New York, November 09, 2018 -- Moody's Investors Service has assigned an Aa3/VMIG 1 to Charlotte-Mecklenburg Hospital Authority's (d/b/a Atrium Health) proposed $50 million Variable Rate Health Care Revenue Bonds, Series 2018G and $50 million Variable Rate Health Care Revenue Refunding Bonds, Series 2018H. The rating outlook is stable. Moody's maintains an Aa3 rating on Atrium Health's outstanding obligations.

RATINGS RATIONALE
Assignment of the Aa3 long term ratings reflects several core strengths at Atrium Health including its large size and history of stable operating performance and cash flow. Although the organization will face some pressure as it integrates a relatively large acquisition (pending regulatory approval), we expect that it will ultimately integrate the acquisition without significant disruption to its financial performance and that Atrium Health will maintain margins at approximately current levels. The rating is constrained by a planned increase in capital spending, regional growth plans, and transition to a new Medicaid managed care model over the next several years.

The short-term VMIG 1 ratings are derived from: (i) the credit quality of (a) JPMorgan Chase Bank, N.A. (JPMorgan) as provider of liquidity support in the form of a standby bond purchase agreement (Liquidity Facility) for each Series of Bonds and, (ii) Moody's assessment of the likelihood of an early termination of each Liquidity Facility without a mandatory tender. Events that could cause each Liquidity Facility to terminate without a mandatory purchase of the bonds are directly related to the credit of the Charlotte-Mecklenburg Hospital Auth., NC (the Authority). Accordingly, the likelihood of any such event occurring is reflected in the long-term rating assigned to the Bonds. Moody's short-term counterparty risk assessment of the Bank is P-1(cr).

RATING OUTLOOK
The stable outlook reflects our expectation that Atrium Health will maintain cash flow margins at approximately current levels and integrate a planned merger (subject to regulatory approval) with minimal disruption to financial performance.

FACTORS THAT COULD LEAD TO AN UPGRADE
- Maintenance of cash flow margins at higher levels
- Material growth in enterprise size and geographic diversification of cash flows

FACTORS THAT COULD LEAD TO A DOWNGRADE
- Prolonged period of lower cash flow margins
- Significant increase in debt, or capital spending plans that require significant use of debt or balance sheet reserves
- Expectation of prolonged period of acquisitive growth that dilutes margins or is likely to result in higher leverage
- Short-term rating: downgrade of the short-term CR Assessment of the Bank
- Short-term rating: downgrade of the long-term rating of the Bonds

LEGAL SECURITY
The bonds are secured by a revenue pledge from the members of the Obligated Group, which is comprised essentially of the "Primary Enterprise" (primarily the four acute care hospitals located in Mecklenburg County, Carolinas HealthCare System-NorthEast, located in Cabarrus County, Carolinas HealthCare System Lincoln, located in Lincoln County, Carolinas HealthCare System Union, located in Union County, Carolinas HealthCare System Stanly, located in Stanly County, Carolinas HealthCare System Cleveland and Carolinas HealthCare System Kings Mountain, both located in Cleveland County) and one of Atrium's discretely presented "Component Units", The Atrium Health Foundation.

LIQUIDITY SUPPORT FOR TENDERS
The Bank's obligations under each Liquidity Facility may be automatically terminated or suspended upon:

- the Authority or any Material Member of the Obligated Group fails to pay when due the principal and interest on the Bonds or on debt senior to or on parity with the Bonds;

- a bankruptcy or similar proceeding is initiated by or against the Authority or any Material Member of the Obligated Group; or the Authority or any Material Member of the Obligated Group is otherwise insolvent.

- the long term ratings assigned to the Bonds or on debt senior to or on parity with the Bonds by each rating agency then rating such debt is withdrawn, suspended, or reduced below investment grade;

- the Bonds, the Bond Order, the Series Resolution or the Liquidity Facility are declared null and void and unenforceable against the Authority or any Material Member of the Obligated Group, as determined by a court or other governmental authority with appropriate jurisdiction, or provisions relating to the payment of principal and interest on the Bonds or obligation to repay Material Debt in such documents are repudiated or contested by the Authority or any Material Member.

Each Series Resolution permits conversion of the bonds, in whole, to daily, two-day, weekly, windows, auction, index-floating, bank-bought index-floating, flexible, long-term or fixed rate modes. Bonds so converted will be subject to mandatory tender upon conversion, except for when all of the bonds convert to the daily, two-day and weekly rate modes. Each Liquidity Facility supports the Bonds while in the daily, two-day or weekly rate modes. Moody's current short-term rating applies while the bonds are in the daily, two-day or weekly rate modes. Bonds pay interest on the first business day of each month.

Bondholders may, at their option, tender Bonds (i) during the weekly rate mode on any business day with at least seven days prior written notice to the tender agent and remarketing agent; (ii) during the daily rate mode on any business day with notice to the tender agent and remarketing agent by 11:00 a.m., Eastern Time; and (iii) during the two-day mode on any business day with prior written notice to the tender agent and remarketing agent by 4:00 p.m., Eastern Time, at least two business days prior to the tender date.

The bonds are subject to mandatory tender on: (i) each interest rate mode conversion date (other than the conversion of the Bonds to the daily, two-day and weekly rate modes); (ii) on the proposed effective date of any substitute credit facility, liquidity facility or self-liquidity arrangement; (iii) on the fifth day prior to the expiration date or termination date of the applicable Liquidity Facility, other than in the case of an automatic termination event; (iv) on each interest payment date during the Flexible Rate Period; (v) not less than forty days after written notice to the Bond Registrar, Trustee and Tender Agent at the written direction of the Authority, with the consent of the remarketing agent and Bank; and (vi) on each Long-Term Rate Purchase Date, Windows Mandatory Purchase Date, Index-Floating Rate Purchase Date and Bank-Bought Index Floating Rate Purchase Date.

Each Liquidity Facility provides principal in an amount equal to the bonds plus 34 days of interest at 12%, the maximum rate applicable to the bonds and covers the bonds while in the daily, two-day and weekly rate modes. Each Liquidity Facility is available to pay purchase price for the applicable series of bonds to the extent remarketing proceeds received are insufficient. Draws made on the JPMorgan Liquidity Facility received by 12:45 p.m., New York time, will be honored by 2:45 p.m., New York time, on the same business day. Draws will be reinstated upon reimbursement of such drawings.

The commitment under each Liquidity Facility will terminate upon the earliest to occur of: (i) March 6, 2024, the scheduled expiration date; (ii) the date of receipt by the Bank of a certificate signed by the Tender Agent stating that the Liquidity Facility has been terminated due to: (a) substitution, (b) no Bonds remain outstanding or (c) all Bonds have been converted to a mode other than daily, two-day or weekly, provided that the Bank has purchased any Bonds required to be purchased as a result of mandatory tender for substitution or
conversion; (iii) 45 days following the date of receipt by the Bank of notice of termination of the Liquidity Facility by the Authority; and (iv) the date on which the available commitment under the Liquidity Facility is terminated.

USE OF PROCEEDS

The Series 2018G and 2018H bond proceeds will be used to provide funds for capital expenditures and pay the costs of issuance.

PROFILE

Atrium Health is headquartered in Charlotte, NC and owns or manages several dozen hospitals throughout the Carolinas. System hospitals include small community hospitals, large tertiary facilities, a children's hospital and a cancer hospital. Atrium Health also employs over 1,500 physicians. Atrium Health is the d/b/a name for Charlotte-Mecklenburg Hospital Authority. It was previously known as Carolinas HealthCare System.

METHODOLOGY

The principal methodology used in the long-term ratings was Not-For-Profit Healthcare published in November 2017. The principal methodology used in the short-term ratings was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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