

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

MINUTES

CALLLED MEETING OF THE EXECUTIVE COMMITTEE  
CONFERENCE TELEPHONE MEETING ORIGINATING  
FROM THE COMMISSION'S OFFICE

August 12, 2014  
11:00 A.M.

Members of the Executive Committee Present:

Dr. John A. Fagg, Chairman  
Joseph D. Crocker, Vice-Chairman  
Dr. George A. Binder  
George H.V. Cecil  
Albert F. Lockamy, R.Ph.  
Dr. Carl K. Rust

Members of the Executive Committee Absent:

Mary L. Piepenbring

Members of Staff Present:

Christopher B. Taylor, CPA, Assistant Secretary  
Alice S. Creech, Bond Program Assistant

Others Present:

Tommy Brewer, Ziegler  
Jonathan Erickson, United Methodist Retirement Homes  
Allen Robertson, Robinson Bradshaw & Hinson, PA

**1. Purpose of Meeting**

To consider preliminary approval to refinancing project for United Methodist Retirement Homes (Cypress Glen Retirement Community) Series 2009A Bonds.

**2. United Methodist Retirement Homes, Durham, NC - Christopher B. Taylor, Tommy Brewer & Allen Robertson**

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Mr. Al Lockamy and unanimously approved with Dr. Fagg and 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 effect a reissuance for federal tax purposes of the North Carolina Medical Care Commission \$6,585,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Cypress Glen Retirement Community) Series 2009A. The Series 2009A Bonds are currently outstanding in the amount of \$5,970,000. The transaction will extend the initial put period for ten years from October 1, 2014 to October 1, 2024. The interest rate for the period will be changed from 68% of one month LIBOR plus 1.625% to 68% of one month LIBOR plus 1.1325%. The Bonds are currently held by BB&T as Bank Bought Bonds and will be held by BB&T after the completion of the transaction. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$5,970,000
Equity contribution	<u>57,895</u>
<b>Total Sources</b>	<b>\$6,027,895</b>

**ESTIMATED USES OF FUNDS**

Reissuance of 2009A Bonds	\$5,970,000
Structuring agent fee	20,895
Corporation counsel	9,500
Bond counsel	15,000
Bank counsel	3,500
Miscellaneous	<u>9,000</u>
<b>Total Uses</b>	<b>\$6,027,895</b>

Tentative approval is given with the understanding that the governing board of 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 reissuance of the bonds or notes.
3. Financial feasibility must be determined prior to the reissuance 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 reissuance of bonds for this project and may approve the reissuance 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. 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 2013 Audits for Cypress Glen (CG) and United Methodist Retirement Homes (UMRH) (They merged as of October 1, 2013)**

	<u>CG</u>	<u>UMRH</u>
<b>Operating income</b>	<b>\$1,527,624</b>	<b>\$2,984,779</b>
<b>Change in unrestricted net assets</b>	<b>\$1,363,539</b>	<b>\$4,045,270</b>
<b>Change in net assets</b>	<b>\$2,045,074</b>	<b>\$4,235,164</b>
<b>Net cash provided by operating activities</b>	<b>\$3,946,865</b>	<b>\$5,756,582</b>

**Net change in cash** **\$229,762** **(\$1,291,195)**

2) **Ratings: Neither UMRH or CG are rated**

3) **Long Term Service Coverage Ratios**

<b>Actual</b>	<b>FYE</b>	<b>2013</b>	<b><u>1.77</u></b>
<b>Projected</b>	<b>FYE</b>	<b>2014</b>	<b><u>2.04</u></b>
<b>Projected</b>	<b>FYE</b>	<b>2015</b>	<b><u>2.15</u></b>
<b>Projected</b>	<b>FYE</b>	<b>2016</b>	<b><u>2.29</u></b>

4) **Community Benefit Percentage G.S. 105- for FYE 2013**

	<u><b>CG</b></u>	<u><b>UMRH</b></u>
<b>G.S. 105 Percentage</b>	<b>8.72%</b>	<b>10.78%</b>
<b>Property tax exemption</b>	<b>100%</b>	<b>100%</b>

5) **Transaction Participants**

<b>Structuring agent</b>	<b>Ziegler Securities</b>
<b>Borrowers counsel</b>	<b>Womble Carlyle Sandridge &amp; Rice, PLLC</b>
<b>Bond counsel</b>	<b>Robinson Bradshaw &amp; Hinson, PA</b>
<b>Bank purchaser</b>	<b>BB&amp;T</b>
<b>Bank counsel</b>	<b>Moore &amp; Van Allen</b>
<b>Bond trustee</b>	<b>US Bank</b>

### 3. Adjournment

There being no further business, the meeting was adjourned at 11:22 a.m.

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

Executive Committee Conference Call  
August 12, 2014