

Quarterly
Bond Program Compliance Report
on the
Health Care Facilities Finance Act Program
Administered by the
NC Medical Care Commission

FYE 2014 Examinations
As of October 31, 2016

Summary of FYE 2014 Examinations Completed 8/1/2016 to 10/31/2016

Total Examinations Completed
21

Limited Examinations Due to Defeasance

1. *High Point Regional Health System*
2. *Stanly Health Services, Inc.*
3. *Wilson Medical Center*

No Findings

(3 of the 18)

- *Blue Ridge Healthcare System, Inc.*
- *Duke University Health System, Inc.*
- *Novant Health, Inc.*

Annual Compliance Examinations

Why Are They Important

- Provides reasonable assurance with two important aspects of bond financing by:
 - Monitoring the entity's ability to remain financially viable and to make principal and interest payments on all current and future debt to avoid default.
 - Placing the Commission in a better position to make sound and informed decisions on future applications.
- Post Issuance Tax Compliance
- Compliance with Secondary Market Disclosure
 - Heightened attention on the municipal market from the SEC (Securities and Exchange Commission)
 - EMMA – Electronic Municipal Market Access

Comparison of Findings 2013 vs 2014

Findings	2013	2014
Zero Findings	7	13
Findings:		
Non-Compliance with Financial Calculation	6	2
Extraordinary/Atypical	11	13
Secondary Market Disclosure	35	33
Document Not Filed	35	13
Late Filing: Document Not Prepared Until Notified	9	4
Late Filing: Document Prepared but Not Filed Until Notified	175	99
Late Filing: Document Prepared and Filed Without Notification	61	42
Total Findings	332	206

Comparison Results – 52 Compliance Examinations completed that had debt outstanding as of 10/26/16.

24 Hospitals

23 CCRCs

5 Other Entities

Non-Compliance with Financial Calculation

Financial Calculation	CCRC	Hospital
Available Reserve Ratio	No Findings	NA
Days Cash on Hand (DCOH)	No Findings	No Findings
Long Term Debt Service Coverage Ratio (LTDSCR)	No Findings	No Findings
Debt Service Coverage Ratio	No Findings	Wake Forest Baptist
Marketing Ratio	No Findings	NA
Occupancy Ratio	No Findings	NA
Operating Ratio	No Findings	NA
Total Debt to Capitalization	NA	No Findings
Trade Accounts Payable	NA	No Findings
Unrestricted Net Assets to Outstanding LT Indebtedness	NA	No Findings

NA – Not Applicable

Extraordinary/Atypical

Facility	Type	Extraordinary/Atypical Event
Cape Fear Valley Health System	Hospital	1) Trustee did not pay principal and interest payment from separate Trustee Funds. The Master Trustee acknowledged the issue and has since established the required separate accounts for principal and interest payments.
Halifax Regional Medical Center, Inc.	Hospital	1) Trustee did not pay principal and interest payment from separate Trustee Funds. The Master Trustee acknowledged the error identified by the Commission's auditor and began paying the required principal payments via the Sinking Fund.
Rex Healthcare, Inc.	Hospital	<ol style="list-style-type: none"> 1) Rex Hospital merged with Rex Physicians, LLC in December 2013. The CFO of Rex Healthcare, Inc. did not obtain prior approval from the Commission and did not notify the Commission before the merger as required per the Loan Agreement. An Officer's Certificate from Rex Healthcare, Inc. is now on file regarding the merger. 2) Incurred new debt during FYE 2014 and did not file the Officer's Certificate of Compliance with the Master Trustee before the incurrence of the new debt as required per the Master Trust Indenture until notified of the need to file by the Commission's auditor.

Extraordinary/Atypical

Facility	Type	Extraordinary/Atypical Event
Scotland Healthcare System	Hospital	1) Assets were transferred to an entity that was not a member of the Obligated Group. The Officer's Certificate was not provided to the Master Trustee as required per the Master Trust Indenture until notified of the need to file by the Commission's auditor. Scotland Memorial obtained a waiver from the Master Trustee for the covenant violation.
Southeastern Regional Medical Center	Hospital	1) Incurred new debt during FYE 2014. The CFO discovered during their annual document review that they did not file the Officer's Certificate with the Master Trustee as required per the Master Trust Indenture before they incurred the new debt. The hospital rectified the covenant violation by filing the appropriate Officer's Certificate.
The ARC of NC	Other	1) Prior approval of the firm selected to complete the rebate calculation report was not obtained from the Commission as required per the Non Arbitrage Certificate before the rebate calculation report was completed.

Extraordinary/Atypical

Facility	Type	Extraordinary/Atypical Event
WakeMed	Hospital	1) Trustee did not pay principal and interest payment from separate Trustee Funds. The Trustee has acknowledged the error and has updated their system to avoid the error going forward.
Wayne Memorial Hospital, Inc.	Hospital	<p>1) Incurred new debt during FYE 2014 which per the Master Trust Indenture requires Wayne Memorial to file an Officer's Certificate of Compliance with the Master Trustee showing their ability to meet the LTDSCR with the new debt. The Officer's Certificate was filed with the Master Trustee after the incurrence of the new debt. Wayne Memorial discovered the error and obtained a waiver from the Master Trustee for the covenant violation.</p> <p>2) Wayne Memorial transferred cash to a non-obligated group member without submitting to the Master Trustee prior to the transfer an Officer's Certificate showing the LTDSCR adjusted for the transfer thereby violating the Master Trust Indenture. Wayne Memorial discovered the error and obtained a waiver from the Master Trustee for the covenant violation.</p> <p>3) LTDSCR calculation provided by the external financial audit firm was not calculated per the Master Trust Indenture definitions. The errors in the calculation were discussed with the audit firm and the hospital met the ratio requirement.</p>

Secondary Market Disclosure

Facility	Type	Findings
Cape Fear Valley Health System	Hospital	The Days Cash on Hand calculation required per the Loan Agreement was not filed until the entity was notified of the need to file. The appropriate failure to file notice was posted to EMMA.
Rex Healthcare, Inc.	Hospital	The hospital self-discovered the following information was not timely filed to EMMA: <ul style="list-style-type: none"> • Long Term Debt Service Coverage Ratio calculation • Days Cash on Hand calculation • % of Patient Revenues by Payor Mix • Notice of upgrade change in rating The appropriate failure to file notice was posted to EMMA.
The ARC of NC	Other	The following information was not filed until notified of the need to file: <ul style="list-style-type: none"> • Audited financial statements • Annual occupancy rate information • Quarterly reports for all four quarters The appropriate failure to file notice was posted to EMMA.

Document Not Filed

Facility	Type	Number of Documents Not Filed
Moses H. Cone Memorial Hospital	Hospital	1 document per the Loan Agreement.
Columbus Regional Healthcare System	Hospital	1 document per the Loan Agreement.

Late Filing: Document Not Prepared Until Notified

Facility	Type	Number of Documents Not Prepared Until Notified
Wayne Memorial Hospital, Inc.	Hospital	1 document per the Loan Agreement.

Late Filing: Document Prepared but Not Filed Until Notified

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Facility	Type	Number of Documents Prepared but Not Filed Until Notified
Cape Fear Valley Health System	Hospital	4 documents per the Loan Agreement.
Catholic Health East	CCRC	1 document per the Loan Agreement.
Columbus Regional Healthcare System	Hospital	1 document per the Loan Agreement.
DePaul Group, Inc.	Other	8 documents per the Loan Agreement.
FirstHealth of the Carolinas, Inc.	Hospital	1 document per the Loan Agreement.
Halifax Regional Medical Center, Inc.	Hospital	1 document per the Loan Agreement.
Moses H. Cone Memorial Hospital	Hospital	4 documents per the Loan Agreement.
The ARC of NC	Other	2 documents per the Loan Agreement.
The Presbyterian Homes at Charlotte, Inc.	CCRC	1 document per the Loan Agreement.
Rex Healthcare, Inc.	Hospital	2 documents per the Loan Agreement.
Wayne Memorial Hospital, Inc.	Hospital	1 document per the Loan Agreement.

Late Filing: Document Prepared and Filed Without Notification

Facility	Type	Number of Documents Prepared and Filed Without Notification
Scotland Healthcare System	Hospital	2 documents per the Loan Agreement.
Southeastern Regional Medical Center	Hospital	4 documents per the Loan Agreement.
The ARC of NC	Other	7 documents per the Loan Agreement.
Wayne Memorial Hospital, Inc.	Hospital	3 documents per the Loan Agreement.

Questions

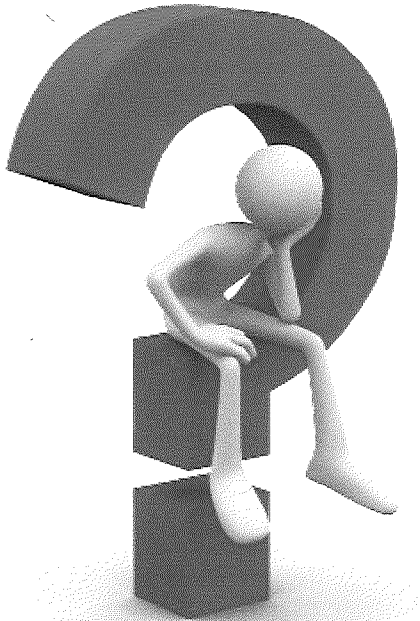


Exhibit C

Contact Information

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