

January 12, 2017

John R. Brumsted, MD
President & CEO
UVM Health Network
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Dear Dr. Brumsted:

We have been requested to provide our opinion regarding the financial impact of a proposed project (the "Project") by UVM Medical Center ("UVMHC") to replace the electronic health records and related information technology systems at UVMHC and three of the UVM Health Network's ("UVMHN") other member hospitals with a unified EHR system (the "Project") to be purchased from Epic, and in particular, to provide our opinion as to the Project's impact on UVMHC and UVMHN's current credit ratings. To develop our opinions, we have reviewed the CON application for the Project and the Total Cost of Ownership ("TCO") analysis and financial projections for the Project that are referred to in the application. Based upon these materials, we understand that capital costs of the Project are \$112.4 million, including \$3.1 million of capitalized interest, and that the TCO of the Project over a six-year period is \$151.6 million.

We have conducted an analysis of these materials following standard procedures in our industry and are pleased to provide our opinion on the matters requested. This letter may be used by UVMHC in connection with its CON application for the Project.

By way of background, Ponder & Co ("Ponder") is a leading national independent capital financial advisor to not-for-profit health provider organizations seeking access to bond markets. Our expertise includes credit and debt capacity analysis, as well as detailed knowledge of financial products such as bonds, interest swaps and other derivatives and guaranteed investment contracts. Because we are continually active in the capital markets, we keep current with the constant changes that are occurring. Our advice is free of conflicts of interest, because we have no vested interest in underwriting, selling or promoting any financial product. Ponder serves as UVMHC's independent financial advisor.

I am a Managing Director of Ponder and joined the company in 2002. I have provided financial advisory services to clients in the healthcare industry for over 35 years. My experience has focused on advising hospitals and health systems raising capital, and I have assisted clients in borrowing more than \$22 billion in capital, primarily through tax-exempt bond markets. I have a Bachelors' degree from Providence College and a MBA from Boston University. I have extensive experience in performing financial analyses with respect to health care provider clients, including UVMHC. I believe I am qualified as an expert to render the opinions in this letter.

In conducting our analysis of this Project, we have reviewed the materials provided to us, including the financial forecasts developed by UVMHC and the assumptions of management on which these forecasts are based. A copy of the forecasts with assumptions is attached to the CON application as Appendix C. We reviewed the assumptions to determine if they are reasonable in light of UVMHC's historical performance, industry trends, and other relevant factors. Based upon this review, we have concluded that the assumptions on revenue growth, expense increases, FTE growth, targeted operational efficiencies, prioritization of significant capital expenditures and limited additional debt are reasonable. UVMHN leadership has shown over the last 5 years an ability to establish certain operational and financial performance goals and to meet or exceed these goals each year. This performance has resulted in the

credit rating agencies (Moody's, Standard & Poor's and Fitch) upgrading the bond ratings of UVMHC/UVMHN from the mid Baa/BBB category to the low A/A category in a volatile healthcare environment. And this performance has been achieved while acquiring additional hospitals over the last 4 years including: Central Vermont Medical Center (VT-2012), Champlain Valley Physicians Hospital (NY-2013), Elizabethtown Community Hospital (NY-2013) and Alice Hyde Medical Center (NY-2016). A critical factor to successfully manage this rapidly growing system is to establish a unified electronic health record and related information technology systems at all facilities within the UVMHN system. This unified EHR system will integrate health, clinical, registration, billing, scheduling, the patient portal and insurance information. This project will provide UVMHN with one platform from which to operate under current payment methodologies and as important under new payment methodologies with various health reform initiatives.

UVMHN plans to pay for this significant capital project with available operating capital. There is no debt borrowing assumed to pay for any of the capital costs. The financial forecasts include these operating capital investments as well as the significant depreciation costs being expensed over 5 years.

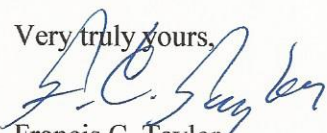
In conducting this financial analysis, I have considered the current credit ratings of UVMHN: "A3 / positive outlook" from Moody's; "A- / stable outlook" from S&P; and "A- / stable outlook" from Fitch. I have compared the key financial credit ratios for UVMHN to the Moody's median ratios of not-for-profit health care providers with ratings of A1, A2, A3, Baa1, Baa2, and Baa3. This comparison is illustrated in the attachment to this letter.

Credit ratings are based on both quantitative and qualitative factors of the borrower. The QUANTITATIVE analysis targeting the "median" financial metrics by definition means similarly rated organization's metrics might be above or below these medians and still obtain that credit rating category. UVMHN's current metrics lean heavily to the "A3 and A2" medians with several on the border of "A3/Baa1". During the implementation phase of the Project (2017-2019) the financial forecasts do show a modest dilution in profitability (Operating/Excess Margin) and liquidity (Days Cash on Hand) that reflects the significant costs of the Project. The rating agencies have seen with most other health systems implementing an EHR that profitability is negatively impacted during installation. Once the Project is fully implemented in 2020 the UVMHN metrics show very strong performance in the "A" category.

The rating agencies will also assess key QUALITATIVE factors in determining credit worthiness and capacity to repay debt. UVMHN has significant strength when assessing qualitative factors including: market leadership; a full range of inpatient and outpatient services from primary care to quaternary services; strong physician relationships through the faculty group practice and independent practitioners; a strong Board of Trustees and management team; a growing system of facilities in Vermont and upstate NY; and a leadership position in the changing national healthcare delivery system from a volume driven business to a quality/value driven proposition.

Based on these factors and our analysis, it is my opinion, and the opinion of Ponder, that UVMHC and UVMHN has adequate financial capacity to implement the Project while maintaining its current credit ratings.

Very truly yours,



Francis C. Taylor
Managing Director