

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Accountant's Report on Applying Agreed Upon Procedures

Board of Trustees of Southeastern Regional Medical Center and
Related Organizations and North Carolina Medical Care Commission

We have performed the procedures enumerated below for Southeastern Regional Medical Center (the "Corporation"), Southeastern Regional Physician Services ("Physician Services"), Health Horizons, Inc. ("Horizons"), Southeastern Regional Medical Center Foundation ("SRMC Foundation") and Executive Credit Collections ("ECC") and, together with the Corporation, Physician Services, Horizons, and SRMC Foundation, (the "Healthcare Entities") for the year ended September 30, 2016, which were agreed to by the Healthcare Entities and the North Carolina Medical Care Commission (the "Commission") solely to meet the requirement of the issuance of a debt compliance letter by us in connection with Article III, Section 3.10(b) of the Amended and Restated Master Trust Indenture, dated as of June 1, 2006, as so supplemented and amended from time to time (the "Master Indenture"), by and between the Healthcare Entities and U.S. Bank National Association, as Master Trustee, and Article V, Section 5.04(a) of the Loan Agreement, dated as of October 1, 2012, and Article V, Section 5.04 of the Loan Agreement dated as of September 15, 2005 (the "Loan Agreement"), between the Commission and the Corporation.

The procedures enumerated below were agreed to by the Healthcare Entities and the Commission solely to assist us in evaluating compliance with the Master Indenture and the Loan Agreement. Management of the Healthcare Entities is responsible for complying with the terms of the Master Indenture and the Loan Agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are as follows:

(1) As to the Master Indenture, we read Article III entitled "Particular Covenants of the Obligated Group" and Article IV entitled "Default and Remedies" and inquired of management of the Healthcare Entities as to whether or not any actions and/or transactions taken or undertaken by the Healthcare Entities or their governing boards during the year ended September 30, 2016, were governed by such Article III and/or Article IV. We obtained a list of such actions and/or transactions or obtained a representation that none were undertaken or completed. We obtained a representation from management of the Healthcare Entities as to compliance or noncompliance with the Master Indenture and specifically the requirements of Article III and Article IV thereof. As to those actions and/or transactions which were of a financial and/or accounting nature and as to which the Healthcare Entities represented to us that data was available, we recalculated the data provided to us by the Healthcare Entities and compared the results to the applicable Articles and Sections of the Master Indenture.

(2) As to the Loan Agreement, we read Article V entitled "Special Covenants" and Article VI entitled "Events of Default and Remedies" and inquired of management of the Healthcare Entities as to whether or not any actions and/or transactions taken or undertaken by the Healthcare Entities or their governing boards during the year ended September 30, 2016, were governed by such Article V and/or Article VI. We obtained a list of such actions and/or transactions or obtained a representation that none were undertaken or completed. We obtained a representation from management of the Healthcare Entities as to compliance or noncompliance with the Loan Agreement and specifically the requirements of Article V and Article VI thereof. As to those actions and/or transactions which were of a financial and/or accounting nature and as to which the Healthcare Entities represented to us that data was available, we recalculated the data provided to us by the Healthcare Entities and compared the results to the applicable Articles and Sections of the Loan Agreement.

(3) As to the actions and/or transactions covered by the Articles of the Master Indenture and the Loan Agreement referenced above which were of a non-accounting and/or non-financial nature, we performed the following procedures in connection with the Healthcare Entities' representations as to compliance or noncompliance with the requirements of the applicable Articles and Sections of the Master Indenture and Loan Agreement as of and for the year ended September 30, 2016:

1. Sections 3.10(a), (b) and (d) and 3.03 of the Master Indenture and Sections 3.08 and 5.04 of the Loan Agreement which require the Healthcare Entities to report certain information on a timely basis, we obtained the Healthcare Entities representation that all such reports were made on a timely basis. We also obtained supporting documentation from the Healthcare Entities indicating that such filings were properly made.
2. With regards to the remaining non-accounting and/or non-financial actions or transactions covered by the Articles of the Master Indenture and the Loan Agreement, we inquired of the Healthcare Entities as to the occurrence of any actions or transactions that met these requirements. For those actions or transactions identified to us by the Healthcare Entities we performed the following procedures:

Reviewed with management the non-accounting and/or non-financial actions covered by the Articles of the Master Indenture and the Loan Agreement, particularly Sections 5 and 6 of the Loan Agreement to insure their understanding of the requirements.

We also obtained representation from the Members of the Obligated Group as to their compliance with these requirements.

(4) As to any Derivative Agreement (as defined in the Master Indenture) relating to the Bonds, we read Article I thereof and applied the same criteria as set forth in items (1) and (2) above.

(5) As to the Tax Certificate (as defined in the Loan Agreement), we read the Sections thereof dealing with "private activity bond requirements" and obtained a representation from management of the Health Care Entities as to compliance or noncompliance with the requirements thereof. As to "the use of proceeds for exempt purposes," we obtained a detailed listing to the accounting records from the Healthcare Entities and compared the listing to the accounting records to identify the disposition of "bond financed property."

Our findings are as follows:

As to Procedure No. 1: No instance of noncompliance with Article III or Article IV of the Master Indenture was noted through our inquiries of management.

As to Procedure No. 2: No instance of noncompliance with Article V or Article VI of the Loan Agreement was noted through our inquiries of management.

As to Procedure No. 3:

Item 1 – No instance of noncompliance with Sections 3.10(a), (b) and (d) and 3.03 of the Master Indenture and Sections 3.08 and 5.04 of the Loan Agreement was noted through our inquiries of management.

Item 2 - No instance of noncompliance with regards to the remaining non-accounting and/or non-financial actions or transactions covered by the Articles of the Master Indenture and the Loan Agreement was noted through our inquiries of management.

As to Procedure No. 4: No instance of noncompliance with Article I of the Master Indenture was noted through our inquiries of management.

As to Procedure No. 5: Per management, there were no instances of dispositions of "bond financed property."

It should be understood that we have no responsibility for establishing, and did not establish, the scope and nature of the procedures enumerated above; rather, the procedures enumerated therein are those the requesting parties asked us to perform. Accordingly, we make no representations regarding the questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and management of the Corporation and the Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "S. Preston Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

S. Preston Douglas and Associates, LLP
December 28, 2016