

**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 30, 2016**

**11:00 A.M.**

**Members of the Executive Committee Present:**

John A. Fagg, MD, Chairman  
Joseph D. Crocker, Vice-Chairman  
Charles T. Frock  
Charles H. Hauser  
Paul A. McGill, DDS  
Carl K. Rust, II, MD  
Robert E. Schaaf, MD

**Members of the Executive Committee Absent:**

None

**Members of Staff Present:**

S. Mark Payne, Assistant Secretary for Audit & Health Service Regulation/MCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
Crystal Watson-Abbott, Auditor, MCC  
Alice S. Creech, Executive Assistant

**Others Present:**

Tommy Brewer, Ziegler  
Adam Garcia, Ziegler  
Kevin Griffin, Novant Health  
Julia Hanover, Presbyterian Homes, Inc.  
Tad Melton, Ziegler  
Allen Robertson, Robinson Bradshaw & Hinson, PA  
Mark Steele, Salemtowne  
Carolyn Twisdale, Salemtowne  
Tim Webster, Presbyterian Homes, Inc.

1.

**Purpose of Meeting**

To consider preliminary approvals for re-financing transactions for Presbyterian Homes, Salemtowne and approval to a change in the terms of Novant Health’s 2008A Bonds by which Wells Fargo as holder of the bonds will extend the holding period by five years until July 2021.

2.

**The Presbyterian Homes, Colfax**

Christopher B. Taylor

**Executive Committee Action:** Motion was made by Dr. Robert Schaaf, seconded by Dr. Paul McGill to unanimously grant preliminary approval to a transaction for Presbyterian Homes with the recusals of Dr. John Fagg and Dr. Carl Rust.

**Remarks were made by:** Dr. Fagg, Adam Garcia, Charles Hauser, Dr. McGill, Crystal Abbott and Tim Webster.

**Resolution:** The Commission grants preliminary approval to a transaction for the Presbyterian Homes, Inc. to provide funds, to be used together with other available funds, to refund (1) the \$79,235,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (The Presbyterian Homes Obligated Group) Series 2006 outstanding in the amount of \$78,735,000 as of the date of the refunding and (2) the \$33,290,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group), Series 2006B outstanding in the amount of \$13,880,000 as the date of the refunding. It is expected the proposed refunding bonds will consist of both a public fixed rate series and a Bank Bought Series. The refunding is projected to generate an estimated \$7,182,575 in savings for a 7.75% present value savings. The transaction is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$92,605,000
Trustee held debt series reserve fund	10,440,385
Trustee held interest account	628,158
<b>Total</b>	<b>\$103,673,543</b>

**ESTIMATED USES OF FUNDS**

Amount to refund Series 2006 and 2006B Bonds	\$95,127,630
Debt service reserve fund	7,554,590
Underwriter’s discount	556,133
Placement Agent fee	35,000
Accountant’s fees	15,000
Corporation counsel	65,000
Bond counsel	100,000
Underwriter’s counsel	50,000
Trustee fees and counsel	16,075
Printing costs	10,000
Local Government Commission Fee	8,750
Bank Counsel	35,000

Real estate fee	25,000
Blue Sky filing fees	5,000
Rating agency	60,000
Miscellaneous fees	<u>10,365</u>
<b>Total</b>	<b>\$103,673,543</b>

Tentative approval is given with the understanding that the governing board of 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:

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

Notes:

**(1) Information from 2015 Audit of the Presbyterian Homes, Inc. and its combined affiliates.**

Increase in Unrestricted Net Assets from Operations	\$1,489,821
Increase in Unrestricted Net Assets	\$2,807,393
Change in Net Assets	\$2,453,281
Net Cash Provided by Operating Activities	\$15,214,462
Net Decrease in Cash and Cash Equivalents	(\$1,639,811)
(Due primarily to purchase of property, equipment and investments)	

**(2) Ratings – Currently not rated, but expected to get rating in BBB category from Fitch in connection with the proposed bond issue.**

**(3) Community Benefits percentages for 2015 – per GS 105 for 100% property tax exemption = 6%**

**(4) Long Term Debt Coverage Ratios**

Actual	FYE 2015	2.12
Forecasted	FYE 2016	1.63
Forecasted	FYE 2017	1.76
Forecasted	FYE 2018	1.81

**(5) Transaction Participants:**

Underwriter - Ziegler  
Placement Agent – Ziegler  
Bank Purchaser of the bonds – BB&T  
Bond Counsel – Parker Poe Adams & Bernstein, LLP  
Corporation Counsel – Wyatt Early Harris Wheeler, LLP  
Bank Counsel – Moore & Van Allen

**(6) Board Diversity**

Male   45    
Female   27  

Caucasian   63    
African American   9    
Hispanic   0

Asian 0  
 Other 0

**(7) Resident Diversity**

Caucasian 1,107  
 African American 21  
 Hispanic 0  
 Asian 0  
 Other 0

**(8) Entrance fee and monthly fee schedule**

The Presbyterian Homes  
 Entrance and Monthly Service Fee Schedule  
 1/1/2016

Residence Type	2016 Entry Fee	Monthly Service Fee
<b><u>Scotia Village</u></b>		
Studio Apartment	39,000	2,137
Expanded Studio Apartment	43,000	2,295
One BR Special	60,000	2,328
One BR Apartment	60,000	2,429
Expanded One BR Apartment	73,000	2,560
Deluxe Expanded 1BR	91,000	2,647
Deluxe 1 BR Suite	91,000	2,572
Two BR Apartment	119,000	2,830
Deluxe 2BR	127,000	2,956
Expanded Two BR Apartment	155,000	3,065
One BR Cluster Cottage	89,000	2,633

Two BR Cluster Cottage	145,000	2,890
Expanded Two BR Cluster Cottage	145,000	3,161
Two BR Villa	185,000	3,051
Three BR Villa	218,000	3,154
Two BR Single Family Cottage	240,000	3,164
Three BR Single Family Cottage	296,000	3,287

**Glenaire**

**Apartments**

Studio	62,000	2,254
Studio w/patio	67,000	2,254
1 Bedroom	114,000	2,638
1 Bedroom w/balcony or patio	119,000	2,638
1 Bedroom expanded	141,000	3,086
1 Bedroom expanded w/patio	146,000	3,086
1 Bedroom w/study	151,000	3,086
1 Bedroom w/study & patio	156,000	3,086
2 Bedroom	174,000	3,086
2 Bedroom w/balcony or patio	180,000	3,086
2 Bedroom expanded	178,000	3,086
2 Bedroom expanded w/patio	184,000	3,086
3 Bedroom	243,000	4,299

**Cottages**

2 Bedroom w/den & carport	237,000	3,198
2 Bedroom w/den & garage	259,000	3,198
2 Bedroom expanded duplex	301,000	3,541
2 Bedroom expanded stand alone	328,000	3,541

**River Landing @ Sandy Ridge**

One Bedroom Apartment	118,000	2,709
Two Bedroom Apartment	156,000	3,333
Three Bedroom Apartment	215,000	3,543
Three Bedroom Deluxe Apartment	284,000	3,688
Two Bedroom Townhome	164,000	3,351
Two Bedroom Townhome - Sunroom	184,000	3,351
Three Bedroom Townhome	222,000	3,580
Three Bedroom Townhome - Sunroom	243,000	3,580
Two Bedroom Villa - Sunroom	199,000	3,399
Three Bedroom Villa	236,000	3,624
Three Bedroom Villa - Sunroom	256,000	3,624
Two Bedroom Cottage	222,000	3,486
Two Bedroom Cottage - Sunroom	243,000	3,486
Three Bedroom Cottage	308,000	3,667
Three Bedroom Cottage - Sunroom	329,000	3,667

**(9) Compliance**

Presbyterian Homes, Inc. obtained final approval from the Executive Committee on April 19, 2016 for a construction project financed with the Series 2016A Bonds. At that time, the Commission was made aware there would be findings for FYE 2014 and FYE 2015 where Presbyterian Homes did not timely file documents to the Commission. It should be noted, the Commission's auditor was aware of the documents that would be filed late for FYE 2014 and 2015 due to the communication between the Commission's auditor and the controller at Presbyterian Homes. Since approval of the Series 2016A Bonds, Presbyterian Homes has been in compliance with all covenant requirements. In addition, the CFO and controller of Presbyterian Homes continues to be in contact with the Commission's auditor to ensure they are maintaining compliance with the bond covenant requirements.

**3. Moravian Homes, Inc. (d/b/a Salemtowne), Winston-Salem Christopher B. Taylor**

**Executive Committee Action:** Motion was made by Dr. Paul McGill, seconded by Mr. Frock, to unanimously grant preliminary approval to a transaction for Moravian Homes, Inc.

**Remarks were made by:** Tommy Brewer, Crystal Abbott, Dr. Fagg, Mark Steele and Carolyn Twisdale.

**Resolution:** The Commission grants preliminary approval to a transaction for Moravian Homes, Inc. to provide funds, to be used together with other available funds, to refund the North Carolina Medical Care Commission \$35,225,000 Health Care Facilities First Mortgage Revenue Refunding Bonds (Salemtowne) Series 2006 outstanding as of the date of the refunding in the amount of \$25,570,000. The proposed Series 2016 Bond Issue is projected to generate \$1,330,000 for 5.20% present value savings. The proposed transaction is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$26,205,000
Corporation Equity	61,963
Series 2006 Interest Fund	538,970
<b>Total Sources</b>	<b>\$26,805,933</b>

**ESTIMATED USES OF FUNDS**

Amount to refund Series 2006 Bonds	\$26,216,765
Underwriter's discount	327,563
Accountant's fees	25,000
Corporation counsel	45,000
Bond counsel	75,000
Underwriter's counsel	45,000
Trustee fees and counsel	10,750
Printing costs	10,000



Local Government Commission fee	8,750
Real Estate fees	20,500
Blue Sky filing fees	8,500
Miscellaneous	<u>13,105</u>
<b>Total Uses</b>	<b>\$26,805,933</b>

Tentative approval is given with the understanding that the governing board of Moravian Home, Inc. (d/b/a Salemtowne), 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 residents.
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
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 -

- |  |                   |                  |                   |
|--|-------------------|------------------|-------------------|
| 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  |

**Notes:**

**(1) Information from 2015 audit of Moravian Homes, Inc. (d/b/a Salemtowne)**

<b>Operating Income</b>	<b>\$622,098</b>
<b>Increase in Unrestricted Net Assets</b>	<b>\$742,570</b>
<b>Change in Net Assets</b>	<b>\$867,467</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$4,704,851</b>
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<b>\$2,713,751</b>

**(2) Salemtowne is not rated.**

**(3) Community Benefit Percentage for 2015 per GS 105 for 100% of Property Tax Exemption =10.72%**

**(4) Long Term Debt Service Coverage Ratios**

<b>Actual FYE 2015</b>	<b>2.77</b>
<b>Unaudited FYE 2016</b>	<b>1.66</b>
<b>Forecasted FYE 2017</b>	<b>2.23</b>
<b>Forecasted FYE 2018</b>	<b>2.34</b>

**(5) Transaction Participants**

<b>Underwriter</b>	<b>Ziegler</b>
<b>Bond Counsel</b>	<b>Robinson Bradshaw &amp; Hinson, PA</b>
<b>Corporation Counsel</b>	<b>Womble Carlyle Sandridge &amp; Rice, LLP</b>
<b>Underwriter Counsel</b>	<b>Parker Poe Adams &amp; Bernstein, LLP</b>
<b>Trustee</b>	<b>Bank of New York Mellon Trust Company</b>
<b>Accountants</b>	<b>Dixon Hughes Goodman</b>

**(6) Board Diversity**

<b>Male</b>	<b>10</b>
<b>Female</b>	<b>7</b>
<b>Caucasian</b>	<b>15</b>
<b>African American</b>	<b>2</b>
<b>Hispanic</b>	<b>0</b>
<b>Asian</b>	<b>0</b>
<b>Other</b>	<b>0</b>

<b>(7) Resident Diversity</b>	<b>ILU</b>	<b>AL</b>	<b>SNF</b>	<b>Total</b>
<b>Caucasian</b>	<b>219</b>	<b>36</b>	<b>78</b>	<b>333</b>

African American	2	2	4
Hispanic	0	0	0
Asian	1	1	2
Other	0	0	0
			339

(8) Entrance and monthly fee schedule

# Schedule of Fees

## Effective

# June 1, 2016– May 31, 2017

### Independent Living Cottages

#### “New” Fee Program

(This schedule of fees is effective for Residents entering the community on or after June 1, 2016 under the “New” fee program.)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>	
		<u>Single</u>	<u>Double</u>
<b>Wachovia Village</b>			
Hatteras – 2BR ~1,172 sf	\$140,600 - \$144,000	\$2,390	\$2,869
Emerald – 2BR~1,356 sf	\$169,500 - \$177,600	\$2,602	\$3,081
<b>Salem Village</b>			
Bethania – 2BR~1,533 sf	\$228,400	\$2,761	\$3,240
Hickory A–2BR~1,560 sf	\$218,400 - \$232,400	\$2,814	\$3,293
Hickory B- 2BR~1,755 sf	\$262,900	\$2,973	\$3,452
Catawba A–2BR~1,678 sf	\$231,550 - \$250,000	\$3,027	\$3,506
Catawba B–3BR~1,954 sf	\$291,000	\$3,292	\$3,771
Catawba C-3BR~2,033 sf	\$302,917	\$3,504	\$3,983

Catawba D-3BR~2,101 sf	\$313,050	\$3,504	\$3,983
Catawba E-3BR~2,363 sf	\$352,087	\$3,770	\$4,249
Catawba F -2BR~3,210 sf (1,678 sf heated)	\$270,000	\$3,133	\$3,612

**Bethabara Place**

Mitchell – 2BR~1,440 sf	\$217,400	\$2,920	\$3,399
Shenandoah A–2BR~1,617 sf	\$244,160	\$3,186	\$3,665
Shenandoah B–2BR~1,698 sf	\$256,400	\$3,292	\$3,771
Appalachian A–2BR~1,640 sf	\$247,650	\$3,239	\$3,718
Appalachian B–2BR~1,750 sf	\$256,700	\$3,504	\$3,983
Rutherford A – 2BR~1,817 sf	\$274,350	\$3,504	\$3,983
Rutherford B – 2BR~1,898 sf	\$286,300	\$3,611	\$4,090
Rutherford C - 2BR~2,259 sf	\$341,100	\$3,823	\$4,302
Rutherford D – 2BR~2,100 sf	\$320,000	\$3,504	\$3,983
Watauga – 2BR~3,200 sf	\$350,000	\$3,923	\$4,402

Monthly Fees includes: all utilities (excluding telephone & internet), cable, weekly housekeeping, maintenance and \$160 per month per Resident dining allowance.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Admissions team for current pricing and availability.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Admissions team for information.

Current rates effective 6/1/2016 - 5/31/17

## Independent Living Apartments “New” Fee Program

(This schedule of fees is effective for Residents entering the community on or after June 1, 2016.)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>	
		<u>Single</u>	<u>Double</u>
<b>Vogler Building / Bahnson Hall:</b>			
<b>Ardmore</b> – studio~250 sf	\$30,000	\$2,474	n/a
<b>Forsyth</b> – 1BR~530 sf	\$59,750 - \$65,000	\$1,646	\$2,298
<b>Winston A or B</b> – 2BR~790 sf	\$72,100 - \$89,750	\$1,965	\$2,617
<b>West End</b> – 1BR~790 sf	\$77,250 - \$89,750	\$1,965	\$2,617
<b>Buena Vista</b> – 2BR~1,055 sf	\$110,000	\$2,496	\$3,148
<b>Driscoll Apartment Building:</b>			
<b>Reynolda</b> – 1BR ~ 751 sf	\$112,500 - \$115,500	\$2,230	\$2,882
<b>Sherwood</b> – 1BR~ 936 sf	\$143,250	\$2,496	\$3,148
<b>Piedmont</b> - 2BR~1,073 sf	\$167,000 - \$172,500	\$2,814	\$3,466
<b>Brookstown</b> – 2BR~1,107 sf	\$167,000	\$2,814	\$3,466
<b>Twin City</b> – 2BR~1,240 sf	\$187,250 - \$195,250	\$3,080	\$3,732

Monthly Fees includes: all utilities (excluding telephone & internet), cable, weekly housekeeping, maintenance and \$333 per month per Resident dining allowance, except the Ardmore which includes \$849 dining allowance per Resident per month.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Admissions team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Admissions team for current pricing and availability.

Current rates effective 6/1/2016 - 5/31/17

**Assisted Living Services  
“New” Fee Program**

(This schedule of fees is effective for Residents entering the community on or after May 1, 2014 under the “New” fee program & those residents who bought in to the “New” fee program.)

	<u>Monthly Fee</u>
<b>Assisted Living - Single occupancy</b>	\$4,663
<b>Assisted Living Suite - Single occupancy</b>	\$6,186

Monthly fee includes: 3 meals per day, utilities (excluding telephone & internet), cable, weekly housekeeping & maintenance.

Monthly fee includes bed and bath linen laundry.

Residents moving between assisted living residences will be charged for renovation costs. For a second and each subsequent move between assisted living residences, residents will be charged \$10,000 in addition to renovation costs.

Current rates effective 6/1/2016 - 5/31/17

**Health Care Services  
“New” Fee Program**

(This schedule of fees is effective for Residents entering the Health Care Center on 3/1/2015 or after. This “New” fee program applies to residents under the “grandfather” fee program and the “new” fee program and & those residents who bought in to the “New” fee program.)

**Daily Fee**

**Phillips Health Care Center**

(all rooms Medicare certified effective 1/1/2015 and 20 rooms dually Medicaid certified)

Private room	\$295/day
Semi-private suite	\$269/day

Tidewater Hall (300 - Special Care Unit)

\$316/day

Daily fee includes: 3 meals per day, utilities (excluding telephone & internet), cable, daily housekeeping, maintenance and bed and bath linen laundry service.

It will be administration's discretion to evaluate costs of internal moves and determine their impact on the community. Should Administration determine that the cost of an internal move will adversely impact the community and the community cannot absorb the renovation costs, the renovation costs will be charged to the resident.

Current rates effective 6/1/2016 - 5/31/17

## **Dining Services**

### **Flexible Dining Plans**

Salemtowne's Flexible Dining Plan empowers residents to have freedom in choosing what they like to eat, and when they prefer to dine. All items are a la carte and individually priced. If you have a desire for soup and salad at lunch, Salemtowne will reduce your dining allowance only for what you choose. If you desire a salad, an entrée, two side dishes, and two desserts, your dining allowance will be reduced based on your choices. Menu item prices will be available on the daily table menus and posted in the Servery.

Salemtowne will provide you the ability to carry over your unused dining allowance to the next two months and use your dining allowance for family and guests, for beer and wine or a catered event on campus.

Flexible Dining Plan Required for all Independent Living Apartment Residents.	\$333/month
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Flexible Dining Plan - Ardmore Studio Required for all Independent Living Apartment Residents residing in a studio apartment.	\$849/month
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Flexible Dining Plan Optional for Cottage Residents entering the community prior to May 1, 2014 under the "grandfather" fee program.	\$160/month
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Required for Cottage Residents entering the community on or after May 1, 2014 under the “new” fee program and for residents who bought into the “new” fee program.

Dining Fee is included in the monthly service fee.

Flexible Dining Plan \$232/month  
Optional for Cottage Residents entering the community on or before May 1, 2014 under the “grandfather” fee program.

Optional / Additional Flexible Dining Plan Allowances \$30/ month increments  
Residents may increase their dining plans by purchasing additional dining allowances in \$30 per month increments.

Resident Individual Meal delivery \$13/delivery  
No delivery fee will be charged for meal delivery due to resident sickness.  
Call 714-3141  
Tipping is not permitted

**(9) Compliance**

**Crystal Watson-Abbott**

Moravian Home, Inc., d/b/a Salemtowne, obtained approval in 2015 for the Series 2015 Construction Bonds. At that time, the Commission was made aware that Salemtowne would have findings of documents not being timely filed to the Commission for FYE 2014 and 2015. Since the approval of the Series 2015 bonds, Salemtowne has been in compliance with the routine document filings. It should be noted the CFO of Salemtowne makes contact with the Commission’s auditor at least monthly to ensure Salemtowne is in compliance.

**4. Novant Health, Inc, Winston-Salem**

**Christopher B. Taylor**

**Executive Committee Action:** Motion was made to grant preliminary approval to the refunding by Dr. Carl Rust, seconded by Mr. Charles Frock and was unanimously approved with recusals of Dr. Robert Schaaf and Mr. Charles Hauser.

**Remarks were made By:** Dr. Fagg, Allen Robertson, Charles Hauser and Kevin Griffin

**Resolution:** The Commission grants preliminary approval to a transaction for Novant Health, Inc. to provide funds to be used together with other available funds, to refinance its North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds Series 2008A with a bank direct purchase agreement from Wells Fargo. Wells Fargo is the



current holder of the Bonds. The term of the 2008A Bonds will be extended from a three to a five-year holding period and the interest rate will change from 68% of one month Libor plus 50 basis points to 68% of one month Libor plus 60 basis points. The transaction, which is a reissuance for federal tax purposes, will not result in interest savings but extends the holding period through 2021. The transaction is in accordance with an application received as follows:

#### ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$47,455,000
Corporation equity	45,000
<b>Total Sources</b>	<b>\$47,500,000</b>

#### ESTIMATED USES OF FUNDS

Reissuance of 2008A Bonds	47,455,000
Corporation counsel	15,000
Bond counsel	20,000
Trustee fee	2,500
Bank counsel	7,500
<b>Total Uses</b>	<b>\$47,500,000</b>

Tentative approval is given with the understanding that the governing board of Novant Health, 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. 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.
10. Based on information furnished by applicant, the project is:
  1. Financially feasible  Yes  No  N/A
  2. Construction and related costs are reasonable  No  N/A

**Notes:**

**1) Information from Novant Health, Inc. and Affiliates Audit FYE 2015**

<b>Operating Income</b>	<b>\$258,388,000</b>
<b>Increase in unrestricted net assets</b>	<b>\$220,249,000</b>
<b>Increase in net Assets</b>	<b>\$223,605,000</b>
<b>Net Cash provided by operating activities</b>	<b>\$422,017,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$25,606,000</b>
<b>Total long-term debt (Bonds, capital leases and notes payable)</b>	<b>\$1,765,505,000</b>
<b>Total current assets (Cash and Cash equivalents, accounts receivable, short term investments)</b>	<b>\$1,455,023,000</b>

- 2) **Bond Ratings**  
**Standard & Poor's – A+ Stable**  
**Moody's – A1 Stable**  
**Fitch – AA- Stable**

3) **Long Term Debt Service Coverage Ratios**

<b>Actual FYE 2015</b>	<b>5.3</b>
<b>FYE 2016</b>	<b>4.5</b>
<b>FYE 2017</b>	<b>4.9</b>
<b>FYE 2018</b>	<b>4.9</b>

- 4) **Community Benefits per ANDI Form for FYE 2015** **\$706,332,446**  
**Estimated cost of bad debts per ANDI Form** **\$68,589,713**

5) **Transaction Participants**

<b>Bank Purchaser</b>	<b>Wells Fargo</b>
<b>Bond counsel</b>	<b>Robinson Bradshaw &amp; Hinson, PA</b>
<b>Trustee</b>	<b>Regions Bank</b>
<b>Bank counsel</b>	<b>Kutak Rock, LLP</b>

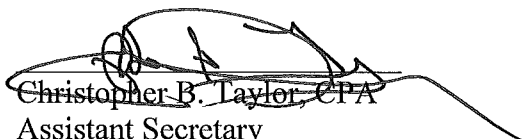
6) **Compliance Update**

Novant Health, Inc. had one covenant violation where a document was not timely filed to the Commission for FYE 2013. Upon review of the routine document filings for FYE 2014 and FYE 2015, Novant Health, Inc. is in compliance. It should be noted the information reviewed relates only to the routine annual and quarterly bond document filings as required per the bond documents and a more extensive review of the bond documents will be completed during the annual compliance examinations.

5. **Adjournment**

There being no further business, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,

  
Christopher B. Taylor, CPA  
Assistant Secretary