

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
October 16, 2014
2:00 P.M.**

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
George A. Binder, MD
Albert F. Lockamy, RPh
Mary L. Piepenbring

Members of the Executive Committee Absent:

John A. Fagg, MD, Chairman
George H. V. Cecil
Carl K. Rust, MD

Members of Staff Present:

Drexdal R. Pratt, DHSR Director/MCC Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Alice S. Creech, Bond Program Assistant

Others Present:

Tommy Brewer, Ziegler
Adam Garcia, Ziegler
Allen Robertson, Robinson Bradshaw & Hinson, PA

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

Executive Committee Action: A motion was made by Dr. Binder, seconded by Mr. Lockamy and unanimously approved

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 \$24,250,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005B. The Series 2005B Bonds are currently outstanding in the amount of \$9,990,000. The transaction will extend the initial put period for approximately ten years from February 4, 2015 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 Series 2005B 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	\$9,990,000
Equity contribution	<u>70,465</u>
Total Sources	\$10,060,465

ESTIMATED USES OF FUNDS

Reissuance of 2005B Bonds	\$9,990,000
Structuring agent fee	34,965
Corporation counsel	7,000
Bond counsel	15,000
Bank counsel	3,500
Miscellaneous	<u>10,000</u>
Total Uses	\$10,060,465

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 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
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:

A. 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>
Operating income	\$1,527,624	\$2,984,779

Change in unrestricted net assets	\$1,363,539	\$4,045,270
Change in net assets	\$2,045,074	\$4,235,164
Net cash provided by operating activities	\$3,946,865	\$5,756,582
Net change in cash	\$229,762	(\$1,291,195)

B. Ratings: Neither UMRH or CG are rated

C. Long Term Service Coverage Ratios

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

D. Community Benefit Percentage G.S. 105- for FYE 2013

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

E. Transaction Participants

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

2. Adjournment

There being no further business, a motion to adjourn was made by Mr. Lockamy, and seconded by Ms. Piepenbring. The meeting was adjourned at 2:20 p.m.

Respectfully submitted,

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

