID-19 pandemic. In mid-March, each of MaineHealth’s ten hospitals convened a Hospital Incident Command Structure (HICS), and MaineHealth’s corporate leadership convened a system-wide HICS. These HICS met at least daily for three months, and now are meeting less frequently given the improvement in the System’s COVID-19 numbers and the experience gained to date in handling COVID-19 driven issues.

HICS are comprised of administrative and clinical leadership as well as leaders from pandemic-related functions, including from Supply Chain, Communications and Governmental Affairs. HICS oversaw, led, and managed staffing, supplies and facilities to ensure the MaineHealth System was able to successfully respond to the COVID-19 surge and ongoing non-surge urgent functions. The Chief Medical Officer (CMO) Councils, comprised of the CMOs from the ten hospitals, also met from once daily to twice per week to address medical issues. The HICS team at MaineHealth’s flagship hospital, Maine Medical Center, commenced on March 10, 2020, initially meeting in person twice per day, seven days per week for the first eight weeks (mid-March to end of April) because of the large volume of patients being seen and challenges with the supply chain (especially PPE), as discussed further below. HICS meetings have tapered down with the MaineHealth HICS discontinuing ongoing meetings as of June 17, 2020, and the MMC HICS meetings currently reduced to once per day, five days a week.

### Supply Chain

Throughout the COVID-19 pandemic, MaineHealth's Supply Chain worked diligently to secure critical PPE and other COVID-19 related supplies from reliable sources. The Supply Chain team also worked to mitigate disruptions as a result of business closures, inventory depletion and/or production delays caused by the outbreak. The System has leveraged its existing relationships with group purchasing organizations and distribution partners, along with other key vendors, to secure necessary and ongoing supplies. These relationships have allowed for confidence in supply quality and allow better forecasting and management of deliveries. Where non-traditional partners have been needed, Supply Chain has worked closely with MaineHealth leadership, as well as experts in safety and infection prevention, to ensure supplies meet MaineHealth, CDC, OSHA and other regulatory guidelines. Partnerships with strategic manufacturers in Maine, such as the L.L. Bean Corporation, have helped the System to supplement inventories for masks, face shields and hand sanitizer. Supply Chain continues to source and vet additional suppliers in order to maintain contingency plans for key categories.

A Supply Chain COVID-19 steering committee meets daily to track PPE and address any concerns or challenges, including ongoing forecasting. Supplies are being managed centrally in order to ensure system wide stewardship of supplies and to distribute supplies and equipment pursuant to clinical priorities. MaineHealth leadership believes that it has a sufficient supply of PPE to meet its current needs but continues to plan for contingencies and the potential for additional surges in COVID-19 cases.

### Telemedicine

The MaineHealth system has leveraged and greatly expanded its use of video technology in response to the COVID-19 pandemic. Prior to the pandemic, there were an average of 1,285 telehealth visits per month in the System. Since mid-March 2020, over 180 clinicians in 40 different specialties have completed over 36,000 visits to over 8,000 unique patients in their homes. This has enabled ambulatory providers to maintain contact with their most vulnerable patients, and has allowed patients to continue to receive medical care without having to leave their homes and risk exposure to the virus. In addition to seeing patients in their homes, the System has used video technology in the hospital in unique ways. Patient rooms housing COVID-19 positive and suspected positive patients were equipped with iPads, enabling the care team to communicate with patients from outside the room, when appropriate, lowering the caregiver's risk and conserving PPE. The iPads were also used to connect these patients with their families, given visitation restrictions established at the outset of the crisis. Finally, video technology was leveraged to allow Critical Care physicians from the ICU in Portland to remotely consult on patients in the other eight System hospitals. Capital investments required to achieve this level of telemedicine engagement included: 1,160 Zoom Licenses, 191 laptops, 323 iPads and 533 Webcams. Six team dedicated members were reassigned to facilitate the rapid procurement, implementation and deployment of all of these resources.

### Employees and Staffing

Throughout the pandemic the System continues to meet the needs of its patients by ensuring needed facilities and staff are operational when elective procedures were allowed to resume on

May 18, 2020 and when the stay-at-home order was lifted. The System has implemented extra measures for patient and employee safety, including: remote check-in, redesigned waiting rooms, COVID-19 testing procedures, PPE, sanitizers and employee screening. The System continues to implement CDC safety guidelines and intends to bring back staff and gradually return to prior work hours and levels of service. The System's human resources team has provided support services to minimize employee barriers to working including, but not limited to, the following: necessary resources (computers, screens, printers, etc) to allow employees to work from home; child care stipend for essential workers; maintained resources to assist employees with child care options; increased employee mental health resources; increased safety protocols throughout the System; more flexibility in paid time off policies; and created an Employee Health Hot Line to support care team members. MaineHealth has committed to supporting its workforce with continued employment without layoffs and continued compensation at current levels through September 30, 2020.

### Facilities

To date, the System's hospitals have not experienced a surge in numbers of patients needing inpatient care sufficient to require MaineHealth to augment inpatient operating capacity. The System has identified sites that could be converted to additional hospital beds if needed to address such a surge. Through July 1, 2020, total COVID-19 hospitalizations in the State of Maine were 354, of which 285 were at hospitals in the System, including 211 at MMC. The experience that MaineHealth Services and MaineHealth have gained during the pandemic has enabled them to continually plan for future potential surges, including the sufficiency of ICU bed capacity and equipment supply and the creation of dedicated COVID-19 units.

### Legislative Work

MaineHealth has carefully monitored and responded to the variety of opportunities for financial relief, including CARES Act programs and other sources of funds intended to offset the revenue losses and provide temporary relief for employers during the pandemic. MaineHealth has worked closely with state and federal elected officials to advocate for support, and the System has received approximately \$110 million in such relief to date. Such support includes additional programs and funding opportunities that have been created to support health care providers, including support for uninsured patients who are tested and treated for COVID-19; support for rural health providers; Medicaid funds made available by the State of Maine; the Employee Retention Tax Credit; and waiver flexibilities that have provided critical support to the System's telehealth capabilities, allowing its providers to continue to care for – and bill for – health care services provided in alternative locations, including patients' homes.

Beginning in mid-March 2020, MaineHealth participated in regular meetings with federal and state health authorities to align the System's response to COVID-19 in the communities it serves, including extensive work with long-term care and residential treatment facilities in order to limit the spread of the virus and mitigate its burden on the health care system. The System is also closely tracking its costs and monitoring additional funding opportunities at the federal and state levels so that it will be able to apply for any applicable relief related to business interruption costs as well as repayment for elevated operating expenses related to the outbreak. There is no assurance of what amount of such relief may ultimately be available to the System. While management intends

to take advantage of such relevant programs and policies, the timing, adequacy and other effects of such relief on the System cannot be ultimately predicted at this time.

### Leadership Role of MaineHealth During Pandemic

MaineHealth has played a critical and strategic role in Maine's and northern New England's response to the COVID-19 pandemic. MaineHealth leadership actively engaged others regionally responding to COVID-19, including:

- MaineHealth's CEO has been one of five healthcare leaders meeting with Maine's DHHS Commissioner on a weekly basis since the beginning of the pandemic's presence in Maine, to advise Maine State government on the response.

- MaineHealth's CEO has convened and led a group of 50 CEOs from major employers and businesses from northern New England who have met weekly to develop joint strategies and learn from each other. Two of MaineHealth's leading infectious disease and epidemiology experts have provided updates on the pandemic, answered questions, and advised the group. Brief examples of outcomes from these meetings include: collaborations between businesses on developing locally-manufactured supply chains for critical personal protective equipment (PPE) and testing supplies; and development of shared reopening strategies and timelines on a regional basis.

- MaineHealth's Senior Vice President for Governmental Affairs has convened weekly briefings attended by Maine's congressional delegation and their staff that include updates and question and answer sessions with MaineHealth health experts, as well as discussions on federally-related strategies that have informed their decision-making at the national level.

- MaineHealth's Senior Vice President for Governmental Affairs has convened monthly briefings attended by Maine legislators. These meetings have included updates and question and answer sessions with MaineHealth health experts, as well as discussions on State-related strategies that have informed their decision-making at the State level.

- MaineHealth's two leading infectious disease and epidemiology experts serve on a panel of six State experts developing the guidance and requirements for different industry sectors to reopen, including retail businesses, administrative offices, restaurants, hair salons and K-12 schools. They have also served as advisors to Maine's colleges and universities for reopening plans.

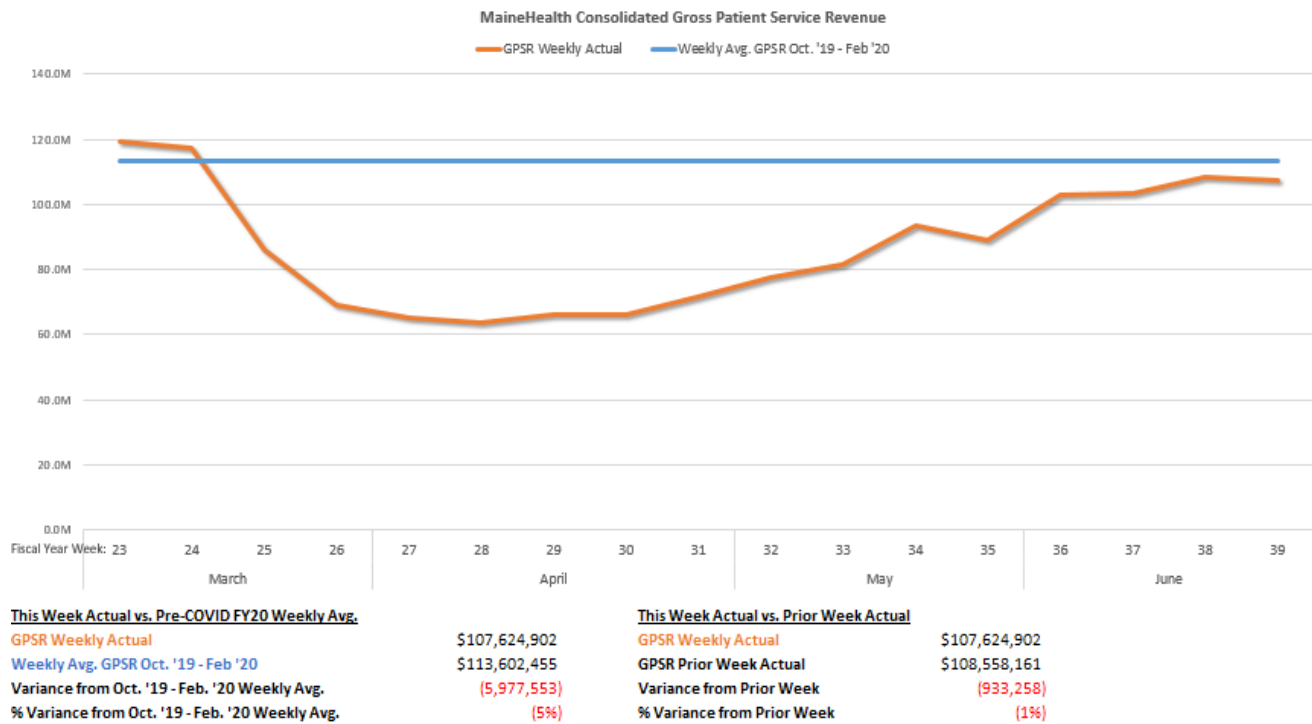
- MaineHealth's senior health officials meet weekly with the senior health officials from the other four health systems in Maine and from Maine State government for the purposes of sharing information and informing statewide strategies.

### Estimated Financial Impact of the Pandemic on MaineHealth

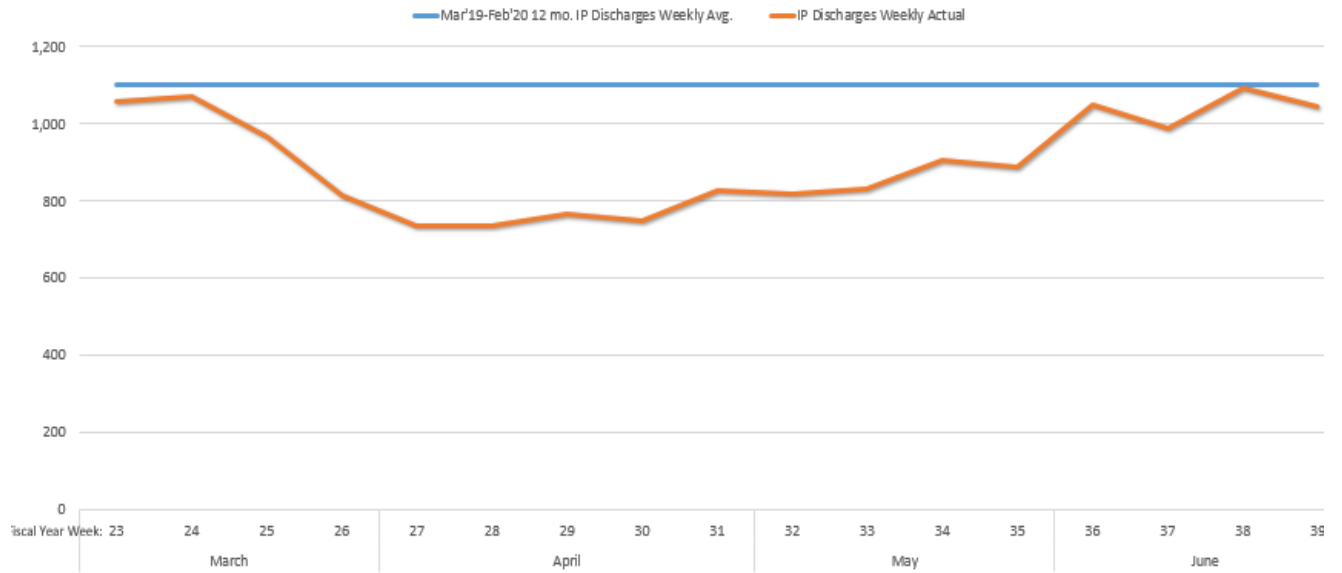
The delaying or cancelling of all non-emergent and elective procedures to allow for additional acute care capacity for COVID-19 patients significantly impacted the System's utilization and patient service statistics, and materially adversely impacted its financial condition, reducing volumes in most hospitals of the System materially below budgeted and prior year levels. The loss of elective surgeries and procedures reduced surgical volumes by approximately 16% in

March compared to previous monthly averages. In April, the first full month of case cancellations, surgical volumes were 64% below previous monthly averages. In May, with MaineHealth adding back time-sensitive cases, surgical volumes were 36% below previous monthly averages.

The following charts show the changes in gross patient service revenue, inpatient discharges, and inpatient and outpatient surgeries in the System from March 2020 through June 2020, including comparisons to the weekly average for gross patient service revenue from October 2019 through February 2020 and the weekly averages for discharges and surgeries from March 2019 through February 2020. All figures in the following charts are from unaudited weekly internal reporting. Gross patient service revenues are based on posting date (rather than date of service) and include all revenues billed through Epic plus non-Epic revenues from Maine Behavioral Healthcare, Mid Coast Hospital and NorDx. Revenues from certain nursing facilities not billed through Epic, Mid Coast Geriatric Services and Community Health and Nursing Services, Maine Health Care at Home and NorDx are excluded. Inpatient discharges exclude nursing facility discharges. Surgical procedures include procedures performed in an operating room, endoscopy suite or cardiac catheterization lab.



MaineHealth Consolidated Inpatient Discharges



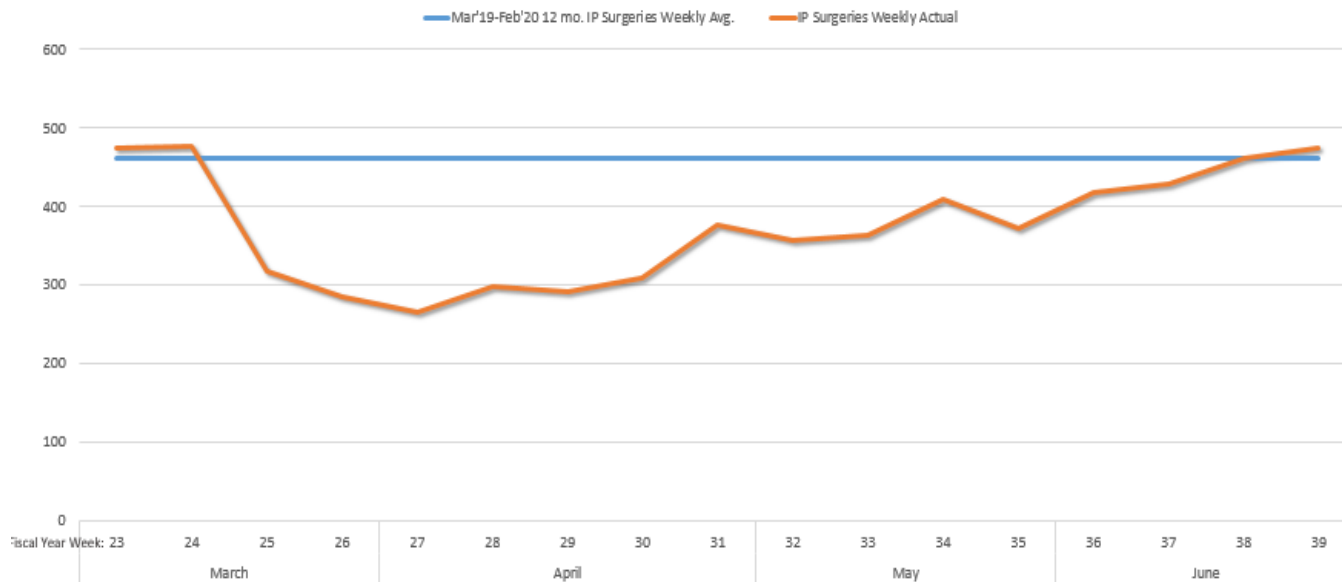
**This Week Actual vs. Pre-COVID Rolling 12 Month Average**

IP Discharges Weekly Actual	1,047
Mar'19-Feb'20 12 mo. IP Discharges Weekly Avg.	1,101
Variance from March '19 - Feb. '20 Weekly Avg.	(54)
% Variance from March '19 - Feb. '20 Weekly Avg.	(5%)

**This Week Actual vs. Prior Week Actual**

IP Discharges Weekly Actual	1,047
IP Discharges Prior Week Actual	1,093
Variance from Prior Week	(46)
% Variance from Prior Week	(4%)

MaineHealth Consolidated IP Surgeries

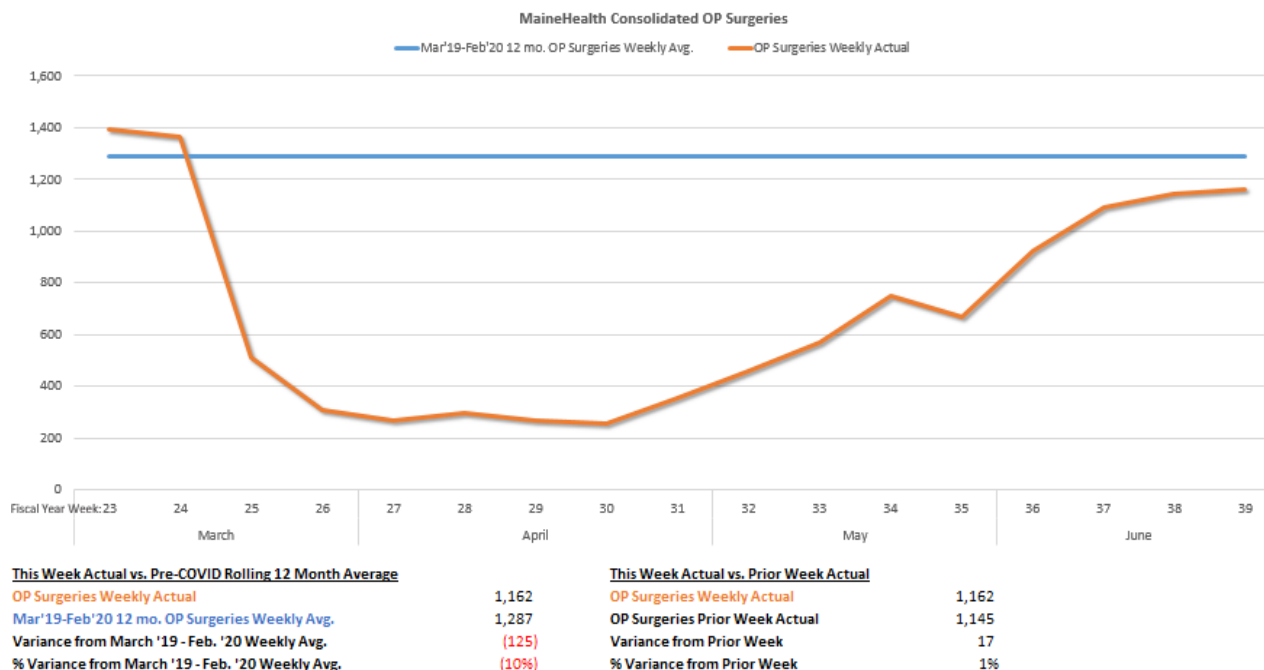


**This Week Actual vs. Pre-COVID Rolling 12 Month Average**

IP Surgeries Weekly Actual	475
Mar'19-Feb'20 12 mo. IP Surgeries Weekly Avg.	462
Variance from March '19 - Feb. '20 Weekly Avg.	13
% Variance from March '19 - Feb. '20 Weekly Avg.	3%

**This Week Actual vs. Prior Week Actual**

IP Surgeries Weekly Actual	475
IP Surgeries Prior Week Actual	462
Variance from Prior Week	13
% Variance from Prior Week	3%



Through May 2020, MaineHealth’s fiscal year-to-date net patient service revenue of \$1,569 million was \$68 million below prior year results for the same period. Total unrestricted revenue and other support of \$1,747 million was \$54 million below prior year results. Fiscal year-to-date total operating expenses through May 2020 of \$1,901 million were \$154 million above prior year, and the fiscal year-to-date loss from operations of \$154.6 million was \$207.4 million below the \$52.8 million income from operations incurred through May of FY 2019. Prior year figures would not have included Mid Coast-Parkview Health, and current year figures include only Mid Coast-Parkview Health from the date of merger, March 1, 2020. Year-to-date excess of revenues and nonoperating gains – net over expenses was \$16.7 million as of May 31, 2020.

The economic slowdown associated with COVID-19 has also resulted in reductions in consumer spending, and dramatic increases in unemployment in Maine and across the U.S. These shifts could cause patients to defer medical procedures, impacting volumes at the System, and could also impact the payor mix and collection of accounts receivable.

Liquidity

In addition to the loss of patient volumes, and the associated revenue as described above, the COVID-19 outbreak resulted in substantial volatility in global investment markets, U.S. domestic debt and equity capital markets, travel and commerce generally. As a result, the value of the System’s investment portfolio has declined. The System’s total unrestricted cash and investments increased by \$32 million, or 2.8% for the quarter ended March 31, 2020. During the quarter ended March 31, 2020 Mid Coast-Parkview Health merged into the MaineHealth System, bringing with it unrestricted net assets of approximately \$158 million, some of which would have offset the

impact to cash and investments in the quarter. The System has a diversified approach to both its investment program and its debt program. The System's investment policy is designed to support growth and reasonable risk while imploring an improved liquidity position in the event of financial distress or immediate liquidity needs.

To ensure ongoing access to readily available funds during the pandemic, in April 2020, the System drew down \$50 million from an existing line of credit, and in May 2020 secured an additional \$100 million line of credit from T.D. Bank, N.A. MaineHealth has since repaid the initial \$50 million draw and has not needed to draw on the additional \$100 million line of credit. More recently, MaineHealth's liquidity position improved from March 2020 to May 2020 by \$253 million or 21%, bolstered by the receipt of \$243.9 million in Medicare payment advances. These advances are required to be repaid beginning in August 2020 over a one-year period, subject to certain conditions. Industry efforts are underway to seek a longer timeframe for repayment of these advances. Not included in the increase noted above, the System also received approximately \$110 million in federal and state relief grant funding between April and June 2020. This amount included \$53 million in CARES Act Provider Relief grants and \$38 million in CARES Act Rural Hospital Relief grants. MaineHealth recognized the \$110 million in grant funding as revenue in the month of June, which also allowed the grant funding to be released from restriction and added to MaineHealth's liquidity position.

#### Ongoing Monitoring

Depending on a number of variables, including the duration of the COVID-19 pandemic, the duration and nature of social distancing directives or similar remedial initiatives, the timeframe for developing and distributing an effective treatment for the disease, the timeframe for developing and distributing an effective vaccine for COVID-19, the pace of return to normal operations after social distancing initiatives are relaxed, the amount of federal grants or loan forgiveness assistance available to offset losses, and the occurrence of additional spikes in infection and hospitalization rates, the System's operations and financial condition could be further materially adversely impacted. Management cannot predict the likelihood or severity of the ultimate impact of any of these events on the System's operations or financial condition, though such impact could be material and adverse.

Management continues to closely monitor developments with respect to the COVID-19 outbreak and intends to follow recommendations of the CDC and other applicable federal, state and local regulatory agencies. It is not possible to predict the scope or effect of any future legislative or regulatory action enacted in response to the COVID-19 outbreak on the operations and financial condition of the System.

#### ***FY 2018 Compared with FY 2019***

##### Revenue

Total unrestricted revenue and other support increased from \$2.524 billion in FY 2018 to \$2.717 billion in FY 2019. This increase of \$193.5 million was due to the increase in total unrestricted revenues and other support at the System's three largest members. Unrestricted revenues and other support increased by \$58.4 million at MMC, \$20.8 million at Coastal Healthcare Alliance and



\$15.7 million at Southern Maine Health Care. Strong demand for its services and commercial payor rate increases contributed to the revenue growth at Maine Medical Center. Coastal Healthcare Alliance's increases in hospital lengths of stay, hospital patient days and outpatient surgeries contributed to its 8% growth in total unrestricted revenue and other support while Southern Maine Health Care's 5.4% growth was driven by an increase in total surgeries and patient lengths of stay.

### Expenses

Total operating expenses increased from \$2.456 billion in FY 2018 to \$2.635 billion in FY 2019. This increase in total operating expenses of \$178.5 million is due to the increase in total operating expenses at MMC of \$55.4 million. The majority of this increase in expenses was attributed to increases in volume, wage increases, and increases in pharmaceutical supplies expenses.

### ***FY 2017 Compared with FY 2018***

#### Revenue

Total unrestricted revenue and other support increased from \$2.368 billion in FY 2017 to \$2.524 billion in FY 2018. This increase of \$155.8 million was largely due to an increase in unrestricted revenue and other support at MMC of \$124.1 million, \$16.7 million at Coastal Healthcare Alliance and \$7.4 million at Southern Maine Health Care. The increase of \$124.1 million in unrestricted revenue and support at MMC is due to an overall increase in demand for its services. The number of inpatient discharges increased by 3.0% from FY 2017 to FY 2018 and the outpatient surgical procedures increased by 2.6% from FY 2017 to FY 2018.

#### Expenses

Total operating expenses increased from \$2.311 billion in FY 2017 to \$2.456 billion in FY 2018. This increase of \$145.2 million is largely due to the increase in total operating expenses at MMC of \$118.6 million. The increase of \$118.6 million in total operating expenses at MMC is a result increases in volume, wage increases and medical supply inflation.

### ***Maine Medical Center Pension Plan and Post-Retirement Medical Plan Obligation***

The determination of the funded status of the MMC defined benefit and post-retirement medical plans is dependent upon assumptions established at the end of each fiscal year. As a result, adjustments have been made at the end of each fiscal year to reflect the change in the unfunded status of each plan. In FY 2016, MMC recorded an increase in the established liability and a corresponding decrease in the unrestricted net assets of \$86.6 million. In FY 2017, MMC recorded a decrease in the established liability and a corresponding increase in the unrestricted net assets of \$64.3 million, reflecting a favorable net change in the assumptions. In FY 2018, MMC recorded a decrease in the established liability and a corresponding increase in the unrestricted net assets of \$51.6 million, reflecting a favorable net change in assumptions. In FY 2019, MMC recorded an increase in the established liability and a corresponding decrease in unrestricted net assets of \$132.6 million, reflecting an unfavorable change in the assumptions.

See also "PENSION AND POST-RETIREMENT BENEFIT PLANS" herein.

## ***Management's Discussion of Consolidated Balance Sheets***

The Summary Consolidated Balance Sheets set forth on pages A-32 and A-34 present the financial position of the System as of September 30, 2017, 2018 and 2019 and as of March 31, 2019 and 2020, respectively.

### **Consolidated Balance Sheets September 30, 2017, 2018 and 2019**

Cash and cash equivalents and Investments increased from \$686.1 million in 2017 to \$1.074 billion in 2019. Board Designated and Plant Replacement Funds have decreased from \$249.7 million in 2017 to \$57.6 million in 2019. The increase in Cash and cash equivalents and the decrease in Board Designated and Plant Replacement funds was largely the result of unification which involved investments previously classified as Board Designated in FY 2017 reclassified to Investments in FY 2019. The total amount of Cash, cash and equivalents and Board Designated Funds in FY 2017 was \$935.8 million compared to \$1.1 billion in FY 2019. The remainder of the increase is a result of operating performance and realized gains in investments. Other assets have decreased from \$144.6 million in 2017 to \$131.9 million in 2019 due to a re-class of Beneficial Interest in Perpetual Trust assets out of Other Assets and into Investments Whose Use is Limited.

Total long-term debt, including the current portion, has increased by \$147.8 million largely due to the full draw-down of the SeHR I and II Debt and MMC's Series 2018 bonds that were issued to support the long range MFP.

The net increase in net assets of \$211.5 million resulted from strong financial performance and favorable returns on investments.

### **Consolidated Balance Sheets September 30, 2019 and March 31, 2020**

Cash and cash equivalents and Investments, when combined, decreased from \$1.074 billion at September 30, 2019 to \$1.065 billion at March 31, 2020. The decrease is due to the loss of revenue and investment returns as a result of the world-wide pandemic, including its negative impact on the financial markets. Total capital expenditures over this period were approximately \$91 million.

Total System assets increased from \$3.202 billion at September 30, 2019 to \$3.575 billion at March 31, 2020. Total liabilities also increased from \$1.436 billion to \$1.646 billion, mostly due to an increase of \$104 thousand in Other Long Term Liabilities as a result of implementing the new lease accounting standard, effective October 1, 2019.

Net assets of \$1.766 billion at September 30, 2019 increased to \$1.929 billion at March 31, 2020, an increase primarily due to the addition of Mid Coast Hospital to the System, which was offset by the impact of COVID-19.

### **Summarized Fiscal 2019 Financial Information by Subsidiary**

The following table sets forth the total revenues, assets and net income of MaineHealth Services and each subsidiary for the fiscal year ending September 30, 2019, including the percentage of each statistic that such entity represents in the total System. The SFA Designated Affiliates are presented in the top subtotaled grouping of subsidiaries. The "MaineHealth – Non-designated"

category is substantially comprised of MMC Realty, Maine Medical Partners, St. Joseph's Residence and Rehabilitation, Waldo County Healthcare Management Company, PenBay Healthcare Management Company and the Healthy Community Coalition, Inc.

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Summary Financial Information of  
the System Funding Agreement Designated Affiliates  
Fiscal Year Ended September 30, 2019

Entity	In \$000s				% of MaineHealth Consolidated			
	Assets	Unr. Net Assets	Revenues	Operating Income (Loss)	Assets	Unr. Net Assets	Revenues	Operating Income (Loss)
MaineHealth Services	442,547	56,157	31,569	(315)	13.8%	3.6%	1.2%	-0.4%
MaineHealth	2,551,443	1,337,736	2,323,943	157,504	79.7%	86.7%	85.5%	190.2%
Coves Edge	8,424	2,151	10,383	(784)	0.3%	0.1%	0.4%	-0.9%
Quarry Hill	14,511	789	10,140	(564)	0.5%	0.1%	0.4%	-0.7%
Subtotal Designated Affiliates	3,016,925	1,396,833	2,376,035	155,841	94.2%	90.6%	87.4%	188.2%
MaineHealth -Non-designated	35,369	38,675	154,226	(80,249)	1.1%	2.5%	5.7%	-96.9%
NorDX	42,360	38,574	70,754	5,336	1.3%	2.5%	2.6%	6.4%
MaineHealth Care at Home	11,470	6,576	29,642	432	0.4%	0.4%	1.1%	0.5%
The Memorial Hospital	85,566	55,732	69,438	148	2.7%	3.6%	2.6%	0.2%
Other	10,111	6,055	17,242	1,315	0.3%	0.4%	0.6%	1.6%
Subtotal Non-Designated Affiliate	184,876	145,612	341,302	(73,018)	5.8%	9.4%	12.6%	-88.2%
Total	3,201,801	1,542,445	2,717,337	82,823	100.0%	100.0%	100.0%	100.0%

Indebtedness and Guarantees of the System

The following chart sets forth the outstanding indebtedness and guarantee obligations of MaineHealth Services and MaineHealth and the other System members as of September 30, 2019, as well as the current security for the indebtedness. Upon issuance of the Series 2020A Bonds, (a) \$122,818,224 of MaineHealth Services bonded debt will be secured by a pledge of MaineHealth Services and MaineHealth gross revenues on a parity basis with the Series 2020A Bonds, (b) \$588,551,822 of MaineHealth and other MaineHealth Services subsidiary debt will be secured by a guaranty of MaineHealth Services under the Master Indenture and by a parity pledge of MaineHealth Services and MaineHealth gross revenues and (c) \$45,674,957 of MaineHealth Services, MaineHealth and other MaineHealth Services subsidiary term loan debt will be secured by a pledge of MaineHealth Services and MaineHealth gross revenue pledge on a parity basis with the Series 2020A Bonds. Of the pro forma outstanding debt as of September 30, 2019, \$771,195,003 of MaineHealth and other MaineHealth Services subsidiary debt will benefit from a parity pledge of MaineHealth Services and MaineHealth gross revenues.

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**Indebtedness and Guaranties of the System<sup>(\*)</sup>**

Category	Subcategories	Outstanding as of 9/30/2019	Pro-Forma	Security
Bonded Parent Debt	SeHR I Bonds	71,037,387	71,037,387	Parent General Obligation <sup>(1)</sup> Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)</sup>
	SeHR II Bonds	51,780,837	51,780,837	Parent General Obligation <sup>(3)</sup> Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)</sup>
Bonded Subsidiary Debt	Subsidiary debt guaranteed by Parent under the Master Indenture <sup>(4)</sup>			
	MaineHealth	334,370,360	553,098,228	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) <sup>(2)(5)</sup>
	MaineHealth (Mortgage Liens)	30,525,703	24,015,603	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) <sup>(2)(5)</sup> Mortgage Lien
	LincolnHealth Cove's Edge	1,950,774	1,950,774	LincolnHealth Cove's Edge General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) <sup>(2)(5)</sup>
	Quarry Hill	7,199,300	7,199,300	Quarry Hill General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) <sup>(2)(5)</sup> Mortgage Liens
	Subsidiary debt guaranteed by Parent, but not under the Master Indenture			
	MaineHealth (SMHC FAME Bonds) <sup>(6)</sup>	12,540,028	12,540,028	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) <sup>(2)(5)</sup>
	Subsidiary debt not guaranteed by Parent			
	Memorial Hospital	13,500,000	13,500,000	Memorial Hospital General Obligation Memorial Hospital Gross Revenue Pledge and Mortgage Memorial Foundation Guaranty
	Mid Coast Hospital	--	25,510,486	Mid Coast Hospital General Obligation Mid Coast Hospital Gross Revenue Pledge
Subsidiary Line of Credit Debt	MaineHealth revolving line of credit	0	0	\$50,000,000 revolving line of credit MaineHealth (formerly MMC) General Obligation Parent and MaineHealth (formerly known as MMC) Revenue Pledge <sup>(2)(5)</sup>
Parent Term Loan Debt	SeHR I Term Loan	5,024,070	5,024,070	Parent General Obligation <sup>(1)</sup> Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)</sup>
	SeHR II Term Loan	3,399,874	3,399,874	Parent General Obligation <sup>(3)</sup> Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)</sup>
	Other Term Loans	18,911,052	18,911,052	Parent General Obligation Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)</sup>
Subsidiary and Other Parent Term Loan Debt	Other Term Loans/Capital Leases - Not TD Bank	21,381,604	21,381,604	Substantially all MaineHealth (formerly known as MMC) General Obligation <sup>(7)</sup> Liens on certain Mainehealth merged property
	Other Term Loans - TD Bank	6,662,805	6,662,805	Substantially all MaineHealth (formerly MMC) General Obligation Parent and MaineHealth (formerly MMC) Gross Revenue Pledge <sup>(2)(8)</sup>
<b>Total</b>		<b>578,283,794</b>	<b>816,012,048</b>	

**2019 Notes**

(\*) For purposes of this table, all obligations, debts, guaranties or pledges of MaineHealth (parent corporation) / MaineHealth Services will be referred to as a "Parent" obligation, debt, guaranty or pledge.

(1) Parent's obligation to pay the SeHR I Bonds and SeHR I Term Loan is supported by the contractual obligation of each SeHR I Affiliate to pay its Allocable Share under the SeHR I System Funding Agreement. Post-Unification, the remaining SeHR I Affiliates are: MaineHealth (formerly MMC), MaineHealth Care at Home and NorDx.

(2) All references in this table to "Parent and MaineHealth (formerly MMC) Gross Revenue Pledge" reflect a parity pledge of those gross revenues to secure all Obligations issued under the Master Indenture, the SeHR I Bonds and SeHR I Term Loan, the SeHR II Bonds and SeHR II Term Loan, other Term Loans to Parent and a Line of Credit and other Term Loans to MaineHealth (formerly MMC) held by TD Bank, N.A.

(3) Parent's obligation to pay the SeHR II Bonds and SeHR II Term Loan is supported by the contractual obligation of each SeHR II Affiliate to pay its Allocable Share under the SeHR II System Funding Agreement. Post-Unification, the remaining SeHR II Affiliates are: MaineHealth (formerly MMC), MaineHealth Care at Home, Memorial Hospital and NorDx.

(4) Includes loans of \$76,011,898 made under the MHHEFA's Reserve Fund Resolution program, which is further secured by a debt service reserve fund and moral obligation of the State of Maine.

(5) Parent Guaranty is supported by both Parent and MaineHealth (formerly MMC) Gross Revenue Pledge and the contractual obligation of each SFA Designated Affiliate to pay its Allocable Share under the 2019 Second Amended and Restated System Funding Agreement. Post-Unification, the remaining SFA Designated Affiliates are: Parent, MaineHealth (formerly MMC), LincolnHealth Cove's Edge and Quarry Hill. Quarry Hill became an SFA Designated Affiliate as part of the Unification transaction.

(6) FAME Bonded debt held by TD Bank, N.A.

(7) Including one loan from Bank of America, N.A. that is secured by a Parent Guaranty supported by both Parent and MaineHealth (formerly MMC) Gross Revenue Pledge and the contractual obligation of each SFA Designated Affiliate to pay its Allocable Share under the 2019 Second Amended and Restated System Funding Agreement. See footnote (5) for a roster of SFA Designated Affiliates.

(8) Excluding one loan from TD Bank, N.A. to The Memorial Hospital of North Conway which is secured by a Parent corporate guaranty but is not secured by a Parent or MaineHealth (formerly MMC) gross revenue pledge.

The MaineHealth line of credit with TD Bank in the amount of \$50,000,000 is secured by a pledge of MaineHealth Services and MaineHealth gross revenues on a parity basis with the Series 2020A Bonds. There is currently no debt outstanding on this line of credit. In May, 2020 MaineHealth Services secured an additional line of credit from TD Bank in the amount of \$100,000,000 that is secured by a pledge of MaineHealth Services and MaineHealth gross revenues on a parity basis with the Series 2020A Bonds. This additional line has a maturity date of May, 2021, and currently no amounts have been drawn thereon.

The Series 2020A Bonds will be guaranteed by MaineHealth Services under the Master Indenture and the guarantee will be supported by the System Funding Agreement. All of the subsidiary debt for which MaineHealth Services has provided a System guaranty under the Master Indenture has been designated as “Designated Indebtedness” under the System Funding Agreement. Under the System Funding Agreement, in the event of a payment default with respect to such guaranteed debt, the SFA Designated Affiliates have agreed to pay to MaineHealth Services their respective Allocable Share of the amount requested by MaineHealth Services to cure the default. For more information regarding the System Funding Agreement, see the forepart of this Official Statement under the heading “SECURITY FOR THE SERIES 2020A BONDS – MaineHealth Services Guaranty, Master Indenture and System Funding Agreement” and Appendix D to this Official Statement – “Summary of Second Amended and Restated System Funding Agreement”.

As the System refines its longer-range strategic and financial planning processes, the need for additional capital expenditures or borrowings will be assessed, which MaineHealth Services, MaineHealth or the SFA Designated Affiliates may determine to finance through future long-term indebtedness. No decisions, however, have been made about the level of future capital expenditures or future borrowings to achieve the goals of the System’s longer-term strategic or financial plans.

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## Actual and Pro Forma Historical Debt Service Coverage

The following chart sets forth historical and pro forma coverage of annual debt service on long-term debt of MaineHealth Services and its subsidiaries. The debt service coverage ratio is based on income available for debt service during the fiscal years ended September 30, 2017, 2018 and 2019. The pro forma calculation as of September 30, 2019 sets forth the historical coverage of estimated maximum annual debt service on all outstanding long-term indebtedness of the System, including the Series 2020A Bonds and the proposed 2020 Bank Loan expected to be incurred by MaineHealth shortly after the issuance of the Series 2020A Bonds for the purpose of legally defeasing the Defeased Bonds, and excluding the Defeased Bonds. There can be no assurance that the System will generate income available for debt service in future years comparable to historical performance.

<i>(In thousands)</i>	<u>As of</u> <u>9/30/2017</u>	<u>As of</u> <u>9/30/2018</u>	<u>As of</u> <u>9/30/2019</u>	<u>Pro forma</u> <u>9/30/2019*</u>
Excess of revenue and gains over expenses - adjusted to exclude net unrealized gains and certain other items	\$97,769	\$134,335	\$109,061	\$101,844
Depreciation and amortization	125,601	134,658	134,993	134,993
Interest expense	16,223	16,157	13,981	21,198
Income available for debt service	<u>\$239,593</u>	<u>\$285,150</u>	<u>\$258,035</u>	<u>\$258,035</u>
Total debt service	<u>\$44,918</u>	<u>\$49,252</u>	<u>\$50,602</u>	<u>\$58,114</u>
Debt service coverage ratio	5.3	5.8	5.1	4.4
Pro forma estimated maximum annual debt service				\$67,952
Historical coverage of pro forma estimated maximum annual debt service				3.8

\* Pro forma debt service includes Series 2020A Bonds and 2020 Bank Loan and excludes the Defeased Bonds. Includes debt service on capital leases.

Based on the unaudited and adjusted FY 2020 eight months ended May 31, 2020, preliminary management forecasts for the fiscal year ended September 30, 2020 indicate that taking into account the full impact of the ongoing COVID-19 pandemic, the debt service coverage ratio for such fiscal year may be below 1.10. A preliminary estimate of debt service coverage for the eight months ended May 31, 2020 is 2.10. This preliminary calculation reflects internal unaudited financial statements with the following adjustments: (i) excess of revenue and gains over expenses does not exclude extraordinary expenses (which exclusion is permitted by the Master Trust Indenture); (ii) excess of revenue and gains over expenses is adjusted to include \$110 million in relief funds received to date but that have not been recognized as revenue on the unaudited financial statements as of May 31, 2020 (MaineHealth expects to recognize these funds in June 2020); (iii) MaineHealth's \$50 million line of credit is not included in total debt service (it was repaid in early June 2020); and (iv) total debt service is prorated for the same eight-month period based upon total principal and interest payments due in fiscal year 2020, which does not include the Series 2020A Bonds or the 2020 Bank Loan because payments thereon are scheduled to commence in fiscal year 2021. Management attributes the decline in MaineHealth's debt service coverage to the impact of COVID-19 and is requesting consent from a majority of the Master Trust Indenture obligation holders, including from the purchasers of the Series 2020A Bonds, who by

their purchase of the Series 2020A Bonds will be deemed to consent and direct the Bond Trustee for the Series 2020A Bonds to consent, to suspend Section 407 of the Master Trust Indenture, and the requirement to maintain a 1.10 debt service coverage ratio for fiscal year 2020 and hire a consultant as a result of falling below this ratio in fiscal year 2020. See “INTRODUCTORY STATEMENT – Proposed Suspension of Master Indenture Covenant Related to Debt Service Coverage Ratio for Fiscal Year Ending September 30, 2020” in the forepart of this Official Statement.

#### Actual and Pro Forma Cash to Total Debt

The chart below sets forth the System’s cash to debt ratio as of September 30, 2017, 2018 and 2019, as of March 31, 2020, and pro forma as of March 31, 2020.

<i>(In thousands)</i>	<u>As of</u> <u>9/30/2017</u>	<u>As of</u> <u>9/30/2018</u>	<u>As of</u> <u>9/30/2019</u>	<u>As of</u> <u>3/31/2020</u>	<u>Pro Forma</u> <u>3/31/2020*</u>
Cash and Cash Equivalents	\$230,303	\$353,300	\$292,618	\$286,081	\$365,671
Investments	<u>705,517</u>	<u>749,162</u>	<u>838,575</u>	<u>910,408</u>	<u>910,408</u>
Total Unrestricted Cash & Investments	935,820	1,102,462	1,131,193	1,196,489	1,276,079
Total Outstanding Long-Term Indebtedness	461,490	631,462	603,908	672,417	868,473
Total Unrestricted Cash & Investments as a Percentage of Indebtedness	202.8%	174.6%	187.3%	177.9%	146.9%

\* Pro forma Cash and Cash Equivalents reflects pay down of \$50mm line of credit, and assumes reimbursement of \$20mm from Series 2020A Bonds as well as receipt of COVID-19 relief grants of \$109.590mm. Pro forma Long-Term Indebtedness reflects pay down of \$50mm line of credit, and assumes issuance of the Series 2020A Bonds and the 2020 Bank Loan and the legal defeasance of the Defeased Bonds.

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## Actual and Pro Forma Total Debt as a Percentage of Total Capitalization

The chart below sets forth the System's debt to capitalization ratio as of September 30, 2017, 2018 and 2019, as of March 31, 2020, and pro forma as of March 31, 2020.

<i>(In thousands)</i>	<b>As of 9/30/2017</b>	<b>As of 9/30/2018</b>	<b>As of 9/30/2019</b>	<b>YTD 3/31/2020</b>	<b>Pro Forma 3/31/2020*</b>
Current portion of LT Debt	\$28,695	\$33,095	\$36,621	\$36,733	\$36,733
Long term debt - less current portion	427,395	593,642	567,287	585,684	831,740
Lines of Credit	5,400	4,725	-	50,000	-
Total Outstanding Debt	<u>461,490</u>	<u>631,462</u>	<u>603,908</u>	<u>672,417</u>	<u>868,473</u>
Total Outstanding Long-Term Indebtedness	\$ 461,490	\$ 631,462	\$ 603,908	\$ 672,417	\$ 868,473
Unrestricted Net Assets	1,364,261	1,546,130	1,542,445	1,676,531	1,676,531
Total Capitalization	<u>\$ 1,825,751</u>	<u>\$ 2,177,592</u>	<u>\$ 2,146,353</u>	<u>\$ 2,348,948</u>	<u>\$ 2,545,004</u>
Indebtedness as a Percentage of Total Capitalization	25.3%	29.0%	28.1%	28.6%	34.1%

\* Pro forma Outstanding Debt reflects pay down of \$50mm line of credit, and assumes issuance of the Series 2020A Bonds and the 2020 Bank Loan and the legal defeasance of the Defeased Bonds.

## Days' Cash on Hand of the System

The System's liquidity and days' cash on hand for the fiscal years ended September 30, 2017, 2018 and 2019 and fiscal year-to-date as of March 31, 2020, and pro forma as of March 31, 2020, are presented below.

### **Days Cash on Hand of the System**

	<b>As of 9/30/2017</b>	<b>As of 9/30/2018</b>	<b>As of 9/30/2019</b>	<b>As of 3/31/2020</b>	<b>Pro Forma 3/31/2020*</b>
Cash & Cash equivalents	\$230,303	\$353,300	\$292,618	\$286,081	\$365,671
Investments	705,517	749,162	838,575	910,408	910,408
Total Unrestricted Cash & Investments	935,820	1,102,462	1,131,193	1,196,489	1,276,079
Total Operating Expenses	2,310,778	2,455,984	2,634,514	1,406,539	1,414,931
Less Depr / Amortization	125,601	134,658	134,993	72,932	72,932
Adjusted Total Operating Expenses	2,185,177	2,321,326	2,499,521	1,333,607	1,341,999
DCOH	156.3	173.3	165.2	164.2	174.0

\* Pro forma Cash and Cash Equivalents reflects pay down of \$50mm line of credit, and assumes reimbursement of \$20mm from Series 2020A Bonds as well as receipt of COVID-19 relief grants of \$109.590mm.



## Investments

The System's investment philosophy is to (1) preserve capital and (2) achieve benchmarked returns on investments. The chart below depicts the System's asset allocation (including operating cash) as of September 30, 2019.

	<u>9/30/2019</u>
Fixed Income	44.28%
Equity	16.45
Cash	26.16
Real Assets/Inflation Hedging	0.18
Marketable Alternatives	<u>12.93</u>
	100.00%

As of September 30, 2019, 99% of the investments in this portfolio were liquid and 1% of the investments were illiquid.

## Capital Budget

Each year the budget process begins with the review of strategic goals and objectives developed in conjunction with executive management and the System Board. The MaineHealth finance department, in conjunction with executive management, physician leadership and department managers of the various System entities, develops volume, revenue and expense projections for the SFA Designated Affiliates of the System and the other System entities to prepare their respective annual operating and capital budgets. MaineHealth's executive management team compiles the final budgets adopted by the System entities, which are presented to the MaineHealth Board for final approval. The System's capital budget for FY 2020 totals approximately \$217 million. This amount does not include \$98 million of projected capital expenditures by MaineHealth for the Master Facility Plan. \$96 million is devoted to items related to strategic projects, with the remaining \$121 million devoted to routine building improvements and new and replacement equipment. The FY 2020 capital budget is expected to be funded from operating cash, philanthropy, and the incurrence of long-term debt, including proceeds of the Series 2020A Bonds.

## Interest Rate Swaps; Derivatives Policy

In order to manage the System's exposure to interest rate risk and secure low-cost capital, MaineHealth Services and MaineHealth utilize certain derivative instruments such as interest rate swaps. Interest rate swaps are used to manage interest rate risk associated with fixed and variable rate borrowings. MaineHealth Services and MaineHealth have in place interest rate swap policies that establish formal yet flexible guidelines incorporating risk parameters, structuring guidelines and performance goals. Neither MaineHealth Services nor MaineHealth has any obligation to post collateral under the outstanding MaineHealth swap agreements, regardless of the System's credit ratings. The TD Bank, N.A. swap agreements with MaineHealth Services are secured by gross revenues pledges of MaineHealth Services and MaineHealth. Under certain circumstances, the swap agreements are subject to termination prior to stated maturity. If a swap agreement were to be terminated at a date when such agreement has a negative value to MaineHealth Services or MaineHealth, as applicable, MaineHealth Services and MaineHealth, respectively, would be obligated to make a termination payment. The following interest rate swap agreements are outstanding, with notional amounts shown as of March 31, 2020:

Obligor	Notional as of 3/31/2020	Pays	Receives	Counterparty	Est. Mid-Market Value as of 3/31/2020 <sup>(1)</sup>
MaineHealth	9,304,941	Fixed: 3.848%	Variable: 1ML + 0.95%	Toronto-Dominion Bank, New York	(1,281,284)
MaineHealth	8,940,987	Fixed: 3.848%	Variable: 1ML + 0.95%	Toronto-Dominion Bank, New York	(1,231,155)
Maine Behavioral Health	1,362,209	Fixed: 5.200%	Variable: 1ML + 0.92363%	Toronto-Dominion Bank, New York	(35,198)
Maine Medical Center	12,370,000	Variable: SIFMA	Variable: 85% * 3ML	Deutsche Bank AG, New York	(31,492)
Maine Medical Center	12,894,417	Fixed: 3.98377%	Variable: 81.5% * 1ML	Morgan Stanley Capital Services LLC	(4,180,781)
Maine Medical Center	25,000,000	Variable: 67% * 1ML	62.02% * 5Y ISDA Swap	Morgan Stanley Capital Services LLC	670,986
Maine Medical Center	20,552,147	Fixed: 4.49953%	Variable: 81.5% * 1ML	Morgan Stanley Capital Services LLC	(10,729,029)
	\$90,424,701				(\$16,817,953)

(1) Represents Cain Brothers, a division of KeyBanc Capital Markets Inc.'s, indicative estimate of the 3/31/2020 mid-market value of MaineHealth's interest rate swaps and does not represent an offer to terminate the swap. Excludes accrued interest.

As of March 31, 2020, the aggregate estimated mid-market value (excluding accrued interest) of these interest rate swap agreements was (\$16,817,953).

## PENSION AND POST-RETIREMENT PLANS

### Defined Benefit Pension Plan

MaineHealth sponsors a noncontributory defined benefit pension plan (the “MMC Pension Plan”) that covers certain MaineHealth employees who were hired prior to January 1, 2014. The MMC Pension Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”) and also covers former participants in the Brighton Medical Center employee retirement plan. MaineHealth recognizes an accrued retirement benefit obligation for unfunded amounts related to this plan. Prior to January 1, 2011, accrued benefits were based on the highest five years of final average pay. Effective January 1, 2011 for participants hired on or before December 31, 2009, there is a benefit based on the participant’s final average pay through December 31, 2020, and years of service and year of service through December 31, 2010. This final average pay benefit is frozen as of December 31, 2020. Effective January 1, 2011 accrued benefits under the MMC Pension Plan are based on a cash balance formula. Retiring or terminating employees who are participants in the MMC Pension Plan have the option to receive a lump-sum payment, annuity, or a direct rollover or transfer to another qualified plan. Contributions from MaineHealth to the MMC Pension Plan in each fiscal year are made, at a minimum, based on the amounts required to be funded under ERISA provisions. MaineHealth met the minimum funding requirements of ERISA for the years ended December 31, 2015 through 2019. None of the other subsidiaries of MaineHealth Services has a defined benefit plan.

### Defined Contribution Retirement Plans

On January 1, 2017, the Maine Medical Center 403(b) Retirement Plan was assumed by MaineHealth Services and renamed the MaineHealth 403(b) Retirement Plan (the “Plan”). Over the next few years, the member organizations of MaineHealth Services, as they integrated with the System payroll process, also, where possible, consolidated their defined contribution plan into the MaineHealth 403(b) Retirement Plan. This was accomplished by merging their assets into the Plan or terminating their 401(k) plans and transferring or rolling over assets and becoming participating organizations of the MaineHealth 403(b) Retirement Plan. This consolidation was completed in early 2019 and the resultant Plan now has over \$1 billion in assets. All employees are eligible to participate in the Plan and the Plan design is a common design for all. New hires are auto-enrolled into the Plan at a 3% employee contribution. An auto increase feature for those

who remain auto enrolled after a full year of participation in the Plan will automatically increase the participant's contribution by 1% each year the participant remains auto enrolled – until a maximum contribution of 6% is reached – or the participant elects his or her own contribution percentage. Participating organizations are permitted to design their own employer contribution schedules under the Plan and all the organizations have an employer matching contribution with several also adding an additional employer discretionary contribution.

MaineHealth Services also sponsors the MaineHealth 457(b) Deferred Compensation Plan. This plan is a non-qualified, tax-advantaged, non-governmental deferred compensation plan limited to a select group of highly compensated employees. Plan participants contribute to the plan on a pre-tax basis up to the limits set in the Internal Revenue Code. There are no employer contributions to this plan.

#### Defined Contribution Postretirement Medical Offering

MaineHealth Services partnered with OneExchange (now known as Via Benefits) in 2015 to provide a single source of expertise, by way of a private Medicare exchange, to refer MaineHealth Services Medicare-eligible employees and retirees to information on Medicare supplement plans (for Parts B, C and D). All eligible MaineHealth Services employees may use the exchange and its resources so long as they are enrolled in Medicare. Participants pay their own premiums based upon program elections. There are no employer contributions in the program other than as described in the following paragraph, associated with a limited group of certain MaineHealth retirees.

MaineHealth offers to a limited group of retirees who are age 65 and over an annual contribution to a Health Reimbursement Account (HRA). In order to be eligible the retiree must have attained age 55 with five years of MMC Pension Plan service as of December 31, 2004 and be covered by the MaineHealth Services employee health plan at the time of retirement. In addition, the retiree and their Medicare eligible dependent must enroll in a Medicare supplement or Advantage plan through Via Benefits (formerly known as OneExchange). The limited group of retirees who enroll then receive an annual deposit to an HRA maintained by Via Benefits. The account may then be used to cover eligible medical expenses.

### **SOURCES OF PATIENT SERVICE REVENUE**

#### Patient Service Revenue

MaineHealth Services or its subsidiaries have agreements with the federal Medicare program (“Medicare”) administered by CMS of the United States Department of Health and Human Services, Anthem Blue Cross and Blue Shield of Maine (“Anthem”), Aetna Health Inc. (“Aetna”), Harvard Pilgrim Health Care (“Harvard Pilgrim”) and various other commercial carriers and managed care organizations for the provision of services to patients covered by those carriers. MaineHealth Services Services or its subsidiaries also maintain an agreement with Maine under its Medicaid (“MaineCare”) program. The following table shows the percentage of System-wide net patient service revenue, not including bad debt, by payer for FY 2019.

	<u>Payer</u>	<u>2019</u>
Medicare		33%
Medicaid		12%
Anthem Blue Cross & Blue Shield		23%
Commercial/other		31%
Self-Pay		<u>1%</u>
<b>Total</b>		100%

### Basis for Payment

The basis for payment under the agreements mentioned above includes prospectively determined rates per discharge, episode of care, per day or per visit, prospectively determined rates for outpatient episodes of care, discounts from established charges, cost (subject to limits), and fee for service tables. Net patient service revenue for services rendered is reported at the estimated net realizable amounts from patients, third party payers, and others. Variances between preliminary estimates of net patient service revenues and final third party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs. Management of MaineHealth Services believes that adequate reserves for estimated settlements with Medicare and other third party payers have been established based on information consistent with the current regulatory environment and contractual obligations.

### Medicare

Acute care hospitals are subject to the federal Prospective Payment System (“PPS”) for Medicare inpatient hospital services, inpatient skilled nursing facilities, inpatient rehabilitation services, and for certain outpatient services. Under these prospective payment methodologies, Medicare pays a prospectively determined per discharge, per day, or per visit rate for non-physician services. These rates vary according to the applicable Diagnostic Related Group (“DRG”), Case-Mix Group, or Resource Utilization Group. Capital costs related to Medicare inpatient PPS services are paid based upon a standardized amount per discharge weighted by DRG. For most outpatient services, Medicare makes payments based upon the Ambulatory Payment Classification of each patient. Certain other outpatient services are reimbursed according to fee screens.

Some MaineHealth System acute care hospitals are designated as Critical Access Hospitals (“CAH”). The CAH designation allows the hospital to be paid at a rate of 101% of reasonable costs for most inpatient and outpatient services. CAHs are not subject to changes in the Medicare PPS system.

MHACO participates as an accountable care organization in the MSSP and with commercial payers and Medicare Advantage plans to provide services to beneficiaries with a primary focus on the beneficiary and the “Triple Aim.” In accordance with its participation in these programs, MHACO may be allocated a portion of any shared savings (or losses, as applicable) earned in accordance with its approved financial distribution model.

As a specialty psychiatric hospital, Spring Harbor is reimbursed for Medicare Part A inpatient services on a PPS basis. The prospective payment methodology for psychiatric hospitals is based on a per diem rate. The rate is adjusted upwards to reflect higher costs on the earlier days of the

stay and downwards towards the end of the stay. The Part A per diem rate varies based on diagnosis, co-morbidity condition, age, wage index and rural setting, as well as the presence of full-service emergency services and the extent of teaching activity in the facility. Spring Harbor is also reimbursed for Medicare Part B professional services based on an established fee schedule.

### Medicaid (MaineCare)

MaineCare reimbursement for System members is based upon prospectively determined rates that vary according to the applicable DRG. Capital, medical education and physician service costs related to MaineCare inpatient services are paid based on a percentage of allowable costs. Outpatient services are based on a percentage of Medicare's Ambulatory Payment Classification ("APC") reimbursement model. Certain other outpatient services are reimbursed according to fee screens. Prior to the implementation of DRG and APC prospective payments, reimbursement was made for most services at a tentative rate, with final settlement determined after completion of annual cost reports by Maine. After July 1, 2012, only capital costs, medical education, and physician service costs are subject to a final settlement process. In accordance with MaineCare reimbursement principles, and similar to Medicare, the System's Critical Access Hospitals are paid for reasonable costs associated with the provision of inpatient and outpatient care provided to MaineCare recipients.

Spring Harbor is reimbursed for most inpatient MaineCare services based upon a negotiated rate related to established charges. Outpatient services, and in particular observation beds, are reimbursed on a percentage of cost.

### Anthem Blue Cross and Blue Shield and Other Commercial Payors

Anthem Blue Cross and Blue Shield represents approximately 20% of the System's net patient revenue, excluding bad debt, and is the largest non-governmental payer. At most MaineHealth hospitals, including MMC, Anthem reimburses System members by a combination of percentage of charges, fixed payment arrangements and fee schedules. Physician services are predominantly paid on a fee schedule. The current contract with Anthem, which covers most System members, expires on September 30, 2021.

Other significant commercial insurance payers are Aetna and Harvard Pilgrim. Both of these payers reimburse System members for hospital services similar to the Anthem methodology discussed above. Physician payments are based on fee schedules for both payers. Payment contracts for Aetna and Harvard Pilgrim renew automatically each year for additional one year terms absent prior notice of termination.

## **MISCELLANEOUS**

### System Insurance

MaineHealth Services, MaineHealth, and all other MaineHealth Services subsidiaries providing medical, nursing, hospital or laboratory services carry primary professional liability and general liability insurance. In connection with the 2019 unification transaction, the Maine-based subsidiaries of MaineHealth Services, including MaineHealth, were consolidated into a unified professional and general liability program with primary coverage of \$2 million per occurrence and

\$12 million aggregate, with a \$200,000 deductible and 50% co-insurance. Liability coverage for motor vehicles owned or operated by MaineHealth Services and most of its subsidiaries, including MaineHealth, are carried in the amount of \$1 million combined single limit, plus a \$1 million excess, for bodily injury and for property damage. In addition, MaineHealth Services has procured excess liability insurance policies for MaineHealth and almost all other MaineHealth Services subsidiaries: first tier excess insurance with a limit of \$5 million, and with 25% co-insurance; and second through fourth tiers of excess insurance adding \$25 million per occurrence/\$25 million aggregate, without co-insurance. MaineHealth Services' Memorial Hospital subsidiary carries separate primary and first level excess insurance for similar risks, but is covered by the MaineHealth-wide second through fourth tiers of excess insurance described above. Newly acquired subsidiary Mid Coast-Parkview Health carries separate primary and excess professional and general liability insurance, but is expected to participate in the MaineHealth-wide program at its October 1, 2020 renewal.

MaineHealth Services has secured a \$1 billion first party property insurance policy covering MaineHealth Services and almost all of its subsidiaries, including MaineHealth, with the following major sublimits: (i) \$500 million aggregate for earthquake-related losses; (ii) \$250 million for flood-related losses; (iii) \$10 million for non-physical damage to data, program and software; (iv) \$10 million miscellaneous personal property per location; and (v) \$25 million for service interruption.

MaineHealth Services has secured a directors' and officers' liability policy covering the directors and officers of MaineHealth Services and its subsidiaries, including MaineHealth, with an annual aggregate limit of \$5 million, plus three \$5 million excess policies. The policies cover employment practices liability, with a \$750,000 deductible on the primary policy for employment practices claims brought by or against a high wage earner (defined as exceeding yearly compensation of \$400,000) and a \$500,000 deductible for all other employment claims, and also cover damages, fines and/or defense costs for violations of antitrust laws, wage and hour laws, EMTALA, HIPAA and the False Claims Act, with various sublimits and deductibles. The sublimit for antitrust claims on the primary policy is \$5 million, with a \$750,000 deductible and 20% co-insurance. The sublimit for regulatory claims under the primary policy is \$1 million, with a \$750,000 deductible; and the aggregate of regulatory claim coverage under the primary and excess policies is \$3 million.

MaineHealth Services has secured a data security & privacy liability/breach response policy covering MaineHealth Services and its subsidiaries, including MaineHealth, with a \$10 million limit, plus two \$10 million excess policies. A \$2.5 million sublimit on the primary policy covers legal and forensic expenses, crisis management and public relations. A \$1 million sublimit on the primary policy covers payment card industry fines and costs. Not subject to the aggregate policy limits are privacy breach response services for notification of up to 4,000,000 persons annually, up to 10% of whom can be residing outside the United States. Liability claims arising out of a privacy breach, as well as regulatory fines and defense, are subject to a \$500,000 deductible.

MaineHealth Services has secured a fiduciary liability policy for its System members providing coverage for each insured organization that is sponsoring an employee benefit plan, as well as individual insureds and the plans. MaineHealth Services maintains a crime policy for its members, including MaineHealth, with the following limits: (i) employee or fiduciary theft of insured

property, \$5 million; (ii) forgery, \$100,000; (iii) theft on premises, \$1 million; (iv) theft in transit, \$1 million; (v) computer fraud, \$5 million; and (vi) funds transfer fraud, \$5 million.

MaineHealth Services is a licensed self-insurer for worker's compensation. A first level excess policy issued by a captive insurer covers 50% of any claim exceeding \$500,000, up to \$700,000, and 100% of any claim exceeding \$700,000.

### Litigation

MaineHealth System members are involved from time to time in a variety of litigation matters and reviews by government agencies. Management of MaineHealth Services considers such litigation and regulatory matters to be a routine part of health care operations. Management believes that the System has adequate insurance coverage for claims that are insurable and that no uninsured claims, whether pending or threatened, would have a materially adverse effect on (i) the financial condition or results of operations of the System or (ii) the ability of MaineHealth, MaineHealth Services or any of the other SFA Designated Affiliates to meet their respective obligations with respect to the Series 2020A Bonds or the MaineHealth Services guaranty thereof in the event of an adverse outcome.

## **MAINE MEDICAL CENTER**

### General

MMC, MaineHealth's largest hospital, accounted for 52.6% of the System's revenue in FY 2019 (excluding revenue of Maine Medical Partners, MMC Realty Corp. and St. Joseph's Manor).

### Physical Plant and Capital Projects

MMC's physical plant consists of 1,213,216 square feet of hospital facilities in Portland, Maine (the "MMC Main Campus"). MMC owns a total of approximately 1,162,191 square feet of building/office space located off-site in various locations, including Portland, Scarborough, Cape Elizabeth, Bath, Falmouth and Westbrook, Maine.

Based the System's current strategic vision for healthcare services in the System's service area, a portion of the proceeds of the Series 2020A Bonds will be used, together with other available monies, to finance the construction, renovation and equipping of (a) the new seven-story Congress Tower with 64 private patient rooms and 19 procedure rooms in place of the previous employee parking garage and (b) renovation and outfitting of an inpatient behavioral unit in Sanford, Maine. In addition, MaineHealth will construct a new 108,000 square foot MMC ambulatory medical office building for specialty practices in Scarborough, Maine, to be financed with equity and fundraising proceeds. Management of MaineHealth expects these projects to be completed by fall of 2023. Other than the Congress Tower, the Southern Maine Health Care inpatient behavioral health unit in Sanford and the Scarborough ambulatory facility, MaineHealth currently has no other major capital projects planned.

## Awards and Recognitions

Maine Medical Center has consistently been named by *U.S. News & World Report* as the number one regional hospital in Maine since 2013, with recognition for high-performing specialties in gastroenterology and GI surgery, pulmonology and lung surgery and urology. In addition, MMC has been recognized as high-performing in 9 procedures including abdominal aortic aneurysm (AAA) repair, aortic valve surgery, colon cancer surgery, heart bypass surgery, heart failure, hip and knee replacement and lung cancer surgery, as well as being nationally ranked for adult gynecology. The American Nurses Credentialing Center (ANCC) has designated MMC as a Magnet™ hospital three times, the highest level of recognition for hospital nursing. MMC has received numerous participation and achievement awards from professional medical associations and registries, such as the Vascular Quality Initiative. This includes the Spinal Surgery Program's Gold Seal of Approval by the Joint Commission, Advanced Certification in stroke and ventricular assist device (VAD) management, Core Certification in hip and knee replacement and spine surgery as well as recognition by the American College of Surgeons (ACS) National Surgical Quality Improvement Program. Specialty Pharmacy received a further 3-year accreditation in February 2018 from the Utilization Review Accreditation Commission (URAC), the governing body that evaluates pharmacy program quality, indicating the program maintains the highest standards of quality, patient centeredness and access to care. MMC is the only ACS-verified Level I trauma center in Maine and Maine's only Commission on Cancer Academic Comprehensive Cancer Program. In addition, MMC was included in Becker's 2019 Healthcare List of "100 Great Hospitals in America".

## Specialty Programs and Services

In addition to the System-wide service lines discussed under "STRATEGIC PLANS – General," MMC offers tertiary care and the range of hospital services and programs typically provided in a community acute care hospital, as well as general health educational programs and related services in an effort to improve the overall health in the community. Certain of MMC's specialty programs and services are described below.

### *Advanced Endoscopy*

- This is a regional center for Maine offering many advanced endoscopic procedures not done anywhere else in the state. More than 1750 procedures are performed annually in the center many of which are critical in support of oncologic and surgical service lines.
- MMC accepts patients from outlying hospitals for this work-up. MMC provides patients with additional treatment options beyond what might be able to be achieved at other organizations.

### *Kidney Transplant*

- This is the only transplant program in Maine, serving end stage renal disease patients from all regions of Maine and New Hampshire.



- The program performs 45-50 kidney transplants per year, with 60% being living donor transplants; MMC is an active participant in the National Kidney Registry.
- MMC is fully certified by Medicare, and a member in good standing with the United Network of Organ Sharing (UNOS).
- MMC meets or exceeds quality and outcome requirements established by CMS and the UNOS.

*Barbara Bush Children's Hospital ("BBCH")*

- BBCH, which operates as a department of MMC, is Maine's only full-service children's hospital and a member of the Children's Hospital Association.
- BBCH has over 15,000 emergency department visits, 5,000 surgical cases, and 3,000 inpatient admissions per year.
- BBCH provides a broad range of pediatric primary care, subspecialty and surgical services. This includes complex pediatric surgical, neurosurgical and cardiothoracic surgical care.
- BBCH physicians and nurses participate in national collaboratives to improve the care of children with inflammatory bowel diseases, cancer, cystic fibrosis, prematurity and congenital heart disease.
- BBCH provides the only residency training program for pediatricians in Maine.
- BBCH provides care for over 800 newborns per year in its Neonatal Intensive Care Unit with a majority of the admissions coming from the over 2,800 births per year at Maine Medical Center (1 in 4 babies born in Maine are born at MMC).
- BBCH owns and operates a critical care ambulance service that provides specialized transport for over 350 pediatric and neonatal patients per year between community hospitals and BBCH.
- In 2019, BBCH and Boston Children's Hospital formed a strategic alliance that will enhance patient access to highly specialized pediatric care and improve the coordination of care between the two hospitals.

*Breast Cancer Center*

- The Breast Care Center (BCC) is a state-of-the-art, full-service facility providing comprehensive breast health care, including screening mammograms, early detection, diagnostic imaging services, specialist consultation for benign breast conditions and treatment of breast cancer.
- The BCC practices a multidisciplinary approach to patient care. The team of specialists includes surgeons, radiologists, pathologists, medical oncologists and

radiation oncologists. Non-physician members of the team include a breast certified nurse practitioner(s), clinical nurse navigators, oncology clinic nurses, research nurses, oncology dietician, oncology social worker, certified genetic counselor, and the American Cancer Society patient navigator.

### *Thoracic Oncology (Lung and Esophageal)*

- The Thoracic Oncology program at Maine Medical Center Cancer Institute meets the special needs of people with tumors in the thorax (within the chest cavity). The most common of these are esophageal cancer and lung cancer, and MMC provides a comprehensive range of diagnostic and treatment resources for these patients.
- Similar to Breast Cancer patients, Thoracic Oncology patients are comprehensively managed by a multidisciplinary care team which includes Primary Care, Pulmonary Medicine, Thoracic Surgery, Medical Oncology, Radiation Oncology, comprehensive supportive care and navigation. As the largest Thoracic Program in Northern New England, our program services as a destination location for patients needing all levels of Thoracic care. The program has an esophageal and lung cancer volume that qualifies MMC as a national center of excellence in this type of care.

### *Valve Program*

- The MMC Cardiovascular Institute's Valve Program is a partnership of imaging cardiologists, interventional cardiologists and cardiac surgeons who evaluate patients for a variety of appropriate treatment for their heart valve conditions. They perform some of the most complex and advanced surgical and non-surgical procedures currently available.
- MMC's comprehensive program now offers progressive options in traditional open heart surgery as well as minimally-invasive procedures that allow some of even the sickest of patients to undergo treatment.
- According to MHDO statistics, MMC's cardiac surgeons perform more heart valve surgeries than any other hospital in Maine.
- Trans-catheter Aortic Valve Replacement (TAVR) is a valuable option for patients with severe aortic stenosis. TAVR is a minimally invasive procedure done percutaneously via a catheter rather than traditional open-heart surgery.
- The Maine Medical Center Cardiovascular Institute was the first hospital to perform the TAVR procedure in Maine and has performed over 1000 cases since 2012.

### *Electrophysiology Program (Cardiac Arrhythmia)*

- The MMC CVI also specializes in the care of patients with complex cardiac heart rhythm problems known as cardiac arrhythmias. Physicians who treat this heart rhythm problems are known as cardiac electrophysiologists.
- Treatments include cardiac rhythm device implantations such as pacemakers and implantable cardiac defibrillators as well as catheter ablation procedures.
- Catheter ablation procedures is a minimally invasive procedure that delivers energy through a catheter to areas within the heart to eliminate complex irregular heart rhythms such as atrial fibrillation and ventricular tachycardia.

### *AMI PERFUSE Program*

- A MaineHealth program established in 2004 with the goal of providing the most efficient and effective treatment for patients experiencing a ST-elevation myocardial infarction.
- Approximately 65% of STEMI patients are initially seen at hospitals other than MMC and are either treated with thrombolytic medication to open their arteries to restore blood flow or transferred to MMC for direct percutaneous cardiac intervention (PCI) in the catheterization laboratory.
- MMC participates in a national registry that offers ability to measure efficiency and effectiveness of the STEMI care process and benchmark its performance to other programs across the country.
- Approximately 350 to 400 STEMI patients are treated at MMC (direct PCI) each year.

### *Neurocritical Care*

- As Maine's only ACS Level I verified trauma center, MMC has met rigorous national standards established by the Trauma Committee of the American College of Surgeons to provide 24/7 specialist coverage for trauma care. Through the Neuroscience Institute, MMC has further refined trauma and critical care for neuro patients, providing around-the-clock coverage to serve this complex population.
- MMC provides integrated, multidisciplinary expertise including trauma, neurosurgery, neurology, critical care medicine/intensivists, nursing, radiology, pain management, pulmonary and respiratory therapy, and physical, occupational and speech therapy.
- MMC has Maine's largest, most comprehensive team of caregivers in the management of intensively neurologically injured patients, including the only board certified and fellowship trained neurocritical physicians in Maine.

- MMC has acquired new multi-modality brain monitoring technology including continuous EEG monitoring and cerebral oxygenation monitoring.

### *Spine Program*

- MMC has Maine’s largest and most complete resource for diagnosing spinal problems and developing treatment plans.
- MMC has earned The Joint Commission’s Gold Seal of Approval® for its Spinal Surgery program for two consecutive years by demonstrating compliance with The Joint Commission’s national standards for health care quality and safety in disease-specific care.
- Anthem Blue Cross & Blue Shield has designated the MMC Spine Program as a Blue Distinction Center for our demonstrated expertise in delivering high quality spine care.

### *Stroke & Cerebrovascular*

- MMC was the first healthcare facility in Maine to earn distinction as an Advanced Comprehensive Stroke Center from the Joint Commission, demonstrating its stroke care program follows national standards and guidelines that can significantly improve outcomes for stroke patients.

### *Maine Medical Center Research Institute*

The Maine Medical Center Research Institute (the “MMC Research Institute”) supports and encourages a broad spectrum of research, including: basic laboratory-based research; translational research, which works to apply basic discoveries to medical problems; clinical research, which studies the direct application of new drugs, devices and treatment protocols to patients; and health services research, which seeks to use research methods to help improve and evaluate health care delivery programs and new technologies.

### *TUSM/MMC Maine Track Program*

The TUSM/MMC Maine Track Program is a medical school partnership with the Tufts University School of Medicine (“TUSM”). This initiative offers a “Maine Track” for applicants interested in an innovative curriculum that offers clinical training experiences in Maine and exposes medical students to the advantages and challenges of rural practice as well as training in a major tertiary medical center. The program graduated its first class in May 2013 and seeks to address the physician workforce shortage in Maine as well as provide access to a medical education for qualified Maine applicants.

## MMC Medical Staff

Each hospital in the System maintains its own independent medical staff, with associated rules and regulations and distinct privileging requirements. There were approximately 2,000 active medical staff members in the System as of September 30, 2019. The active staff members have clinical and admitting privileges and deliver the majority of medical services within each hospital.

Maine Medical Partners is a MaineHealth subsidiary that provides physician, administrative and billing support to MaineHealth. It provides this support for the outpatient practices of the physicians at Maine Medical Center and provides these services for both inpatient and outpatient services provided by MaineHealth's physicians. MaineHealth employed physicians provide physician services within MaineHealth facilities and Maine Medical Partners is expected to perform the billing for these physician services.

As of September 30, 2019, the MMC medical staff included 1,047 physicians, representing approximately 60 specialties. Nearly 100% of the physicians were Board-certified in their respective specialties. The average age of the physicians was 48.0 years old. The following table identifies MMC medical staff by practice type and whether employed or in private practice as of September 30, 2019. All of such physicians have active or attending status with staff privileges.

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## Maine Medical Center Medical Staff by Practice Type

Department	Number of Practices	Number of Employed Physicians	Number of Private Practice Physicians	Total Physicians	% of Total Physicians Employed
Allergy Immunology	1	0	5	5	0.0%
Anesthesiology & Perioperative Management	3	1	63	64	1.6%
Cardiothoracic Surgery	1	8	0	8	100.0%
Cardiology	12	43	16	59	72.9%
Pulmonary/Critical Care Medicine	3	1	14	15	6.7%
Dentistry	8	0	16	16	0.0%
Dermatology	4	2	14	16	12.5%
Developmental Pediatrics	1	3	0	3	100.0%
Emergency Medicine	2	45	0	45	100.0%
Endocrinology	1	11	0	11	100.0%
Family Medicine	16	46	20	66	69.7%
Gastroenterology	1	0	15	15	0.0%
Genetics	1	3	0	3	100.0%
Geriatric Medicine	3	9	2	11	81.8%
Hematology/Oncology	3	10	14	24	41.7%
Hospital Medicine - Adult	1	54	0	54	100.0%
Infectious Disease	3	8	2	10	80.0%
Internal Medicine	10	32	26	58	55.2%
Maternal Fetal Medicine	1	4	0	4	100.0%
Neonatology	1	0	8	8	0.0%
Nephrology	2	1	12	13	7.7%
Neurology	2	22	2	24	91.7%
Neurosurgery	2	10	2	12	83.3%
OB/GYN	10	10	24	34	29.4%
Occupational Medicine	4	0	2	2	0.0%
Ophthalmology	5	0	20	20	0.0%
Oral Surgery	5	0	14	14	0.0%
Orthopedic Surgery	7	17	24	41	41.5%
Otolaryngology	4	8	3	11	72.7%
Hospice and Palliative Medicine	3	3	0	3	100.0%
Pathology	1	0	24	24	0.0%
Pediatric Cardiology	2	6	0	6	100.0%
Pediatric Endocrinology	1	5	0	5	100.0%
Pediatric Gastroenterology	1	7	0	7	100.0%
Pediatric Hospitalist	1	7	0	7	100.0%
Pediatric Infectious Disease	1	4	0	4	100.0%
Pediatric Intensive Care	1	5	0	5	100.0%
Pediatric Nephrology	1	5	0	5	100.0%
Pediatric Neurology	1	5	0	5	100.0%
Pediatric Oncology	1	5	0	5	100.0%
Pediatric Pulmonology	1	4	0	4	100.0%
Pediatric Surgery	1	5	0	5	100.0%
Pediatrics	12	30	16	46	65.2%
Plastic Surgery	2	0	10	10	0.0%
Podiatry	9	1	14	15	6.7%
Psychiatry	13	32	4	36	88.9%
Psychology	5	13	5	18	72.2%
Radiation Oncology	1	0	6	6	0.0%
Radiology	1	0	40	40	0.0%
Rehabilitation Medicine	3	9	2	11	81.8%
Rheumatology	1	0	5	5	0.0%
Sports Medicine	3	5	1	6	83.3%
Surgery - General	2	11	3	14	78.6%
Surgery - Colorectal	1	6	0	6	100.0%
Urology	4	11	1	12	91.7%
Vascular Surgery	1	7	0	7	100.0%
Acute Care Surgery	1	12	0	12	100.0%
Gynecologic-Oncology	2	4	1	5	80.0%
Surgical Oncology	2	7	1	8	87.5%
Vascular & Interventional Radiology	1	0	11	11	0.0%
Telemedicine physicians (Radiology & Neurology)	2	0	25	25	0.0%
Pelvic Medicine (Urogynecology)	1	3	0	3	100.0%
<b>Totals</b>	<b>200</b>	<b>560</b>	<b>487</b>	<b>1047</b>	<b>53.5%</b>

Source: Maine Medical Center Medical Staff Office

The following table sets forth information regarding the top ten admitting physicians at MMC by specialty and their age for the fiscal year ending September 30, 2019. All of these physicians are employed by MMC. Collectively, the top ten admitting physicians accounted for approximately 12.8% of MMC’s total admissions in fiscal year 2019.

<u>Specialty</u>	<u>Admissions</u>	<u>Age (as of 9/30/19)</u>
Internal Medicine	978	58
Internal Medicine	659	52
Orthopedic Surgery	468	64
Orthopedic Surgery	346	43
Orthopedic Surgery	316	56
Surgery	281	46
Trauma Surgery	271	42
Obstetrics and Gynecology	262	40
General & Critical Care Surgery	261	61
General & Critical Care Surgery	<u>259</u>	46
<b>Total</b>	<b><u>4,101</u></b>	

Source: Maine Medical Center HR and StrataJazz systems.

In addition, MMC is a teaching hospital. MMC’s Physician Residency and Fellowship Program supports over 280 residents and fellows in 14 accredited residencies and 10 accredited fellowships approved by the Accreditation Council for Graduate Medical Education. Each program is the responsibility of a full-time program director and more than 500 attending physicians who serve as faculty.

### Employees

As of September 30, 2019, there were approximately 10,269 employees and 8,518 full-time equivalent (“FTE”) personnel at MMC. Currently, no employees at MMC are represented by collective bargaining units. As of September 30, 2019, the nursing turnover rate was 8.25% and the vacancy rate was 3.25%.

### Memberships and Affiliations

MMC maintains many memberships and affiliations with organizations, networks, universities, associations and others who contribute to the high quality of services provided by MMC. The following list provides a general sample of some of the types of affiliations and memberships in which MMC (and MaineHealth) are involved:

*Medical School Affiliations:*

Tufts University School of Medicine  
The University of New England  
Southern Maine Community College  
University of Maine System

*Accreditations, Certifications and Licensure:*

Medicare Certified  
Maine State Board of Health Licensure  
American Association of Blood Banks  
The Joint Commission  
Maine Medical Association - Continuing Medical Education (CME)  
Accreditation Council on Graduate Medical Education  
American College of Radiology  
American College of Surgeons  
Maine Hospital Association  
Maine Department of Human Services, General Hospital  
College of American Pathologists (CAP)  
Utilization Review Accreditation Commission (URAC)

Philanthropy

On average over the last three fiscal years, MMC has received philanthropic support ranging from \$10 million to \$14 million annually. In 2017, MMC's philanthropy efforts secured \$11.3 million.

On average over the last three fiscal years, MMC has received philanthropic support ranging from \$11 million to \$44 million annually. In 2018, MMC's philanthropy efforts secured 44.4 million. In 2019, MMC's philanthropy efforts secured \$34.1 million.

MMC recently launched the "quiet phase" of a \$150 million capital campaign. Specifically, the \$150 million will support: \$100 million toward the MMC MFP; \$25 million in support of MMC's academic mission, with particular emphasis on scholarships for medical students in the Tufts University School of Medicine/Maine Medical Center Maine Track Program; and \$25 million for care innovation, which will further develop the institutional infrastructure that will allow MMC to harness the expertise, creativity, and curiosity of its clinicians and use it to tackle some of the State's biggest healthcare challenges.

As a nonprofit institution, MMC relies on the generosity of its local community, reaching out to foundations, businesses and individuals who care about the health of the community, in order for MMC to innovate and grow. Unrestricted gifts to MMC's general operating fund are applied where the need is the greatest, as determined by MMC's management.

\* \* \*



This letter and the information contained herein are submitted to MHHEFA for inclusion in its Official Statement relating to the Series 2020A Bonds. The use of this letter by MHHEFA in connection with the offering of the Series 2020A Bonds and the execution and delivery thereof by the undersigned officers have been duly authorized by the MaineHealth Services and MaineHealth Boards of Trustees.

**MAINEHEALTH SERVICES  
MAINEHEALTH**

By: /s/ William L. Caron, Jr.  
William L. Caron, Jr.  
Chief Executive Officer

By: /s/ Albert G. Swallow, III  
Albert G. Swallow, III  
Chief Financial Officer and Treasurer

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**MAINEHEALTH SYSTEM**  
**(MaineHealth Services and Subsidiaries)**

Consolidated Financial Statements and Supplemental Information

September 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)

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KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Board of Directors  
MaineHealth Services (formerly MaineHealth) and Subsidiaries:

We have audited the accompanying consolidated financial statements of MaineHealth Services (formerly MaineHealth) and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2018 financial statements of Southern Maine Health Care, Coastal Healthcare Alliance, LincolnHealth Group, Maine Behavioral Healthcare, Western Maine Health Care Corporation, MaineHealth Care at Home; The Memorial Hospital at North Conway, NH, Franklin Community Health Network or MaineHealth Accountable Care Organization, LLC (collectively, the Other Consolidated Subsidiaries), which statements reflect total assets constituting 31% of consolidated total assets as of September 30, 2018, and total revenues constituting 40% of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Consolidated Subsidiaries, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MaineHealth Services and its subsidiaries as of September 30, 2019 and 2018, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matters*

As discussed in Note 2 to the consolidated financial statements, during the year ended September 30, 2019, MaineHealth Services and its subsidiaries adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606) as amended*, ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made*. Our opinion is not modified with respect to these matters.

### **Other Matter**

#### *Report on Supplemental Consolidating Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 supplemental consolidating information on pages 42-44 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental consolidating information is the responsibility of MaineHealth Service's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used in to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, such supplemental consolidating information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

**KPMG LLP**

Boston, Massachusetts  
February 14, 2020

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)

Consolidated Balance Sheets

September 30, 2019 and 2018

(In thousands)

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Net Assets</b>	<b>2019</b>	<b>2018</b>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 292,618	353,300	Current portion of long-term debt	\$ 36,621	33,095
Investments	781,005	497,533	Line of credit	—	4,725
Patient accounts receivable – net	259,807	238,805	Accounts payable and other current liabilities	123,026	119,629
Current portion of investments whose use is limited	72,989	133,183	Accrued payroll, payroll taxes, and amounts withheld	49,473	58,901
Inventories, prepaid expenses, and other current assets	<u>96,834</u>	<u>81,103</u>	Accrued earned time	66,893	63,003
			Accrued interest payable	6,005	5,958
Total current assets	<u>1,503,253</u>	<u>1,303,924</u>	Estimated amounts payable under reimbursement regulations	55,711	64,155
			Self-insurance reserves	27,717	24,566
Investments whose use is limited by:			Deferred revenue	<u>10,674</u>	<u>7,602</u>
Debt agreements	72,403	157,600	Total current liabilities	376,120	381,634
Board designation	54,777	215,905	Accrued retirement benefits	398,266	270,359
Self-insurance trust agreements	49,581	47,355	Self-insurance reserves – less current portion	43,968	34,475
Specially designated specific purpose funds	51,059	33,739	Estimated amounts payable under reimbursement regulations	6,946	8,119
Plant replacement funds	2,793	35,724	Long-term debt – less current portion	567,287	593,642
Funds functioning as endowment funds	109,500	113,851	Other liabilities	<u>43,711</u>	<u>41,476</u>
Pooled life income funds	2,480	2,377	Total liabilities	<u>1,436,298</u>	<u>1,329,705</u>
Beneficial interest in perpetual and charitable remainder trusts	<u>46,572</u>	<u>47,798</u>			
	389,165	654,349	Net assets:		
			Without donor restrictions	1,542,445	1,546,130
Less current portion	<u>72,989</u>	<u>133,183</u>	With donor restrictions	<u>223,058</u>	<u>213,752</u>
	316,176	521,166			
Property, plant, and equipment – net	1,250,506	1,138,413	Total net assets	<u>1,765,503</u>	<u>1,759,882</u>
Other assets	<u>131,866</u>	<u>126,084</u>			
Total	<u>\$ 3,201,801</u>	<u>3,089,587</u>	Total	<u>\$ 3,201,801</u>	<u>3,089,587</u>

See accompanying notes to consolidated financial statements.

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)  
Consolidated Statements of Operations  
Years ended September 30, 2019 and 2018  
(In thousands)

	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Net patient service revenue	\$ 2,465,108	2,313,030
Direct research revenue	19,789	15,713
Indirect research revenue	4,544	3,697
Other revenue	227,896	191,436
Total unrestricted revenues and other support	2,717,337	2,523,876
<b>Expenses:</b>		
Salaries	1,304,999	1,215,588
Employee benefits	348,845	329,317
Supplies	422,193	374,953
Professional fees and purchased services	260,761	234,319
Facility and other costs	107,138	109,417
State taxes	41,604	41,575
Interest	13,981	16,157
Depreciation and amortization	134,993	134,658
Total expenses	2,634,514	2,455,984
Income from operations	82,823	67,892
<b>Nonoperating gains (losses):</b>		
Gifts and donations – net of related expenses	1,686	7,021
Interest and dividends	22,199	21,957
Recognized (loss) gain on cash flow hedge instruments	(6,483)	3,109
Equity in earnings of joint ventures	5,362	6,479
Increase in fair value of investments	15,288	5,342
Other	(1,758)	6,409
Total nonoperating gains – net	36,294	50,317
Excess of revenues and nonoperating gains – net over expenses	119,117	118,209
Net assets released from restrictions for property, plant, and equipment	9,834	12,431
Retirement benefit plan adjustments	(132,636)	51,580
Other	—	(351)
(Decrease) increase in net assets without donor restrictions	\$ (3,685)	181,869

See accompanying notes to consolidated financial statements.



**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)  
Consolidated Statements of Changes in Net Assets  
Years ended September 30, 2019 and 2018  
(In thousands)

	<b>2019</b>	<b>2018</b>
Unrestricted net assets:		
Excess of revenues and nonoperating gains – net over expenses	\$ 119,117	118,209
Net assets released from restrictions for property, plant, and equipment	9,834	12,431
Retirement benefit plan adjustments	(132,636)	51,580
Other	—	(351)
	<u>(3,685)</u>	<u>181,869</u>
(Decrease) increase in net assets without donor restrictions		
Net assets with donor restrictions		
Gifts and donations	30,788	35,675
Interest and dividends	1,159	470
Change in value of perpetual and beneficial interest trusts	(1,064)	3,133
Realized and unrealized gains on investments	(1,041)	7,697
Change in present value of pooled life and charitable remainder trusts	17	83
Net assets released from restrictions for operations	(10,723)	(10,349)
Net assets released from restrictions for property, plant, and equipment	(9,834)	(12,431)
Other	4	(288)
	<u>9,306</u>	<u>23,990</u>
Increase in net assets with donor restrictions		
Increase in net assets	5,621	205,859
Net assets – beginning of year	<u>1,759,882</u>	<u>1,554,023</u>
Net assets – end of year	<u>\$ 1,765,503</u>	<u>1,759,882</u>

See accompanying notes to consolidated financial statements.

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)  
Consolidated Statements of Cash Flows  
Years ended September 30, 2019 and 2018  
(In thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 5,621	205,859
Adjustments to reconcile increase in net assets without donor restrictions; to net cash provided by operating activities:		
Depreciation and amortization	135,085	134,831
Amortization of bond premiums	(1,453)	183
Equity in earnings of joint ventures	(5,362)	(6,479)
Net realized and change in unrealized gains on investments	(14,247)	(13,039)
Net loss (gain) on cash flow hedge instruments	6,483	(3,109)
Net loss (gain) on charitable remainder and perpetual trusts	492	(2,796)
Loss on disposal of fixed assets	2,252	5,108
Loss on refinancing of debt	—	193
Restricted contributions and investment income	(31,964)	(37,078)
Retirement benefit plan adjustments	132,636	(51,580)
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	(21,002)	4,386
Inventories, prepaid expenses, and other current assets	(15,731)	(4,084)
Other assets	2,036	(27,928)
Accounts payable and other current liabilities	(3,747)	3,028
Amounts (receivable) payable under reimbursement regulations	(9,617)	20,891
Self-insurance reserves	12,644	2,511
Accrued retirement benefits	(4,729)	(1,440)
Other liabilities	(4,248)	(1,494)
Net cash provided by operating activities	<u>185,149</u>	<u>227,963</u>
Cash flows from investing activities:		
Purchases of investments	(870,862)	(1,535,869)
Proceeds from sales of investments	866,329	1,389,397
(Decrease) increase in other assets	(1,446)	1,577
Distributions from joint ventures	6,582	6,087
Purchases of property, plant and equipment	(257,652)	(168,790)
Proceeds from sale of property, plant and equipment	744	601
Net cash used in investing activities	<u>(256,305)</u>	<u>(306,997)</u>
Cash flows from financing activities:		
Payments of long-term debt	(35,488)	(70,206)
Proceeds from issuance of long-term debt	13,998	244,172
Amounts paid to refinance	—	(8,163)
Restricted contributions and investment income	31,964	36,228
Net cash provided by financing activities	<u>10,474</u>	<u>202,031</u>
Net (decrease) increase in cash and cash equivalents	(60,682)	122,997
Cash and cash equivalents – beginning of year	<u>353,300</u>	<u>230,303</u>
Cash and cash equivalents – end of year	<u>\$ 292,618</u>	<u>353,300</u>
Supplemental information:		
Interest paid on long-term indebtedness	\$ 13,934	14,364
Issuance of capital lease	—	5,902

See accompanying notes to consolidated financial statements.

## MAINEHEALTH SYSTEM

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### (1) Reporting Entity

#### *Organization –*

The MaineHealth System (the System) is comprised of MaineHealth Services (formerly named MaineHealth), the parent organization, and its subsidiaries. The subsidiaries of MaineHealth Services include MaineHealth, NorDx, MaineHealth Care at Home, and The Memorial Hospital at N. H. The subsidiary MaineHealth, whose former legal name was Maine Medical Center, includes eight acute care hospitals that were formerly individual entities until the execution of a unification merger effective January 1, 2019. These hospitals are now local health systems within the subsidiary named MaineHealth utilizing d/b/a's of Maine Medical Center, Southern Maine Health Care, LincolnHealth, Western Maine Healthcare (Stephens Memorial Hospital), Franklin Community Health Network (Franklin Memorial Hospital), Maine Behavioral Healthcare, and Coastal Healthcare Alliance (Waldo County General Hospital and Pen Bay Medical Center). The merger enables the combined resources of the merging entities to be allocated in a manner that is consistent with the system's mission of helping make the communities it serves the healthiest in America.

MaineHealth Services, together with its controlled subsidiaries MaineHealth and The Memorial Hospital at North Conway, N.H., maintained a controlling interest in MaineHealth Accountable Care Organization, LLC (MaineHealth ACO), a valued based contracting entity.

Since all the merged entities had been under the common control of the parent organization, formerly known as MaineHealth, and were already included in the System's consolidated financial statements, there was no impact on the financial reporting resulting from Unification.

The purpose of the System is to lead the development of a premier community care network that provides a broad range of integrated health care services for populations in Maine and northern New England. Through the System's member organizations, the network provides services along the full continuum of care as necessary to improve the health status of the populations it serves. As such, revenue includes those generated from direct patient care services, amounts earned from incentive and risk arrangements, the provision of medical education and training services, federal and state grants and contracts, sundry revenue generated from the operations of the subsidiaries, fund-raising conducted to support the activities of the System and its subsidiaries, and investment earnings.

### (2) Significant Accounting Policies

#### **(a) Basis of Presentation**

The accompanying consolidated financial statements include the accounts of the System. The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Health Care Entities*, and other pronouncements applicable to health care organizations. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in note 10. Upon consolidation, intercompany transactions and balances have been eliminated.

## MAINEHEALTH SYSTEM

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### **(b) New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles (GAAP) and is intended to improve and converge with international standards the financial reporting requirements for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. Effective October 1, 2018, the Corporation has elected the full retrospective application for the adoption of the guidance to all contracts under scope of the guidance and there was no material impact to the Corporation related to its existing revenue streams. Periods prior to adoption have been displayed to conform to the net presentation of a single net patient service revenue total in the consolidated statements of operations. Previously, the period ended September 30, 2018 included separate lines for patient revenue prior to provision for bad debts of \$2,482,722,000, provision for bad debts of \$169,692,000, and net patient service revenue less provision for bad debts \$2,313,030,000.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires not-for-profit entities to revise its financial presentation to include net asset classifications, provide quantitative and qualitative information as to available resources and management of liquidity and liquidity risk and expanded disclosures on retrospective basis. There were no material changes to the consolidated balance sheets, statements of operations, and changes in net assets or cash flows as a result of the adoption. Periods prior to adoption have been displayed to conform to the new presentation of a single classification of net assets with donor restrictions. Previously, the September 30, 2018 consolidated balance sheet displayed temporarily restricted net assets of \$125,000,000 and permanently restricted net assets of \$88,752,000.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The System has adopted ASU 2018-08 for the year ended September 30, 2019 and has applied the standard on a modified prospective basis. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The application of the guidance did not have a material impact on the consolidated financial statements.

### **(c) Use of Estimates**

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable,

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the fair value of financial instruments, amounts receivable and payable under reimbursement regulations, asset retirement obligations (AROs), retirement benefits and self-insurance reserves.

### **(d) Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt securities purchased with a maturity at the date of purchase of three months or less, excluding amounts classified as investments whose use is limited.

### **(e) Investments**

Investments are stated at fair value. The recorded value of investments in hedge funds and limited partnerships is based on fair value as estimated by management using information provided by external investment managers. The System has applied the provisions of Accounting Standards Update (ASU 2009-12), *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)*. This standard allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent as a practical expedient. The System has utilized the NAV reported by each of the underlying funds as a practical expedient to estimate the value of the investment for each of these funds. The System believes that these valuations are a reasonable estimate of fair value as of September 30, 2019 and 2018, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a market for the investments existed. Such differences could be material. Certain of the hedge fund and limited partnership investments have restrictions on the withdrawal of the funds see note 8. Investments are classified as current assets based on the availability of funds for current operations. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues and nonoperating gains – net over expenses, unless the income or loss is restricted by donor or law. The accounting for the pension plan assets is disclosed in note 8.

As provided for under ASC Topic 825, *Financial Instruments*, the System made the irrevocable election to report investments and investments whose use is limited at fair value with changes in value reported in the excess of revenues and nonoperating gains – net over expenses. As a result of this election, the System reflects changes in the fair value, including both increases and decreases in value whether realized or unrealized, in its excess of revenues and nonoperating gains – net over expenses.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

### **(f) Investments Whose use is Limited**

Investments whose use is limited primarily include investments held by trustees under debt agreements, self-insurance trust agreements, and designated investments set aside by the Board of Trustees (of member Boards) for purposes over which those Boards retain control and may at its discretion subsequently use for other purposes. In addition, investments whose use is limited include investments restricted by donors for specific purposes or periods, as well as investments restricted by

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donors to be held in perpetuity by the System, and the related appreciation on those investments. Amounts required to meet current liabilities of the System have been classified as current assets.

### **(g) Property, Plant, and Equipment**

Property, plant, and equipment are recorded at cost, or at fair value at the date of acquisition, if acquired in a business combination accounted for using the acquisition method of accounting. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. MaineHealth recorded capitalized interest of approximately \$8,997,000 and \$2,807,000 for the years ended September 30, 2019 and 2018, respectively.

Gifts of long-lived assets, such as land, building, or equipment, are reported as increases in net assets without restrictions and are excluded from the excess of revenues and nonoperating gains – net over expenses. 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.

### **(h) Impairment of Long-Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

### **(i) Asset Retirement Obligations (ARO)**

AROs, which are included in other liabilities in the accompanying consolidated balance sheets, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the System records period-to-period changes in the ARO liability resulting from the passage of time, increases or decreases in interest expense, and revisions to either the timing or the amount of the original expected cash flows to the related assets.

### **(j) Accounting for Defined Benefit Pension and Other Postretirement Plans**

The System recognizes the overfunded or underfunded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets. Changes in the funded status of the plans are reported as a change in net assets without restrictions presented below the excess of revenues and nonoperating gains – net over expenses in its consolidated statements of operations and changes in net assets in the year in which the changes occur.

The measurement of benefit obligations and net periodic benefit cost is provided by third-party actuaries based on estimates and assumptions approved by the System's management. These valuations reflect the terms of the plans and use participant-specific information, such as

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compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected long-term rate of return on plan assets, rate of compensation increases, interest-crediting rates, and mortality rates.

### **(k) Assets Limited or Restricted as to Use**

Assets limited or restricted as to use include assets held by trustees under bond indenture agreements, assets restricted for self-insurance, assets held for supplemental retirement benefits, and assets restricted by donors for specific purposes or endowment. Amounts required to meet current liabilities of the System are classified as current assets.

### **(l) Beneficial Interests in Perpetual Trusts**

Beneficial interests in perpetual trusts consist of the System's proportionate share of the fair value of assets held by trustees in trust for the benefit of the System in perpetuity, the income from which is available for distribution to the System periodically. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the net asset value as a practical expedient. Such amounts are included in assets whose use is limited in the accompanying consolidated balance sheets. Distribution from beneficial interests in perpetual trusts is included in nonoperating gains, unless restricted by donors.

### **(m) Excess of Revenues and Nonoperating Gains – Net over Expenses**

The consolidated statements of operations include excess of revenues and nonoperating gains – net over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenues and nonoperating gains – net over expenses, consistent with industry practice, include the effective portion of changes in the fair value of cash flow hedge instruments, retirement benefit plan adjustments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and capital grants.

### **(n) Consolidated Statements of Operations**

For purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

### **(o) Net Patient Service Revenue**

The System's net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include an estimate variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a reasonable representation of the transfer of services over the term of the performance

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obligation from over time relate to inpatient services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient. Contracts, laws, and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**(p) Free Care**

The System provides care without charge to patients who meet certain criteria under its Board-established free care policies. Because the System does not pursue collection of amounts determined to qualify as free care, they are not reported as net patient service revenue.

**(q) Direct and Indirect Research Revenue and Related Expenses**

Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Research grants and contracts are accounted for as exchange transactions or contributions. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included in deferred revenue.

**(r) Other Revenue**

Revenue which is not related to patient medical care but is central to the day-to-day operations of the System is included in other revenue. This revenue includes pharmacy sales, cafeteria sales, medical school revenue, grant revenue, rental revenue, meaningful use incentive payments, net assets released from restrictions for operations, and other support services revenue.

**(s) Gifts and Donations**

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. The gifts 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 expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from donor restrictions, which is included in other revenue. Donor-restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying consolidated financial statements.



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### **(t) Self-Insurance Reserves**

The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for losses incurred but not reported as well as losses pending settlement. Such liabilities are based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be greater than or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making the workers compensation and malpractice estimates and the resulting liability are actuarially reviewed on an annual basis, and any necessary adjustments are reflected in current operations.

### **(u) Income Tax Status**

The Internal Revenue Service has previously determined that the System and its subsidiaries (except Maine Medical Partners (MMP) (a subsidiary of MaineHealth) are organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. MMP had significant net operating loss carryovers as of September 30, 2019 and 2018. A valuation allowance has been provided for the entire deferred tax benefit for the net operating losses, due to uncertainty of realization. MMP did not have material taxable income in 2019 and 2018. Accordingly, a provision for income taxes has not been made in the accompanying consolidated financial statements.

The System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. The System did not recognize the effect of any income tax positions in either 2019 or 2018.

### **(v) Reclassifications**

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

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### (3) Liquidity and Availability of Financial Assets

The System's working capital and cash flows are subject to variability during the year attributable to changes in volume and cash receipts. The System maintains investments portfolios without donor restrictions to manage fluctuations in cash flow.

The following table (in thousands) reflects the System's financial assets for the period ending September 30, 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Investment amounts would be available, subject to liquidity of the underlying investments.

	<u>2019</u>
Cash and cash equivalents	\$ 292,618
Investments	781,005
Patient accounts receivable - net	<u>259,807</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,333,430</u>

In addition to the amounts listed above the System has available to it a line of credit in the amount of \$50,000,000 which it could draw upon to meet the current needs of the System.

### (4) Community Benefit Programs

As a nonprofit organization dedicated to community health improvement, the System provides many services for the community in addition to its range of health care services and programs. We support improvement in community health by implementing best practice interventions ranging from prevention and wellness to disease management. These services include evidenced-based programs to improve care and outcomes for people suffering from chronic diseases such as diabetes, asthma, chronic obstructive pulmonary disease and behavioral health issues. The System also provides training and education opportunities for physicians and other providers that focus on achieving patient-centered healthcare. In addition, our system works to ensure patients receive excellent coordination of care through our transitions of care programs. The System also offers, through its Access to Care program, donated healthcare services and free or low-cost medications to low-income and uninsured patients.

A wide range of community health improvement and prevention programs support our efforts to promote healthy lifestyles. The System's healthy lifestyle programs include initiatives that target both children and adults. Engaging community health professionals and provider organizations, community partners, family members and local and state government is a key component to the successful implementation and continued effectiveness of these programs. Our tobacco cessation program, through highly trained Tobacco Treatment Educators, provides ongoing support to our community healthcare providers with the

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goal of reducing tobacco use. This program also offers a free confidential coaching service in support of Maine residents who seek to quit the use of tobacco. Over the past four years, the System has also invested significant resources in implementing a multi-faceted approach to addressing the opioid crises experienced by Maine and New Hampshire. Other community health improvement programs include healthy lifestyle, oral health, healthy weight, and childhood immunization initiatives.

### **(5) Net Patient Service Revenue**

The System records net patient service revenue at the amount that reflects the consideration to which the System expects to be entitled to in exchange for providing patient care. Net patient service revenue consists of amounts charged for services rendered less estimated discounts for contractual and other allowances for patients covered under Medicare, Medicaid and other health plans and discounts offered to patients under the System's uninsured discount program.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

- (a) *Medicare and State Medicaid Programs* – Maine Medical Center, Southern Maine Health Care, Pen Bay Medical Center (a subsidiary of CHA) and Franklin Memorial Hospital are paid at prospectively determined rates for inpatient and outpatient services rendered to Medicare and Medicaid beneficiaries. Inpatient rates vary according to a patient classification system that is based on clinical diagnosis and other factors. Outpatient services are paid based on a prospective rate per ambulatory visit or procedure. LincolnHealth, Waldo County General Hospital (a subsidiary of CHA), Stephens Memorial Hospital (a subsidiary of WMHCC) and TMH are Critical Access Hospitals reimbursed at cost for services provided to Medicare and Medicaid beneficiaries for certain services. Cost reimbursable services are paid at an interim rate with final settlement determined after submission, review and audit of annual cost reports by the System and audited thereof by the Medicare administrative contractor, the State of Maine and the State of New Hampshire.

Several System hospitals receive Disproportionate Share Hospital (DSH) payments. These payments are made to qualifying hospitals to cover the costs of providing care to low income patients. These payments are subject to audit by the Centers for Medicare and Medicaid and are, therefore, subject to change. These amounts are recorded as net patient service revenue.

In 2004, the State of Maine, established several health care provider taxes (State taxes). The enactment of the State taxes allowed the State of Maine to add revenues to the State of Maine General Fund while minimizing the potential of lost federal matching funds in the MaineCare program. The hospital-specific portion of the State taxes, on Maine hospitals' is based on a percentage of net patient service revenue. Taxes on nursing homes are based on 6.0% of net patient service revenue.

The State of New Hampshire established a Medicaid Enhancement Tax program in 1991. This program taxes hospital services at approximately 2.3% of net patient service revenues. The State of New Hampshire also levies a tax on intermediate care facilities at approximately 5.5%.

For the years ended September 30, 2019 and 2018, the System recorded State taxes of approximately \$41,604,000, and \$41,575,000, respectively.

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- (b) *Nongovernmental Payors* – The System also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.
- (c) *Uninsured Patients* – For uninsured patients who do not qualify for free care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of uninsured patients will be unable or unwilling to pay for the services provided.
- (d) Consistent with Corporation’s mission, care is provided to patients regardless of their ability to pay. The Corporation has determined it has provided self-pay allowances to uninsured patients and patients with other uninsured balances (e.g. copays and deductibles). The self-pay allowances included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.
- (e) The System provides care without charge to patients who meet certain criteria under its Board-established free care policy. Because the System does not pursue collection of amounts determined to qualify as free care, they are not reported as net patient service revenue. The System estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross charges associated with providing care to patients eligible for free care. The estimated cost of caring for free care patients for the years ended September 30, 2019 and 2018, was \$34,375,000 and \$54,473,000, respectively. Due to the State of Maine expanding the Medicaid program through increased eligibility during the fiscal year ending September 30, 2019, free care significantly decreased compared to the prior year. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2019 and 2018, were \$569,000 and \$479,000, respectively.

Net patient service revenue (after contractual allowances and discounts), recognized during the years ended September 30, 2019 and 2018, from these major payor sources, is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Medicare	\$ 811,543	756,275
State Medicaid Programs	293,241	254,739
Anthem Blue Cross and Blue Shield	561,146	518,449
Other third-party payors	765,800	750,613
Patients	<u>33,378</u>	<u>32,954</u>
Total net patient service revenue	<u>\$ 2,465,108</u>	<u>2,313,030</u>

Net patient service revenue in 2019 and 2018 included approximately \$569,000 and \$10,279,000, respectively, net of favorable settlements with third-party payors regarding prior year activities.

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**(6) Concentration of Credit Risk**

Financial instruments, which potentially subject the System to concentration of credit risk, consist of patient accounts receivable, estimated amounts receivable under reimbursement regulations, and certain investments. Investments, which include government and agency securities, stocks, and corporate bonds, are not concentrated in any corporation or industry. The System grants credit without collateral to its patient's, most of who are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	35%	35%
State Medicaid Programs	14%	9%
Anthem Blue Cross and Blue Shield	11%	8%
Other third-party payors	20%	23%
Patients	<u>20%</u>	<u>25%</u>
	<u>100%</u>	<u>100%</u>

The System maintains its cash accounts at various financial institutions. As of September 30, 2019, the System had cash balances of \$46,481,000 in uninsured accounts. The System has not experienced any losses in such accounts and evaluates the credit worthiness of the financial institutions with which it conducts business. Management believes the System is not exposed to any significant credit risk with respect to its cash balances.

**(7) Investments and Investments Whose Use is Limited**

The composition of investments and investments whose use is limited at September 30, 2019 and 2018, is set forth as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Investments (current assets)	\$ 781,005	497,533
Investments whose use is limited	<u>389,165</u>	<u>654,349</u>
Total	<u>\$ 1,170,170</u>	<u>1,151,882</u>
Cash equivalents	\$ 121,932	221,396
Fixed income securities – bonds	429,750	421,684
Equity investments	402,538	333,252
Investment in real property	2,123	3,312
Limited partnerships	77,816	58,754
Hedge funds	89,439	65,686
Beneficial interest in perpetual and charitable remainder trusts	<u>46,572</u>	<u>47,798</u>
Total	<u>\$ 1,170,170</u>	<u>1,151,882</u>

Investments whose use is limited include amounts required by debt agreements and amounts restricted by donors, certain unrestricted net assets as Board designated in order to make provision for future capital improvements, to fund self-insured professional and general liability and workers' compensation risks, and to provide for other specific purposes.

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Investments whose use is limited by debt agreements include debt service funds, which are composed of semiannual deposits to fund principal and interest payments, and construction funds. These investments are held pursuant to the requirements of the outstanding Revenue Bonds and Revenue Refunding Bonds.

The September 30, 2019 trusteed under debt agreements consisted of construction funds from the 2018A and 2018B Series bond issues, capitalized interest funds that will be used to pay future payments on the 2018A and 2018B Series bond issues, and funds accumulated for future principal and interest payments on the 2008A, 2011A and 2014A Series Bond Issues.

The current portion of investments whose use is limited at September 30, 2019 and 2018, is composed of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Trusteed under debt agreements	\$ 68,844	127,533
Self-insurance trusts	4,145	5,650
Total	<u>\$ 72,989</u>	<u>133,183</u>

### (8) Fair Value of Financial Instruments

#### (a) Fair Value Measurements

The System classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets, Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available, and Level 3, which refers to securities with unobservable inputs that are used when little or no market data is available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

#### (b) Asset Valuation Techniques

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

*Cash equivalents* – The investments strategy for these are low-risk, low-return, highly liquid investments, typically with a maturity of three months or less, including US Government, T-bills, bank certificates, corporate commercial paper or other money market instruments that are based on quoted prices and are actively traded.

*Fixed income securities-bonds* – These securities are investments in corporate or sovereign bonds and notes, certificates of deposit, or other loans providing a periodic payment and eventual return of principal at maturity. Certain corporate bonds and notes are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds and notes are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

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*Equity investments-stocks* – These investments include marketable equity securities, mutual funds, exchange traded, and closed-end funds. The fair value of marketable equity securities are principally based on quoted market prices. Exchange-traded funds and closed-end funds are valued at the last sale price or official closing price on the exchange or system on which they are principally traded. Investments in mutual funds are valued at their NAV at year-end. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

*Investment in Real Property* – Investments in real property are valued yearly at fair value, using the market approach, as determined by comparable sales data beginning on the date of acquisition.

*Common/Collective Trusts* – These include diverse investments in securities issued by the U.S. Treasury and global bond funds using the Common Collective Trust vehicle to obtain lower expense ratios. These investments are designed to generate attractive risk-adjusted returns. The fair value of common collective trusts are based on the NAV of the fund, representing the fair value of the underlying investments, which are generally securities traded on an active market. The NAV as provided by the trustee, is used as a practical expedient to estimate fair value.

*Limited partnerships* – These include investments in offshore and private equity funds. They have objectives of capital appreciation with absolute returns over the medium and long term. These investments are designed to generate attractive risk-adjusted returns. The estimated fair values of limited partnerships for which quoted market prices are not readily available, are determined based upon information provided by the fund managers. Such information is generally based on NAV of the fund, which is used as a practical expedient to estimate fair values. The limited partnerships invest primarily in readily available marketable equity securities. The limited partnerships allocate gains, losses, and expenses to the partners based on ownership percentage as described in the respective partnership agreements.

*Hedge funds* – The investments are inclusive of a variety of types of equity, debt, and derivative investments, designed to mitigate volatility while generating equity like returns. The estimated fair values of limited partnerships and hedge funds, for which quoted market prices are not readily available, are determined based upon information provided by the fund managers. Such information is generally based on NAV of the fund, which is used as a practical expedient to estimate fair value. The hedge funds invest primarily in readily marketable equity securities. The hedge funds allocate gains, losses, and expenses to the partners based on ownership percentage as described in the respective hedge fund agreements.

The following methods and assumptions were used by the System in estimating the fair value of the System's financial instruments that are not measured at fair value on a recurring basis for disclosures in the consolidated financial statements:

*Interest Rate Swaps* – The System uses inputs other than quoted prices that are observable to value the interest rate swaps. The System considers these inputs to be Level 2 inputs in the context of the fair value hierarchy. The fair value of the net interest rate swap liabilities was approximately \$12,753,000 and \$6,370,000 at September 30, 2019 and 2018, respectively. These values represent the estimated amounts the System would receive or pay to terminate agreements, taking into consideration current interest rates and the current creditworthiness of the counterparty. The fair value of the interest rate swap agreements are reported in other long-term liabilities.

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*Pledges Receivable* – The current yields for 1 to 10-year U.S. Treasury notes are used to discount pledges receivable. The System considers these yields to be a Level 2 input in the context of the fair value hierarchy. Pledges received were discounted at rates ranging from 1.55% to 1.75% in fiscal year 2019. Pledges received were discounted at rates ranging from 2.52% to 3.03% in fiscal year 2018. Outstanding pledges receivable in 2019 and 2018, which have been recorded within other long-term assets at fair value, totaled approximately \$27,766,000 and \$17,871,000, respectively.

*Receivables and Payables* – The carrying value of the System's receivables and payables approximate fair value, as maturities are very short term.



**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

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The System's investments at fair value set forth by level within the fair value hierarchy as of September 30, 2019 and 2018 are as follows (in thousands):

	<b>September 30, 2019</b>				<b>Total</b>
	<b>Investments measured at NAV</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>	
Cash equivalents	\$ —	121,932	—	—	121,932
Investments:					
Fixed income securities-bonds	1,143	170,620	257,987	—	429,750
Equity investments-stocks	3,176	358,475	40,887	—	402,538
Investment in real property	2,123	—	—	—	2,123
Limited partnerships	77,816	—	—	—	77,816
Hedge funds	89,439	—	—	—	89,439
Beneficial & charitable remainder trusts	—	—	—	46,572	46,572
Total investments	<u>173,697</u>	<u>529,095</u>	<u>298,874</u>	<u>46,572</u>	<u>1,048,238</u>
Total cash equivalents and investments	<u>\$ 173,697</u>	<u>651,027</u>	<u>298,874</u>	<u>46,572</u>	<u>1,170,170</u>

	<b>September 30, 2018</b>				<b>Total</b>
	<b>Investments measured at NAV</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>	
Cash equivalents	\$ —	221,396	—	—	221,396
Investments:					
Fixed income securities-bonds	9,371	171,140	241,173	—	421,684
Equity investments-stocks	4,959	300,596	27,697	—	333,252
Investment in real property	2,079	—	1,233	—	3,312
Limited partnerships	58,754	—	—	—	58,754
Hedge funds	65,686	—	—	—	65,686
Beneficial & charitable remainder trusts	—	—	—	47,798	47,798
Total investments	<u>140,849</u>	<u>471,736</u>	<u>270,103</u>	<u>47,798</u>	<u>930,486</u>
Total cash equivalents and investments	<u>\$ 140,849</u>	<u>693,132</u>	<u>270,103</u>	<u>47,798</u>	<u>1,151,882</u>

The net change in the beneficial interest in trusts of \$1,226,000 and \$4,825,000, in 2019 and 2018 respectively, represents the change in the fair value of the trusts, net of distributions.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

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The information regarding the fair value measurements of the assets held by the System's defined benefit pension plan (see note 12) at September 30, 2019 and 2018, is as follows (in thousands):

	<b>September 30, 2019</b>			
	<b>Investments measured at NAV</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Total</b>
Cash equivalents	\$ —	18,979	—	18,979
Investments:				
Fixed income securities-bonds	—	29,435	37,705	67,140
Equity investments-stocks	—	302,461	19,620	322,081
Common/collective trust	27,154	—	—	27,154
Limited partnerships	76,035	—	—	76,035
Hedge funds	141,520	—	—	141,520
Total investments	244,709	331,896	57,325	633,930
Total cash equivalents and investments	\$ 244,709	350,875	57,325	652,909

	<b>September 30, 2018</b>			
	<b>Investments measured at NAV</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Total</b>
Cash equivalents	\$ —	14,294	—	14,294
Investments:				
Fixed income securities-bonds	—	22,274	33,263	55,537
Equity investments-stocks	—	297,057	17,012	314,069
Common/collective trust	25,196	—	—	25,196
Limited partnerships	70,800	—	—	70,800
Hedge funds	138,385	—	—	138,385
Total Investments	234,381	319,331	50,275	603,987
Total cash equivalents and investments	\$ 234,381	333,625	50,275	618,281

## MAINEHEALTH SYSTEM

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### (c) Liquidity

Equity investments, fixed income investments, investments in real property, common collective trusts, limited partnerships and hedge funds are redeemable at NAV under the terms of the subscription and/or partnership agreements. Investments, including short-term investments, with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The long term investments fair value are broken out below by their redemption frequency as of September 30, 2019 and 2018 for both the investments and the System's defined benefit pension plan (in thousands):

Liquidity – NAV Measured Investments	September 30, 2019					
	Daily	Bi-Monthly	Monthly	Quarterly	Illiquid	Total
Fixed income securities – bonds \$	—	—	342	—	801	1,143
Equity investments – stocks	—	—	—	3,149	27	3,176
Investment in real property	—	—	—	—	2,123	2,123
Limited partnerships	—	41,578	9,071	17,889	9,278	77,816
Hedge funds	33,414	—	17,364	37,324	1,337	89,439
	<u>\$ 33,414</u>	<u>41,578</u>	<u>26,777</u>	<u>58,362</u>	<u>13,566</u>	<u>173,697</u>

Liquidity – NAV Measured Investments	September 30, 2018					
	Daily	Bi-Monthly	Monthly	Quarterly	Illiquid	Total
Fixed income securities – bonds \$	—	—	6,878	1,321	1,172	9,371
Equity investments – stocks	—	—	1,782	3,156	21	4,959
Investment in real property	—	—	—	—	2,079	2,079
Limited partnerships	—	28,183	8,419	13,563	8,589	58,754
Hedge funds	16,055	8,588	16,879	23,837	327	65,686
	<u>\$ 16,055</u>	<u>36,771</u>	<u>33,958</u>	<u>41,877</u>	<u>12,188</u>	<u>140,849</u>

## MAINEHEALTH SYSTEM

(MaineHealth Services and Subsidiaries)

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<b>Defined Benefit Pension Investments</b>						
<b>September 30, 2019</b>						
<u>Liquidity – NAV measured investment</u>	<u>Daily</u>	<u>Bi-monthly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Total</u>
Common/collective trusts	\$ —	—	27,154	—	—	27,154
Limited partnerships	—	43,319	—	25,204	7,512	76,035
Hedge funds	56,746	28,966	22,052	33,756	—	141,520
	<u>\$ 56,746</u>	<u>72,285</u>	<u>49,206</u>	<u>58,960</u>	<u>7,512</u>	<u>244,709</u>

<b>Defined Benefit Pension Investments</b>						
<b>September 30, 2018</b>						
<u>Liquidity – NAV measured investment</u>	<u>Daily</u>	<u>Bi-monthly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Total</u>
Common/collective trusts	\$ —	—	25,196	—	—	25,196
Limited partnerships	—	36,160	—	26,068	8,572	70,800
Hedge funds	30,507	31,120	43,498	33,260	—	138,385
	<u>\$ 30,507</u>	<u>67,280</u>	<u>68,694</u>	<u>59,328</u>	<u>8,572</u>	<u>234,381</u>

Investments with a redemption frequency of illiquid may include lock-ups with definite expiration dates, restricted shares and side pockets, as well as private equity and real assets funds where the System has no liquidity terms until the investments are sold by the fund manager. The System has total capital commitments for alternative investments outstanding of \$3,896,000 and \$8,134,000 as of September 30, 2019 and 2018 respectively. Specific short-term investments within the System's portfolio will be used to fund this commitment. Investments associated with beneficial interests in perpetual trust agreements have been categorized as illiquid because they are not available to support operations.

**(d) Transfers between Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between Level 1 and Level 2 for the years ended September 30, 2019 and 2018.

The valuation methods as described in note 8(b) may produce a fair value calculation that may not be indicative of what the management would realize upon disposition or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with methods employed by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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(MaineHealth Services and Subsidiaries)

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### (9) Property, Plant, and Equipment

Property, plant, and equipment at September 30, 2019 and 2018, consist of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 104,106	102,588
Buildings	1,363,334	1,305,923
Equipment	1,219,571	1,146,698
Construction in progress	182,713	95,927
Total	<u>2,869,724</u>	<u>2,651,136</u>
Less accumulated depreciation	1,619,218	1,512,723
Total	<u>\$ 1,250,506</u>	<u>1,138,413</u>

As of September 30, 2019 and 2018, the remaining commitment on construction contracts was approximately \$27,079,000 and \$105,252,000, respectively. The value of property, plant, and equipment acquisitions in accounts payable at September 30, 2019 and 2018, was approximately \$10,995,000 and \$6,989,000, respectively. Total equipment under capital leases included in the table above is approximately \$21,706,000 and \$23,424,000 as of September 30, 2019 and 2018, respectively. Accumulated amortization relating to the equipment under capital leases was approximately \$12,834,000 and \$9,969,000 as of September 30, 2019 and 2018, respectively, and is included in accumulated depreciation.

#### *Information Technology Investment*

The System has made and continues to make a significant investment in its information technology systems. A significant project to acquire and implement an ambulatory electronic health record began in 2007, was expanded in 2010 to include the inpatient electronic health record system and other financial systems and then was expanded again in 2016 to include Maine Behavioral Healthcare and System members who joined the system since 2010. The project scope and budget were increased in 2018 to approximately \$340,800,000 and is expected to be completed in 2020. Approximately \$310,400,000 had been expended as of September 30, 2019.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

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**(10) Long-Term Debt and Revolving Lines of Credit**

Long-term debt at September 30, 2019 and 2018 consists of the following (in thousands):

Name of issue	Interest rate	Type of rate	Final maturity	2019	2018
Revenue bonds:					
Maine Health and Higher Educational Facilities Authority:					
Franklin Memorial Hospital – Series 2016A	3.0%–5.0%	Fixed	2034	\$ 8,739	9,179
Franklin Memorial Hospital – Series 2011C	3.3%–5.0%	Fixed	2032	5,648	6,053
Lincoln Health, Series 2011A	2.0%–5.0%	Fixed	2031	8,577	9,812
Maine Medical Center - Series 2018A	5.0%	Fixed	2048	164,330	164,330
Maine Medical Center - Series 2018B	3.84%–3.94%	Fixed	2028	10,930	10,930
Maine Medical Center - Series 2018C	(81.5% * 1 Month Libor)+0.652%	Variable	2036	36,735	36,735
Maine Medical Center – Series 2014	3.0%–5.0%	Fixed	2044	79,675	79,675
Maine Medical Center – Series 2011A	4.0%–5.0%	Fixed	2030	10,253	11,038
Quarry Hill – Series 2017A	4.0%–5.0%	Fixed	2030	7,199	7,774
Pen Bay Medical Center -Series 2017B	3.0%–5.0%	Fixed	2038	6,543	6,958
Waldo County General Hospital – Series 2014A	3.0%–5.0%	Fixed	2028	3,817	4,212
Maine Behavioral Healthcare – Series 2012A	2.0%–5.0%	Fixed	2032	14,082	14,997
Southern Maine Health Care – Series 2016A	4.0%–5.0%	Fixed	2026	7,284	8,879
Stephens Memorial Hospital – Series 2014	2.0%–5.0%	Fixed	2039	4,070	4,390
Finance authority of Maine:					
MaineHealth – Series 2017	2.11 %	Fixed	2027	51,781	43,093
MaineHealth – Series 2014	2.36 %	Fixed	2025	71,037	81,774
Southern Maine Health Care	2.91 %	Fixed	2033	12,540	13,265
New Hampshire Health and Education Facilities Authority:					
The Memorial Hospital at North Conway, (sub. of TMH) – Series 2016	4.0%–5.5%	Fixed	2036	13,500	13,985
Notes payable:					
MaineHealth	3 %	Fixed	2025	5,024	5,765
MaineHealth	Adj Libor + 95 basis pts	Variable	2031	9,644	10,355
MaineHealth	Adj Libor + 95 basis pts	Variable	2031	9,267	9,950
Other, including capital leases					
Total bonds, loans, notes payable and capital leases before bond issuance costs and premiums				37,608	46,362
Less unamortized bond issuance costs				578,283	599,511
Add unamortized premiums net of discounts				(6,017)	(6,390)
Total bonds, loans, notes payable and capital leases				<u>31,642</u>	<u>33,616</u>
Less portion classified as current liabilities				603,908	626,737
				<u>36,621</u>	<u>33,095</u>
				<u>\$ 567,287</u>	<u>593,642</u>

## MAINEHEALTH SYSTEM

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Annual principal maturities of long-term debt for the five fiscal years after September 30, 2019, and the years thereafter, are as follows (in thousands):

	<b>Bonds and notes</b>	<b>Capital lease obligations</b>
2020	\$ 32,536	3,283
2021	34,117	2,904
2022	32,542	2,344
2023	32,776	1,216
2024	33,306	1,219
Years thereafter	400,713	3,904
	\$ 565,990	14,870
Less amount representing interest under capital lease obligations		2,577
		\$ 12,293

In 1999, the Board of Trustees of MaineHealth adopted a Parent Model Master Trust Indenture (the Indenture), and the Boards of Trustees of MaineHealth, MMC and certain other MaineHealth subsidiaries adopted a System Funding Agreement. The legal name of the corporation then known as MaineHealth was changed to "Maine Healthcare" effective December 14, 2018, and changed again to "MaineHealth Services" effective November 21, 2019. For ease of reference, the corporation will be referred to as "MaineHealth Services" in this note. In addition, the legal name of the corporation known in 1999 as Maine Medical Center was changed to "MaineHealth" effective December 14, 2018, but for ease of reference will be referred to as "MMC" in this note. Adoption of the Indenture and the System Funding Agreement resulted in the creation of an Obligated Group for the MaineHealth system (the Obligated Group), with certain MaineHealth subsidiaries established as Designated Affiliates of the Obligated Group (the Designated Affiliates). Designated Affiliates have access to lower cost capital and less restrictive debt covenants. MaineHealth Services is the only member of the Obligated Group. Designated Affiliates under the Indenture and the System Funding Agreement as of September 30, 2018, included MaineHealth Services, MMC, Stephens Memorial Hospital Association, Maine Behavioral Healthcare, LincolnHealth and LincolnHealth Cove's Edge, Inc. As of September 30, 2018, SMHC also was a Designated Affiliate under the System Funding Agreement but not the Indenture. The Designated Affiliates under the Indenture and the System Funding Agreement are indirectly liable for the debt service on the obligations issued under the Indenture for the benefit of any Designated Affiliate. MMC must remain a Designated Affiliate under the Indenture and the System Funding Agreement and has approval authority over any additional MaineHealth subsidiary requesting designation as a Designated Affiliate under the System Funding Agreement. As of September 30, 2019 and 2018, the Obligated Group had obligations totaling approximately \$374,040,000 and \$390,945,000, respectively that are covered under the Indenture. In 2019, the Indenture was revised to include a pledge of Gross Revenues from MMC and MaineHealth Services. As of September 30, 2019, \$544,827,000 of debt obligations were covered by the pledge of Gross Revenues.

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(MaineHealth Services and Subsidiaries)

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Effective with the Unification merger described in Note 1, the following Designated Affiliates merged into MMC (renamed MaineHealth as part of the Unification merger): Stephens Memorial Hospital Association, Maine Behavioral Healthcare, LincolnHealth and SMHC. Quarry Hill was approved as a new Designated Affiliate. As a result, the Designated Affiliates under the Indenture and the System Funding Agreement as of January 1, 2019, are MaineHealth Services, MMC (renamed MaineHealth), LincolnHealth Cove's Edge, Inc., and Quarry Hill.

MaineHealth Services subsidiaries that were not Designated Affiliates prior to the Unification merger had outstanding debt related to MHHEFA Revenue Bonds and Revenue Refunding Bonds that was not issued under the terms of the Indenture. Under the terms of this debt, these MaineHealth Services subsidiaries were required to maintain deposits with the related bond trustee. Such deposits are included with investments whose use is limited in the consolidated balance sheets. In addition, the terms of this debt also required that these MaineHealth Services subsidiaries satisfy certain measures of financial performance (including a minimum debt service coverage ratio) and other financial covenants as long as the bonds were outstanding. Upon the January 1, 2019 Unification merger of these subsidiaries into MMC, which is a Designated Affiliate, the various loan agreements for these outstanding obligations were amended to bring them under the terms of the Indenture and the System Funding Agreement. FCHN, which was not a member of the Obligated Group as of September 30, 2018, was required in accordance with its separate loan agreements with MHHEFA to maintain, for each fiscal year, a specified ratio of income available for debt service to annual debt service. At September 30, 2018, FCHN had not met this specified ratio. On January 1, 2019, effective with the Unification merger, FCHN merged into MMC (renamed MaineHealth).

In July 2018, MHHEFA issued its Series 2018A and 2018B bonds totaling \$175,260,000, the proceeds of which are being used to fund a portion of the MMC master facilities project. The project includes the financing, construction, renovation and equipment of 64 new patient rooms, additional visitor parking, a new employee parking garage, and the acquisition and renovation of an office building. Management expects this portion of the project to be complete by the Spring of 2020. This debt was issued under the Indenture and the System Funding Agreement.

In August 2018, MHHEFA issued its Series 2018C term bonds totaling \$36,735,000 for private placement with TD Bank, N.A., the proceeds of which were used to refinance MMC's outstanding MHHEFA Series 2008A Revenue Bonds. This debt was issued under the Indenture and the System Funding Agreement.

MHHEFA Revenue Bonds, including the Series 2018A, 2018B and 2018C Bonds, are generally secured under a Bond Indenture. These Bond Indentures are contracts among MHHEFA, the Bond Trustee and the bondholders of that series of bonds, and the respective pledges and covenants made therein are for the equal and ratable benefit and security of the bondholders. The Bond Indentures for the Series 2018A, 2018B and 2018C Bonds provide that such bonds shall be special obligations of MHHEFA, payable solely from and secured solely by the payments made by MMC under the respective Bond Indenture, and the funds available in the Bond Fund established under such Bond Indenture.

In January 2015, MHHEFA issued its Series 2014 bonds totaling \$85,105,000 for the benefit of MMC and Stephens Memorial Hospital Association. The MMC portion, \$79,675,000, was used to finance renovations and equipment for the Bean Building and to refinance a portion of MHHEFA's, Series 2008A bonds totaling \$42,760,000. The Stephens Memorial Hospital Association portion, \$5,430,000, was used to finance construction of and equipment for a new medical office building. Stephens Memorial Hospital Association, a



## MAINEHEALTH SYSTEM

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subsidiary at the time of Western Maine Health Care Corporation, has since been merged into MMC as part of the Unification merger. This debt was issued under the Indenture and the System Funding Agreement.

MaineHealth Services financed an information systems project, known as the SeHR (Shared electronic Health Record) Project, with loans entered into in 2014 and 2017. The SeHR Project will implement a system wide integrated electronic health record system and financial system and consists of an integrated suite of technology solutions to support the healthcare delivery for MaineHealth Services members, providers and the communities MaineHealth serves. In 2014, MaineHealth Services borrowed up to \$101,500,000 in both tax exempt and taxable loans. The tax-exempt loan was for up to \$94,800,000 and financed through a revenue bond issued by the Finance Authority of Maine (FAME) and purchased by TD Bank, N.A. The taxable loan was a term loan with TD Bank, N.A. for up to \$6,700,000. In 2017, MaineHealth Services secured additional borrowings of up to \$59,200,000 million in both tax exempt and taxable loans to finance implementation of the SeHR Project with additional subsidiaries and to complete the project. The 2017 tax-exempt loan was for \$55,500,000 and financed through a revenue bond again issued by FAME and purchased by TD Bank, N.A. The taxable loan was a term loan with TD Bank, N.A. for up to \$3,700,000.

Deferred financing costs of \$5,918,000 in 2019 and \$6,092,000 in 2018 are reported as a component of long term debt and represent the costs incurred in connection with the issuance of the bonds. These costs are being amortized over the term of the bonds. Amortization expense for the years ended September 30, 2019 and 2018 was approximately \$531,000 and \$349,000, respectively. The original issue discount/premium is amortized/accreted over the term of the related bonds using the effective interest method.

Effective January 1, 2019, following the Unification merger, all existing lines of credit for the merged subsidiaries were terminated and replaced with a single System line of credit in the amount of up to \$50,000,000 which expires on June 30, 2020. There were no amounts outstanding on this line as of September 30, 2019. Previously, there were various lines of credit at various interest rates with \$4,725,000 outstanding on these lines as of September 30, 2018.

### **(11) Self-Insurance Trusts and Reserves**

Prior to unification, certain System members were partially self-insured for professional and general liability risks. These entities shared risk above certain amounts with an insurance company for all claims related to the partially self-insured plans. Post-unification, the professional and general liability policy has excess coverage whereby the System is responsible for the first \$200,000 of a professional general liability claim; 50% of amounts between \$200,000 and \$2,000,000; and 25% of amounts over \$2,000,000 and up to \$7,000,000.

The professional and general liability trust funds of the unified entities have been combined and will be used to pay claims from anywhere in the System. The System maintains separate trust funds for both the professional and general liability insurance. The System funds these trusts based upon actuarial valuations and historical experience. Self-insurance reserves for self-insured unpaid claims and incidents are estimated using actuarial valuations, historical payment patterns, and current trends. Self-insurance reserves are recorded in the period the claim or incident occurs and adjusted in future periods as additional data becomes known.

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As of September 30, 2019 and 2018, there are no known claims outstanding, which, in the opinion of management, will be settled for amounts in excess of insurance coverage. As of September 30, 2019 and 2018, an accrual for estimated claims incurred but not reported was recorded. An estimated recovery related to such claims is included in the consolidated financial statements as of September 30, 2019 and 2018.

The System provides health and dental insurance for its employees through a self-insured plan administered by the System. Self-insurance reserves for unpaid claims and incidents are carried at MaineHealth.

With the exception of TMH, the System provides workers compensation insurance for its employees through a self-insured plan administered by MaineHealth. Self-insurance reserves are carried at MaineHealth for unpaid claims and settlements are estimated using actuarial valuations. Self-insurance reserves are recorded in the period the incident occurs and adjusted in future periods as additional data becomes known. TMH is fully insured through New Hampshire Employers Insurance Company.

### **(12) Retirement Benefits**

#### ***(a) Defined Benefit Pension Plan***

The System sponsors a defined benefit pension plan (the Plan), which was previously sponsored by Maine Medical Center, covering all grandfathered employees that work 750 or more hours in a plan year. Effective January 1, 2014, the Plan was amended to exclude from participation all employees hired on or after January 1, 2014. Such employees are eligible to participate in the defined contribution plan (the MaineHealth 403(b) Retirement Plan). The Plan was also amended effective January 1, 2011, to change the basis of a participant's accrued benefit. Prior to January 1, 2011, accrued benefits were based on the highest five years of final average pay. Effective January 1, 2011, for participants hired on or before December 31, 2009, there is a benefit based on the participant's final average pay through December 31, 2020, and years of service through December 31, 2010. This final average pay benefit is frozen as of December 31, 2020.

For participants currently employed or hired on or after January 1, 2010, but before January 1, 2014, accrued benefits are based on a cash balance formula that became effective January 1, 2011. A participant's cash balance account is increased by an annual cash balance contribution for participants with 750 hours of service, and interest credits in accordance with the terms of the amended Plan Document. The annual cash balance contribution is determined by applying a rate based on age and years of service to the participant's annual compensation. Interest credits are equal to a percentage of the participant's cash balance account on the first day of the Plan year and are credited on the last day of the Plan year prior to payment of the annual cash balance contribution. Except for certain instances, the rate of interest used to determine the interest credit for a Plan year is 5%. Retiring or terminating employees have the option to receive a lump-sum payment, annuity, or transfer to another qualified plan in accordance with the terms of the amended Plan Document.

The System's funding policy is to contribute amounts to fund current service cost and to fund over 30 years the estimated accrued benefit cost arising from qualifying service prior to the establishment of the Plan. The assets of the Plan are held in trust and are invested in a diversified portfolio that includes temporary cash investments, marketable equity securities, mutual funds, U.S. Treasury notes, corporate bonds and notes, hedge funds, and other funds.

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**(b) Defined Benefit Postretirement Medical Plan**

As of May 1, 2015, eligible retirees who were enrolled in the Over 65 Retiree Group Companion Plan have transitioned to supplemental retiree health insurance options offered through a private Medicare Exchange engaged by the System and the Companion Plan was curtailed. Transitioned retirees, and certain future retirees, are eligible for an employer contribution to a Health Reimbursement Account (HRA) if they meet certain eligibility requirements. All other eligible System retirees who become Medicare eligible are also eligible to obtain supplemental coverage through the private Medicare Exchange but are not eligible for the employer contribution to the HRA.

Effective January 1, 2016 under age 65 retirees no longer have the option to enroll in the Under 65 Retiree Medical Plan. Retirees enrolled in the plan on or before December 1, 2015 are grandfathered until such time as they age into Medicare coverage at age 65. Grandfathered retirees continue to pay 100% of the cost (with the exception of those retirees enrolled as a result of the Voluntary Early Retirement Window in 2013). These retirees by a special arrangement pay the active employee rate for either three years or until they turn 65 whichever is sooner.

The activity in the Plan and Postretirement Medical Plan using valuation dates of September 30, 2019 and 2018, consists of the following (in thousands):

	<b>Defined benefit pension plan</b>		<b>Postretirement medical plan</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net periodic benefit cost:				
Service cost	\$ 30,526	31,626	—	—
Interest cost	35,447	33,363	185	193
Expected return on plan assets	(50,500)	(48,380)	—	—
Amortization of:				
Actuarial loss	20,444	25,641	15	38
Prior service credit	(1,462)	(1,462)	(193)	(193)
Net periodic benefit cost	\$ <u>34,455</u>	<u>40,788</u>	<u>7</u>	<u>38</u>

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

	<b>Defined benefit pension plan</b>		<b>Postretirement medical plan</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Change in benefit obligation:				
Benefit obligation – beginning				
of year	\$ 815,869	847,598	4,369	5,047
Service cost	30,526	31,626	—	—
Interest cost	35,447	33,363	185	193
Actuarial (gain) loss	137,101	(43,763)	130	(322)
Benefits paid	(41,456)	(46,267)	(446)	(549)
Expenses paid	(6,406)	(6,688)	—	—
Benefit obligation – end				
of year	<u>971,081</u>	<u>815,869</u>	<u>4,238</u>	<u>4,369</u>
Change in plan assets:				
Net assets of plan –				
beginning of year	618,281	588,385	—	—
Actual return on plan assets	36,291	31,851	—	—
Employer contribution	46,200	51,000	446	549
Benefits paid	(41,456)	(46,267)	(446)	(549)
Expenses paid	(6,406)	(6,688)	—	—
Net assets of plan – end				
of year	<u>652,909</u>	<u>618,281</u>	<u>—</u>	<u>—</u>
Net amount				
recognized	<u>\$ (318,172)</u>	<u>(197,588)</u>	<u>(4,238)</u>	<u>(4,369)</u>

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

The additional defined benefit pension plan and Postretirement Medical Plan disclosure information for the years ended September 30, 2019 and 2018, is as follows (in thousands):

	Defined benefit pension plan		Postretirement medical plan	
	2019	2018	2019	2018
Amounts recognized in the consolidated balance sheets – accrued retirement benefits	\$ (318,172)	(197,588)	(4,238)	(4,369)
Additional information – accumulated benefit obligation	\$ (939,046)	(786,827)	—	—

Net assets without donor restrictions at September 30, 2019 and 2018, include unrecognized losses of \$420,328,000 and \$289,463,000, respectively, related to the Plan. Of this amount, \$36,304,000 is expected to be recognized in net periodic pension cost in 2020. The aggregate loss in both 2019 and 2018 was due to the significant drop in the long-term interest rates underlying the discount rate.

The assumptions of the Plan as of September 30, 2019 and 2018 are as follows:

	2019	2018
Measurement date	September 30	September 30
Census date	January 1	January 1
Used to determine net periodic pension cost:		
Discount rate	4.49%	4.05%
Rate of compensation increase	3.50%	3.00%
Expected long-term rate of return on plan assets	8.00%	8.00%
Used to determine benefit obligation:		
Discount rate	3.35%	4.49%
Rate of compensation increase	3.50%	3.50%

The expected long-term rate of return on plan assets for the Plan reflects the System's estimate of future investment returns (expressed as an annual percentage) taking into account the allocation of plan assets among different investment classes and long-term expectations of future returns on each class.

The targeted allocation for the Plan investments are: debt securities – 30%, U.S. equity securities – 22.5%, international equity securities – 17.5%, emerging market equity securities – 5%, natural resources – 5%, and alternative investments – 20%. The Plan's investments as of September 30, 2019 and 2018 are disclosed in note 8.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

The Plan's overall financial objective is to provide sufficient assets to satisfy the retirement benefit requirements of the Plan's participants. This objective is to be met through a combination of contributions to the Plan and investment returns. The long-term investment objective for the Plan is to attain a total return (net of investment management fees) of at least 5% per year in excess of the rate of inflation measured by the Consumer Price Index. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the Plan are designed to achieve the financial objectives within prudent risk parameters. Risk management practices include the use of external investment managers, the maintenance of a portfolio diversified by asset class, investment approach, and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

The medical inflation assumption used for measurement purposes in the per capita cost of covered health care benefits for the Postretirement Medical Plan was 6.5% annual rate of increase respectively, for the years ended September 30, 2019 and 2018. This rate was assumed to gradually decrease to 4.5% by 2023 and remain at that level thereafter.

The weighted average discount rates used in determining the accumulated postretirement medical benefit obligation were 3.35% and 4.49% for the years ended September 30, 2019 and 2018, respectively. The weighted average discount rates used in determining the net periodic postretirement medical benefit cost were 4.49% and 4.05% for the fiscal year ended September 30, 2019 and 2018, respectively. As the Postretirement Medical Plan is unfunded, no assumption was required as to the long-term rate of return on assets.

Future benefits are expected to be paid as follows at September 30, 2019 (in thousands):

	<u>Defined benefit pension plan</u>	<u>Postretirement medical plan (net of retiree contributions)</u>
Years ending September 30:		
2020	\$ 62,379	460
2021	62,211	448
2022	64,525	419
2023	68,017	395
2024	69,341	371
2025-2029	344,266	1,504

The estimated expected contribution to be made during the year ending September 30, 2020 is \$59,300,000.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**(c) Defined Contribution Pension Plans**

The Systems subsidiaries sponsor various defined contribution plans, which benefit substantially all of their employees. Amounts expensed under these plans were approximately \$34,750,000 and \$25,231,000 in 2019 and 2018, respectively.

**(d) Nonqualified Deferred Compensation Plan**

The System offers a 457(b) nonqualified deferred compensation plan to certain eligible employees. Eligible employees may elect up to the maximum dollar amount as defined by Section 402(g) of the Internal Revenue Service code. The plan is funded solely by employee contributions that are invested in various marketable securities at the direction of the employees. These investments are classified as Level 1 investments which are valued using quoted prices for active markets of identical assets. The assets of the plan are the legal assets of the System until they are distributed to participants, and therefore the plan assets and corresponding liability are reported as other assets and accrued retirement benefits in the accompanying consolidated balance sheet. As of September 30, 2019 and 2018 the balances of the plan were \$76,075,000 and \$67,121,000, respectively.

**(13) Net Assets**

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are not considered to be donor restricted. Net assets with donor restrictions represent funds including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source income. Generally, the donors of these donor restricted assets permit the use of part of income earned on related investments for specific purposes. (In thousands):

	<u>September 30</u>	
	<u>2019</u>	<u>2018</u>
Without donor restrictions:	\$ 1,542,445	1,546,130
With donor restrictions:		
Perpetual in nature	89,038	88,752
Purpose restricted	131,540	122,623
Time restricted	2,480	2,377
Net assets	<u>\$ 1,765,503</u>	<u>1,759,882</u>

**(a) Endowment Funds**

The System's endowment consists of funds established for a variety of purposes. For the purposes of this disclosure, endowment funds include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## MAINEHEALTH SYSTEM

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### **(b) Interpretation of Relevant Law**

The System has interpreted state law as requiring realized and unrealized gains on net assets with donor restrictions to be retained in a net assets with donor restrictions classification until appropriated by the Board and expended. State law allows the Board to appropriate so much of the net appreciation of net assets with donor restrictions as is prudent considering the System's long-and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions. The amount of net appreciation of net assets with donor restrictions appropriated in 2019 and 2018 was \$5,827,000 and \$6,170,000, respectively.

As a result of this interpretation, the System classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present and (b) the original value of the subsequent gifts to the endowment when explicit donor stipulations requiring maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund composed of accumulated gains not required to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations. The System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the System, and the investment policies of the System.

### **(c) Endowment Investment Return Objectives**

The System has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a manner to attain a total return (net of investment management fees) of at least 5.0% per year in excess of inflation, measured by the Consumer Price Index. To satisfy its long-term rate of return objectives, the System targets a diversified asset allocation that places a greater emphasis on equity-based investments within prudent risk constraints.



**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**(d) Endowment Investment Asset Composition**

The following is a summary of the endowment asset composition by type of fund at September 30, 2019 and 2018, and the changes therein for the years then ended (in thousands):

	<u>With donor restrictions</u>
Endowment investment, end of year, September 30, 2017	\$ 112,287
Investment return, net	6,203
Contributions	1,667
Appropriation of endowment assets for expenditure	<u>(5,965)</u>
Endowment investment, end of year, September 30, 2018	114,192
Investment return, net	(1,611)
Contributions	2,438
Change in interest in perpetual trust	20
Net assets transferred	37
Appropriation of endowment assets for expenditure	<u>(5,576)</u>
Endowment investment, end of year, September 30, 2019	<u>\$ 109,500</u>

**(e) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**(14) Operating Leases**

The System leases land, equipment and office space under various noncancelable operating leases. Future minimum payments due under noncancelable operating leases with a term of one year or more as of September 30, 2019, are as follows (in thousands):

Years ending September 30:	
2020	\$ 18,819
2021	15,051
2022	11,672
2023	10,169
2024	9,175
Thereafter	<u>120,204</u>
	<u>\$ 185,090</u>

Rent expense under operating leases amounted to approximately \$20,038,000 in 2019 and \$16,766,000 in 2018.

**MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**(15) Functional Expenses**

The System provides health care services through its acute care, specialty care, and ambulatory care facilities. Expenses relating to providing these services for the years ended September 30, 2019 and 2018, are as follows (in thousands):

	<u>Program Services</u>		<u>Supporting Activities</u>	<u>Total Expenses</u>
	<u>Healthcare Services</u>	<u>Research</u>	<u>Management &amp; General</u>	
Salaries, wages and fringe benefits	\$ 1,109,122	15,764	528,958	1,653,844
Patient care supplies	402,200	1,936	18,057	422,193
Professional fees and purchased services	148,293	10,598	101,870	260,761
Depreciation and amortization	101,293	1,273	32,427	134,993
Other operating expenses	93,760	226	54,756	148,742
Interest expense	10,591	-	3,390	13,981
	<u>\$ 1,865,259</u>	<u>29,797</u>	<u>739,458</u>	<u>2,634,514</u>

The System provides general health care services to residents within its geographic region. Expenses related to providing these services are as follows for the year ended September 31, 2018.

Health care services	\$1,646,490
General and administrative	783,714
Research	<u>25,780</u>
	<u>\$2,455,984</u>

**(16) Contingencies**

The System is subject to complaints, claims, and litigation, which have risen in the normal course of business. In addition, the System is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased resulting in fines and penalties for noncompliance by individual health care providers. Compliance with these laws and regulations is subject to future government review, interpretation, or actions, which are unknown and un-asserted at this time.

## **MAINEHEALTH SYSTEM**

(MaineHealth Services and Subsidiaries)

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### **(17) Subsequent Events**

The System has evaluated subsequent events through February 14, 2020, which is the date the consolidated financial statements were issued.

Effective March 1, 2020, Mid Coast – Parkview Health and Subsidiaries, a community health system that provides a full continuum of healthcare services to the people in Maine's Midcoast region, will merge into MaineHealth. At that date, MaineHealth will become the sole corporate member of Mid Coast – Parkview Health and Subsidiaries. This merger will improve the coordination and efficiency of healthcare provided in that region. No consideration will be transferred in connection with the Mid Coast – Parkview Health and Subsidiaries transaction. The accounting for the transaction has not yet been completed, and therefore, the consolidated financial statements as of and for the year ended September 30, 2019 do not reflect any impact of the transaction. As of September 30, 2019, Mid Coast – Parkview Health and Subsidiaries reported total assets of \$263,353,000 and total net assets of \$183,405,000. For the year ended September 30, 2019, Mid Coast – Parkview Health and Subsidiaries reported total unrestricted revenues, gains and other support of \$231,857,000 and an excess of revenues and nonoperating gains, net over expenses of \$11,377,000.

## **SUPPLEMENTAL CONSOLIDATING INFORMATION**

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)  
Consolidating Balance Sheet Information

September 30, 2019

(In thousands)

Assets	MaineHealth	Maine Medical Center	Southern Maine Health Care	Coastal Healthcare Alliance	Franklin Community Health Network	LincolnHealth Group	The Memorial Hospital at North Conway, NH	Western Maine Health Care Corp.	Maine Behavioral Healthcare	NorDX	MaineHealth Care at Home	Other	Eliminations	Consolidated
Current assets:														
Cash and cash equivalents	\$ 258,846	3,360	1,696	6,017	499	781	8,727	526	27	3,349	2,751	6,039	—	292,618
Investments	674,982	57,130	8	916	—	—	16,318	—	—	30,389	1,262	—	—	781,005
Investments held for members	294,377	—	—	—	—	—	—	—	—	—	—	—	(294,377)	—
Patient accounts receivable – net	—	157,339	32,280	26,614	7,695	11,307	9,133	6,806	5,508	912	2,213	—	—	259,807
Current portion of investments whose use is limited	4,145	66,031	524	875	412	458	—	129	415	—	—	—	—	72,989
Inventories, prepaid expenses, and other current assets	14,560	62,586	5,650	6,340	2,999	4,020	3,337	1,755	1,360	2,534	297	3,428	(12,032)	96,834
Estimated amounts receivable under reimbursement regulations	—	—	—	10,971	5,808	4,018	—	—	—	—	—	—	(20,797)	—
Current portion of notes and amounts receivable from affiliated entities	8,538	1,030	138	569	54	54	32	118	—	6,898	—	2,571	(20,002)	—
<b>Total current assets</b>	<b>1,255,448</b>	<b>347,476</b>	<b>40,296</b>	<b>52,302</b>	<b>17,467</b>	<b>20,638</b>	<b>37,547</b>	<b>9,334</b>	<b>7,310</b>	<b>44,082</b>	<b>6,523</b>	<b>12,038</b>	<b>(347,208)</b>	<b>1,503,253</b>
Investments whose use is limited by:														
Debt agreements	3,559	66,031	524	875	412	458	—	129	415	—	—	—	—	72,403
Board designation	—	—	—	25,690	—	5,380	20,346	278	—	—	3,083	—	—	54,777
Self-insurance trust agreements	43,472	6,109	—	—	—	—	—	—	—	—	—	—	—	49,581
Specially designated specific purpose funds	2,117	18,876	11,867	10,809	1,040	1,611	460	1,758	2,024	—	497	—	—	51,059
Plant replacement funds	—	2,652	—	2	—	—	—	—	139	—	—	—	—	2,793
Funds functioning as endowment funds	39	97,849	1,903	3,914	1,305	2,195	664	578	808	—	245	—	—	109,500
Pooled life income funds	—	2,480	—	—	—	—	—	—	—	—	—	—	—	2,480
Beneficial interest in perpetual and charitable remainder trusts	—	871	12,211	28,246	310	3,627	—	—	135	—	1,172	—	—	46,572
	49,187	194,868	26,505	69,536	3,067	13,271	21,470	2,743	3,521	—	4,997	—	—	389,165
<b>Less current portion</b>	<b>4,145</b>	<b>66,031</b>	<b>524</b>	<b>875</b>	<b>412</b>	<b>458</b>	<b>—</b>	<b>129</b>	<b>415</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>72,989</b>
	45,042	128,837	25,981	68,661	2,655	12,813	21,470	2,614	3,106	—	4,997	—	—	316,176
Property, plant, and equipment – net	218,264	653,706	82,246	103,156	27,446	51,174	32,892	23,608	25,169	3,369	992	14	28,470	1,250,506
Other assets	88,723	98,528	37,509	30,539	10,831	10,600	10,092	6,298	2,536	3,045	1,161	—	(167,996)	131,866
Notes and amounts receivable from affiliates – less current portion	128,149	—	—	82	—	—	—	—	—	—	—	—	(128,231)	—
<b>Total</b>	<b>\$ 1,735,626</b>	<b>1,228,547</b>	<b>186,032</b>	<b>254,740</b>	<b>58,399</b>	<b>95,225</b>	<b>102,001</b>	<b>41,854</b>	<b>38,121</b>	<b>50,496</b>	<b>13,673</b>	<b>12,052</b>	<b>(614,965)</b>	<b>3,201,801</b>

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)  
Consolidating Balance Sheet Information  
September 30, 2019  
(In thousands)

Liabilities and Net Assets	MaineHealth	Maine Medical Center	Southern Maine Health Care	Coastal Healthcare Alliance	Franklin Community Health Network	LincolnHealth Group	The Memorial Hospital at North Conway, NH	Western Maine Health Care Corp.	Maine Behavioral Healthcare	NorDX	MaineHealth Care at Home	Other	Eliminations	Consolidated
Current liabilities:														
Current portion of long-term debt	\$ 20,056	3,300	4,885	3,226	880	1,972	814	371	1,117	—	—	—	—	36,621
Current portion SeHR Purchased Services	—	9,015	2,117	2,415	1,246	549	—	410	—	358	—	—	(16,110)	—
Lines of credit														
Accounts payable and other current liabilities	23,375	66,581	6,701	6,206	1,812	2,716	1,585	2,935	1,298	4,918	561	5,023	(685)	123,026
Accrued payroll, payroll taxes, and amounts withheld	2,439	27,183	7,679	3,510	1,415	1,709	996	1,185	1,808	956	593	—	—	49,473
Accrued earned time	1,756	36,733	5,766	8,694	2,072	2,495	1,257	2,038	2,465	2,046	1,135	436	—	66,893
Accrued interest payable	1,628	3,239	102	288	162	122	244	45	175	—	—	—	—	6,005
Estimated amounts payable under reimbursement regulations	8,300	45,290	42	—	—	—	15,111	6,996	769	—	—	—	(20,797)	55,711
Self-insurance reserves	27,717	—	—	—	—	—	—	—	—	—	—	—	—	27,717
Deferred revenue	—	6,799	—	157	426	83	136	2,827	73	—	153	20	—	10,674
Investments held for members	294,377	—	—	—	—	—	—	—	—	—	—	—	(294,377)	—
Amounts payable to affiliated entities	65	4,494	1,872	1,659	605	4,500	2,400	547	33	2,249	1,878	471	(20,773)	—
<b>Total current liabilities</b>	<b>379,713</b>	<b>202,634</b>	<b>29,164</b>	<b>26,155</b>	<b>8,618</b>	<b>14,146</b>	<b>22,543</b>	<b>17,354</b>	<b>7,738</b>	<b>10,527</b>	<b>4,320</b>	<b>5,950</b>	<b>(352,742)</b>	<b>376,120</b>
Accrued retirement benefits	76,075	322,191	—	—	—	—	—	—	—	—	—	—	—	398,266
Self-insurance reserves – less current portion	43,968	—	—	—	—	—	—	—	—	—	—	—	—	43,968
Estimated amounts payable under reimbursement regulations	—	—	—	—	—	—	—	—	6,946	—	—	—	—	6,946
Long-term debt – less current portion	129,692	324,268	30,433	24,517	14,517	9,730	14,207	4,186	15,737	—	—	—	—	567,287
Other liabilities	180,286	29,568	—	—	—	2,886	4,387	69	214	—	—	137	(173,836)	43,711
Amounts payable to affiliates – long term	—	51,358	23,482	14,613	8,498	3,128	4,831	2,332	—	1,965	960	—	(111,167)	—
<b>Total liabilities</b>	<b>809,734</b>	<b>930,019</b>	<b>83,079</b>	<b>65,285</b>	<b>31,633</b>	<b>29,890</b>	<b>45,968</b>	<b>23,941</b>	<b>30,635</b>	<b>12,492</b>	<b>5,280</b>	<b>6,087</b>	<b>(637,745)</b>	<b>1,436,298</b>
Net assets:														
Without donor restrictions	923,748	161,524	84,709	144,555	24,097	56,916	54,909	15,577	3,182	38,004	6,479	5,965	22,780	1,542,445
With donor restrictions	2,144	137,004	18,244	44,900	2,669	8,419	1,124	2,336	4,304	—	1,914	—	—	223,058
<b>Total net assets</b>	<b>925,892</b>	<b>298,528</b>	<b>102,953</b>	<b>189,455</b>	<b>26,766</b>	<b>65,335</b>	<b>56,033</b>	<b>17,913</b>	<b>7,486</b>	<b>38,004</b>	<b>8,393</b>	<b>5,965</b>	<b>22,780</b>	<b>1,765,503</b>
<b>Total</b>	<b>\$ 1,735,626</b>	<b>1,228,547</b>	<b>186,032</b>	<b>254,740</b>	<b>58,399</b>	<b>95,225</b>	<b>102,001</b>	<b>41,854</b>	<b>38,121</b>	<b>50,496</b>	<b>13,673</b>	<b>12,052</b>	<b>(614,965)</b>	<b>3,201,801</b>

See accompanying notes to consolidated financial statements.

**MAINEHEALTH SYSTEM**  
(MaineHealth Services and Subsidiaries)

Consolidating Statement of Operations Information

Year ended September 30, 2019

(In thousands)

	MaineHealth	Maine Medical Center	Southern Maine Health Care	Coastal Healthcare Alliance	Franklin Community Health Network	LincolnHealth Group	The Memorial Hospital at North Conway, NH	Western Maine Health Care Corp.	Maine Behavioral Healthcare	NorDX	MaineHealth Care at Home	Other	Eliminations	Consolidated
Unrestricted revenue and other support:														
Net patient service revenue	(8,300)	1,443,585	300,715	261,770	79,680	100,459	74,899	76,528	80,089	23,890	32,126	—	(333)	2,465,108
Direct research revenue	—	19,789	—	—	—	—	—	—	—	—	—	—	—	19,789
Indirect research revenue	—	4,544	—	—	—	—	—	—	—	—	—	—	—	4,544
Other revenue	268,691	155,054	7,936	18,762	4,907	5,161	2,994	4,122	14,850	55,479	1,125	19,340	(330,525)	227,896
<b>Total unrestricted revenues and other support</b>	<b>260,391</b>	<b>1,622,972</b>	<b>308,651</b>	<b>280,532</b>	<b>84,587</b>	<b>105,620</b>	<b>77,893</b>	<b>80,650</b>	<b>94,939</b>	<b>79,369</b>	<b>33,251</b>	<b>19,340</b>	<b>(330,858)</b>	<b>2,717,337</b>
Expenses:														
Salaries	115,978	657,229	143,109	126,151	39,555	48,688	30,594	33,589	56,754	29,724	19,400	12,310	(8,082)	1,304,999
Employee benefits	32,244	181,381	32,466	31,272	10,417	13,420	7,693	9,596	14,977	9,209	4,876	2,399	(1,105)	348,845
Supplies	1,541	293,414	32,280	38,686	10,248	7,785	9,969	10,232	2,298	14,278	1,287	175	—	422,193
Professional fees and purchased services	69,563	256,872	58,069	44,006	24,105	20,728	16,827	16,060	10,126	15,816	4,134	2,373	(277,918)	260,761
Facility and other costs	8,048	50,309	13,825	12,250	3,208	4,795	3,667	2,932	4,755	3,195	2,437	614	(2,897)	107,138
State taxes	—	20,801	5,926	4,845	1,649	2,426	3,277	1,356	1,324	—	—	—	—	41,604
Interest	3,992	5,908	2,232	1,475	857	737	887	227	734	60	29	—	(3,157)	13,981
Depreciation and amortization	30,572	81,876	15,024	13,978	4,545	5,706	4,816	3,583	2,615	1,228	614	25	(29,589)	134,993
<b>Total expenses</b>	<b>261,938</b>	<b>1,547,790</b>	<b>302,931</b>	<b>272,663</b>	<b>94,584</b>	<b>104,285</b>	<b>77,730</b>	<b>77,575</b>	<b>93,583</b>	<b>73,510</b>	<b>32,777</b>	<b>17,896</b>	<b>(322,748)</b>	<b>2,634,514</b>
<b>Income (loss) from operations</b>	<b>(1,547)</b>	<b>75,182</b>	<b>5,720</b>	<b>7,869</b>	<b>(9,997)</b>	<b>1,335</b>	<b>163</b>	<b>3,075</b>	<b>1,356</b>	<b>5,859</b>	<b>474</b>	<b>1,444</b>	<b>(8,110)</b>	<b>82,823</b>
Nonoperating gains (losses):														
Gifts and donations – net of related expenses	—	1,528	75	42	8	22	—	—	—	—	11	—	—	1,686
Interest and dividends	10,969	6,330	928	2,185	65	401	475	48	103	688	61	—	(54)	22,199
Recognized gain on cash flow hedge instruments	(1,662)	(4,832)	—	—	—	—	—	—	11	—	—	—	—	(6,483)
Equity in earnings of joint ventures	2,404	3,434	—	—	—	—	—	—	—	—	—	—	(476)	5,362
Increase (decrease) in fair value of investments	28,000	(7,392)	(4,198)	681	(1,153)	(359)	(189)	(919)	(239)	1,200	(46)	—	(98)	15,288
Other	(364)	(111)	(953)	379	479	3	—	(453)	(29)	1	3	—	(713)	(1,758)
<b>Total nonoperating gains (losses) – net</b>	<b>39,347</b>	<b>(1,043)</b>	<b>(4,148)</b>	<b>3,287</b>	<b>(601)</b>	<b>67</b>	<b>286</b>	<b>(1,324)</b>	<b>(154)</b>	<b>1,889</b>	<b>29</b>	<b>—</b>	<b>(1,341)</b>	<b>36,294</b>
<b>Excess (deficiency) of revenues and nonoperating gains – net over expenses</b>	<b>37,800</b>	<b>74,139</b>	<b>1,572</b>	<b>11,156</b>	<b>(10,598)</b>	<b>1,402</b>	<b>449</b>	<b>1,751</b>	<b>1,202</b>	<b>7,748</b>	<b>503</b>	<b>1,444</b>	<b>(9,451)</b>	<b>119,117</b>
Net assets released from restrictions for property, plant, and equipment	10	8,742	10	221	31	708	28	84	—	—	—	—	—	9,834
Retirement benefit plan adjustments	—	(132,636)	—	—	—	—	—	—	—	—	—	—	—	(132,636)
Equity transfer from (to) affiliates	824,766	(722,636)	(45,140)	(20,311)	3,359	1,023	(292)	(32,579)	(15,890)	(2,662)	(27)	2,757	7,632	—
<b>Increase (decrease) in net assets without donor restrictions \$</b>	<b>862,576</b>	<b>(772,391)</b>	<b>(43,558)</b>	<b>(8,934)</b>	<b>(7,208)</b>	<b>3,133</b>	<b>185</b>	<b>(30,744)</b>	<b>(14,688)</b>	<b>5,086</b>	<b>476</b>	<b>4,201</b>	<b>(1,819)</b>	<b>(3,685)</b>

See accompanying notes to consolidated financial statements.



**CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS**

The following are definitions of certain words and terms used in this Official Statement and summaries of the Indenture, the Agreement, the MaineHealth Master Indenture and the Supplemental Master Trust Indenture. The summaries do not purport to set forth all of the provisions of said documents, to which reference is made for the complete and actual terms thereof. Words and terms used herein that are not defined herein shall have the same meanings as set forth in the Indenture, the Agreement, the MaineHealth Master Indenture and the Supplemental Master Trust Indenture, as the case may be.

**DEFINITIONS**

“Accountant” shall mean any firm of recognized independent certified public accountants appointed by the Institution and reasonably acceptable to the Authority.

“Act” shall mean the Maine Health and Higher Educational Facilities Authority Act, Chapter 413 of Title 22, Sections 2051 to 2077, inclusive, of the Maine Revised Statutes Annotated, as it may be amended from time to time.

“Additional Bonds” shall mean the bonds or notes issued by the Authority pursuant to Section 2.14 of the Bond Indenture.

“Additional Notes” shall mean the notes issued by the Institution pursuant to Section 3.5 of the Agreement to secure Additional Bonds issued by the Authority pursuant to the Bond Indenture.

“Agreement” shall mean the Loan Agreement, dated as of July 1, 2020, by and between the Authority and the Institution, and when amended or supplemented, the Agreement, as amended or supplemented.

“Agreement Event of Default” shall mean any one or more of those events set forth in Section 6.1 of the Agreement.

“Annual Administrative Fee” shall mean the annual fee for the general administrative services of the Authority which for each Bond Year shall be an amount equal to that shown on the prevailing fee schedule of the Authority.

“Authenticating Agent” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Authority” shall mean the Maine Health and Higher Educational Facilities Authority, a public body corporate and politic of the State of Maine.

“Authority Representative” shall mean the Chairman, Vice Chairman, Executive Director or Secretary of the Authority or such other Person as the Authority may designate to act on its behalf by written certificate furnished to the Institution and the Bond Trustee containing the specimen signature of such Person and signed on behalf of the Authority by the Chairman, Vice Chairman, Executive Director or Secretary.

“Board” shall mean the directors of the Authority.

“Bond” or “Bonds” shall mean the Authority’s Series 2020A Bonds and any Additional Bonds issued under the Bond Indenture.

“Bond Counsel” shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds selected or employed by the Authority and reasonably acceptable to the Bond Trustee.

“Bond Fund” shall mean the fund created pursuant to Section 5.1(a) of the Bond Indenture.

“Bond Indenture” shall mean the Bond Indenture, dated as of July 1, 2020, by and between the Authority and the Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

“Bond Indenture Event of Default” shall mean any one or more of those events set forth in Section 7.1 of the Bond Indenture.

“Bond Payment Date” shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding.

“Bond Purchase Contract” shall mean the Contract of Purchase between the Authority and the Original Purchasers pertaining to the sale of the Series 2020A Bonds.

“Bond Resolution” shall mean the Bond Resolution relating to the financing and refinancing of the Project which is the subject of the Agreement, adopted by the Authority on June 19, 2020.

“Bond Trustee” shall mean U.S. Bank National Association, of Boston, Massachusetts, and any successor to its duties under the Bond Indenture.

“Bond Year” shall mean the period commencing July second of each year and ending July first of the next year.

“Book-Entry Bonds” shall mean the Series 2020A Bonds held by DTC as the registered owner thereof pursuant to the terms and provisions of Section 2.13 of the Bond Indenture.

“Buildings” shall mean the buildings, structures, fixtures and improvements now or hereafter located on the Land.

“Business Day” shall mean any day of the year other than a day (i) that is a Saturday or Sunday, (ii) that is a legal holiday or a day on which banking institutions located in Portland, Maine or in the same city as the office of the Bond Trustee responsible for the administration of the Bond Indenture are required or authorized to remain closed, or (iii) any day on which the New York Stock Exchange or DTC is closed, or a day on which the Federal Reserve System is not in operation.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Construction Fund” shall mean the fund created pursuant to Section 4.1 and Section 5.1(b) of the Bond Indenture.

“Consultant” shall mean a Person selected by the Institution which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of the Institution, and which is either (i) a nationally recognized professional management consultant or Accountant in the area of hospital finance and reasonably acceptable to the Authority and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions hereof in which such requirement appears, or (ii) the Accountant which is the Institution’s external auditing firm.

“Corporate Trust Office” shall mean (i) the principal office of the Bond Trustee at which at any particular time its corporate trust business shall be administered, which office as of the date hereof is located at One Federal Street, Boston, MA 02110, Attention: Corporate Trust Services, or such other office as the Bond Trustee may from

time to time designate in writing to the Authority and the Holders or (ii) the designated corporate trust office of any successor bond trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Authority), which as of the date of this Agreement is the address set forth in Section 7.10 of this Agreement.

“DTC” shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Electronic Means” shall mean telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

“Environmental Law” shall mean any and all federal, State and local laws, ordinances, rules, regulations and administrative orders relating to Hazardous Materials.

“Equipment” shall mean the equipment, machinery, furnishings, fixtures (to the extent not a part of the Buildings), and other similar items of tangible personal property necessary or convenient for the operation of the Facility, whether now owned or held or hereafter acquired, less any equipment, machinery, furnishings, fixtures to the extent not a part of the Buildings, and other similar items which may actually be disposed of or removed pursuant to the Agreement.

“Facility” shall mean the Land, the Buildings and the Equipment.

“Fiscal Year” shall mean the fiscal year of the Institution which shall be the fiscal year designated from time to time in writing by the Institution to the Authority and the Bond Trustee.

“Fitch” shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Governing Body” shall mean the Institution’s board of trustees.

“Government Obligations” shall mean direct general obligations of the United States of America.

“Guaranty Notes” shall mean the MaineHealth Series 2020A Guaranty Notes created and issued pursuant to the Master Indenture, issued to the Bond Trustee as assignee of the Authority by the System to evidence the guaranty by the System of the obligations of the Institution under the Agreement.

“Hazardous Materials” shall mean, without limitation, asbestos, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, chemical liquids, or any other solid, liquid or gaseous materials, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance, material or waste by any applicable federal, State or local law, ordinance, rule, regulation or administrative order.

“Holder” or “Bondholder” shall mean the registered owner of any Bond, including DTC as the sole registered owner of Book-Entry Bonds.

“Indebtedness” shall have the meaning set forth in the Master Indenture.

“Initial Administrative Fee” shall mean the fee, payable from the Construction Fund to the Authority, for its initial services in regard to the financing and refinancing of the Project in an amount specified in the Authority’s prevailing fee schedule.

“Institution” shall mean the private, nonprofit and charitable corporation organized and existing under the laws of the State of Maine, operating hospital facilities located in Portland, Maine, and other Maine municipalities, the corporate name of which is MaineHealth formerly known as Maine Medical Center, and its successors.

“Institution Representative” shall mean the Person or Persons at the time designated to act on behalf of the Institution by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such Person and signed on behalf of the Institution by its chairman, its president or chief executive officer, or its chief financial officer. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such Institution Representative.

“Interest Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(i) of the Bond Indenture.

“Land” shall mean the real property on which the Project is located.

“Master Indenture” shall mean the Master Trust Indenture, dated as of March 1, 1999, by and between the System and the Master Trustee, and when amended or supplemented, such Master Indenture, as amended or supplemented.

“Master Indenture Event of Default” shall mean any one or more of those events defined as an Event of Default as set forth in the Master Indenture.

“Master Trustee” shall mean U.S. Bank National Association, of Boston, Massachusetts, and any successor to its duties under the Master Indenture.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Note” or “Notes” shall mean any Notes issued, authenticated and delivered by the Institution under the Agreement, including the Series 2020A Note and any Additional Notes.

“Note Payments” shall mean all payments to be made by the Institution under the Notes issued to or for the account of the Authority.

“Obligated Group” shall have the meaning set forth in the Master Indenture.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm of attorneys reasonably acceptable to the Bond Trustee and, to the extent the Authority is asked to take action in reliance thereon, the Authority, and who (except as otherwise expressly provided herein or in the Bond Indenture) may be either counsel for the Institution or for the Bond Trustee. The Bond Trustee will be deemed to have accepted an attorney or a firm of attorneys specified in a notice to the Bond Trustee if the Bond Trustee does not object to such attorney or firm within fourteen (14) days after the giving of notice in accordance with Section 7.10 of the Agreement.

“Original Purchasers” shall mean the Persons designated in the Bond Purchase Contract as the initial purchaser or purchasers of the Series 2020A Bonds or, if so designated in such Bond Purchase Contract, the representatives or lead or managing underwriters of such initial purchasers.

“Outstanding,” when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in the Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions

of the Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (iv) for purposes of any consent or other action to be taken under the Agreement or under the Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, the Institution, or any Person controlling, controlled by, or under common control with, either of them.

“Paying Agent” shall mean the Bond Trustee and any other banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal investments of the Authority’s money:

(a) Government Obligations;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, instrumentalities or other entities, established by an Act of Congress or otherwise, including but not limited to the entities listed below, provided such obligations are backed by the full faith and credit of the United States of America:

(i) U.S. Export-Import Bank,

(ii) Farmers Home Administration,

(iii) Federal Financing Bank,

(iv) Federal Housing Administration Debentures,

(v) General Services Administration,

(vi) Aid for International Development,

(vii) Government National Mortgage Association,

(viii) U.S. Maritime Administration,

(ix) U.S. Department of Housing and Urban Development, and

(xi) Small Business Administration;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies, instrumentalities, corporations or other entities, established by an Act of Congress or otherwise:

(i) Federal Home Loan Bank System,

(ii) Federal Home Loan Mortgage Corporation,

(iii) Federal National Mortgage Association,

(iv) Student Loan Marketing Association,

(v) Financing Corporation,

(vi) Federal Farm Credit Banks,

- (vii) Private Export Funding Corp,
- (viii) Resolution Funding Corporation,
- (ix) Tennessee Valley Authority, and
- (x) Inter-American Development Bank.

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G, AAAM, or AAM or ratings by Moody's of Aaa, Aa1 or Aa2;

(e) certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks that are secured at all times by collateral described in (a), (b), or (c) above, provided that the Master Trustee has a perfected security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC, including the DIF (Deposit Insurance Fund);

(g) commercial paper issued under Section 3(a)(3) of the Securities Act of 1933 that have original maturities no longer than 270 days, rated, at the time of purchase, "Prime - 1" by Moody's or "A-1" or better by S&P;

(h) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated in one of the three highest rating categories by at least one Rating Agency, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated, or revenue bonds of any state of the United States, state agency or political subdivision or entity thereof rated in one of the two highest rating categories by at least one Rating Agency (any such securities are without regard to exemption of interest from federal taxation);

(i) Advance-Refunded Municipal Bonds;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements with respect to and secured by cash and/or Government Obligations and/or by obligations described in clause (b), (c) or (h) above, which agreements may be entered into with a bank (including the Bond Trustee or its affiliates), a trust company, insurance company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation provided that such repurchase agreements satisfy the following criteria:

- (i) the repurchase agreement must be between the Bond Trustee, or the Master Trustee on its behalf, the Borrower and a bank (including the Bond Trustee or its affiliates), a trust company, insurance company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation and that is rated in one of three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by at least one of S&P, Moody's, or Fitch. If the provider's obligation is guaranteed by a third-party, then the above rating requirement will apply to the guarantor only;
- (ii) the repurchase agreement must be in writing and include the following (1) the securities that are acceptable for transfer are of the type listed in (a), (b), (c) or (h) above, (2) the term of the repurchase agreement may not exceed the term of the

bonds, (3) the collateral must be delivered to the Bond Trustee or the Master Trustee on its behalf or a third party custodial agent for the Bond Trustee or Master Trustee, as applicable (perfection by possession of securities), (4) the collateral securities must be valued no less frequently than weekly and (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100% with respect to cash and 102% with respect to securities; and

(l) Forward purchase or delivery agreements by a financial institution rated at the time of execution by at least one Rating Agency in one of three highest rating categories assigned by such Rating Agency. If the forward purchase or delivery agreement provider's obligation is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only. Securities eligible for delivery under the agreement will include those described in sections (a), (b), (c) or (g) above;

(m) investment agreements with (i) banks or non-bank financial institutions or vehicles whose unsecured, direct long-term debt is rated, or if such investment agreement is guaranteed, by an entity rated by at least one Rating Agency at the time such agreement is executed in one of the three highest rating categories or (ii) such non-bank financial institution, vehicle, or the related guarantor has a claims paying ability or financial program strength rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency. In all cases, the above rating requirements will apply only at the time the investment agreement is executed;; or

(n) time deposits of any bank domiciled in the United States or of a foreign bank with a branch in the United States which has combined capital, surplus and undivided profits of at least \$500 million, so long as the long-term un-secured debt rating of the issuing bank is within one of the three highest rating categories by a Rating Agency;

For the purpose of this definition, references to rating categories refers to such categories without regard to numerical or symbol modifiers (*i.e.* "AA+", "AA" and "AA-" constitute a single category).

"Person" shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

"Pledged Revenues" shall mean all revenues, proceeds and receipts of the Authority derived from the Note Payments, and the proceeds of the Series 2020A Bonds pending their application in accordance with the Bond Indenture.

"Principal Account" shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(ii) of the Bond Indenture.

"Project" shall mean the construction of or improvements to the Facility described in Schedule B to the Agreement, to be financed and refinanced with the proceeds of the Series 2020A Bonds.

"Property" shall have the meaning set forth in the Master Indenture.

"Property, Plant and Equipment" shall have the meaning set forth in the Master Indenture.

"Record Date" shall mean, as the case may be, the applicable Regular or Special Record Date.

"Redemption Account" shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iv) of the Bond Indenture.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

“Registrar” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Regular Record Date” shall mean the 15th day (whether or not a Business Day) of the calendar month next preceding each Bond Payment Date.

“Release” shall mean the intentional or unintentional presence, seepage, spilling, leaking, disposing, discharging, emitting, depositing, injecting, leaching, escaping or any other release or threatened release, however defined, of any Hazardous Materials.

“Representation Letter” shall mean the Representation Letter from the Authority and the Bond Trustee to DTC with respect to the Series 2020A Bonds.

“S&P” shall mean S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice to the Authority and the Bond Trustee.

“Serial Bonds” shall mean the Series 2020A Bonds which are so designated in the Bond Indenture and are stated to mature in annual installments.

“Series 2020A Bonds” shall mean the Authority’s Maine Health and Higher Educational Facilities Authority Revenue Bonds, MaineHealth Issue, Series 2020A, to be issued pursuant to the Bond Resolution and the Bond Indenture to finance and refinance the costs of a portion of the Project as identified on Schedule B to the Agreement.

“Series 2020A Note” shall mean the Series 2020A Note created and issued pursuant to the Agreement, issued to the Bond Trustee as assignee of the Authority by the Institution to evidence the loan to the Institution from the Authority of a portion of the proceeds of the Series 2020A Bonds, in substantially the form set forth in Schedule C to the Agreement.

“Sinking Fund Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iii) of the Bond Indenture.

“Sinking Fund Account Requirement” shall mean, as to Term Bonds having the same stated maturity date, the aggregate principal amount of such Bonds required to be retired on or before the corresponding Sinking Fund Account Retirement Date.

“Sinking Fund Account Retirement Date” shall mean, as to Term Bonds having the same stated maturity date, the date on or before which such Term Bonds are required to be retired in an amount equal to the Sinking Fund Account Requirement for such date.

“Special Record Date” shall mean the date established by the Bond Trustee pursuant to Section 2.3(c) of the Bond Indenture as the record date for the payment of defaulted interest on the Series 2020A Bonds.

“State” shall mean the State of Maine.

“Supplement” shall mean an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Authority and the Bond Trustee in accordance with Article IX of the Bond Indenture.

“Supplemental Master Indenture” shall mean the Supplemental Master Trust Indenture No. 58 to the Master Indenture, dated as of July 1, 2020, by and between the System, acting as the Obligated Group Agent, and the Master Trustee, and when amended or supplemented, such Supplemental Master Indenture, as amended or supplemented.



“System” shall mean the private, nonprofit and charitable corporation organized and existing under the laws of the State, the corporate name of which is MaineHealth Services and its successors.

“Tax-Exempt Organization” shall mean a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Tax Regulatory Agreement” shall mean the Tax Regulatory Agreement, dated the date of delivery of the Series 2020A Bonds, by and among the Authority, the Institution and the Bond Trustee.

“Term Bonds” shall mean the Bonds designated as Term Bonds in the Bond Indenture.

## CERTAIN PROVISIONS OF THE INDENTURE

In consideration of the factors stated in the Bond Indenture, the Authority has executed the Bond Indenture and grants a security interest in, releases, assigns, transfers, pledges and grants and conveys unto the Bond Trustee and its successors and assigns forever with power of sale the following described property:

A. All rights and interests of the Authority in, under and pursuant to the Agreement, including, but not limited to, the Series 2020A Note and the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things which the Authority is or may become entitled to do under the Agreement; provided that the assignment made by this clause shall not include any assignment of any obligation of the Authority under the Agreement or any right of the Authority thereunder to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses.

B. Pledged Revenues and amounts on deposit from time to time in the Funds and Accounts created pursuant hereto, including the earnings thereon, including any of the foregoing that are “deposit accounts” and “investment property” as such terms are defined in 11 M.R.S.A. §9-1102, subject to the provisions of this Bond Indenture permitting the application therefor for the purpose and on the terms and conditions set forth herein; provided, however, that there is expressly excluded from any pledge, assignment, lien or security interest credited by this Bond Indenture any amount set apart and transferred to the Rebate Fund.

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, by the Authority or by anyone in its behalf or with its written consent, or by the Institution, in favor of the Bond Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

All Bonds Equally and Ratably Secured; Bonds Not General Obligations of the Authority. All Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, preference hereunder, and shall all be equally and ratably secured hereby. The Bonds are special obligations of the Authority payable solely from and secured by a pledge of Pledged Revenues and funds provided therefor under this Bond Indenture. Neither the State nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. (Section 1.3)

### Authorization and Terms of Bonds

Additional Bonds. (a) One or more series of Additional Bonds may be authenticated and delivered by the Authenticating Agent upon original issuance from time to time pursuant to this Section for any purpose permitted by the Act. The proceeds of any Additional Bonds shall be applied as provided in the Supplement authorizing such Additional Bonds and such Supplement shall set forth the terms and conditions for such Additional Bonds.

(b) The Authority shall not issue any Additional Bonds hereunder unless at or prior to the delivery to the Authenticating Agent of an order from the Authority to authenticate and deliver such Additional

Bonds there shall be filed with the Bond Trustee (in addition to all other documents required by the Bond Indenture or any Supplement thereto):

(i) a certificate of an Authority Representative, stating that the Authority is not then in default on any Bonds Outstanding or in the performance of any of the covenants, conditions, agreements or provisions contained in the Bond Indenture or the Agreement; and

(ii) a certificate of an Institution Representative, stating that the Institution is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement.

(c) Prior to the issuance of any Additional Bonds hereunder, the Authority and the Institution shall enter into an amendment to the Agreement or a supplemental agreement which shall provide, among other things, that the payments under the Agreement shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. An executed counterpart of such amendment to the Agreement or supplemental agreement shall be delivered to the Bond Trustee prior to the authentication and delivery of such Additional Bonds by the Authenticating Agent. (Section 2.14)

#### Revenues and Funds

Flow of Funds. So long as any Bonds are Outstanding, in each Bond Year, Note Payments received by the Bond Trustee (including, but not limited to, Note Payments related to the purchase price for tendered Series 2020A Bonds) from the Institution shall be applied, subject to Section 5.5 hereof, in the following manner and order of priority:

(a) Interest Account. The Bond Trustee shall deposit to the Interest Account on or before the last day prior to each Bond Payment Date, the amount, if any, necessary to cause the amount then being credited to the Interest Account, together with investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the full amount of interest to be paid on Outstanding Bonds on such Bond Payment Date. Moneys in the Interest Account shall be used to pay interest on Bonds as it becomes due.

(b) Principal Account. The Bond Trustee shall deposit to the Principal Account from such Note Payments on or before the last day of each Bond Year, commencing on the last day of each Bond Year ending on a date on which Bonds mature, the amount necessary to cause the amount then being credited to the Principal Account, together with the investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the principal amount of Bonds Outstanding which will mature on the last day of such Bond Year, subject to appropriate adjustment for the initial Bond maturity if the period prior to such date is other than twelve full months. Moneys in the Principal Account shall be used to retire Bonds by payment at their scheduled maturity.

(c) Sinking Fund Account. The Bond Trustee shall deposit to the Sinking Fund Account on or before the last day of each Bond Year, commencing on the last day of each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of such Bond Year, subject to appropriate adjustment for the initial Sinking Fund Account Retirement Date if the period prior to such date is other than twelve full months. Moneys in the Sinking Fund Account shall be used to retire Bonds by purchase, by mandatory redemption or by payment at their scheduled maturity.

The Bond Trustee may, and upon the written direction of the Institution, apply moneys credited to the Sinking Fund Account to purchase Term Bonds in satisfaction of Sinking Fund Account Requirements for such Term Bonds for a Sinking Fund Account Retirement Date. The Institution shall not direct and the Bond Trustee shall not so purchase any Bond at a price or cost (including any brokerage fees or commissions or other charges) which exceeds the principal amount thereof plus interest accrued to the date of purchase. Such accrued interest shall be paid from the Interest Account. The principal amount of Term Bonds of each maturity so purchased shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in such order of Sinking Fund Account Retirement Dates as the Institution may direct, in accordance with the Code. Except as provided in Section 3.9 hereof, all Bonds so purchased shall be cancelled.

(d) Redemption Account. If the Institution makes an optional prepayment of any installment on the Note, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee as follows: first, to cause the amounts credited to the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, in that order, to be not less than the amounts then required to be credited thereto and, then to retire Bonds by purchase, redemption or both purchase and redemption in accordance with the Institution's written directions. No Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date of purchase. Any such redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for optional redemption of such Bonds.

The principal amount of any Term Bonds so purchased or redeemed shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in order of Sinking Fund Account Retirement Dates, as shall be directed by the Institution, in accordance with the Code.

Upon receipt by the Bond Trustee of moneys accompanied by a certificate of an Institution Representative stating that such moneys are insurance proceeds with respect to casualty losses or condemnation awards, that the amount and that such moneys are to be applied to redeem Bonds in accordance with Section 3.4 hereof and specifying the amount and maturities of Bonds to be redeemed, the Bond Trustee shall credit such moneys to the Redemption Account and shall apply such moneys to redeem Bonds in accordance with Section 3.4 hereof.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with the Institution's written directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by the Institution, shall be transferred to the Interest Account. (Section 5.3)

Investment of Moneys Held by the Bond Trustee. (a) (i) Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee, as soon as reasonably practicable upon receipt in Permitted Investments as directed, in writing or by Electronic Means, by the Institution Representative. In the event that the Bond Trustee has not received instructions from the Institution to invest any moneys remaining in any Fund or Account hereunder, the Bond Trustee shall promptly notify the Institution and shall request investment instructions from the Institution and, if the Bond Trustee does not receive investment instructions from the Institution within five (5) Business Days of sending such request, then the Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee consistent with the directions as set forth in Exhibit B hereto. For purposes of this Bond Indenture, "Institution Representative" shall mean the Person at the time designated to act on behalf of the Institution by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such Person and signed on behalf of the Institution by its chairman, its president or chief executive officer, or its chief financial officer. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such Institution Representative. The Institution shall provide the Authority with copies of any investment directions under this Section 5.5.

(ii) For purposes of and subject to paragraph (a)(i) above, moneys in the Funds or Accounts held by the Bond Trustee shall be invested in Permitted Investments maturing or redeemable at the option of the Bond Trustee not later or no less frequently than the respective following dates or periods of time: (A) Principal Account and Sinking Fund Account, the day preceding the last day of each Bond Year; (B) Interest Account, the day

preceding the next Bond Payment Date; and (C) Redemption Account, the day preceding the next date on which Bonds are to be redeemed or are expected to be purchased.

(b) Amounts credited to a Fund or Account may be invested together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of paragraph (a) of this Section as they apply to each Fund or Account for which the joint investment is made and (ii) the Bond Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Bond Trustee may make any investment permitted by this Section, through or with its or its affiliates commercial banking or investment departments unless otherwise directed in writing by the Institution.

(d) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein (taking into account straight line amortizations and accretions of premiums and discounts) shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(e) The Bond Trustee shall sell in accordance with its ordinary procedures or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made (including any payment of principal, interest or redemption price of the Bonds). The Bond Trustee may request written direction from the Institution to sell or present for redemption.

(f) None of the Institution, the Bond Trustee or the Authority shall knowingly use or direct or permit the use of any moneys of the Authority in its possession or control in any manner which would cause any Series 2020A Bond to be an "arbitrage bond" within the meaning ascribed to such term in Section 148 of the Code, or any successor section of the Code. Nothing herein shall obligate the Authority or the Bond Trustee to monitor or evaluate any investment made in accordance with the provisions of this Section or compliance with such requirement, so long as they are acting in good faith without actual knowledge that any such investment is in violation hereof.

(g) Notwithstanding any provision of this Bond Indenture and recognizing that the Institution is providing directions hereunder, the Authority shall observe its covenants and agreements contained in the Tax Regulatory Agreement, to the extent that and for so long as such covenants and agreements are required by law.

(h) Although the Authority and the Institution each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority and the Institution each agree that confirmations of Permitted Investments are not required to be issued by the Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. (Section 5.5)

Investment Income. All investment income or interest earnings on all Funds and Accounts shall be credited by ledger entry by the Bond Trustee to the Earnings Fund. The Bond Trustee shall keep accounts of all amounts credited by ledger entry into the Earnings Fund to indicate the Fund or Account source of the income or earnings.

All actual investment income and interest earnings will be dealt with as follows. Except as otherwise provided herein, interest income and gain received, or loss realized, from investments of moneys in any Fund or Account shall be credited, or charged, as the case may be, to such respective Fund or Account. All income and gain from investment of the Interest Account shall be transferred to the Construction Fund prior to the completion of the Project, and thereafter shall be retained in the Interest Account and credited against the interest component of the next forthcoming Note Payment. Income and gain from Redemption Account investments may be transferred to any other Fund or Account upon written direction of the Institution. Investment income credited to

either the Interest Account, the Principal Account or the Sinking Fund Account shall be transferred thereto and shall be a credit against the next forthcoming Note Payment to be deposited to such respective Account. (Section 5.7)

Rebate Fund. (a) The Rebate Fund shall be applied to the Series 2020A Bonds and any Additional Bonds as may be designated in a Supplement. The amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Bond Trustee or any owner of a Bond, but shall be held by the Bond Trustee as trustee for the benefit of the United States. For purposes of this Section only, the term Bond Year shall have the meaning set forth in the Tax Regulatory Agreement. As is set forth as the Rebate Amount (as defined in the Tax Regulatory Agreement), the Bond Trustee shall bill the Institution, and the Institution shall pay, the Rebate Amount in a written certificate delivered by the Institution to the Bond Trustee pursuant to the Tax Regulatory Agreement, and actually deposit such amount in the Rebate Fund as described in the Tax Regulatory Agreement. Such certificate shall be delivered by the Institution not less frequently than every Computation Date (as defined in the Tax Regulatory Agreement); provided, that the Institution, at its option, may file such certificate more frequently.

(b) The Bond Trustee, upon the receipt of a written certification of the Rebate Amount from an Institution Representative, shall, in accordance with such certificate, deposit moneys received by the Institution in the Rebate Fund an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount for the Series 2020A Bonds calculated as of the Computation Date (as defined in the Tax Regulatory Agreement) in accordance with the Tax Regulatory Agreement or more frequently than any Computation Date at the written direction of the Institution. If there has been delivered to the Bond Trustee a written certification of the Rebate Amount in conjunction with the completion of the Project or the restoration of the Project from the Renewal Fund, at any time during a Bond Year the Bond Trustee shall, in accordance with such certificate, deposit in the Rebate Fund at that time an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project or of the restoration of the Project as aforesaid. The amount deposited in the Rebate Fund pursuant to the previous sentences shall be withdrawn from the Earnings Fund to the extent moneys are available.

(c) In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Bond Trustee, upon the receipt of written instructions from an Institution Representative specifying the amount of the excess, shall withdraw such excess amount and deposit it in the Construction Fund prior to the completion of the Project, or, after the completion of the Project, deposit it in the Redemption Account of the Bond Fund.

(d) The Bond Trustee, upon the receipt of written instructions from an Institution Representative with respect to each payment to be made to the United States pursuant to such instructions in accordance with the Tax Regulatory Agreement setting forth the amount of such payment, shall pay to the United States, out of amounts in the Rebate Fund with respect to the Series 2020A Bonds, (i) not less frequently than once each five (5) Bond Years, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to at least ninety percent (90%) of the Rebate Amount with respect to the Series 2020A Bonds as of the date of such payment and (ii) notwithstanding the provisions of the Bond Indenture, not later than sixty (60) days after the date on which all Series 2020A Bonds have been paid in full, all of the Rebate Amount as of the date of payment.

(e) Notwithstanding any provisions of this Bond Indenture, the obligation to remit the Rebate Amount to the United States and to comply with all other requirements of this section and of the Tax Regulatory Agreement shall survive the defeasance or payment in full of the Series 2020A Bonds, to the extent that and for so long as such covenants and agreements are required by law. (Section 5.8)

Renewal Fund. The net proceeds of insurance with respect to casualty losses or of condemnation awards related to the Project shall be deposited into the Renewal Fund or into the Redemption Account of the Bond Fund, at the option of the Institution. The Bond Trustee shall promptly notify the Authority of any deposit into the Renewal Fund. Amounts on deposit in the Renewal Fund shall be subject to the Tax Regulatory Agreement, but otherwise may be spent by the Institution for any of its corporate purposes, after making any transfer to the Rebate Fund as required by the Tax Regulatory Agreement. (Section 5.9)

## Default and Remedies

Bond Indenture Events of Default. Each of the following is hereby declared a “Bond Indenture Event of Default” hereunder:

(a) If payment by or on behalf of the Authority in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment by or on behalf of the Authority in respect of the principal of or redemption premium, if any, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) The Authority shall fail duly to observe or perform any covenant or agreement on its part under this Bond Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Authority and the Institution by the Bond Trustee, or to the Authority, the Institution, and the Bond Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. If the breach of covenant or agreement is one which is capable of cure but cannot be completely remedied within the thirty (30) days after written notice has been given, it shall not be a Bond Indenture Event of Default as long as the Authority has taken active steps within the thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy provided it shall be cured within sixty (60) days of such written notice;

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Authority under the Federal Bankruptcy Code or any other applicable Federal or state law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days;

(e) The institution by the Authority of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due;

(f) If there occurs an Agreement Event of Default; and

(g) Receipt by the Bond Trustee of written notice from the Authority that an Agreement Event of Default has occurred and is continuing and has not been waived by the Authority, accompanied by written request by the Authority to accelerate the payment of all Bonds Outstanding. (Section 7.1)

Acceleration; Annulment of Acceleration. (a) Upon the occurrence of a Bond Indenture Event of Default, without any further action, all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or herein to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the earlier of the date of payment or five days following the date of the declaration of acceleration. The Bond Trustee shall give written notice of such acceleration to the Authority, the Paying Agent, the Registrar, the Master Trustee, and the Institution, and the Registrar shall give notice to the Bondholders in the same manner as for a notice of redemption under Article III hereof stating the accelerated date on which the Notes and the Bonds shall be due and payable.

(b) At any time after the principal of the Bonds shall have been so declared to be due and payable as a result of a Bond Indenture Event of Default, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Indenture, moneys shall have accumulated in the appropriate Funds and Accounts created under this Bond Indenture sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Bond Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Institution hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Bond Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of the declaration under this Section) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding not then due and payable by the terms of the Bonds shall, by written notice to the Authority and the Institution, rescind and annul such declaration and its consequences, and the Registrar shall promptly give notice of such annulment in the same manner as provided in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon. (Section 7.2)

Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may or upon the written request of the Holders of not less than fifty-one percent (51%) in an aggregate principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Civil action to recover money or damages due and owing;
- (ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds;
- (iii) Enforcement of any other right of the Bondholders conferred by law or hereby; and
- (iv) Enforcement of any other right conferred by the Agreement.

(b) Regardless of the happening of a Bond Indenture Event of Default, the Bond Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified and/or secured to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Bond Trustee, will not involve the Bond Trustee in personal liability, is not unduly prejudicial to the interest of the Holders of Bonds not making such request (it being understood that the Bond Trustee has no duty to determine whether any action is prejudicial to any Holder of the Bonds). (Section 7.4)

Application of Revenues and Other Moneys After Default. During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Bond Trustee and the Authority with respect thereto, be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:

- (a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable:



First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the 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 Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Subject to the provisions of Section 7.2 hereof, whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Bond Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Institution or as a court of competent jurisdiction may direct. (Section 7.5)

Bondholders' Control of Proceedings. If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, provided that such written direction is in accordance with law and the provisions hereof (including indemnity and/or order security to the Bond Trustee as provided herein), will not involve the Bond Trustee in personal liability, and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction (it being understood that the Bond Trustee has no duty to determine whether any action is prejudicial to any Bondholder) and provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take

any other action hereunder which it may deem proper and which is not inconsistent with such direction by Bondholders. (Section 7.8)

Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) a Bond Indenture Event of Default has occurred (A) under paragraph (a) or (b) of Section 7.1 hereof of which the Bond Trustee has received written notice, or (B) under paragraph (c), (d), (e) or (f) of Section 7.1 hereof as to which the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing;

(ii) the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity and/or security as provided in Section 8.2 hereof;

(iv) the Bond Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity and/or security; and

(v) during such sixty (60) day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with Section 7.8 hereof.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds. (Section 7.9)

Notice of Default. (a) Promptly, but in any event within thirty (30) days after (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof, which the Bond Trustee has received written notice, or (ii) receipt, in writing, by the Bond Trustee of actual knowledge or notice of a Bond Indenture Event of Default under Section 7.1 (c), (d), (e) or (f) hereof, the Bond Trustee shall, unless such Bond Indenture Event of Default shall have theretofore been waived in accordance with the terms of this Bond Indenture, give written notice thereof by first class mail to each Holder of a Bond then Outstanding, provided that, except in the case of a default in the payment of principal amounts, the Sinking Fund Account Requirement, or the Redemption Price of or interest on any of the Bonds, the Bond Trustee may withhold such notice to such Holders if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Bond Trustee shall promptly within one Business Day notify the Master Trustee and the Authority of (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof and (ii) when the Bond Trustee has received actual knowledge or notice, in writing or otherwise, of a Bond Indenture Event of Default under Section 7.1(c), (d), (e) or (f) hereof. (Section 7.12)

Limitation of the Authority's Liability. No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Authority contained in any document executed by the Authority in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Authority or a charge against its general credit, or shall obligate the Authority financially in any way, except with respect to the Pledged Revenues and their application as provided herein. No failure of the Authority to comply with any term, covenant or agreement herein or in any document executed by the Authority in connection with the Project, shall subject the Authority to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Pledged Revenues. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Authority for any failure to comply with any term, condition, covenant or agreement herein; provided, that no costs, expenses or other monetary relief shall be recoverable from the Authority except as may be payable from the Pledged Revenues. (Section 7.13)

### The Bond Trustee

Removal and Resignation of the Bond Trustee. The Bond Trustee may resign or may be removed upon thirty (30) days' notice by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding. Written notice of such resignation or removal shall be given to the Authority and the Institution and such resignation or removal shall take effect upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Bond Trustee, the Authority or the Institution in all cases at the Institution's expense may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section. No resignation or removal of the Bond Trustee shall be effective until the successor has been appointed and qualified as Bond Trustee.

In addition, the Bond Trustee may be removed at any time with or without cause, by Supplement hereto signed by the Authority so long as (i) no Agreement Event of Default or Bond Indenture Event of Default shall have occurred and be continuing; and (ii) the Authority determines, in such Supplement, that the removal of the Bond Trustee shall not have an adverse effect upon the rights or interests of the Bondholders; and (iii) the Bond Trustee received thirty (30) days prior written notice of such removal. In the event a successor Bond Trustee has not been appointed and qualified within sixty (60) days after the removal, the Bond Trustee, the Authority or the Institution in all cases at the Institution's expense may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Authority, shall be entitled to appoint a successor Bond Trustee. In no event shall such resignation or removal be effective, unless the successor Bond Trustee has been appointed. Upon such appointment, the successor Bond Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such manner deemed appropriate by the Authority. If the Bond Trustee resigns, the resigning Bond Trustee shall pay for such notice. If the Bond Trustee is removed, is dissolved, or otherwise becomes incapable of acting as Bond Trustee, the Institution shall pay for such notice.

If the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding object to the successor Bond Trustee so appointed by the Authority and if such Holders designate another Person qualified to act as the Bond Trustee, the Authority shall then appoint as the Bond Trustee the Person so designated by the Holders.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Bond Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$25,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Bond Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Institution an instrument in writing, accepting such appointment hereunder, and thereupon such successor Bond Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver, upon payment of its charges hereunder, an instrument transferring to such successor Bond Trustee all the rights, powers and trusts of such predecessor. The predecessor Bond Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Bond Trustee. The predecessor Bond Trustee shall promptly deliver all trust funds and all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Bond Trustee.

Each successor Bond Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond.

Notwithstanding the provisions of Section 8.6 above, any corporation or association into which the Bond Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Bond Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto. (Section 8.6)

#### Supplements

Supplements Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders;
- (c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (d) To secure additional revenues or provide additional security or reserves for payment of the Bonds;
- (e) To preserve the exemption of the interest income borne on the Series 2020A Bonds from federal income taxes;
- (f) To authorize the issuance of Additional Bonds hereunder; and
- (g) To remove the Bond Trustee in accordance with the second paragraph of Section 8.6 hereof. (Section 9.1)

Supplements Requiring Consent of Bondholders. (a) Other than Supplements referred to in Section 9.1 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any

particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Bond Trustee to enter into a Supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplement to be mailed by first-class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall be prepared by or on behalf of the Authority and shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed in writing by the Institution, following the first publication of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in Section 9.2(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Bond Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. (Section 9.2)

Amendments to Agreement not Requiring Consent of Bondholders. The Authority and the Bond Trustee may without the consent of or notice to any of the Holders, consent to and join in the execution and delivery of any amendment, change or modification of the Agreement as may be required (a) by the provisions hereof or of the Agreement; (b) to cure any ambiguity or formal defect or omission therein; (c) to preserve the exemption of the interest borne on the Series 2020A Bonds from federal income taxes; (d) in the event there is a change to generally

accepted accounting principles which has the effect of changing accounting related definitions and covenants contained in the Agreements, provided there is delivered to the Authority and the Bond Trustee an opinion of an Accountant which provides that after giving effect to such changes in generally accepted accounting principles, the definitions and covenants, as modified, are substantially similar to the definitions and covenants which have been superseded; or (e) in connection with any other change therein as to which there is filed with the Bond Trustee and the Authority an Opinion of Counsel stating that the proposed change will not adversely affect the interests of the Holders, and which in the opinion of the Bond Trustee will not adversely affect the interests of the Bond Trustee. (Section 9.04)

Amendments to Agreement Requiring Consent of Bondholders. (a) Except for amendments, changes or modifications to the Agreement referred to in Section 9.4 hereof, the Authority and the Bond Trustee may consent to and join in the execution and delivery of any amendment, change or modification to the Agreement only upon the consent of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the Institution to make payments under the Notes or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority and the Institution shall request the consent of the Bond Trustee to any such amendment, change or modification to the Agreement the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 hereof with respect to Supplements hereto. Such notice shall be prepared by or on behalf of the Authority and shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders. If the Authority and the Institution request the consent of the Bond Trustee as provided in this paragraph, the Bond Trustee shall be entitled to receive and conclusively rely on an Opinion of Counsel stating that such amendment, change or modification is authorized or permitted hereby.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in paragraph (a) within the time and in the manner as provided by Section 9.2 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 hereof with respect to Supplements hereto. (Section 9.5)

#### Satisfaction and Discharge

Discharge. If payment of all principal of, premium, if any, and interest on the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Authority hereunder shall be paid or provided for, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Authority, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to the Authority, or as otherwise directed in writing by the Authority. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith..

The Authority or the Institution may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Authority or the Institution may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired. (Section 10.1)

Providing for Payment of Bonds. Payment of all or any portion of the Bonds may be provided for by the deposit with the Bond Trustee of moneys or investments set forth in paragraph (A) of the definition of

Permitted Investments in to the Agreement or any combination thereof. The moneys and the maturing principal and interest income on such investments, if any, shall be sufficient to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys and investments shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

In connection with any advance refunding (as such term is defined in the Code) of the Series 2020A Bonds, there shall be delivered to the Bond Trustee a verification report of an Accountant as to the adequacy of the escrow so established.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice so stating to each Holder of a Bond.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the Authority in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, or investments deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond is made subject to federal income taxes. The Bond Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds. (Section 10.2)

## SUMMARY OF THE AGREEMENT

### Issuance of Series 2020A Bonds and Series 2020A Note

Additional Notes. The Institution may issue Additional Notes, on a parity with the Series 2020A Note, but only to secure Additional Bonds issued on behalf of the Institution in accordance with the Bond Indenture. (Section 3.5)

Security for Bonds. (a) The Institution agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Authority hereunder and in and to the Series 2020A Note, any Additional Notes issued to secure Additional Bonds, the Note Payments and other amounts paid or payable by the Institution hereunder, other than fees and expenses payable or reimbursable to the Authority, shall be assigned and pledged by the Authority to the Bond Trustee pursuant to the Bond Indenture to secure the payment of the Bonds. Additionally, the System shall issue the Guaranty Notes to further secure the amounts paid or payable by the Institution hereunder. The Institution agrees that all of the rights accruing to or vested in the Authority with respect to the Notes or hereunder may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holders in accordance with the provisions hereof and of the Bond Indenture.

(b) This Agreement is executed in part to induce the purchase by others of the Bonds and to include the Bond Trustee to accept its duties and obligations under the Bond Indenture, and, accordingly, all covenants and agreements on the part of the Institution and the Authority, as set forth in this Agreement, are hereby declared to be for the benefit of the holders and owners from time to time of the Bonds and the Bond Trustee, excluding any rights reserved to the Authority herein and in the Bond Indenture to grant approvals, consents or waivers and to receive notices, or for indemnification and reimbursement.

(c) The Institution agrees to do all things within its power in order to comply with and to enable the Authority to comply with all requirements, and to fulfill and to enable the Authority to fulfill all covenants, of the Bond Resolution, the Tax Regulatory Agreement, this Agreement and the Bond Indenture.

(d) The Institution confirms the grant of its Gross Revenues to the Master Indenture for the benefit of the Guaranty Note and all obligations under the Master Indenture pursuant to a Contract dated as of July 1, 2018. (Section 3.6)

### Payments

Payments of Principal, Premium and Interest. The Institution covenants that it will duly and punctually pay the principal of and interest and any premium on the Notes at the dates and in the places and manner mentioned therein and herein. Notwithstanding any schedule of payments to be made on the Notes set forth therein or herein, the Institution agrees to make payments upon the Notes and be liable therefor at the times and in the amounts equal to the amounts to be paid as the principal or Redemption Price of or interest on the Bonds from time to time Outstanding as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

All amounts payable with respect to the Notes or hereunder by the Institution to the Authority, except as otherwise expressly provided herein, shall be paid to the Bond Trustee for the account of the Authority so long as any Bonds remain Outstanding.

The Institution agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by the Institution resulting from each Note issued or to be issued by the Institution hereunder. (Section 4.1)

Note Payments. (a) The Note Payments shall be made at the times and in the amounts described in paragraph (b) below. In addition to the Note Payments, the Institution shall at the same time make payments of installments of the Annual Administrative Fee as provided in Section 4.5(c) hereof. Any scheduled payment which



shall not be paid when due shall bear interest at the highest rate of interest borne on any Bond from the date the Note Payment is due until the same shall be paid.

(b) The Note Payments shall be made in monthly installments on the twentieth (20<sup>th</sup>) day of each month and shall include the amount, if any, necessary to cause the amount credited to the Interest Account together with available moneys and investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-sixth (1/6) of the interest coming due on the next Bond Payment Date. The Note Payments to be made pursuant to this paragraph (b) shall be appropriately adjusted to reflect the date of issuance of the Series 2020A Bonds and accrued or capitalized interest, if any, deposited in the Interest Account.

(c) The Note Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date on which Bonds mature, the amount necessary to cause the amount credited to the Principal Account, together with the available moneys and investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth (1/12) of the principal amount of the Institution's Notes which will mature on the last day of the Bond Year, and shall be appropriately adjusted to reflect the date of issuance of the Series 2020A Bonds.

(d) The Note Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with available moneys and investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth (1/12) of the Institution's Sinking Fund Account Requirements related to the Institution's Notes to be satisfied on or before the last day of the Bond Year.

(e) The Note Payments shall include all amounts due with respect to any rebate due to the United States pursuant to the Code or the Tax Regulatory Agreement. (Section 4.2)

Obligations Unconditional. This Agreement is a general obligation of the Institution and the obligations of the Institution to make payments pursuant hereto and pursuant to the Notes and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until this Agreement is terminated or payment in full of all Bonds is made or is provided for in accordance with the Bond Indenture, the Institution (i) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or under the Tax Regulatory Agreement; (ii) will perform and observe all of its obligations set forth in this Agreement and in the Tax Regulatory Agreement; and (iii) except as provided herein, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration; commercial frustration of purpose; any change in the tax or other laws or administrative rulings of, or administrative actions by or under authority of, the United States of America or of the State; or any failure of the Authority to perform and observe any obligation set forth in this Agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, the Tax Regulatory Agreement or the Bond Indenture.

Nothing contained in this Section shall be construed to release the Authority from the performance of any of its obligations contained herein. In the event the Authority fails to perform any such obligation, the Institution may institute such action against the Authority as the Institution may deem necessary and to the extent permitted by law to compel performance so long as such action shall not violate the terms or conditions of this Agreement, and provided that no costs, expenses or other monetary relief shall be recovered from the Authority except as may be payable from the Pledged Revenues. The Institution may, however, at its own cost and expense and in its own name or, to the extent lawful and upon written notice to, and prior receipt of written consent of the Authority, in the name of the Authority, prosecute or defend any action or proceeding or take any other action

involving third Persons which the Institution deems reasonably necessary in order to secure or protect its rights hereunder. In such event the Authority hereby agrees, to the extent reasonable, to cooperate fully with the Institution, but at the Institution's expense, and, to the extent reasonable, to take all reasonable action necessary to effect the substitution of the Institution for the Authority in any such action or proceeding if the Institution shall so request.

Notwithstanding any other provisions contained in this Agreement, the rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting (including, specifically, but without limitation, the right to receive the Note Payments) shall not be subject to any defense, set off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority or the Bond Trustee owing to the Institution, or by reason of any other indebtedness or liability at any time owing by the Authority or the Bond Trustee to the Institution. (Section 4.6)

### Particular Covenants

Covenants as to Corporate Existence, Maintenance of Property, Etc. The Institution hereby covenants:

(a) Except as otherwise expressly provided herein, or as provided in the Master Indenture, to preserve its corporate or other separate legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business. The Institution shall not consolidate with or merge with or into any other Person, except that the Institution may consolidate or merge with or into any other Person if, immediately after giving effect to such action, (i) there exists no condition or event which constitutes, or which, after notice or lapse of time, or both, would constitute, an Agreement Event of Default, and (ii) the conditions set forth in Section 408(e) of the Master Indenture shall have been satisfied.

(b) At all times to cause its business to be carried on and conducted and its Property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing herein contained shall be construed (i) to prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Body delivered to the Authority and the Bond Trustee) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same in accordance with the provisions of this Agreement and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and to duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith; provided, however, that no such contest shall subject any of its Property to risk of forfeiture or foreclosure or the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(d) Promptly to pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof; provided, however, that no such contest shall subject the Bond Trustee or the Authority to

the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(e) Promptly to pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding hereunder and under the Master Indenture) whose validity, amount or collectability is being contested in good faith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; provided, however, that it shall have the right to contest in good faith any such terms, covenants or provisions and pending such contest may delay or defer compliance therewith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(g) To procure and maintain all necessary licenses and permits and use its best efforts to maintain accreditation (if the Institution is currently doing so) of its health care facilities (other than those of a type for which accreditation is not then available) by The Joint Commission (or other relevant accrediting body) and the status of its health care facilities (other than those not currently having such status) as a provider of health care services eligible for reimbursement under any appropriate third-party payor programs and comparable programs, including future governmental programs as long as, in the opinion of the Institution, such eligibility or accreditation is in the best interests of the Institution.

(h) To maintain its status as a Tax-Exempt Organization and to take no action or suffer any action to be taken by others under its control which would result in the interest on any Bond becoming subject to federal income taxes, including, without limitation, its obligations under the Tax Regulatory Agreement.

(i) On the date on which the Institution becomes subject to the provisions of this Agreement and at all times thereafter, to consent to the jurisdiction of the courts of the State for causes of action arising solely under the terms of this Agreement.

(j) That all action heretofore and hereafter taken by the Institution to operate and maintain the Institution's Property, Plant and Equipment and to maintain the Project, and all actions hereafter taken by the Authority to maintain the Project upon the recommendation or request of any officer, employee or agent of the Institution have been and will be in full compliance with the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement, and the Agreement and will comply in all material respects with all pertinent laws, ordinances, rules, regulations and orders applicable to the Institution or the Authority; and in connection with the operation, maintenance, repair and replacement of the Institution's Property, Plant and Equipment, that it shall comply in all material respects with all applicable ordinances, laws, rules, regulations and orders of the United States of America, the State, or the city of Portland.

(k) That the Institution's Property, Plant and Equipment have been and will be in compliance in all material respects with all applicable zoning, subdivision, building, land use, environmental and similar laws and ordinances and in compliance with all Environmental Laws; and that it shall not take any action or request the Authority to take any action which would cause such property or any part thereof to be in violation of such laws, ordinances or Environmental Laws. The Institution acknowledges that any review by the staff or counsel of the Authority of any such actions heretofore or hereafter taken has been or will be solely for the protection of the Authority.

(l) To hold and use the Facility for hospital, community mental health or community health purposes or for purposes of scientific investigation, research and education, in a manner consistent with the Act, so long as the principal of and interest on the Notes has not been fully paid and retired and all other conditions of the Bond Indenture, the Tax Regulatory Agreement and this Agreement have not been satisfied and the lien and security

interests created under the Bond Indenture and this Agreement have not been released in accordance with the provisions hereof.

(m) The Project shall be used only for the purposes described in the Act and no part of the Project shall be used for any purpose which would cause the Authority's financing and refinancing of the Project to constitute a violation of the First Amendment of the United States Constitution; and, in particular, that no part of the Project, so long as it is owned or controlled by the Institution, shall be used for any sectarian instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Project or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program. The provisions of the foregoing sentence shall, to the extent permitted and required by law, survive termination of this Agreement.

(n) To provide ample parking for the Facility at a site or sites convenient for its operation.

(o) To provide at least thirty (30) days prior written notice to the Authority and the Bond Trustee of the commencement by the Institution of proceedings to be adjudicated a bankrupt or insolvent, or any other similar action described in Section 6.01(d) or (e) hereof. (Section 5.1)

Immunity and Indemnity. (a) In the exercise of the powers of the Authority and its members, directors, officers, employees, agents and consultants under the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement and the Agreement including, without limiting the foregoing, the application of moneys and the investment of funds, the Authority shall not be accountable to the Institution for any action taken or omitted by it or its members, directors, officers, employees, agents and consultants in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred. The Authority and its members, directors, officers, employees, agents and consultants shall be protected in its or their acting upon any paper or documents believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel 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 for any claims based on the Bond Resolution, the Tax Regulatory Agreement, the Bond Indenture or the Agreement or any instruments or documents related thereto against any member, director, officer, employee, agent or consultant of the Authority alleging personal liability on the part of such Person unless such claims are based upon the negligence or willful misconduct of such Person.

The Institution will pay and will indemnify, defend and hold the Authority (including any Person at any time serving as a member, director, officer, employee, agent or consultant of the Authority in their capacity as such) harmless from and against all claims, liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), suits and judgments of any kind brought, claimed or rendered against the Authority, as a direct or indirect result of the Authority's relationship with the Institution or the financing or refinancing of the Project and arising out of (i) injury to or death of any Person or damage to property in or upon any property of the Institution financed or refinanced, directly or indirectly, out of Bond proceeds or the occupation, use, possession or condition of such property or any part thereof or relating to the foregoing, (ii) any violation of any law, ordinance or regulation affecting such property or any part thereof or the ownership, occupation, use, possession or condition thereof, (iii) the issuance and sale of the Bonds or any of them, (iv) the execution and delivery hereof or of the Bond Indenture or of any document executed or approved by the Institution required hereby or thereby or in furtherance of the transactions contemplated hereby or thereby, (v) the performance of any act required of any indemnitee under this Section under any provision hereof or of the Bond Indenture or in furtherance of the transactions contemplated hereby or thereby or (vi) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials on, from, or affecting the Property or any other property, or any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, or any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials in connection with the Property, or any violation of laws, orders, regulations, requirements, or demands of government authorities, which are based upon or in any way related to such Hazardous Materials including, without limitation, the costs and expenses of any remedial action, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. The Institution will also indemnify, defend and hold harmless the Bond Trustee, any Paying Agent, the Authenticating Agent and the Registrar and any Person

serving as a director, officer, employee, agent or consultant of any of them in such Person's capacity as such from and against all claims, liabilities, losses, damages, costs, expenses (including attorneys' fees), suits and judgments arising out of events described in the foregoing clauses (i),(ii), (iv), (v), (vi) and clause (iii) with respect to the initial issuance and sale of the Series 2020A Bonds by the Authority to the Original Purchasers and arising out of actions taken by the Bond Trustee, any Paying Agent, the Authenticating Agent and the Registrar pursuant to its duties and responsibilities under the Bond Indenture. Notwithstanding the foregoing, the Institution shall not be obligated to indemnify any Person with respect to any claims based upon the willful misconduct of such Person.

(c) The Authority shall promptly, upon receipt of notice of the existence of a claim or the commencement of a proceeding regarding which indemnity under this Section may be sought, notify the Institution in writing thereof. If such a proceeding is commenced against the Authority, the Institution may participate in the proceeding and, to the extent it elects to do so, may assume the defense thereof with counsel satisfactory to the Authority. If, however, the Authority is advised in an Opinion of Counsel that there may be legal defenses available to it which are different from or in addition to those available to the Institution, or if the Institution fails to assume the defense of such proceeding or to employ such counsel for that purpose within a reasonable time after notice of commencement of the proceeding, the Institution shall not be entitled to assume the defense of the proceeding on behalf of the Authority, but shall be responsible for the reasonable fees, costs and expenses of the Authority in conducting its defense. (Section 5.6)

Limitation of Authority's Liability. No obligation of the Authority under or arising out of this Agreement, or any document executed by the Authority in connection with any Property of the Institution financed or refinanced, directly or indirectly, out of Bond proceeds or the issuance, sale or delivery of any Bonds shall impose, give rise to or be construed to authorize or permit a debt or pecuniary liability of, or a charge against the general credit of, the Authority, the State or any political subdivision of the State, but each such obligation shall be a limited obligation of the Authority payable solely from the Pledged Revenues. (Section 5.7)

Information. The Institution agrees, whenever requested by the Authority, and at the time or times requested by the Authority, to provide and certify or cause to be provided and certified such information concerning the Institution, its finances and operations, including, but not limited to, its annual audited financial statements, and other topics as the Authority reasonably considers necessary to (i) accomplish the sale of the Series 2020A Bonds at the time when such securities are to be offered for sale, to enable counsel to the Original Purchasers of the Series 2020A Bonds, counsel to the Authority and Bond Counsel to issue their opinions and otherwise advise the Authority as to the transaction or the capacity of the parties to enter into the same, (ii) provide adequate information to prospective purchasers of Bonds necessary to satisfy, in the Authority's discretion, then existing disclosure requirements for the resale of the Bonds in the secondary market or (iii) enable the Authority to make any reports required by law, governmental regulation or the Bond Indenture. (Section 5.12)

#### Events of Default and Remedies

Agreement Events of Default. Each of the following events shall constitute and be referred to herein as an "Agreement Event of Default":

(a) The Institution shall fail to make, within five (5) days of the due date thereof, any payment of the principal of, the premium, if any, and interest on any Note Payment (which shall include all amounts due under Section 4.2 hereof) when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof.

(b) The Institution shall fail duly to observe or perform any other covenant or agreement on its part under this Agreement or under the Tax Regulatory Agreement for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Institution by the Authority or the Bond Trustee, or to the Institution, the Authority and the Bond Trustee by the holders of at least two-thirds in aggregate principal amount of the Notes then Outstanding. If the breach of covenant or agreement is one which is capable of cure but cannot be completely remedied within the thirty (30) days after written notice has been given to the Institution, it shall not be an Agreement Event of Default as long as (i) the Institution has taken active steps within the thirty (30) days after written notice has been given to remedy the failure

and is diligently pursuing such remedy, and (ii) such failure is remedied within sixty (60) days after written notice has been given or, if such failure cannot reasonably be remedied within such sixty (60) days, the Institution continues thereafter to diligently pursue and obtain such remedy.

(c) If there occurs any Bond Indenture Event of Default.

(d) If there occurs any Master Indenture Event of Default or any event specified to be an event of default pursuant to the Supplemental Master Indenture.

An Agreement Event of Default shall be deemed to be in effect upon the actual occurrence of such event, whether or not notice thereof has been given or received. Upon having actual notice of the existence of an Agreement Event of Default, the Authority or the Bond Trustee shall serve written notice thereof upon the Institution unless the Institution has expressly acknowledged the existence of such Agreement Event of Default in a writing delivered by the Institution to the Authority and the Bond Trustee or filed by the Institution in any court, with a copy delivered to the Authority and the Bond Trustee. (Section 6.1)

Remedies in General. Upon the occurrence and during the continuance of any Agreement Event of Default, but subject to the rights of the Master Trustee under the Master Indenture, the Authority or the Bond Trustee on behalf of the Authority may take such action as deemed necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Institution hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing and in accordance with applicable law:

(a) By written notice, declare all payments hereunder and under the Bonds due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or any other notice whatsoever, all of which are hereby expressly waived by the Institution.

(b) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Institution's performance hereunder.

(c) Take any action at law or in equity to collect the Note Payments then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Institution hereunder.

(d) Apply to a court of competent jurisdiction for the appointment of a receiver (but only in the case of an Agreement Event of Default not described in Section 6.1(b) or (c) hereof) of any or all of the property of the Institution, such receiver to have such powers as the court making such appointment may confer. The Institution hereby consents and agrees, and will if requested by the Bond Trustee consent and agree at the time of application by the Bond Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effect as the Institution could do so, and to borrow money and issue evidences of indebtedness as such receiver.

All rights and remedies herein given or granted to the Authority are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or be given by reason of any law, statute, ordinance or otherwise. (Section 6.2)

Miscellaneous

Amendments and Supplements. This Agreement may be amended, changed or modified only as provided in Article IX of the Bond Indenture. (Section 7.1)

## THE MAINEHEALTH MASTER INDENTURE

The following are definitions and certain provision of the Master Trust Indenture by and between MaineHealth and U.S. Bank National Association as Master Trustee. Under the Master Trust Indenture, MaineHealth will issue guaranty notes in support of the obligations of the Institutions listed in this Official Statement with respect to the Series 2020A Bonds.

### DEFINITIONS

The following words and terms as used herein of the MaineHealth Master Indenture shall have the following meanings:

“Accounts” has the meaning set forth in the Maine Uniform Commercial Code.

“Adjusted Expenses” means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus (a) interest on Long-Term Indebtedness, (b) depreciation and amortization, (c) any unrealized loss resulting from changes in the value of investment securities, (d) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt), (e) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense and, if such calculation is being made with respect to the System, excluding any such expenses attributable to transactions between any System Affiliate and any other System Affiliate, (f) losses resulting from any reappraisal, revaluation or write-down of asset, and (g) any items which would be considered by the Obligated Group Agent to be non-cash items of the Person or group of Persons involved in accordance with generally accepted accounting principles.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (a) which is controlled directly or indirectly by a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, “*Directing Body*” means with respect to: (a) a corporation having stock, such corporation’s board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation’s directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation’s members if the members have complete discretion to elect the corporation’s directors, or the corporation’s directors if the corporation’s members do not have such discretion; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

“Bondholder,” “holder” or “owner of the Bonds” means the registered owner of any Related Bond.

“Book Value,” when used with respect to Property, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent consolidated audited financial statements of the System which have been prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any System Affiliate is included more than once.



“Capitalized Interest” means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

“Capitalized Lease” means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

“Capitalized Rentals” means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

“Chattel Paper” has the meaning set forth in the Maine Uniform Commercial Code.

“Combined Group” means, collectively, the Members of the Obligated Group and Designated Affiliates.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Related Bonds or the use of the proceeds thereof.

“Consultant” means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Obligated Group Agent and not unacceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof.

“Controlling Member” means the Member designated by the Obligated Group Agent to establish and maintain control over a Designated Affiliate as provided by Section 401(C) of the Master Indenture.

“Corporation” means MaineHealth Services, a Maine nonprofit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

“Current Assets” means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of a Person ordinarily considered current assets under generally accepted accounting principles.

“Current Value” means the estimated fair market value of Property, which fair market value shall be evidenced by an Officer’s Certificate of the Obligated Group Agent delivered to the Master Trustee.

“Debt Service Requirements” means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; (b) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; and (c) in the case of any Guaranty, the principal of (and premium, if any) and interest and other debt service charges on the debt that is Guaranteed for the period of time for which Debt Service Requirements are calculated shall not be included in the calculation of Debt Service Requirements unless the Person that gave such Guaranty was actually required to make, or transfer funds to enable the Primary Obligor to make, any payment with respect to such debt during such period, in which case the total amount paid by such Person with respect to such Guaranty in such period shall be included in the calculation of the Debt Service Requirements of such Person for such period.

“Designated Affiliate” means any Person which has been designated as such in accordance with Section 401(C) of the Master Indenture so long as such Person’s status as a Designated Affiliate has not been terminated as provided in Section 401(C) of the Master Indenture. The Obligated Group Agent may from time to time make additions or deletions of Designated Affiliates.

“Designated Member of the Combined Group” means, collectively, the Members of the Obligated Group and the Designated Affiliates who have delivered a Gross Revenues Pledge.

“Documents” means all documents, as that term is defined in the Maine Uniform Commercial Code, including, but not limited to, documents of title (as that term is defined in the Maine Uniform Commercial Code) and any and all receipts of the kind described in Article 7-A of the Maine Uniform Commercial Code.

“Escrow Obligations” means, (i) with respect to any Obligation which secures a series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (ii) with respect to any other Obligation, those securities identified in the Supplemental Master Indenture pursuant to which such Obligations were issued.

“Facilities” means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

“General Intangibles” has the meaning set forth in the Maine Uniform Commercial Code.

“Gross Revenues” means, with respect to any Person, all revenues, rents, profits, receipts, benefits, royalties, and income arising from goods or services provided or arising in any manner with respect to, incident to or on account of such Person’s operations, including, without limitation, (i) rights under agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, including health care insurance receivables and rights to Medicare and Medicaid loss recapture under applicable regulations to the extent not prohibited by applicable law, rules or regulations; (ii) gifts, grants, bequests, donations, contributions and pledges; (iii) insurance proceeds of any kind, and any award, or payment in lieu of an award, resulting from condemnation proceedings; (iv) all proceeds from the sale or other transfer of any goods and inventory, and all rights to receive the foregoing, whether now owned or hereafter acquired and regardless of whether generated in the form of Accounts, accounts receivable, Chattel Paper, Documents, General Intangibles, Instruments, Investment Property, and proceeds of insurance; and (v) all proceeds of the foregoing; excluding, however, gifts, grants, bequests, donations, contributions and pledges heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on any Obligations or Indebtedness.

“Gross Revenues Account” means the account of that name established pursuant to Section 212 of the Master Indenture.

“Gross Revenues Pledge” means a contract or other agreement whereby a Designated Affiliate has pledged its Gross Revenues to the payment of Obligations under the Master Indenture.

“Guaranty” means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Hedging Obligation” means an obligation, expressly identified in an Officer’s Certificate of the Obligated Group Agent delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a

portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

“Historical Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing (i) Income Available for Debt Service for that period by (ii) the Debt Service Requirements on Long-Term Indebtedness for such period; provided that, when such calculation is being made with respect to the System, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are System Affiliates at the close of such period.

“Income Available for Debt Service” means, for any period, the excess of Revenues over Adjusted Expenses of the Person or group of Persons involved.

“Indebtedness” means, for any Person, (a) indebtedness incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property other than goods that are acquired in the ordinary course of business of such Person; (b) Capitalized Rentals or Capitalized Lease obligations of such Person; and (c) all Guaranties by such Person, and shall include Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one System Affiliate to another System Affiliate, any Guaranty by any System Affiliate of Indebtedness of any other System Affiliate, the joint and several liability of any System Affiliate on Indebtedness issued by another System Affiliate, any Hedging Obligations or any obligation to repay moneys deposited by patients or others with a System Affiliate as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

“Instruments” has the meaning set forth in the Maine Uniform Commercial Code.

“Investment Property” has the meaning set forth in the Maine Uniform Commercial Code.

“Lien” means any mortgage, lease or pledge of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved which secures Indebtedness (other than from one System Affiliate or Member to another System Affiliate or Member).

“Long-Term Indebtedness” means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term; (b) all Indebtedness of such Person incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (c) the Person’s Guaranties of Indebtedness which are not Short-Term; and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

“Master Indenture” means the Master Trust Indenture, dated as of March 1, 1999, between the Corporation and the Master Trustee, as it may from time to time be further amended or supplemented in accordance with the terms of the Master Indenture.

“Master Trustee” means U.S. Bank National Association, as successor to State Street Bank and Trust Company, or any successor trustee under the Master Indenture.

“Member” or “Member of the Obligated Group” means the Corporation and any Person who is listed in the Master Indenture after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture. The Obligated Group Agent may from time to time make additions or deletions of Members of the Obligated Group.

“Net Proceeds” means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale

with respect to which that term is used less all expenses (including attorney's fees and expenses, adjuster's fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"Non-Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member or to the general credit of any Member.

"Obligated Group" means the Corporation and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in Section 403 of the Master Indenture and which has not ceased such status pursuant to Section 404 of the Master Indenture.

"Obligated Group Agent" means the Corporation or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an authorized officer of the Corporation or, if the Corporation is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"Obligations" means any evidence of Indebtedness authorized to be issued by a Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to Section 204 of the Master Indenture.

"Obligation holder," "holder" or "owner of the Obligation" means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by a corporation, by the President or any Vice-President or any other officer authorized to sign by resolution of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person.

"Outstanding" means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof canceled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

"Outstanding Obligations" or "Obligations outstanding" means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations canceled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Obligations for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior

to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, Obligations held or owned by a Member of the Obligated Group or by a System Affiliate.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding.

“Outstanding Related Bonds” or “Related Bonds outstanding” means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

(a) Related Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in clause (ii)(a) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member or by a System Affiliate.

“Permitted Encumbrances” means the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) any Lien on Property acquired subject to an existing Lien, if at the time of such acquisition, the aggregate amount remaining unpaid on the Indebtedness secured thereby (whether or not assumed by the System Affiliate) does not exceed the fair market value or (if such Property has been purchased) the lesser of the acquisition price or the fair market value of the Property subject to such Lien, as determined in good faith by the Obligated Group Agent;

(b) any Lien on any Property of any System Affiliate granted in favor of or securing Indebtedness to any other System Affiliate;

(c) any Lien on Property if such Lien equally and ratably secures all of the Obligations and, if the Obligated Group Agent shall so determine, any other Indebtedness of any System Affiliate;

(d) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that such Liens secure Indebtedness which is not assumed by any System Affiliate and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(e) Liens on proceeds of Indebtedness (or on income from the investment of such proceeds) that secure payment of such Indebtedness and any security interest in any rebate fund established pursuant to the Code, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the provider of any liquidity or credit support for such Related Bond or Indebtedness;

(f) Liens on Escrow Obligations;

(g) any Lien on any Related Bond or any evidence of Indebtedness of any System Affiliate acquired by or on behalf of any System Affiliate by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(h) Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the aggregate sales price of such accounts receivable received by the Member or Designated Affiliate selling the same by more than twenty percent (20%);

(i) Liens on any Property of a System Affiliate in effect on the effective date of the Master Indenture or existing at the time any Person becomes a System Affiliate; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of such System Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(j) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a System Affiliate, or at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to a System Affiliate which becomes part of a Property that secures Indebtedness that is assumed by a System Affiliate as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a System Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(k) Liens which secure Non-Recourse Indebtedness;

(l) Liens arising out of Capitalized Leases;

(m) Liens on Property of a System Affiliate securing Indebtedness, in addition to those Liens permitted as defined elsewhere in the definition of Permitted Encumbrances, if the

total aggregate Book Value (or at the option of the Obligated Group Agent, Current Value) of the Property subject to a Lien of the type described in this subsection (m) does not exceed twenty percent (20%) of the combined value of the total assets of the System Affiliates (calculated on the same basis as the value of Property subject to such Lien); and

(n) Liens on any Property of a System Affiliate given (by mortgage, security interest, conveyance in trust, deed, sale, or lease) in order to satisfy the legal or policy requirements of any Related Issuer with respect to their issuance of any Related Bonds.

“Person” means any natural person, firm, joint venture, joint operating agreement, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“Primary Obligor” means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash and Gross Revenues) or intangible, wherever situated and whether now owned or hereafter acquired.

“Property, Plant and Equipment” means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

“Related Bonds” means (a) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member or System Affiliate in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such governmental issuer and (b) any revenue or general obligation bonds issued by the Corporation, any Member, any System Affiliate or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or the Related Bond Trustee.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

“Related Issuer” means the Maine Health and Higher Educational Facilities Authority or any other issuer of a series of Related Bonds.

“Revenues” means, for any period, (a) in the case of any Person providing health care services, the sum of (i) net patient service revenues plus (ii) other operating revenues, plus (iii) non-operating revenues (other than income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt or other extraordinary item or earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness); and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles; but excluding in any event in both clause (a) and clause (b): (i) any unrealized gain or loss resulting from changes in the value of investment securities, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write-up of fixed or capital assets or (iv) any revenues constituting deferred revenues related to entrance fees; provided, however, that if such calculation is being made with respect to the System, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any System Affiliate and any other System Affiliate.

“Short-Term,” when used in connection with Indebtedness, means Indebtedness of a Person for money borrowed or credit extended having an original maturity less than or equal to one year and not renewable at the

option of the debtor for, or subject to any binding commitment to refinance or otherwise provide for such Indebtedness having, a term greater than one year beyond the date of original issuance.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to Article VII of the Master Indenture after the date of the Master Indenture.

“System” means the affiliated group of Persons comprised of all the System Affiliates.

“System Affiliate” means each Member of the Obligated Group, each Affiliate of the Corporation or of any other Member of the Obligated Group, each Designated Affiliate and each other Person with whom a Member or Designated Affiliate has in place a contract or other agreement whereby such Person is obligated to make payments in respect of Obligations as described in Section 401(B) of the Master Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

## THE OBLIGATIONS

Security for Obligations. All Obligations issued and outstanding under the Master Indenture are equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise as permitted under the Master Indenture. Any one or more series of Obligations issued under the Master Indenture may, so long as any Liens created in connection therewith constitute Permitted Encumbrances, be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property, including health care Facilities or Property of the Obligated Group, Designated Affiliates or System Affiliates, or security interests in a depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions of the Master Indenture, including without limitation Articles II and V of the Master Indenture, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto. (Section 208)

### Security for Obligations; Pledge of Gross Revenues; Collateral Assignment.

(a) Security. All Obligations issued and outstanding under the Master Indenture are and shall be joint and several obligations of each Member of the Obligated Group, and are and shall be equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise as permitted by the Master Indenture. All Obligations issued and outstanding under the Master Indenture are and shall be equally and ratably secured by the pledge of Gross Revenues of the Designated Members of the Combined Group described in Section 212(b) below, except to the extent specifically provided otherwise as permitted by the Master Indenture.

(b) Pledge of Gross Revenues. In order to secure the prompt payment of all amounts due on all Obligations issued under the Master Indenture and the performance by the Members of the Obligated Group of their obligations under the Master Indenture and the Obligations, the Designated Members of the Combined Group hereby pledge and assign to the Master Trustee, and grant a security interest in, for the equal and ratably benefit of the Holders from time to time of all of the Obligations, all of their Gross Revenues, but the existence of such pledge, assignment and security interest shall not prevent the expenditure, deposit or commingling of Gross Revenues for any purpose so long as no Event of Default under Sections 502(a), (f), (g) or (h) of the Master Indenture has occurred and is continuing and all required payments with respect to the Obligations are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Gross Revenues. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Designated Members of the Combined Group. The Obligated Group Agent, on behalf of all Designated Members of the Combined Group, hereby represents that, as of the date hereof, no Designated Member of the Combined Group has granted any security interest in Gross Revenues



prior to the security interest granted by this Section, except for the Liens on Gross Revenues, if any, described on Exhibit A hereto. The Obligated Group Agent, on behalf of all Designated Members of the Combined Group, hereby further covenants and agrees that, except for Permitted Encumbrances, the Designated Members of the Combined Group will not pledge, suffer to exist, or grant a Lien on Gross Revenues. This Master Indenture is intended to be a security agreement pursuant to the Maine Uniform Commercial Code and the Uniform Commercial Code applicable to any Designated Member of the Combined Group, and each Designated Member of the Combined Group hereby acknowledges and authenticates the security interest created hereby by its execution of a Gross Revenues Pledge.

The Designated Members of the Combined Group agree to execute and file, if and to the extent required by law, such financing statements covering the Gross Revenues from time to time and in such form as may be required to perfect and continue a security interest in the Gross Revenues, and to deliver file-stamped copies thereof to the Master Trustee. The Designated Members of the Combined Group shall pay all costs of filing such financing statements and continuation statements and any renewals thereof and shall pay all reasonable costs and expenses of any record searches and preparation fees for financing statements and continuation statements that may be required. The pledge of Gross Revenues does not extend to, or constitute a pledge of or Lien upon, any funds, cash or investments, including but not limited to Investment Property, held by any Designated Member of the Combined Group, except to the extent such funds, cash or investments, including but not limited to Investment Property, are proceeds of Gross Revenues received after the occurrence of an Event of Default under Section 502(a) of the Master Indenture.

The Obligated Group Agent, on behalf of all Designated Members of the Combined Group, hereby further covenants that if an Event of Default of the type described in Section 502(a) of the Master Indenture shall occur and be continuing, any Gross Revenues then received and any Gross Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Designated Members of the Combined Group on a daily basis to the Master Trustee and deposited into the Gross Revenues Account as provided below. Such daily deposits shall continue until such Event of Default described in the preceding sentence shall have been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the provisions of Section 507 of the Master Indenture and as provided below.

Notwithstanding anything to the contrary in the Master Indenture, upon the occurrence and during the continuation of an Event of Default of the type described in Section 502(a) of the Master Indenture, the Master Trustee may exercise all of the rights and remedies of a secured party, under the Maine Uniform Commercial Code or the Uniform Commercial Code applicable to any Designated Member of the Combined Group, with respect to the Lien on Gross Revenues created by this Section 212. Without limiting the generality of the foregoing, upon the occurrence and during the continuation of an Event of Default of the type described in Section 502(a) of the Master Indenture and upon notice to the Obligated Group Agent, to the extent permitted by law, the Master Trustee may realize upon such Lien by any one or more the following actions: (i) take possession of the financial books and records of any Designated Member of the Combined Group relating to the Gross Revenues and of all checks or other orders for payment of money and cash in the possession of the Designated Member of the Combined Group representing Gross Revenues or proceeds thereof; (ii) notify account debtors obligated on any Gross Revenues to make payment directly to the order of the Master Trustee; (iii) collect, compromise, settle, compound or extend Gross Revenues which are in the form of accounts receivable or contract rights from the Designated Member of the Combined Group's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Designated Member of the Combined Group, whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) require the Designated Member of the Combined Group to deposit all cash, money and checks or other orders for the payment of money which represent Gross Revenues within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into the Gross Revenues Account to be established for such purpose by the Master Trustee pursuant to the following paragraph, provided, however, that the requirement to make such deposits shall cease, and the balance in the Gross Revenues Account shall be paid to the Designated Member of the Combined Group, when all Events of Default of the type described in Section 502(a) have been cured; (v) forbid the Designated Member of the Combined Group to extend, compromise, compound or settle any accounts receivable or contract rights which represent Gross Revenues, or release, wholly or partly, any Person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Designated Member of the

Combined Group any checks or other orders for the payment of money representing Gross Revenues or the proceeds thereof.

The Master Trustee is hereby authorized and directed to establish a Gross Revenues Account, or Accounts, into which there shall be deposited upon the occurrence and continuation of any Event of Default under Section 502(a) of the Master Indenture, upon receipt by the Master Trustee, any and all Gross Revenues. Upon the occurrence of an event that requires the funding of the Gross Revenues Account, the Obligated Group Agent shall take all action necessary to insure that all such Gross Revenues are deposited into the Gross Revenues Account including, but not limited to, depositing directly all payments received and directing all debtors and payors to make all payments due to the Designated Members of the Combined Group into the Gross Revenues Account. The Gross Revenues Account shall be subject to the lien of the Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Account shall be transferred first to the payment of current Operating Expenses of the Designated Members of the Combined Group as may be directed by the Obligated Group Agent and in accordance with budgeted amounts proposed by the Obligated Combined Group Agent and approved by the Master Trustee, and second to the payment of debt service on all Obligations due and past due and thereafter shall otherwise be transferred as may be directed by the Obligated Combined Group Agent to and applied by the Obligated Group Agent or other Designated Member of the Combined Group for its corporate purposes until the Master Trustee gives written notice to the Obligated Group Agent of the acceleration of the Obligations and the exercise of remedies under the Master Indenture as a secured party and the Master Trustee enforces its rights and interests in and to the Gross Revenues Account and the amounts on deposit therein. Upon the giving of such written notice of acceleration and exercise of remedies, the Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Maine Uniform Commercial Code or the Uniform Commercial Code applicable to any Designated Member of the Combined Group. Upon a cure or waiver of the Event of Default that requires the funding of the Gross Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Gross Revenues Account to or at the direction of the Obligated Group Agent.

The Obligated Group Agent, on behalf of each Designated Member of the Combined Group, represents, warrants and covenants for and on behalf of such Designated Member of the Combined Group (except as specified below) that the following shall apply to the pledge of such Designated Member of the Combined Group's Gross Revenues created by the Master Indenture:

(c) Creation: This Master Indenture creates a valid and binding pledge of, assignment of, Lien on and security interest in its Gross Revenues in favor of the Master Trustee, as security for payment of the Obligations, enforceable by the Master Trustee in accordance with the terms hereof.

(d) Perfection: Under the laws of the jurisdiction in which such Designated Member of the Combined Group is organized, such pledge, assignment, Lien and security interest is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Designated Members Combined Group or any Designated Member thereof on a simple contract. The Obligated Group Agent represents, warrants and covenants that by the date of the effectiveness of this Supplemental Indenture, the Obligated Group Agent will have filed or caused to be filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Obligation is outstanding under the Master Indenture the Obligated Group Agent will file, continue, and amend or cause to be amended all such financing statements and transfer or cause to be transferred such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Designated Members of the Combined Group or any Member thereof is organized or such collateral may be located or that may otherwise be applicable pursuant to the Maine Uniform Commercial Code.

(e) Priority: No Designated Member of the Combined Group (i) has heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of its Gross Revenues that ranks on a parity with or prior to the pledge, assignment, lien and security interest in its Gross Revenues granted hereby, except for the Liens on Gross Revenues, if any, described on an exhibit to the Master Indenture, (ii) has described such collateral in a Maine Uniform Commercial Code financing statement that will remain effective after the date of the effectiveness of the Master Indenture, except for the Liens on Gross Revenues, if any, described on an exhibit to the Master Indenture, and (iii) shall hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge, assignment, lien and security interest in

its Gross Revenues granted hereby, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Master Indenture. (Section 212 – Added pursuant to Supplemental Master Indenture No. 41)

## GENERAL COVENANTS

Payment of Principal, Premium, if any, and Interest; Designated Affiliates. (A) Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 of the Master Indenture), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on every Obligation issued under the Master Indenture and any other payments, including the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture or Related Loan Document required by the terms of such Obligations, at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 of the Master Indenture), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time outstanding. If any Member does not tender payment of any installment of principal, premium or interest on any Obligation when due and payable, the Master Trustee shall provide prompt written notice of such nonpayment to such Member and the Obligated Group Agent.

(B) Each Controlling Member shall cause each of its Designated Affiliates and shall use reasonable efforts to cause each of its other System Affiliates (subject to contractual and organizational limitations) to pay, loan or otherwise transfer to the Obligated Group Agent or other Member such amounts as are necessary to duly and punctually pay the principal of, premium, if any, and interest on all Outstanding Obligations and any other payments, including the purchase price of Related Bonds tendered for purchase pursuant to the terms of a Related Bond Indenture or Related Loan Document, required by the terms of such Obligations, on the dates, at the times and at the places and in the manner provided in such Obligations, the applicable Supplemental Master Indenture and the Master Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise.

(C) The Obligated Group Agent shall at all times maintain an accurate and complete list of all Persons that are Obligated Group Members, Designated Affiliates and System Affiliates. Under the Master Indenture, the Corporation is designated as the Controlling Member for the Designated Affiliates initially listed on Exhibit B to the Master Indenture. Any Person may be designated by the Obligated Group Agent as a Designated Affiliate under the Master Indenture in addition to those Designated Affiliates initially designated on Exhibit B, by the delivery to the Master Trustee of an Officer's Certificate of the Obligated Group Agent, attaching thereto a substitute Exhibit B to be appended to the Master Indenture. The Obligated Group Agent by an Officer's Certificate delivered to the Master Trustee shall designate the Corporation or any other Member as the Controlling Member of any such additional Designated Affiliate. With respect to each such Person, and so long as such Person is designated as a Designated Affiliate, the Obligated Group Agent, or any Member designated by the Obligated Group Agent as the Controlling Member, shall either (a) maintain, directly or indirectly, control of each Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture, whether through the ownership of voting securities, by contract, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors or otherwise, or (b) execute and have in effect such contracts or other agreements that the Obligated Group Agent or Controlling Member, in its sole judgment, deems sufficient for it to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture. Any Person will cease to be a Designated Affiliate upon the declaration of the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee, and upon such declaration, such Person shall no longer be subject to any of the covenants applicable to a Designated Affiliate under the Master Indenture. Notwithstanding anything to the contrary in the Master Indenture, no Person shall cease to be a Designated Affiliate or a System Affiliate if any Outstanding Related Bonds have been issued for the benefit of such Person until there is delivered to the Master

Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by such Person of its status as a Designated Affiliate or System Affiliate will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

(D) Each Controlling Member covenants that it will cause, pursuant to Section 401(C) of the Master Indenture, each of its Designated Affiliates to comply with the terms and conditions of the Master Indenture which are applicable to such Designated Affiliate, and of the Related Loan Document, if any, to which such Designated Affiliate is a party. The Corporation covenants that it will take such action as it deems reasonably necessary to ensure that the System Affiliates comply with the terms or conditions of the Master Indenture applicable to the System Affiliates. (Section 401)

Entrance into the Obligated Group. Any Person may become a Member of the Obligated Group if:

- (a) Such Person is a corporation;
- (b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Agent on behalf of each then current Member of the Obligated Group, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of Section 404 hereof) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation;
- (c) The Obligated Group Agent shall have approved the admission of such Person into the Obligated Group;
- (d) The Master Trustee shall have received (1) an Officer's Certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them hereunder, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to the opinion exceptions set forth in Exhibit C hereto and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the consummation of such transaction will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Bond would otherwise be entitled;
- (e) Exhibit A to the Master Indenture shall be amended or replaced to add such Person as a Member; and
- (f) such Person shall pledge its Gross Revenues in accordance with Section 212 of the Master Indenture.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. (Section 403)

Cessation of Status as a Member of the Obligated Group. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, another Member of the Obligated Group has issued an Obligation hereunder evidencing or assuming the obligation of the Obligated Group in respect of such Related Bonds;

(b) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond to which such Bond would otherwise be entitled;

(c) immediately after such cessation, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default;

(d) prior to such cessation there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status;

(e) prior to the cessation of such status, the Obligated Group Agent consents in writing to the withdrawal of such Member; and

(f) Exhibit A to the Master Indenture shall be amended or replaced to delete such Person as a Member. (Section 404)

Historical Debt Service Coverage Ratio. Each Member covenants and agrees to, and each Controlling Member covenants to cause each of its Designated Affiliates to, conduct its business on a revenue producing basis and to charge such fees and rates and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member further covenants and agrees that it will, and each Controlling Member covenants that it will cause each of its Designated Affiliates to, from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture.

The Obligated Group Agent shall calculate the Income Available for Debt Service of the System for each Fiscal Year and the Historical Debt Service Coverage Ratio of the System for such Fiscal Year and deliver a copy of such calculations to the Persons to whom financial statements are required to be delivered under Section 409 of the Master Indenture.

If in any Fiscal Year the Historical Debt Service Coverage Ratio of the System is less than 1.10, the Master Trustee shall require the Obligated Group Agent at its expense to retain a Consultant to make recommendations with respect to the rates, fees and charges of the System Affiliates and the System's methods of operation and other factors affecting their financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.10.

A copy of the Consultant's report and recommendations, if any, shall be filed with the Obligated Group Agent and the Master Trustee. Each Member shall follow and each Controlling Member shall cause each Designated Affiliate to follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law. The Corporation shall take such steps as it considers feasible to cause System Affiliates that are not Members or

Designated Affiliates to follow each recommendation of the Consultant applicable to such System Affiliate. Section 407 of the Master Indenture shall not be construed to prohibit any Person from serving indigent patients to the extent required for such Person to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the System from satisfying the other requirements of Section 407 of the Master Indenture.

The foregoing provisions notwithstanding, if in any Fiscal Year the Historical Debt Service Coverage Ratio of the System is less than 1.10, the Master Trustee shall not be obligated to require the Obligated Group Agent to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee a written report addressed to them of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the System from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to produce a Historical Debt Service Coverage Ratio of the System of 1.10 or higher; (b) the report of such Consultant indicates that the fees and rates charged by the System Affiliates are such that, in the opinion of the Consultant, the System Affiliates have generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the System was at least 1.00 for such Fiscal Year. The Obligated Group Agent shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way. (Section 407)

**With respect to the Fiscal Year ending September 30, 2020, see "Implementation of Supplemental Master Indenture Amendment".**

Merger, Consolidation, Sale or Conveyance. (a) Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

(i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture; and

(iii) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such Member and the Member party to such transaction, if it is not the survivor, shall thereupon be relieved of any further obligation or liabilities hereunder or upon the Obligations and such Member as the predecessor or non-surviving corporation may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any successor corporation to such Member thereupon may

cause to be signed and may issue in its own name Obligations hereunder and the predecessor corporation shall be released from its obligations hereunder and under any Obligations, if such predecessor corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation hereunder shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued hereunder by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may rely upon an opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VII and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Except as may be expressly provided in any Supplemental Master Indenture, the ability of any Designated Affiliate or any System Affiliate to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantively all of its Property to any Person is not limited by the provisions of the Master Indenture. Notwithstanding anything to the contrary herein, no System Affiliate shall engage in any merger or consolidation or disposition of substantially all of its assets if any Outstanding Related Bonds have been issued for the benefit of such System Affiliate until there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, such action will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled. (Section 408 – Modified by Supplemental Master Indenture No. 42)

Financial Statements, Etc. The Corporation and each Member covenant that they will, and will cause each System Affiliate controlled by the Corporation or such Member to, keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Corporation and the System Affiliates in accordance with generally accepted accounting principles consistently applied except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (A) below, and will furnish to the Master Trustee:

(A) As soon as practicable after they are available, but in no event more than 150 days after the last day of each Fiscal Year, a financial statement for the System (or of the System excluding the Designated Affiliates covered in the statements described in subparagraph (B) below) for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent prepared on a combined or consolidated, or combining or consolidating, basis in accordance with generally accepted accounting principles, covering the operations of the System (or of the System excluding the Designated Affiliates covered in the statements described in subparagraph (B) below) for such Fiscal Year and containing an audited consolidated statement of financial position of the System (or of the System excluding the Designated Affiliates covered in the statements described in subparagraph (B) below) as of the end of such Fiscal Year and an audited consolidated and an unaudited consolidating statement of changes in net assets and statement of cash flows of the System (or of the System excluding the Designated Affiliates covered in the statements described in subparagraph (B) below) for such Fiscal Year and an audited consolidated and an unaudited consolidating statement of operations of the System (or of the System excluding the Designated Affiliates covered in the statements described in subparagraph (B) below) for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(B) If the statements referred to in subsection (A) above do not include the results of operations of any Designated Affiliate, as soon as practicable after they are available, but in no

event more than 150 days after the last day of each Fiscal Year for such Designated Affiliate, a financial statement for such Designated Affiliate for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by such Designated Affiliate prepared on a combined or consolidated, or combining or consolidating, basis to include the results of operations of all Persons required to be consolidated or combined with such Designated Affiliate, in accordance with generally accepted accounting principles and containing the results of operations of such Designated Affiliate for the Fiscal Year and a statement of financial position as of the end of such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year for such Designated Affiliate.

(C) If financial statements have been delivered to the Master Trustee pursuant to the provisions of subsection (B) above, then, as soon as practicable, but in no event more than 180 days after the last day of each Fiscal Year of the Corporation, the result of operations and statement of financial position including the Obligated Group prepared by or at the direction of the chief financial officer of the Corporation based upon the audited financial statements described in subsections (A) and (B) above (such result of operations and statement of financial position being referred to herein as the “Obligated Group Financial Statements”), together with a certificate of the chief financial officer of the Corporation stating that the Obligated Group Financial Statements were prepared in accordance with generally accepted accounting principles (except for required consolidations) and that the Obligated Group Financial Statements reflect the results of the operations of only the Members of the Obligated Group and that all Members of the Obligated Group are included.

(D) At the time of delivery of the financial report referred to in subsection (A) above, an Officer’s Certificate of the Obligated Group Agent, stating that the Obligated Group Agent has made a review of the activities of each Member, Designated Affiliate and System Affiliate during the preceding Fiscal Year for the purpose of determining whether or not the Members, Designated Affiliates and System Affiliates have complied with all of the terms, provisions and conditions of the Master Indenture and that each Member, Designated Affiliate and System Affiliate has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if any such Person shall be in default such certificate shall specify all such defaults and the nature thereof. (Section 409)

Indebtedness. Except as may be expressly provided in any Supplemental Master Indenture, the ability of the Members of the Obligated Group, any Designated Affiliate or any System Affiliate to incur Indebtedness including, with respect to Members, Indebtedness evidenced by Obligations and the amount and terms of such Indebtedness, is not limited by the provisions of the Master Indenture. (Section 410)

Sale, Lease or Other Disposition of Property. Except as may be expressly provided in any Supplemental Master Indenture, the ability of the Members of the Obligated Group, any Designated Affiliate or any System Affiliate to sell, lease or otherwise dispose of (including without limitation any involuntary disposition) any Property is not limited by the provisions of the Master Indenture. (Section 411)

No Lien on Gross Revenues; Permitted Encumbrances. Notwithstanding anything in the Master Indenture to the contrary, other than the Lien on Gross Revenues created pursuant to Section 212 hereof, the Obligated Group Agent, on behalf of all Designated Members of the Combined Group, hereby further covenants and agrees that, except for Permitted Encumbrances, no Designated Member of the Combined Group shall create or incur or permit to be created or incurred or to exist any Lien, whether superior or inferior to the Lien of the Master Indenture, on the Gross Revenues of such Designated Member of the Combined Group. Additionally, no Designated Member of the Combined Group shall create or incur or permit to be created or incurred or to exist any Lien on any other Property of such Designated Member of the Combined Group, except for Permitted Encumbrances. (Section 412 – Added by Supplemental Master Indenture No. 41)



MaineHealth Shall Not be Undesignated. Each Member covenants that in no event shall MaineHealth cease to be a Designated Affiliate without the prior written consent of each Related Issuer. (Section 415)

Permitted Releases. (a) The Members of the Combined Group covenant that, except for Permitted Releases described in paragraph (b) of this Section 416, the Members of the Combined Group shall not release any of the Gross Revenues from the security interest created by the Master Indenture or release any Property of the Members of the Combined Group or portions thereof from the covenant against Liens set forth in Section 412 hereof.

(b) Permitted Releases shall include only the following:

- (1) a release made with respect to the Property that does not exceed five percent (5%) of the combined value of the total assets of System Affiliates at the end of the most recent Fiscal Year.
- (2) a release made with respect to the Property of a Member of the Obligated Group upon the withdrawal of such Member from the Obligated Group in accordance with Section 404 hereof.

(c) The Master Trustee is authorized to cooperate with the Combined Group to implement any such Permitted Release. (Section 416 – Added by Supplemental Master Indenture No. 41).

**IMPLEMENTATION OF SUPPLEMENTAL MASTER INDENTURE AMENDMENT**

Supplemental Master Indenture No. 58 - Section 702 Amendment to Section 407 of the Master Indenture.

Upon the receipt of consent of the holders of not less than 51% of Obligations, the Master Indenture shall be amended by adding the following paragraph at the end of Section 407:

Notwithstanding the foregoing, this Section 407 shall be suspended and shall not apply for the Fiscal Year ending September 30, 2020. The provisions of this Section 407 shall be fully effective for each Fiscal Year of the System thereafter.

**SUMMARY OF SECOND AMENDED AND RESTATED  
SYSTEM FUNDING AGREEMENT**

In addition to information contained in the body of the Official Statement, the following is a summary of certain provisions of the Second Amended and Restated System Funding Agreement dated as of January 1, 2019, by and among MaineHealth Services, MaineHealth and the other SFA Designated Affiliates (the “System Funding Agreement”). The summary is not to be considered a complete or exhaustive statement of the provisions of the System Funding Agreement and is qualified in its entirety by reference to the System Funding Agreement. Terms not otherwise defined within this Appendix D or in the body of the Official Statement shall have the meanings ascribed to them in the System Funding Agreement.

Purpose. Under the System Funding Agreement, MaineHealth Services agrees to use its best efforts to assist the SFA Designated Affiliates to access financing in the public and private capital markets.

Additional SFA Designated Affiliates. From time to time, MaineHealth Services may designate additional institutions as “SFA Designated Affiliates” under the System Funding Agreement, subject to the prior written approval of MaineHealth.

System Guaranty Notes; Designated Indebtedness. MaineHealth Services can provide credit support to the SFA Designated Affiliates by (i) borrowing directly and loaning the proceeds to the SFA Designated Affiliates, and/or (ii) issuing its guaranty notes or similar instruments (referred to as “System Guaranty Notes”) to secure obligations incurred by the SFA Designated Affiliates (such secured obligations referred to as “Designated Indebtedness”). No Designated Affiliate may incur obligations as Designated Indebtedness without the prior approval of both Maine Healthcare and MaineHealth.

Master Trust Indenture Not Exclusive. Designated Indebtedness may also be issued under the System Funding Agreement without reference to the Master Trust Indenture.

Allocable Share. In the event of a default with respect to any Designated Indebtedness, each SFA Designated Affiliate agrees to pay to MaineHealth Services an amount equal to its Allocable Share of the total amount requested by MaineHealth Services. In the event that an SFA Designated Affiliate fails to pay its Allocable Share to MaineHealth Services as and when requested, the Allocable Share of the other SFA Designated Affiliates is re-determined without taking into account the Total Revenues of the defaulting SFA Designated Affiliate. MaineHealth Services may structure such payments by the SFA Designated Affiliates as non-recourse loans payable solely from funds received from the defaulting SFA Designated Affiliate or assessments.

Each SFA Designated Affiliate’s Allocable Share is a percentage based on the ratio of Total Revenues (exclusive of non-operating revenues, gifts and investment income or gain) of the SFA Designated Affiliate to the Total Revenues of all SFA Designated Affiliates, measured over the Historic Test Period. MaineHealth Services from time to time may select one of the following as the Historic Test Period: (i) any 12 consecutive months out of the most recent 18 months, or (ii) the most recent 12 consecutive months for which MaineHealth Services’s consolidated financial statements have been reported, or (iii) MaineHealth Services’s most recent fiscal year.

Limitation on Required Payment. No transfer of assets to satisfy payment of the applicable Allocable Share is required of MaineHealth Services or of any other SFA Designated Affiliate if the transfer

would violate (i) its charitable purposes, (ii) the terms of any restricted gifts, or (iii) the covenants of its debt instruments.

Events of Default and Remedies. The following are Events of Default under the System Funding Agreement:

- (a) An SFA Designated Affiliate's (i) failure to deliver its Allocable Share as and when requested by MaineHealth Services; (ii) failure to pay when due and to comply with any covenants of its Designated Indebtedness; (iii) failure to comply with the System Funding Agreement; (iv) default in the payment of any indebtedness (whether or not Designated Indebtedness) or under any agreement pursuant to which such indebtedness was incurred or secured that permits acceleration of such indebtedness;
- (b) The entry of a judgment or writ of attachment (or similar processes) that in the aggregate exceed 5% of the current assets of the SFA Designated Affiliate and that remain unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; and
- (c) Certain bankruptcy, insolvency, reorganization, or liquidation events.

Remedies. Upon the occurrence of any Event of Default, MaineHealth Services may in its discretion, or upon the written request of non-defaulting SFA Designated Affiliates with aggregate net assets not less than 50% of the net assets of the SFA Designated Affiliates, shall:

- (a) Pursue any available remedy at law or in equity to enforce the obligations of the defaulting SFA Designated Affiliate;
- (b) Be relieved of its obligations to provide further financing assistance to the defaulting SFA Designated Affiliate; and
- (c) Make recommendations to the defaulting SFA Designated Affiliate to enable the SFA Designated Affiliate to cure the Event of Default. The defaulting SFA Designated Affiliate agrees to follow such recommendations, to the extent permitted by law, charter, bylaws or contract, unless the Board of Trustees of the defaulting SFA Designated Affiliate (A) receives a legal opinion to the effect, and (B) affirmatively determines in good faith, that following such recommendations would be inconsistent with its fiduciary duty.
- (d) The foregoing remedies are not exclusive of any other remedy but are cumulative and in addition to any other remedy at law or in equity or by statute.

Remedies Vested in MaineHealth Services. All rights and remedies under the System Funding Agreement may be enforced by MaineHealth Services. No SFA Designated Affiliate has any right to enforce the System Funding Agreement unless and until MaineHealth Services failed or refused to exercise its enforcement rights for a period of sixty (60) days after receipt of a written request therefor and satisfactory indemnification from the non-defaulting SFA Designated Affiliates with aggregate net assets not less than 50% of the net assets of the SFA Designated Affiliates.

Withdrawal of SFA Designated Affiliate. The System Funding Agreement shall continue in full force and effect for so long as MaineHealth Services has any obligations under any promissory note, System Guaranty Note, or other instrument issued by MaineHealth Services. Notwithstanding the foregoing, at the request of MaineHealth Services, an SFA Designated Affiliate may withdraw from the System Funding Agreement (a "Withdrawn SFA Designated Affiliate") if (i) the Withdrawn SFA Designated Affiliate does

not have any obligations of any kind to MaineHealth Services and MaineHealth Services is not obligated or otherwise committed to loan any moneys to the Withdrawn SFA Designated Affiliate, and (ii) such withdrawal is approved in writing by MaineHealth (not be unreasonably withheld or delayed).

MaineHealth May Not Withdraw. In no event shall the designation of MaineHealth as an SFA Designated Affiliate be terminated or withdrawn.

MaineHealth Services Default. In the event of a MaineHealth Services default under the System Funding Agreement, then the Designated Entity shall be entitled to act in the place of, and on behalf of, MaineHealth Services and shall assume and perform the functions of MaineHealth Services thereunder. MaineHealth, so long as MaineHealth's net assets equal 50% or more of the net assets of the SFA Designated Affiliates, shall be the Designated Entity. If MaineHealth's net assets do not equal or exceed the 50% threshold, then the Designated Entity shall be selected by non-defaulting SFA Designated Affiliates whose net assets in the aggregate equal or exceed the 50% threshold.

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*Hawkins Delafield & Wood LLP*

July 29, 2020

Maine Health and Higher Educational Facilities Authority  
 127 Community Drive  
 P.O. Box 2268  
 Augusta, Maine 04330

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$212,700,000 Revenue Bonds, MaineHealth Issue, Series 2020A (the “Bonds”) of the Maine Health and Higher Educational Facilities Authority (the “Authority”), a public body corporate and politic of the State of Maine.

The Bonds are issued under and pursuant to the Maine Health and Higher Educational Facilities Authority Act, Chapter 413 of Title 22, Sections 2051 to 2077, inclusive, of the Maine Revised Statutes Annotated, as it may be amended from time to time (the “Act”), and under and pursuant to a bond resolution of the Authority adopted on June 19, 2020 (the “Bond Resolution”), and a Bond Indenture dated as of July 1, 2020 (the “Bond Indenture”), by and between the Authority and U.S. Bank National Association, as Bond Trustee (the “Bond Trustee”).

The Bonds are dated their date of issuance and bear interest from their date, payable on each January 1 and July 1, commencing January 1, 2021, at the rates per annum, and mature on July 1 in the years and the aggregate principal amounts as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2026	5.000%	\$4,705,000	2035	5.000%	\$7,300,000
2027	5.000	4,940,000	2036	4.000	7,665,000
2028	5.000	5,190,000	2037	4.000	7,975,000
2029	5.000	5,450,000	2038	4.000	8,290,000
2030	5.000	5,720,000	2039	4.000	8,625,000
2031	5.000	6,005,000	2040	4.000	8,970,000
2032	5.000	6,305,000	2045	4.000	50,515,000
2033	5.000	6,625,000	2050	4.000	61,465,000
2034	5.000	6,955,000			

The Bonds are subject to redemption prior to maturity upon the terms and conditions provided therein, in the Bond Resolution and in the Bond Indenture. The Bonds are in the form of fully-registered bonds, initially in the denomination of \$5,000 and integral multiples thereof and are numbered from RA-1 upward in order of issuance.

We have also examined executed copies of the Loan Agreement, between the Authority and MaineHealth formerly known as Maine Medical Center (the “Institution”), dated as of July 1, 2020 (the “Agreement”). Pursuant to the Agreement, in order to secure the financing and refinancing of certain facilities of the Institution, the Institution has agreed, among other things, to make payments to the Authority in amounts and at

the times stated therein which will be applied to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

The Authority reserves the right to issue additional bonds on the terms and conditions and for the purposes stated in the Bond Indenture. Under the provisions of the Bond Indenture all such bonds will rank equally as to security with the Bonds.

We are of the opinion that:

(1) The Authority is duly created and validly existing under the provisions of the Act and has good right and lawful authority to utilize proceeds of the Bonds to assist the Institution in the financing and refinancing of the Project (as defined in the Agreement), and to establish and maintain payments, fees or charges in respect thereof and collect revenues therefrom and to perform all obligations of the Authority under the Bond Resolution and the Bond Indenture in those respects.

(2) The Authority has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required. The Bond Resolution and the Bond Indenture create the valid pledge which they purport to create of the Pledged Revenues (as defined in the Agreement) and all income and receipts earned on funds held or set aside under the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

(3) The Authority is duly authorized and entitled to issue the Bonds and the same have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of Maine, including the Act, and the Bond Resolution and the Bond Indenture, and constitute valid, binding, special obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution and the Bond Indenture and entitled to the benefits of the Act and of the Bond Resolution and the Bond Indenture.

(4) The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Institution, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(5) The Bond Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Bond Trustee, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(6) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Institution and others in connection with the Bonds, and we have assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of the gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Institution have covenanted to comply with certain applicable



requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

On the date of delivery of the Bonds, the Authority, the Institution and the Bond Trustee will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement"), containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Authority and the Institution covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Institution with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

(7) Under existing statutes, interest on the Bonds is exempt from the State of Maine income tax imposed on individuals.

We express no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 6 and 7 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

In rendering our opinion, we have relied on the opinions of Pierce Atwood LLP, counsel to the Institution and in-house Counsel to the Institution and MaineHealth Services, acting as the Obligated Group Agent, regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code. We note that the opinions of counsel to the Institution are subject to a number of qualifications and limitations. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of the Institution's status as an organization described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement and the Agreement may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed Bond, and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by MaineHealth Services (“MaineHealth Services”), in its capacity as the parent corporation of MaineHealth (the “Institution”) and the guarantor of the Note (defined below), and U.S. Bank National Association, as Dissemination Agent (as defined herein) in connection with the issuance of \$212,700,000 Maine Health and Higher Educational Facilities Authority Revenue Bonds, MaineHealth Issue, Series 2020A (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture dated as of July 1, 2020 (the “Bond Indenture”) between the Maine Health and Higher Educational Facilities Authority (the “Authority”) and U.S. Bank National Association, as Bond Trustee (the “Bond Trustee”). The proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to a Loan Agreement dated as of July 1, 2020 (the “Agreement”) between the Authority and the Institution. To secure the obligation of the Institution to make payments under the Agreement and the promissory note with respect to the Bonds to be issued by the Institution under the Agreement (the “Note”), MaineHealth Services will issue to the Bond Trustee a Guaranty Note, dated as of July 1, 2020 with respect to the Bonds (the “Guaranty”), pursuant to a Master Trust Indenture dated as of March 1, 1999, as supplemented through and including Supplemental Trust Indenture No. 58 (the “Master Indenture”) between MaineHealth Services, the sole member of the Obligated Group thereunder, and U.S. Bank National Association, as successor master trustee. The parties hereto acknowledge that no information is required to be provided pursuant to this Disclosure Agreement with respect to the Authority and agree that no such information will be provided. MaineHealth Services and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by MaineHealth Services and the Dissemination Agent for the benefit of the Bondowners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). MaineHealth Services and the Dissemination Agent each acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Dissemination Agent, except as provided in Sections 3 and 5(b), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under said Sections 3 and 5(b).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by MaineHealth Services pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondowner” shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of MaineHealth Services.

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by MaineHealth Services and which has filed with MaineHealth Services, the Bond Trustee and the Authority a written acceptance of such designation. The same entity may serve as both Bond Trustee and Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. In the absence of a third-party Dissemination Agent, MaineHealth Services shall serve as the Dissemination Agent.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Quarterly Statement” shall mean any Quarterly Statement provided by MaineHealth Services pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

(a) Commencing with MaineHealth Services’ fiscal year ending September 30, 2020, MaineHealth Services, not later than 175 days after the end of each fiscal year (the “Annual Report Filing Deadline”), shall provide, or cause the Dissemination Agent to provide, an Annual Report to the MSRB that is consistent with the requirements of Section 4 of this Disclosure Agreement. Commencing with MaineHealth Services’ fiscal quarter ending September 30, 2020, MaineHealth Services, not later than 60 days after the end of each of the first, second and third fiscal quarters (i.e., the fiscal quarters ending December 31, March 31 and June 30), not later than 120 days after the end of the fourth fiscal quarter ending September 30, 2020 and not later than 90 days after the end of the fourth fiscal quarter thereafter (each a “Quarterly Statement Filing Deadline” and, together with the Annual Report Filing Deadline, the “Filing Deadline”), shall provide, or cause the Dissemination Agent to provide, a Quarterly Statement to the MSRB that is consistent with the requirements of Section 4 of this Disclosure Agreement. In the event that MaineHealth Services elects that the Dissemination Agent shall file an Annual Report or any Quarterly Statement, MaineHealth Services (if it is not the Dissemination Agent) shall provide the Annual Report or Quarterly Statement to the Dissemination Agent not later than five Business Days prior to the applicable Filing Deadline, together with a certification substantially in the form attached hereto as Exhibit C stating that such Annual Report or Quarterly Statement complies with the requirements of this Disclosure Agreement (the “Certificate Regarding Requirements”). As soon as practicable after receipt by the Dissemination Agent of each Annual Report and Quarterly Statement, but in any event no later than the applicable Filing Deadline, the Dissemination Agent shall provide the Annual Report or Quarterly Statement to the MSRB. MaineHealth Services may (and while it is the Dissemination Agent, shall) provide Annual Reports or Quarterly Statements directly to the MSRB by applicable Filing Deadline in lieu of providing Annual Reports or Quarterly Statements to the Dissemination Agent; provided that in each such case, MaineHealth Services (while it is not the Dissemination Agent) shall simultaneously provide to the Dissemination Agent a copy of the Annual Report or Quarterly Statement, as applicable, together with a certification substantially in the form attached hereto as Exhibit D stating the date on or prior to the applicable Filing Deadline on which such Annual Report or Quarterly Statement was filed with the MSRB in accordance with this Disclosure Agreement (the “Certificate of Filing”). In each case, the Annual Report and Quarterly Statement may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Agreement. In the event that the audited consolidated financial statements referred to in Section 4(a)(i) are not available on or before the Annual Filing Deadline, MaineHealth Services shall provide, or cause the Dissemination Agent to provide, (i) unaudited consolidated financial statements to the MSRB on or prior to the Annual Filing Deadline and (ii) audited consolidated financial statements to the MSRB as soon as practicable

thereafter. MaineHealth Services shall provide a copy of each Annual Report and Quarterly Statement to the Authority and the Bond Trustee.

(b) The Dissemination Agent shall file a report with MaineHealth Services (if not acting as Dissemination Agent), the Authority and the Bond Trustee (if not acting as Dissemination Agent) certifying that the Annual Report or Quarterly Statement, as applicable, has been filed pursuant to this Disclosure Agreement and stating the date it was filed (the “Compliance Certificate”); such report shall include a copy of the Certificate Regarding Requirements from MaineHealth Services.

(c) Upon the written request of any Bondowner or Beneficial Owner to the Dissemination Agent, the Dissemination Agent shall provide the most recent Quarterly Statements directly to such requesting Bondowner or Beneficial Owner, and the costs of complying with such requests will be borne by MaineHealth Services.

(d) If the Dissemination Agent has not filed the Annual Report or Quarterly Statement with the MSRB or received a Certificate of Filing from MaineHealth Services by the applicable Filing Deadline, MaineHealth Services shall send, or cause the Dissemination Agent to send, a notice to the MSRB substantially in the form of Exhibit A.

#### SECTION 4. Content of Annual Reports and Quarterly Statements.

(a) MaineHealth Services’ Annual Report shall contain or incorporate by reference the following data for or as of the most recently completed fiscal year:

(i) Audited consolidated financial statements of MaineHealth Services and subsidiaries and independent accountant’s report similar in form and scope to the statements and report included in Appendix B to the Official Statement dated July 16, 2020 (the “Official Statement”) with respect to the Bonds; and

(ii) Information with respect to MaineHealth Services and the Institution of the kind, and in substantially the same form and scope as found in Appendix A to the Official Statement in the sections captioned “MAINEHEALTH SERVICES – MaineHealth Services Subsidiaries” (with respect to any new subsidiaries), “MAINEHEALTH SERVICE AREA – Service Area Discharges,” “UTILIZATION” (the two tables thereunder), “FINANCIAL INFORMATION OF THE SYSTEM – Indebtedness and Guarantees of the System,” “– Actual and Pro Forma Historical Debt Service Coverage” (historical data only; excluding pro forma calculations), “– Day’s Cash on Hand of the System,” “– Actual and Pro Forma Cash to Total Debt” (historical data only; excluding pro forma calculations), “– Actual and Pro Forma Total Debt as a Percentage of Total Capitalization” (historical data only; excluding pro forma calculations), “– Investments,” “MAINE MEDICAL CENTER – MMC Medical Staff” and “– Employees” (including any new information about labor relations), and “SOURCES OF PATIENT SERVICE REVENUE – Patient Service Revenue,” and a description of any material adverse developments related to pension programs, insurance, licensure and accreditation, litigation or environmental issues, in each case to the extent such information is not contained in the audited financial statements and related notes.

(b) Each Quarterly Statement submitted by MaineHealth Services shall contain an unaudited summary income statement and balance sheet for MaineHealth Services and subsidiaries, as well as an update to the table titled “MaineHealth Services System-Wide Utilization (excluding newborns)” found in Appendix A to the Official Statement under the section captioned “UTILIZATION”. Until Project completion, each Quarterly Statement submitted by MaineHealth Services shall also include an update on the progress of the Project.

The audited consolidated financial statements provided as part of each Annual Report pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time, and accompanied by an independent auditors' report, each in form and substance substantially the same as the statements and report contained in Appendix B to the Official Statement. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which MaineHealth Services is an "obligated person" (as defined by the Rule), which (i) are available to the public on the MSRB Internet website or (ii) have been filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. MaineHealth Services shall clearly identify each such other document so incorporated by reference. The Dissemination Agent shall not be under any obligation to review or verify the contents of any financial statements or Annual Report, or to determine whether the contents thereof are in compliance herewith or with the Rule, and the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for MaineHealth Services, the Bondowners or any other party.

SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. 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 Bonds, or other material events affecting the tax-exempt status of the Series 2018A Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasance of the Bonds or any portion thereof.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Institution, MaineHealth Services or any other Obligated Group Member.<sup>†</sup>

13. The consummation of a merger, consolidation, or acquisition involving the Institution, MaineHealth Services or any other Obligated Group Member or the sale of all or substantially all of the assets of the Institution, MaineHealth Services or any other 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.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

15. Incurrence of a financial obligation of the Institution, MaineHealth Services or any other Obligated Group Member, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Institution, MaineHealth Services or any other Obligated Group Member, any of which affect bondholders, if material.\*

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Institution, MaineHealth Services or any other Obligated Group Member, any of which reflect financial difficulties.\*

(b) Upon the occurrence of a Listed Event, MaineHealth Services shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file or cause to be filed a notice of such occurrence with the MSRB. MaineHealth Services shall provide a copy of each such notice to the Authority and the Bond Trustee. The Dissemination Agent, if other than MaineHealth Services, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by MaineHealth Services, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. MaineHealth Services' obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Bond Trustee and the Dissemination Agent of an opinion of counsel expert in federal securities laws selected by MaineHealth Services and acceptable to the Bond Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule; provided, however, that MaineHealth Services shall be required to provide Quarterly Statements in the manner

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<sup>†</sup> As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Institution, MaineHealth Services or any other Obligated Group Member in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Institution, MaineHealth Services or any other Obligated Group Member, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Institution, MaineHealth Services or any other Obligated Group Member.

\* For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Agreement, the term "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" excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

required hereunder for so long as MaineHealth Services is required to comply with the other provisions of this Disclosure Agreement regardless of whether the provision of Quarterly Statements is required by the Rule. If MaineHealth Services' obligations under the Guaranty are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were MaineHealth Services and MaineHealth Services shall have no further responsibility hereunder, except for its obligations under Section 12 hereof.

SECTION 8. Dissemination Agent. MaineHealth Services may, from time to time with notice to the Bond Trustee and the Authority appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Bond Trustee and the Authority, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than MaineHealth Services) may resign upon 30 days' written notice to MaineHealth Services, the Bond Trustee and the Authority.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, MaineHealth Services and the Dissemination Agent may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Dissemination Agent shall agree to any amendment so requested by MaineHealth Services, so long as it does not adversely impact the Dissemination Agent's or the Bond Trustee's rights and obligations or increases their respective duties (such determination to be made in the sole discretion of the Dissemination Agent or the Bond Trustee, as the case may be)) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to MaineHealth Services and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule; provided, however, that no amendment or waiver which eliminates or diminishes the requirement to deliver Quarterly Statements may be made unless the amendment is consented to by the Bondowners as though it were an amendment to the Agreement pursuant to Section 9.5 of the Bond Indenture. Without limiting the foregoing, MaineHealth Services and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of MaineHealth Services or of the type of business conducted by MaineHealth Services, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Bond Trustee determines, or the Bond Trustee and the Dissemination Agent receive an opinion of counsel expert in federal securities laws and acceptable to the Bond Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (ii) the amendment is consented to by the Bondowners as though it were a supplement to the Bond Indenture pursuant to Section 9.2 of the Bond Indenture. The first Annual Report filed after any amendment or waiver of this Disclosure Agreement will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change, if any, in the type of operating data or financial information being provided. The Dissemination Agent and/or the Bond Trustee shall not be required to accept or acknowledge any amendment of this Disclosure Agreement if the Dissemination Agent or the Bond Trustee, as the case may be, determines in its sole discretion that the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent MaineHealth Services from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, Quarterly Statement or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If MaineHealth Services chooses to include any information in any Annual Report, Quarterly Statement or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, MaineHealth Services



shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Quarterly Statement or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of MaineHealth Services or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the written request of Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause MaineHealth Services or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause MaineHealth Services or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreements, and the sole remedy under this Disclosure Agreement in the event of any failure of MaineHealth Services or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Bond Trustee and Dissemination Agent. As to the Bond Trustee, Article VIII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent (if other than MaineHealth Services) shall have only such duties as are specifically set forth in this Disclosure Agreement, and MaineHealth Services agrees to indemnify and save the Dissemination Agent (if other than MaineHealth Services), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, except to the extent such loss, expense or liability shall have been finally determined by a court of competent jurisdiction to have been caused by the Dissemination Agent's gross negligence or willful misconduct. Notwithstanding anything to the contrary herein, the Bond Trustee, whether acting as Bond Trustee or Dissemination Agent, shall have the same rights, indemnities, privileges and protections in the discharge of its obligations hereunder as it would have in discharging any of its obligations under the Indenture. The obligations of MaineHealth Services under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. MaineHealth Services covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Bond Trustee, in such capacity, shall have no obligation under this Disclosure Agreement to report any information to the MSRB or any Bondowner. If an officer of the Bond Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Bond Trustee shall timely notify MaineHealth Services of such occurrence, provided, however, that any failure by the Bond Trustee to give such notice to MaineHealth Services shall not affect MaineHealth Services' obligations under this Disclosure Agreement or give rise to any liability by the Bond Trustee for such failure.

MaineHealth Services shall pay or reimburse the Dissemination Agent for the fees and expenses of the Dissemination Agent in rendering services in accordance with this Disclosure Agreement.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of MaineHealth Services, the Bond Trustee, the Dissemination Agent, the Participating Underwriters and the Bondowners, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report, Quarterly Statement or notice of a Listed Event filed by or on behalf of MaineHealth Services under this Disclosure Agreement shall obligate MaineHealth

Services to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by MaineHealth Services or raise any inference that no other material events have occurred with respect to MaineHealth Services or the Bonds or that all material information regarding MaineHealth Services or the Bonds has been disclosed. MaineHealth Services shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Notices. Unless otherwise expressly provided, all notices to the Authority, MaineHealth Services, the Bond Trustee and the Dissemination Agent shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered or sent by facsimile during business hours to MaineHealth Services, the Authority and the Bond Trustee at the respective addresses specified in Section 11.7 of the Bond Indenture, to the Dissemination Agent at One Federal Street, Third Floor, Boston, Massachusetts 02110, Attention: Corporate Trust Services or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the party giving notice.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[Remainder of this page intentionally left blank.]*

SECTION 17. Governing Law. This instrument shall be governed by the laws of the State of Maine.

Date: July 29, 2020

MAINEHEALTH SERVICES

By \_\_\_\_\_  
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE  
ANNUAL REPORT OR QUARTERLY STATEMENT

Name of Issuer: Maine Health and Higher Educational Facilities Authority  
Name of Bond Issue: \$212,700,000 Maine Health and Higher Educational Facilities Authority  
Revenue Bonds, MaineHealth Issue, Series 2020A (the "Bonds")  
Name of Obligated Person: MaineHealth Services  
Date of Issuance: July 29, 2020

NOTICE IS HEREBY GIVEN that MaineHealth Services ("MaineHealth Services") has not provided to the Municipal Securities Rulemaking Board an [Annual Report] [Quarterly Statement] for the [year][quarter] ended \_\_\_\_\_, 20\_\_, with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated July 29, 2020 between MaineHealth Services and U.S. Bank National Association, as Dissemination Agent.

Dated: \_\_\_\_\_

[U.S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent on behalf of] MAINEHEALTH  
SERVICES

[cc: MaineHealth Services]

EXHIBIT B

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board  
<http://emma.msrb.org>

EXHIBIT C

FORM OF CERTIFICATE REGARDING REQUIREMENTS

\$212,700,000 Maine Health and Higher Educational Facilities Authority Revenue Bonds, MaineHealth Issue, Series 2020A (the “Bonds”)

[Date]

[U.S. Bank National Association, as Dissemination Agent]

[Attention]

[Address]

Re: Certificate Regarding Requirements for [Annual Report] [Quarterly Statement]

Pursuant to the Continuing Disclosure Agreement dated July 29, 2020 (the “Disclosure Agreement”) between MaineHealth Services (“MaineHealth Services”), in its capacity as the parent corporation of Maine Medical Center (the “Institution”) and the guarantor of the Note (as defined in the Disclosure Agreement), and U.S. Bank National Association, as Dissemination Agent, the undersigned as a representative of MaineHealth Services, does hereby certify that the enclosed [Annual Report] [Quarterly Statement] for the [year][quarter] ended \_\_\_\_\_, 20\_\_ complies with the requirements of the Disclosure Agreement.

MAINEHEALTH SERVICES

By: \_\_\_\_\_

Name:

Title:

Enclosure

EXHIBIT D

FORM OF CERTIFICATE OF FILING

\$212,700,000 Maine Health and Higher Educational Facilities Authority Revenue Bonds, MaineHealth Issue, Series 2020A (the “Bonds”)

[Date]

[U.S. Bank National Association, as Dissemination Agent]  
[Attention]  
[Address]

Re: Certificate of Filing for [Annual Report] [Quarterly Statement]

Pursuant to the Continuing Disclosure Agreement dated July 29, 2020 (the “Disclosure Agreement”) between MaineHealth Services (“MaineHealth Services”), in its capacity as the parent corporation of Maine Medical Center (the “Institution”) and the guarantor of the Note (as defined in the Disclosure Agreement)), and U.S. Bank National Association, as Dissemination Agent, the undersigned as a representative of MaineHealth Services, does hereby certify that the enclosed [Annual Report] [Quarterly Statement] for the [year][quarter] ended \_\_\_\_\_, 20\_\_ was submitted directly to the MSRB on \_\_\_\_\_, 20\_\_, which date is on or before the applicable Filing Deadline (as defined in the Disclosure Agreement”).

MAINEHEALTH SERVICES

By: \_\_\_\_\_  
Name:  
Title:

Enclosure

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# MaineHealth



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