

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION

801 BIGGS DRIVE
RALEIGH, NORTH CAROLINA 27603

NOVEMBER 4, 2016

9:00 A.M.

AGENDA

I. Meeting Opens

II. Chairman's Comments - Dr. John A. Fagg will comment on matters of importance to the Commission, including the undertaking of a discussion of the Commission's policies governing the issuance of tax-exempt debt and compliance with the rules, regulations, and contractual obligations created thereby. Question: Does anyone have any conflict of interest with any agenda item before the Commission today?

III. Introduction of New Medical Care Commission Member Dr. John Fagg
• Kenly P. Lewis, D.D.S.

IV. Resolutions of Appreciation for Dr. Kanof, Dr. McGill, and Mary Piepenbring Dr. John Fagg
(attached as Exhibits A-A/2)

V. Approval of Minutes from the August 12, 2016 Medical Care Commission Quarterly Meeting Conference Call is requested (attached as Exhibit A/3).

VI. Mr. Mark Payne, Director for Health Service Regulation - will report on matters of interest to the Commission. Other items to report on are listed below (see Exhibits B-B/4):

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

August 19, 2016 - To consider (1) a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Mission Health System, Inc., Series 2016, (2) a resolution authorizing a forward delivery for Mission Health, Series 2017, (3) a resolution approving the release and termination of certain security instruments in connection with the sale of East Towne House and the partial redemption of the outstanding North Carolina Medical Care Commission First Mortgage Revenue Bonds (Community Facilities Project), Series 2007A, (4) a resolution for a waiver for Presbyterian Homes at Charlotte, (5) the form of a waiver related to Presbyterian Homes at Charlotte qualified intermediate term indebtedness, and (6) a resolution authorizing a preliminary refunding transaction for Southminster, Inc. (attached as Exhibit B/1).

September 9, 2016 - To consider (1) a resolution authorizing certain amendments to the Trust Agreement in connection with adjustments to the amortization requirements of the outstanding North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (United Church Homes and Services), Series 2015B, (2) a resolution authorizing the sale of bonds, the proceeds of which are to be loaned to The Presbyterian Homes, Inc. and Glenaire, Inc., and (3) a resolution authorizing certain modifications of the existing Index Interest Rate Period for the North Carolina

Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group), Series 2008A (**attached as Exhibit B/2**).

September 21, 2016 – To consider a resolution authorizing the sale of bonds for Halifax Regional Medical Center (**attached as Exhibit B/3**).

October 6, 2016 – To consider a resolution authorizing the sale of bonds for Southminster, and a preliminary approval for a refunding transaction for Blue Ridge Healthcare System, Inc. (**attached as Exhibit B/4**).

VII. Presentations (no educational presentations)

VIII. Compliance Deficiencies Crystal Watson-Abbott & Kathy Larrison
(attached as Exhibit C)

IX. Hospital Improvements without Tax Money Newspaper Advertisement Dr. John Fagg
(attached as Exhibit D)

X. New Bond Project Chris Taylor & Steven Lewis

A. Wayne Memorial Hospital, Goldsboro Christopher B. Taylor & Steven C. Lewis

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 fund the cost of the Surgical Services Renovation Project, 48,823 square feet of new construction and the renovation of 48,720 square feet, consisting of operating rooms, hybrid operating rooms, PACU, same day surgery, central sterile, endoscopy, pre-admission/anesthesia testing, registration, surgical waiting and adjoining support space areas (locker rooms, surgeon lounge, on call rooms, class rooms). The project also includes the replacement of four air-handling units in the main tower penthouse due to age. The proposed Bond Issue will also include the refinancing of the \$35,720,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Refunding Bonds (Wayne Memorial Hospital) Series 2009 outstanding in the amount of \$32,015,000 all in accordance with a preliminary application, plans and specifications and participation as follows: This refinancing will be structured as a Bank Bought Bond Issue.

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$77,145,000
Other Wayne Memorial Hospital Cash Contribution	<u>228,895</u>
Total Sources	\$77,373,895

ESTIMATED USES OF FUNDS

Construction contracts	\$30,447,500
Construction contingency (1.4% of construction contract)	425,000
Architect/engineer fees and reimbursables	2,291,000
Moveable equipment	10,500,000
Surveys, tests, insurance	151,500
Amount required to refund Series 2009 Bonds	32,015,000
Bond interest during construction	1,160,000
Accountants fees	35,000
Corporation counsel	45,000
Bond counsel	85,000
Trustee fees	3,000
DHSR Construction Project Review Fee (GS 131E-267)	50,000

Local Government Commission fee	8,750
Financial Advisor	80,000
Bank Origination Fee	<u>77,145</u>
Total Uses	\$77,373,895

Tentative approval is given with the understanding that the governing board of Wayne 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. The borrower will furnish, prior to the sale of or of the bonds or notes, 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	✓	No	N/A
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Notes:

1. **Information from 2015 Audit for Wayne Health Corporation and affiliates:**

Operating Income	\$10,311,351
Increase (Decrease) in Unrestricted Net Assets and Returned Earnings (Due primarily to change in minimum pension liability)	(\$10,800,354)
Increase (Decrease) in Net Assets and Returned Earnings	(\$10,567,246)
Net cash provided by Operating Activities	\$34,131,976
Net Increase in Cash and Cash Equivalents	\$719,852
Cash and Cash Equivalents	\$5,871,154
Long Term Debt (Bonds Payable)	\$47,325,000

2. **Information from 2015 ANDI Form**

Community Benefits	\$23,916,893
Estimated Costs of Treating Bad Debt Patients	<u>9,337,281</u>
Total	\$33,254,174

3. **Rating -**
Moody's Baa1

4. **Long Term Debt Service Ratios**

Actual FYE 2015	7.15	
Actual FYE 2016	6.55	
Forecasted FYE 2017	4.38	
Forecasted FYE 2018	4.30	

5. **Board Composition**

Male 9	Caucasian 9	
<u>Female 3</u>	African American 2	
Total 12	<u>Indian 1</u>	
	Total 12	

6. **Payor Mix**

Medicare	48 %
Medicaid	14 %
Private Pay	38 %
Total	100 %

7. **Transaction Participants**

Bank Purchaser of Bonds – To Be Determined
Bond Counsel – McGuire Woods, LLP
Hospital Counsel – Nelson Mullins
Trustee – Branch Banking & Trust Company

8. Compliance Update: Routine/Typical Document Filing as of September 16, 2016 – Wayne Memorial Hospital, Inc. – Kathy Larrison

The last report of bond compliance to the Commission for Wayne Memorial Hospital (Wayne) was Wayne's fiscal year ended September 30, 2013, during the Commission's meeting held in July 2015. The last preliminary approval granted by the Executive Committee for Wayne Memorial Hospital, Inc. was June 17, 2015 to refund the Series 2012 Medical Care Commission bank bought bonds outstanding in the amount of \$17,455,000 with bank bought bonds to be purchased by Branch Banking and Trust Company. Branch Banking and Trust Company is also the Master Trustee.

At the time of Wayne's application to refund the Series 2012 bonds, Wayne had several routine/typical documents not filed, as well as several routine/typical documents filed late after being requested by the Commission's auditor. As a result, and under advisement from Commission staff, Wayne's CFO created a "Debt Compliance Policy" with an effective date of June 9, 2015; the hospital board approved the policy on June 9, 2015. The preliminary approval on June 17, 2015 for Wayne to issue the Series 2015 bonds came after the Executive Committee was provided a copy of (1) the "Debt Compliance Policy" and (2) the CFO's meeting outline that detailed the bond compliance topics discussed during the June 9, 2015 board meeting. Wayne's CEO, CFO, and 2 board members participated on the June 17, 2015 Executive Committee call. (Minutes from the June 17, 2015 Called Meeting of the Executive Committee are attached).

Since the effective date of the "Debt Compliance Policy", Wayne has had two (2) fiscal year ends September 30, 2015, and June 30, 2016. (Due to UNC management, the fiscal year end was changed from September to June, effective June 30, 2016). The number of routine/typical documents not filed and the number of routine/typical documents filed late have declined; Wayne has filed two (2) quarterly financial statements and statistics late to the Commission. It should be noted that (1) most of the routine/typical annual documents for fiscal year ended June 30, 2016 are not due until October 28, 2016, and (2) the Director of Finance, delegated the task of timely submitting documents to the Commission, resigned effective May 20, 2016.

After receiving the list of Findings from the 2014 fiscal year bond compliance examination via email September 7, 2016, Wayne's CFO requested a waiver from the Master Trustee for failure to fully comply with Section 3.08 (b)(ii) of the Master Trust Indenture (MTI) for fiscal year ended September 30, 2015 through August 31, 2016. Prior to cash transfers to a non-obligated group member, and since Wayne would not be receiving property, cash, securities or services at least equal to the fair market value of the cash transferred, the MTI requires the submission of an Officer's Certificate, accompanied by the calculation of the adjusted Debt Service Coverage Ratio demonstrating that the ratio would not be reduced below 1.75 after the cash transfers. Wayne's ratio was greater than 1.75 with the cash transfers but Wayne's CFO failed to issue the Officer's Certificate and to provide the ratio calculation prior to the cash transfers. On September 12, 2016, the Master Trustee issued the requested waiver for cash transfers made during fiscal year 2015 through August 31, 2016. It should be noted that the Master Trustee issued a waiver for the same violation May 23, 2014 for cash transfers made during fiscal years 2009 through 2014.

An in depth bond compliance examination of fiscal year ended 2015 and 2016 will be completed at a later date. At that time, other findings may be identified that are not routine and typical.

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

Executive Committee Minutes
June 17, 2015

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. Picpenbring 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

3. 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	<u>159,955</u>
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	<u>1,250</u>
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.

Executive Committee Minutes
June 17, 2015

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.

Executive Committee Minutes
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Based on information furnished by applicant, the project is:

- | | | | | | | |
|--|----------|-----|-------|----|----------|-----|
| 1. Financially feasible | <u>√</u> | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | _____ | Yes | _____ | No | <u>√</u> | 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	<u>\$7,863,426</u>
	\$30,971,122

4) Long Term Debt Coverage Ratios

Actual	2014	<u>5.19</u>
Forecasted	2015	<u>5.18</u>
	2016	<u>5.21</u>
	2017	<u>5.68</u>

5) Board Diversity

Caucasian	<u>10</u>	Male	<u>9</u>
Hispanic	_____	Female	<u>2</u>
Asian	_____	Total	<u>11</u>
African American	<u>1</u>		
Total	<u>11</u>		

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

Executive Committee Minutes
June 17, 2015

Bank counsel

Moore & Van Allen, PLLC

- 7) Based on an interest rate of 1.66%.**
- 8) Compliance**
- 9) Wayne's response to compliance issues.**

Wayne Memorial Hospital & Wayne Health Corporation
Board Education – Debt Compliance – June 9, 2015

- I. Summary Current WMH debt Issues outstanding, with key terms
 - a. 2009 series
 - i. variable rate demand bonds
 - ii. synthetically fixed at around 5%
 - iii. original balance outstanding: \$85,600,000 for energy plant
 - iv. repaid \$9.7 million in FY 14 related to energy plant (future IRS private use issue was resolved with repayment)
 - v. Trustee Is BB&T
 - vi. Interest only payable until 2021, as described in the audited financial statements
 - b. 2012 series
 - i. fixed rate bonds
 - ii. bank-issued, 2.49% currently with PNC
 - iii. PNC refinanced 1998 bonds (Issued originally in 1991, to build west wing)
 - iv. due annually through 2021
 - v. these bonds are being refinanced, same schedule, lower interest rate by BB&T, in July 2015
- II. **Proposed new Debt Compliance Policy** (to be adopted by the Boards of WMH and WHC) with quarterly report dates (July, Oct, Jan, April)
- III. **List of Late Filings (from NCMCC)**
- IV. The 2014 compliance checklists attached
 - a. Hospital
 - b. Wayne Health Physicians – 1 page – 1 debt (1st Citizens on condo occupied by Goldsboro Med Clinic, balance outstanding < \$500,000)
- V. **The 2014 letter from Larsen Allen** (included with 9/30/2014 audit report, noting that LA is only doing "agreed upon procedures" and that it cannot be relied upon to keep WMH/WHC in compliance.)
- VI. **Wayne Memorial Hospital Post-Issuance Federal Tax Compliance Checklist**
- VII. Questions?

The next quarterly report to the Finance Committee and Board: July 2015

Executive Committee Minutes
June 17, 2015



TITLE: Debt Compliance Policy		POLICY NUMBER: AD-60
EFFECTIVE DATE: June 9, 2015	MANUAL: Administrative	APPROVED BY / DATE: Board of Directors June 9, 2015

PURPOSE The goal of Wayne Memorial Hospital and all of its affiliates is to abide by the covenants of each of its debt agreements, including requirements for timely reporting to the NC Medical Care Commission, the Local Government Commission, banking partners, and other parties involved in financing transactions.

RESPONSIBLE PERSON Chief Financial Officer

POLICY The CFO will ensure timely reporting of all information required in bond covenants to the North Carolina Medical Care Commission and other parties included in debt covenants. The CFO will report any areas of non-compliance to the Finance Committee (which reports to the Board monthly), at its meetings in January, April, July and October each year.

Annually, the external auditors report to the Board of Directors about "agreed upon procedures" performed by them with respect to certain debt covenants. As a part of that session, management will provide an education session for the Board, covering key compliance terms of each debt agreement, along with the consequences of non-compliance with the covenants, which can include default and immediate repayment of all bonds, through cross-default provisions. The Finance Committee will also annually review the following compliance checklists (updated annually), prepared by the CFO:

- Bond Compliance Questions (sample – these are updated annually) Appendix I
- Acknowledgement of Certain Bond Requirements (sample – these are updated annually) Appendix II

In addition, measures have been put into place as follows:

1. The CFO and Director of Finance will update compliance checklists whenever there is a change in any of the debt documents.
2. The CFO and Director of Finance will review compliance upcoming deadlines monthly.

DEVELOPED IN COLLABORATION WITH

REPLACES (supersedes) New Policy
ORIGINAL DATE June 9, 2015
REVIEWED DATES N/A
REVISED DATES N/A

SIGNATURE OF APPROVAL

Name	James C. Parker	J. William Faugh
Title	Chairman, Board of Directors	President and CEO
Date		

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 likelihood 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.

XI. New Business

A. MCC Bond Sale Approval Policy

Dr. John A. Fagg

Whereas, the Commission (MCC) is desirous of having full and more timely information, as it relates to the pricing of and sale of tax-exempt debt, the Commission hereby adopts the following policy related to publicly offered bonds and privately placed bonds:

As to Publicly Offered Bonds the Following Shall Apply:

(1) Preliminary Approval

The agenda item submitted for consideration for preliminary approval by the MCC of a proposed transaction shall include a summary of the best estimate at the time of interest rates, maturities, true interest cost of the proposed bond issue and, if applicable, the estimated net present value savings on refunded bonds.

(2) Mailing of Preliminary Official Statement

At time, the Preliminary Official Statement (POS) is delivered to potential investors, the MCC shall be provided with a summary of the proposed transaction including sources and uses, maturities, interest rates, and if applicable, projected net present value savings on refunded bonds.

(3) Final Approval by Executive Committee

At time of the request for final approval of the bond sale, the MCC shall be provided with the final interest rates, maturities, true interest cost and, if applicable the net present value savings on refunded bonds, and a verbal explanation of the differences between the summary of the proposed transaction at the time of delivery of the POS, and at the time of final approval.

As to Privately Placed Bonds (Bank Bought Bonds) the Following Shall Apply:

The information provided above as part of the request for preliminary approval shall also be provided to the MCC in connection with a privately placed bond issue. The MCC shall also be provided as part of the Series Resolution, the maturity schedule and the interest rate as soon as they are available but no later than the day prior to the MCC meeting to consider final approval of the tax-exempt debt transaction.

The policy is effective as of the date of adoption.

XII. Old Business

A. Rules for Adoption - (Rules and Comments)

Nadine Pfeiffer

1) Health Care Cost Reduction & Transparency Permanent Rules

(Azzie Conley & Nadine Pfeiffer)

Exhibits E-E/4

a) Licensing of Hospitals, 10A NCAC 13B .2102

b) Licensing of Ambulatory Surgical Facilities, 10A NCAC 13C .0206

- 2) Emergency Medical Services and Trauma Rules Tom Mitchell & Nadine Pfeiffer)
Exhibits E/5-E/11
- a) Readoption of 27 rules following Periodic Review (10A NCAC 13P)
b) Amendment and Adoption of 18 rules (10A NCAC 13P)
c) Republication of 1 rule (10A NCAC 13P .0203)

- B. Discussion of Hospital Periodic Rules Review** Dr. John Fagg and Nadine Pfeiffer
(Exhibits F-F/1)
- 1) Hospital Rules (10A NCAC 13B) (Flow Chart)
2) Public Comments to Subchapter 13B Licensing of Hospitals

XIII. Election of Vice-Chairman and appointment of two members to the Executive Committee
Dr. John Fagg

- (A) In accordance with General Statute 143B-168 the vice-chairman shall be elected by and from the members of the commission and shall serve for a term of two years or until the expiration of his regularly appointed term.
- (B) In accordance with 10A NCAC 13A.0101 Executive Committee, two members (of the Executive Committee) shall be appointed by the chairman of the commission at the (last meeting) of each even year.

XIV. Refunding of Commission Bond Issues Chris Taylor

Recommended:

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 10, 2017 in Raleigh, North Carolina;

THEREFORE, BE IT RESOLVED; that the Commission authorize its Executive Committee to approve projects involving the refunding of existing Commission debt between this date and February 10, 2017.

XV. 2017 MCC Meeting Dates

February 9-10, 2017
May 11-12, 2017
August 10-11, 2017
November 2-3, 2017

XVI. Adjournment – A motion to adjourn is requested.