

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICAL CARE COMMISSION QUARTERLY MEETING

DIVISION OF HEALTH SERVICE REGULATION  
701 BARBOUR DRIVE, RALEIGH NC 27603

November 19, 2010

9:00 A.M.

**I. MEDICAL CARE COMMISSION PLANNING MEETING, November 18, 2010 – 3:00 p.m.**

MEMBERS PRESENT	MEMBERS ABSENT
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. Gerald P. Cox George H.V. Cecil Charles T. Frock Elizabeth Kanof, M.D. Eileen Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr. RPh James H. Leonard Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Margaret Weller-Stargell	John Fagg, M.D. Clifford B. Jones, Jr. DDS Henry A. Unger, M.D.
<b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b>	
Drexdal Pratt, Director, DHSR Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Erin Glendening, Rules Coordinator, DHSR	

**COMMISSION ACTION**

The Medical Care Commission held its planning meeting on Thursday, November 18, 2010 to review the agenda for Friday, November 19, 2010. Mrs. Bode welcomed everybody to the meeting and asked the audience to introduce themselves. Ken Boggs, CFO of Moses Cone, David Bixler, CEO of Rutherford Hospital, Mary Millington, CFO of Rutherford Hospital and Pete Brunnick, CEO of Hospice of Charlotte discussed their respective projects with the members present at the planning meeting.

The agenda was referred without action to the Medical Care Commission meeting on November 19, 2010.

## II. MEDICAL CARE COMMISSION QUARTERLY MEETING, November 19, 2010 – 9:00 a.m.

<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT</b>
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. George H. V. Cecil Gerald P. Cox John A. Fagg, M.D. Charles T. Frock Elizabeth Kanof, M.D. Eileen Kugler, RN, MSN, MPH, FNP James H. Leonard Albert F. Lockamy, Jr. RPh Mary L. Piepenbring Carl K. Rust, II, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Margaret Weller-Stargell  <b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b> Drexdal Pratt, Secretary, MCC; Director, DHSR Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Erin Glendening, Rules Coordinator, DHSR	Clifford B. Jones, Jr. DDS

### III. CHAIRPERSON'S COMMENTS

Ms. Bode welcomed everybody to the meeting and asked the audience to introduce themselves, she then questioned the members to see if anyone had a conflict of interest with anything coming before the Commission at the meeting and due to the ethics ruling stating that any Commission member with \$10,000 or more invested in a particular bank would need to abstain from voting it was decided that the recusals would be done at the time each project was presented for a vote. Mr. Cox, and Dr. Fagg asked to be recused from any votes which included financing from BB&T.

### IV. APPROVAL OF MINUTES from the August 12, 2010 meeting. (**attached as Exhibit A**).

**Commission Action:** Motion was made by Mr. Cecil, seconded by Mr. Lockamy and unanimously approved.

### V. DIVISION DIRECTOR'S REPORT

Mr. Pratt reported on matters of interest to the Commission, he gave a brief overview of on the recent Governors Executive Order No. 70, which is an Rules Modification Improvement Plan, he also reported on the budget reduction request from the Governor in the amounts of 5 % , 10% and 15 % from each of the Division with in DHHS. Mr. Pratt reminded the members that the plans for the Division of Health Service Regulation to move to several different buildings on the Dix campus by December 31, 2010.

Other items to report on are listed below (*see Exhibits B – B/6*):

1. Quarterly Report on Bond Program (*attached as Exhibit B*)
2. The Executive Committee held telephone conference meetings on the following dates:

**August 20, 2010** - To consider a resolution authorizing the conversion of the interest rate mode on bonds previously issued by the North Carolina Medical Care Commission, the proceeds of which were loaned to CaroMont Health, Inc., Gaston Memorial Hospital, Incorporated and CaroMont Health Services, Inc. and a resolution which grants preliminary approval to a project for the Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers to effect a conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project) Series 2001 from a Wells Fargo letter of credit backed bond issue to a Bank Qualified Bond mode with BB&T with a seven year put period. *(attached as Exhibit B/1)*

**September 23, 2010** - To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Blue Ridge HealthCare System, Inc. and to consider the approval of a conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project), Series 2001 to a "Bank-Bought Rate" mode. *(attached as Exhibit B/2)*

**September 30, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Galloway Ridge, Inc. *(attached as Exhibit B/3)*

**October 7, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Rex Hospital, Inc., (2) To consider a resolution relating to the amendment of the amended and restated Trust Agreement securing the outstanding North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project, Series 2001, (3) To consider a resolution authorizing the issuance of up to \$30,000,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010, (4) An email explaining Carol Woods Legal Fees, (5) To consider a resolution that grants preliminary approval to a project for Pennybyrn at Maryfield, Inc. to be used together with other available funds, to refund the Series 2005C Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (6) To consider a resolution authorizing the financing of various energy savings equipment and improvements for Ashe Memorial Hospital, Inc. through the North Carolina Medical Care Commission pursuant to a Master Lease and Sublease Agreement and (7) To consider a resolution that grants preliminary approval to a project for Well-Spring Retirement Community to provide funds, to be used together with other available funds, to effect a conversion. *(attached as Exhibit B/4)*

**October 22, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Novant Health, Inc., and to consider resolutions for preliminary approvals for a refunding for Carolina Meadows and The Presbyterian Homes, Incorporated. *(attached as Exhibit B/5)*

**November 4, 2010** - To approve the conversion of the Commission's Health Care Facilities First Mortgage Weekly Adjustable Rate Revenue Refunding Bonds, Series 2003C (Well-Spring Retirement Community Project) to a "Bank-Bought Rate" mode. To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Maryfield, Incorporated and to consider a preliminary refunding for Appalachian Regional Healthcare System. *(attached as Exhibit B/6)*

**V. Presentations:**

- 1.) Health Care Challenges in NC.....Robert W. Seliqson, Executive Vice-President & CEO  
NC Medical Society
- 2.) Update on Implementation of Healthcare Reform..... Pam Silberman, President  
NC Institute of Medicine

**VI. Old Business:**

**Commission Action:** Motion was made by Dr. Binder, seconded by Mr. Cox and unanimously approved.

**VII. New Business:**

**A. Executive Committee Membership**.....Christopher Taylor  
In accordance with 10NCAC 13A.0101 North Carolina Medical Care Commission Executive Committee the members of the Executive Committee are appointed/elected in the following manner:

(1) In even numbered years the Chairman appoints two members to serve on the Executive Committee for two year terms commencing January 1, of the following year. The Chairman does hereby appoint George Binder, MD and Carl Rust, MD to serve terms from January 1, 2011 through December 31, 2012.

(2) In odd numbered years the membership of the Commission elects three members to serve on the Executive Committee for two year terms commencing January 1 of the following year. In November, 2009 there would have been three members elected to serve the term 2010-2011. The election did not take place. The Commission desires to correct the oversight in order to reestablish the proper expiration of terms of the Members of the Executive Committee. Mary Piepenbring, Gerald Cox and Robert Schaaf, MD are recommended for election by the Commission to serve the remainder of the terms ending December 31, 2011.

**Commission Action:** Motion was made by Mr. Cecil, seconded by Mr. Crocker and unanimously approved.

**Commission Action:** Motion was made by Mr. Frock, seconded by Ms.Weller-Stargell and unanimously approved.

**VIII. BOND PROJECTS**

**A. The Moses H. Cone Memorial Hospital** -Christopher Taylor & Steven Lewis (*attached as Exhibit D& C*)

**Commission Action:** Motion was made by Mr. Crocker, seconded by Dr. Schaaf and unanimously approved.

**Resolved:** The Commission grants preliminary approval to projects for the Moses H. Cone Memorial Hospital to be funded by a combination of tax exempt bonds and corporation equity for the addition of a new 7-story building “The North Tower” of 243,107 square feet and Associated Renovations of 87,600 square foot to the existing hospital that will include replacement of 96 beds and 16 operating rooms, to add a Central Energy Plant, and to construct a two story addition to the existing MCHS Regional Cancer Center of 20,347 square feet and Associated Renovations of 17,839 square feet. The projects will be split funded as follows: \$10 million of bond proceeds will be used toward the Cancer Center and \$90 million of bond proceeds will be used toward the North Tower and Central Energy Plant, in addition all or a portion of the outstanding Series 1993, 2001 A&B, 2004A and 2008 Bonds issued by the Commission for Moses Cone will be refunded. The project is in accordance with a preliminary application, plans and specifications and participation as follows:

**ESTIMATED SOURCES OF FUNDS**

Principle Amount of Bonds to be Issued	\$328,000,000
Cash & Negotiable Securities from Reserves	88,226,983
Premium on Bonds	19,468,022
Interest Earned during Construction	<u>187,019</u>

**Total Sources****\$435,882,024****ESTIMATED USES OF FUNDS**

Site Costs	\$1,704,207
Construction Contracts	134,756,325
Architects Fees	9,118,477
Architect Reimbursable	454,187
Movable Equipment	30,474,923
Surveys, tests, insurance, etc.	625,662
Consultant Fees	4,888,805
Jurisdictional	378,914
Other Costs	505,000
Project Manager Fee	3,134,529
Contingency (1% x Total Construction Contracts)	1,315,585
Escrow to Refund Bonds	243,525,107
Bond Interest during Construction	933,508
Line of Credit Fee	766,500
Underwriters' Discount	2,241,925
Feasibility Fees	45,000
Accountants Fees	75,000
Legal Fees for Owner's Counsel	50,000
Bond Counsel	175,000
Underwriter's Counsel	100,000
Rating Agencies	260,000
Trustee Fees	25,000
Printing Costs	10,000
Local Government Commission Fee	3,500
Financial Advisor	175,000
Other	139,870
<b>Total Sources</b>	<b>\$435,882,024</b>

Tentative approval is given with the understanding that the governing board of The Moses H. Cone Memorial Hospital accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of Bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.

7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

- |  |   |     |       |    |       |     |
|--|---|-----|-------|----|-------|-----|
| 1. Financially feasible                          | ✓ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | ✓ | Yes | _____ | No | _____ | N/A |

**B. Lutheran Services for the Aging, Inc.-Christopher Taylor & Steven Lewis** *(attached as Exhibit E & C)*

Statements were given by Ted Goins and Annette Conrad of Lutheran Services for the Aging.

**Commission Action:** Motion was made by Mr. Crocker, seconded by Dr. Rust and approved with the recusal of Dr. Fagg and Mr. Cox.

**Resolved:** The Commission grants preliminary approval to the following projects for Lutheran Services for the Aging, (1) Construction of a 117 bed skilled nursing facility which serves as a replacement for the Lutheran Home – Winston-Salem located in Forsyth County, (2) Construction of a 120 bed skilled nursing facility, which serves as a replacement for the Lutheran Home- Hickory West located in Catawba County, and (3) Refunding of \$2,000,000 of existing debt used to purchase the land for Lutheran Home- Hickory West from the 2009 Series Bonds. The Projects will be financed through the issuance of Bank Qualified Bonds: The project is in accordance with a preliminary application, plans and specifications and participation as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$23,500,000
Cash and negotiable securities from reserves	2,993,148
Interest earned during construction	<u>20,000</u>
<b>Total Sources</b>	<b>\$26,513,148</b>

**ESTIMATED USES OF FUNDS**

Site costs	\$4,566,400
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Land acquisition	\$2,151,400	
Necessary Engineering and Site Preparation	\$2,415,000	
Construction contracts		17,858,992
(A) Lutheran Home Winston-Salem (Replacement)		
(B) Lutheran Home Hickory West (Replacement)		
Construction contingency (5% of construction contract)		836,896
Architect/engineer fees and reimbursables		330,000
(A) Lutheran Home Winston-Salem		
(B) Lutheran Home Hickory West		
Moveable equipment		2,046,025
Bond interest during construction		450,085
Bond Counsel		50,000
Placement Fee		176,250
Accountants fees		10,000
Legal fees for Hospital counsel		25,000
Bank Commitment Fee		100,000
Bank Counsel		35,000
Local Government Commission Fee		3,500
Miscellaneous		<u>25,000</u>
<b>Total Sources</b>		<b>\$26,513,148</b>

Tentative approval is given with the understanding that the governing board of Lutheran Services for the Aging, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

- |  |                  |                  |                   |
|--|------------------|------------------|-------------------|
| 1. Financially feasible                          | <u>  ✓  </u> Yes | <u>      </u> No | <u>      </u> N/A |
| 2. Construction and related costs are reasonable | <u>  ✓  </u> Yes | <u>      </u> No | <u>      </u> N/A |

**C. United Church Homes and Services** -Christopher Taylor & Steven Lewis (*attached as Exhibit F & C*)

Statements were given by Gary Shull, CFO and Lee Syria, Vice President of United Church Homes

**Commission Action:** Motion was made by Mr. Crocker, seconded by Dr. Binder and approved with the recusal of Dr. Fagg and Mr. Cox.

**Resolved:** The Commission grants preliminary approval to a project for United Church Homes and Services to provide funds, to be used together with other available funds, to finance the refunding of the Medical Care Commission (United Church Homes and Services), Series 2007 Bonds and the relocation of all 60 nursing home beds from Centerclair to Piedmont Crossing by constructing a 54 bed addition at the Piedmont Crossing Campus. If the financing is completed by December 31, 2010, it will be funded by the issuance of Bank Qualified Bonds. If the financing of the project is delayed into after January 1, 2011 the project will be financed by the issuance of Variable Rate Demand Bonds. The project is in accordance with a preliminary application, plans and specifications and participation as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	<u>\$24,375,000</u>
<b>Total Source</b>	<b>\$24,375,000</b>

**ESTIMATED USES OF FUNDS**

Site Cost	\$335,900
Construction Contracts	6,515,810
Architects Fees	615,000
Consultants' Fees Related to Construction	10,000
CON Preparation	35,000
Contingency (1% x Total Construction Contracts)	398,308
Amount required to Repay Existing Loan	15,780,000
Bond Interest during Construction	322,401
Bank Commitment Fee	25,000
Structuring Agent Fee and Underwriters Discount	187,500
Legal Fees for Owner's Counsel	25,000
Bond Counsel	50,000
Bank Counsel	35,000
Trustee Fees	3,500
Local Government Commission Fee	3,500
Appraisal	15,000
Miscellaneous	<u>18,081</u>
<b>Total Sources</b>	<b>\$24,375,000</b>

Tentative approval is given with the understanding that the governing board of United Church Homes and Services accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission

guidelines.

2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                          |     |
|--|-------------------------------------|-----|--------------------------|----|--------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

**D. Rutherford Hospital** - Christopher Taylor & Steven Lewis (*attached as Exhibit G& C*)

**Commission Action:** Motion was made by Mr. Lockamy, seconded by Dr. Binder and approved with the refusal of Dr. Fagg and Mr. Cox.

**Resolved:** The Commission grants preliminary approval to the following projects for Rutherford Hospital; for the (1) Purchase and installation of New Information System, (2) Purchase and installation of new Biomedical Equipment and (3) Refinancing of \$8,140,000 Series 2001 Bonds. The projects are to be funded by the issuance of Bank Qualified Bonds. The project is in accordance with a preliminary application, plans, specifications and participation as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$21,173,016
<b>Total</b>	<b>\$21,173,016</b>

**ESTIMATED USES OF FUNDS**

Construction contracts / Plant Operations	\$2,030,235
Construction contingency (5% of construction contract)	101,512
Architect/engineer fees and reimbursables	88,640

Moveable equipment	4,818,516
Information systems	5,746,863
Escrow amount to refund bonds	8,140,000
Bank Commitment Fee	78,750
Placement fee	50,000
Accountants fees	10,000
Legal fees for Hospital counsel	20,000
Bond counsel	45,000
Bank Counsel	30,000
Trustee fees	10,000
Local Government Commission Fee	<u>3,500</u>
<b>Total Sources</b>	<b>\$21,173,016</b>

Tentative approval is given with the understanding that the governing board of Rutherford Hospital accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

1. Financially feasible       Yes       No       N/A

2. Construction and related costs are reasonable  Yes  No  N/A

**E. Hospice & Palliative Care Charlotte Region - Christopher Taylor & Steven Lewis (attached as Exhibit H & C)**

**Commission Action:** Motion made by Mr. Crocker, seconded by Mr. Lockamy and unanimously approved.

**Resolved:** The Commission grants preliminary approval to a project for Hospice & Palliative Care Charlotte Region to provide funds, to be used together with other available funds, to refund a taxable loan, with Wachovia Bank (Wells Fargo), the proceeds of which were used to construct the Levine Dickson Hospice House in Huntersville, North Carolina. The project is to be funded with the issuance of Bank Qualified Bonds to be purchased by Branch Banking & Trust Company and which will have an initial put period of 5 years with an interest rate of 68% of one month LIBOR plus 1.30%. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Par Amount of Bonds to be Issued	\$5,000,000
Equity Contribution	<u>107,500</u>
<b>Total Sources</b>	<b>\$5,107,500</b>

**ESTIMATED USES OF FUNDS**

Refund Taxable Loan	\$5,000,000
Placement Fee	15,000
Corporation Counsel	5,000
Bank Counsel	25,000
Bond Counsel	30,000
LGC Fee	3,500
Real Estate Related Fees	10,000
Miscellaneous	<u>19,000</u>
<b>Total Sources</b>	<b>\$5,107,500</b>

Tentative approval is given with the understanding that the governing board of Hospice & Palliative Care Charlotte Region accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.

7. The borrower will provide the Commission annually an accounting of the Community Benefits/Charity Care it provided during the year.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

- |  |   |     |       |    |       |     |
|--|---|-----|-------|----|-------|-----|
| 1. Financially feasible                          | ✓ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | ✓ | Yes | _____ | No | _____ | N/A |

**F. Samaritan Housing Foundation, Inc (SearStone) (attached as Exhibit I – I/3) – Christopher Taylor**

The SearStone project is being presented in three parts: **1.** Request from SearStone, **2.** Recommendation from Subcommittee and **3.** Motion and Vote. The attached Exhibits are **1.** Feasibility Study, **2.** Audit and **3.** Community Benefits. (*See Section # 3 for Commission Action*)

**1.) Request by SearStone for Preliminary Approval on a Project**

Statements were given by Mack Leath, Chairman of the Board of Samaritan Housing Foundation, Stan Broading, General Counsel to Samaritan Housing, Aaron Rubnick of Herbert J. Sims and Mike Gilliam of Greenbriar Development, LLC.

Samaritan Housing Foundation, Inc. requests approval of the following Resolution: The Commission grants preliminary approval for a project for the construction of a Continuing Care Retirement Community (“CCRC”) in Cary, North Carolina to be known as SearStone. SearStone will consist of 131 independent living apartments, 38 independent living estate homes, eight adult care home units (“assisted living”), and a nursing facility consisting of 16 nursing beds. The common areas are planned to be located in a clubhouse which will include multiple dining venues, a spa/wellness center with indoor pool, library/business center, arts and crafts studio, living areas, club room and other spaces as appropriate. The independent living apartments will be located in four detached buildings: The Winston Clubhouse, a three story building including 40 apartments; the Calais Terrace, a four story building including 49 apartments; the Lorraine Plaza, a three story building including 29 apartments; and the Flats, a two story building including 16 apartments. The assisted living and nursing units will be located in a one story structure known as Brittany Place. The gross square footage of SearStone will be approximately 392,000 square feet on an approximately 24 acre site all in accordance with a preliminary application, plans, specifications and participation as follows:

**ESTIMATED SOURCES OF FUNDS**

Principle Amount of Bonds to be Issued	\$112,315,000
Cash and Negotiable Securities from Reserves	0
Interest Earned During Construction	1,295,000
Subordinated Debt	17,170,000

Resident Entrance Fees	<u>982,000</u>
<b>Total Sources</b>	<b>\$131,762,000</b>

### ESTIMATED USES OF FUNDS

Site Costs		\$12,368,000
Land Acquisition	\$10,973,000	
Site Utility Development	<u>1,395,000</u>	
Construction Contracts		52,828,000
CCRC Project – GMP	51,400,000	
Marketing Center	<u>1,428,000</u>	
Architects' Fees		3,434,000
Movable Equipment		1,670,000
Surveys, Tests, Insurance, Etc.		400,000
Interior Design		132,000
Civil Engineer		550,000
Landscape Architect		7,000
Other Consultants		67,000
Preconstruction Consultant		198,000
Sears Farm Contrib. Services		700,000
Owner's Representation		400,000
Contingency (5%) (CCRC Project-GMP line item only)		2,570,000
Interest on MatchCap Investment		6,800,000
Other Seed Capital Returns		300,000
Marketing Fees – Greenbrier		4,372,000
Co-Develop Fee- SHKW		1,040,000
Previous Marketing Fees		723,000
Marketing Costs		9,420,000
Travel and Reimbursables		450,000
MatchCap Costs		533,000
Insurance, Legal, Accounting, Miscellaneous.		824,000
Loan Closing Costs		90,000
Pre-Opening Expenses		610,000
Project Contingency		1,448,000
Bond Interest during Construction		17,569,000
Debt Service Reserve Fund		9,376,000
Underwriters' Discount		1,966,000
Feasibility Fees		257,000
Accountants Fees		10,000
Legal Fees for Owner's Counsel		100,000
Bond Counsel		125,000
Rating Agencies		25,000
Trustee Fees		25,000
Printing Costs		25,000
Local Government Commission Fee		3,500
Underwriter's Counsel		100,000
Title Insurance		20,000
Miscellaneous/Financing Costs		<u>226,500</u>
<b>Total Sources</b>		<b>\$131,762,000</b>

Tentative approval is given with the understanding that the governing board of Samaritan Housing Foundation, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the conversion of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the conversion of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission's Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC's as adopted on November 9, 2007.

**2.) Recommendation by Subcommittee on SearStone Project Financing**

The Subcommittee recommendation was presented by Joe Crocker, Chair of the committee with comments by Charles Frock and Gerald Cox in support of the recommendation. Ken Durham, Senior Financial Advisor for the Local Government Commission also spoke in support of the subcommittee's recommendation.

The Subcommittee, because of the risks associated with a start up continuing care retirement center and the amplification of these risks in the current economic environment recommends the project not be granted preliminary approval.

**3.) Motion and Vote**

**Commission Action:** Motion was made by Mr. Crocker to not Grant Preliminary Approval for the SearStone Project, seconded by Dr. Binder and unanimously approved with the recusal of Dr. Fagg and Mr. Cox due to the ownership of BB&T stock or BB&T conflict for the prospect of financing.

**IX. Refunding of Commission Bond Issues**

**Recommended:**.....**Chris Taylor**

**WHEREAS**, the bond market is in a period of generally fluctuating interest rates, and

**WHEREAS**, in the event of decline of rates during the next quarter, refunding of certain projects could result in significant savings in interest expense thereby reducing the cost of health care to patients, and

**WHEREAS**, the Commission will not meet again until February 11, 2011

**THEREFORE, BE IT RESOLVED**; that the Commission authorizes its Executive Committee to approve projects involving only the refunding of existing Commission debt between this date and February 11, 2011.

**Commission Action**: Motion made by Mr. Frock, seconded by Mr. Leonard and unanimously approved.

**X. MEMBER REPORT**

**XI. QUESTIONS FROM THE PUBLIC** - The Chairperson will receive questions from the public.

**XII. ADJOURNMENT** - A motion to adjourn is requested.

**Commission Action**: Motion made by Dr. Binder, seconded by Dr. Unger and unanimously approved.

**THE MEETING ADJOURNED AROUND 12:15 P.M.**

**Drexdal Pratt**  
**Secretary**

*Drexdal Pratt*

**12/3/2010**

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**Date**