

Policy on Compliance by Borrowers

Exhibit I

Whereas, the North Carolina Medical Care Commission (the "Commission"), in order to facilitate the delivery of quality healthcare services to the citizens of the State of North Carolina, issues tax-exempt debt to finance qualifying projects in accordance with the "Health Care Facilities Finance Act", General Statute 131A; and

Whereas, it is the policy of the Commission to make reviews as in its judgment are necessary and desirable to determine the feasibility and desirability of health care entities; and

Whereas, it is the policy of the Commission to provide guidance to the health care entities as to what the Commission considers feasible and desirable; and

Whereas, the Commission has issued in excess of \$21 Billion in tax-exempt debt, and whereas, the Commission's bonds command a premium in the market; and

Whereas, the Commission believes that the healthcare entities that enjoy the benefits of borrowing through the Commission's tax-exempt debt program have a responsibility to comply with the requirements set forth within the various agreements governing their respective debt; and

Whereas, the Commission believes that failure by the borrowing entities to comply with the various agreements can have a detrimental effect on the reputation of the Commission's tax-exempt bond program and result in higher borrowing cost for entities financing projects through the program; and

Whereas, it is the desire of the Commission to take such steps as are available to it to ensure compliance by the borrowing entities with its program.

Therefore, the Commission does hereby resolve:

- (A) The Commission will not issue tax exempt debt for a health care entity which has exhibited a multiyear history of noncompliance.
- (B) The Commission will not issue tax-exempt debt for a health care entity which has not been in compliance for at least twelve months prior to the filing of an application with the Commission for consideration of a tax-exempt debt issue.
- (C) A healthcare entity which is denied approval under A or B above may petition the Commission for consideration of an exemption to the policy, if (1) the health care entity provides documentation to the Commission that it has been in compliance for a period of at least six months prior to the filing of an application for financing and (2) the health care entity provides documentation of mitigating circumstances warranting consideration by the Commission.
- (D) The Commission, may at its discretion, grant an exemption to the policy.

Adopted and effective this ____ day of _____, 2015

Note: This resolution does not attempt to define noncompliance as either material or immaterial, but leaves it to the judgement of the Commission as to whether or not an event of noncompliance is considered to be material or immaterial when viewed in the context of the circumstances within which it occurred.