NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

The North Carolina Medical Care Commission
809 Ruggles Drive
Raleigh, North Carolina

MINUTES

CALLED MEETING OF THE EXECUTIVE COMMITTEE CONFERENCE TELEPHONE MEETING ORIGINATING FROM THE COMMISSION'S OFFICE JUNE 17, 2015

Members of the Executive Committee Present:
John A. Fagg, MD, Chairman
Joseph D. Crocker, Vice-Chairman
George H.V. Cecil
Charles T. Frock
Charles H. Hauser
Mary L. Piepenbring

Members of the Executive Committee Absent:
Albert F. Lockamy, RPh

Members of Staff Present:
Drexdal R. Pratt, DHSR Director/MCC Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Crystal Watson-Abbott, Auditor, MCC
Alice S. Creech, Executive Assistant, MCC

Others Present:
Alice Adams, Robinson Bradshaw & Hinson, PA
Jack Best, Wayne Memorial Board Member
Rebecca Craig, CFO, Wayne Memorial
Julia Hanover, CFO, Presbyterian Homes
Mike Kelly, Ziegler
Tad Melton, Ziegler
Jim Parker, Chair, Wayne Memorial Hospital Board
William Paugh, CEO, Wayne Memorial Hospital
David Rainey, CFO, The Pines at Davidson, Inc.
Allen Robertson, Robinson Bradshaw & Hinson, PA
Skip Smith, Iredell Memorial Hospital
Tim Webster, Presbyterian Homes

1. Purpose of Meeting

To authorize (i) the conversion of the 2007 Bonds issued for the benefit of Iredell Memorial Hospital, Incorporated to a new "Index Interest Rate", (ii) the execution and delivery of a Third Supplemental Trust Agreement in connection with such resolutions, and (iii) to consider preliminary approval to a refunding for The Pines at Davidson, Presbyterian Homes and Wayne Memorial.

2. Resolution of the North Carolina Medical Care Commission Approving and Authorizing Conversion of the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital), Series 2007 (the "Bonds") to a New "Index Interest Rate" and Execution and Delivery of a Third Supplemental Trust Agreement Relating to the Bonds.

Statements were given by: Allen Robertson and Skip Smith.

Executive Committee Action: Motion was made by Mr. Frock, seconded by Ms. Piepenbring and unanimously approved with Mr. Cecil, Dr. Fagg and Mr. Hauser abstaining from the vote.

WHEREAS, the North Carolina Medical Care Commission (the "Commission"), a commission of the Department of Health and Human Services of the State of North Carolina, has issued $39,465,000 aggregate principal amount of its Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital), Series 2007 (the "Bonds"), of which $29,215,000 aggregate principal amount is outstanding, pursuant to the terms of a Trust Agreement dated as of March 1, 2007 (the "Original Trust Agreement") between the Commission and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association; and

WHEREAS, on June 30, 2011 (the "Initial Conversion Date") the Commission and Wells Fargo Bank, National Association, as successor bond trustee (the "Bond Trustee"), entered into an Amended and Restated Trust Agreement dated as of June 30, 2011 (as supplemented and amended by the First Supplement and the Second Supplement described herein, the "Trust Agreement"), as amended by the First Supplemental Trust Agreement dated as of June 28, 2013 (the "First Supplement") and a Second Supplemental Trust Agreement dated as of June 27, 2014 (the "Second Supplement") each between the Commission and the Bond Trustee, for the purpose of amending and restating the Original Trust Agreement to add an "Index Interest Rate" mode and convert to that mode; and

WHEREAS, the Commission has loaned the proceeds from the sale of the Bonds to Iredell Memorial Hospital, Incorporated (the "Corporation") pursuant to an Amended and Restated Loan Agreement, dated as of June 30, 2011 (the "Loan Agreement"), between the Commission and the Corporation; and

WHEREAS, the Bonds were purchased on the Initial Conversion Date, and held until June 27, 2014, by Wells Fargo Bank, National Association; and

WHEREAS, on June 27, 2014 the Bonds were transferred by Wells Fargo Bank, National Association to its subsidiary, Wells Fargo Municipal Capital Strategies, LLC; and

WHEREAS, from the Initial Conversion Date to June 28, 2013, the Bonds bore interest at an Index Interest Rate (as defined in the Trust Agreement) equal to 70% (the "Applicable Factor" as defined in the Trust Agreement") of one-month LIBOR plus 0.80% per annum (the "Applicable Spread" as defined in the Trust Agreement); and

WHEREAS, the First Supplement reduced the Applicable Spread to 0.65% and extended the Initial Index Interest Rate Purchase Date (as defined in the Trust Agreement) from June 30, 2013 to June 30, 2014; and

WHEREAS, the Second Supplement increased the Applicable Spread to 0.75% and extended the Initial Index Interest Rate Purchase Date from June 30, 2014 to June 30, 2015; and

WHEREAS, the Bonds are subject to mandatory tender on the Initial Index Interest Rate Purchase Date, currently specified to be June 30, 2015; and

WHEREAS, the Corporation has delivered a Conversion Direction to elect that the Bonds bear interest at a new Index Interest Rate (the "Conversion") beginning on June 30, 2015 (the "Conversion Date"); and

WHEREAS, on the Conversion Date, the Bonds will be purchased by Branch Banking and Trust Company (the "Bank Holder"); and

WHEREAS, the Bank Holder has agreed to hold the Bonds for three years at an Index Interest Rate of 68% of one-month LIBOR plus 0.79% per annum; and

WHEREAS, the Corporation and the Bank Holder have agreed to make certain changes to the Trust Agreement simultaneously with the Conversion on the Conversion Date (collectively, the "Modifications");

WHEREAS, the Modifications and the Conversion will be treated as a "reissuance" (i.e., a deemed current refunding) of the Bonds for federal income tax purposes; and

WHEREAS, Sections 1102 and 1107 of the Trust Agreement permit the Commission and the Bond Trustee, with the consent of the Bank Holders as the Holder (as defined in the Trust Agreement) of 100% of the Bonds, to enter into agreements supplemental to the Trust Agreement to make any change to the Trust Agreement; and

WHEREAS, by a resolution adopted on May 15, 2015, the Commission preliminarily approved the Conversion and the Modifications, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

WHEREAS, there has been presented at this meeting a draft copy of a Third Supplemental Trust Agreement, to be dated the date of delivery thereof (the "Third Supplement") between the Commission and the Bond Trustee, that would amend the Trust Agreement to make the Modifications; and

WHEREAS, the Corporation has requested that the Commission approve the Third Supplement and authorize its execution and delivery;

NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:

Section 1. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes and approves the Conversion.

Section 2. The form, terms and provisions of the Third Supplement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and directed to execute and deliver the Third Supplement in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of bond counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

As set forth in the Trust Agreement, the Bonds mature on October 1, 2037 and are subject to the Sinking Fund Requirements set forth in <u>Schedule 1</u> hereto.

Section 3. The Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) or any duly authorized Commission Representative under the Trust Agreement are authorized and directed to execute and deliver a replacement Bond reflecting the terms of the Third Supplement to the Bank Holder and to take such other action and to execute and deliver any such other documents, certificates, undertakings, agreements or other instruments as they, with the advice of bond counsel, may deem necessary or appropriate to effect the changes made in the Third Supplement.

Section 4. This Resolution shall take effect immediately upon its passage.

Schedule 1

Required Redemption of the Bonds

October 1,	Amount	October 1,	Amount
2008	$1,435,000	2023	$1,100,000
2009	1,485,000	2024	1,140,000
2010	1,545,000	2025	1,185,000
2011	1,605,000	2026	1,230,000
2012	1,665,000	2027	1,280,000
2013	1,730,000	2028	1,325,000
2014	785,000	2029	1,380,000
2015	815,000	2030	1,430,000
2016	845,000	2031	1,485,000
2017	880,000	2032	1,545,000
2018	910,000	2033	1,605,000
2019	945,000	2034	1,665,000
2020	980,000	2035	1,730,000
2021	1,020,000	2036	1,795,000
2022	1,060,000	2037*	1,865,000

* Final Maturity

Professional Fees Comparison for
Iredell Memorial Series 2007 Bonds (2015 Reissuance)

Professional	Fees Estimated In Preliminary Approval Resolution	Actual Fees
Bank counsel	$30,000	$30,000
Bond counsel	20,000	20,000
Corporation counsel	30,000	25,000

3. The Presbyterian Homes, Inc. - Jamestown Christopher B. Taylor

Statements were given by: Julia Hanover, Tad Melton and Tim Webster.

Executive Committee Action: Motion was made by Mary Piepenbring, seconded by Mr. Hauser and unanimously approved with Mr. Cecil and Dr. Fagg abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for The Presbyterian Homes, Inc. to provide funds, to be used together with other available funds, to refund $7,145,000 of the $17,555,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Home Obligated Group) Series 2005A maturing in the years 2015-2021 and $11,517,000 of the North Carolina Medical Care Commission $14,375,000 Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group) Series 2010. The 2015 Bonds will be purchased by Branch Banking and Trust Company and held as Bank Bought Bonds. The refunding of the Fixed Rate Series 2005A Bonds is expected to result in the lowering of the average coupon rate from 5.21% on the Series 2005A Bonds to 2.89% on the Series 2015 Bonds. The refunding of the Series 2010 Bonds, which are currently held by First Tennessee Bank and carry an average variable interest rate of 2.54% that will replace the Series 2010 Bonds with Series 2015 Bonds to be held by BB&T with a fixed interest rate of 2.89% for 16 years, which locks the rate in to maturity. The refunding of the Series 2005A Bonds are expected to produce a net present value savings of $354,355 for a savings of 5.8%. The refunding of the Series 2010 Bonds is being done to remove variable interest rate risks and to lock in a fixed interest rate to maturity. The refunding of the Series 2010 Bonds is expected to produce a negative present value savings of $96,571 in a negative .50% savings. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bank Qualified Bonds to be issued	$14,840,000
Debt Service Reserve Fund (Prior Bonds)	1,364,276
Renewal & Replacement Fund (Prior Bonds)	1,397,477
Total Sources	**$17,601,753**

ESTIMATED USES OF FUNDS

Amount to refund Series 2005A and 2010 Bonds	$17,345,000
Placement fee	20,000
Accountants fee	5,000
Corporation counsel	20,000
Bond Counsel	50,000
Bank counsel	40,000
Trustee fee	2,500
Local Government Commission fee	8,750
Bank commitment fee	37,100
Appraisal	25,000
Title policy	25,000
Phase 1 environmental	15,000
Miscellaneous	8,403
Total Uses	**$17,601,753**

Tentative approval is given with the understanding that the governing board of The Presbyterian Homes, 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.

9. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

10. Based on information furnished by applicant, the project is:

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

Notes:

(1) Information from 2014 Audit

Increase in Unrestricted Net Assets from Operations	**$3,743,150**
Increase in Unrestricted Net Assets	**$9,120,191**
Change in Net Assets	**$9,637,125**
Net Cash Provided by Operating Activities	**$14,679,976**
Net Decrease in Cash and Cash Equivalents	**($4,772,708)**

(Due primarily to purchase of property, equipment and investments)

(2) Rating – Neither the corporate entity or the bonds are or will be rated as a result of this proposed transaction.

(3) Community Benefits – per GS 105 for 100% property tax exemption 7%

(4) Long Term Debt Coverage

Actual	**FYE 2014**	**2.48**
Forecasted	**FYE 2015**	**1.91**
Forecasted	**FYE 2016**	**2.22**
Forecasted	**FYE 2017**	**1.98**

(5) Transaction Participants:

Placement Agent – Ziegler
Bond Counsel – Parker Poe Adams & Bernstein, LLP
Bank Counsel – Moore & Van Allen
Corporation Counsel – Wyatt Early Harris Wheeler, LLP
Trustee – US Bank

(6) Attachments:

(a) Rate Schedule
(b) Resident and Board Diversity
(c) Update on Compliance

The Presbyterian Homes
Rate Schedule - 9/30/2015

SCOTIA VILLAGE - RATE SCHEDULE

INDEPENDENT UNIT

STUDIO	2,075
EXP STUDIO	2,228
1 BR	2,358
EXP 1 BR	2,485
Delux 1BR Suite	2,497
2 BR	2,748
Exp 2 BR	2,976
CL 1 BR	2,556
CL 2 BR	2,806
CL EXP 2BR	3,069
DUPLEX-2BR	2,962
DUPLEX-3BR	3,062
COTT-2BRM	3,072
COTT-3BRM	3,191
2ND PERSON	934

ASSISTED UNIT

AL	3,722
MAL - STUDIO	4,347
MAL - 1BR	4,990
2ND PERSON	3,710

SKILLED UNIT

MEDICAID	126.25
DIRECT ADMIT	312.00
SPECIAL CARE UNIT	252.00
MEDICARE	312.00
PRIVATE	248.00

GLENAIRE - RATE SCHEDULE

INDEPENDENT UNIT

STUDIO	2,188
1 BR	2,561
1 BR EXP	2,996
2 BR	2,996
3 BR	4,174

COTTAGE	3,105
NEW COTTAGES	3,438
2ND PERSON	1,045

ASSISTED UNIT

RESIDENTIAL ASSIST LIVING	3,509
MEDICAL ASSIST LIVING	5,219

SKILLED UNIT

PRIVATE	271.00
MEDICARE	328.00
PVT LG ROOM	297.00
MEDICAID	120.92

RIVER LANDING AT SANDY RIDGE RATE SCHEDULE

INDEPENDENT UNIT

1 BR APT	2,643
2 BR APT	3,252
3 BR APT	3,457
3 BR COMBO (DELUXE)	3,598
3 BR COMBO (DELUXE 2)	4,647
3 BR COMBO Gleneagles	3,891
2BR TOWNHOME	3,269
3BR TOWNHOME	3,493
2BR VILLA	3,316
3BR VILLA	3,536
2BR COTTAGE	3,401
3BR COTTAGE	3,578
SECOND PERSONS	1,171

ASSISTED UNIT

AL - STUDIO	4,338
AL - 1BR	5,326
SAINT ANDREWS	6,870

SKILLED UNIT

PRIVATE	296.00
SEMI-PRIVATE	279.00
MEDICAID (includes ALZ res)	134.83
MEDICARE	370.00
DIRECT ADMITS	370.00

Scolla Village
Entry Fees Increases
Effective January 1, 2015

Residence Type	Current Entry Fee	Proposed Entry Fee	% Change
Studio Apartment	$37,000	$38,000	2%
Expanded Studio Apartment	$41,000	$42,000	2%
One BR Apartment	$58,000	$59,000	2%
Expanded One BR Apartment	$71,000	$72,000	2%
Deluxe 1 BR Suite	$87,000	$89,000	2%
Two BR Apartment	$108,000	$113,000	5%
Expanded Two BR Apartment	$148,000	$155,000	5%
One BR Cluster Cottage	$85,000	$87,000	2%
Two BR Cluster Cottage	$121,000	$127,000	5%
Expanded Two BR Cluster Cottage	$124,000	$130,000	5%
Two BR Villa	$168,000	$176,000	5%
Three BR Villa	$198,000	$208,000	5%
Two BR Single Family Cottage	$218,000	$229,000	5%
Three BR Single Family Cottage	$269,000	$282,000	5%

Glenaire
Entry Fee Increases
Effective January 1, 2015

Residence Type	Current Entry Fee	0%, 2% & 5% Proposed Entry Fee	% Increase
Apartments			
Studio	61,000	61,000	0%
Studio w/patio	66,000	66,000	0%
1 Bedroom	110,000	112,000	2%
1 Bedroom w/balcony or patio	115,000	117,000	2%
1 Bedroom expanded	135,000	138,000	2%
1 Bedroom expanded w/patio	140,000	143,000	2%
1 Bedroom w/study	145,000	148,000	2%
1 Bedroom w/study & patio	150,000	153,000	2%
2 Bedroom	158,000	166,000	5%
2 Bedroom w/balcony or patio	163,000	171,000	5%
2 Bedroom expanded	162,000	170,000	5%
2 Bedroom expanded w/patio	167,000	175,000	5%
3 Bedroom	220,000	231,000	5%
Cottages			
2 Bedroom w/den & carport	222,000	226,000	5%
2 Bedroom w/den & garage	242,000	247,000	5%
2 Bedroom expanded duplex	281,000	287,000	5%
2 Bedroom expanded stand alone	306,000	312,000	5%

River Landing at Sandy Ridge
Entry Fee Increases
Effective January 1, 2015

Residence Type	Current Entry Fee	2% & 5% Proposed Entry Fee	% Increase
One Bedroom Apartment	$113,000	$115,000	2%
Two Bedroom Apartment	$144,000	$151,000	5%
Three Bedroom Apartment	$199,000	$209,000	5%
Three Bedroom Deluxe Apartment	$263,000	$276,000	5%
Two Bedroom Townhome	$151,000	$159,000	5%
Three Bedroom Townhome	$206,000	$216,000	5%
Two Bedroom Villa	$165,000	$173,000	5%
Three Bedroom Villa	$218,000	$229,000	5%
Two Bedroom Cottage	$206,000	$216,000	5%
Three Bedroom Cottage	$285,000	$299,000	5%

The Presbyterian Homes
Resident and Board Diversity
As of 5/1/2015

	# Resident Male	# Resident Female	# Resident Diversity	# Board Male	# Board Female	# Board Diversity
Scotia Village	63	162	2	12	5	1
Glenaire	117	257	3	13	6	0
River Landing @ Sandy Ridge	189	319	16	9	6	5

Note: Board Executive Committee

Scotia Village	Female Chair and Female Vice Chair
Glenaire	Female Chair and Female Vice Chair
River Landing @ SR	Female Chair

Compliance

The Presbyterian Homes, Inc. had two covenant violations for FYE 2013 both involving documents not being timely filed with the Commission as required per the Loan Agreement, which was a significant improvement over FYE 2012.

Upon a review of the document filings for FYE 2014 and FYE 2015, it should be noted that Presbyterian Homes, Inc. will have findings involving documents not being timely filed to the Commission. The documents not timely filed include the Opinion of Counsel concerning the UCC financing statements, quarterly report information and the 2005 A/B rebate calculation. It should be noted that, with the exception of the Opinion of Counsel letter filing, Presbyterian Homes, Inc. controller, Rhonda Cummins was in contact with the Commission's auditor informing them of the delay in the document filings before the document was due to be filed to the Commission.

In addition, it should be noted that since the completion of the FYE 2012 compliance examination, the staff at Presbyterian Homes, Inc. has implemented procedures to improve their reporting compliance with the Commission and communicates frequently with the Commission's auditor to ensure they are filing documents as required per the bond covenants.

Finally, several months before Presbyterian Homes, Inc. submitted their application to the Commission for bond financing, both the CFO and Controller contacted the Commission's auditor to discuss any outstanding compliance documents, of which only one document was outstanding, the Opinion of Counsel letter referenced above.

4. **The Pines at Davidson, Inc., Davidson, NC -** Christopher B. Taylor

Statements were given by: Mike Kelly and David Rainey.

Executive Committee Action: Motion was made by Ms. Piepenbring, seconded by Mr. Frock and unanimously approved with Mr. Cecil abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for The Pines at Davidson, Inc. to provide funds to be used together with other available funds, to refund the $26,180,000 Series 2006A North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (The Pines at Davidson) outstanding in the amount of $19,125,000. The 2015 Bonds will be purchased by SunTrust Bank and held as Bank Bought Bonds for 15 years (the maturity date of the refunded 2006A Bonds) and will bear a fixed interest rate of 2.87%. The refunding is expected to generate approximately $1.92 million in net present value savings (15.19%). The Pines is making an equity contribution to the refunding in the amount of $6.6 million (entrance fees). The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	$11,125,000
2006A Debt Service Reserve Fund and Principal & Interest Accounts	1,975,552
Equity Contribution	6,664,125
Total Sources	**$19,764,677**

ESTIMATED USES OF FUNDS

Amount to refund Series 2006A Bonds	$19,593,091
Placement fee	25,000
Accountant's fee	6,000
Corporation counsel	22,000
Bond counsel	45,000
Bank counsel	22,000
Trustee fee	2,500
Local Government Commission fee	8,750
Title policy	15,000
Bank commitment fee	16,688
Miscellaneous	8,648
Total Uses	**$19,764,677**

Tentative approval is given with the understanding that the governing board of The Pines at Davidson, 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: <u>Community Benefits/Charity Care Agreement and Program Description for CCRC's</u> as adopted on November 9, 2007.

9. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

10. Based on information furnished by applicant, the project is:

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

Notes:

1) Information from 2014Audited Financial Statements

Increase in Unrestricted Net Assets from Operations	**$752,603**
Change in Unrestricted Net Assets	**$4,118,077**
Change in Net Assets	**$1,788,821**
Net Cash Provided by Operating Activities	**$814,540**
Increase in Cash and Cash Equivalents	**$764,979**

2) The Pines at Davidson is rated A- by Fitch Ratings.

3) Community Benefit Percentage under GS 105 for 100%
Property Tax Exemption = 8.62%

4) Long Term Debt Service Coverage Ratios

Actual FYE	**2014**	**3.80**
Forecasted	**2015**	**2.55**
Forecasted	**2016**	**2.03**
Forecaster	**2017**	**2.03**

5) Transaction Participants

Placement agent	**Ziegler**
Bond counsel	**Robinson Bradshaw & Hinson, PA**
Corporation counsel	**McGuire Woods, LLP**
Bank counsel	**Moore & Van Allen**
Bank purchaser of bonds	**SunTrust**
Trustee	**US Bank**

6) Attachments

(a) Description of fees – (attached as Exhibit J)

(b) Resident & board diversity – (attached as Exhibit A)

(c) Update on compliance

The Pines at Davidson
Description of Fees

The Pines' fee structure is very affordable to people in the local community, including low income individuals who own a home of average value. In order to draw valid conclusions about a CCRC's fee structure with respect to affordability, a variety of relevant information must be considered:

- The average age of entry at The Pines has consistently ranged from 79 to 80 years old. This reflects nationwide trends. The reason for this is because at age 80 the average retiree has several chronic health problems, typically has had an acute health problem in the past (or a spouse has had an acute health problem) and is challenged in performing certain aspects of his or her activities of daily living (such as cooking, cleaning, etc.). Such person is therefore motivated to consider a CCRC, whereas at younger ages it is not as important of a concern.
- A person entering a CCRC with an average age of 80 only needs sufficient financial resources to pay the CCRC's fees over his or her expected remaining life. A single male resident aged 80 has a life expectancy of approximately 8 years (based upon life expectancy tables developed by The Pines' actuary for the purpose of conducting its financial underwriting, and recently reviewed by such actuary – such life expectancy assumes the last 25% of the resident's life will be spent on a nursing unit).
- A prospective resident entering a CCRC has two types of financial resources from which to pay a CCRC's fees. One type is fixed income such as social security and pension income. A second type is the prospective resident's net assets (and income earned on such net assets).
- The Pines does its financial underwriting for admission by comparing the present value of the prospective resident's financial resources to the present value of the fees that the prospective resident would be expected to pay over his or her remaining lifetime – if the former exceeds the latter then the prospective resident meets the minimum financial requirements for admission to The Pines.
- The Pines maintains 37 smaller Studio and Deluxe Studio Independent Living units in its inventory in order to provide affordable accommodations for people of low or very modest financial means. The entrance fee on such units ranges from $42,800 to $59,500 and the related monthly fees range from $2,104 to $2,211. Entrance Fees and Monthly Fees for The Pines' Independent Living units are listed at the end of this exhibit.
- The average sales price of a home in the 9 county area around The Pines was $231,000 in FY 2014 based upon 36,000 home closings. U.S. Census Bureau data indicates that approximately 80% of individuals over the age of 65 own their own home (based upon 4th quarter 2014 census data).
- A prospective resident who owns his or her own home with an average value of $231,000 (<u>and no other assets</u>) and who has $15,000 in annual fixed income such as

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5. Wayne Memorial Hospital, Inc., Goldsboro - Christopher B. Taylor

Statements were given by: Rebecca Craig, Jim Parker and William Paugh.

Executive Committee Action: Motion was made by Mr. Cecil, seconded by Ms. Piepenbring and unanimously approved with Dr. Fagg abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for Wayne Memorial Hospital, Inc. to provide funds, to be used together with other available funds, to refund the $23,290,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Wayne Memorial Hospital) Series 2012 outstanding in the amount of $17,455,000. The Series 2015 Bonds will be purchased by Branch Banking and Trust Company and carry a fixed interest rate to 2021 (which is the maturity date of the 2012 Bonds being refunded). The 2012 Bonds being refunded carry an interest rate of 2.49% and are held by PNC Bank, National Association. The refunding is expected to generate $300,000 over the six year amortization period to 2021 (Note 7). The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal Amount of Bonds to be issued	$17,455,000
Corporation equity contribution	159,955
Total Sources	**$17,614,955**

ESTIMATED USES OF FUNDS

Refund Series 2012 Bonds	$17,455,000
Placement fee	17,455
Corporation counsel	50,000
Bond counsel	50,000
Bank counsel	30,000
Trustee fees	2,500
Local Government Commission fee	8,750
Miscellaneous	1,250
Total Uses	**$17,614,955**

Tentative approval is given with the understanding that the governing board of Wayne Memorial Hospital, 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/conversion of the bonds or notes.

3. Financial feasibility must be determined prior to the issuance/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/conversion of bonds of 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/converted 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. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

10. 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

Notes:

1) Information from 2014 Audit

Operating Income	**$3,457,410**
Increase in unrestricted Net Assets	**$6,839,548**
Increase in Net Assets	**$6,919,436**
Net Cash Provided by Operating Activities	**$21,776,252**
Net increase in cash and cash equivalents	**$2,632,258**

2) Rating – Baa1 by Moody's

3) Community Benefits from NCHA ANDI Form for 2014 YE

Total Community Benefits	**$23,108,276**
Estimated costs of treating bad debt patients	**$7,863,426**
	$30,971,122

4) Long Term Debt Coverage Ratios

Actual	**2014**	**5.19**
Forecasted	**2015**	**5.18**
	2016	**5.21**
	2017	**5.68**

5) Board Diversity

Caucasian	**10**	**Male**	**9**
Hispanic		**Female**	**2**
Asian		**Total**	**11**
African American	**1**		
Total	**11**		

6) Financing Participants

Bank purchaser	**Branch Banking and Trust Company**
Placement agent	**Branch Banking & Trust Company**
Bond counsel	**McGuire Woods, LLP**
Corporation counsel	**Smith Moore, LLP**
Trustee	**Branch Banking and Trust Company**
Bank counsel	**Moore & Van Allen, PLLC**

7) Based on an interest rate of 1.66%.

8) Compliance

9) Wayne's response to compliance issues.

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Compliance

Wayne Memorial Hospital

The last report of compliance for Wayne Memorial Hospital (Wayne) to the Commission was fiscal year ending September 30, 2012. Wayne currently has 2 outstanding bond series: 2009 and 2012.

Since the FYE 2012 examination and as of June 2, 2015, Wayne had 4 documents not filed, 5 documents not filed until notified, and 5 documents filed late without notification for fiscal years ending September 2013, 2014 and year to date 2015.

The following routine documents were not filed until notified 6/2/2015:

1. Completed document compliance checklist for FYE 2013 (due 1/28/2014; received 6/2/2015)
2. Completed document compliance checklist for FYE 2014 (due 1/28/2015; received 6/2/2015)
3. Quarterly financial statements for the third quarter of FYE 2014 (due 8/14/14; received 6/2/2015)
4. Quarterly financial statements for the first quarter of FYE 2015 (due 2/14/15; received 6/2/2015)

The following routine documents were file after being notified at various times after the due dates:

1. Operating and capital budgets for FYE 2014 (due 10/1/2013; received 11/20/2013)
2. Quarterly financial statements for the second quarter of FYE 2013 (due 5/15/2013; received 6/4/2013)
3. Quarterly financial statements for the third quarter of FYE 2013 (due 8/14/2013; received 8/26/2013)
4. Quarterly financial statements for the fourth quarter of FYE 2013 (due 11/14/2013; received 11/20/2013)
5. Forecast comparison to the audit for FYE 2013 (due 1/28/2014; received 7/9/2014)

The following routine documents were filed late and without notification:

1. Schedule K of tax form 990 for FYE 2013 (due 8/30/2014; received 11/12/2014)
2. Officer's certificate of compliance for FYE 2014 (due 1/28/2015; received 2/5/2015)
3. Quarterly financial statements for the first quarter of FYE 2014 (due 2/14/2014; received 4/10/2014)
4. Quarterly financial statements the second quarter of FYE 2015 (due 5/15/2015; received 5/28/2015)
5. Forecast comparison to the audit for FYE 2014 (due 1/28/2015; received 4/6/2015)

Documents that were filed late and after the 4/25/2014 discussion of compliance with the Director of Finance are underlined for easier reference.

A "Checklist of Reporting Requirements" was included in the bond documents for both the Series 2009 and Series 2012 bonds. A close examination of the information set forth on the checklist completed by the Director of Finance for FYE 2013 compared to the documentation in our files did not confirm the Director of Finance's affirmation of compliance with the requirements set forth on the checklist.

Bond document filing requirements were discussed via phone with the Director of Finance during the FYE 2012 compliance examination on Friday, 4/25/2014. An email detailing the discussion was sent to the Director of Finance and the VP of Finance on Monday, 4/28/2014. The Series 2012 "Checklist of Reporting Requirements" was emailed to both the Director of Finance and the VP of Finance 7/22/2014.

The VP of Finance signed the bond documents for both outstanding bond series 2009 and 2012. The VP of Finance signed an "Acknowledgement of Certain Bond Requirements" on 7/18/2014. This document details the filing requirements, as well as which parties should receive the documents. Documents are typically received from the Director of Finance.

In conclusion, the failure of a borrowing entity to provide required information (operational and financial) as required and as scheduled under the agreements governing its tax-exempt debt renders the process of determining its ability to cover its debt and comply with IRS and SEC regulations and pronouncements more arduous and increases the likely hood that if an event (which the occurrence there of could jeopardize the tax-exempt status of the debt) occurs that it would go unnoticed and unresolved until such date as its effect would be irreversible.

6. Adjournment

There being no further business, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,

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Christopher B. Taylor, C.P.A.
Assistant Secretary