

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
 MEDICAL CARE COMMISSION QUARTERLY MEETING
 DIVISION OF HEALTH SERVICE REGULATION
 801 BIGGS DRIVE, RALEIGH NC 27603
 BROWN BUILDING CONFERENCE ROOM- 104
 PLANNING SESSION**

**July 9, 2015
 3:00 P.M.**

**MEDICAL CARE COMMISSION QUARTERLY MEETING
 DIVISION OF HEALTH SERVICE REGULATION
 801 BIGGS DRIVE, RALEIGH NC 27603
 BROWN BUILDING CONFERENCE ROOM- 104**

**July 10, 2015
 9:00 A.M.
MINUTES**

I. MEDICAL CARE COMMISSION PLANNING SESSION– July 9, 2015

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. Charles T. Frock Harold E. Garland, Jr. Charles H. Hauser Eileen C. Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr., RPh Paul A. McGill, D.D.S. Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. <u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u> Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher Taylor, CPA, Assistant Secretary, MCC Cheryl Ouimet, Chief Operating Officer, DHSR Bethany Burgon, Assistant Attorney General Steven Lewis, Chief, Construction Section, DHSR Nadine Pfeiffer, Rules Coordinator, DHSR Alice Creech, Executive Assistant, MCC	Elizabeth P. Kanof, M.D. G Wayne Long

COMMISSION ACTION:

The Medical Care Commission held its planning meeting on Thursday, July 9, 2015 to review the agenda for Friday, July 10, 2015. Dr. Fagg welcomed everyone to the meeting. The Commission then reviewed the Health Care Cost Reduction & Transparency Rules, Adoption of 1 Rule for Nurse Aide Registry Training and The Licensing of Home Care Agency Rules.

The agenda was referred without action to the Medical Care Commission meeting on July 10, 2015.

II. MEDICAL CARE COMMISSION MEETING –July 10, 2015

MEMBERS PRESENT	MEMBERS ABSENT
<p>John A. Fagg, M.D., Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. Charles T. Frock Harold Garland Charles H. Hauser Elizabeth P. Kanof, M.D. Eileen C. Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr., RPh Paul McGill, D.D.S. Mary L. Piepenbring Carl K. Rust, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Paul M. Wiles</p> <p><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u> Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher B. Taylor, CPA, Assistant Secretary, MCC Cheryl Ouimet, Chief Operating Officer, DHSR Nadine Pfeiffer, Rules Coordinator, DHSR Jesse Goodman, Chief, HCPR & Information Technology Kathy Turner, Facility Survey Branch Manager, HCPR Steven Lewis, Chief, Construction Section, DHSR Azzie Conley, Chief, Acute and Home Care, DHSR Nancy Joyce, Administrative Officer/Acute and Home Care, DHSR Greta Hill, Nurse Consultant/Acute and Home Care/DHSR Alice Creech, Executive Assistant/MCC</p>	<p>G. Wayne Long Robert E. Schaaf, M.D.</p>

III. CHAIRPERSON’S COMMENTS – Dr. Fagg welcomed everyone to the meeting and reemphasized the Commission’s Policy on Conflict of Interest, which was in force for the meeting today. After consulting with the Ethics Commission and the Attorney General’s Office it was decided that any Commission Member may discuss and ask questions on any bond issue. Once a Member makes a motion to approve or disapprove a bond issue, you must recuse from the vote if you own stock in the bank which is involved in the bond transaction.

IV. APPROVAL OF MINUTES from the May 15, 2015 meeting was requested (**attached as Exhibit A**)

Commission Action: Motion was made by Mr. Crocker, seconded by Dr. Binder and unanimously approved with one correction.

V. DIVISION DIRECTOR’S REPORT – Drexdal R. Pratt

Mr. Pratt reported on the condition of the State Budget and on matters of interest to the Commission. Mr. Pratt announced that after 42 years of State service, he will be retiring effective January 1, 2016. Other items to report on are listed below **(Exhibits B-B/1)**:

The Executive Committee held telephone conference meetings on the following dates:

May 7, 2015 – To consider a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Rex Hospital, Inc. **(attached as Exhibit B)**.

June 17, 2015 – To consider a final resolution authorizing the reissuance/conversion of bonds for Iredell Memorial Hospital and resolutions requesting preliminary approval for a refunding for The Pines at Davidson, Presbyterian Homes and Wayne Memorial. **(attached as Exhibit B/1)**.

Commission Action: Motion was made to approve the Executive Committee Minutes by Mr. Hauser, seconded by Ms. Kugler and unanimously approved.

VI. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$14,712,108 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group), Series 2015.

Statements were given by: Tim Webster, Julia Hanover, Jeff Poley and Tad Melton.

Commission Action: Motion was made by Mr. Hauser, seconded by Mr. Wiles and unanimously approved with Dr. Fagg and Dr. Rust abstaining from the vote.

WHEREAS, the North Carolina Medical Care Commission (the “Commission”) is a commission of the Department of Health and Human Services of the State of North Carolina and is authorized under Chapter 131A of the General Statutes of North Carolina, as amended (the “Act”), to borrow money and to issue in evidence thereof bonds and notes for the purpose of providing funds to pay all or any part of the cost of financing or refinancing health care facilities (including retirement facilities) and to refund bonds previously issued by the Commission; and

WHEREAS, The Presbyterian Homes, Inc. (the “Parent”), is a North Carolina nonprofit corporation and a “non-profit agency” within the meaning and intent of the Act, which owns and operates a continuing care facilities for the elderly in Colfax, North Carolina and Laurinburg, North Carolina; and

WHEREAS, Glenaire, Inc. (“Glenaire” and, together with the Parent, the “Corporations”), is a North Carolina nonprofit corporation and a “non-profit agency” within the meaning and intent of the Act, which owns and operates a continuing care facility for the elderly in Cary, North Carolina; and

WHEREAS, the Corporations have made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (a) refund the Refunded Bonds (as defined in the hereinafter mentioned Trust Agreement) and (b) pay certain fees and expenses incurred in connection with the issuance and sale of the Bonds (as defined below) by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed refunding and, by a resolution adopted on June 17, 2015, has approved the issuance of the Bonds, subject to compliance by the Corporations with the conditions set forth in such resolution, and the Corporations have complied with such conditions to the satisfaction of the Commission; and

WHEREAS, there have been made available draft copies of the following documents relating to the issuance of the Bonds:

- a Trust Agreement, to be dated as of July 1, 2015 (the "Trust Agreement"), by and between the Commission and U.S. Bank National Association, as bond trustee (the "Bond Trustee");
- a Contract of Purchase, to be dated on or about July 15, 2015 (the "Purchase Agreement"), between the Local Government Commission of North Carolina (the "LGC") and BB&T Community Holdings Co. (the "Purchaser") and approved by the Corporations and the Commission, pursuant to which the Purchaser will offer to purchase the Bonds on the terms and conditions set forth therein;
- a Loan Agreement dated as of July 1, 2015 between the Commission and the Corporations, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporations;
- a Master Trust Indenture, dated as of February 15, 1996, between Glenaire and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association, as master trustee (the "Master Trustee"), including all amendments or supplements thereto. The Parent became obligated under the Master Indenture by virtue of a Joinder Agreement, dated February 1, 2001, between Glenaire and the Parent;
- a Supplemental Indenture for Obligation No. 9 dated as of July 1, 2015 among the Corporations and the Master Trustee ("Supplement No. 9");
- Obligation No. 9 dated as of the date of delivery thereof from the Corporations to the Medical Care Commission in connection with the Bonds ("Obligation No. 9");
- a Supplemental Indenture for Obligation No. 10 dated as of July 1, 2015 among the Corporations and the Master Trustee (together with Supplement No. 9, the "Supplements");
- Obligation No. 10 dated as of the date of delivery thereof from the Corporations to the Purchaser in connection with the Bonds (together with Obligation No. 9, the "Obligations");
- certain Amendatory Deeds of Trust (as defined in the Trust Agreement);
- a Continuing Covenants Agreement, dated as of July 1, 2015, among the Corporations and the Purchaser; and
- a Letter of Instructions from the Corporations and the Commission to the bond trustees for the Refunded Bonds; and

WHEREAS, the Commission has determined that the Corporations are financially responsible and capable of fulfilling their obligations under the Loan Agreement, the Master Indenture, the Supplements, the Obligations, and the Deeds of Trust (as defined in the Master Indenture); and

WHEREAS, the Purchaser has offered to purchase the Bonds at a fixed interest rate equal to 2.81%; and

WHEREAS, the Commission has determined that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:

Capitalized words and terms used in this Series Resolution and not defined herein shall have the same meanings in this Series Resolution as such words and terms are given in the Master Indenture, the Trust Agreement and the Loan Agreement.

Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligation Group), Series 2015 (the "Bonds"), in an aggregate principal amount not to exceed \$14,712,108. The Bonds shall mature no later than July 1, 2031 and shall bear interest at such rates determined in accordance with the Trust Agreement and shall be subject to the principal payment schedule set forth in the Trust Agreement (which requirements are currently set forth in Exhibit A).

The Bonds shall be issued as fully registered bonds in denominations of \$1. Interest on the Bonds shall be paid at the times and at the rates determined as specified in the Trust Agreement. Payments of principal of and interest on the Bonds shall be made to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

The Bonds shall be subject to optional and extraordinary redemption, at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

The proceeds of the Bonds shall be applied as provided in Section 2.10 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refund the Refunded Bonds and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

The forms, terms and provisions of the Trust Agreement, the Loan Agreement and the Letter of Instructions are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Trust Agreement, the Loan Agreement and the Letter of Instructions in substantially the forms 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.

The form, terms and provisions of the Purchase Agreement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions 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.

The forms of the Bonds set forth in the Trust Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust

Agreement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

The forms, terms and provisions of the Supplements, Obligations and Amendatory Deeds of Trust are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission, with the advice of counsel may deem necessary and appropriate; and the execution and delivery of the Trust Agreements as provided in Section 5 of this Series Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

The Commission hereby approves the action of the Local Government Commission authorizing the private sale of the Bonds to the Purchaser in accordance with the Purchase Agreement at the purchase price of 100% of the principal amount thereof.

Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the satisfaction of the conditions set forth in Section 2.10 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Purchaser against payment therefor.

U.S. Bank National Association is hereby appointed as the initial Bond Trustee for the Bonds.

Drexdal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Kathy C. Larrison, Auditor of the Commission, Crystal Watson-Abbott, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Trust Agreement and the Loan Agreement, with full power to carry out the duties set forth therein. The Assistant Secretary of the Commission is authorized to execute and deliver the Tax Certificate and Form 8038 in such form as he, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement and the Purchase Agreement.

The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby authorized and directed (without limitation except as may be expressly set forth herein) 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 transactions contemplated by the Trust Agreement and the Loan Agreement.

A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this financing with the current estimate of professional fees incurred in connection with the financing is set forth in Exhibit B attached hereto and made a part hereof. Final professional fees will be submitted to Commission within 30 days after issuance of the Bonds.

This Series Resolution shall take effect immediately upon its passage.

EXHIBIT A

PRINCIPAL PAYMENT SCHEDULE

EXHIBIT B

**PROFESSIONAL FEES COMPARISON FOR THE PRESBYTERIAN HOMES, INC.
 AND GLENAIRE, INC.**

PROFESSIONAL	FEES ESTIMATED IN PRELIMINARY APPROVAL RESOLUTION	ACTUAL FEES
Accountants	\$ 5,000	\$ 1,000
Corporation Counsel	20,000	17,000
Bond Counsel	50,000	50,000
Placement Fee	20,000	17,500
Bank Counsel	40,000	30,000
Phase 1 Environmental	15,000	0
Title Policy	25,000	0
Division of Health Service Regulation	5,000	0
Bank Commitment Fee	37,000	0
Trustee Counsel		4,500
Trustee Fee	2,500	2,500
LGC Fee	8,750	8,750
Miscellaneous	19,872	0
Appraisal	25,000	0
	\$273,1220	\$131,250

VII. DISCUSSION & EXPLANATION OF THE RECENTLY APPROVED BOND ISSUE FOR PENNYBYRN AT MARYFIELDMike Kelly & Jon Mize
(attached as Exhibit C)

VIII. DISCUSSION & EXPLANATION OF THE RECENTLY APPROVED BOND ISSUE FOR VIDANT HEALTH.....Paul Billow & David Kasdin
(attached as Exhibit D)

VIV. COMPLIANCE DEFICIENCIES.....Crystal Watson-Abbott & Kathy Larrison
 **(attached as Exhibit H)**

X. BOND PROJECTS

A. Aldersgate United Methodist Retirement Community, Inc., Charlotte -Christopher B. Taylor and Steven C. Lewis **(see as Exhibit I)**

Statements were given by: Susanne Pugh, Ray Fisher, Tommy Lawing, Brian Schiff and Jeff Weatherhead.

Commission Action: Motion was made by Dr. Binder, seconded by Mr. Frock and unanimously approved with Dr. Fagg and Dr. Rust abstaining from the vote.

Resolved: The Commission grants preliminary approval to a project for Aldersgate United Methodist Retirement Community, Inc. to provide funds, to be used together with other available funds, to fund the cost of a replacement 120 bed nursing home plus 5 home for the aged beds for a total of 125 beds (Second Phase of Master Plan) and to takeout the outstanding BB&T bank loan, the proceeds of which, were used to fund Phase 1 in the amount of \$5,500,000 all in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$49,420,000
Other Equity – Excess 2%	<u>341,000</u>
Total Sources	\$49,761,000

ESTIMATED USES OF FUNDS

Site Costs-Site utility development and accessibility costs	\$1,823,000
Construction contracts	29,343,000
Construction contingency (1% of construction contract)	301,560
Architect/engineer fees (4.4%) and reimbursables	1,350,000
Surveys, tests, insurance	838,000
Consultants’ fees Owner’s Representation	147,000
Consultants’ fees Project Management	336,000
Marketing costs	40,000
Interior Design	90,000
Amount required to repay BB&T loan	5,500,000
C.O.N. Consultant and application fee	105,000
Bond interest during construction	5,138,000
Debt service reserve fund	3,424,000
Underwriters’ discount/placement fee	865,000
Feasibility fees	121,000
Accountants fees	25,000
Legal fees for Corporation Counsel	75,000
Bond counsel	85,000
Trustee fees	5,000
Printing costs	10,000
DHSR reimbursables (G.S. 131E-267)	35,690
Local Government Commission fee	8,750
Survey	15,000
Title Insurance	75,000
Trustee’s Counsel	<u>5,000</u>
Total Uses	\$49,761,000

Tentative approval is given with the understanding that the governing board of Aldersgate 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.

10. 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 2014 Audited Financial Statements	
Operating Income (Loss)	(\$1, 216,563)
Increase (Decrease) in Unrestricted Net Assets	(\$1,708,293)
Increase (Decrease) in Net Assets	(\$2,027,529)
Net Cash Provided by Operating Activities	\$2,061,107
Increase (Decrease) in Cash and Cash Equivalents	(\$2,494,132)

- 2) Aldersgate United Methodist Retirement Community Inc. is not rated.
- 3) Community Benefit Percentage under GS 105 for 100% Property Tax Exemption = 5.66%

4) Long Term Debt Service Coverage Ratios

Actual FYE	2014	1.50
Forecasted	2015	2.06
Forecasted	2016	2.01
Forecaster	2017	2.31



5) Transaction Participants

Underwriter	BB&T Capital Markets
Bond counsel	Parker Poe Adams & Bernstein, LLP
Corporation counsel	Poyner & Spruill
Underwriter's counsel	Harris Beach, PLLC
Trustee	Bank of New York Mellon Trust Company

6) Attachments

- (a) Board & resident diversity
- (b) Entrance fee schedule & Monthly fee schedule
- (c) Compliance update

Aldersgate United Methodist Retirement Community, Inc.
Board & Resident Diversity

As requested, below is a summary of Aldersgate's board and resident diversity.

Board Diversity

- Racial Diversity: 92% Caucasian / 8% African American.
- Gender Diversity: 58% male / 42% female

- Economic Diversity: Aldersgate’s board members are comprised of middle to upper middle socio-economic class members.

Resident Diversity

- Racial Diversity:
 - 98% Caucasian and minimal representation of Asian, Latino, and Mediterranean descent.
 - In the Medicare Part A practice, at any point in time we are serving non-Caucasians, largely African American individuals in our Part A beds.
- Gender Diversity: 67% female / 33% male
- Economic Diversity:
 - Largely upper middle economic status
 - In the Medicare Part A beds Aldersgate typically serves low-middle to middle income individuals.

Attachment B

Refundable Entrance Fee Schedule Existing Independent Living Units – Effective January 1, 2015

Residence Type	Approx. Sq. Ft	90% Refundable Plan	50% Refundable Plan	0% Refundable Plan

Apartments				
1 Bedroom	585	\$125,000	\$125,000	\$87,500
1 Bedroom	585	\$135,200	\$135,200	\$97,800
1 Bedroom/Kitchen	585	\$152,900	\$152,900	\$107,000
2 Bedroom	782	\$177,700	\$177,700	\$124,400
2 Bedroom/Kitchen	1067	\$195,200	\$195,200	\$136,700
2 Bedroom/Kitchen	1170	\$227,600	\$227,600	\$162,400
1 Bedroom/1 Bath	750	\$175,100	\$175,100	\$122,600
1 Bedroom/1.5 Bath	955	\$216,300	\$216,300	\$151,400
2 Bedroom/2 Bath/Balcony	1050	\$236,900	\$236,900	\$165,800
2 Bedroom/2 Bath/Balcony	1075	\$242,000	\$242,000	\$169,500
2 Bedroom/2 Bath/Dining	1150	\$257,500	\$257,500	\$180,200
2 Bedroom/2 Bath/Dining	1180	\$262,600	\$262,600	\$183,900
2 Bedroom/2 Bath/Dining/Balcony	1250	\$278,100	\$278,100	\$194,700
2 Bedroom/2 Bath/Den/Dining/Balcony	1400	\$309,000	\$309,000	\$216,300
2 Bedroom/2 Bath/Den/Dining/Balcony	1500	\$329,600	\$329,600	\$230,700
2 Bedroom/2.5 Bath/Den/Dining/Balcony	1660	\$365,600	\$365,600	\$256,000
Cottages/Executive Homes				
2 bedroom/1 or 1.5 bath	1302	\$166,200	\$166,200	\$116,400
2 bedroom/2 or 2.5 bath	1378	\$166,200	\$166,200	\$116,400
2 bedroom/2 or 2/5 bath	2500	\$306,600	\$306,600	\$214,600
3 bedroom/2 bath	1420	\$166,200	\$166,200	\$116,400
3 bedroom/2 bath	1894	\$306,600	\$306,600	\$214,600
2 Bedroom/2 Bath/Garage	1740	\$386,500	\$386,500	\$270,500
2 Bedroom/2 Bath/Den/Garage	1867	\$412,800	\$412,800	\$289,900
2 bedroom/2 Bath	1598	\$357,100	\$357,100	\$250,000
2 Bedroom/2 Bath/Den/Garage	1598	\$366,300	\$366,300	\$256,500
2 Bedroom/2 Bath	1650	\$401,950	\$401,950	\$281,400
2 Bedroom/2.5 Bath/Den	1880	\$426,450	\$426,450	\$298,500
2 Bedroom/2.5 Bath/Den	2035	\$438,700	\$438,700	\$307,100

Fees shown above apply to either single- or double-occupancy in the same residence.

Attachment B (Continued)

Monthly Service Fee Schedule Existing Independent Living Units – Effective January 1, 2015

Residence Type	Approx. Sq. Ft	90% Refundable Plan	50% Refundable Plan	0% Refundable Plan
Apartments				
1 Bedroom	585	\$2,230	\$1,785	\$2,230
1 Bedroom	585	\$2,355	\$1,836	\$2,355
1 Bedroom/Kitchen	585	\$2,355	\$1,868	\$2,355
2 Bedroom	782	\$2,386	\$1,908	\$2,386
2 Bedroom/Kitchen	1067	\$2,470	\$1,975	\$2,470
2 Bedroom/Kitchen	1170	\$2,577	\$2,062	\$2,577
1 Bedroom/1 Bath	750	\$2,673	\$2,138	\$2,673
1 Bedroom/1.5 Bath	955	\$2,994	\$2,395	\$2,994
2 Bedroom/2 Bath/Balcony	1050	\$3,315	\$2,652	\$3,315
2 Bedroom/2 Bath/Balcony	1075	\$3,423	\$2,738	\$3,423
2 Bedroom/2 Bath/Dining	1150	\$3,530	\$2,824	\$3,530
2 Bedroom/2 Bath/Dining	1180	\$3,637	\$2,909	\$3,637
2 Bedroom/2 Bath/Dining/Balcony	1250	\$3,851	\$3,081	\$3,851
2 Bedroom/2 Bath/Den/Dining/Balcony	1400	\$4,172	\$3,338	\$4,172
2 Bedroom/2 Bath/Den/Dining/Balcony	1500	\$4,387	\$3,509	\$4,387
2 Bedroom/2.5 Bath/Den/Dining/Balcony	1660	\$4,708	\$3,766	\$4,708
Cottages/Executive Homes				
2 bedroom/1 or 1.5 bath	1302	\$3,154	\$2,524	\$3,154
2 bedroom/2 or 2.5 bath	1378	\$3,154	\$2,524	\$3,154
2 bedroom/2 or 2/5 bath	2500	\$3,154	\$2,656	\$3,154
3 bedroom/2 bath	1420	\$3,154	\$2,524	\$3,154
3 bedroom/2 bath	1894	\$3,154	\$2,656	\$3,154
2 Bedroom/2 Bath/Garage	1740	\$4,024	\$3,219	\$4,024
2 Bedroom/2 Bath/Den/Garage	1867	\$4,176	\$3,340	\$4,176
2 bedroom/2 Bath	1598	\$3,952	\$3,161	\$3,952
2 Bedroom/2 Bath/Den/Garage	1598	\$3,815	\$3,052	\$3,815
2 Bedroom/2 Bath	1650	\$4,067	\$3,253	\$4,067
2 Bedroom/2.5 Bath/Den	1880	\$4,307	\$3,446	\$4,307
2 Bedroom/2.5 Bath/Den	2035	\$4,514	\$3,611	\$4,514

Rates shown above apply to single-occupancy. The rates for double-occupancy include an additional \$864 per month regardless of residence type.

One meal per day is included in the rates for Independent Living Residents with an option for a two or three meal per day plan at an additional charge.

(Continued)

Monthly Service Fee Schedule <u>Existing Health Care Beds</u>– Effective January 1, 2015		
Residence Type	Temporary Transfers	Permanent Transfers
Parker Terrace (Assisted Living)		
Studio		
- Tier 1	\$4,531/month	
- Tier 2	\$5,442/month	
- Life Care Rate		\$4,242/month
One Bedroom Apartment**		
- Tier 1	\$4,713/month	
- Tier 2	\$5,613/month	
- Life Care Rate		\$4,242/month
Cuthbertson Village Memory Support (Assisted Living)		
One Bedroom Apartment		
- Tier 1	\$5,517/month	
- Tier 2	\$6,374/month	
- Life Care Rate		\$4,242/month
Asbury Care Center (Health Care Facility)		
- Tier 1	\$253/day	
- Tier 2	\$287/day	
- Life Care Rate		\$4,019/month

Rates for residents of Asbury Care Center, Cuthbertson Village and Parker Terrace Assisted Living include three meals per day.

Temporary absence of the Resident from Aldersgate for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee.

***Health Care Fees for Non-Members at Asbury Care Center (all rooms are private)**

Tier 1 \$253/day
 Tier 2 \$287/day

***Health Care Fees for Non-Members at Cuthbertson Village (all rooms are private)**

Tier 1 \$5,517/monthly fee
 Tier 2 \$6,374/monthly fee

Attachment C

Compliance

Aldersgate United Methodist Retirement Community, Inc. (Aldersgate) FYE 2012 compliance examination was completed in March 2014 and in March of 2014, the CEO and CFO were notified of the eight (8) findings for FYE 2012. The FYE 2013 compliance examination completed in March 2015 yielded a total of sixteen (16) findings involving documents not being timely filed to the Commission, and in March of 2015, the CEO and CFO were notified of the findings for FYE 2013. Of the 16 findings reported for FYE 2013, 4 of the findings were reoccurring findings from FYE 2012, 8 of the findings related to the new 2013 Bond Issue, and 4 of the findings were not new filing requirements for FYE 2013 and were complied with for FYE 2012.

It should be noted that since 2011, Aldersgate has been through several transitions with regards to their CEO and CFO. In April 2011, Ms. Suzanne Pugh officially became the CEO of Aldersgate due to the former CEO's abrupt departure. In March 2013, Aldersgate's longtime CFO departed for another job leaving Aldersgate without a permanent CFO until the new CFO could be hired. During the transition time of the new CFO starting in September 2013, the former CFO provided Aldersgate with limited consulting services to aid in their continued compliance. Once the new CFO began in September 2013, the CFO had to gain an understanding of the compliance requirements relating to the bond issues. Finally, in October 2013, Aldersgate refunded the 2009 and 2013 Bond Series with the issuance of the 2013 Bond Series. Therefore, for FYE 2013, Aldersgate had to comply with the requirements of the 2009 and 2010 Bonds until the bonds were refunded in October 2013 with the issuance of the 2013 Series Bonds.

In November 2013, the Commission's auditor was made aware of Aldersgate hiring a new CFO. At that time, the Commission's auditor spoke with the new CFO concerning the bond covenant requirements and the timing of when documents are required to be filed to the Commission and other entities. The Commission's auditor offered to meet with the new CFO to discuss in further detail the covenant requirements of the bond documents, but was informed by the new CFO that they needed additional time acclimating themselves with the bond documents before meeting with the Commission's auditor since bond compliance requirements were new to the CFO. While working on the FYE 2012 compliance examination in February 2014, the Commission's auditor offered to meet with the CFO to discuss the covenant requirements for the outstanding 2009 and 2010 bonds in addition to the new filing requirements for the 2013 Bond Series and offered to provide the CFO with the Commission auditor's checklist for the 2009 and 2010 Bond Series along with an updated checklist including the 2013 Bond Series. Finally, in May of 2014, the Commission's auditor met Aldersgate's CFO at the annual Leading Age Conference and once again offered to meet with the CFO to discuss in detail the covenant requirements and offer any assistance to ensure Aldersgate complied with the document filings. The CFO never accepted the Commission's auditor's offer for the compliance checklist nor to meet in person to discuss in detail the bond covenant requirements.

It should be noted the findings for FYE 2013 will be prevalent for the FYE 2014 compliance examination. The Commission's auditor often times had to request the CFO file the required document filings on a quarterly and annual basis, as it was apparent the CFO did not have procedures in place to ensure documents were submitted as required. When a document had to be requested more than twice from the CFO, the CEO was copied on the email correspondence to the CFO listing the dates the document was originally requested. It should be noted the first quarter financial report required for FYE 2015 was timely filed to the Commission by the CEO.

The CEO of Aldersgate, Ms. Suzanne Pugh, has implemented the following steps to improve Aldersgate's compliance with the bond covenants:

1. The Aldersgate CFO for FYE 2013 and FYE 2014 is no longer employed by Aldersgate effective March 27, 2015.

2. Aldersgate has created a matrix concerning all regulatory & reporting requirements that will be maintained by the Controller, CFO, CEO, COO and HR Director and will entail the following procedures:

a. Processes:

- i. Matrix will be reviewed each month by senior management to ensure the regulatory and reporting requirements for Aldersgate are current based upon the documents at that time.
- ii. All tasks “reporting requirements” will be placed in the Task Manager section of Outlook for each individual assigned to produce, review and submit each task.
 1. First reminder will be sent to each individual 30 days before the due date.
 2. After the first reminder, subsequent reminders will be sent on a weekly basis to the individual assigned to the report (document).
 3. Two weeks before the due date, the CEO, CFO, and Controller will receive a reminder of the task to be performed and the individual it is assigned to.
- iii. Once the report has been produced, the task will be marked as completed in Task Manager.
 1. An individual with knowledge of the information will review the report (document) before submission to check for accuracy, completeness & format.
 2. There will be separation of duties so that the person preparing the document is not the person reviewing the document.
 3. This review will take place one week before the due date of the report (document).
- iv. After the final review, report (document) will be submitted to the appropriate recipients.
 1. Upon submission of the report (document), the producer, review and submitter will initial & date the printout of the compliance matrix which will be contained in the “Compliance Control Notebook”.
 - a. Samples of the report and validation of the submission will be maintained in the book.
 2. Administrative Assistant and CEO will be copied on all submissions.
 3. The book will be maintained by the CFO or Controller.

b. Accountability for Compliance:

- i. Will become part of the performance review for individuals assigned to any part of the process.
- ii. Board of Directors will receive an updated compliance matrix at each quarterly meeting and time will be allotted for members to ask questions.
- iii. Finance Committee Board will do a more detailed review of the compliance requirements to ensure Aldersgate is up to date & accurate with compliance
- iv. The Compliance Policy and related processes will be reviewed on an annual basis by Senior Management & the Finance Committee to ensure the processes continue to be effective.
- v. CFO or Controller will notify the CEO immediately if a covenant becomes problematic (based upon actual or projected financial performance).
 1. If a remedy cannot be identified, the Finance Committee Chair will be informed within 5 business days.

c. Organizational Capability:

- i. Finance Department Restructuring
 1. Addition of a Controller and Accounting Manager to allow the CFO to operate more in a review capacity.
 2. Both positions will be cross trained to ensure key reports can be produced if either position becomes vacant.
- ii. Key financial reports will be cross checked
- iii. CFO, Controller and Accounting Manager will be trained and will create a suite of reports tailored to meet the needs of internal & external reporting requirements. The training will be documented so it will continue if one individual leaves the organization.
- iv. CEO will have enhanced transparency of the effectiveness of the CFO – how success is both defined & achieved will be outlined for each position in the Finance Department.
- v. Transparency, accountability & cross-checks will be in place to ensure compliance becomes a part of what the organization does every day.
 1. Compliance will become an organization responsibility.

In 2013, Aldersgate subdivided several parcels of land on its existing property that already exempt from property taxes. When the CFO left in March 2015, Aldersgate learned the County of Mecklenburg considered the parcels that were subdivided in 2013 to not be exempt from property taxes. The loss of the property tax exemption placed Aldersgate on the list of delinquent businesses with regards to property taxes owed to the County of Mecklenburg. Once the CEO became aware of the issue, the CEO, along with the assistance of their attorney quickly filed the proper property tax exemption forms and on May 9, 2015, the County approved Aldersgate's request for tax exemption status of the parcels subdivided in 2013.

In addition, during the work to resolve the property tax exemption listed above, the CEO discovered there are three small parcels of land on the Aldersgate property that had never been designated as tax-exempt. The CEO has filed the appropriate paper-work to obtain property tax exemption status for the three parcels of land and is awaiting approval from the Mecklenburg Board of Equalization and Review.

XI. OLD BUSINESS

Rules for Final AdoptionNadine Pfeiffer
(attached as **Exhibits E-E/3**)

Commission Action: It was unanimously approved to adopt the Health Care Cost Reduction & Transparency Rules for final adoption with technical changes to Exhibit E and Exhibit E1.

Health Care Cost Reduction & Transparency Rules
(1) Licensing of Hospitals, 10A NCAC 13B. 2101 and .2102

(2) Licensing of Ambulatory Surgical Facilities, 10A NCAC 13C .0103 and .0206

XII. NEW BUSINESS

A. Rules for Initiating Rulemaking Approval (Rules & Fiscal Note).....Nadine Pfeiffer

Commission Action: It was unanimously approved to adopt the Health Care Personnel Registry Rule, 10A NCAC.0301 with the fiscal note.

(1) Health Care Personnel Registry Rule (attached as **Exhibits F-F/1**)
Adoption of 1 Rule for Nurse Aide Registry Training, 10A NCAC .0301

B. Periodic Review of Existing Rules (HB 74) – Initial Category Determination

Commission Action: It was unanimously approved to adopt the Periodic Review of Existing Rules Initial Category Determination.

10A NCAC 13J, The Licensing of Home Care Agencies(attached as **Exhibits G-G/1**)

C. The Commission will be discussing various aspects of the Bond Program at the November Meeting.

D. CONFLICT OF INTEREST POLICY.....Dr. John Fagg & Bethany Burgon

This Commission will be adopting a policy on recusal that will be posted on the Medical Care Commission’s Website. Dr. Fagg and Ms. Burgon will be working on this policy and will bring it back to our November 12th Planning Session Meeting.

E. COMPLIANCE POLICY.....Christopher B. Taylor

A draft of a Compliance Policy was introduced by Chris Taylor. This policy will be addressed and discussed at our Thursday meeting in November. **(attached as Exhibit I)**

XIII. REFUNDING OF COMMISSION BOND ISSUES.....Christopher B. Taylor

Resolved:

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 November 13, 2015 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 November 13, 2015.

XIV. MEMBER REPORT – Nothing to report.

XV. QUESTIONS FROM THE PUBLIC - The Chairperson will receive questions from the public.

XVI. ELECTION OF EXECUTIVE COMMITTEE MEMBERS.....Dr. John A. Fagg

Since we will have two Executive Committee Members' terms that will end on December 31, 2015, Dr. Fagg has decided to include the election of George Cecil's un-expired term that ends December 31st also. This will be done at our November 13, 2015 Meeting.

XVII. ADJOURNMENT - A motion was made by Dr. McGill, seconded by Ms. Piepenbring and unanimously approved.

The meeting adjourned around 11:45 A.M.

Drexdal R. Pratt, Secretary

Date: August 10, 2015
