

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

NOVEMBER 29, 2016

11:00 A.M.

Members of the Executive Committee Present:

John A. Fagg, M.D., Chairman  
Joseph D. Crocker, Vice-Chairman  
Charles T. Frock  
Charles H. Hauser  
Eileen C. Kugler  
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, DHR Director/MCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
Kathy C. Larrison, Auditor  
Alice S. Creech, Executive Assistant

Others Present:

David Piner, Arbor Acres  
Andrew Applegate, Arbor Acres  
Ken Boyles, Arbor Acres  
David Matthews, Arbor Acres  
Tommy Brewer, Ziegler

1. **Purpose of Meeting**

To consider Resolutions granting preliminary approval to refunding transactions for Arbor Acres United Methodist Retirement Community, Series 2007, and Series 2010.

2. **Arbor Acres United Methodist Retirement Community, Inc.** - Christopher B. Taylor

Remarks were made by Mr. Crocker, Dr. Schaaf, Dr. Fagg, David Piner, and Crystal Abbott.

Resolution: The Commission grants preliminary approval to a transaction for Arbor Acres United Methodist Retirement Community, Inc. to provide funds to be used, together with other available funds, to refund the North Carolina Medical Care Commission \$17,765,000 Health Care Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres United Methodist Retirement Community, Inc., Project), Series 2007, outstanding in the amount of \$14,510,000. The proposed 2016 Bond Issue is estimated to result in present value savings of 16.71% or \$2,423,132. The proposed 2016 Bond Issue is to be structured as a Bank Bought Bond Issue to be purchased by Branch Banking and Trust Company and held to maturity (January 1, 2032). The proposed transaction is in accordance with an application received as follows:

**Executive Committee Action:** Motion was made by Mr. Frock to approve the refunding transaction for the Series 2007 Bonds, seconded by Ms. Kugler, and unanimously approved with recusals from Dr. Fagg, Mr. Hauser, and Dr. Rust.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$13,566,730
2007 Debt Service Reserve Fund	1,176,363
2007 Bond Fund	<u>270,467</u>
<b>Total Sources</b>	<b>\$15,013,560</b>

**ESTIMATED USES OF FUNDS**

Escrow to refund Series 2007 Bonds	\$14,834,560
Placement Agent Fee	20,000
Bank Commitment Fee	15,000
Corporation counsel	27,500
Bond counsel	40,000
Trustee fee and counsel	10,000
Local Government Commission Fee	8,750
Swap Advisor	18,000
Bank counsel	20,000
Real Estate fee	10,000
Miscellaneous	<u>9,750</u>
<b>Total Uses</b>	<b>\$15,013,560</b>

Tentative approval is given with the understanding that the governing board of Arbor Acres United Methodist Retirement Community, 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.

Based on information furnished by applicant, the project is -

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

**Notes:**

**1. Information from 2015 Audit**

<b>Operating Income</b>	<b>\$1,096,010</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$1,671,590</b>
<b>Change in Total Net Assets</b>	<b>\$ 283,255</b>
<b>Net Cash provided by operating activities</b>	<b>\$8,245,380</b>
<b>Change in Cash and Cash Equivalents</b>	<b>\$1,086,668</b>
<b>Cash, Cash Equivalents and Investments</b>	<b>\$20,463,049</b>
<b>Long Term Debt (includes Series 2007 and 2010 Bonds)</b>	<b>\$46,202,854</b>

**2. Community Benefits**

Community Benefits Percentage as calculated under G.S. 105 is 5.64%, which equates to 100% property tax exemption.

**3. Ratings - BBB+**

**4. Long Term Debt Service Coverage Ratios**

<b>Actual FYE 2015</b>	<b>3.37</b>
<b>Forecasted FYE 2016</b>	<b>2.43</b>
<b>Forecasted FYE 2017</b>	<b>2.71</b>
<b>Forecasted FYE 2018</b>	<b>2.95</b>

**5. Transaction Participants**

<b>Placement Agent/Advisor</b>	<b>Ziegler</b>
<b>Bond Counsel</b>	<b>Robinson Bradshaw &amp; Hinson, P.A.</b>
<b>Corporation Counsel</b>	<b>Womble Carlyle Sandridge &amp; Rice, LLP</b>
<b>Bank Purchaser</b>	<b>BB&amp;T</b>
<b>Bank Counsel</b>	<b>Moore Van Allen</b>
<b>Swap Advisor</b>	<b>KPM Financial</b>

**6. Board Diversity**

<b>Male</b>	<b>18</b>
<b>Female</b>	<b><u>14</u></b>
<b>Total</b>	<b>28</b>

<b>Caucasian</b>	<b>26</b>
<b>African American</b>	<b><u>2</u></b>
<b>Total</b>	<b>28</b>

7.	<b>Resident Diversity</b>	
	Male	148
	Female	<u>327</u>
	Total	475
	Caucasian	470
	African American	<u>5</u>
	Total	475

8. \*For period FYE 2012-2016 Arbor Acres provided \$7,000,000 in financial assistance to its residents. Of this assistance, \$700,000 or 10% has been extended to minority recipients. This assistance has provided both entrance fee and monthly service fee to minority residents that otherwise would not have otherwise qualified for access to Independent, Assisted Living and Skilled Nursing.

9. **Compliance** **Crystal Watson-Abbott**

It was reported to the Commission at the August 2016 Medical Care Commission meeting that Arbor Acres United Methodist Retirement Community, Inc. had zero findings as of their most recent compliance examination for the fiscal year ended September 30, 2014.

As of November 11, 2016, the routine documents required per the bond covenants for FYE 2015 and FYE 2016 have been timely filed to the Commission with one exception. The "Fee Structure" required per the 2010 Loan Agreement was not filed with EMMA as part of the facilities annual Secondary Market Disclosure requirements until the facility was notified of the need to file by the Commission's auditor.

In addition, Arbor Acres United Methodist Retirement Community, Inc. met the Long Term Debt Service Coverage Ratio and Days Cash on Hand requirements for FYE 2015.

At the time an in-depth compliance examination for FYE 2015 and FYE 2016 is completed, other findings may be identified that are not routine and typical.

On November 29, 2016, the Executive Committee granted an exemption for Arbor Acres not meeting the 6 month & 12 month compliance requirement. Arbor Acres did not meet the exemption requirement due to one document not being timely filed to EMMA (MSRB) as required per the bond covenants in 2016. The exemption was granted due to the Executive Committee's understanding the covenant violation was not intentional and due to Arbor Acres compliance with the bond requirements in the past and current period in addition to Arbor Acres dedication to providing benefits to the community at large.

3. **Arbor Acres United Methodist Retirement Community, Inc.** - Christopher B. Taylor

**Resolution:** The Commission grants preliminary approval to a transaction for Arbor Acres United Methodist Retirement Community, Inc., to provide funds to be used, together with other available funds, to refund/reissue for Federal Tax purposes the North Carolina Medical Care Commission \$28,875,000 Retirement Facilities First Mortgage

Revenue Bonds (Arbor Acres United Methodist Retirement Community Project), Series 2010, outstanding as of the date of the proposed refunding in the amount of \$26,570,000. The proposed issue will extend the put period of the 2010 Bonds from December 2023 to December 2028 and reduce the credit spread from 1.30% to 0.859%. The Series 2010 Bonds are and will be held by BB&T as Bank Bought Bonds. The proposed transaction is in accordance with an application received as follows:

**Executive Committee Action:** Motion was made by Dr. Schaaf to approve the refunding transaction for the Series 2010 Bonds, seconded by Ms. Kugler, and unanimously approved with recusals from Dr. Fagg, Mr. Hauser, and Dr. Rust.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be reissued	\$26,570,000
Equity Contribution Fund	<u>114,500</u>
<b>Total Sources</b>	<b>\$26,684,500</b>

**ESTIMATED USES OF FUNDS**

Amount to refund/reissue Series 2010 Bonds	\$26,570,000
Placement Agent Fee	10,000
Accountants fee	5,000
Corporation counsel	12,500
Bond counsel	20,000
Trustee fee and counsel	7,500
Local Government Commission Fee	8,750
Swap Advisor	21,000
Bank counsel	15,000
Real Estate fee	10,000
Miscellaneous	<u>4,750</u>
<b>Total Uses</b>	<b>\$26,684,500</b>

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.

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:**

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In addition, Arbor Acres United Methodist Retirement Community, Inc. met the Long Term Debt Service Coverage Ratio and Days Cash on Hand requirements for FYE 2015.

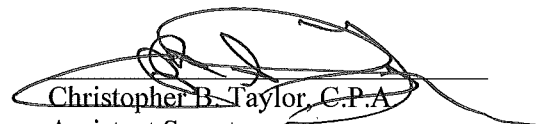
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4. **Adjournment**

There being no further business, the meeting was adjourned at 11:20 a.m.

Respectfully submitted,

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