

Compliance Summary:

- Compliant as of 3/22/17 (7 months) – eligible for exception to MCC Compliance Policy

1) Violations of 12 month compliance requirement (Section B of MCC Compliance Policy):

- Audited Financial Statements filed 7 weeks late (Due: 1/28/17)
- Auditor's Certificate of Compliance – LTDSRCR filed 7 weeks late (Due: 1/28/17)
- Officer's Certificate of Compliance – LTDSRCR filed 7 weeks late (Due: 1/28/17)
- Comparison of Audit to Budget filed 7 weeks late (Due: 1/28/17)
- Auditor Statement – Facility in compliance with Section 5.11 of loan agreement – Secondary Market disclosures filed 7 weeks late (Due: 1/28/17)
- Completed Compliance checklist filed 7 weeks late (Due: 1/28/17)
- Annual Audited LTDSRCR posted to EMMA filed 7 weeks late (Due: 1/28/17)

2) Violations of multi-year history of non-compliance requirement (Section A of MCC Compliance Policy):

2016 – *Violations listed under 1)*2015

- Opinion of Counsel – UCC Financing Statements filed 11 months late (Due: 10/31/15)
- Completed compliance checklist filed 2 months late (Due: 1/28/15)
- Operating & Capital Budget of the Obligated Group filed 6 months late (Due: 9/30/15)
- Schedule K filed 7 months late (Due: 8/30/15)
- Rebate Calculation filed 4 months late (Due: 12/9/15)

2014

- Comparison of Audit to Budget filed 5 months late (Due: 1/28/14)
- Completed compliance checklist filed 5 months late (Due: 1/28/14)
- Schedule K filed 11 months late (Due: 5/28/14)
- Officer's Certificate for guaranteed debt filed 33 months late (Due: 7/1/14)

Selected Application Information:

1) Information from 2016 Audit of Southeastern Regional Medical Center.

Operating income	3,231,116
Change in unrestricted net assets	10,246,861
Change in net assets	10,449,073
Net cash provided by operating activities	7,046,655
Change in cash (A)	(6,028,198)

(A) Primarily due to the funding of projects with investment funds.

2) Ratings:

Fitch	<u>A</u> – with stable outlook
Standard & Poor's	<u>A</u> – with stable outlook

3) Community Benefits from 2016 ANDI Report

Total Community Benefits	\$1,253,578
Estimated Costs of Treating Bad Debt Patients	\$23,653,803

4) Long Term Service Coverage Ratios

Actual	FYE	2016	5.66
Forecasted	FYE	2017	4.02
Forecasted	FYE	2018	5.30
Forecasted	FYE	2019	6.84

5) Transaction Participants

Financial Advisor	Ponder & Co.
Bond counsel	McGuire Woods LLP
Corporation counsel	Parker Poe Adams & Bernstein
Purchaser counsel	Moore & Van Allen PLLC
Purchaser	BB&T Community Holdings Co.
Bond Trustee	Bank of New York Mellon Trust Company, NA
Bond Trustee Counsel	Nexsen Pruet, LLC
Feasibility Consultant	Rollins Capital Strategies

6) Board diversity

Male:	12
<u>Female:</u>	<u>3</u>
Total:	15

Caucasian:	9
Native American:	3
<u>African-American:</u>	<u>3</u>
	15

**Southeastern Regional
Compliance Findings
Series 2005 & 2012
FYE: September**

Findings	Date to Be Filed	Date Received	FYE	Notes
Audited Financial Statements	1/28/2016	4/1/2016	2015	Note 4
Audited Financial Statements	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Auditor's Certificate of Compliance - LTDSCR	1/28/2013	5/19/2014	2012	Note 2
Auditor's Certificate of Compliance - LTDSCR	1/28/2016	4/1/2016	2015	Note 4
Auditor's Certificate of Compliance - LTDSCR	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Officer's Certificate of Compliance - LTDSCR	1/28/2013	5/19/2014	2012	Note 2
Officer's Certificate of Compliance - LTDSCR	1/28/2016	4/1/2016	2015	Note 4
Officer's Certificate of Compliance - LTDSCR	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Opinion of Counsel - UCC Financing Statements	10/31/2012	5/20/2014	2013	Note 2
Opinion of Counsel - UCC Financing Statements	10/31/2015	9/26/2016	2016	Note 3
Comparison of Audit to Forecast - 2012 Series Bonds	1/28/2014	6/19/2015	2013	Note 2
Comparison of Audit to Forecast - 2012 Series Bonds	1/28/2015	4/1/2016	2014	Note 2
Comparison of Audit to Budget - 2012 Series Bonds	1/28/2016	4/1/2016	2015	Note 4

Comparison of Audit to Budget - 2012 Series Bonds	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Statement by the Auditor - Facility in compliance with Section 5.11 of LA - Secondary Market Disclosure	1/28/2016	4/1/2016	2015	Note 4
Statement by the Auditor - Facility in compliance with Section 5.11 of LA - Secondary Market Disclosure	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Completed compliance checklist	1/28/2014	6/19/2015	2013	Note 2
Completed compliance checklist	1/28/2015	4/1/2016	2014	Note 2
Completed compliance checklist	1/28/2016	4/1/2016	2015	Note 4
Completed compliance checklist	1/28/2017	3/22/2017	2016	Note 3 & Note 5
Operating & Capital Budget of the Obligated Group for the ensuing FY.	by 9/30/2011	5/19/2014	2012	Note 2
Operating & Capital Budget of the Obligated Group for the ensuing FY.	by 9/30/2012	6/19/2015	2013	Note 2
Operating & Capital Budget of the Obligated Group for the ensuing FY.	by 9/30/2013	4/1/2016	2014	Note 2
Operating & Capital Budget of the Obligated Group for the ensuing FY.	By 9/30/2015	4/1/2016	2016	Note 2
Schedule K of Form 990	5/28/2014	4/1/2016	2014	Note 2
Schedule K of Form 990	8/30/2015 - latest date to file with	4/1/2016	2015	Note 2
Annual Audited Financial Statements posted to EMMA - Secondary Market Disclosure	1/28/2016	4/1/2016	2015	Note 4
Annual Audited Financial Statements posted to EMMA - Secondary Market Disclosure	1/28/2017	3/23/2017	2016	Note 3 & Note 5
Annual Audited LTDSCR posted to EMMA - Secondary Market	1/28/2016	4/1/2016	2015	Note 4

Annual Audited LTDSCR posted to EMMA - Secondary Market Disclosure	1/28/2017	3/23/2017	2016	Note 3 & Note 5
Officer's Certificate of Compliance - LTDSCR - posted to EMMA - Secondary Market Disclosure	1/28/2016	4/1/2016	2015	Note 4
Officer's Certificate of Compliance - LTDSCR - posted to EMMA - Secondary Market Disclosure	1/28/2017	3/23/2017	2016	Note 3 & Note 5
Rebate Calculation required for both 2005 & 2012 Series Bonds - to be completed on computation date as stated in Tax Certificate & every five years after unless spend down exception met Computation date for 2005 Series = 9/15/2015, report completed 11/9/2015	12/9/2015	4/1/2016	2015	Note 2
SE Regional guaranteed debt (a capital lease obligation) for SE Regional Ambulatory Surgery Center, LLC. During the FYE 2015 financial audit, it was discovered SE Regional had not filed the required Officer's Certificate to the Master Trustee. SE Regional remedied the covenant violation by filing the Officer's Certificate with the Master Trustee on April 1, 2016	7/1/2014	4/1/2016	2015	Note 2
SE Regional was required per the Trust Agreement to make a sinking fund payment in the amount of \$775,000 on June 1, 2012 for the Series 2002 Bonds.	6/1/2012	10/1/2012	2012	Note 2
First Quarter Financial Report	2/14/2012	2/24/2012	2012	Note 2
Second Quarter Financial Report	5/15/2012	5/23/2012	2012	Note 2
Third Quarter Financial Report	8/14/2012	8/26/2012	2012	Note 2
Fourth Quarter Financial Report	11/14/2012	11/19/2012	2012	Note 2
First Quarter Statement of Cash Flows	2/14/2013	3/1/2013	2013	Note 2

Notes:

Note 1: Does not meet Section (A) - Multiyear history of compliance, Section (B) - Minimum 12 month compliance requirement or Section (C) - Minimum 6 month compliance requirement w/mitigating circumstances per the MCC policy on compliance by borrowers

Note 2: Does not meet Section (A) - Multiyear history of compliance - but, meets Section (B) of the MCC Policy on Compliance by Borrowers - MCC will not issue tax-exempt debt for a healthcare entity that has not been in compliance for at least 12 months prior to filing the application - entity has been in compliance for 12 months

Note 3: Entity has not been in compliance for a minimum of 12 months, but may meet Section (C) of the MCC Policy on Compliance by Borrowers - Entity has been in compliance with the covenant for 6 months if mitigating circumstances warranting consideration by the Commission.

Note 4: Compliance requirement date was extended by Mr. Taylor in January 2015 - agreed to allow SE Regional audit firm (S. Preston Douglas & Associates, LLP) additional time to complete AFS and additional fiscal year end filing information to properly disclose lease in the AFS that had been improperly classified since 2011.

Note 5: SE Regional did not file their FYE 2016 annual audited financial statements, annual officer's certificate, annual auditor's certificate of compliance, annual comparison of audit to budget and annual compliance checklist until March 22, 2017. On 3/23/2017, Commission's auditor requested explanation for AFS being filed late when audit report was dated December 28, 2016. SE Regional's audit firm (S. Preston Douglas & Associates, LLP) in letter dated 4/5/17 stated the information was filed late to the Commission because of the following:

(1) clients of the audit firm who would normally file their reports in the quarter ending December 2016 received extended due dates of three to five months to allow them additional time to gather information that may have been lost due to Hurricane Matthew and (2) with the extended due dates, this pushed work that would have traditionally been completed in the December 2016 quarter, now into the quarter ending March 2017, thereby pushing back the period in which they were able to complete the FYE 2016 audit for SE Regional.

For the FYE 2016 Audited Financial Statements and additional Annual Filing Information, the following dates should be noted:

1/28/2017 - received notification from DAC Bond - AFS will not be filed by 1/28/2017 deadline - notice posted to EMMA with additional Secondary Market

2/8/2017 - Email sent to Mr. Johnson and Mr. Parslow requesting explanation for FYE 2016 AFS not being filed by deadline & anticipated date of completion - no response to email

2/28/2017 - Email sent to Mr. Johnson and Mr. Parslow - follow up email to email sent on 2/8/2017 - requesting status update for FYE

2016 AFS and annual filing information - no response to email

3/7/2017 - Email sent to Mr. Johnson and Mr. Parslow - follow up email sent to email sent on 2/28/2017 - requesting status update for FYE

2016 AFS and annual filing information (included copy of email sent on 2/28/2017) no response to email

North Carolina Medical Care Commission
 Southeastern Regional Medical Center (SRMC)
 Series 2017 A&B Bonds
 NC Medical Care Commission Bond Sale Approval Policy

	Time of Preliminary Approval Series 2017A	Time of Preliminary Approval Series 2017B
- Par Amount of Bonds	\$42,160,000	\$15,780,000
- SRMC Contribution	\$0	\$1,337,470
- Est. Earnings on Project Fund	\$59,351	None - Refunding
- Estimated Interest Rate	2.82% (Fixed) ¹	1.43% ²
- All-In Interest Cost ³	2.90%	1.45%
- Bond Interest Payments	1/1/2018 - 10/1/2047	1/1/2018 - 6/1/2037
- Bond Principal Payments	10/1/2032 - 10/1/2047	6/1/2018 - 6/1/2037
- Bank Holding Period	12 years (12/20/2029)	10 years (12/20/2027)
- Estimated NPV Savings (\$)	N/A - Project Bonds	None - Extends Hold Period

Notes:

- A Bank-bought fixed rate Series 2017A Bonds will finance SRMC's various capital projects with an estimated total cost of \$41,460,607. BB&T has agreed to purchase the Series 2017A Bonds.
- B Bank-bought variable rate Series 2017B Bonds will refund the publicly-traded NCMCC Series 2005 weekly adjustable variable rate demand bonds supported by a BB&T letter of credit that expires on 2/28/2018. BB&T has agreed to purchase the Series 2017B Bonds. Primary purpose of the refunding is to extend the debt issue for 10 years. Some interest cost savings may be achieved during the BB&T 10-year holding period.
- C Series 2017A&B Bonds will not be rated. SRMC maintains a *Standard & Poor's* rating of "A" with stable outlook and *FitchRatings* rating of "A" with stable outlook.

Footnotes:

- 1 Estimated fixed interest rate for Series 2017A Bonds for initial 12-year bank holding period at time of estimated preliminary approval and proposed by the bank purchaser = BB&T or a designated affiliate.
- 2 Estimated variable rate for Series 2017B Bonds is 68% of one-month Libor (1.24%) plus 0.585% = 1.43%, as of November 3, 2017, the estimated time of NCMCC preliminary approval.
- 3 All-in True Interest Cost takes into account the interest rate on the bonds and the bond issuance expenses amortized over the 12-year initial bond holding period for the Series 2017A Bonds and initial 10-year period for the Series 2017B Bonds. SRMC will not enter into an interest rate swap agreement for the Series 2017A or Series 2017B Bonds.