

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

MARCH 22, 2016

2:00 P.M.

Members of the Executive Committee Present:

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

Members of the Executive Committee Absent:

None

Members of Staff Present:

S. Mark Payne, Assistant Secretary for Audit and DHSR/MCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
Crystal Watson-Abbott, Auditor  
Alice S. Creech, Executive Assistant

Others Present:

Tommy Brewer, Ziegler  
Stacy Dobson, United Methodist Retirement Homes  
Kevin Dougherty, McGuire Woods, LLP  
Jonathan Erickson, United Methodist Retirement Homes  
Christopher McCann, JP Morgan Chase  
Allen Robertson, Robinson Bradshaw & Hinson, P.A.  
Robert Willis, Duke University Health System

**1. Purpose of the meeting**

(1) To consider for approval a resolution approving the appointment of Wells Fargo Bank, National Association as Successor Remarketing Agent for Moses Cone Health System, Series 2001A Bonds and Series 2001B Bonds, (2) Resolution granting preliminary approval to a project for Duke University Health System, and (3) Resolution granting preliminary approval to a project for United Methodist Retirement Homes.

**2. RESOLUTION APPROVING THE APPOINTMENT OF WELLS FARGO BANK, NATIONAL ASSOCIATION AS SUCCESSOR REMARKETING AGENT FOR THE NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE BONDS (MOSES CONE HEALTH SYSTEM), SERIES 2001A AND SERIES 2001B –**  
Remarks were made by Kevin Dougherty of McGuire Woods

**Executive Committee Action:** Motion was made by Mr. Hauser, seconded by Dr. Rust and unanimously approved.

**WHEREAS**, the North Carolina Medical Care Commission (the “Commission”) has previously issued its Hospital Revenue Bonds (Moses Cone Health System), Series 2001A (the “2001A Bonds”) and its Hospital Revenue Bonds (Moses Cone Health System), Series 2001B (the “2001B Bonds” and, together with the 2001A Bonds, the “2001 Bonds”), pursuant to two separate but substantially identical Trust Agreements, each dated as of July 1, 2001 (collectively, the “Trust Agreements”), and each between the Commission and The Bank of New York Mellon Trust Company, N.A., as successor bond trustee, the proceeds of which were loaned to The Moses H. Cone Memorial Hospital (the “Parent Corporation”) and The Moses H. Cone Memorial Hospital Operating Corporation (the “Operating Corporation” and, together with the Parent Corporation, the “Borrower”);

**WHEREAS**, Piper Jaffray & Co. is currently serving as Remarketing Agent for the 2001 Bonds;

**WHEREAS**, the Borrower desires that Wells Fargo Bank, National Association be appointed as successor Remarketing Agent for the 2001 Bonds and has requested the Commission to effectuate such appointment;

**WHEREAS**, Section 1019(a) of each of the Trust Agreements provides that, at the direction of the Parent Corporation, the Commission shall appoint any successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively, subject to the conditions set forth in Section 1019(a) of each of the Trust Agreements;

**WHEREAS**, the Parent Corporation has requested that the Commission approve the appointment of Wells Fargo Bank, National Association as successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively, in accordance with the terms and provisions of each of the Trust Agreements;

**WHEREAS**, there has been presented at this meeting a form of Remarketing Agreement, to be dated the effective date of the appointment of Wells Fargo Bank, National Association as successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively, among the Borrower, the Commission and Wells Fargo Bank, National Association, as Remarketing Agent, the form, terms and provisions of which will be substantially identical for the Remarketing Agreement relating to the 2001A Bonds (the “2001A Remarketing Agreement”) and the Remarketing Agreement relating to the 2001B

Bonds (the "2001B Remarketing Agreement" and, together with the 2001A Remarketing Agreement, the "2001 Remarketing Agreements"); and

**WHEREAS**, the Commission has determined to approve the appointment of Wells Fargo Bank, National Association as successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively;

**NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE**, as follows:

Section 1. The Commission hereby approves the appointment of Wells Fargo Bank, National Association as successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively.

Section 2. The form, terms and provisions of the 2001 Remarketing Agreements are hereby approved in all respects and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose and the Secretary or the Assistant Secretary of the Commission are hereby authorized and directed to approve, by execution and delivery, the 2001 Remarketing Agreements in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary and appropriate; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 3. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman of the Commission, the Secretary and the Assistant Secretary of the Commission are hereby authorized and directed to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the appointment of Wells Fargo Bank, National Association as successor Remarketing Agent for the 2001A Bonds and the 2001B Bonds, respectively.

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

**3. Duke University Health System, Inc., Durham - Christopher B. Taylor, Robert Willis, Chris McCann, and Crystal Watson-Abbott**

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

**Resolution:** The Commission grants preliminary approval to a project for Duke University Health System, Inc. to provide funds, to be used together with other available funds, to advance refund the outstanding balance of (1) North Carolina Medical Care Commission \$180,000,000 Health Care Facilities Revenue Bonds (Duke University Health System) Series 2009A (\$180,000,000) and (2) North Carolina Medical Care Commission \$120,000,000 Health Care Facilities Revenue Bonds (Duke University Health System) Series 2010A (\$120,000,00). The proposed 2016A Bond Issue will be a fixed rated bond issue projected to generate net present value savings of \$13,608,835 or 4.53% of the refunded bonds. The project is in accordance with an application received as follows.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$300,000,000
Original issue premium	<u>48,677,138</u>
<b>Total Sources</b>	<b>\$348,677,138</b>

**ESTIMATED USES OF FUNDS**

Escrow to refund Series 2009A and 2010A Bonds	\$345,672,199
Underwriters discount	2,007,439
Accountants fees	70,000
Corporation counsel	75,000
Bond counsel	130,000
Underwriters counsel	100,000
Financial advisors fee	225,000
Trustee fees and counsel	9,000
Rating agency fee	371,250
Local Government Commission	8,750
Printing	<u>8,500</u>
<b>Total Uses</b>	<b>\$348,677,138</b>

Tentative approval is given with the understanding that the governing board of Duke University Health System, 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 the 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. 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                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

**Notes:**

- 1) **Information from audit of Duke University Health System, Inc. and Affiliates year ended June 30, 2015.**

<b>Operating Income</b>	<b>\$354,927,000</b>
<b>Increases in unrestricted net assets</b>	<b>\$171,630,000</b>
<b>Increase in net assets</b>	<b>\$170,126,000</b>
<b>Net cash provided by operating activities</b>	<b>\$493,887,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$267,146,000</b>

2) **Ratings**

Moody's Aa2  
S & P AA  
Fitch AA

3) **Community Benefits per ANDI Form for FYE 2015**

	<b>Community Benefits</b>	<b>Bad Debts</b>
Duke University Hospital	\$ 266,569,618	\$14,946,153
Duke Raleigh Hospital	\$75,667,730	\$2,864,654
Duke Regional	\$45,288,926	\$3,647,619

4) **Long Term Debt Service Coverage Ratio**

Actual FYE	6/30/2015	8.50
Forecasted	6/30/2016	6.75
Forecasted	6/30/2017	6.23
Forecasted	6/30/2018	6.23

5) **Transaction Participants**

Underwriter	J. P. Morgan Securities, LLC
Bond counsel	Robinson Bradshaw & Hinson, PA
Underwriter counsel	Parker Poe Adams & Bernstein, LLP
Corporation counsel	Sutherland Asbill & Brennan, LLP
Trustee	Bank of New York Mellon Trust Company
Trustee counsel	McGuire Woods, LLP
Financial advisor	Kaufman Hall & Associates, Inc.

6) **Attachments**

(a) **Board diversity**

Of the 22 Board members, 4 are female, and the other 18 are male. 2 of the 22 are African-Americans, and the remaining 20 are Caucasians.

**(b) Compliance update**

Duke University Health System had one covenant violation for FYE 2013. Upon completion of the fiscal year end 2013 compliance examination, it was noted that during the annual post issuance compliance policies and procedures review conducted by DUHS staff, equipment in the amount of \$105,836 funded with the 2006 Series Bonds was improperly disposed of during 2007 and 2010, thereby violating the 2006 Tax Certificate & Agreement. To remedy the covenant violation, DUHS entered into an agreement with the IRS by using the IRS VCAP Program whereby the amount improperly disposed of was refunded and therefore, bringing DUHS back into compliance.

The examination of the required document filings for FYE 2014, 2015 and 2016 found no instances of failure to file as required under the various bond documents. It should be noted the information reviewed relates only to the routine annual and quarterly bond document filings. A more extensive review of the bond documents will be completed during the annual compliance examinations and may result in findings not discovered during this review.

4. United Methodist Retirement Homes, Durham, NC - Christopher B. Taylor, Jonathan Erickson, Allen Robertson and Crystal Watson-Abbott

**Executive Committee Action:** Motion was made by Dr. Fagg, seconded by Dr. Schaaf and unanimously approved with Dr. Rust abstaining from the vote.

**Resolution:** The Commission grants preliminary approval to a project for United Methodist Retirement Homes to provide funds, to be used, together with other available funds, to refund (1) the outstanding balance of the North Carolina Medical Care Commission \$20,790,000 Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005A (\$16,960,000) and (2) the outstanding balance of the North Carolina Medical Care Commission \$47,835,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes Project) Series 2005C (\$22,715,000). The proposed refunding is projected to generate present value savings of \$3.4 million or 8.6 % of the refunded bonds. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$40,485,000
Equity contribution	<u>84,310</u>
<b>Total Sources</b>	<b>\$40,569,310</b>

### ESTIMATED USES OF FUNDS

Refund the Series 2005A Bonds	\$16,960,000
Refund the Series 2005C Bonds	22,715,000
Underwriters discount	647,760
Underwriters counsel	50,000
Bond counsel	70,000
Corporation counsel	40,000
Accountants fee	25,000
Printing	10,000
Trustee fee and counsel	7,500
Local Government Commission fee	8,750
Real estate costs & fees	15,000
Miscellaneous	20,300
<b>Total Uses</b>	<b>\$40,569,310</b>

Tentative approval is given with the understanding that the governing board of The United Methodist Retirement Homes 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                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

**Notes:**

**1) Information from 2015 Audit of United Methodist Retirement Homes, Inc., its Affiliates and Subsidiary**

Operating income	\$4,941,724
Change in unrestricted net assets	\$2,635,603
Change in net assets	\$2,432,923
Net cash provided by operating activities	\$23,833,944
Change in cash (A)	(\$731,917)

(A) Primarily due to purchase of property and equipment and payments on debt.

**2) Ratings: UMRH is not rated**

**3) Community Benefit Percentage G.S. 105 = 7.49%, which qualifies for 100% property tax exemption. In addition, Wesley Ridge Affordable Housing (24 units), in Lumberton, is an affiliate of UMRH.**

**4) Long Term Service Coverage Ratios**

Actual	FYE	2015	2.26
Forecasted	FYE	2016	2.27
Forecasted	FYE	2017	2.11
Forecasted	FYE	2018	2.11

**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>Underwriters counsel</b>	<b>Parker Poe Adams &amp; Bernstein, LLP</b>
<b>Trustee</b>	<b>US Bank</b>
<b>Accountants</b>	<b>Dixon Hughes Goodman</b>

**6) Attachments**

**(a) Board diversity**

**Male Caucasian: 15**  
**Female Caucasian: 7**  
**Male American Indian: 2**  
**Male African American: 1**

**(b) Diversity records on each UMRH facility**

**Croasdaile: 97.9% Caucasian**  
**1.9% African American**  
**0.1% Asian American**

**Cypress Glen: 100% Caucasian**

**Wesley Pines: 92.2% Caucasian**  
**9.5% African American**  
**4.3% American Indian**

**(c) Entrance fees and monthly fee schedule**

**Croasdaile Village**

The current unit mix, size and fees for single occupancy, as of October 1, 2015, at Croasdaile Village are as follows:

<b>Type of Unit</b>	<b>Number of Units</b>	<b>Approximate Square Footage</b>	<b>Entrance Fee <sup>(1)</sup></b>	<b>Monthly Fee <sup>(2)(3)</sup></b>
<b>Independent Living Units:</b>				
<b>The Homestead</b>				
<b>Independent Living Apartments:</b>				
Studio	18	400+/-	\$53,725	\$1,732
Alcove	9	490+/-	66,204	2,128
1 Bedroom Standard	27	779-840+/-	115,772	2,591
1 Bedroom Traditional	6	850+/-	123,240	2,649
1 Bedroom Deluxe	27	920+/-	144,528	2,702
1 Bedroom w/Den	9	950+/-	158,673	2,801
1 Bedroom Grande	9	965+/-	154,527	2,845

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)(3)</sup>
2 Bedroom Traditional	6	1,060+/-	176,398	2,953
2 Bedroom Conventional	15	1,175+/-	183,251	3,219
2 Bedroom Standard	45	1,110-1,190+/-	167,471	2,995
2 Bedroom Deluxe	40	1,285+/-	190,184	3,265
2 Bedroom w/Den	12	1,350+/-	223,291	3,536
2 Bedroom Grande	9	1,350+/-	211,451	3,532
2 Bedroom Grande II	6	1,450+/-	227,508	3,802
2 Bedroom Executive	5	1,600+/-	250,799	3,836
2 Bedroom Terrace Gr. A	1	1,800+/-	265,867	3,915
2 Bedroom Terrace Gr. B	1	1,865+/-	273,498	3,915
<b>Total Apartments</b>	<b>245</b>			
<b>The Homes/Duplexes</b>				
Appletree/Duplex	9	1,310+/-	\$201,259	\$3,383
Beechwood/Duplex	20	1,510+/-	225,956	3,446
Beechwood/Home	9	1,510+/-	241,187	3,665
Cottonwood/Duplex	9	1,640+/-	248,063	3,532
Cottonwood/Home	3	1,640+/-	271,589	3,745
Dogwood/Duplex	5	1,810+/-	265,877	3,635
Dogwood/Home	8	1,810+/-	292,421	3,854
Elmwood/Duplex	1	1,940+/-	298,943	3,856
Elmwood/Home	7	1,940+/-	321,045	3,961
Fernwood Duplex	12	1,500+/-	237,153	3,695
Greenwood Duplex	10	1,700+/-	268,771	3,713
Heartwood Duplex	8	1,900+/-	321,045	3,935
<b>Total Homes/Duplexes</b>	<b>101</b>			
<b>Independent Living: Total</b>	<b>346</b>			
<b>Heritage Hall (56 Apartments)</b>				
Independent Living w/Personal Services – Efficiency Apartments				
One Bedroom A	8	650	\$27,219.00	\$4,475.00
Studio B	4	565	27,219.00	4,475.00
Studio C	2	555	25,998.00	4,475.00
Studio F	28	555	25,998.00	4,475.00
Studio D	2	530	25,998.00	4,475.00
Studio E	12	485	22,619.00	4,475.00
<b>Heritage Hall: Total</b>	<b>56</b>			
<b>Friendship House (30 Suites)</b>				
Medical Assisted Living		168	22,619.00	\$241.00
Cognitive Impairment		168	22,619.00	241.00
<b>Friendship House: Total</b>	<b>30</b>			
<b>The Pavilion (110 Suites)</b>				
Skilled Nursing Care		156-187	N/A	\$362.00
Semi-Private		220-264	N/A	323.00
Intermediate Nursing Care		156-187	N/A	334.00
Semi-Private		220-264	N/A	298.00
<b>The Pavilion: Total</b>	<b>110</b>			
<b>TOTAL UNITS AND BEDS</b>	<b>452</b>			

<sup>(1)</sup> Entrance fees amortize by 2% each month for 50 months.

- (2) Monthly Fees include: Utilities - electricity, water, heat, air conditioning, cable hook-up, wireless internet; three meals per day; weekly housekeeping; maintenance of building, grounds, common areas and appliances furnished by Croasdaile Village; laundry facilities and services provided; use of all common areas and amenities; participation in programs, activities and religious services of choice; transportation to all medical appointments as well as scheduled transportation; emergency call system; access to continuing levels of care for long-term health care.
- (3) Home Care, Croasdaile Village Clinic and Therapy services are available at additional cost.
- (4) All 110 beds are Medicare certified, with 60 certified for Medicaid.

### Wesley Pines

The current unit mix, size and fees, as of December 31, 2015, at Wesley Pines are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
<b>Independent Living Units:</b>				
<b>The Cottages</b>				
	12	950-1,050		
Cottage			\$ 62,773	\$2,370
Cottage 50% Plan			83,680	2,370
Cottage 90% Plan			125,599	2,370
Cottage w/Carport			72,334	2,370
Cottage w/Carport 50% Plan			96,445	2,370
Cottage w/Carport 90% Plan			144,668	2,370
<b>The Villas</b>				
Duplex Villa	2	1,250	\$ 81,894	\$2,405
Duplex Villa 50% Plan			109,210	2,405
Duplex Villa 90% Plan			163,736	2,405
Free Standing Villa	2	1,300	95,710	2,405
Free Standing Villa 50% Plan			127,648	2,405
Free Standing Villa 90% Plan			191,367	2,405
Deluxe Villa	6	1,500	167,684	2,463
Deluxe Villa 50% ROC			219,236	2,463
Deluxe Villa 90% ROC			219,236	2,463
<b>Independent Living: Total 22</b>				
<b>Health Care Center:</b>				
<b>Assisted Living Beds:</b>				
Studio Parkton	5	306	\$4,000	\$3,753
Studio Fairmont	21	360	5,000	4,288
Studio Marietta	2	436	7,000	5,086
Suite Rowland	2	420	12,000	5,086
Suite Pembroke	4	456	15,000	5,362
<b>Nursing Beds:<sup>(3)</sup></b>				
Semi-private	40	375-380	N/A	229 <sup>(4)</sup>
Private	22	230	N/A	243 <sup>(4)</sup>
<b>Health Care Center: Total 98</b>				
<b>TOTAL UNITS AND BEDS 120</b>				

- (1) Second Person Entrance Fee for Cottages and Villas is not applicable.
- (2) Monthly fee shown is for single occupancy and no meal plan. Monthly fees increase for double occupancy and meal plan options. Monthly fees include all utilities except for telephone.
- (3) All 62 nursing beds are Medicare certified, and 60 nursing beds are Medicaid certified.
- (4) Rates shown are Daily Rates.

**Cypress Glen**

The current unit mix, size and fees, as of December 31, 2015, at Cypress Glen are as follows:

<b>Type of Unit</b>	<b>Number of Units</b>	<b>Average Square Feet</b>	<b>Entrance Fee <sup>(1)</sup></b>	<b>Monthly Fee<sup>(2)</sup></b>
<b>Independent Living Units:</b>				
<b>Apartments:</b>				
<b>Wings A and B</b>				
Studio	7	230	\$18,965	\$1,675
Single	8	280	23,087	1,760
Deluxe Single	2	399	32,896	2,198
Deluxe Studio	8	460	37,928	2,325
Combination	13	468	39,112	2,371
Combination with patio	2	468	41,553	2,371
Deluxe Suite	17	560	46,171	2,499
Deluxe Suite with patio	2	560	48,612	2,499
1 Bedroom Main	1	616	47,822	2,541
1 Bedroom Suite	1	695	57,304	2,556
2 Bedroom Suite	2	840	69,259	2,677
2 Bedroom Suite with patio	1	840	71,700	2,677
2 Bedroom Deluxe Suite	1	840	69,259	2,677
1 Bedroom Den Main	1	935	71,749	2,677
2 Bedroom Main Grand	1	1,120	87,054	2,800
1 Bedroom Grand	1	859	71,749	2,615
<b>Wing D</b>				
1 Bedroom	9	745	91,533	2,557
1 Bedroom Deluxe	2	826	96,489	2,584
1 Bedroom Deluxe with patio	1	826	98,930	2,584
2 Bedroom	6	1,076	119,860	2,904
2 Bedroom with patio	1	1,076	122,301	2,904
2 Bedroom Deluxe	2	1,322	138,827	3,332
2 Bedroom Deluxe with patio	1	1,322	141,268	3,332
3 Bedroom	2	1,399	143,102	3,545
3 Bedroom with patio	1	1,399	145,543	3,545
3 Bedroom Special	2	1,455	158,870	3,758
3 Bedroom Deluxe	2	1,507	158,870	3,758
3 Bedroom Deluxe with patio	1	1,507	161,311	3,758

Type of Unit	Number of Units	Average Square Feet	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
<b>Wings East and West</b>				
1 Bedroom Alcove	2	744	96,899	2,566
1 Bedroom Alcove with patio	1	744	99,340	2,566
1 Bedroom	2	805	102,475	2,584
1 Bedroom with patio	1	805	104,916	2,584
1 Bedroom Den	8	961	113,224	2,743
1 Bedroom Den with patio	4	961	115,665	2,743
2 Bedroom	10	1,090	130,595	2,917
2 Bedroom with patio	5	1,090	133,036	2,917
2 Bedroom Bay	8	1,301	152,812	3,544
2 Bedroom Bay with patio	4	1,301	155,253	3,544
2 Bedroom Greatroom	6	1,513	172,207	3,809
2 Bedroom Greatroom with patio	3	1,513	174,648	3,809
<b>Total Apartments</b>	<b>152</b>			
<b>Cottages:</b>				
The Alder	10	1,680	\$186,676	\$3,865
The Birch	11	1,437	168,194	3,704
The Cypress	6	1,310	163,981	3,545
The Dogwood	8	1,074	129,867	2,871
The Elm	4	2,042	220,451	4,188
The Elm Deluxe	6	2,250+	239,506	4,579
The Willow	1	2,061	222,506	4,273
<b>Total Cottages</b>	<b>46</b>			
<b>Independent Living: Total</b>	<b>198</b>		<b>\$111,134</b>	<b>\$2,966</b>
<b>Health Care Center:</b>				
<b>Assisted Living Beds:</b>				
Semi-private	4	252	\$15,000	213.26 <sup>(3)</sup>
Private	26	273	15,000	230.98 <sup>(3)</sup>
<b>Memory Care Beds:</b>				
Private	12	260+/-	15,000	242.92 <sup>(3)</sup>
<b>Nursing Beds<sup>(4)</sup>:</b>				
Semi-private	4	252	N/A	260.26 <sup>(3)</sup>
Private	26	273	N/A	277.95 <sup>(3)</sup>
<b>Health Care Center: Total</b>	<b>72</b>			
<b>TOTAL UNITS AND BEDS</b>	<b>270</b>			

(1) Cypress Glen offers four types of Entrance Fee Refund Plans (see "Residency Agreement and Fee Structure"). The entrance fees identified above represent the Standard Option Plan. As described below, the entrance fee under the Standard Option Plan is refundable in an amount equal to the entrance fee paid less 2% for each month of residency up to 50 months. Entrance fees under the 50% Refund Plan, 80% Refund Plan and the 90% Refund Plan are greater than under the Standard Option Plan by a factor of 1.4, 1.7 and 1.925, respectively.

(2) Second person monthly fee is \$940.95 for all independent living units in Wings A and B; \$940.95 for all independent living units in Wing D and cottages; and \$940.95 for all independent living units in Wings East and West.

(3) Rates shown are daily rates.

**(d) Compliance**

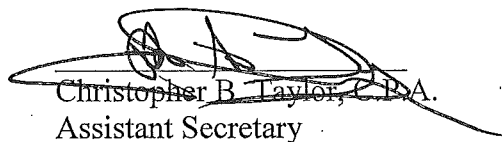
United Methodist Retirement Homes, Inc. had one covenant violation for FYE 2013 involving information not being timely submitted to EMMA as part of the CCRC's Secondary Market Disclosure Requirement in the Loan Agreement. It should be noted the covenant violation for FYE 2013 was self-reported by the CFO at United Methodist Retirement Homes, Inc.

Upon a review of the document filings for FYE 2014 and FYE 2015, it should be noted that United Methodist Retirement Homes, Inc. will have findings involving the rebate calculations required per the 2004A, 2004C, and 2005A Loan Agreements and Tax Certificate & Agreement not being timely filed to the Commission but it should be noted the Commission's auditor did not have to request the rebate reports be filed. There will also be a finding involving the rebate calculation for the Series 2005B Bonds (reissued in 2010) where United Methodist Retirement Homes did not retain the rebate analyst in a timely manner as required per the Series 2005B Tax Certificate & Agreement and thereby did not timely file the document with the Commission, thereby violating the Series 2005B Loan Agreement.

**5. Adjournment**

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,

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