

Compliance Summary:

- Compliant as of 1/27/17 (9 months) – eligible for exception to MCC Compliance Policy
 - 1) Violations of 12 month compliance requirement (Section B of MCC Compliance Policy):
 - Schedule K filed 5 months late (Due: 8/12/16)
 - Secondary Market Disclosure: Hospital Operations – 3rd Party Reimbursement filed 12 months late (Due: 1/28/16)
 - Secondary Market Disclosure: Hospital Operations – Sources of Payment of the Operating Corporation filed 12 months late (Due: 1/28/16)
 - 2) Violations of multi-year history of non-compliance requirement (Section A of MCC Compliance Policy):

2016 – Violations listed under 1

2015

- Rebate Calculation (2004A, 2011A, B, C, D) filed 9 months late (Due: 10/30/15)
- Third Quarter Financial Report filed 2 months late (Due: 8/29/15)
- Schedule K filed 5 months late (Due: 8/14/15)

2014

- Operating & Capital Budget of the Obligated Group for the ensuing FY filed 6 weeks late (Due: 9/30/14)

Selected Application Information:

1) Information from 2016 Audit of Moses H. Cone Memorial Hospital.

Operating income	33,287,000
Change in unrestricted net assets	50,932,000
Change in net assets	49,686,000
Net cash provided by operating activities	77,569,000
Change in cash (A)	(6,815,000)

(A) Primarily due to the additions of property and equipment and a change in short-term to long-term investments.

2) Ratings:

Fitch	<u>AA</u>
Standard & Poor's	<u>AA</u>

3) Community Benefits from 2016 ANDI Report

Total Community Benefits	\$314,217,275
Estimated Costs of Treating Bad Debt Patients	\$32,118,864

4) Long Term Service Coverage Ratios

Actual	FYE	2016	8.78
Forecasted	FYE	2017	6.70
Forecasted	FYE	2018	7.00
Forecasted	FYE	2019	7.30

5) Transaction Participants

Financial Advisor	Melio & Co.
Bond counsel	McGuire Woods LLP
Corporation counsel	Smith Moore Leatherwood
Underwriter	Wells Fargo Securities
Underwriter	PNC Capital Markets
Underwriter Counsel	Robinson Bradshaw
Purchaser	TBD
Bond Trustee	Bank of New York Mellon Trust Company, NA
Bond Trustee Counsel	Nexson Pruet
Feasibility Consultant	Clifton Larson Allen

6) Board diversity – Moses H. Cone Memorial Hospital

Male:	15
<u>Female:</u>	<u>6</u>
Total:	21

Caucasian:	17
Asian-American:	1
<u>African-American:</u>	<u>3</u>
	21

Board diversity – Cone Health Foundation

Male:	10
<u>Female:</u>	<u>7</u>
Total:	17

Caucasian:	10
<u>Non-caucasian:</u>	<u>7 (African American, Latino, Indian, East Indian/Peruvian)</u>
	17

Moses Cone
 Compliance Findings
 Series 2001A/B, 2004A, 2011A, 2011B, 2011C, 2011D, 2013A, 2013B, 2013C

<u>Documents Not Timely Filed</u>	Date to Be Filed	Date Received	FYE	Notes	Comments
Operating & Capital Budget of the Obligated Group for 1 the ensuing FY.	9/30/2014	11/14/2014	2015	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
2 Schedule K of Form 990 - 10 days after filing w/IRS	8/14/2015	1/28/2016	2014	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
3 Schedule K of Form 990 - 10 days after filing w/IRS	8/12/2016	1/27/2017	2015	3	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
Secondary Market Disclosure: Hospital Operations - 4 Third Party Reimbursement	1/28/2016	1/27/2017	2015	3	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
Secondary Market Disclosure: Sources of Payment of the 5 Operating Corporation	1/28/2016	1/27/2017	2015	3	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
6 Third Quarter Quarterly Financial Report	8/29/2015	11/3/2015	2015	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
7(a) 2004A Series Rebate Calculation - last computation date ending 10/1/2015	10/30/2015	8/25/2016	2016	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
7(b) 2011A Series Rebate Calculation - last computation date ending 10/1/2015	10/30/2015	8/19/2016	2016	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
7(c) 2011B Series Rebate Calculation - last computation date ending 10/1/2015	10/30/2015	8/19/2016	2016	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
7(d) 2011C Series Rebate Calculation - last computation date ending 10/1/2015	10/30/2015	8/19/2016	2016	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
7(e) 2011D Series Rebate Calculation - last computation date ending 10/1/2015	10/30/2015	8/19/2016	2016	2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers

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.

NC MCC Bond Sale Approval Form Facility Name: Cone Health System									
PRINCIPAL AMOUNT	\$	276,890,000.00							
SERIES: Fixed Rate	Time of Preliminary		Time of Mailing POS (if applicable)		Time of Final		Total Variance		Explanation of Variance
Outstanding Principle Balance	TBD								
Estimated Interest Rate	3.16%								
All-in True Interest Cost	3.25%								
Maturity Schedule (Interest)	2018 - 2038								
Maturity Schedule (Principal)	2018 - 2038								
Bank Holding Period (if applicable)	N/A								
Estimated NPV Savings (\$) (if refunded bonds)	N/A								
Estimated NPV Savings (%) (if refunded bonds)	N/A								
SERIES: Floating Rate	Time of Preliminary		Time of Mailing POS (if applicable)		Time of Final		Total Variance		Explanation of Variance
Outstanding Principle Balance	TBD								
Estimated Interest Rate*	1.56%								
All-in True Interest Cost	1.60%								
Maturity Schedule (Interest)	2018 - 2047								
Maturity Schedule (Principal)	2038 - 2047								
Bank Holding Period (if applicable)	N/A								
Estimated NPV Savings (\$) (if refunded bonds)	N/A								
Estimated NPV Savings (%) (if refunded bonds)	N/A								
*Estimate reflects current market rates									