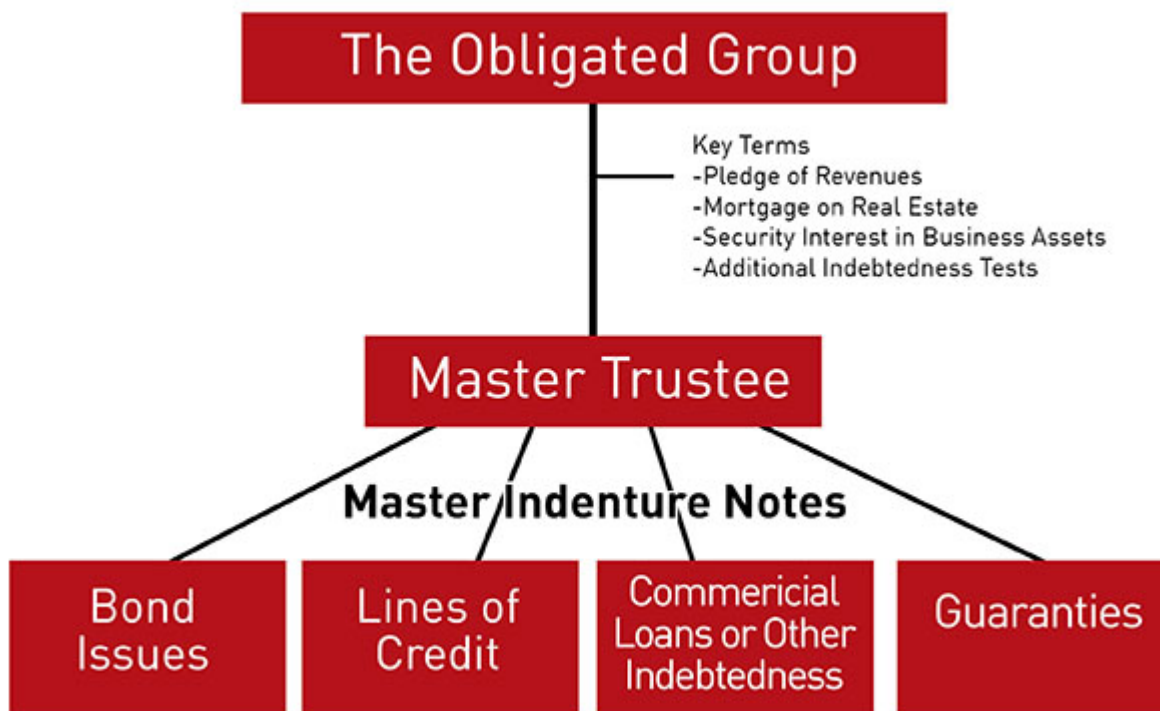


MT WHY?: HOW A MASTER TRUST INDENTURE CAN SIMPLIFY YOUR LIFE

Master Trust Indentures or “MTIs” have historically been implemented by hospitals and health systems as a way to pool the credit of multiple entities (the members of the “obligated group”) and create a “master trust” consisting of revenues or other assets pledged by the obligated group members under the MTI. An MTI allows the obligated group to issue and secure multiple and various obligations, including indebtedness and guaranties, on a parity basis. Obligations may be issued from time to time provided the obligated group meets certain financial tests (additional indebtedness tests). In recent years, we have seen more community hospitals or other single-entity providers implementing MTIs for many of the same reasons larger health systems have used them for decades: simplification of collateral pools and flexibility in future borrowings.

While the MTI itself can be an intimidating document, its use can greatly simplify a health system’s borrowing process.

THE MTI STRUCTURE



BENEFITS OF AN MTI

- **Increased Credit Strength:** Pooling credit and collateral can result in obligated group credit strength exceeding that of its individual members. The sum is truly greater than the whole.
- **Uniform Borrowing Framework:** The master indenture structure provides a uniform borrowing framework for the obligated group and consistency in terms, covenants and security across multiple debt issues.
- **Flexibility:** The master indenture structure can accommodate the full range of debt financing options and provides flexibility for the future. An MTI can adapt with the obligated group as the organization and the health care industry evolve.
- **Additional Debt May Be Issued on a Parity with Existing Debt:** Additional debt may be incurred on a parity with existing debt under a

master indenture. In this scenario, each debt holder shares in the underlying collateral on a pro rata basis.

PRACTICAL TAKEAWAY

MTIs provide benefits to all manner of health care organizations. Once implemented, an MTI will provide for consistent borrowing within an expandable and flexible structure.

If you have any questions or would like additional information about this topic, please contact:

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